May 20, 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 4th Quarter and Financial Year ended March 31, 2023.

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

Please find attached the transcript of the earnings call hosted by AMBIT for the Financial Results of the 4th Quarter and Financial Year ended March 31, 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.**

RAMACHANDRAN KUNNATH
Digitally signed by RAMACHANDRAN KUNNATH
Date: 2023.05.20 14:48:23 +05'30'

Ramachandran Kunnath
Company Secretary and Compliance Officer
Membership No. A57817

"Kaynes Technology India Limited 4QFY23 Earnings Conference Call"

May 17, 2023

MANAGEMENT: **MR. RAMESH KUNHIKANNAN – FOUNDER AND MANAGING DIRECTOR, KAYNES TECHNOLOGY INDIA LIMITED**
MR. JAIRAM SAMPATH – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER, KAYNES TECHNOLOGY INDIA LIMITED
MR. NEERAJ VINAYAK- AVP – INVESTOR RELATIONS, KAYNES TECHNOLOGY INDIA LIMITED

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and Gentlemen, Good day and welcome to the Kaynes Technology India Limited 4QFY23 Earnings Conference Call hosted by Ambit Capital.

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 this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you, Sir.

Dhruv Jain: Hello everyone. Welcome to Kaynes Technologies 4QFY23 Earnings Call. From the management side today, we have with us Mr. Ramesh Kunhikannan – Founder and Managing Director, Mr. Jairam Sampath – Whole Time Director and Chief Financial Officer and Mr. Neeraj Vinayak- AVP – Investor relations.

Thank you and over to you sir for your opening remarks.

Ramesh Kunhikannan: Thank you Dhruv. Good evening friends.

First, I would like to extend my sincerest apologies for the need to reschedule our Earnings Call yesterday. Unfortunately, due to an unforeseen delay in our Board Meeting it had become necessary to adjust our plans. I understand that your time is valuable and I deeply regret any inconvenience that this delay may have caused. Please know that we deeply value your time and commitment. Thank you for your patience and understanding.

I would like to welcome everyone present on the call from the entire team of Kaynes Technology. I have along with me on the call Mr. Jairam Sampath – CFO and Mr. Neeraj Vinayak – our Investor relationship and Orient capital our Investor Relation Partners. I also have Rajesh Sharma our CEO with me.

Before I start with this business update, I would like to briefly introduce the Company to all of the participants founded in 1988 Kaynes Technologies is a leading end-to-end and IoT solution enabled integrated electronics manufacturer of India. We have capabilities across the entire spectrum of ESDM service. We have an experience in providing conceptual design process engineering, integrated manufacturing, and lifecycle support for major players in the automotive, industrial, aerospace and defense, outer space, nuclear, medical railway, internet of things, information technology and the other segments. Our advanced manufacturing infrastructure enables us to undertake a high value addition of products across industry verticals with the ability to produce such product at variable or flexible volume. We have a well-diversified portfolio of around (+350) customers in 26 countries across multiple industry verticals.

Coming to our performance for the quarter ended March 31, 2023:

Our total revenue was 3,646 million registering a growth of 53% year-on-year. On the year-to-year basis our total revenue was 11,261 million registering a growth of 59%. Our growth was largely led by strong demand in automotive, railway, IoT and consumer verticals.

Our order book as on March 31st 23 stood at INR 26,482 million. Our Company has been profitable for the last three decades and we are focused on delivering value to our client. Our FY23 EBITDA was INR 1,683 million compared to INR 937 million last year. Our FY23 PAT stand at INR 952 million compared to INR 417 million in FY22.

We have executed orders that are higher value and leading to increased margin and higher profitability. We continue to witness strong order flow and to meet the growing needs. We are exploring our facilities along with upgrading the existing ones. We are working on improving our working capital and we are confident that we will bring it down further in the coming days.

I will now hand over the call to Jairam Sampath to take the financials through each one of you. Thank you.

Jairam Sampath: Thank you Mr. RK. Good day everyone. Thank you for joining us on this call. I will be presenting the "Financial Performance" of our Company for the period ended 31st March 2023.

For the quarter ended 31st March 2023, our consolidated total revenue was in INR 3,646 million representing a 26% quarter-on-quarter growth and a 53% year-on-year growth. Our consolidate year-to-date revenue was INR 11,261 million reflecting a 59% year-on-year growth. The consolidated EBITDA for the quarter was INR 594 million showing a 48% year-on-year increase and a 44% quarter-on-quarter increase. The EBITDA margin for the quarter was 16.3% compared to 14.2% for the Q3 and 16.8% for Q4 of FY22. The consolidated year- to-date EBITDA was INR 1,683 million up about 80% year-on-year and EBITDA margin was 14.9% as compared to 13.3% for the year FY22. Our consolidated PAT for the quarter was INR 413 million up 81% quarter-on-quarter and up 108% year-on-year with the PAT margin of 11.3% compared to 7.9% for Q3 and 8.3% for Q4 of last year.

The consolidated year-to-date PAT was 953 million up 128% year-on-year and PAT margin was 8.5% as compared to 5.9% in FY22. Our ROE and ROCE adjusted for unutilized portions of proceeds is at 24.9% and 24.2% respectively for FY23. We had an increase in cash and cash equivalents which stood at INR 4,860 million as compared to INR 216 million in the previous year primarily due to the IPO proceeds. Net working capital for FY23 was at 99 days on an annualized basis similar to FY22. Our inventory was higher but has seen reductions in both receivables and payable days by 12, 13 days in FY23.

Coming to our expansion plans:

We have allocated INR 989 million towards CAPEX expansion and upgrade our facilities in Mysore, Manesar and Bengaluru and Chennai and acquired 1,20,000 square feet built up space in Manesar which is expected to be operationalized in the Q1 of this year. Additionally, we have year marked INR 1,493 million for investments into Kaynes Electronics Manufacturing Private Limited for setting up a new facility in Chamarajanagar Karnataka whose first phase to be operationalized by Q2 of this year. India is now positioned as a global hub for electronic system design and manufacturing and we believe that we are rightly placed to capitalize this opportunity.

With this, I would request all participants to come in 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 Maulik Shah from Haitong Securities. Please go ahead.

Maulik Shah: So, I have got a couple of questions can you talk about new customers that were added you did talk about in the opening remark that you have (+300) customers, but any new customers that you have added in this particular year and what is the kind of potential business that you see from such customers that is the first question?

Jairam Sampath: So, one of the things is that unless we get a clear approval from our customer we cannot actually put their names in public domain, but I can describe those customers to you. So, we will take segment by segment the orders. To begin with we had a new customer, EV is an export customer. So, this customer there is a huge business in terms of various types of boards which are standard in EV charger boards and these are for high end cars. So, this was added during this period of last five months or so. In the area of medical we have added a new customer in the critical care segment is a European customer and they are a very large critical care and surgical equipment manufacturing product Company and we have successfully complete the audit for supply. So, this year we might see some pilot lots going through this medical customer. In terms of IT one of the largest semiconductor companies in the world we qualified and started the supplies for production of laptops for specific usage within India and similarly there are other areas like defense and aerospace. We have already had a customer, we have now completed the pilot lots and there were couple of visits from them and hopefully going forward into this year we will start doing some serial production work for that.

Maulik Shah: Sir, my second question is on the working capital side now you have indicated earlier you know that you had put in a team together to work on improving the working capital, so can you please highlights the key areas that they are working on and is there a specific target that they have, is there a certain ground that they have already covered and along with this what could be our ROC target that you are working with over the next two or three years?

Jairam Sampath: So, as far as working capital is concerned even though the figures look a little higher for the inventories and so on, but one of the main reasons why we probably did not cross the 1,200 number is also the fact that certain imbalance inventories were with us and certain components as you know last year was the year of difficult supply chain conditions and so certain components did not come for want of few value customers, value components we could not convert almost close to 60 crores, 70 crores of orders and of course this will get converted during this month and the next. So, that kind of makes the inventory look a little higher, but we have discussed with all the distributors there are two areas which we have discussed with them. One area is to ask them for local supply which we have talked earlier also. So, they are in the process of giving us a proposal by which wherein they will keep a warehouse either in Mysore or in Bangalore so that we can cut down some on the lead time. The second issue is also we have taken up with them about on time supplies from their side because as you know in a month the supplied come more inclined towards the end of the month and that is causing the 15 days, 20 days of delays in conversion. So, these are the two areas that we have talked to them. So, this is as far as inventory is concerned and as far as receivable is concerned I think we have made a good progress some more progress to be done. This is in terms of getting some supply chain financing and all the large customers now as part of the RFQ response itself we are taking up with them on the receivables front. So, I think going forward that this will further improve. On payable front we have deliberately set the dial at low payables. This is to get favorable attention from our suppliers because last year we had one of the toughest supply chain issues in electronics wherein there were delays, etc. So, we have made sure that suppliers do not deep prioritize us for want of any commercial this thing. So, this is happening now and we have also like I said we are discussing with suppliers for more to get local supplies done and on time supply is done so that benefit will outweigh this whatever minor increase in payable. So, all in all we have put a team together they are essentially from supply chain and logistics people and by doing these kinds of activities we will not only save on the inventory days we will also save on the logistics cost because the suppliers are much larger than us and we can get in the material especially on the import which is 60% of our purchases at a smaller cost. So, this team is working already we are seeing some results. So, during this year we will definitely do the improvements that is required in terms of the number of days of working capital and our aim is another couple of years' time should go in the 70s from whatever 98 days, 99 days that we are seeing now. I think we are confident it will happen. One more thing to note is that last year even though we had made plans, etc., in terms of our number of days, etc., it was expected that we would launch our IPO in September, but it actually as you know it got done only in November. We kind of lost some two, three precious months, but never mind we are picking up those lost ground now and on the back of very strong demand and industry tailwinds. So, hopefully when we exit this year and the next we will have significant improvements in our project.

Maulik Shah: So, my last question before I join back the queue is on the profitability now I recollect you had indicated that you will do 1,200 crores of revenue in this particular year and I think the explanation on supply chain disruption explains where you marginally fell short of that number, but you are fairly confident of achieving the 1,800 crore that you are talking about along with margin expansion, is that something that we can assume for FY24?

Jairam Sampath: Yes FY24 I think if I recall correctly we had talked about 1,700 crores and of course if you were to just add one positive thing whatever the backlog of last year we will add it to this because all the materials are there. So, I think we will definitely achieve the number that we had projected, talked about last time and in terms of profitability it will be superior to what we have in FY23.

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

Bhoomika Nair: Sir the first question is on the order book we have a very strong order book of 2650 crores if I can just get the vertical split which is between the different segments and what is the timeline that we are looking to execute because if we are doing about 1,700, 1,800 crores next year does that mean that it kind of spills over into 25 or can there be a faster delivery of execution of this order book?

Jairam Sampath: See fundamentally our business has not changed dramatically over the last four months. So, the composition of the order book remain similar to our business competition. The only thing if you start changing once all these discussions that we have on large businesses whether it is a EV segment, whether it is industrial, whether it is medical, whether it is aerospace once those who get converted into business those orders will get in. So, the proportion of various verticals is similar to what business that we have been doing for FY23 which is similar to FY22 give or take a few percent. Now coming to the execution timeline for this obviously this represents about one and a half years' worth of orders for us. So, we should execute and of course during this year FY24 we will get further orders for execution this year. So, that is the challenge that we have deal with. We are working very hard to add capacities beyond what we have earlier declared that is Chamarajanagar and expansion of Mysore and Manesar. We will come back to you once we finalize on those aspects of the plan. So, we are gearing up for having to deliver more than what we have order on hand right now because there could be other orders coming in. So, this 26,042 million represent one and a half years' worth of orders and Rs. 1,700 for sure will get done this year FY24 plus some backlog of last year some 70 crores, 80 odd crores will also probably get added and then remaining will go to FY25, but we are trying our best to make sure that we try to give an early delivery date for all of this. So, as and when we make progress in terms of capacity addition we will certainly come back to you.

Bhoomika Nair: Sir, in terms of the working capital and you know the component shortages particularly that you spoke about in the supply chain obviously we are trying to push more for local sourcing and on time etcetera, but is the supply chain starting to ease off or does that still remain a challenge for which we need to keep from a payable perspective because that number of days has come down and led to higher working capital, so how is that kind of situation easing off or is it still remains very challenging?

Jairam Sampath: So, what you see as the challenges are remnants of the delayed lead time, etc., for some critical components. So, we think that see once the global tensions cool down a little bit and also the capacity enhancement in semiconductors happen so this problem will probably be reduced. On the other hand, your point is very well taken that we must try to indigenize. So, we are working on two areas which we have talked about the last time. One is bare PCB manufacturer for which we have now found collaborator and we are discussing intensely. So, the moment we come up with a plan for execution we will come to you. This is bare PCB which is about 8% of the total value of sales. So, that will ease out some burdens in the bare PCB supply chain and in terms of components we are talking about examining post FAB outsourced semiconductor assembly and testing. So, which is in preliminary state right now we have done all the due diligence required to understand this sector and we have got good partnerships ahead of us once something concrete comes in we will certainly come back to you with that, but that will also ease out certain components and just like we are doing it there are other companies who are setting up capacities in both FAB. FAB probably will take a few years to bear fruit, but this OSAT that kind of things are happening now more intensely. So, we can expect that the supply chain related lead-time issues and the unreliability, etc., will come down into the future.

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

Nitin Arora: Just one clarification you said that 1,700 crore topline for next year and margins will be higher than what we reported in FY23 we did about 14.9% EBITDA margin in this year so better we should look at the percentage margin you are trying to say it will go further higher or it is the absolute EBITDA growth you are talking about would be higher next year?

Jairam Sampath: See, there is a logic I can provide we also have order. So, assuming that we do not have any other disruptions in the marketplace and in the environment we are saying that some more operating leverage will kick in. Now exactly what that number will be we will have to actually do it and show it to you guys. So, in absolute terms certainly the EBITDA number will increase and in percentage terms it is showing an upward trend so far and we expect further kicking in of the operating leverage which will definitely improve the EBITDA percentage also, but the exact quantum we will probably have to estimate as we go along maybe after couple of quarters later will be for sure whether it has gone up or not.

Nitin Arora: I just wanted to understand where it is coming from, sir in terms of the bit pipeline whether it is automotive, industrial and railways, can you throw some light in terms of the content how it is increasing for you let us say in automotive and year-on-year how much the value addition would have increased if let us say in a per unit terms or a content terms if you can throw some light and the future pipeline which you are seeing in terms of bits whether it is let us say making the PCB for the chargers or in the automotive segment or let us say for the railways how the really content is moving, if you can help us that?

Jairam Sampath: As I will take this question by each vertical. So, in automotive what is happening is that we are now started getting enquiries for some box build that means complete production of products from earlier the most of the automotive business was in PCB assembly. So, obviously the box build gives us a bigger opportunity to do value addition and also binds the customer closer to us. So, in automotive which is the increased amount of box build RFQs that we are getting. In terms of industrial now we are again box build kind of deals in larger per unit price is likely to happen in the area of industrial and in the railway segment, railway segment has been our prime segment and we are getting back inquiries on products which we have done earlier three, four years back. There was a time when railways used to be one of the largest segments for us. So, today we have started to get some strong enquiries in the area of railways. So, obviously as a portfolio if the percentage of railways go up it helps in the gross margin contribution and so in terms of let us say the kind of products that we are doing so we are discussing with companies the one that I talked about in Europe. So, that will all be full box build and will be on technology transfer. This is for the medical business. So, this is the kind of change that we see in our total portfolio that is happening.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: So, my first question is on the railway segment given that some of your customers are sitting with a very large order book with visibility for almost 8 to 10 years, what is the kind of growth you are expecting in this business over the next three years if you can help us quantify and are we seeing any expansion of portfolio apart from core signaling telecom equipment that we have been working in the segment?

Ramesh Kunhikannan: This is a subject which I like you see as far as this is concerned we are already having around 8 to 10 development activity going on and this is fully with our control and so the actual delivery will happen only 24 onwards and it will be there for 9 years, 10 years.

Renu Baid: Any inputs on the scope of the box?

Ramesh Kunhikannan: Today we are talking about only PCB assemblies, but we are acquiring another things that will come going forward.

Jairam Sampath: There are three different types of businesses in railways. One is called the railway signaling. The other one is metro signaling and the third one is onboard equipment like the rack wiring that he is talking about and we are now having active new RFQs in each one of these three segments. So, for instance, for trains like Vande Bharat there is a lot of inquiries and lot of demand projected because the government has plans to introduce them in other sectors. So, there are customers who have technology for this and we are actively working with the government of India. They have reached of course because they were our earlier customers so they will all come and then so on-board equipment we will get significant business going forward in the future and the Metro is also coming back. Some of the clients who were importing they have been asked to do local sourcing so they have compared again to reevaluate us and then get back into that and of course whatever business that is going on already with our existing clients in the signaling system that is also going on.

Renu Baid: Sir, just wanted some clarification it may help us quantify the value of these RFQ that you are receiving in terms of order pipeline what could be these numbers and value in terms of size and scale because the value of the end projects for customer runs into thousands of crores, but for your addressable segment what is the value that you are looking in the….

Jairam Sampath: The way it works is based on whatever in the past we have done it is a project is worth 100 crores for our customer OEM only 10% of that will come into areas like signaling. Now areas like rack wiring the percentage may be lower. So, we can roughly assume that about 10% sub 10%, 9% to 10% of the total value of projects is likely to flow into this kind of an area of course for the sake of confidentiality we really cannot exactly say how much will come to us, but this is a ballpark number.

Management: And we have a clear instruction from the customer that this cannot be leaked out.

Renu Baid: Sir, secondly if we look at the broad annualized number way back in March when we spoke and the end of Feb we were very confident of 1,250 crores kind of revenues, you highlighted 60 crores, 70 crores of revenue is getting impacted because of component shortages, but still there is a gap of what we delivered and what was expected and profit numbers clearly versus 110 crores something like 95 crores. So, while some of the supply chain constraints may continue with this year political uncertainties remain at the global level geopolitical level. So, in terms of your comfort for FY24 guidance of 1,700 crores plus the slippages of almost 100 crores is 1,800 crores what in your view could be the risk for you to miss on this number and in terms of segments which are the key segments which will deliver this incremental delta in revenue terms?

Jairam Sampath: So, you are right about some orders like I said and I think beginning of the call about 70 crore odd worth of orders kind of got postponed to this year because we did not have all the components it is also strained our working capital a little bit and it has not allowed us to improve on the net working capital days. Having said that, we also said that we will execute it now. So, right now it is a very prudent situation we have orders for this year for sure for 1,700 crores. Now the question is during this year we will get some orders and how much of it will convert we will have to really go back and examine as and when those orders arrive and then when we commit maybe this quarter the next we will come back with our analysis how much we will do. Now we do not want to give a specific number here, but certainly the risks are reducing in the supply chain and the specific question about semiconductor delays, etc., those risks are reducing and our sense is that I think even global factors, etc., net-net the supply chain comfort will be better than last year. Now that is again a qualitative statement we cannot 100% assure that some country will not attack some other country and so on. So, barring those kinds of big issues I think you can expect better confidence on execution of numbers that we are talking about this year. So, specific numbers we cannot give you because we really do not know for sure the specific number.

Moderator: Thank you. We will take the next question from the line of Amar Maurya from AlfAccurate Advisors Private Limited. Please go ahead.

Amar Maurya: Sir my question is more from the OCF generation perspective so if I see like you know FY2021 we were having almost around OCF to EBITDA conversion of above 60% plus. Now, in FY22 and 23 both year like OCF conversation is very weak I mean bulk of it is because of the working capital and how do you see basically it is going to plan out let us say in 24 and 25?

Jairam Sampath: See the issue is that OCF to EBITDA is a kind of not a very linear progressing metric. So, it is like almost a digital metric. If you are doing well it is high if you are not being well it will be negative. So, now this year and the last year ironically the Company did better because of the growth and our investments into especially the component of inventories have gone up and whatever savings or whatever improvements you made in receivable we have load it back into payables. So, net-net, you see a kind of a negative OCF, but never mind this year I think we probably will get out of that situation unless of course we have a situation where some more investments have to be done to examine and to do a execute a larger order book. So, let me tell you even though the number does not look very great, it is a healthy sign because the investments have gone into productive assets. A one is in inventory which helps us to execute the orders and B which is reducing payables which helps us in terms of better relationship with suppliers and gets us better pricing and gets us whatever things that we require from the suppliers in terms of allocation and all that.

Amar Maurya: So, basically you are saying that this was the worst and from here all the situation improve from the OCF to EBITDA conversion perspective?

Jairam Sampath: Yes sir definitely and see the thing is it depends on what is your horizon. So, in stable businesses you are right OCF to EBITDA can be a good number and we can maintain it, but in our businesses every time there is a jerk up in the sense there is an increase in the turnover which is more than the average increases like right now we are seeing this 60% types of increases. So, there will be some little effect on that, but never mind that is a productive use of the cash because of the growth.

Amar Maurya: And secondly sir going into like you know FY24 what is the kind of tax rate we should assume?

Jairam Sampath: Sorry, could you repeat that last line.

Amar Maurya: Tax rate would be 25%, right?

Jairam Sampath: You see an effective tax rate will improve once we start doing some business in our subsidiary called KEMPL and so we do not know exactly how much will go through it. It will improve from whatever tax rate that we have assumed for FY23 it will improve how much exact percentage we will work out maybe post two quarters and we can reach you by the time we will have a stable information.

Moderator: Thank you. The next question is from the line of Smit an Individual Investor. Please go ahead.

Smit: The only question I would like to ask sir like IC has an inner complete portfolio. The IT hardware component is quite less and the growth of opportunities is quite big and there is also in PLI scheme 2.0 which is going to come in, so do you see has opportunity where our Company can contribute and grow more faster in that area also?

Management: See the future of electronics in that IT is one good area where things are going to improve. India is planning large number of data centers, large number of deployment even today if you see the statistics only 45% for population is even having IT infrastructure. So, what I am trying to tell is this is one area which will grow and if you see large companies are coming to India they are also supporting people like us. So, definitely India will grow in this.

Management: We also started manufacture of laptops in a small way. So, that answers your question that going forward in future if you look forward to some good business in that case.

Moderator: Thank you. The next question is from the line of Kaushik Mohan from Ashika Stock Broking. Please go ahead.

Kaushik Mohan: Sir, I have a specific question on what is your coming plan for CAPEX and if needed for I just see that Pune is coming up, so what is your plan for Pune plant and what is your CAPEX plan over next two years?

Jairam Sampath: So, CAPEX we have already disclosed during the objects of the offer itself 260 crores in three plants Chamarajanagar, Mysore and Manesar and then some more from our own earnings, etc., flowed back into other plants so we are enhancing. So, obviously the other additional locations are being planned to cater to the additional requirements. So, we have also kind of rough calculation we said that the newer facilities and augmentation is tripling our capacity. So, that was in sometime this year so obviously tripling capacity means whatever CAPEX we have is good for let us say nearer to somewhere between 27 and 3,000 crore kind of number, but the capacity enhancement also takes a lead time. So, we are planning to make sure that we start thinking about newer factories because now we have almost listed in November that point in time we had one new factory subsequent to that we are not talking about another one and so on. So, this is an ongoing process without taking a specific location. Every quarter we will need to reassess our capacity is based on the RFQ that we are getting and the customer requirements and we will be planning and adding the capacities and whatever existing resources there are we definitely are able to raise finances as required for the growth of our ESDM business.

Kaushik Mohan: Sir, another addition of question that with the current kind of CAPEX and current kind of setup what you have, what can be the optimal revenue can be achieved with this?

Jairam Sampath: Yes including the investment that we will complete based on the objects of the offer we should triple the capacity. So, we probably like I said, Rs. 2,700 crores to Rs. 3,000 crores of revenue can be done with whatever capacity that have been funded already of course many of it is working process some of it is yet to be expanded so that is the number.

Moderator: Thank you. The next question is from the line of Pradyumna Choudhary from JM Financial. Please go ahead.

Pradyumna Choudhary: So, I have three questions first more on the demand side like definitely we have a very strong order book right now, but are we seeing any sort of weakness in any of the verticals that we are serving, second is more on the like recently there was a WTO ruling against India regarding import duties on certain IT components and integrated circuits, so would it have any sort of impact on Company like us and third from a longer term perspective which verticals do you see the biggest opportunity in and how big like could you give some idea on how big is the current market because definitely we are seeing very good growth across there and especially you guys so just wanted to get a sense on the longer term opportunity as well?

Jairam Sampath: Yes. So, in terms of strength of demand the different industry verticals have a different horizon. So, certain verticals supposing you take the large volume high volume, mass volume verticals like consumer, etc., the horizon itself is small. So, any comment you make cannot be taken for a long term. So, nobody can say today that how much mobile phone or TV or some other consumer appliance will be consumed after one year. So, it is completely dependent on a lot of other factors, some of them are macroeconomic and some of them probably are your lifestyle choice, but when you come to the non-consumer type of sectors the majority of our businesses is that sector. So, these have a long-term theme and they are a little slower in terms of their change, but of course they do change depending on some long-term trends that one can see. So, as of now we have not got any information to tell us that there is any weakening of demand that is primarily linked to your second question that you had asked or maybe the third one about how we are affected by WTO asking us to play fair on various aspects. Actually, it has been the other way around India was unfairly importing stuff from outside. So, what government is saying is you purchase it in India and give them the same price there is no need to give preferential pricing for us and if that alone is done that will multiply the businesses of companies who is into this sector. I am talking about non consumer sector within the country. So, that is not likely to affect in any major way Mr. Choudhary what was the last question if I have not answered.

Pradyumna Choudhary: So, more from a longer-term perspective like maybe five years down the line which vertical do you see the biggest opportunity and generally how big is the market that we operate?

Jairam Sampath: So, I can speak from the perspective of our Company. So, some of the underrepresented verticals in our business portfolio. One is of course the glaring omission is telecom and then the other is something like it and the third one is something like your medical we are comparatively smaller in size compared to the other. So, we see that there is a lot of growth in the infrastructure for 5G not only in India across the world. I think with the new global realignments happening we see next big demands coming up there. Of course, that demand will be fulfilled by different types of companies. Some of it will come to companies like us. So, telecom is one strong growth segment. Second is IT is because this is there is a huge growth of IT in India. India is IT penetration now again this I would say this kind of a resurgence of IT within India because IT has now become like infrastructure like roads or telephone lines. So, all these servers and all these things will connect people and help. So. that is the other sectors and as far as we are concerned there is a lot of demand growth also in the areas like medical and we were always looking for one large client and I think we are now on to it. So, these are some sectors that you can expect some good growth from our companies perspective.

Pradyumna Choudhary: And just a counter question on your point regarding the WTO I did not actually understand like are you talking about some reverse duty structure which was in place earlier like where probably what we were importing was not being taxed while what we manufacture was not being taxed when being imported whereas what we were importing was being taxed like was that the case earlier now that has been corrected, is it so?

Jairam Sampath: Possibly some reclassification some little hide-and-seek, but in principle what happened is that the government is now telling the corporate that if you are able to buy the same equipment at the same price, why would you import it. Now from government perspective very valid question from the companies perspective since they are global multinationals value technology, they would like to have value addition on their books rather than on the books of Indian Company. So, that is the kind of what shall I say political see-saw that India saw and looks like Indian government is winning on that because now we become a very large country with I would be if I dare say maximum amount of CAPEX budget over next several years for these kinds of industries. So, that is what is happening a kind of normalization is happening. I do not want to allege that people where the wrongly classifying or whatever, but the fact of the matter is that on heat weight basis, on equal terms basis Indian companies are competitive in those areas I am not talking about consumer I am talking about non consumer areas.

Pradyumna Choudhary: So, there is no like even on imports we can match the prices and all there is no issue with regards to that in case the WTO ruling stand, so it could not really affect us?

Management: Yes it should not affect us.

Moderator: Thank you. We will take the next question from the line of Kuvam Chugh from Birla Mutual Fund. Please go ahead.

Kuvam Chugh: So, my first question is on our export revenue so export growth was more muted in the overall business, so what has really prevented the scale up of the export business because initially we were expecting export to grow faster than India revenue, so what has happened this year that has held back the export growth?

Jairam Sampath: Like I always say that the exports in domestic are driven by two different factors. The domestic business increase is driven by import substitution and export business primarily is driven by shifting of manufacturing based on say South Asia or China to India. So, the growth in exports is there, but it is as a percentage of total has not grown it is probably same or coming down that is because of the outstripping of the projections for domestic business, but as we go forward in some of the areas I did mentioned earlier in the call areas like medical electronics then there are areas like the industrial area, etc. We are likely to get some good export traction and we will start seeing exports becoming the larger percentage. So, first it has to cross the 20% mark at some point in time in our portfolio exports used to be almost one-third. So, now it has become one-fifth. I think it will be movement now you can say that the pendulum is now going to swing back and two, three years' time quickly the exports will probably come back to 25%, 30% kind of number.

Kuvam Chugh: So, of our current order book of about 2,500 crores how much is from export orders and how much is domestic order?

Jairam Sampath: See right now I do not have the number in front of me, but my sense is between 15% and 20% is exports remaining is domestic and as we go forward into the year we might see that shift a little bit in favor of exports.

Kuvam Chugh: And just finally on our inventory it continues to rise this year as well. So, where are we in terms of the supply chain issues normalizing and what is your projection for the end of your inventory for FY24?

Jairam Sampath: So, we had anticipated that we would have made about I think last time when I spoke to you all even during the call, etc., we said that between five and seven days of networking capital improvement would have been there last year we unfortunately did not do that, but I did explain about some little amount of business not being done because of certain non-availability, but that I think we will make up and this year end that we certainly will go to 80s in terms of number of days of net working capital. So, that is the reduction primarily comes by uh, better utilization of inventory and the number of days of inventory reduction. So, that is your answer.

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

Aniruddha Joshi: Just one question what are the PLI benefits that are available to us and what was the PLI benefit that we actually accounted in FY23?

Jairam Sampath: In FY23 we have not taken any major benefit in the PLI. We have approval for two PLIs. One is white goods PLI the other one is telecom PLI and we have applied for the IT products PLI too. Now this year we are likely to operationalize for sure some little business in telecom and even in white goods though consumer products are not a big suite for us, but we will certainly make sure that we fulfill the requirements of the PLI which is like 30 crores of investment and 100 crores of business which we can easily do because the investment into white goods PLI is for generic machinery. So, this year you can see some little application of those profits. Now coming to benefits these PLI give you a direct benefits in the amount of production that you do they are production linked incentive based on your sales number I think first year, second year, third year, fourth year and fifth year depending on the type of PLI it is 6, 5, 4, 3 those kinds of numbers percentage of total sales that is given to you as an incentive. So, in the initial five years if you run the PLI you do get an average benefit of anywhere between 3% to 6%.

Moderator: Thank you. The next question is from the line of Mayur Patel from 360 One AMC. Please go ahead.

Mayur Patel: Most of the questions got answered, but if you can just give some breakup of this 2,600 crores of order book in terms of segments or any large orders which you have got, any color would be?

Jairam Sampath: I think this I had briefly mentioned this order book is exactly in the same proportion as our sales which is automotive, industrial, railway, etc. So, similar is the proportion. So, obviously this means that these are all organic growth order books that means existing clients who have given us more orders and like I mentioned earlier there will be addition to the order book in certain areas where we are discussing with clients and as and when they come we probably quarterly when we kind of talk about our new orders we will kind of describe these. So, it is not very different because it has been only I think five months, six months since we listed and so this is not sufficient time to change the complexion, but new RFQ's that we have discussed in various areas that is going to definitely alter this percentage, but that is not part of the auto book yet.

Mayur Patel: And given that like this order book gives you the visibility of 1,700 crores which you are guiding, but given the pipeline is there any way to guide us on what is the likely order inflow over next one year?

Jairam Sampath: We have to kind of actually in order to put a guidance we need to know for sure what is happening. We can talk about trends. So, obviously the trend has been over the last 18 months the increase in order books. So, you can make your own simple conclusion that is likely to increase and we as a Company have to find ways and means of making sure that whatever orders that come in we trying to service it as early as possible. So, every quarter we will definitely come back to you and say what are the improvements and so on and from there we will take it up, but we are not going to give up any order just because we have enough orders for the year. We will instead convert that into a problem of finding capacities so earlier I think Mr. Kaushik had asked the question about additional capacity. So, we said that we are already looking for next two plants where to put. So, that is the direction in which will work and we will certainly keep you posted every quarter about the actual benefits that we have got.

Mayur Patel: Just last thing from my side the Company is on a very high growth path undoubtedly and the outlook looks really promising, but the way already a lot of questions have been discussed around working capital, so the thing is 413 crores of inventory because of the average inventory the 104 days looks still okay, but that clears a drag in cash flows because that is like a sizable part of say 1,126 crores of top line. So, I hope this is apart from growth this is an area of top priority to generate cash and the operating levels and net of working capital despite being on a high growth, is it fair to assume that is an important part of the strategy?

Jairam Sampath: I think this is the top operating strategy for us to make sure that suppliers perform both in terms of all the aspects QCD. Having said that the increase inventory from what we are supposed to have theoretically has got three components. One is availability in all components and set. So, that is what kind of let us down a little bit last year some 70 odd crores of material if we had had the balancing between which may be less than a few lakhs we could have probably converted that. So, we are working on that, that has several other aspects like availability of money, availability of that has been now mailed now ordering on time and so on and then of course the global supply chain. The second reason is where we buy from so that we have discussed with suppliers to put local stock, we are discussing whether to put the warehouse in Mysore or in Bangalore and what are the terms, etc. So, we have some positive movement there. So, we are pushing that envelope pretty hard the third constituent of which basically inventory is the native constituent which is how much business you do in each area. So, we do not want to change because it is balanced by the higher margins you expect in the slower moving areas. So, all in all we define our inventory problem is a sort of minimization, but optimum inventory which gives us the maximum profits. So, we are working our efforts on that direction.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Sir, my first question was on bare board aggregator you mentioned earlier in the call, so what exactly we are trying to do there?

Jairam Sampath: You are talking about bare board manufacture.

Chirag Lodaya: So, are we going to manufacture or it is just arrangement and source?

Jairam Sampath: We are going to manufacture. So, if you say printed circuit board assembly or box will be fitted, it has got a box, it has a display, it has got a wires, it has got a printed circuit board assembly. Print circuit board assembly has got several thousands of component and one particular board which is the printed circuit board. Now this one board typically in our business about 8% of the total sale is this value alone. Now every printed circuit board obviously we cannot do because we will have to then put in lot of money. So, what we have decided is to put high quality printed circuit board that is multiple layers and Hi-Tech products where the margins are very high that means if I buy a 10 layer or 16 layer board from let us say China or Switzerland or someplace the margins are pretty high on that and those are the capacities that we want to build in India and we are talking to collaborators and we already it is an advanced stages. So, we will set up capacities in those areas so that out of this 8% maybe let us say on a ballpark about 4% of this thing we do then we can start saving about 2% of that because of high margin in the nature. So, we will actually manufacture the boards and we will not only do supply to our Company we will supply to other companies too.

Chirag Lodaya: And this should be like technology tie up or it would be more JV kind of thing and what kind of initial investment you think can go?

Jairam Sampath: So, this and there are some other areas we talked about OSAT, etc. So, these are all eventually will be high in investment, but these are scalable investments. So, to begin with it will not be generating more than what we had talked in objects we have a corporate general corporate purposes we have raised some money. So, some part of it we will invest in as the initial capital into this and we will think about raising funds once we have the entire thing in place. It is a technological collaboration and the new generation of machines and so on and this business whether it is a JV or whether it is going to be floated in the existing Company that is under discussion right now but suffice is to say that that this will be fully examined and we do not want very high initial capital commitment to this because there are few projects that we are looking at. So, we cannot really do lots of large capital investments. We want to keep our Company asset light as much as possible without losing any opportunity for profitability. So, we will come back to you, but broadly the plan is to make sure that all the complex PCB bare PCBs are done under our umbrella so that we can partake in the profits there.

Chirag Lodaya: And what is the CAPEX for FY24?

Jairam Sampath: FY24 like we said FY24 like we said the thing about out of 260 crores that we raise our 40 crores is already utilized in either it is in CWIP or capital already employed. The remaining 220 crores over next couple of quarters we will consume about 100 crores and balance of remaining also. So, we will finish this entire 260 minus 40 crores for this year.

Chirag Lodaya: And just lastly is there any progress on our subsidiary product engineering and IoT solution, is there any update there?

Jairam Sampath: Yes, there are a lot of opportunity is there. We have already placed the CEO of this business Kaynes Technologies is sitting in the US and he has made some good progress there. We are also contemplating on doing a small road show in the US for our business going across and telling them the width of services that we offer and there is also a very positive mood in the US for collaboration with India. So, along with that we think that this solutions business will also take off. There is a lot of progress in terms of getting let us say customer acceptance and field installations, etc. So, we stand firm that FY23 definitely will do a significant amount of business in this year.

Chirag Lodaya: And box build share for FY24 will also look similar to FY23 or we might see might be a difference there?

Jairam Sampath: No, right now it is similar because growth is organic, but it will go up during this year.

Moderator: Thank you. The next question is from the line of Raj Shah from Ambit AMC. Please go ahead.

Raj Shah: So, my question was that what is the R&D expense for FY23 as a percentage of sales and what are we currently working on for research and development for newer sectors such as E mobility or aerospace and defense I just wanted to know some progress over there?

Jairam Sampath: So, R&D as a percentage of our sales for FY23 would have been in the range of 1.1%, 1.2% and going forward probably this might even go up a little bit as we go into more ODM projects. So, that is the thing and second question was on aerospace and defense. So, aerospace and defense subsequent to our call, etc., twice our major customers with whom we have got a qualification has come and visited and they are that business is going to take shape in FY24. So, you can see some significant increase in the total revenues in the aerospace and defense sector substantial increase.

Moderator: Thank you. Ladies and gentlemen in the interest of time we will take that as a last question. I now hand the conference over to the management for closing comments.

Ramesh Kunhikannan: Yes on behalf of Kaynes team I would like to thank all the participants for attending today's conference call. You can reach out to our team in case of any further clarifications required on shared details. We look forward to your continued support and engagement in upcoming quarters. Thank you very much once again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.