“Kaynes Technology India Limited

Q2 FY27 Conference Call”

November 16, 2026

MANAGEMENT: **MRS. SAVITHA RAMESH – CHAIRPERSON, BOARD – KAYNES TECHNOLOGY INDIA LIMITED**
MR. RAMESH KUNHIKANNAN – EXECUTIVE VICE CHAIRMAN – KAYNES TECHNOLOGY INDIA LIMITED
DR. MUTHUKUMAR NARAYANASWAMY – MANAGING DIRECTOR – KAYNES TECHNOLOGY INDIA LIMITED
MR. JAIRAM P. SAMPATH – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – KAYNES TECHNOLOGY INDIA LIMITED
MR. SUMIT VERMA – INVESTOR RELATIONS – KAYNES TECHNOLOGY INDIA LIMITED
MR. SENTHILKUMAR – VICE PRESIDENT FINANCE– KAYNES TECHNOLOGY INDIA LIMITED
MUFG IR – INVESTOR RELATIONSHIP PARTNERS – KAYNES TECHNOLOGY INDIA LIMITED

MODERATOR: **MR. MAYANK PANDEY – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Kaynes Technology India Limited's Q2 FY27 Conference Call hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Pandey from Emkay Global Financial Services Limited. Thank you, and over to you, Mr. Pandey.

Mayank Pandey: Thank you, Renju. Good morning, everyone. On behalf of Emkay Global, I welcome you all to the Q2 FY27 earnings conference call of Kaynes Technology India Limited. Today, we have with us management represented by Mrs. Savitha Ramesh, Chairperson, Mr. Ramesh Kunhikannan, Executive Vice Chairman, Dr. Muthukumar Narayanaswamy, Managing Director, and Mr. Jairam P. Sampath, Whole-Time Director and Chief Financial Officer.

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

Ramesh Kunhikannan: Good morning, everyone, and thank you for joining us. On behalf of Kaynes Technology team, I would like to welcome all of you to our Q2 FY27 earnings call. Joining me, Ramesh Kunhikannan, Mrs. Savitha Ramesh, Chairperson of our board, our Managing Director, Dr. Muthukumar Narayanaswamy, our Whole Time Director and CFO, Mr. Jairam Sampath, Mr. Sumit Verma from the investor relationship, and Vice President Finance, Mr. Senthilkumar our investor relations partners, I would like to thank the Emkay team for hosting this call.

Let me begin with a brief overview of our financial performance. For Q2 FY27, our consolidated revenue stood at INR9,525 million. EBITDA for the quarter was INR1,256 million, with an EBITDA margin of 13.2%. Profit after tax was INR398 million. For the first half of the financial year, FY27, revenue stands at INR18,987 million. H1 EBITDA was INR2,681 million, with an EBITDA margin of 14.1%.

Our order book remains robust at around INR106,252 million*. At this stage of our company and our journey, the quality of our growth matters as much as its pace. This quarter, we choose to put balance sheet strength and cash discipline ahead of short-term revenue, while continuing to invest ahead of time in the capabilities that will define Kaynes over the next decade.

***Note: During the call, order book was inadvertently said INR 106,252 million kindly note that it should read INR 105,635 million as a factual figure, reported in financials, investor presentation & other filings.**

Before I hand over, I want to step back and talk about where Kaynes is headed. When we started this journey, Kaynes was known as a PCBA company. Over the years, we have steadily moved up the value chain from electronic manufacturing service to engineering and high-tech manufacturing. Our aspiration now is to become a true design and product company with a global presence. That has always been my vision for Kaynes.

Not just a contract manufacturer, but a company that designs, develops, and builds its own critical electronic products for India and for the world. We are making steady progress towards this goal. Our OSAT and PCB businesses, our growing design and engineering capabilities, and our entry into higher value segments such as aerospace, railways, space, and medical electronics are all building blocks of this journey. Each step takes us deeper into the electronics value chain, brings us closer to becoming a high-tech manufacturing, design, and product company, and makes Kaynes a more strategic partner to our customers.

An important step in this direction this quarter is our acquisition of Toyokawa joint venture. This gives us an entry into the thin-film transistor display modules market, which is one of the fastest-growing segments in the vehicle electronics. There is a direct synergy here because we already manufacture PCB assemblies for automotive displays.

With Toyokawa, we can offer our customer a more complete solution, combining display technology with our existing electronics manufacturing strength and capturing a large share of value per vehicle.

Our two strategic growth engines, Kaynes Semicon and Kaynes Circuits, continue to progress well. This is despite a difficult global environment, with global tensions, volatile Brent crude prices, a weaker rupee, and supply chain disruptions affecting the entire industry. Last quarter, I told you that Kaynes Semicon Unit 2 and Kaynes Circuits would be operational by Q3 FY27.

I am pleased to report that both are now operational, and multiple products are receiving customer approvals. Equally important, both businesses are adding marquee customers. These important customers win, tell us global customers see Kaynes as a credible long-term supplier in these new businesses.

Dr. Muthukumar will speak in more detail about our partnership with Vishay, our latest semicon addition as a strategic partner. I want to say just one thing about it. This is not a short-term arrangement. It is a long-term strategy to take not only Kaynes, but the Indian semiconductor ecosystem deep into the global semiconductor value chain.

With Vishay as a strategic partner, we gain faster scale, global market access, and credibility that comes with working alongside a global leader. Alongside this transition, we will continue to expand our global footprint. Given the uncertainties in the world today, from conflicts to trade disruptions to currency volatility, a diverse global presence is no longer optional. It is a strategic necessity.

Being present across multiple geographies lets us serve customers closer to where they are, reduces our dependence on any single market or supply route, and helps us manage these uncertainties far better. Our August Electronics acquisition in North America is one part of this. We will keep building on it.

With that, I would like to hand over the call to Dr. Muthukumar, our Managing Director, who will take you through our business performances, our new businesses, and our partnership with Vishay in greater detail. Thank you.

Muthukumar N.: Thank you, Mr. Ramesh, and a very good morning to everyone. Thank you all for joining us today early in the morning. Before we take you through the quarter, I want to first address the restatement that you would have seen in the Notes 9 and 10 of the results. In line with the expectation from the wider investing community and with the objective to strengthen the reporting process, we have transitioned to a larger audit firm and have completed our first quarterly limited review with our new auditor, Walker Chandiok & Co LLP.

The process followed a detailed review with our prior period numbers with them, and after extensive discussion with the audit committee, the management team felt a restatement under Ind AS 8 was the right way to deal with it.

The comparatives of Q1 FY27, Q2 and H1 FY26, and FY26, and the opening balance sheet of 1st April 2025 also have been restated and shown in our filing. At the consolidated level, the FY26 PAT now stands at INR392 crores against the INR364 crores earlier reported, which shows how conservatively the organization has been doing in terms of the profitability. The net worth is marginally higher.

A good part of the adjustment and reclassification, including the bank-funded receivable and supplier financing line, which was not shown as a part of the borrowing, are now shown as under the borrowings. The consolidated adjustment impacting the P&L were mainly on account of change in accounting of one of the contracts for the Smart Metering business, followed by some accruals and provision, following a detailed review with the auditing teams.

Wherever the adjustment corrected genuine errors, we have tightened our control, and I will take you through those. I just wanted to restate the entire reclassification were done due to the interpretation of Ind AS accounting standard and to achieve the better governance and compliance. No significant accounting policies have been changed.

Having said that, we would like to highlight this exercise undertaken with our new auditors is intended to strengthen the reliability, governance, and compliance. Both the review reports, consolidation standalone, carry an emphasis of matter, drawing attention to the restatement. The review conclusion is not modified on this account.

With that, ladies and gentlemen, let me share some of the key highlights of the quarter, because these developments are what we will drive our growth in the second half of the financial year and beyond.

Let me start with our new business, OSAT and PCB, which I know all of you are following closely. I am happy to share that the unit two of both OSAT and PCB is now operational, and multiple products are receiving customer approvals as we speak. This is an important milestone for Kaynes because approvals are the gateway to steady repeat business at this industry.

Of course, the product validation at the end customers is going on, and which will give more confidence about how our products are performing better than our competition. The sense of Kaynes on the key manufacturing will definitely demonstrate the product reliability is going to be much better than our competition. It has been very satisfying to see how quickly our team has

moved from building the facility to product validation, and now a customer validation and approval for commercial production.

With Kaynes Semicon manufacturing base now in place, the question in front of is how to scale in the shortest possible time. Because taking a new product from validation to commercial production, which means the application engineering, typically takes about 12 months- 14 months.

This is where our partnership with Vishay, we have worked on, and it is getting into the situations today. It helped us to reach scale much faster than what we had originally anticipated. Vishay's global presence across both active and passive components is a serious advantage for us, not only for Kaynes, but also for Indian semiconductor ecosystem as a whole.

Most importantly, as our strategic partner, Vishay will take up about 75%-90% of the capacity, which gives us a direct access to the global market other than China. On PCB Unit 1, we will start generating revenue from Q3 FY27 itself.

As I mentioned last time, PCB is a component which is a global shortage today, with lead times of six to eight months and supplier asking for advance payments. Kaynes is entering this market at the right time, and our engagement with one of the largest EV manufacturers globally continues to progress well. Could even say North American market.

Now, coming to the Smart Meter business, as we shared last quarter, our priority here has been collection, installation. I am glad to report that the Smart Meter receivables have come down from INR1,300 million to INR1,000 million, which is what we committed in two quarters before during the investor call. By end of second quarter, we will see the results of this. Our team has done an extensively good job in terms of bringing down the receivables.

Of course, at the same time, we took a hit on our growth because we were very, very conscious of making a balance sheet look better. To get there, we took a conscious decision to moderate our Smart Meter revenue. The Smart Meter revenue declined by about 12% in Q1, and of course, 80% in Q2 FY27, because balance sheet is priority for us.

Though this period, our EMS team has continued to grow consistently, even though our overall revenue is flat or about single-digit growth. We continue to work on collecting all pending Smart Meter dues. At the same time, I am pleased to share that a couple of players have shown serious interest in our business, and we are at advanced stage of closing the deal with partner that is most beneficial for Kaynes, both financially and strategically.

We had committed earlier by the February investor call, we will give a proposal on how we are going to do that. I just wanted to reconfirm to you that we are on track for this, and by next quarter end, please, next quarter investor call, please be rest assured that we will come out with a plan. At the same time, our team has worked on several cost improvements in the Smart Meter business.

Once the deal is closed, we will be able to supply Smart Meters in a way we support steady revenue growth, and equally important, to protect our margin. So the Smart Meter business will

come in a more disciplined and more profitable part of the portfolio going forward for Kaynes. It has been over a year we acquired August Electronics, the foreign entities, and the company has performed in line with our expectation.

Last July was our acquisition. Its growth could have been higher, but due to the conflicts of various parts of the world, we continue to focus on winning larger share of business in North America through August Electronics. We are committed to increasing our export revenue from about current 10% to about 25% plus by 2030, as communicated to you as part of the Mission 30. We are also sharpening our focus to future growth areas that comes under the higher margin.

Aerospace and railways are the two segments which we are seeing a strong traction, and we have grown more than 50% in these two segments, where our capabilities in high-reliability electronics gives us a clear edge. In railways, two of our innovation-led initiatives are progressing well. One, Kavach, one product has received approval, and we are now eligible for commercial production.

I will keep you updated on the development in the next quarter. Several of you had also asked about Sensonic, the entity which we acquired in Europe. I wanted to bring it to your notice that Sensonic works on sensing and signaling system that detects people and animals crossing the railway tracks, which is a serious concern for both railway operation and passenger safety, and also animal safety.

This is a pure innovation play, and we believe it can bring significant value in the coming years, not only for India, but also across the globe. We are also actively looking at opportunities in areas where we have not contributed much in the past, such as medical electronics, where we believe there is a significant opportunity for Kaynes to grow. Keeping all this in mind, I want to reiterate the confidence of the full year.

We are targeting the growth of doubling the market, as we said. At this point of time, as the market growth is about more than 15%, we are confident of growing the electronic business itself with more than 30% for FY27 as a whole. On the macro environment, friends, before I come to the numbers, let me briefly talk about the macro environment, because it has a direct bearing on our revenues and markets.

The impact of higher crude oil prices will take some time to ease. Brent has been very volatile and moved back above $100 in September. The rupee also weakened from about INR85 in June 25 to around INR95-INR96 in this quarter, a depreciation of more than 12%, though recent RBI measures have brought it back to around INR95. Commodity prices remain elevated.

Copper and aluminum are at multi-year highs, as the wholesale inflation stayed close to 10% during the quarter, with manufactured product inflation at a serious high of 8.4%. All of these have led to cost escalation across the supply chain, which has an impact on margins in the short term.

As I said last quarter, we expect profitability to normalize over the coming quarters, and the cost improvement initiatives that our team has done is remarkable. I have earlier indicated the

reduction in the Smart Metering revenue, and all of you know that the Smart Metering revenue, because it is a product, the margins were higher.

In spite of the fact that the team has dropped the revenue in the first half of the year by more than 50% of the revenue, the profitability drop has substantially improved because the EMS team continued to do VAVE and has grown up the margin. On a positive note, with global conflict condition now showing signs of easing, we expect supply chain to gradually return to normal if this trend holds in the next two quarters.

This would bring down the lead times and input costs and allow us to release some of the inventory which we have built. As I told you in the last quarter, we have strategically built an inventory of INR200 crores-INR250 crores during April, which is continued to be there in this quarter.

We will look at the situation by end of December, and if things go smoothly in the market, we will ease it out. Because of this strategic inventory buildup, we could able to deliver to the customer much better than our competition this point of time.

On terms of financial performance, our Executive Vice Chairman has already taken you through the revenue and profitability numbers of the quarter, so I will not repeat them again, and I will wait for your questions if you have any. I would only add two points.

First, the revenue trend reflects a deliberate decision to moderate the Smart Meter revenue in favor of stronger balance sheet. Second, the margin this quarter absorbed the higher commodity crude-linked cost, along with the initial ramp-up of OSAT and PCB. With this, let me take you through some of the other data points that we have.

I also wanted to bring to your notice, while the Smart Meter number has come down, which is running with a higher margin, the team has done an extensively good job in terms of doing this. And we are not only making Kaynes competitive, but also making sure that our customers whom we are serving are also competitive by giving this benefit to them.

In terms of working capital on a rolling 12-month plan, the net working capital on total is 169 days from the company compared to 163 days of last quarter. I think you all know that on a rolling plan, this is the one which we are trying to flatten now and start it coming down.

Inventory remained elevated, as we said, about INR150 crores on strategy, but when this is going to come down by end of the year, we will be in a much better situation than what we are in. Receivables through EMS business stand at INR868 million when compared to INR807 million in Q1 FY27.

The receivables from Smart Meter business went down compared to previous quarter at INR1,091 crores, compared to INR1,402 crores in last quarter. The outlook for the second half of the FY27. Let me now explain why we are confident of second half of the FY27. First, revenue from OSAT has started. The PCB unit went contributing to Q3, and both are moving to full operation by Q4.

The only thing that we are keeping our fingers crossed is on the end product validation, but our team is confident of hitting whatever the targets that we have set in. The third is our focus on high-margin segments like aerospace, which we have grown by more than 70%, and railways, which is growing more than 50%, along with the new areas of medical, improves our business mix.

Rest assured that whatever the business mix impact that we are going to have in the metering business, the team at Kaynes is working to make sure that our products in EMS business moves away from 8% of product to about 32% of product. When this happens, this will neutralize the impact of any metering business exit from us.

Together, these gives us the confidence that second half is stronger, first in terms of revenue and also in terms of margins, and that will deliver the growth of double of market growth. With this, I complete my initial remarks. I would like to thank Emkay team for hosting the earnings call and all of you for joining early in the day.

I will now hand it back to the question-and-answer session, and my team here will be very glad to answer your questions. Thank you very much.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Sameet Sinha with Macquarie. Please go ahead.

Sameet Sinha: Yes. Thank you very much. A couple of questions. Thanks for the details on the restatement. Can you talk about the changes, the thought process behind moving receivables to a bank loan? How does that work? What was the change in accounting there?

My second question is basically about the OSAT and PCB business. Can you tell us exactly, I mean, considering the scale, the new Vishay project, is the Vishay project, is it going to be a dedicated capacity or incremental to what you have right now, or it is going to be from the existing capacity? Then I have a follow-up. Thank you.

Muthukumar N.: Thank you, Mr. Sinha, for giving this. In terms of receivable, if you see in the past, whatever the bill discounting that we are doing for receivables were shown in a separate line item as bill discounting that we have done. Currently, we have restated as a part of the borrowing. This was part of our presentation earlier in investor presentation, and today it has been moved to the borrowing. That is the reason why it is showing that our loans as the thing going up.

Second thing, in terms of OSAT and PCB business, specifically the Vishay business is going to come from the existing capacity that we have created. That doesn't mean that we are going to drop the existing customer that we have. 75% to 90% of the capacities will go to the Vishay, and the rest of the capacities will continue to serve our customer whom we are committed.

We are going to be very fair, and we thank our partner for accepting this, and we are going to support them also. Hope this clarifies the question.

Sumit Sinha: I mean, the past commentary has been about how more than 50% of capacity has been committed to certain other customers that you had mentioned previously. So I'm just trying to understand,

are those contracts going down in value, and then Vishay is going to soak up the excess capacity that's left, or how does that work?

Muthukumar N.: It's not that commitment is coming down. We started working with some customers for getting the capacity, and we said we can commit up to this number. Whatever the validation had been done is what we have agreed now, and we are going to keep about 10% to 25% for those customers. However, the faster rate of what is going to come from Vishay is taking the customer to 75%.

We'll be focusing on validating this product and applicating this so that the speed to go to market will be much faster. I think that is why we have taken the strategic initiatives, and we will ensure that if the other customers want this, we'll expand it more than what we have planned and make sure that we serve those customers also, while validation will continue to happen.

Sumit Sinha: Got it. Okay. Thank you.

Moderator: Thank you. Next question comes on the line of Renu Baid with IIFL. Please go ahead.

Renu Baid: Yes. Hi, good morning, team. Few questions from my side. First, if you can highlight, you did mention that alongside the change of auditors and certain accounting policies, what are the kind of strategic initiatives and reset that you're doing to ensure the balance sheet and cash flows improve from here?

That is the first question. Second, if you can highlight a bit more clearly in terms of how was the performance of the core EMS business, ex of metering, in terms of revenue and EBITDA for the second quarter? With respect to your guidance of 30% growth for the EMS ex of metering, what would also be the expected margins from this business?

Muthukumar N.: Thank you. I will answer the second and third question much faster and then come to the first question. In terms of the core EMS business in the second quarter, what you asked, the core EMS business for the Q2 has grown at 34% in terms of revenue. For a similar quarter last year, which about INR595 crores, we have taken it to INR799 crores in this quarter.

Whereas the metering business, I am just giving the reference, which was INR228 crores the earlier, it has come down to INR54 crores. This talk about how we have, that is why the overall numbers coming to about a single-digit growth, while our growth in EMS business is more than 34%. For H1, the overall growth between first quarter and second quarter is at 42%.

The team did a good validation of utilizing the existing capacity of meter into EMS business and thereby able to quickly ramp it up the production. Having done this in second quarter, I am sure that the next quarter EMS business, even if we do not get into the metering business, our team is confident of expanding the capacity to EMS and grow faster.

In terms of margin, all of you know the metering business, by default of being sold as a product, the margin was higher. Almost someone of you has estimated that even it is 80% more than the EMS business. Last year, with about 15.8% of EBITDA, if you see, the EMS business stood at around 10.5% and metering business around 22%.

Currently, though the metering business has come down, I think last time our Executive Vice Chairman told about various VAVE initiatives that what we are doing with the customers, which has substantially improved in spite of the metering business has gone down by 50%.

Our profitability for the first half of the year stood at about 14.1%, which gives us the confidence that if we continue the VAVE for the EMS business, by the time we even exit from the metering business, our team will be able to meet up to the expectation what we have been doing in a overall. Hope that clarified your answer. Now I will come back to the restatements.

In the restatement, some of the points that we have done is, I just wanted to make the first statement on restatement as, the entire restatement exercise, reclassification were done due to the interpretation of Ind AS accounting standard by the incoming auditors to achieve the better presentation of the financial statement and also in a better governance and compliance. No significant accounting policies have been changed.

The other thing that I wanted to tell you on specifics is, there are different headings. I want to take a little time so that the other people also will listen to this. Most of you have been questioning that on our revenue recognition, whether we are doing right in terms of the metering business. PCGL business in metering, which is a major business for us, last year out of INR970 crores, about INR870 crores has gone with PGCIL.

The new auditor also felt that we are following and complying all Ind AS standard, and we have not restated any revenue recognition or our receivable recognition because there is no significant financial impact. That's the first point which has not come in. However, the West Bengal metering business, which we have taken it as a capex model, we have not shown in our revenue.

The auditors felt that this is not the right way to do it. We should go for a service concession agreement. Because of that, from the originally stated INR3,620 crores revenue of last year, our total revenue has gone to INR3,680 crores. Our revenue has gone up than what we have shown during the last year. However, because of some timing errors and inventory provision errors or the inventory overhead validation.

Some changes has happened in this, which has led to a small drop in our EBITDA percentages from 15.8%, what we have originally given, to 14.2%. Having said that, the line items have changed. The 1.6% drop in EBITDA, when it comes to the PBT level, it has dropped only by 0.4%. When it comes to PAT level, it has gone up by 0.9%.

This has gone significantly, the earning per share, what we have given earlier, it has gone up. Which is what we thought that, okay, this is a good model. While the auditors identify some of the areas, they also recognize that Kaynes is not taking what are the things that we can take it up to add to the profitability. That is why, if you look at the overall, the PAT has gone up by about more than 0.5%- 0.6%.

These practices, Kaynes is always open to the best practices there in the industry. I think, the previous auditor has done a good job in migrating this company from a MSME company to a bigger company. Now we are going into a global company, we thought these type of global practices will help us to compete in the global market, not only looking at the Indian market.

The management, the audit committee, the team have taken it to the very positive note and said, "Hey, hassling if we are doing for the global best practices, this will make Kaynes to become a global player, not only as an India and EMS player." With all these things, we have taken this restatement.

That's why I started my answer or talk with what are the changes that we have done this. There is a clear note. We want to be as transparent as possible. If you read the notes, what we are given, every line item change we are given, whether it's a judgmental error or it is an accounting standards error. 75% of the changes we have done is a judgmental.

We said, "this is a good practices. We are okay to do it," rather than saying that we will stay with this. With that, the last year EBITDA was 14.2%. The current year, what we have done for the half year is 14.1%, even though the metering business has gone down.

If we continue to run the same metering business share, the product mix at 75/25, our EBITDA would have been at about 18% at this point of time. That is what our team has done a wonderful job. Even though the metering business has come down, the team has done more on a VAVE and EMS business and brought to this level. This is not going to be end of the time. We are very, very confident that our journey towards value engineering, our journey toward productivity improvement will continue to do.

With OSAT and the PCB business going to start generating revenue from the next quarter, whatever the commitment we have made will come back. It's not a denied, it's going to be delayed. Maybe couple of quarters we'll get delayed, but we are there on our target for Mission 30 to achieve the numbers. Thank you, and if you have any other question, please do ask.

Moderator: Thank you. We have lost line of the participant. We'll promote the next, that is Santhosh Seshadri with Avendus Spark. Please go ahead.

Santhosh Seshadri: Hi, sir. Good morning. Thanks for the opportunity. My first question is on the JV with Vishay. The 49% equity pickup by the JV partner will be at Kaynes Semicon level, or will that be any other subsidiary that you will be creating to transfer that 49% stake?

Muthukumar N.: Thank you, Santhosh Seshadri, for asking this question. I am sure that this will also create clarity. At this point of time, we have signed an initial agreement with them, and we have to wait for the definitive agreement to come. Getting into Vishay, at this point in time, the 49% is going to be part of the Semicon business, and whether we are going to have a separate subsidiary or not is not yet decided at this point of time.

We are working on this model, and I am sure that it is a win-win partnership between both of us, and we will take it to the next level. Having said that, I also wanted to clarify some of the questions that you might have. Some of you have already asked the question, what is going to happen with the existing customer?

I have already told that existing customer will continue to be serviced, and if at all needed, we will bring more capex into that. What we understood is, this equity participation of 49% at this point of time, is it Semicon or whether it is Semicon subsidiaries, we will work on this model

and come back. You have to wait for a definitive agreement, which will take in next two to three months, and we will come to you with the more detail.

Today is an understanding between us, in terms of a term sheet is what we have listed out. What was our objective is, while we were very, very optimistic, and we continue to be optimistic on our manufacturing capability of the first company to launch the groundbreaking ceremony to the proto build within 14 months and inaugurated by Honorable Prime Minister on March 31.

We also understood the challenges in the Semicon ecosystem of going to the customer and making the product reliable, tested at the end customer application. This is taking another 12--14 months, and people wanted to change not only for the semiconductor assembly that we are doing, but every company has their own policy. For example, the Japanese has a policy of doing at the end of the year, all the changes into one validation and do.

The validation time was taking little more time. That is at that point in time when we saw that we want to grow the revenue faster to make sure that not only Kaynes ecosystem, but also overall Semicon system. We took a special approval from government to see that whether we can look at a partner who is a global player.

We evaluated with more, and we found that Vishay is the right person, a $4 billion company, who has got serving across the world, and they have both active and passive component. We got a regular approvals on this model with the respective government organization, and we said we are moving on this. This is going to give an access to the global market. We have also agreed that we will do it at the rest of China with the global market.

The access to the global market is going to be faster. Because of their experience, the validation process is going to be faster, and this is also going to take up more than 75%-90% of our capacity to them, and rest of the capacity we have blocked for our existing customers whose product has already been validated.

We believe that this is going to be a strategic advantage, even though it looks like in the short term it may not be there. Ladies and gentlemen, this is also going to bring cash into the system, which some of you have a concern, maybe our debt is going up.

This is going to ease away that pressure also. Kaynes is always believing that we want to become a bigger company in the global level, not restricting our ownerships or something. I think that's what the Executive Vice Chairman has said in his vision of 2047, Viksit Bharat, when it is going to be there. He said, "We should be a bigger company and should not shy of what is it we are holding back the wealth is for the society." So we'll continue to move on this direction and continue to work with Vishay and make sure that it becomes a very, very win-win partnership for both the organizations.

But please wait for our next quarter update on the definitive agreement, wherein we'll share with you more details.

Ramesh Kunhikannan: Yes, we have worked out, we will be working out in detail the definitive agreement and the structure, everything. So kindly hold on, we will come back to you.

Santhosh Seshadri: Sure, sir. While we wait for that, are we envisaging to transfer the OSAT business as well to the JV? I understand that a lot of other there are moving parts, but what is your thought process here? So, is that under consideration wherein you can transfer the OSAT business to the new JV, or how can you structure this possibly?

Jairam P. Sampath: Yes, hi. This is Jairam Sampath here. Basically, there are two parts to this whole thing. One is a definitive agreement, like Dr. Muthukumar said about Vishay particular project. That takes some time before more details can come out. Obviously, the entity in which Vishay will be housed will be a Vishay-focused entity, let me put it this way.

There will be one line which is Vishay's line because they are very much scared about the intellectual property and all that. So one line will be firewall for them, and other line they can do other businesses. Now, the important thing about this particular move that Kaynes Technology has made is that we open out ourselves for other potential JVs in the future as and when they happen.

That is the structure that our Executive Vice Chairman was talking about, that between Kaynes Technology and the current company KSTS, would we have an affiliate or would we go for some other structure. Those are the things that Dr. Muthukumar also mentioned during his call .

So that is yet to be decided. But let me put it this way, in a very broad sense, we would have other global players coming into discussion and signing out JVs with us. And the current structure that we are envisaging, which is still under progress for development, will provide for all of that. Let me put it this way, we don't get stuck with only one direction of growth.

Kaynes Technology, if you notice, from the day of our listing, we've been talking about us being a quite well-diversified company, and we continue to do that in every business that we are doing. More details you will get to know over the next quarter or so.

Santhosh Seshadri: Thank you, sir. My second question is on the Smart Metering business. Can you quantify the revenue derecognition here because of the changes in the recognition method? Was all of that impact taken in the current quarter? If you can explain that, how much of that 80% decline was explained by this policy change and how much is because of production stoppage?

Muthukumar N.: Thanks for asking this question, which will give clarity to more people. The major customer's contract that we had, 90% of whatever the last year revenue which we got is PCGL contract, where there is no revenue derecognition has happened, and the way what Kaynes has been revenue recognition shown and accounting is okay.

The second thing is, in terms of West Bengal contract, the revenue recognition what we have shown was very, very conservative, and in the restatement, it has gone up by INR41.8 crores, because we have been taking it under capex model, and they said on the service concession. Actually, in the Smart Meter business, if you take the last year revenue has gone up, whatever you are seeing an increase in revenue is because of the additional revenue that has come from the Smart Metering business.

Ramesh Kunhikannan: This is one of the doubts that most of the investors, most of the analysts had, that the way in which we are accounting. In fact, I have been explaining this earlier that what we have been following is as per the Ind AS standards, and also we have taken the opinion from Big Four at that point of time.

The change in auditor has come and then reconfirmed that the way what we have accounted is right, and it has given an upside for us in terms of the metering business to the level of INR40 crores-INR50 crores. Hope the answer clarified your question.

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

Achal Lohade: Good morning, sir. Thank you for the opportunity. First question, in terms of the Smart Meter business, if you could give us some sense in terms of the full year number, how should we look at, and if you could also help us with the receivable.

You mentioned couple of numbers in terms of INR1,300 million going to INR1,000 million, and then you mentioned about INR1,400 crores going down to INR1,091 crores. If you could help us with in terms of the receivable as of September 30 from Smart Meters, current plus non-current vs Q1, which is June 26. Also, how should we look at the revenue and receivables by FY27 and FY28, please?

Muthukumar N.: Okay. Sir, first of all, last year our revenue was INR960 crores in the Smart Metering business, approximately. This year, in the first half of the year, the total put together, the revenue is INR290 crores*. During the start of the financial year, our total receivable was INR1,252 crores by end of the financial year.

***Note: During the call, revenue from smart metering business was inadvertently said INR 290 crore kindly note that it should read INR 270 crore as a factual figure, reported in financials, investor presentation & other filings.**

Now, that has gone up after the first quarter sales of INR220 crores to INR1,402 crores, and now it has come down to INR1,091 crores. This is both current and non-current put together because we wanted to give you. We are not splitting between current and non-current. This is a total receivable from the Smart Meter business.

If you look at again the year starting with about INR1,252 crores by end of the financial year, now it has come down to INR1,091 crores. Though we have spent about INR270 crores as a revenue, that means the team has collected about more than INR400 crores. Just wanted to tell you.

Even though there is an order available with us, even though there is a requirement of meter, we also got a clearance from government because the installation is going slow. We don't want the supply till this is getting cleared. We are working with the government much faster to install the meters. This is what is giving us the confidence that going forward, we will continue even though it is going to come down a little.

We will continue to focus on EMS business till we bring down the receivables to a reasonable level. This is as part of the Smart Metering business. You ask us what is going to be the revenue for the current year. We did about INR270 crores in first half of the year. The second half of the revenue is purely based on the amount of collection that we need to bring in.

We wanted to bring in the total receivables to less than INR750 crores. If it is going to come less than INR750 crores, then we will do additional sales. The sales is available, capacity is available, material is available. We will continue to do depending on the receivables.

So within next two quarters, if the receivables is going to come good, the government is going to support us more and more of installation, we will do. I also wanted to bring it to the notice of the entire investor community. Though we are talking about the metering installation, why delay and all, even though we are not the largest supplier of metering business to the government, we are number two or number three, we are number one in the installation.

Ramesh Kunhikannan: I would request you to please open up the website of PGCIL and see. We are the ones who have been installing more meters, and the second in the line is 40% lower than our installation. We are efficient, but not to the level of we are efficient in our manufacturing. So we have to improve our installation capacity, which is what we are doing now. Hope that answers both your questions.

Achal Lohade: Sure. With the existing business, let's assume hypothetically, INR750 crores of receivable. That means basically you are talking about INR400- odd crores kind of a reduction and that much revenue, let's say theoretically, INR700 crores of revenue. What is the margin profile here?

For FY28 also, why I am focusing on this, because this has been actually a fair amount of concern expressed by this investor community. So if you could help us, the existing order book, what kind of margin visibility you would have? Is there any risk to the margin for the Smart Meter business, including the installation or the EPC piece? If you could help us on that as well, sir.

Muthukumar N.: Thanks for asking this question. I am sure that it will clarify to many of the investors who have been listening to us. On a business split, model mix split of about 75% and 25% approximately last year, INR2,700 crores were our EMS revenue, INR900 crores is about our revenue. If you ask me the exact numbers, I would say 67/33 was the split up of last year revenue, and we made an X percent net margin.

Currently in this quarter, our revenue of EMS business is more than 92%, and in the quarter two I am saying, or the full year it says, it's about less than 10% of metering business on the overall revenue. With that, we are able to give a half year EBITDA of about 14%-14.1%. This has become because of the VAVE exercises that have been done in the EMS business.

At the same time, the management's ability to convert the PCB assembly into the box build. The reason for why we are making more margins in the metering business, because it's sold as a product. The same way I have explained in our Mission 30 statement when we explained in couple of quarters before, that Kaynes has an aspiration to go to 25%- 30% of our sales as a product sale, other than metering.

Once this happened, we are pretty confident that whatever the profit margin that we have shown with the metering, even without metering, we'll be able to do. The proof of pudding is in the last two quarters, when the metering business has come down substantially, we are still able to manage.

Maybe we know there is a paucity of time today because we have another 10 minutes to go, but any of the questions that you have, we can set up a separate call and we can discuss later. I just want to tell you only one point. For the half year one, our EBITDA is about 14.1%. The product mix is 90% EMS and 10% metering business. If you go back with the same, with the last year's product mix of 75/25 if we had gone, our EBITDA should stay somewhere around 17.5% or something.

Simple arithmetic without any changes. So we are pretty confident that our team is capable of working out value engineering. Our team is capable of producing productivity improvement, so that we will drive towards this and get back into the margin, which is an aspirational margin, which most of you have set it.

I also wanted to bring it to the notice. I think the people feel that our profitability has come only because of meter. It is not because of meter business, it's because of a product sale. That is why as a backup last year itself, we clearly said our aspiration is go to 30% of product sales in EMS business also, which will really help the company to build more and more IPs, more and more box build, and that will add up to the bottom line. Thank you very much.

Achal Lohade: Sir, thank you. Last question, if I may ask, with respect to capex on gross basis, if you could call out for FY27 and 2028 and which segments? Thank you.

Muthukumar N.: In terms of capex, during the start of the year, we said we will be extremely cautious in terms of the capex that we do. At this point of time, between quarter one and quarter two, we added an incremental of INR221 crores to the capex, wherein the increase is about INR115 crores in Semicon, INR140 crores in terms of circuits, and INR21 crores in terms of EMS.

You can understand that how prudent we are employing it. Net of subsidy, we also able to get the subsidy back from the government in Semicon. So incremental net of subsidy is INR59 crores in Semicon, INR140 crores in circuits, and INR21 crores in EMS, totaling about INR221 crores for this quarter. Most of you also have a doubt that with the amount of borrowing that we have, what we are going to do.

With the Vishay restructuring and metering restructuring, we are pretty confident of what we are committed to you. We are going to get into that.

Moderator: Thank you. The next question comes on the line of Mr. Mayank Pandey with Emkay Global Financial Services Limited. Please go ahead.

Mayank Pandey: Hi, sir. Thank you for the opportunity. I have two questions. Can you explain one on the Vishay investment? Will that investment be used towards our ISM 1.0 commitments, or are we looking to use that for our ISM 2.0 or something similar along those lines? That is question one.

Secondly, on the Smart Metering side, can you tell us what kind of You're saying that we'll have a solution by February. So if you could explain the broad contours of that solution, what kind of a partner are we looking at over there? Is it like another AMISP player or a system integrator? If you can throw some light on that.

Muthukumar N.: Thank you. On the Vishay, sir, I will reserve the comment to our definitive agreement where we'll have more clarity. But what the current thing that we are saying is whatever the investment that is going to come down, this was a loan given by the parent company, it will go back into the parent company. So this will also ease out the cash situation at the parent company.

This is step one. But for rest of the things on ISM 2.0, where the investment is going to come, Kaynes Technology has the ability and we will be able to invest further at the partnership level what we are going to have at an appropriate time. Because we are going to maintain the 51%, 51/49 majority control, and we'll continue to manage that business. In terms of Smart Metering business, the Smart Metering business model is three.

The manufacturing of Smart Meters, the installation of Smart Meters, and of course, O&M of Smart Meters. What we are planning to hive off at this point of time is keeping the manufacturing with you, because we are a product company and we know how to do a better manufacturing.

At the same time, give the installation and O&M to a third party who will have a right to buy from us for the initial time, and later he can buy it from anybody if they are competitive. We are very, very confident that we are always competitive and we will be able to give them the better price. This is the model we are going to do.

Moderator: Thank you. Next question comes on the line of Deep Master with One Up Financial Consultants. Please go ahead.

Deep Master: Hi, sir. You have mentioned the Vishay investment and a potential Smart Meter sale. Just looking for some more clarity. Can you confidently say that you will not need to raise funds over the next 6 to 12 months? I think we were looking for clarity on that account?

Muthukumar N.: If you are asking for funds of QA, like a QIP you are asking, we are very confident that we are not going to go to the market for the money. Okay?

Deep Master: Okay. Yes, Yes. That confidence helps.

Muthukumar N.: We are confident of working in this. We have strategically increased our inventory by INR250 crores because of the global market situation. Depending on the, from December, we will start easing out the inventory. That is going to come out INR250 crores. Our collections are better in the Smart Metering. We will continue to put the same pressure.

With the dilution that is going to happen with Vishay and also in the Smart Metering business, we are going to generate cash. With all these things, I am pretty sure that we will not go into QIP. You asked for six months something. For the next one year, I can assure you, we will not go.

Deep Master: Yes. Okay, that clarity helps. Just on Vishay, I think there were two different comments made. The Vishay investment will be in the Kaynes Semicon entity, but will it be at the Semicon level, or will it be an SPV within Kaynes Semicon?

Muthukumar N.: It is a Kaynes Semicon level at this point in time, sir. We will wait for the definitive agreement to see what are the other ways of doing it. The structuring is we need to, we are still working out.

Deep Master: Understood. Sir, just one bookkeeping question on page 21 of the presentation. If you look at the mix of business, it appears your PCBA business has declined significantly and box build has gone up significantly. Is that a change in mix in the business in the first half? Box build, which was 22% last year, has become 60%. PCBA, which was 49% last year, has become 25%.

Muthukumar N.: Sir, actually, if you see, whatever the drop is because of the metering business production that we have brought it down. business at last year at about more than 30%, it has come down to less than 10% this year. That is considered under the, y ou are talking about OEM turnkey box build. Metering doesn't come under the OEM turnkey box build.

Deep Master: OEM turnkey has become 60%.

Muthukumar N.: That we are improving our existing product into that, so it is coming in more.

Jairam P. Sampath: No, if you notice, the railway and the aerospace and all of those things have increased. They are mostly box builds. What has happened is, after establishing all the new businesses, we were a little optimistic about their turnaround very quickly into revenues. But of course, every beast has its own life cycle. So, we realized that later. But our original business is back now.

If you see the EMS business, with high margin, high mix, high-tech business, it's like railway, etcetera, everything has gone up actually. So that gives us confidence that very quickly all this cash-draining story will also get reversed.

When we meet next time, you will have much more positive, let's say, confidence about the new investments that we have made. Many of you have also gone and seen the progress in terms of factories, and you guys will have some fairly good understanding of it. Much more has happened over the last six months.

So almost last one year, we've been building the future. I think we have said in the past too, we do not build the future for a quarter. We build it for long term, five to 10 years timeframe, and we hold the same view. Broadly, all the numbers that we talked about in the past will happen.

Deep Master: Correct. Great, sir. That's very encouraging. Thank you for your comments.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Muthukumar N.: Ladies and gentlemen, thank you for the question that you asked, and thanks for your confidence kept on Kaynes. We will continue to work on our DNA of growth by bringing in more strategies,

but with a not little focus. I would say that to keep up the balance sheet also clean at this point of time.

The various factors and the input that you have given, either in terms of balance sheet or working capital management or the loans, we will keep all these factors under control to make sure that whatever the decision we take is in the interest of Kaynes and Kaynes stakeholders. With that, ladies and gentlemen, thank you very much, and thanks for the confidence you report on the management. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.