October 04, 2024

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

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

Dear Sir/Madam,

Sub: Intimation of Credit Rating under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('SEBI (LODR) Regulations')

Pursuant to Regulation 30 of SEBI (LODR) Regulations, this is to inform that, CARE Ratings Limited has assigned the credit ratings on bank facilities of the Company. In this regard, please find below the ratings for instruments/ facilities of the Company

Facilities/Instruments	Amount (Rs in Crore)	Rating	Rating Action
Long-term bank facilities	11.20	CARE A-; Stable	Assigned
Long-term / short-term bank facilities	398.00	CARE A-; Stable / CARE A2+	Assigned
Short-term bank facilities	22.00	CARE A2+	Assigned

The rating letter received from CARE Ratings Limited is attached as an Annexure.

The aforesaid information will also be made available on the Company's website at https://www.kaynestechnology.co.in/

Kindly take the above information on record and acknowledge it.

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

SALIGRAMA MOHAN KUMAR ADITHYA JAIN
Digitally signed by SALIGRAMA MOHAN KUMAR ADITHYA JAIN
Date: 2024.10.04 11:26:22 +05'30'

S M Adithya Jain
Company Secretary and Compliance Officer
Membership No. A49042

Kaynes Technology India Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	11.20	CARE A-; Stable	Assigned
Long-term / short-term bank facilities	398.00	CARE A-; Stable / CARE A2+	Assigned
Short-term bank facilities	22.00	CARE A2+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Kaynes Technology India Limited (KTIL) factor in company's established position in the Electronics System Design and Manufacturing (ESDM) segment serving diverse industries supporting consistent growth in scale of operations. Ratings factor in its growing order book position and diversification into various business verticals, which ensures stable revenue stream and insulates the company to a certain extent from downturn in end-user industry. CARE Ratings Limited (CARE Ratings) notes that KTIL is one of the few companies in the domestic market who has received approval from GOI under Semicon programme and will be foraying into niche technology segment. Though the company's capex programme is large, reliance on debt is expected to be minimal as the majority of the capex would be funded through Union and State government subsidies and fund raise done by KTIL via qualified institutional placement (QIP) route. CARE Ratings expects sustained improvement in scale of operations of the company in its existing business, which is expected to generate healthy cash accruals providing liquidity cushion to the company amidst ongoing capex, which would be sufficient against scheduled debt repayments thus translating into satisfactory debt service coverage ratio (DSCR) in near to medium term.

However, these rating strengths are offset by the inherent execution and project implementation risk associated with its upcoming Outsourced Semiconductor Assembly and Testing (OSAT) unit and bare Printed Circuit Board (PCB) unit. Both the technologies are relatively new for India and the risk persists in form of availability of adequate human capital, successful technological transfer, product approvals, and establishment of supply chain among others. In light of these factors, company's ability to timely implement and ramp-up the operations as envisaged would be key rating monitorable. At the same time, timely receipt of government subsidy for the capex is also crucial to maintain lower reliance on debt. Ratings are also constrained by profitability margins susceptible to volatility in forex movements and working capital intensive business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of upcoming capex plans in timely manner while maintaining total outside liabilities to tangible net worth (TOL/TNW) below 1x.

Negative factors

- Delaying implementation of project or inability to ramp up the operations resulting in TOL/TNW of more than 1.5x.

Analytical approach: Consolidated

KTIL has established subsidiaries in geographies and the business model entails a high amount of integration of KTIL with its subsidiaries and therefore CARE Ratings has taken a consolidated approach to analyse its credit profile. KTIL's consolidated financials comprise full-consolidation of subsidiaries mentioned in Annexure-6.

Outlook: Stable

CARE Ratings believes that KTIL will be able to sustain its performance aided by its prominent market position in ESDM industry translating into healthy order book position and will continue to benefit from long-standing experience of its promoters.

Detailed description of key rating drivers:

Key strengths

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Strong strategic position of company in the ESDM industry with strong order book position
KTIL's TOI has been showing a significant growth momentum for the past few years from ₹368 crore in FY20 to ₹1,806 crore in FY24 backed by increasing order book position. Revenue stream of the company is diversified, catering to business across industry verticals automotive, aerospace, and defence, industrial, railways, and medical. The industrial, EV, aerospace, and strategic electronics verticals led growth due to strong demand. The company has been investing in new initiatives and projects in higher potential segments to strengthen competitive edge and integrated ESDM capabilities and is gradually increasing focus on emerging verticals like EV, aerospace/outer space, railways and telecom. KTIL's order book has been witnessing continuous growth from ₹2,648 crore as on March 31, 2023, to ₹5,038 crore as on June 30, 2024. In Q1FY25, the company has generated revenue of ₹504 crore with 13.3% of EBIDTA margins. CARE Ratings expects the company to continue to maintain its dominant position in ESDM industry and anticipates continuous order flow translating into healthy cash accruals to sufficiently cover its repayments translating into satisfactory DSCR levels.

Foraying into new business segment

Under the Semicon programme of government of India, the company has received approval to set up OSAT unit in Sanand, Gujarat. Apart from this, the company will also be establishing Bare PCB unit. For both the projects, the company will receive both central and state government subsidy. In December 2023, the company had raised ~₹1,374 crore from QIP issue which will be utilised for funding of capex and rest through debt and government subsidy. KTIL is expected to focus on niche segments with has higher margins and being a high-tech area not many players are present in these segments in the Indian market which gives company advantage to capture significant market share. Timely completion of capex and operationalisation of both projects are key monitorable to evaluate the company's credit risk profile.

Established relationship with customers across diverse sector
KTIL has more than three decades of experience in the ESDM industry and stablished long-term relationship with well-known customers across industries. The company has diversified customer base and serves around 375+ customers across 28+ countries. It has been continuously adding new customer to diversify its revenue stream. The company's customers span across multiple sectors ranging from medical, automotive, electronics, healthcare, industrial and, IoT. The company serves domestic and international customers including certain Fortune 500 companies, multinational corporations and start-ups with domestic sales contributing major proportion of revenue.

Experienced promoter group and long operational track record of the company
Promoter and Managing Director, Ramesh Kunhikannan, started Kaynes Technology as a sole proprietorship in 1988. The promoter has more than three decades of experience in ESDM industry. Savitha Ramesh, Promoter and Whole-time Director has been associated with the company since 1996 and is responsible for the overall implementation of process and control across operations. Under their leadership, the company has been able to expand operations and have established a significant presence in India. Whole-time Director and Chief Financial Officer of the company, Jairam Paravastu Sampath, possesses over three decades of experience in manufacturing, operations, sales and marketing. The company benefit from the extensive experience of promoter and management which has helped company established as a prominent market leader in ESDM industry.

Key weaknesses

Significant capex plan in new technology sector
The company has large capex plan of ~₹4,700 crore in place over the next 5 years which would be funded largely through mix of government subsidies and QIP proceeds while reliance on debt is minimal. As such, timely receipt of government subsidy is critical to maintain lower reliance on debt to fund the capex. Also, through this capex, the company is foraying into new business, OSAT and Bare PCB, which are niche segments and associated with high cost of production. Both the business segments are new to India and therefore requires collaboration with international partners. Both the capex are in nascent stages and are prone to inherent execution risk. Company's ability to develop supply chain ecosystem and to receive customer approvals would be critical to ramp-up the operations. CARE Ratings would continue to monitor the development in these capex.

Working capital intensive nature of industry
KTIL' operations are working capital intensive in nature as the company caters industries with a diverse product mix and the company's orders have specific timeframe, requiring it to maintain high inventory levels to execute orders on time. Raw material constitutes major cost ~75% of the revenue, however, with strong relationships and wide supplier base, the company has been able to secure the raw materials. KTIL has robust supply chain with 1700+ suppliers within and outside India. The company has multiple sources for vendors, thus ensuring availability of materials. At present, average working capital utilisation is moderate though with increasing order book position and new upcoming project, including OSAT, PCB, and smart metres, group's working capital requirements are anticipated to increase in near to medium term.

Profitability exposed to volatility in forex movements
KTIL imports major portion of raw material requirement from international market, including Singapore, Hong Kong, US, and others. The company imports ~60% of its raw materials every year which exposes the company's profitability to forex volatility risk. The company is now foraying into semiconductor industry and one of the key challenges would be in establishing relationship

with key raw material suppliers as ecosystem for raw materials, consumables and process equipment are yet to be developed in domestic market. The company's ability to source raw materials in timely and cost-effective manner will be a key monitorable.

Highly competitive Industry
ESM market has been witnessing surge in demand due to increasing adoption of electronic products. Companies operating in ESM segment are now focusing more towards providing end to end solutions to its customers. Profitability in ESM segment is dependent on the product mix manufactured by the company. KTIL operates in low to medium batch size volume and high-tech business because of which its profitability margins are relatively high compared to peers. As compared to its peers KTIL has presence across most industry verticals ranging from CEA, Industrial, Telecom, Aerospace & Defence, IT, Medical and Railway and owing to which company's order book position has been growing providing healthy revenue visibility for coming fiscal years.

Liquidity: Strong

The company's liquidity is strong with healthy cash accruals considering strong order book position in near term against low long-term debt repayments and capex funding against QIP proceeds. Company has order book position of ₹5,039 crore, which is expected to improve its capacity utilisation. The liquidity is further supported by unutilised IPO/QIP proceeds of ₹1,299 crore as on June 30, 2024, thus providing additional cushion. The working capital utilisation for 12 months ending May 31, 2024, stands comfortable at 64%. The company is undertaking large capex, part funding of which would be done by subsidies from central/ state governments. Timely receipt of these subsidies would be critical for the company to maintain healthy liquidity profile.

Environment, social, and governance (ESG) risks

Environment: The company has implemented sustainable practices across all operations, such as, responsible use of natural resources, well-calibrated processes to reduce wastage, optimized the raw material mix to reuse waste materials and debottlenecking operations. It has set up an exclusive Lead-free manufacturing line for PCB Assemblies, with the expertise on manufacturing RoHS compliant products.

Social: Company has obtained a voluntary certification under SA8000, the international standard for social accountability. It has also been certified by Global Standards for Social Accountability Standards.

Governance: Board consists of experienced professionals in their respective fields, bringing in specialized experiences and adding to the diversity of Board. Implemented a robust mechanism for managing compliances and ensure that all the applicable rules and regulations are followed.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial manufacturing	Industrial products

Promoted by Managing Director, Ramesh Kunhikannan, KTIL is in the ESDM segment. The company and its subsidiaries, provide end-to-end integrated and IoT solutions-enabled integrated electronics manufacturing players, having capabilities across the entire spectrum of ESDM services. On a consolidated basis, the company operates through 14 advanced manufacturing plants. The company is currently undertaking capex to enter OSAT and Bare PCB manufacturing.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	1,126.82	1,805.92	503.98
PBILDT	170.56	258.08	66.91
PAT	95.20	183.29	50.52
Overall gearing (times)	0.22	0.18	NA
Interest coverage (times)	4.68	4.62	2.94

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: India Ratings and Infomerics have placed the rating of KTIL under Issuer Not Cooperating vide PR dated April 17, 2024, and June 14, 2024, respectively, as the company did not share the information.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term loan	-	-	-	November 2027	11.20	CARE A-; Stable
Fund-based - LT/ ST-CC/PC/Bill discounting	-	-	-	-	398.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-BG/LC	-	-	-	-	22.00	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-CC/PC/Bill discounting	LT/ST	398.00	CARE A-; Stable / CARE A2+	-	-	-	-
2	Fund-based - LT-Term loan	LT	11.20	CARE A-; Stable	-	-	-	-
3	Non-fund-based - ST-BG/LC	ST	22.00	CARE A2+	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill discounting	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Kaynes Technology India Limited	Full	Subsidiary
2.	Kaynes Embedded Systems Private Limited	Full	Subsidiary
3.	KEMSYS Technologies Private Limited	Full	Subsidiary
4.	Kaynes Technology Europe GmbH	Full	Subsidiary
5.	Kaynes International Design & Manufacturing Private Limited	Full	Subsidiary
6.	Kaynes Electronics Manufacturing Private Limited	Full	Subsidiary
7.	Digicom Electronics, Inc.	Full	Subsidiary
8.	Kaynes Semicon Private Limited	Full	Subsidiary
9.	Kaynes Circuits India Private Limited	Full	Subsidiary
10.	Kaynes Mechatronics Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: +91-44-28501001 E-mail: pradeep.kumar@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-46625528 E-mail: karthik.raj@careedge.in Himanshu Jain Associate Director **CARE Ratings Limited** Phone: +91-80-46625528 E-mail: himanshu.jain@careedge.in Preeti Narkhede Analyst **CARE Ratings Limited** E-mail: Preeti.Narkhede@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
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