



“Kaynes Technology India Limited
Acquisition Update Conference Call”

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MANAGEMENT: **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**

MODERATOR: **MS. BHOOMIKA NAIR -- DAM CAPITAL ADVISORS
LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Kaynes Technology Earnings Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question 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 on behalf of DAM Capital. This is a call with Kaynes Technology to discuss the recent acquisition of Iskraemeco. Today we have the management being represented by Mr. Ramesh Kannan, Managing Director, Mr. Jairam P. Sampath, Whole-Time Director and CFO and Mr. Rajesh Sharma, CEO. I'll now hand over the floor to Mr. Sampath for his initial remarks, post which we'll open up the floor for Q&A. Thank you and over to you sir.

Jairam Sampath: Thank you, Bhoomika ji. Just to clarify, I think the announcer said it's earnings call, it is not the earnings call. This is the call to clarify and ask a Q&A, an answer on Iskraemeco acquisition. So our company has acquired as per our filing, Iskraemeco India Private Limited. The purpose of the acquisition has been to secure our orders in the device area. Our company actually aims to become the largest smart meter manufacturing company in India. So this step is an important step towards the same thing. And going forward, we jointly will be offering our smart meters to all the different AMISPs.

As you know, already 11 crores meters have been awarded and another 11 crores meters yet to be awarded. Out of the meters which have been awarded also, there are many yet to be installed. So the ones which are yet to be installed plus the ones which are not yet awarded, they are the target for the coming future periods.

And so as you also know about the marketplace etc., I'd love to take questions now. So over to you, Bhoomika ji.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory, LLP. Please go ahead.

Garvit Goyal: Good morning, sir. My question is on the, like you mentioned in your opening remarks, we are the largest player in the smart meters. So did I hear it right? Because players like Genus Power is having a significant order book in this category. And secondly, what kind of opportunity do you see after this acquisition in this particular sector? Sir.

Jairam Sampath: Sir, could you repeat the second question?

Garvit Goyal: What kind of opportunities do we see in India in this particular category?

Jairam Sampath:

Sure, sure. So as far as the order book is concerned, the orders which have been already decided, which is namely in the PGCIL and in the West Bengal case. So those orders have been already placed on Iskraemeco, which back to back has been placed on us. So that's for three and a half million meters for in the case of Gujarat, which is PGCIL is the AMISP there, and in case of West Bengal.

So that is what has been placed back to back by Iskraemeco India on us, and we'll be executing. So totally about 11 crores, 110 million have been placed on various AMISPs and AMISPs with device manufacturing capabilities. There are two types.

Approximately about 50% is with AMISPs who don't have a device especially of their own, like IntelliSmart, EDF, Apraava, Monte Carlo, GMR. I think this is in the public domain. You can also find that out. So our objective is to get some share of these players.

Already some of them, they have probably decided because they have installed some, and then of course, some are out there. For the balance, about 110 million odd pieces, which are yet to be awarded, we will be working with all of these different AMISPs and offering them our meters so that we become the largest manufacturer or largest EMS for smart meters, and our customers will be these AMISPs who will be providing this product to the different distribution companies. And as far as the potential for this goes, there is domestic potential, of course, in the smart metering area, but we are looking at it as a power distribution products manufacturing.

So one is smart meter. There are other things in the grid and other areas, both in India and domestically and abroad. We do have clients outside of India too, which the business is developing, and we are in the stages of the initial RFQ being accepted and contracts being drawn up, etc.

So we'll advise about the business from those companies as soon as we get some firm orders on hand. There are some small pilot orders available. So there is a huge market potential, not only in India, but also outside of India, not only in smart meter, which is in consumer premises, but also in meters which are used in distribution setups.

Garvit Goyal:

Understood, sir. I think my question is answered, sir. Thank you.

Moderator:

The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera:

Yes. Hi, sir. Thanks for the opportunity.

Moderator:

Sorry to interrupt you, sir. I would request you to please use your handset.

Siddhartha Bera:

Sure. Okay. So thanks for the opportunity. Sir, first, if you can elaborate a bit more on buying out this entity, what extra advantages gains gets compared to other suppliers and why Iskraemeco Global [inaudible 0:07:00] and will there be any support you need from the Global parent? [inaudible 0:07:07] And second is, if we talk about the profitability, how it is compared to, say, directly dealing with Iskraemeco, with PGCIL or compared to any other AMISP where you will

be supplying the device while they have only won the order. So will there be a difference in the profitability as well for some of the other orders?

Jairam Sampath: Right. Firstly, the advantages to case technology being an acquisition which aids our strategy of increasing manufacturing in the areas which are high yielding areas for us. And this also gives us a new technological edge in the area of smart meters. And we can do other smart meters, not merely in the electricity area, but several other areas are there. Namely, you have gas meters, you have water meters, and all other metering solutions are there. So we will be able to address all of those areas.

Our objective, as I stated, is to become the largest EMS in the smart meter area. As far as profitability is concerned, I cannot give you a forward guidance, but I can tell you this much that this is margin accretive. With our business and we have examined all that very carefully before we took this decision.

Siddhartha Bera: Okay, okay.

Ramesh Kannan: So whatever guidance we have given, we will continue to do.

Siddhartha Bera: Yes. Understood. Got it, sir. So second question is in terms of opportunity or execution. I mean, I do see that generally, I mean, how to understand the execution phase? We have this order book of right now INR35 lakh. Within what period do you see these getting installed? And the remaining orders and execution? How to think about the ramp up over the next few years, if you can just elaborate on that?

Jairam Sampath: Yes. So as far as the execution is concerned, we have put up a new factory in Hyderabad, and that's ramping up. So we think that one and a half to two years time frame, we'll complete this 3.5 million plus whatever West Bengal orders are there. And further orders will come almost every month. We are receiving orders from various AMISPs and so in the time in which we execute these orders, by the time we would have already secured orders to fulfill our immediate target of becoming a very large, probably the largest manufacturer in the area of smart meters.

Siddhartha Bera: Okay, sir. Got it. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Funds. Please go ahead.

Mahesh Bendre: Hi, sir. Good morning. Thank you so much for the opportunity. Sir, currently, what proportion of our total sales comes from the smart meter segment?

Jairam Sampath: Currently, it's about 10%. And going forward, currently, yeah, can be about -- sorry. As of this year, we'll probably have around 10% of this. And going forward in next year, it would depend on what orders we get from other sectors. Yeah, about 10%, 12% probably, maybe at the peak, when we have a lot of execution load, it'll be about 15% of our total.

But this is completely dependent on what is the total growth rate for the entire portfolio plus what orders we get from other sectors. So this year, we'll probably have about 10% of our

business from these smart meters, because we are having only six months now. And yeah, next year onwards, it will increase, the proportion will increase a little bit when we ramp up the production.

Mahesh Bendre: Sure. And sir, by doing this acquisition, what advantage we are getting in terms of business? I mean, what is the benefit we are going to get out of this acquisition?

Jairam Sampath: Yeah, so one is by, see, Iskraemeco is one of the high-tech solution providers. So by acquiring this company, we get access to whatever orders that Iskraemeco would have got, that is first. So it increases our scale. Second thing is they have a lot of other technologies, especially in the other metering area. So we get access to those areas too. And then we can put our strategies in that area also. And also, in terms of profitability, it's a reasonably decent profitability. It's margin accretive. So these are the benefits that we have in terms of acquisition.

Mahesh Bendre: So basically, it's not for manufacturing. Basically, the technology and probably business they are already getting in. So that will accrue us, right, sir?

Jairam Sampath: No, this gives us scale in manufacturing. See, once you start off with the 3.5 million meters, that gives you scale in purchasing, scale in manufacturing, and so on, right? So that is the fundamental advantage. And then, of course, once you are at a different platform, then we can do other products, other products manufacturing too, as and when they are implemented. There will be projects implemented for other type of smart meters. Being a smart company which is making smart meters, it's advantageous to have that company in our fold.

Mahesh Bendre: Sure. Thank you so much, sir.

Jairam Sampath: Thank you.

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

Sonali Salgaonkar: Sir, thank you for the opportunity and congratulations on this acquisition. Sir, firstly, confirming a few numbers. You said that presently you have two customers in smart metering. One is PGCIL, other is West Bengal government. PGCIL, 3.5 million meters. Any number for West Bengal government order?

Jairam Sampath: No, as soon as those orders are logged in, see, West Bengal government has got total plan of about 20 million, INR2 crores they have awarded, out of which there are four AMISPs, if I'm not mistaken. So, we will compute these orders and we will probably let you know a little later once those orders are back-to-back placed on us. It is significant order only.

Sonali Salgaonkar: And out of the four AMISPs?

Jairam Sampath: First phase, some more than about 1 lakh meters have been implemented also. And I'm happy to tell you that most of the meters which have gone live is actually Iskraemeco meters. So, from that perspective, we have a positive view on West Bengal.

- Sonali Salgaonkar:** Sure. So, out of the four AMISP awarded, one is this company, right?
- Jairam Sampath:** Iskraemeco will be like a system integrator there. So, we will do whatever is required in order to fulfill the order conditions.
- Sonali Salgaonkar:** Understood. Sir, secondly, on the potential of this industry, smart metering industry, you said that balance yet to be awarded is about 11 million meters. Is that right?
- Jairam Sampath:** No, not 11, 110 million. It's INR11 crores.
- Sonali Salgaonkar:** Okay. Understood. And this is over how many years?
- Jairam Sampath:** Yeah. So, this is where the public domain. So, the government wanted to do it as soon as possible. So, now speed is picking up. So, I'm not able to put a timeline on what the government would do, but I think they are going pretty fast now.
- Sonali Salgaonkar:** Understood. Sir, thirdly, which are the key competitors that you see in this space?
- Jairam Sampath:** See, device manufacturers, there are some four, five people who are already present. I don't want to name them, but they are already there. As you know, the major players are there already. You can go through the published data also. So, there are about four, five major players in the device area. There are a lot of AMISPs who buy from these four, five players. One of them is, of course, Iskraemeco, who manufactures device. So, yeah, there are about, let's say, totally about five major players. Of course, there are -- if you go to the list of approved meters, there are a large number, but not all of them are actually preferred suppliers. So, they are not even supplying it.
- Sonali Salgaonkar:** Understood. Sir, and just last question from my side, how is the working capital in this segment and of your present guidance for FY'25, should this be included in or should this be sort of a part of your guidance?
- Jairam Sampath:** Yeah, it will be within the consolidated guidance that we have given. So, this is not going to increase the working capital cycle in any way.
- Sonali Salgaonkar:** Understood. Thank you, sir, and all the best.
- Moderator:** Thank you. The next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.
- Keyur:** Thank you. Hi, team. So, question is on the acquisition in a way that we were already supplying products to Iskraemeco as a client. So, what advantage do we get from the acquisition? This is just India entity, right? So, the technology will remain with the parent, which is based out of India. So, what is the tangible advantage that we get? That is first. And second, with this acquisition, as it becomes system integrator, our scope of work will increase from manufacturing to what extent?
- Jairam Sampath:** So, we do have an agreement with the parent entity also in terms of support of -- see, the technology remains with Iskraemeco India. It is just the brand name, which is there, which is

with the parent entity. Iskraemeco brand name is not owned by us. And we have an agreement with the parent entity to use it as long as we require for the purpose of servicing orders within India. And the benefits, like I have listed already, it gives us scale in manufacturing, access to new technologies, and it kind of gives us a firm footing in the area of smart meters. And smart meter not only in electrical smart meters, but there are other electrical grid smart meters, but there are other distribution systems where we can develop products and you know, on an ODM basis and supply to various entities.

Keyur: And in terms of scope of work, how does that increases?

Jairam Sampath: Scope of work exactly the same as before, where it is manufacture and -- it's manufacturing. It's EMS work actually. So, that's what it is.

Keyur: Does that now also include the installation of meters or no?

Jairam Sampath: No, in the contracts already taken, if that is part of the scope, we'll complete it because the same team is remaining, not a problem. In future, it depends on the kind of contract that AMISPs give us and based on that, we will do. But majority of the revenues, etc., that we are actually computing and we are reckoning is based only on the manufacture and supply of smart meters.

Keyur: Okay, thank you. All the best.

Moderator: Thank you. The next question is from the line of Nikhil Kale from Invesco. Please go ahead.

Nikhil Kale: Thank you for taking my question. So, sir, just to confirm, you mentioned that going ahead if the contract wants you to do installation, you will get involved in it, right? But how would that kind of impact working capital requirements for the business? I mean, manufacturing would be easier to do but when it comes to installation, how would the payments work?

Jairam Sampath: Yes, so the current payment terms, all the three stages of installation, the working capital exposure will not be more than 90 days. It will significantly be less than 90 days and it's not going to change because the same terms all the AMISPs do. So, from that perspective, it's not going to adversely affect any of our existing working capital. Probably, there might even be an improvement if we start doing more volumes here.

Nikhil Kale: Okay, understood. And in terms of capacity, I mean, the new Hyderabad plant, what is the the manufacturing capacity there for smart meters? And as part of the acquisition, are we getting any existing capacity from Iskraemeco?

Jairam Sampath: See we have always been the manufacturer or EMS company for Iskraemeco in India. So, they have technical team which can do testing and all of that. But all the manufacturing capacity was being provided by us only. In Hyderabad, specifically, the capacity that is being built up is about 4 million per annum. And we will work on increasing this once the entire system picks up speed. We have enough, let's say, bandwidth and space.

Nikhil Kale: Yes, so that's it for now. Thank you.



- Moderator:** Thank you. The next question is from the line of Manikantha Garre from Franklin Temple in India. Please go ahead.
- Manikantha Garre:** Thanks for organizing this call. I have two questions. One is on the acquisition. Post this acquisition, any products on the smart meter side that will be manufacturing for Iskraemeco will have what brand? Is it Iskraemeco Kaynes or Iskraemeco-Kaynes? That's my first question.
- Jairam Sampath:** See, the initial orders that we are processing in Indian market, it will be Iskraemeco. And post that, once we take a decision, we will let you know if there is any change in that strategy. So it will be Iskraemeco.
- Manikantha Garre:** I'm asking this because now that you are forward integrating into the sector on the smart meter side, will it hinder any of the competitors to Iskraemeco or make them rethink about coming to you for EMS work? That's the key thing which I'm trying to understand here.
- Jairam Sampath:** Yes, so we still remain an ODM and EMS company. We don't have a Kaynes branded product. And we continue with that strategy as of now.
- Manikantha Garre:** So, you don't see this as a risk to any incremental orders you may get from the competitors also with Iskraemeco, is what I'm saying.
- Jairam Sampath:** No because Iskraemeco is an approved product. So, all AMISPs can actually potentially take and supply. We have also given it to many. So, there are many orders in the anvil being decided, etcetera. So, there's no risk.
- Manikantha Garre:** Sure. Thank you.
- Moderator:** The next question is from the line of Praveen Sahay from Prabhudas Lilladher Capital. Please go ahead.
- Praveen Sahay:** Yeah, thank you for taking my question, sir. So the first few clarifications, the last year Iskraemeco has done INR65.4 crores of revenue. So the entire manufacturing for that has done by the Kaynes?
- Jairam Sampath:** Yes.
- Praveen Sahay:** Okay. And secondly, as you had also mentioned that the servicing order in India with the name of Iskraemeco is going to be done, is there any royalty or a fee company is going to pay in the future orders to the global companies?
- Jairam Sampath:** No royalty is to be paid to anybody, any entity outside of India. Since we acquired this part of the acquisition deal, that Iskraemeco brand name can be used for a specified period to service all these orders in India for as long as we wish.
- Praveen Sahay:** Okay. And in that Iskraemeco revenue, it's totally related to the smart meter. And also, is there any export number also included in that?

- Jairam Sampath:** No, not yet. There are no export orders logged in yet. And in future, if they come in, then certainly we will log in. But at this point in time, these are all domestic revenues.
- Praveen Sahay:** Okay. And that's related to the smart meter only?
- Jairam Sampath:** Yes, sir.
- Praveen Sahay:** Because you had also mentioned that the water or the gas meter scope of work is there. So that is not there yet to start?
- Jairam Sampath:** That's a yes. Because that project needs to come up fully and then some approvals have to come up etcetera.
- Praveen Sahay:** And lastly, sir, can you indicate how much of the margin the Iskraemeco is making? Any indicative numbers would help?
- Jairam Sampath:** Yes, so this year post integration, we will have no effect on our guidance. It certainly will achieve the 15%. And so obviously, this product is not in any way margin dilutive. It is actually margin accretive.
- Praveen Sahay:** Okay. Thank you, sir. All the best.
- Moderator:** Thank you. The next question is from the line of Deepak Krishnan from Kotak Bank. Please go ahead.
- Deepak Krishnan:** Just wanted to follow up because in one of the previous participants, all the system integrators will be sort of bidding for contracts, where Iskraemeco will be sort of competing with like a genius or anybody else that is there. And then, whether we win the contract or not, we may directly supply or then we are hoping that the others will also give us the order.
- Generally, this is sort of considered conflict of interest, right? So how do you sort of address that? Because while we are just a manufacturer, we are also sort of bidding for the same tender against all the other companies who we could be potentially be supplying to.
- Jairam Sampath:** Actually, in the past, they were in the market alone. We were not associated with them in any capacity other than as an EMS company. And now once they are in the fold, so our target will be all the AMISPs. And we'll work with the AMISPs in specific deals, okay? So there will be no conflict of interest. We'll not be standing head-to-head against any AMISP in bidding.
- Even now, if you take Gujarat, for instance, PGCIL is the AMISP. So, they have always been a smart working solution provider, always. They are not an EPC company or any of those kinds of responsibilities. So we will not be, standing head to head against any of these various people like Intelli Smart or any of these. In fact, they will be our customers in a new avatar. So there is no conflict of interest.

Deepak Krishnan: Sure, sir. And maybe just some similar sort of exposure to exports. Are we allowed to sort of export this product as white labels to some other brands in geographies, where Iskraemeco is also present in supplying? Because we are learning...

Jairam Sampath: No, see, any contract with any company, obviously, there is a conflict in the marketplace, we'll have to talk and resolve. So, supposing there's a market where they are also present. So Middle East markets are markets where they have supplied large numbers. But European markets, they are kind of 50-50. So, supposing we obtain some orders on our own marketing strength, then there's no reason why they would not cooperate with us. But if they are already present in some markets and they have a larger share there. So before going there, we'll talk to them and we'll do an amicable settlement.

And in any case, we can always discuss commercials with them as appropriate, right? So depending on what is the cost and benefit, we can always discuss with them and do it. So from that perspective, this is like any other company supplying, its brand name for a particular country. So any other place we want to use this kind of a brand, we'll have to anyway seek their listing. But as far as white label is concerned, I don't think they have any problem. But as good partners, we should kind of keep them informed so that if there is anything that they have to do, they can do themselves.

Deepak Krishnan: Sure sir. And maybe in terms of technical collaboration the products that they make today and the capabilities that they have today we are sort of taking it over, but in future is there sort of a longer term understanding that if they develop any future other technologies be it gas, water or any other sector we can potentially sort of partner with them or is it like what is today?

Jairam Sampath: As in most of the other technology companies, most of the design is done in Iskraemeco India itself. From that perspective, the actual capacities resides here only. So we will definitely and we have an understanding that when a new product comes out with their brand name and we want to use it here or something we can always have an agreement with them on that particular aspect, but it's like a first right of refusal to us. It's not compulsory that we have to take it, but at the same time it's available to us.

Deepak Krishnan: Sure, sir. Those were my questions and thank you for your time.

Jairam Sampath: Thank you, Deepak. Thank you.

Moderator: Thank you. The next question is from the line of Amber Singhania from Nippon Mutual Fund. Please go ahead.

Amber Singhania: Yes. Hi, sir. Good morning. Am I audible?

Moderator: Yes, sir.

Amber Singhania: So just a couple of clarifications a few questions is one what I understand is under AMISP, the bidder or the winner generally do all the installation, procurement and everything and then he gets revenue INR100 per month for the next 19 months that is the ballpark agreement generally

we are seeing in this scheme. So here what I understand is for Gujarat order, it is PGCIL who will be the main contractor and we will just be limited to supply of meter and giving the technological knowhow to PGCIL. Am I correct on that?

Ramesh Kannan: Sir, our plan is to become a large contract manufacturer to various AMISPs. So existing projects we will run and then parallelly one or two projects we will take, but otherwise we will be generally concentrating on manufacturing of the devices.

Amber Singhania: So basically, we are not subject to that monthly recovery of the investment rather we will be getting our funds upfront, right at the time of installation?

Jairam Sampath: No, we get it like we said with the net worth capital of less than 90 days we will get the entire money in.

Amber Singhania: Okay. Understood. And it is that similar arrangement in West Bengal also or it is different, sir?

Jairam Sampath: It is similar arrangement in West Bengal. See whenever we have this transition from an earlier status to a new status, if there are some previous arrangements that they have made both let's say explicit and implicit we will support those arrangements so that we are going to be there in the marketplace, but none of them have any major cost implications. It could be in terms of some support here and there.

So that we will do. Whatever is coming to India has made commitments on these orders, this 3.5 million plus some more orders that we have got from West Bengal. We will support those orders, but they have no cost implications as such directly. And also if there are some revenues available in this, we are not taking that into consideration in computing. So those are all as the time goes on we will book them in case something significant.

Amber Singhania: Okay. So in that way, it's not the cash flow impact. It's basically front-ending the revenue as well as installation rather than tail-ending for the next 10 years in terms of revenue, right?

Jairam Sampath: Yes, sir. There is absolutely no blockage of any kind of money.

Amber Singhania: Got it. Secondly sir, if you can just help us out in terms of what was the approximately ballpark per meter revenue we used to book when in case and now when Iskraemeco is a part, what kind of per meter revenue Iskraemeco might be booking?

Jairam Sampath: No. Okay. Let me put it this way. I cannot give you specific numbers because this is part of the customer contract. 65%, 70% of the revenues we used to book earlier now 100% revenues we'll book it in our Iskraemeco and remaining will be intercompany within the same entity. So Iskraemeco will be part of consolidated revenues.

So whatever their bill, out of that the internal revenues in EMS will be about 60%, 70% and yeah so that's what it will be. May be earlier it used to about 70% odd of whatever they used to invoice.

Amber Singhania: Got it. And at present sir how much is the firm order with Iskraemeco in terms of number of units meter, number of meters and [inaudible 32:19] you had shared, but firm order is what 3.5 million or more?

Jairam Sampath: 3.5 million from PGCIL and then there are some orders from West Bengal. They are consolidating that and placing orders on us, but the moment it is placed on us meaning now they have to place it on Kaynes Technologies. It's a legally different entity, but part of the same group now. So once that comes in, it's a total target or total available or total allotted orders about sorry, total target orders about 2 crores in West Bengal out of which some have been allotted.

So we will wait for some more time before the allotment takes place, award takes place and then we can, but there will be some significant number. There are about 4 meters being considered there. So we'll be one of them.

Amber Singhania: Got it. And in future we will not be bidding on our own for the entire bidding, right? We will be limiting ourselves to supply of products and the technology bidding?

Jairam Sampath: Yeah. So as of now with this acquisition, we'll be working like an EMS player. Our objective is to be an EMS player or having a large amount of manufacturing smart meters.

Amber Singhania: Understood sir. And that's it from my side. Thank you. Thanks a lot and all the best.

Jairam Sampath: Thank you, Amberji.

Moderator: Thank you. The next question is from the line of Arafat Saiyed from InCred Research. Please go ahead.

Arafat Saiyed: Hi, sir. Thanks for taking our question. So my first question is on total time for the smart meters. So over the next five to six years I believe around 30 crores smart meters will be installed for the next 7 years, 8 years out of which only 15 crores tender has been announced. So can we expect, let's say, a balance of 15 crores smart meter tender to be announced by next year itself or is it like at least two to three years?

Jairam Sampath: Okay Arafat ji the issue here is that we don't know at what pace the government will work, but right now the pace of work has increased. So totally, based on whatever is the public data, government publishes the kind of a dashboard on this. About 11 crores has been awarded, another 11 crores to be awarded. So I think they will do it fast only because I think government is committed towards this particular project.

So earlier they have taken 4 years, 5 years time to come to this level, but it will be much faster than that and also the entire capacities have to gear up etc. So it's just the orders coming in is not going to solve their problem. So from that perspective, I think it will be a good delivery challenge once these orders get finalized. And maybe shorter timeframe, then longer timeframe is what I would bet on, but exactly what only government will know.

Arafat Saiyed: Okay. My next question is again on the pricing of the smart meter. So I believe, let's say, per cost smart meter is around INR8,000 to INR10,000. So you guys also get similar amount to that from the client or you will get some lower amount?

Jairam Sampath: Sir, we get only EMS revenues which is the meter total cost of the device only. So that is anywhere around INR3,000 plus rupees. That is the kind of revenues that companies like us will make who make only devices. The other numbers that you're talking about, I have not computed, but they must be the AMISP revenues on a net present value basis and they actually make monthly charges. They work on something called opex model. So the AMISP should give an opex model to the distribution company. And they would do whatever is required, including -- sourcing and procurement of meters from companies like us. And there are other players too. So there are four other players who are majorly working in this area.

So that's how it is actually. So there are three layers. One layer is device maker, other is the AMISP and third is the distribution company. So we are insulated from the value chain or revenue chain of the distribution, company and AMISP. We are contractual with the AMISP, which are like a device supply. Like I said, the net working capital is not expected to exceed 90 days.

Arafat Saiyed: Fine sir. That's it from my side. Thank you, sir.

Jairam Sampath: Thank you sir.

Moderator: Thank you. The next question is from the line of Rahul Modi from Nippon Asset Management Limited. Please go ahead.

Rahul Modi: Sir. Thank you. Just one question. Just one clarification I had in the West Bengal contract, the installation of the meters would be in our scope within the houses in WBSEDCL?

Jairam Sampath: Yes. You see, the WBSEDCL, the installation support is given by us. And for that, the separate money is given. We are not taking any profits out of that into our revenue projection yet. Because this is back to back given to other contractors to see increase whenever a device maker takes up, there are people identified for this job across the states. Every state has got certain electrical contractors who do this thing. So in case of West Bengal too, a similar arrangement could be there.

Like I said before, we are consolidating the orders from West Bengal. I think some more award has to happen. Total meters at stake there is about 20 million. So once all the numbers come through, then we will do an implementation strategy. And at that point in time, accurately, I can tell you. But broadly, if there is a commitment made, we will hold by it. If there is no commitment, then we will ask the AMISP to kind of look at it differently.

Rahul Modi: Sure. Sir just one follow up on this. So the Gujarat order is through PGCIL. And we have bid directly, or Iskraemeco had bid directly in the West Bengal contract as an AMISP.

Jairam Sampath: Yeah. But see, even in Gujarat, they are identified as an AMISP/SI. So their role is more like an SI, system integrator role, actually.

Rahul Modi: Right. Which is...

Jairam Sampath: So similar thing we design once all the orders are it is actually not that simple. It's a every tender is a little bit different.

Rahul Modi: Correct.

Jairam Sampath: And so if you go in to the website, there are seven different varieties of tenders, etcetera, they are mentioned. So once we get to know the exact details, then we can share that with you. I mean, I probably know the exact details like once we consolidate the order.

Rahul Modi: Sure. Just, my question was more from a liability assessment in case of delays of implementation in West Bengal. So I believe you would have done the due diligence while taking over Iskraemeco.

Jairam Sampath: Yeah, No, no. Actually, that's why I'm not counting that as an order. See, we go strictly by an order book, right? So in our order book, customer -- so see, even though they are part of the same fold, but they're still a different legal entity. So they have to give us a purchase order. So Iskraemeco will place a purchase order on Kaynes Technology India Limited, maybe in future at the Hyderabad premises. Then we will put it in our system by material and they will give a schedule, etcetera.

So that's why I'm saying that while there are a lot of futuristic expectations in this domain, and we definitely are very bullish and buoyant about it, but as long as they don't come to us, I cannot disclose that to you. So moment it comes, then it will be in our quarterly projections. We'll add that and show it to you. The 3.5 billion* has already come. So we have added last time, because as Iskraemeco had placed on us, certainly in future, we will do for West Bengal also.

*Management Erroneously mentioned as 3.5 billion, the same stands at 3.5 Million

Rahul Modi: Sure, sir. Thank you very much for that.

Jairam Sampath: Thank you, sir.

Moderator: Thank you. The next question is from the line of Neel Mehta from Equirus Securities. Please go ahead.

Neel Mehta: Yeah, thank you, sir. For the opportunity. Sir you mentioned about...

Moderator: Sorry to interrupt you sir

Jairam Sampath: Neel, could you use your handset and speak? Your voice is breaking.

Neel Mehta: Yes. Sir, is it better now?

- Jairam Sampath:** Yes, yes.
- Neel Mehta:** Yes. So my question is that, sir, you mentioned about this property reach per meter. Is it for the single phased meter or the three phased meter? That's my question.
- Jairam Sampath:** This is single phased. All are single phased right now. We do have some smaller number of three phased meters also. But since the total quantum of three phased meter is not significant, so we're not talking about it. But there are orders for three phased meters too. But the 3.5 million is single phased meter.
- Neel Mehta:** Okay, thank you so much. Next question is that, is there any...
- Moderator:** Sorry sir.
- Jairam Sampath:** Sir there is a difference in the cost. See, three phased meters are much bigger meters because they deal with three phased supply of electricity. So typically, their cost will be 70%-80% more than the single phased meters.
- Moderator:** Thank you. We have lost the connection of the current participant. We will move on to the next participant. The next question is from the line of Deepak from Sundaram Mutual Funds. Please go ahead.
- Deepak:** Yes, thanks. So my first question is in continuation to the other participants. So for Iskraemeco, we will be manufacturing only the smart consumer metering or is it that we'll do also...
- Jairam Sampath:** Sorry, repeat the last part.
- Deepak:** So will we be manufacturing or box building only smart consumer meters or would it be also DT metering, distribution transmission meters?
- Jairam Sampath:** Yeah, any meter that they require for manufacturing, we'll be making provided they have an approval for it. Okay, so that's our stand. Right now, most of the meters are smart consumer metering. So DT metering, if we win any orders and if there are designs available with them, we can do that too.
- Ramesh Kannan:** But we already are making DT meters for a German company. This is part of our export orders.
- Deepak:** Okay, sir. And my second question is, sir, last year we did some INR64 crores worth of sales, right, in Iskraemeco. So how many smart meters we would have sold in that year?
- Jairam Sampath:** So fully as smart meters only. So this year it will go up because there's 3.5 million orders are getting executed. So this year, it will become an intercompany sale. So it will come as part of our consolidated revenue.
- Deepak:** That is fine. Sir I'm asking FY24, how many smart meters would have been supplied for the INR64 crores revenue?

Jairam Sampath: Anywhere between 2 and 2.5 is the pricing. So INR64 crores, we can divide and find out that number.

Deepak: Okay. So my last question is, since smart meter is a growing market and has a larger TAM, any reason why Iskraemeco decided to sell that entity to you and exit their Indian business?

Jairam Sampath: We wouldn't know their reason. It must be part of their strategic business. They still continue to be a player in Europe and all that. So yeah, this is a company which is, which was bought by LCD Group actually, it's an Egyptian group. And they purchased this entity from Europe. They do have good business in Middle East and other places. So I wouldn't know why, but when this opportunity was available and when we came to know, then we jumped at it because it kind of secured our EMS credentials.

Moderator: Thank you. The next question is from the line of, Vinit Agarwal from Aditya Birla Money. Please go ahead.

Vinit Agarwal: Hi, good morning, sir. Thank you for the opportunity. So I have a couple of questions. So one is on the -- one of the largest player in smart meters is fully backward integrated and starting from assembling PCB or molding, and even they have their own software. And because of which they generate roughly 14% to 15% kind of EBITDA margins. I just wanted to understand post this acquisition where we will be placed?

Jairam Sampath: Sorry, last part of the question? Can you repeat that?

Vinit Agarwal: I just wanted to understand like post this acquisition, where are we placed in terms of smart metering?

Jairam Sampath: Yes, we are fully integrated here. We have our own molding shop. I think those of you who were able to come to the Hyderabad facility would have seen it also. We have got full backup, end-to-end manufacturing of smart meters, full value chain. The software is with the Iskraemeco acquisition. The software is within the Group. The molding is within the Group. The entire PCB assembly is within the Group. Testing is within the Group. So, it's a fully integrated facility. And going forward, of course, once the PCB business sector comes up, we can do the PC boards also.

Vinit Agarwal: Understood And my second one is, correct me if I'm wrong, like the company which you acquire was loss making in terms of EBITDA at EBITDA level till FY '23. So what was the EBITDA numbers in FY '24, if you can give that number?

Jairam Sampath: Yes, see the past EBITDA numbers during development phase, right, they were just bidding for orders and getting things approved and they were getting installed, etcetera.

Ramesh Kannan: Plus, all these global companies, they have their own pricing, their own methods of working. They transfer large funds for corporate account is debited and all those things.

Jairam Sampath: Yes, so suffice it to say that now it's a clean business for us. It's a EBITDA acquisition.

Ramesh Kannan: We will make approximately closer to ours.



- Jairam Sampath:** Yes.
- Vinit Agarwal:** Okay, understood. Thank you so much. Thank you.
- Jairam Sampath:** Thank you.
- Moderator:** Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** Hi, sir. Thank you for the opportunity. Most of my questions have been answered. Just one more question. In Iskraemeco COGS, what proportion would have been supplied by Kaynes in FY '24?
- Jairam Sampath:** You're asking about their purchase of meters, whether they purchase from anybody else. No, we are fully supplied.
- Indrajit Agarwal:** No. So, in the sense that what are the other costs other than the purchase from Kaynes? Are there any other costs which are significant?
- Jairam Sampath:** No, they have R&D team for development of product, project management. Validation is there. Testing support is there.
- Indrajit Agarwal:** Right
- Ramesh Kannan:** There are 125 people there. It's a large organization.
- Jairam Sampath:** It's a large organization, yes.
- Indrajit Agarwal:** Okay, so other way to put it is you said that for Iskraemeco, the per unit revenue would be 2.2 to 2.5. For similar units, what would have been our revenue?
- Jairam Sampath:** No, That is the device revenue to Kaynes technology. Their revenue should be larger. Not at liberty to disclose because this order is not in the public domain, but their revenue will be larger on the device also. This is only the EMS revenue that I'm talking about. Once they supply the device to, let's say, PGCIL, their revenues are larger.
- Indrajit Agarwal:** Okay. Maybe I'll take it offline. Thank you.
- Moderator:** Thank you. The next question is from the line of Akshay Kaila from CD Integrated Service Limited. Please go ahead.
- Akshay Kaila:** Yes, sir. So, sir, my question was about guidance for FY '25, which is about more than INR3,000 crores. So, after acquisition of this company, is it still intact or the incremental revenue which will we get from this acquisition will add to this guidance?
- Jairam Sampath:** Sir, we will retain our whatever guidance we have given, INR3,000 crores on top line and 15% on EBITDA.
- Akshay Kaila:** Okay, sir. So after this acquisition, so it will add more revenue to this guidance or what?

- Jairam Sampath:** Yes, in future, of course.
- Akshay Kaila:** Okay, sir. Thank you sir
- Moderator:** Thank you. The next question is from the line of Jalaj from Svan Investments. Please go ahead.
- Jalaj:** Thanks for the opportunity. My first question was, I do understand in the past, the company Iskraemeco had one direct contract with West Bengal, WBSEDCL and there is an article similarly for that. So just wanted to understand what is the rationale behind moving from a EMS, B2B player to a becoming a full-fledged brand here? Any specific logic behind it becoming an AMISP?
- Jairam Sampath:** The AMISP qualification has been done by many companies. But our objective for a company like Kaynes Technology is to be a device manufacturer, essentially. So we continue to do that. And acquisition of Iskraemeco is to make sure that we get the relevant scale. If you are going to be making small quantities, then we really cannot be cost effective and we cannot do margin acquisition, etcetera, into our existing portfolio. In order to do that, we have acquired this company which has capabilities to offer meters to all AMISPs.
- Jalaj:** Understood. And then just on to that same question. So of the total revenue of let's assume FY '24, INR64 crores, what was the revenue split between it being a directly AMISP and it being a supplier to others?
- Jairam Sampath:** No, all of that INR64 crores is supplied to, if I understand correctly, I can ask the diligence team, but it is supplied to PGCIL. So even though we are called an AMISP and SI, but actually supplied through PGCIL, who is actually the AMISP in Gujarat?
- Jalaj:** Got it. And last question, what does the balance sheet?
- Moderator:** Sorry to interpreting sir I would request you to rejoin the queue for your follow-up question. Thank you. The next question is from the line of Aditya from Jubilant Bhartia Group. Please go ahead. Mr. Aditya, I would request you to unmute your line and speak, please. Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Hi, sir. Thanks for the opportunity. Just wanted to check on the O&M business for the smart meters. So that would now be with, Iskraemeco. So now it will remain with Kaynes. And what would be the portion, if you can send, give us an idea on the O&M business for the scope of work for smart meters?
- Jairam Sampath:** See, the broad categorization of the revenue is capex and opex. So we are clearly on the capex side. That means we supply the meter, and then we get paid for it. And the next working capital will remain within 90 days. As far as opex is concerned, that is a model which most of the EMS use. And so they obviously bring in investment also. So as far as we are concerned, we don't invest more than this networking capital into this business because we are on a capex mode.

Harshit Kapadia: So, what about the maintenance of meters? I'm seeing some meters get broken down or there are some issues.

Jairam Sampath: Our responsibility is manufacturing warranty. So within some 6 months or something, so once it is installed, typically these meters also would not fail. But if there is any problem, and it's pointed out that it has something to do with, let's say, the design and manufacturing. Because the device comes under our portfolio now. In this case, we'll have to deal with that respective agencies who have raised that claim, and we'll rectify and give back.

Harshit Kapadia: And last question on the revenue of INR65 crores. Would it be possible for you to give a breakup of how much is the product and how much is the installation and supply side for that?

Jairam Sampath: The installation is actually a small quantum. It's like INR200 to INR250 types. And that is also paid off to a third party for installation. So in a total of around INR3,000, something they would have built to, let's say, PGCIL. It's a small quantum installation. There is some software license legally they are supposed to offer them so that they can utilize that to get data, etc.

So some INR300-odd, will be the quantum of software and this installation etc. Around INR3000 plus something will be probably the total quantum of billing. So if you say percentage wise, it will be about 10% of their INR64 crores should be that particular billing. I have not computed this number separately. We have seen broadly, we have verified all these things are there or not there. But other than that, I can give you a sharper answer later.

Harshit Kapadia: Okay, sir. Thank you. Wish me all the best.

Moderator: Thank you. The next question is from the line of Akhilesh Bhandari from Millennium Management. Please go ahead.

Akhilesh Bhandari: Hi, sir. Thank you for taking my question. Can you please comment on the payment milestones? How much money will come post the installation of the meter?

Jairam Sampath: See different distribution companies, different AMISPs will have some small changes in their listing. But suffice it to say that including investment into our stocks and everything else, the net working capital will be limited 90 days. So obviously, the receivables will be lesser than that.

Akhilesh Bhandari: So, what I want to understand is, if there is a potential delay in the actual installation of the meter, you have supplied the meter, but you're not able to install it, then how much of that how much money can likely get stuck?

Jairam Sampath: No, nothing. See, this doesn't work like that. Even if they say strictly installation etc., delivery is made, typically those bills are processed. Once they know that the asset is done, they process the bills. So some people treat it in three ways. One is delivery. One is installation. Other is activation. Some people say delivery and installation together and they pay you as soon as it's delivered, and so on.

So it depends on the AMISP and the particular distribution company. So these are not like the contracts which are open-ended. So they are supposed, there is a SLA. Of course, I'm not at

liberty to talk about exact contractual details, but there's an SLA. So even the AMISP is supposed to clear the bill within some particular time.

They are supposed to do installation within some particular time, etc. So that's why we are so confident that the total working capital will not exceed 90 days. Maybe it will be lower than that.

Akhilesh Bhandari: And for the PGCL contract of 3.5 million meters, the installation is under your scope, right?

Jairam Sampath: It is under Iskraemeco scope, which we will support.

Ramesh Kannan: It is under our scope.

Jairam Sampath: Yes. There is a system available. It doesn't take too much time. There are electrical contractors available. The moment you tell them, they will send people and install it. So it's a few weeks' timeframe that they install it.

Akhilesh Bhandari: Because there have been reports that smart metering installation is facing some challenges in multiple states, including Gujarat?

Jairam Sampath: Yes. See, the thing is, a INR1 crores meter is installed. There are some 500 complaints, obviously, because people who suspect that metering will make them pay might resist it or something. But it's not a significant number. Because INR1 crores has 500, 600 complaints, not a big deal.

It will happen, sir. See, earlier, the system was that people have to go physically. The lineman has to go to remove the fuse etc. So there was always this trouble of removing fuse, because there could be some compromise happening there. With the smart meters, the user will not have any choice. So those users who are probably mala fide or who don't want to pay, they will probably resist. But that's a smaller number.

Akhilesh Bhandari: Got it. Thank you so much.

Moderator: Ladies and gentlemen, we will take that 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: Yes. I would like to thank the management for giving us an opportunity to host the call and answering all the queries. Thank you very much, sir. And thank you to all the participants as well.

Jairam Sampath: Thank you, Bhoomika ji. Thank you for organizing the call. Thank you all the participants for patiently listening to our answers. Thank you.

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