



“Kaynes Technology India Limited
Q4 & Full Year FY26 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day, and welcome to the Kaynes Technology India Limited Q4 and Full Year '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 continues. Should you need assistance during this 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 Mr. Nikhil Kandoi from Axis Capital. Thank you, and over to you, sir.

Nikhil Kandoi: Thank you, Swapnali. Good morning, everyone. On behalf of Axis Capital, I would like to welcome you all to the Q4 and Full Year FY '26 Earnings Con Call of Kaynes Technology India Limited. We have with us management today represented by Mrs. Savitha Ramesh, Chairperson; Mr. Ramesh Kunhikannan, Executive Vice Chairman; Mr. Muthukumar Narayanaswamy, Managing Director. Participants are requested to note that Mr. Jairam Sampath, Whole Time Director and Chief Financial Officer, would not be available for the call due to health concerns.

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

Ramesh Kunhikannan: Good morning, everyone. On behalf of Kaynes Technology team, I would like to welcome everyone to the earnings call of Q4 FY '26. Mrs. Savitha Ramesh, Chairperson of our Board; our Managing Director, Dr. Muthukumar Narayanaswamy; Mr. Sumit Verma from our Investor Relationship, and MUFG IR, our Investor Relations partner, are with us today.

Let me begin with a brief overview of our financial performance for the consolidated year FY '26 period. Our total revenue stood at INR3,626.4 crores, reflecting a year-on-year growth of 33.2%. Our EBITDA for the period FY '26 was INR5,741 million, registering a growth of 39.8% over the same period last year. This translates into an EBITDA margin of 15.8% for FY '26, while profit after tax came in at INR3,639 million, representing a PAT margin of 10% for FY '26.

I'm also pleased to share that during FY '26, our Mysore facility achieved a significant milestone by crossing INR10,000 million in revenue. This achievement reflects not only the scale and maturity that the unit has attained over the years, but also strong customer confidence, execution capability and manufacturing that Kaynes has built across its operations.

This quarter and the full year reflect a period of consolidation as we continue to strengthen execution capability and prepare the company for the next phase of growth. Over the last few quarters, our focus has remained on driving consistent improvement in top line growth while maintaining healthy bottom line margins. That said, our near term top line performance did not fully meet market expectations, primarily due to...

Moderator: Sorry to interrupt you in between, sir. Your voice is subdued a little bit.

Ramesh Kunhikannan:

Near-term top line performance did not fully meet market expectations, primarily due to geopolitical disruption, especially the West Asia conflict, which led to last-minute customer deferment, supply chain delays and product timing shift. Similar to the earlier Russia-Ukraine situation, these events created temporary uncertainty in execution timelines, even though the underlying demand environment remained strong.

Since our revenues are closely linked to customer project readiness and approval cycles, some revenue recognition has shifted despite the orders remaining valid and executable. While these factors have had a temporary impact on near-term revenue timing, our strategic direction, customer engagement and long-term growth road map remains firmly aligned and Kaynes has continued to demonstrate resilience and execution strength through this period.

The company has not seen a structural deterioration in demand, order book quality or customer relevance. Our order book remains healthy, diversified, and noncancelable in nature, and we continue to see strong engagement across multiple strategic sectors.

Over the last few years, Kaynes has grown rapidly and in a relatively short period of time, that growth has created significant expectations from investors, customers, partners and suppliers. We respect those expectations. We are conscious that when a company scales at the pace we have scaled, execution has to mature equally fast. That journey of institutional strengthening is underway, and we remain fully committed to improving consistency, predictability and delivery against the confidence placed in us.

There has been some top management restructuring and role realignment in this phase. Such transactions naturally take some time to settle, particularly in an organization that is expanding across multiple technologies, manufacturing and strategic platform simultaneously. However, these changes are intended to sharpen accountability, deepen execution ownership, and build a resilient operating architecture for the next phase of Kaynes. The organization is adapting quickly, and the leadership team is fully aligned to match with the market expectation.

In core EMS as well, our diversification strategy continues to hold strong. As discussed in the earnings call, growth is increasingly broad-based across automotive, EV, industrial, aerospace and railway-related segments with lower dependence on any single business line. This diversified vertical mix gives us confidence that near-term volatility in one area will not define the long-term trajectory of the company.

I am pleased by the trajectory of our 2 new growth engines in OSAT. Unit 1 is fully operational, and Unit 2 is in commercialization by Q2 '26. This business strengthens Kaynes further by deepening backward integration, adding technology depth and expanding our presence in high-value manufacturing.

In OSAT, the order outlook for both the current year and the medium term remains strong with revenue visibility of over INR25,000 million over the next 5 years. Similarly, in PCB, we continue to see a robust and confirmed demand pipeline for the next 5 years, with several customers already indicating requirement for additional capacity expansion.

One important point that deserves acknowledgment is that certain areas where market expectations moved ahead of actual delivery were driven not only by execution pacing, but also by the broader operational complexities associated with managing the core EMS business amid global uncertainties, while simultaneously scaling new strategic platforms such as OSAT and PCB.

Going forward, our focus remains clear, improving execution in EMS, moving towards product-driven revenues, ramping up PCB and OSAT, with discipline and delivering growth with stronger top line and bottom-line growth and capital efficiencies. We value the trust placed in us and recognize that credibility is built through consistent delivery.

With that, I would like to hand over the call to Dr. Muthukumar, Managing Director of Kaynes Technology. Over to you, Muthukumar.

N. Muthukumar:

Thank you, Mr. Ramesh. Good morning, ladies and gentlemen, and thank you for taking time to join with us today. It's a privilege to address all of you as we continue our journey of building Kaynes into a globally recognized technology-driven manufacturing enterprise. Under the leadership and vision of our Executive Vice Chairman, Mr. Ramesh Kannan, Kaynes has built a strong foundation of customer trust, execution excellence and sustainable growth.

Over the last few quarters, the company has continued to deliver strong financial and operational performance, supported by a healthy order book, increasing the customer engagement and growing presence across all the high-value sectors.

For Q4 FY '26, our total revenue stood at INR12,426 million, reflecting a year-on-year growth of 26% for this quarter. And overall, for the year, we've grown at 33%, while the operational EBITDA for Q4 '26 came up to INR1,937 million, translating into an EBITDA margin of 15.6%, reflecting our continued operational resilience and scale expansion. The profit after tax for the quarter stood at INR912 million.

Our debt-to-equity ratio stood at approximately 0.2 in FY '26, reflecting a prudent disciplined capital structure even during the face of significant expansion. At the same time, our organization earnings per share basic has grown from INR30 in FY '24 to INR54.9 in FY '26, reflecting the company's consistent growth trajectory and long-term value creation for our all stakeholders.

We realized our working capital days stood at around 122 days in FY '26, primarily reflecting the business model procurement of the smart meter segment, which has different working capital cycle when compared to the core EMS business. On a like-to-like basis, we would like to bring it to your attention that the core EMS business has demonstrated a significant improvement in the efficiency as committed earlier with the working capital days reducing from 83 days in FY '24 to 53 days in FY '26.

We remain focused on further strengthening the operational efficiencies and improving project execution cycles and optimizing working capital and we continue to scale the business. One of

the defining milestones in the journey has been the inauguration of the OSAT facility at Sanand by our honorable Prime Minister, Shri Narendra Modi.

This is not only the matter of pride for Kaynes, but also a strong validation of our company's growing role in India's semiconductor and electronic manufacturing ecosystem. What Kaynes has achieved in a relatively short span of time reflects the strength of our vision, execution capability and the commitment to our teams across the organization. As we enter the next phase of our evolution, our focus will continue to be on strengthening the foundation and scaling the organization at a greater speed, agility, innovation and operational excellence.

Kaynes today stands at a very important inflection point. The industry is evolving rapidly, customer expectations are keeping more demanding, and our global manufacturing landscape is increasingly shifting towards high-value, technology-intensive solutions. The environment of our aspiration is not only to grow in scale, but also significantly enhance quality and value of our business. One of our key strategic priorities in the next few years will be to accelerate the transition from a traditional EMS-led organization to a differentiated ESDM and product-driven enterprise.

A critical pillar for this transformation will be strengthening our new product development capabilities. We believe that innovation-led manufacturing will define our future of the industry, and our goal is to steadily increase the contribution of NPD-led and value-added solutions to nearly 30% of the total revenue in the coming years.

To achieve this, we are investing on our engineering capabilities, customer co-development model, a digital infrastructure and an R&D infrastructure, and an integrated product realization platform that allows us to engage in the early phases of the customer product development. This will not only improve the margins of the company, but also the customers' confidence and position Kaynes as a strategic technology partner and original design manufacturing company rather than a manufacturing service provider.

At the same time, operational excellence will remain at the core of our execution philosophy. As we scale consistently in quality, delivery, productivity, and reliability become even more critical. Our focus will, therefore, be on building deeply a process-driven organization powered by enterprise-wide digital systems, automation and data-driven decision-making.

Quality, in particular, will be a defining theme for us going forward. As we all know that quality is no more a differentiator, it's the base expectation. What differentiates the company now is the ability to deliver superior quality consistently with the speed at a competitive cost and reliability and, of course, intelligence.

With artificial intelligence coming in, we are introducing artificial intelligence in various processes to make sure that we are ahead of the market. At Kaynes, we are committed to building a culture where quality is embedded into every process, every product and every decision across the organization.

We're also driving the company initiatives with total predictive maintenance, advanced quality systems, Industry 4.0 integration and 2 of our plants have already done the kickoff and moving into the next phase of implementation. These initiatives across the organization are not just about improving the manufacturing metrics. These are about creating a culture of ownership, discipline, a continuous improvement, and a customer-centricity across all our facilities.

As the manufacturing ecosystem becomes more competitive globally, automation and digital transformation will become essential enablers for long-term competitiveness. Our focus will, therefore, continue to be on improving productivity, reducing process variability, strengthening supply chain integration, and enhancing execution.

Another important change is the quality and diversity of experience we continue to bring in our leadership and governance structure. Our Board today brings together an expertise across technology, finance, law, engineering, manufacturing, automotive, and electronic and strategic operations. Leaders such as Mr. S.G. Murali, who brings deep financial leadership experience, including his tenure as the Group CFO at TVS Motor Company.

Mr. Koshy Alexander, who has extensive experience in finance and public sector electronics, including serving as Director of Finance at Bharat Electronics Limited, brings significant strategic and operational depth in the organization. Ms. Poornima Ranganath, with extensive legal and governance experience, is guiding philosophy principles in people development and in our legal framework.

Dr. M. Annadurai, who has deep experience from India's Space and Technology Mission, joining our Board will strengthen us to take it to the next levels of technological upgradation. Mr. Rajesh Mittal, with a strong expertise in engineering and automotive operations, is joining our Board, and I'm sure that it will strengthen our supply chain capabilities and penetrating and getting into more into an automotive operation. Their guidance, along with the addition of strong leadership in various functions in the Kaynes, continues this journey towards becoming a stronger, design-led, technology-focused, and a box-build solution company.

Most importantly, none of this is possible without our people. At Kaynes, we strongly believe that people define our strength and future of the organization. We continue to invest in leadership development, capability building and creating opportunities for our team to innovate, grow and lead. At the same time, we are consciously building a strong pipeline of future leaders who can carry forward their values, culture and long-term vision of the organization as we continue to scale in the Viksit Bharat era.

Our focus remains very clear, customer focus, innovation and quality, and people. These 4 pillars continue to guide our Kaynes journey as we build Kaynes into a world-class manufacturing organization that will be the new benchmark for the industry. With this commitment from our teams, the trust from our customers, and strength of our strategic direction, I'm confident that Kaynes will continue to play a defining role in shaping the future of Indian manufacturing on the global stage.

With this, I complete my initial remarks, and I would like to thank Axis Capital for hosting this earning call. I would also like to thank all the participants for joining us today. And I'll hand it over to Axis Capital and looking forward to answer your queries. Once again, thank you very much for taking time to join this call. Over to you, Axis Capital team.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: Sir, my first question is on guidance, sir. At the start of the year, sir, we had guided that we are looking to close the year with revenues of INR4,500 crores, which was subsequently toned down to INR4,000 crores, and we ended the year with close to INR3,600 crores of revenue, sir. Sir, how should, as investors, we look at this guidance? And what is the sanctity of the guidance that we are providing, sir? Because there is a very vast variance between what was expected versus what is delivered, sir?

N. Muthukumar: Thank you very much for asking this question. We fully understand and appreciate your question. We did an aggressive top line growth in the year based on the order book and we got the electrification of the vehicle. And of course, the government projects where we are working is going to be at the faster pace.

Giving a guidance of INR4,500 crores is almost 55% growth over the previous year. In the third quarter, I think we have turned out to saying about INR4,000 crores because of a few delays. And one of the largest electric vehicle OEM manufacturers has completely dropped by about 90% of the revenue, wherein we were the single supplier which has dropped our numbers.

But we were quite confident in the last quarter of getting 2 government orders where the products have been done and the product testing have been approved. It is going to be done, but there is a delayed project. I think these are the 2 things that while we have delivered about 33% growth in revenue and 39% growth in the bottom line, we sincerely understand and appreciate that the guidance what we have given, we could not meet.

Having said that, I think while we are looking at strengthening our execution capability, agility in manufacturing, and delivering the product on time, there are certain cases where it's beyond our situation where the customer is full and the drive makes us to hit the numbers. And that is one of the reasons that why we chose to say this time that we'll be outgrowing the market and we'll be doubling the market growth, so that our penetration is much more. I hope I have answered your questions, but we fully understand and we are aware of the questions what you're asking and the implications of it.

Viral Shah: Sir, I appreciate this answer. But sir, 75 days into the quarter, we would be aware of how the quarter would be looking like. But the management comes on the television and holds on to the guidance. Additionally, even apart from the P&L side, the guidance was also that we would be just about marginal negative on the OCF side, sir. Sir, both of these guidance, 75 days into the quarter is actually a bit concerning when the actual numbers reported would be way off. Sir, how do you look at that, sir?

N. Muthukumar: I think the intent behind committing those numbers in the last quarter stating that we have based on the product samples that have been approved.

N. Muthukumar: Yes. See, what happened is, while we have got the indication from the invoice from the customer, we started ordering the material. And in fact, if you ask us, we have started even the pre-manufacturing activities of this, which gave us the confidence that, yes, we'll be able to deliver. If you see, more than 50% of the manufacturing of those activities also has been in the pipeline. As I said, it is not a denied order, it is a delayed order. We sincerely apologize for that this has happened. But I'm sure that you would all trust me that it is beyond our control. And going forward, we will take this input in terms of committing for the future numbers.

We are committing for our growth based on what market can pull in. And one of the reasons that you will see that going forward, we will be better like when our Executive Vice Chairman said, our dependency on every vertical, we are bringing it down. So, we are taking it into many other verticals, so that the impact on one business will not have an overall impact, but we will definitely keep this in mind and make sure that in future, we will be better preferred for mitigating these risks.

Viral Shah: Fair enough

N. Muthukumar: In our type of business, we also depend on customer insights and accepting it. I hope you all appreciate that.

Viral Shah: Sure. Sir, which is a fair enough point for the P&L side of you. But sir, OCF INR600 crores of negative, I think that is a bigger disappointment, especially when you kind of guided that you will be just about neutral or slightly negative, sir. So, you would have not guided, sir, why have we not been able to turn that around, sir?

N. Muthukumar: Okay. I think it's a fair question. The operational cash flow, I think there was a little maybe misunderstanding. I was also in the call during that time. The 2 cash flows that we are talking, as a stand-alone EMS business, I wanted to bring it to all your notice that as a stand-alone EMS business, our cash flow was INR250 crores positive when compared to INR65 crores last year. However, as a consolidation entry, see 65% of our revenue today comes from EMS business where we are cash flow positive.

The metering business, which is a specific model, this is the first full year we have taken and we are getting matured into this business. One of the things that happens is, this business model is a strategic acquisition for Kaynes in order to make ourselves getting matured towards a product-based company rather than an EMS assembly company.

I just want to bring it to all your notice that prior to acquiring metering company, we have been supplying them the EMS business. So the entire revenue is not new to us. At least 50% of the revenue as an EMS business we have been supplying there. But this is a unique acquisition where

it is not only making the meter but also installing the meter and also maintaining the operation and maintenance of providing the software.

We are the only company which has got a unique combination of all the 3, and that's the reason for why Kaynes has committed and moved into this acquisition, which has definitely brought back the good amount of insights on product development, converting ourselves, Kaynes, into a product company and maturing into launching more new products in that segment like whether it be a water meter or gas meter, we are on the pipeline.

Having said that, we should have anticipated this well. There were a lot of government delays, and the payment comes based on the installation. With various activities of the various state governments releasing the tender for supplying the meter, installing the meter, going to those houses and installing, there was a little delay. I would request you all to appreciate that as a stand-alone Kaynes EMS business, our net working capital days has come from 64 days to 54 days.

However, the total number has gone up because of this. 65% of our revenue comes from EMS business where our receivables is only 35%, whereas 25% of the business comes from EMS where the receivables is 67%. We have worked out the strategy with the management team on how to mitigate this. We've been working with various organizations to see that how this business model can be mitigated. Rest assured, ladies and gentlemen, we'll be able to bring it back at least to a level of reduction.

I think the inflection point has stopped and will come into the reduction, and we will come back in 3 quarters with positive results on specifically this entity. But on EMS business, we have demonstrated our ability of how to bring back both by working on supplier side and also on the customer side and brought it back. The numbers are available in this.

I think you can see from our opening receivables of about INR399 crores in the EMS business, sorry, INR379 crores, by the end of the year, we have come to INR399 crores. Even though we've grown the EMS business at 30%, our outstanding or receivables has gone up only by INR20 crores, which clearly shows how we could be able to manage this business efficiently.

Ladies and gentlemen, trust us, in the years to come, we will manage the metering business and demonstrate our ability to manage the product development, which is going to be a strategic shift in the Kaynes organization from moving an EMS provider to a product provider, and at the same time, manage this working capital cash flow efficiently.

Ramesh Kunhikannan: Added to that, if you recollect, we were very clear, our main EMS business, we will be cash flow positive this year, whereas the entire company, we will not be able to do that. So please appreciate, we have done and honored what we have said.

N. Muthukumar: So from INR65 crores, I want to bring to your attention of a cash flow positive our EMS business from last year, we have migrated to INR250 crores plus, which is a significant improvement in a year where there were a lot of uncertainties, including the escalations at one end, supply chain disruption in the last quarter and, of course, customer pulling of the material. And our customers

and suppliers have really supported Kaynes' initiative in taking this commitment and moving forward.

Moderator: Thank you. Next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Just, I think the call is all over the place. So going forward, I think we are not giving guidance in the same business when you articulated it's a customer-driven business. And when you're saying demand is very good, what is stopping you off giving you the guidance? I mean, is it you see more deterioration in working capital, which will erode the revenue growth from here on also?

So we are very confused if you can throw some light how the direction of revenue and working capital improvement will happen, because it has not happened so far. And you're not giving any guidance. So it's very confusing for the investors. If you can throw some light on aspects of both revenue and working capital?

N. Muthukumar: Okay. And thanks for asking this and giving us an opportunity to explain our position. It is not that we are not giving a guidance for the revenue. We are not only giving guidance for the revenue numbers. When we are saying that the industry in India, the GDP growth is at 8%, the EMS space where we are playing has grown at about 18% last year or is expected to grow in this year 16% to 18%.

We say we'll outgrow the market, we'll penetrate into each and every segment, and we'll double the growth of market growth is what the commitment that we have done. I'm sure that we'll be able to do that. But exactly, we don't want to put the number because you see, for example, the December projection of automotive industry was a mid-double-digit growth for this year, whereas the latest prediction phase, it will be a single-digit higher or lower double digits, which may impact on the offtake of the product.

While we are trying to mitigate it by getting into the various verticals like, in fact, we are going to be getting into defense and training and, of course, space business and other things. But at the same time, we want to be a little cautious because the market is in a highly volatile condition.

Nothing to do with our ability to deliver. Our capacity and capabilities is always available. So we are committing at doubling the growth of market growth, which we will be definitely coming back in every quarter to say that how the market has grown and how we have grown. You can rest assured that Kaynes will continue to focus on delivery efficiency and meeting the customer demand and, of course, making the investors' calculation.

Sorry, if we have made you to put it in a confusing state by not giving the exact number. Having given the exact number, we find that there are a lot of uncertainties which is beyond our control. And rather than coming and telling it and apologetically saying that it is because of this reason, we don't want to be providing a reason, but we wanted to be a solution provider in this. That is on the first revenue.

In terms of working capital management, we will continue to be efficient in this area. You can rest assured that Kaynes stand-alone, the EMS business will continue to be cash positive, and we'll be improving it at least by about 8 to 10 days in the years to come in this segment. Having said that, the metering business, which is complete for the full year, we started with the receivables of INR521 crores to INR1,300 crores, we are putting our execution team to go and install it in every area. We will reverse the trend. That's what we can say. But we have a very clear road map of bringing it back in 3 quarters to track in this metering business also.

We are also working out various business the current business model, I'm sure that most of you are aware, the business model of metering business is completely different from the EMS business. These are all some of the things. The positive thing is getting into the product, a new technology and, of course, an expanded margin product, and the other side is on the working capital management.

But rest assured that Kaynes management has got the capability, and we will ensure that we reverse the trend in this quarter. And quarter after quarter, you will see, within 3 quarters of this year, we have a very clear strategy on how we are going to come out of this cash flow issue in the metering business.

And ladies and gentlemen, at this point in time, we want to bring to your notice, the working capital management will not have any impact on our growth trajectory or in terms of our execution capability. Our order book continues to be stronger at INR9,000 crores plus. What we have been talking about and executing the new product in 12 months to 18 months, today, our ability to launch the product in 9 months, the full product has come because of the acquisition of new technology and new teams that we have got a product technology team.

You will be able to see and you'll be able to hear more and more of our products launched in the electric vehicle space in every spectrum that we are going to work in, wherein you will see that it gives the ability to launch the product and, of course, improve the margin. We are also submitting 30% of our revenue in the years to come will come from the new products, which means it gives us an opportunity to leverage our technological excellence, at the same time, getting into a better standardization of the product to bring working capital management and, of course, expanding the margins.

Our idea was not to give a guidance. What we are trying to tell is, we will better our growth of this year next year. We do not want to attach a number to that. That is the only clarification. I hope I've clarified this.

Nitin Arora:

Sir, I don't want a number. The question was more what will change suddenly which will get your INR600 crores negative cash to breakeven? Our business remains the same. Even Iskraemeco, you moved out, which I think you have 2 more quarters to go. Correct me if I'm wrong. The rest of the business is your negative working capital. So what will take this INR600 crores was the question?

N. Muthukumar:

Sir, the INR600 crores by end of the third quarter will come to around we will try to work on the positive, but at least 70% to 80% of this will come down for sure. And by end of the year,

we'll be positive. We have a very clear strategy quarter-on-quarter. I'm sure that the next earnings call, when we are going to be together, because it's almost 40 days have gone in this quarter, and the team is working on to put this into effect. We took a little time on this business because more of a product is what we were focusing, and we didn't anticipate this much of delay in the execution of the erection and commissioning.

Moderator: Thank you. Next question is from the line of Renu Baid Pugalia from IIFL Capital. Please go ahead.

Renu Baid Pugalia: A few questions from my side. First, if you can help quantify what was the share of leasing-related revenues in our consol revenues for fiscal '26 versus '25. And how does the growth look ex metering portfolio? That's first question. How are we scaling up in terms of new applications on the power supplies and other aspects, including EV within the industrial business?

Third is if you can share updates in terms of ramp-up of the rail portfolio with respect to Kavach solution. And do we see any headwinds on government offtake given that government finances this year are likely to be under stress?

N. Muthukumar: Thank you very much for listing it out. I will answer the first 2 questions. One is on the metering business. The metering business contribution to our total revenue is around 20% to 25%, okay? Having said that, it is not that the entire 25% of the revenue has come because of the metering business.

I'm sure that you will all be able to recollect that we have been supplying the components and the PCB for this metering business, which is around 60% of the revenue has already been coming. That's why when people say, oh, your growth, is it only because of metering business, 60% of this is our EMS business, which we have done, and we have added the box-build, software, and O&M business on to this. So the growth is like that in that business.

The second question which you asked is, yes, the company is now launching the product for EV segment. And you can see our growth in the EV segment this year is about 28% growth despite the fact that one of our largest customers in 2-wheelers has dropped the production significantly by about 90%. That means, had that been in full, our penetration would have been much higher.

This is one segment which is growing, which has continued to grow. And rather than supplying only PCB, we'll start working on the assemblies and products, which will make our value additions much higher. Every segment, as we said, we are going to diversify to make sure that our impact because of one business will not be there. Having talked about the first 2 of your questions, I will leave it to our Executive Vice Chairman to talk about our progress, what we are doing in railway business.

Ramesh Kunhikannan: Regarding the rail business, our Kavach product has received the initial approval, and we have got the trial orders. We are in the execution stage. We have done field survey and everything. We are expecting this year in the first half to complete all approvals and the second half to get a large portion of orders. Execution-wise, yes, we will have opening order in a big number, but a small portion will be out of that completed.

So this is the status as far as Kavach is concerned. We are developing another 2 more products for the global requirement for one of the OEMs in the rail sector, that also. So rail business, I'm expecting this year to grow by around 20%, 25% because of these coming in. And the margins are going to be north of current 30% plus. I hope I have answered this.

Moderator: Thank you. Next question is from the line of Amber Singhania from Nippon India AMC. Please go ahead.

Amber Singhania: First thing is if you can share details about your metering subsidiary, what was the revenue for the full year EBITDA and what is the total receivable in this subsidiary?

N. Muthukumar: Sir, as far as the metering subsidiary is concerned, out of the total INR3,626 crores, it's a subsidiary, coming in, about INR971 crores is the metering subsidiary's revenue, which is 24%, 25%.

Amber Singhania: Pardon, sir?

N. Muthukumar: The metering revenue is INR971 crores out of the total INR3,626 crores revenue.

Amber Singhania: Yes. And how much is the receivables in this?

N. Muthukumar: Okay. On the receivables of the metering business, it's about INR1,365 crores, including the -- in the total revenue, the receivables on this business. It is more than that because the first 2 quarters of this year, we could not execute while the metering we have supplied, the installation got hugely delayed, particularly in the rural towns where the government has given business. Our pickup has happened only in the last quarter where our installation is going.

It's going to take about 1 or 2 quarters for us to complete the installation. That is why I have committed that it will take up to the third quarter for us to complete this. I'm sure that this is not only with us, overall, the ecosystem of this is creating a problem, but we have created a pipeline of team and pipeline of equipment to make sure that the installation takes place on time. The availability of people -- the availability of the location is a concern.

Amber Singhania: Sir, just a clarification on this. If I'm correct, last quarter con call, you mentioned that metering subsidiary receivable was somewhere around INR1,100-odd crores, and you were supposed to receive INR250-odd crores by securitization itself, whereas when we are seeing now, it has gone up. So if you can help me understand, was there any securitization done? If not, why not? Because we have committed that it is almost done during the last con call. And secondly, what has led to this kind of increase in receivables on the metering business?

N. Muthukumar: See, this securitization, we have just started with one bank. And the first block where the installation is completed, bank has started accepting it. Bank would like to have the first month complete billing and realization. So we have the sanctions everything, but we have only discounted to around INR40 crores or so.

Amber Singhania: Because sir, I think this is exactly same from what was given in last quarter con call. So there is no progress in this quarter at all in this?

N. Muthukumar: No, no. Apart from last time, this quarter, again, we have discounted some INR40 crores extra. See, the installation and all reports, after that securitization takes place, and they are willing to disburse the money. Our key challenge is on the installation now, which is what we are working with the various organizations, public sector enterprises, and the end customers, and the respective GENCO or DISCOM to see how we can speed it up. We understand your concern of why the revenue in the last quarter is INR380 crores. We almost added businesses. It's basically because of the delay on the installation.

Amber Singhanian: Sir, just wanted a better clarity in this business. Going forward, are we going to continue to execute this kind of revenue with this kind of working capital? If not, then what are the factors which are giving you confidence that you will be able to reduce this working capital in this business? And if you can quantify something with concrete steps, it will be helpful for us to understand.

Ramesh Kunhikannan: No, no, no. In the past, we have already agreed we are not going to take any orders like this. We are only going to take meter orders, and we will be supplying to the project teams who are taking up orders for the entire execution, like that. So further, it will be our EMS component only we'll be taking orders.

N. Muthukumar: See, the current business what we have taken is about 35 lakh. Yes, 35 lakh meters is what we have taken, which is the order that is being executed and all. But ladies and gentlemen, I think while I fully understand working capital is one of the key concerns and we are working on, this has brought in a lot of other strategic advantage to the organization in terms of our product development capability; a software capability, which no other EMS business has; and on top of this, our ability to execute the projects like this.

I think these are the strengths going forward, which is going to come. And we all know that this comes with a better margin than the standard EMS product. The company, when it's going to migrate from a service provider to a product company, you know the benefits of this. When we are going to be in a B2C, our brand is going to get strengthened. The people are going to look for our brand. And as I said, it's going to have a lot of strategic advantage.

Having said that, you can rest assured that we will come back with a quarterly progress on this and see how, last year, yes, every 4 quarters, we have added up the number, almost more than 50% of the revenue that has come. But now that we have created an ecosystem of our ability to install the meters and the location, we will get into it.

And you also know that when we are doing it with the public sector enterprises and doing this, the process is taking a little more time than normally a Tier 1 OEM or other business. But having understood the business, we are pretty confident we are going to come. And like our Executive Vice Chairman said, we'll also be cautious of taking such a huge business of 35 lakhs, 40 lakhs rather than on this model to only just supplying a metering supply and giving it to SPV companies where they will do the installation, erection, and commissioning. Hope that answers your question, but it is a very, very valid question.

- Moderator:** Thank you. Next question is from the line of Dhaval Somaiya from Axis Mutual Fund. Please go ahead.
- Dhaval Somaiya:** I have 2 questions. Firstly, this 35 lakh odd meters is broadly a INR1,400-odd crores order. So how many meters or if you can give some quantum in terms of how many meters are pending from this order? And secondly, like you highlighted, the smart meter business this year did roughly INR971-odd crores of top line. That implies that still there is another contribution of INR740-odd crores from subsidiaries. What is the breakup of that, if you can help us understand?
- N. Muthukumar:** Okay. Sir, in terms of the metering, we will take another 2 to 3 months to complete the entire pending order of this, and which is what we are also putting in our calculations...
- Ramesh Kunhikannan:** A small extension of this order, as per the continuation, it may or may not come, that is another 3.5 lakhs to 4 lakhs.
- N. Muthukumar:** So that is why we are pretty confident, in 3 quarters from now, we'll be able to finish off this and the new businesses will be in a different model. That is on the metering business.
- Ramesh Kunhikannan:** And the other subsidiary, which is very prominent is the KEMPL, which is exactly the EMS business only.
- N. Muthukumar:** And we are continuing the EMS business and there almost, if you see our EMS receivables, the start of the year, we started with INR379 crores. The EMS revenue, I'll just talk about it. The EMS revenue is about INR2,655 crores with INR442 crores in the quarter 1, INR683 crores in quarter 2, INR667 crores in quarter 3, and INR862 crores in quarter 4. We started the year with INR379 crores of receivables, and we ended up the year with
- We went up to INR466 crores in the quarter 2 and INR437 crores in the quarter 3, and we brought it down to INR399 crores in the quarter 4, which sees that we have exceeded only by INR20 crores for a revenue growth of about 26%, which means our prudent management of receivables and our shorter lead time.
- See, basically, it is about how fast we can manufacture and ship it out of the plant and ensure that it gets into the factory and start consumed by the customer. Out of the INR2,655 crores, for your other question, one is Executive Vice Chairman answered KEMPL. There are 2 foreign entities, which put together on an average about INR300 crores revenue.
- Thank you very much for giving us an opportunity to clarify this question. I fully understand your concerns on this, but the business model of the metering business is completely different from the EMS space. While it is putting a stress on to the working capital management, ladies and gentlemen, believe us, it gives us an enormous ability to do the product development launch at the time, not only with the product development, but building our capability in erection and commissioning on these types of projects. And of course, the software, which is going to really help us. Not only for this contract, but beyond this contract, the money is going to come back for a long term for us, till the meter is up and running.

Moderator: Thank you. Next question is from the line of Jigar Shah from HSBC Mutual Fund. Please go ahead.

Jigar Shah: Sorry to harp on it again and again on smart meter business, but the communication from your side seems to be very off since last 2, 3 quarters on smart meter business and has created a lot of confusion. And if you see, your commentary has been that this year, smart meter business, FY '26 would be INR800 crores, but it has come at almost INR1,000 crores.

And going forward, you will not be taking AMISP business and hence, the receivables, which is current, but not due, spending in other current assets or noncurrent assets, which is around INR250 crores, will come down. So that was not also done. In fact, revenue has increased, receivables have increased. And in FY '27, I would like to know that from AMISP model, how much will be revenue, and incremental other current assets, but not due incremental, what will be the situation there?

N. Muthukumar: Okay. Sir, I just wanted to let you know, while we were at INR800 crores, when we got an opportunity to grab to offset some of the business that there was a delay in automotive business or there is delay in something, we grabbed every opportunity, and that is why we have grown in this. For the next year, while the INR971 crores of sales, what we did this year, in absolute numbers, we may remain same or slightly up or down, that's not a question, but almost 50% of the business will be in the old model and the rest will come in the new model.

As Executive Vice Chairman said, we have to finish some more, and there is a contract that if the government is going to ask for more, we may have to continue to supply. So we will be definitely taking prudence. But rest assured, we have worked out the business model for this year. In next investor call, we will just make sure that we start a presentation with this for first 5 minutes or something and giving these numbers to make sure that we completely keep you all in transparency on how the business is going and how we are going to collect it.

We are also working out on a couple of more strategies to make sure that how the noncurrent assets, what we are talking about, which is setting up for a long time, how we are going to mitigate that risk and at least get 50% immediately. We will get back to you in the days to come on this specific project. But rest assured that this is on top of our agenda and top of our working to make sure that how we can reverse this and then get back towards the positive value for you.

Jigar Shah: Yes. Just one more thing on receivables. You mentioned that subsidiary is INR1,365 crores. So how much will be this long term and short term?

N. Muthukumar: I think you only estimated, about INR250 crores is noncurrent assets. I think that will be there. Rest will be current. I think our ability to now do the installation is going to be the key. There are 4 states where our team is working, and it is taking extremely high time for more than 6 zones. We are working on this. But we have put enough infrastructure and team to do this. And we now got a clearance from them to do -- almost from morning 6 to night 12, I think our team is putting efforts, and we'll speed up this process.

We have been traditionally a manufacturing company. So we worked on improving the efficiency and productivity in the plant, and we really understand the new model of how it takes time to do the installation at every site location or every house.

Moderator: Thank you. Next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: In balance sheet, the intangible asset in FY '25 was INR238 crores. And in FY '26, it is INR536 crores. So what was the INR300 crores increase? What was the key reason for that?

N. Muthukumar: I think if you go back to the 2 quarters before, we did 2 acquisitions. One is in Iskraemeco, and second is August Electronics, which is in Canada and supplying in the EMS space to the big players in the North America. The intangible asset that has been capitalized on these 2 is about INR320 crores, and there was a clear thing on what is the order book and it's based on the current accounting standards, and we did INR320 crores.

For all of your information, even though you've not asked this question now, I think we have committed that how we are going to do the amortization of this, our policy was once in a year. So in the last quarter, we amortized these intangible assets and that has added to our depreciation and amortization to a level of about INR32 crores. That is why the PAT in the last quarter has come down PBT, but we believe that the full year was around 10%. Going forward, I think we'll be doing this amortization on every quarter. This is basically from the order book and other assets that's available from acquisitions of Iskraemeco and August Electronics.

Moderator: Thank you. Next question is from the line of Sameet Sinha from Macquarie. Please go ahead.

Sameet Sinha: So apart from the smart metering business, I think everyone is trying to get their arms around guidance. Mr. Muthukumar, you were on TV talking about this 2x growth. I wanted to get a sense of when do you expect to get to that double the market rate? Is it from starting now? Or is it going to be the third quarter is what you're referring to? And would that include OSAT and PCB as well to get to that sort of double rate? Or is that just the pure EMS business? And then I have a follow-up.

N. Muthukumar: Okay. Sir, in the 2x growth, I think we have launched 3 products and which is already in production now, SOP started. So we will continue to penetrate into every customer. And when the automotive business is growing at around 30%, share of business is a key driver for this business, and we'll continue to focus on not only introducing the new product, but also expanding our share in the business. And that is why we are confidently telling we are getting into this.

The aerospace business is another one where we are substantially growing last year, and we continue to grow in this year. Like Executive Vice Chairman said, railways is another core. So see, as I said in the earlier or to some of you when we were talking, the industry is growing at 6.5% to 7% in India, our market space is growing at around 15% to 16%, and we'll be doubling the growth.

Being in the Middle East war, even in the last quarter, we have performed much, much better and our supply chain agility was good. Our strategic stocking has really helped us in this. So we will be doing the 2x growth from the start. When I say 2x growth, it's not the 2x growth of our last quarter comparison, but on the market growth and our growth. I just want to make myself clear. And the market is going to grow at 15%, and we are doubling until we are there at the numbers.

Sameet Sinha: Right. And that

N. Muthukumar: Okay. On OSAT and PCB, I'm sorry, I missed the question. See, OSAT and PCB, ours is a very, very strategic product. We are also evaluating how much of that is going to be consumed internally and how much we are going to give it outside. For all the products that we are making, where we are making it design specific and where we are going to be offering as a solution as a Kaynes product, we may be using our own product because of the technological advantage and the competitiveness.

At the same time, we'll continue to focus on the end customer. There is a pipeline of customers that's coming in. And you know the OSAT ecosystems and PCB systems. We are strategizing it out. But at the end of the year, yes, the overall growth from those segments, we can see that either it will expand in bottom line or on the top line, depending on how we strategically use the product, through our own product by expanding the margin or selling it to other customers. It will be a strategic call, and moving forward, it will be an integrated business.

Moderator: Thank you. Next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade: Sir, just to expand the previous question, if you could talk from a production value perspective, the earlier guidance of INR1,000 crores for OSAT, INR500 crores for PCB. Does that stay intact? Or is there any risk to that number? That's my first question.

Ramesh Kunhikannan: We have not given any guidance like this. This is our first year. I'm sure and certain we will do a good number of PCB of around INR300 crores to INR400 crores, and OSAT of around INR250 crores to INR300 crores.

N. Muthukumar: \And how much of that we are going to consume locally, how much of that we are going to sell it outside is a strategy that's being worked out, and we will be communicating to you at an appropriate time to all of you.

Ramesh Kunhikannan: But OSAT business and all, locally, there will be nothing to start with. It will be always in export mode only.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question, and with that we conclude the question and answer session. I'll now hand the conference over to the management for closing comments. Thank you and over to you sir.

- N. Muthukumar:** Thank you very much, ladies and gentlemen. I think we appreciate really the opportunity that is given to us to explain about our initiatives and some of the concerns that you had. We hope that we have answered most of your queries. And if any one of you have any queries, please do reach out to our Investor Relations, and we are here to show you. We also welcome you to visit our plants and see those facilities. Seeing is believing, and I'm sure that -- thanks to every one of you for supporting us in this growth journey. I'm just handing over the phone to our Executive Vice Chairman for any closing comments.
- Ramesh Kunhikannan:** Thank you very much. I'll be shortly meeting in some conferences. So if there is any clarification, please reach out to us. We will be happy to clarify all points. Thank you.
- N. Muthukumar:** Thank you very much.
- Moderator:** Thank you members of the management. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.