August 04, 2023

The Secretary
BSE Ltd.
Corporate Relationship Dept.,
14th floor, P. J. Tower,
Dalal Street, Fort
Mumbai - 400 001
Stock Code – 543664

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

Dear Sir/Madam,

Sub: Intimation of transcript of earnings call for the Financial Results of 1st Quarter and ended June 30, 2023.

Ref.: Reg. 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Please find attached the transcript of the earnings call hosted by **IIFL SECURITIES LIMITED** for the Financial Results of the 1st Quarter ended June 30, 2023. The same is made available on the Company's website within the timeline prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and can be accessed at the following link:

Particulars	Website link
Transcript	https://www.kaynestechnology.co.in/investors.html

Kindly take the above information on record and acknowledge it.

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

JAIRAM PARAVASTU SAMPATH
Digitally signed by JAIRAM PARAVASTU SAMPATH
Date: 2023.08.04 18:01:15 +05'30'

Jairam P Sampath
Whole Time Director & CFO
DIN: 08064368

Enclosed:
• transcript of the earnings call`

"Kaynes Technology India Limited Q1 FY24 Earnings Conference Call"

August 01, 2023

MANAGEMENT:	**MR. RAMESH KANNAN – FOUNDER AND MANAGING DIRECTOR, KAYNES TECHNOLOGY INDIA LIMITED** **MRS. SAVITHA RAMESH - CHAIRPERSON, KAYNES TECHNOLOGY INDIA LIMITED** **MR. JAIRAM SAMPATH–WHOLETIME DIRECTOR AND CHIEF FINANCIAL OFFICER, KAYNES TECHNOLOGY INDIA LIMITED** **MR. RAJESH SHARMA –CEO, KAYNES TECHNOLOGY INDIA LIMITED** **MR. NEERAJ VINAYAK - HEAD, INVESTOR RELATIONS, KAYNES TECHNOLOGY INDIA LIMITED**
MODERATOR:	**MS. RENU BAID PUGALIA – VICE PRESIDENT, RESEARCH, IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Kaynes Technology India Limited Q1 FY24 Earnings Conference Call hosted by IIFL Securities 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, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid Pugalia from IIFL Securities. Thank you and over to you, ma'am.

Renu Baid Pugalia: Thank you, Dorwin. Good afternoon, everyone, and welcome to the First Quarter FY24 Earnings Conference Call of Kaynes Technology India Limited.

From the management, we have with us today, Mr. Ramesh Kannan – Founder and Managing Director,Mrs. Savitha Ramesh – Chairperson, Mr. Jairam Sampath - Wholetime Director and Chief Financial Officer, Mr. Rajesh Sharma - CEO, and Mr. Neeraj Vinayak – Head of Investor Relations.

I would now like to hand over the call to Mr. Kannan for his opening remarks thereafter, which we will open the session for Q&A. Thank you and over to you, sir.

Ramesh Kannan: Good afternoon. Thank you, Renu. Good afternoon, friends. I would like to welcome everyone present on the call for the entire team of Kaynes.

I have along with me on the call Mrs. Ramesh – Chairperson of the Board, Mr. Jairam Sampath – CFO, Mr. Rajesh Sharma – our CEO, and Mr. Neeraj Vinayak – our Investor Relation in charge and Orient Capital – our Investor Relations partners.

I would like to briefly introduce the company to all the participants founded in 1988 Kaynes Technology is a leading end-to-end IoT solution enabled integrated electronics manufacturing in India. We have capabilities across the entire spectrum of ESDM services. We have an experience in providing conceptual design, process engineering, integrated manufacturing and life cycle support for major players in automotive, industrial, aerospace and defense. We are actively present on Outerspace, medical and railways too. We have a well-diversified portfolio of around 300 plus customers in 26 countries across multiple industry verticals.

Coming to our performance from the quarter ended June 30th2023, our total revenue was Rs. 2,972 million, registering a growth of around 49% year-on-year. Our growth was largely led by strong demand in industrial, railway, IoT and IT, aerospace verticals and to some extent, automobile and EV. Our Q1 EBITDA was Rs. 403 million compared to the last year of Rs. 246 million and that for Q1 stands at Rs. 246 million compared to Rs. 100 million in the last year. We continue to witness strong demand across verticals with monthly order inflow reaching to Rs. 2,164 million per month from Rs. 1,515 million duringQ4 of23. Order book as of June 30th stood atRs. 30,004 million.

Friends, let me share few details around our business. In traditional ICE engine, auto segment, we are witnessing growing functionality at entry levels which is propelling the demand of electronic assemblies. We have added two more tier 1 clients during the quarter and will have steadily growth in the segment. Our EV, we are witnessing indigenization of assemblies in India due to better control on quality and cost, also getting increased enquiries on support on design aspects. We have added another OEM this quarter and are confident of doing significant growth versus previous year. On IT infra side, India's IT penetration remains low and government is increasingly focused on upgrading the same. There is a huge demand for servers and laptops under various projects. Government is also pushing for local procurement of the same. We have already collaborated with CDAC in terms of technology and aligning with the OEMs to manufacture them in India, purely for the India rural computerization program.We are confident of sizable contribution from this segment in FY24 and expect it to ramp up significantly the year to come.

On railways, there is significant amount of work being planned on revamping the existing infrastructure, along with adding newer lines.In terms of our scope of work, we are presently doing work with rail signaling, metro signaling and onboard equipment like rackwiring etc. We are working closely with ministry to have majority of the requirement being indigenously met, given we are associated with leading players in the segment, so significant allocation should aid us in terms of better revenues too.

Lastly, we have taken a decision to enter into the OSAT business, assembly test, mark and package. It is a service business, which aligns well with our DNA.We will focus on few packages and product category like**(Inaudible)6.50** and other which power devices for leading global chip manufacturers. Automotive and EV as a vertical will be our key focus area with addition of, or such capability, we can provide a more integrated offering to our customers. It is a sunrise sector with good government support and we want to be one of the early entrants in the space. I will now hand over the call to Mr. Jairam Sampath to take you through our financial performances. Thank you all. Over to you, Jairam.

Jairam Sampath: Thank you, Rameshji. Good day, everyone. Thank you for joining us on this call. I will be presenting the financial performance of the Company for the period ended 30th June 2023.

For the quarter ended 30th June 2023, our consolidated total revenue was Rs. 2,972 million representing 49% year-on-year growth. The consolidated EBITDA for the quarter was Rs. 403 million, showing a 64% increase year-on-year basis. The EBITDA margin for the quarter was 13.5% compared to Q1 FY23 of 12.3.

Our consolidated PAT for the quarter was Rs. 246 million, up 145% year-on-year with a PAT margin of 8.3%compared to last year's Q1 percentage of about 5%. Networking capital for Q1 FY24was **(Inaudible)8.27** were indeed higher as we had to make advancepurchases keeping in mind the requirements of the upcoming quarters. We will be slightly lenient in terms of payables, which also contributed towards reported working capital numbers. Our gross debt for the quarter was at about Rs. 2,119 million compared to Rs. 1,359 million in FY23 with cash and cash equivalents of about Rs. 4,821 million as compared to Rs. 4,860 million of FY23.Our ROE and ROC adjusted finalized portions of proceeds at 16.8% and 21.7% respectively. For Q1 FY24, the return ratios are impacted by the combination of seasonality which is present in our business along with the expanded base post public issue.

Coming to our expansion plans, we have allocatedINR 960 crores CAPEX to expand our existing facilities in Mysore, Manesar,Bangalore and Chennai and acquired 120,000 square feet built-up space in Manesar. We expected to be operationalized in coming months. Additionally, we have earmarked Rs. 1,493 million for investment into Kaynes Electronics Manufacturing Private Limited for setting up a new facility at Chamarajanagar, Karnataka, whose first phase will be operationalized by Q2 of FY24. India is taking strong strides to position itself as a global hub for electronic system design and manufacturing, and we believe that we are rightly placed to capitalize on this opportunity. With this, I would request all the participants to come up with their questions. I now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aaron Armstrong. Please go ahead with your question.

Aaron Armstrong: The question is around your margins, so your margins are, say around 13% EBITDA margin, you have paced domestically and globally making more like 3% or 4%, so could you talk a little bit about that difference please and whether it is particular sub verticals or categories, which ones are driving your high margins?

Jairam Sampath: So, essentially, we work in high mix, low to medium volume, high tech sector of electronics manufacturing and we work in 6 different sectors starting with automotive electronics, industrial and EV electronics, aerospace and defense and Outerspace, medical electronics, IT, IoT and other electronics. The contribution of consumer products in our business is miniscule and most of the business is driven by industrial type of electronics and typically we have found over the last several years that we have been operating, the gross margins are higher in these businesses.Among the different sectors, while I can't give you exact numbers, but sectors which are very low volume and high variety and Hi-Tech such as railway signaling or aerospace and defense and industrial, they tend to be higher on margins, whereas sectors such as automotive and consumer, etc., they tend to be a little lower on the gross margin level. And while comparing to the other industry players, the reason is that we have proper diversification in our portfolio and within the portfolio also we specialize in a few type of products manufacturing so that we get scale economies in those products, for instance, in automotive, we do, we are one of the largest manufacturers of lighting systems and so on and signaling, etc. So, specialization within vertical and across vertical, different diversified businesses leads to the higher level of margins that you see in us.

Aaron Armstrong: So, it is more on the category side, so you basically are only in categories that above a certain margin level, is there a threshold that you work through, do you deliberately avoid categories that say, single digit margins, how do you manage your category mix?

Jairam Sampath: A short answer to the question is that we actively look at our portfolio for profitability and there were three factors which we look at before on-boarding any business, one, whether the business is long term, two, whether the business has got high criticality and technology and three, whether we can in future make reasonable profits in the business. So, that is how we manage our profitability in our business portfolio.

Aaron Armstrong: Sorry, if I could maybe have one follow up, please, could you talk about why the categories you are in are higher margin, is it because there are barriers to entry, low competition or there is lots of value add or you bring unique technology to the table, so I understand that it is your category mix, but why are those categories high margin, please?

Jairam Sampath: So, the first and foremost reason is that the price paid to us is similar to price paid to any other similar competitor in the marketplace. So, that being the case, obviously if our margins are higher, we are working on value engineering, etc., but there are six basic factors which affect profitability. One if it is a low volume production, normally margins are higher; second, if the complexity is high, margins are higher; if the criticality of the products that you do is high, then margins are higher; if the percentage of your production as a percentage of the customer's production is low then they are what you call the squeeze factor is much lower and the fifth is the entry barrier in terms of how easy is for customer to replace you; if it is very easy, then margins are lower. So, these are the six factors that affect the total margins in any category.

Moderator: Thank you. We have the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Congrats on a good set of numbers.My first question is regarding the mix of revenues in automobile between traditional IC engine based business vis-à-vis EVs and is there any sizable margin difference or working capital difference between the two businesses within the automobile sector?

Jairam Sampath: So, essentially the IC engine based automotive sector is primarily electronics, which is lesser in complexity compared to the EV electronics. EV electronics tracks more nearly the electronics industrial sector.So, Ravi, we were talking about the difference between IC engine electronics and EV electronics. So, the primary difference is in the complexity. So, IC electronics tends to be lower complexity and it is less criticality also because it is performing oscillatory function, the main functions of the engine etc., are mechanical in nature, whereas in EV the entire car runs on these electronics. So, that is why the profile of margins are likely to be better here because the job is also more like industrial work. It also demand heavy work, a lot of import substitution is happening, so price points that we get in India are comparable to what you get on imported material. So, to that extent, this will be superior to EVelectronics.

Ravi Swaminathan: And how much is EV as a proportion of today's automobile revenue, any sense and how it can be over the next 3 to 4 years, any sense on it? Is it likely to catch up more intwo-wheelers than four-wheelers, your view?

Jairam Sampath: EV is an upcoming sector and it has got very strong traction. So, obviously today, if you see, it maybe about 10% or 15% compared to the total automotive work as of FY23 and this year, maybe the percentage will increase much more, but really we can't hazard a guess, but it is a very strong demand that we can see for electric vehicles. Different types of four wheelers are there, then there are charging infrastructure, so suffice it to say it is going to be very strong demand.

Ravi Swaminathan: Sir, with respect to our presence in the consumer durable side, I believe it is also a pretty large market compared to other companies, we are slightly on the lower side in that, is it a conscious decision or we are likely to increase our presence there also significantly?

Ramesh Kannan: This is Ramesh Kannan here. It is nothing to do. Our company has designed certain combination of orders which we will take. So, accordingly we are rationalizing it. So, there is nothing like we will not take at all. On the other hand, we have enough in our own sector where we are practicing.

Ravi Swaminathan: And with respect to progress in the telecom with respect to the PLI that we have applied, etc., if you can throw light on how telecom can progress in terms of size, revenue, run rate over thenext 2-3 years that will be great?

Ramesh Kannan: Yes as far as the PLI is concerned, we have got the order from the customer and we have started doing all the trials.In the coming this quarter, we will be doing the billing and this will come into force.Telecom sector also is likely to grow, but we are a large entrant in that. So, we will definitely catch up with the situation.

Management: Thank you. The next question is from the line of Rahul Gajare from Haitong Securities India Private Limited. Please go ahead.

Rahul Gajare: Congratulations on good performance in the first quarter. Sir, I have a question on the CAPEX side, now you indicated during the IPO, you intend to spend Rs. 150crores on CAPEX, a large part of that going towards Chamarajanagar, I wanted to understand, last time you did mention that you want toset up bare board or PCB manufacturing in India, is there any development in that front which you can share with us, in terms of what are your plans, capacity, location, the kind of technology that you are planning to put over there?

Jairam Sampath: As far as Chamarajanagar is concerned, it is getting developed and the building is almost getting completed, so at least phase of what we call the Alpha building and that will be have about one about one third to one half of the total square feet area that we expect in Chamarajanagar and so that will support multiple activities across all the different verticals that we are working.As far as the bare PCB is concerned, we have got the government approval, etc., and we are working and we are going to be doing the high end PCBs here. We are not going to do commercially high volume low end PCBs. So, probably it will be more like two layer and above and more towards higher layer PCBs and so that is on, but all of these businesses require some time for technology development partnerships and setting up the factory etc. So, we are making sure that we get the best of the minds in the industry to work on this project being business, which is similar to ours in terms of construct, but different in technology, so you can see some improvements by probably end of the year we can have more concrete support on that.

Rahul Gajare: Anddo you think you will have to raise funds forfunding that PCB manufacturing facility or?

Jairam Sampath: For PCB manufacturing per saybare PCB we may not require too much of funds, but of course we do have as Rameshji mentioned in response to the earlier during his initial address that we are seriously contemplating on OSAT business because government is also providing a lot of incentives for companies to start off and we are also kind of deep dived into it, so that may require some investment different from what we have raised during the prospectus.

Rahul Gajare: Sir, basically,given that we are looking at revenue growth of about 40% to 50% for the next several years, maybe three to 3 to 4 years or so, with that kind of growth and the kind of working capital position that we are in, there will be requirement of additional funding for working capital, how do you intend to raise that, given the money raised during the IPO towards working capital is pretty much used, right now?

Jairam Sampath: Yes, correct. That is an obvious thing. We want to match the source of funds to the nature of the usage. So, obviously working capital through borrowings is a good idea. We don't want to useequity funds for working capital kind of activity and going forward, there are two ways of funding this, one is we will squeeze out the waste in our system by reducing the networking capital days, so we are kind of on an annual basis last year we did about 98 days. So, maybe at the end of this year, another 10 days, we will knock it off. So, that will give us some amount of money, 10 days out of, let us say,Rs. 1700 to Rs. 1800 crore turnover, 10 days would be fair amount of money plus we will also raise furtherbanking channel, say we will get some loans etc., to make sure that we fund the working capital needs.As far as capital is concerned, other than new projects like OSAT etc., we have done some calculation and from FY25 onwards, we have to expand capacities in our existing ESDM business for which our internally accrued funds will be sufficient.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Congratulations to the entire team. Sir, just wanted some clarification on the previous question itself on the working capital days, if you see in the first quarter, we have seen an increase in the inventory days both on Q-o-Q and Y-o-Y basis, so if you can just explain what has driven this increase in the inventory days? And if I remember correctly, we were trying to source a lot more locally, warehousing etc., which could kind of drive that down and as you said, we are trying to cut down on the working capital days, so how is the progress on that aspect?

Jairam Sampath: So, one of the reasons why the number of days looks exaggerated is also because the first quarter is about 16% to 18% of the whole year and as we go through the entire year, the metric kind of average is out and also during the first quarter, second quarter and the third quarter, we actually keep stocking up a little bit and in preparation for the orders, execution etc., and also there is an effect ofsome customer, there is a small delay of say, 2 weeks to a month if it happens at the end of the quarter, then you would make it look as if there is additional inventory available here. So, in terms of qualitatively, the number of networking capital days will be similar to last year, maybe it will improve by the end of the year.

Bhoomika Nair: Sir, the other question that you mentioned in your opening remarks was on the railway signaling where you are seeing a lot of traction and lot of government spending that is happening, so have we seen some traction on ground in terms of execution? When do you see that kind of picking up, any new client additions or increased audit share, if you can just talk about thatbecause that is a fairly large opportunity for us from medium to long-term perspective?

Jairam Sampath: So, in terms of client addition, we have one large multinational client added. We can't disclose the name yet. On the other hand, there have been very serious attempts from government side to redo the signaling systems in 3000 stations which have actually they have implemented the signaling systems about couple of decades ago. So, a total of 6000 stations worth of signaling and the signaling in between is getting converted into the kind of signaling that we have where we hold about 80% to 90% of market share and we expect this to happen over next couple of years. So, you can see some great traction in railway signaling business going forward.

Bhoomika Nair: And would that mean that railway will grow, so margins will remain healthy, but some expansion in working capital because railwaysegment tends to have a little bit of a working capital, from that perspective?

Jairam Sampath: So, when we say that we will improve the net working capital from 98 to let us say about 10 days during the year, we have considered all of those factors. Yes, a few days here or there maybe changed because of a different proportion of each business segment, but by and large, we think that we can definitely get our net working capital down by about 10 days this year.

Moderator: Thank you. We have the next question from the line of Meet Jain from Motilal Oswal. Please go ahead.

Meet Jain: Sir, my question is regarding our vertical mix like in this quarter, we are paying a high share of the OEM Box Buildside, so earlier we mentioned that we are seeing some enquiries from the automotive part for conversion of PCBs and Box Build, are we getting that kind of order flows in automotive business?

Jairam Sampath: What is happening is we are coming back to our classical share of business across different verticals. So, we have always been saying that broadly automotive tracks at about 30%, industrial tracks at about 30%, railway about 15% to 20%, aerospace about 10%. So, the orders that are coming in is moving towards that and at the moment you get the sector rather than non-automotive sectors once theyproportionally increases, the Box will automatically increases because most of the Box built is from non-automotive sectors. So, that is the main reason Meet, that you see that kind of thing on the ground.

Meet Jain: And on the PLIsegment like we already mentioned that we are getting orders from the white goods business and I didn't get the telecom part?

Jairam Sampath: So, in telecom also we have got a business model that we have already designed our own product also and we also have some large customers with whom we are working. So, we will be definitely able to this year show some production in the telecom PLI too, in addition to already, we do have white good customers, but our reliance on these two new verticals is not high for this year's work. This is more like futuristic growth.

Meet Jain: And in this white goods, again you mentioned that the consumer durables are basically a low margin business, so going forward with increasing share of this white goods, don't they valued our margin profile?

Jairam Sampath: So, we have some amount of consumer electronics like consumer durables in our portfolio. We prefer to do work wherein we have our own ODM, so that we can control and maintain the margin profile a little nearer to our choice, but otherwise we don't let it become beyond a certain percentage of our work.

Moderator: Thank you. We have the next question from the line of Dhanan Bagrodia from ASK Investment Managers. Please go ahead.

Dhanan Bagrodia: Congratulations on the set of numbers again. Sir, I wanted to ask you now with this OSAT which is being spoken about, maybe I have missed this earlier, any thoughts of our company and how we are looking at this process?

Ramesh Kannan: This is altogether a new business in India. It is more of a related business, but very highly technological as well as highly capital intensive.That is why Government of India is giving a good subsidy for this. We have a technical partner.Along with them only we are doing it in India. I am unable to tell you full details now. Appropriate time, we will be informing all of you.

Dhanan Bagrodia: So, the capital expenditure which we are forecasting for the next yeardoes not include this, right?

Jairam Sampath: Yes, the objects don't include the money for OSAT. That will be separately done.

Ramesh Kannan: Not even in this year's budget, it is included.

Dhanan Bagrodia: And roughly, what would be then our CAPEX estimate without OSAT for the next couple of years?

Jairam Sampath: Without OSAT, we probably will complete this Rs. 260 crores that we raised during the IPO time. So, about 100 of that is consumed already and another Rs. 160 crores will be the CAPEX during this year. So, FY25 you can expect us to raise some more, not raise some more, but actually implement some more CAPEX based on our internal accrual, so you can say in a steady state you will have something like Rs. 100 to Rs. 200 crores of CAPEX going in for our electronic manufacturing businesses. In addition to that, the other businesses, there is something new, we will do.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Congrats for good set of numbers. Sir, right now the Indian EMS industry is going through a super normal phase of growth, obviously, we have seen Chinese EMS companies which are probably 10-15 years ahead of the Indian EMS Companies, so we see they are having relatively very inferior financial Indian EMS companies, so while the growth phase is on right now for Indian EMS companies, what are the 3 to 4 differentiated things that we can do so as to improve the competitive advantages as well as the modes into the business so that probably once the growth phase is over, the Indian EMS doesn't go the China EMS way, so what is our take on this and what are the 3 to 4 key important activities that Keynes is doing right now to improve the competitive advantages?

Jairam Sampath: So, what are the fundamental differences between Indian EMS company like Kaynes Technology and the typical Chinese EMS is Chinese EMS specializes in a few product categories, so what happens is they increase the volume, so because of increase of volume, their margins tend to be lower, whereas in our case we have a diversified portfolio. The second major difference that we do is that we do value engineering and we make sure that we acquire the business and instead of targeting high volume in the business, we target high margin in the business. That means once after acquiring the customer, we work on the material costs and other things through various means, technical as well as commercial to make sure that we get the target margins that we require. Third thing is we do value added business that means we add some little bit of ODM. Within each sector also, we do those businesses which require complexity and criticality of working. So, these are some of the things which will make sure that we grow the business in a way in which it has acceptable margins also.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential life insurance. Please go ahead.

Keyur Pandya: Congratulations to the team for good results. Sir, the question is on the CAPEX side, so I think earlier you mentioned during the IPO Rs. 250 crore of CAPEX from the primary issue and I think Rs. 115 crore for working capital and Rs. 130 crore for debt repayments, if you can just share the status of each of these objects, how much of money has been spent and broad idea of what kind of investment would be required for bare PCB as well as for OSAT with anytimeline that you can share?

Jairam Sampath: So, bare PCB was contemplated to be used out of the general corporate purpose for which about Rs. 114 odd crores were earmarked and so we have enough money, we have not spend much there. So, we can use that out of that some funds maybe 50% of those funds for bare PCBs.Coming back to Rs. 130 crores rate for debt bearing that has been paid off to banks and we have reduced our debt by that amount. As far as the long term working capital is concerned, we still have a cushion of about Rs. 30-Rs. 35 crores which we can utilize from the objects to fund the working capital. So, that leads us to the balance Rs. 250 crore of fixed assetthat is of CAPEX.In that CAPEX we have used about Rs. 100 crores of that, last year, some Rs. 70 crores, this year about Rs. 40 crores. So, balance Rs. 750 crores will consume it for Chamarajanagar, Mysore and Manesar plants during this year and going forward since we are going at about 50% kind of growth rate, so anything beyond the Rs. 3,000 crores kind of number will require additional capacities to be built in the EMS area. So, we think that our internal generation of the revenue will be sufficient assuming an asset turnover from about 6to 7, so for every Rs. 1,000 crores we may require about Rs. 150 crore to Rs. 200 crores of CAPEX which we will generate internally. So, from FY25 onwards actually, we start investing this for the next year's capacities for the additional business that we are planning.

Keyur Pandya: Second on the receivable side, whatever numbers we see of receivables in absolute or in earnings days, basically what is the general credit period and this is the actual number which we see in the balance sheet or we see some kind of factoring or discounting, so that we get cash earlier than what is the credit period, I mean any further arrangement?

Jairam Sampath: So, we had this receivables being high because of the nature of the business. So, we took a conscious decision to do factoring and get the money inside and then get it off our books because this factoring is done at request to the customer. So, as soon as they receive the material through various entities, they do supply chain finance and we give them some little bit of factoring charges or bill discounting charges or cash discounts, etc., so obviously this is a little costly. You might see the interest, amount spent is a little higher, but this is an easier problem to solve.Going forward, what we will dois we will standardize with a few suppliers, maybe one or two supply chain finance companies, so that we can get a better rate of interest, rate of discounting compared to what we are having to spend now because we are going to some many agencies with small footprint.So, going forward, supply chain finance will be done, but with companies which can give us better deal. So, it becomes like to like because we borrow at about 7.2% or so, so we should be able to discount around that number, so we are working. So, by the end of the year, we will probably finalize with 1 or 2 agencies to do this activity. So, that there is no difference in this, there is a valid discussion while we do factoring.

Keyur Pandya: Just clarification, so what would be the actual credit period on the client?

Jairam Sampath: Actual time period varies from, some customers 30 days, some 45 days, some 60 days and some 90 days. So, credit period will be less than 90 days for sure and if you take an average, we can probably bring it down to about 60 days if we were perfectly collecting and customers were perfectly paying.

Moderator: Thank you. The next question is from the line of Piyush Khandelwal from Bank of India Mutual Fund. Please go ahead.

Piyush Khandelwal: I just wanted to get a sense on the margin side, because if I look at quarterly, there is a lot of volatility in the margins and since you already have an order book, so what kind of, let us say margins that we can look at on an annual basis, is it like 13-14% range, 15% range because last quarter you delivered 16 odd percent, this quarter 13.5%, annualized basis is somewhere around 15%, so just trying to understand annualized margin range?

Jairam Sampath: Margins increase, EBITDA margins will be about 15% and you can expect PAT at about 9% to 10% for this year because our gross margins are stable, so because of that we can confirm that based on the order book, already we have done the math.Why you see the volatility is because the amount of business that is done each quarter is different. So, it kind of starts like let us say this year, it starts at 13.5% and obviously it will exceed 16% during the fourth quarter.Average, you can expect 15% EBITDA and PAT around 9% to 10%.

Piyush Khandelwal: Sir, another question is on this OSAT opportunity that you spoke about, although you mentioned that you won't be sharing much details, so you already had a technology tab or you are in discussion with some large OEMs, just wanted to get a sense on this because you also mentioned that it is a heavy CAPEX business?

Ramesh Kannan: We have already gone ahead and come to an understanding as far as the partnership is concerned. We will be shortly exercising it and going in for Government of India approvals for this.

Piyush Khandelwal: And the CAPEX will be, is it in partner share where you will also do some amount of CAPEX and the partnerat your on-boarding will do or the CAPEX will be on your term, on your balance sheet?

Jairam Sampath: We will do the CAPEX ourselves, but there is significant subsidy available from the government, so we think it is the right time to get it.

Piyush Khandelwal: What kind of subsidy, any ballpark number, let us say if Rs. 100 crores of CAPEX you do and what kind of subsidy you can expect?

Jairam Sampath: Post approval only we can answer.

Ramesh Kannan: This is too early to answer this. You will have to excuse us because we will come back to your appropriate time.

Jairam Sampath: Because we need government approval before we complete.

Moderator: Thank you. The next question is from the line of Anirudh Singhi from the Dalal & Broacha Portfolio Managers. Please go ahead.

Anirudh Singhi: Congratulations on good set of numbers. My first question is about the smart metrics. So, we have seen a lot of orders coming in lately for smart meters and the government is trying to replace 25 crores meters, so what is the quantity there for us, what is the revenue we are getting right now, what our clients and what could the opportunity be?

Jairam Sampath: So, as far as smart meter is concerned, we are working with some large civilian companies with Indian outfit. They have got orders in a couple of electricity boards and the requirement is in millions of numbers. Obviously, smart meters being a new metering product, it takes some time for implementation and even though the orders have been issued by various electricity boards etc., most of the OEMs are taking their time to install new smart meters. As far as we are concerned, we are also in ODM player, we have our own design. So, going forward, the combination of both contract manufacturing that is EMS as well as ODM we think that it can be an important part of our portfolio in the industrial sector.

Anirudh Singhi: And we won't be doing any trending ourselves, we won't be participating in any other tenders ourselves?

Jairam Sampath: No, we are not typically geared up to participate directly into government tenders. So, that is not our business model yet. So, we continue working either with the OEMs directly or in some cases through tiered approach.

Anirudh Singhi: And secondly, what will be your utilization right now or mostly what is the peak revenue we can do with our current capacity?

Jairam Sampath: Yes, using all the money that we have received during the IPO, we should probably go to about Rs. 3,000 crores and beyond that, we will internally generate for our existing business that is **(Inaudible)46.12**and I think it is self-sufficient because the cash generation from FY25 onwards would be sufficient for future capacityrequired from this business.

Anirudh Singhi: So, thisRs. 3,000 crores will be after the new plant, right? Currently how much you would be able to do?

Jairam Sampath: If yousee currently,this year 1700, 1800 the new plant contribution will not be huge. So, roughly you can saywith this new plant coming in, we go to about 3000. So, currently even should we stop to work today maybe up to Rs. 2,000 crores, we can do probably with all the machines that have been ordered and installed.

Anirudh Singhi: And Chamarajanagar plant could be about Rs. 1,000 crores peak revenue, would that be a good estimate?

Jairam Sampath: Yes, even more probably.It depends on the kind of business that we do from there, so yes that is a good ballpark to keep, yes.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, my question is on margins, you mentioned why we have higher margins than peers globally, but whenever we speak to EMS companies in India, everybody wants to do pretty much the same segments, so do you think there is a possible downside risk to these margins over the medium term because at the end of the day, the capabilities are getting built at multiple companies to be able to do the same thing, just wanted to know your thoughts on that?

Jairam Sampath: As far as we are concerned, we have planned for the immediate future in the short term.We can consistently do this and we are able to see a visibility for the next 24 months. Our company's activities are designed in such a way next 24 months there should not be any up or down.

Moderator: Thank you. The next question is from the line of Sayan Das Sharma from Bajaj Finserve Asset Management. Please go ahead.

Sayan Das Sharma: Sir. most of my questions have been answered, just couple of basic clarification. First, sir, last quarter if my memory serves me right, you said that there was Rs. 60 to Rs. 72 crores order which was deferred, you could have completed it last quarter because of some bottlenecks couldn't, so if you acquire that revenue in Q1, then the growth looks significantly lower than what the guidelines numbers are, so is there anything I am missing or is it the right way to look at it?

Jairam Sampath: No, actually the overflow of businesses typically happens not just exactly to the quarter. It depends on when the scales arrive etc. You are right, we could have some finished goods, etc., with us awaiting the confirmation from customers etc., so what happens is whenever we are addressing some of these newer segments, so sometimes there is some delays in the uptake of material, sometimes there is a rethinking by customers about their own strategy etc. So, first quarter typically suffers from these problems, so you are right about Rs. 30-Rs. 40 crores additionally could have been done in the quarter, but for the year we are already saying that Rs. 1,700 to Rs. 1,800 crores is what we think we can do. So, you can look at like that.We are not still completely out of the supply chain, though 90% of the problems have been resolved, 10% of shortages are still lingering, and maybe during this year, I think it will get clarified fully. So, when we exit this year, you can say that one miss and one **(Inaudible)50.13**can be taken up in the other quarter, they are being made against to confirm purchase order.

Sayan Das Sharma: Sir, my second question is, you have been growing pretty fast last few quarters, a few years, couple of years, so if you can just share some sense on how much of this growth has come from wallet share gains of existing customers and how much has come from new customer addition, I understand you are not sharing the exact number of customers, but any quality difference from that?

Jairam Sampath: Currently, what you see, our guidance and whatever numbers in the EMS business, 80% is from existing customers and that comes from both combination of wallet share gain in existing products and some new productsthat they are trying to be with us. Roughly 20% is the kind of traction we are seeing from the new customers and going forward this 20% number is going to propel first. As you know, when we did last reckoning we imported electronics of a very high order number and import substitution is being now pursued actively by the government. They are also talking about it openly, so you can expect new customers share in the future to go up significantly.

Sayan Das Sharma: And one last small thing, if I may, you have done a commendable job on increasing the Box Buildshare, which is now about 34% in a sense where we could see this maybe couple of years out, any aspirationalnumbers that you have in mind?

Jairam Sampath: See, our aspirational number is that is we have something like 40% Box Build, 40% PCB assembly and 20% of design. It is a good portfolio to have. It will have a healthy mix of new products and it will also have a healthy mix of profitable product.From that perspective, we need to improve with the amount of ODM that we are doing. Otherwise, ifall the businesses grow the way we had contemplated across all the sectors, then this 40:40:20 is likely to raise, so that is how we look at it.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Sir, just one clarification, see post the IPO, if I am not from Mysore is one facility where we have already done the CAPEXin the additional facilities available and Chamarajanagar you mentioned that the first phase would be, which is probably 35% or 40% of the proposed capacity, so when will that be available, so as of now, what is the utilization overall and what is the upcoming brands say in next nine months?

Jairam Sampath: Yes, so broadly speaking about Rs. 250 crore that we raised for CAPEX, about Rs. 100 crores have been utilized and already the building and construction is going on, we have ordered machines etc., so during next balance 9 months of the year, you can see the entire Rs. 150 crores to be consumed and maybe readiness for doing up to Rs. 3,000 cores should be there by maybe not exactly end of this year, but maybe the first quarter full operation is likely to happen.

Keyur Pandya: What all plants or facilities are coming up this year, which will be available for use in FY24?

Jairam Sampath: Chamarajanagar is one and we are contemplating on additional plant in Pune region. So, these are the two things we can look forward to during FY24.

Keyur Pandya: And for whatever guidance you have given, do we have facilities available for that kind of growth?

Jairam Sampath: Yes, for the guidance numbers, we already have secured the capacities.

Keyur Pandya: And just one quarter number, but the automobile revenue based on what you have shown in the presentation, the growth is not significant yearover year, only for Q1, so is there any seasonality or this how the business behaves or it is I think Rs. 95 crores versus Rs. 82 crores last year?

Jairam Sampath: That is why we don't lay too much emphasis on one particular sector doing well and we don't celebrate that because many times there are secular changes every quarter to quarter. We still think that automotive is a strong sector. First quarter is not a sector to judge. In fact, what has happened is even the EV etc., first quarter they take a pause, they look at all their field, installs, they look at any technical changes are required, etc., but you can see the sector picking up and it is not bad for us, the 30% automotive is what we have been seeing from beginning as the average number. So, that is okay and other sectors are picking up for us like we said, railway, industrial, aerospace and IT/IoT, so from that perspective, but it is not a different automotive, we don't see any such signs on the ground.

Moderator: Thank you. The next question is from the line of Amar Maurya from Alpha Accurate Advisors Private Limited. Please go ahead.

Amar Maurya: Sir, first question is little bit more on the working capital cycle and primarily on the funding of the growth, so basically, sir, what I can understand is that this year we had guided for something around Rs. 1,700 crores kind of a topline, which means like, 15%, Rs. 510 crores kind of EBITDA and so basically and if I see the EBITDA to cash flow conversion, historically also has not been like, more than 25% to 30% average. So, in that context, what I see here is that the major money which we had raised through the IPO will be consumed in working capital, so I am just trying to understand how we will fund this for growth and then for the working capital?

Jairam Sampath: So, as far as fund is concerned, we are using exactly what is earmarked for, so Rs. 250 crore will go into CAPEX we kept it in the FDs etc. Of the remaining there are some general corporate which we are actually not using for any working capital. Two things, one was long-term working capital, other is of course closing the debt, which is essentially funding the working capital, yes indeedit is there.What happens is when you are in a growth phase, the regulation of working capital is not our objective, but to secure business and then to perform on it. So, as you know, last year and maybe it is extending to this year a little bit of supply chain difficulties and getting components etc., so we are not taking any discounts on that behalf, so if you notice, our payables are also, we are keeping it quite generous in the sense we are not putting too much pressure on our suppliers right now, so because the growth rate of 50% etc., is possible only if you can supply the components for the same thing. So, with that perspective, we do have several levers to handle the fund for additional businesses, etc., and this 25-30% of cash flow versus EBITDA , maybe it can be taken up to about 50% by the end of the year or at least in the first quarter or so. So, we think that we can pull out some of the networkingcapital out of the working on inventories and local supplies and also working on supply chain finance, etc., and at that point in time, when our purchases also will be larger, you will also lean on our suppliers also to fund a little bit to pick up the business, so all these factors together, I am sure we can get that additional money to fund the working capital and also EBITDA-to-cash will be higher, so we can fund money for the CAPEX too.

Amar Maurya: So, basically EBITDA let us say OCF, are we saying that by the end of this year we will be at least 55% to 60%, EBITDA to OCF?

Jairam Sampath: That is the aspiration, sir. It also depends on how fast the business is growing, so supposing for something the big order because we expect the fourth quarter to be higher than usual. So, if that happens, then what will happen is we willhappen we will **(Inaudible)59.03**and somecontinue to do so. We might over stocka little bit, but yes, by the first quarter of next year, certainly on a running basis on a 12 month running basis, we should get there, 40%-50% kind of EBITDA.

Moderator: Thank you. The next question is from the line of Mayur Patel from 361 Asset Management. Please go ahead.

Mayur Patel: Congratulations for robust set of numbers and I highly appreciate the high growth path which the companyis able to achieve, but coming to the same point which the previous discussion was that I would have just a very humble suggestion that in this high growth phase, please do look at the cash flow conversion because if OCF conversion would remain low then very soon regularly you will need capital raise and then that 30%, 40%,50% growth path will not create much value for any stakeholders, so that is the cash flow generation I would request to keep that as a one of the high priority factors apart from other things. That is the only humble session from my side.

Jairam Sampath: Thank you exactly. We actually do not look any other metrics other than ROC as the most important metrics. We are keeping track of it and we make sure that that moves upwards on an annual basis and also the cash conversion ratio also, we are tracking every quarter. I was only explaining the nature of business growth that forces us to temporarily up the metrics a little bit.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to Ms. Renu Baid Pugalia for closing comments. Over to you, ma'am.

Renu Baid Pugalia: Thank you everyone. We thank the management for giving us the opportunity to host the call and the audience for being extremely patient. I would like to now pass it on with the management for any closing comments or remark.

Ramesh Kannan: Our apologies for having some telecom connectivity problem. I am sure next time onwards this should not happen. Otherwise, thank you very much for all participants and the host team having us in this call. Thank you.

Moderator: Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.