October 25, 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, India Ratings & Research Private Limited upgrades Kaynes Technology India's Term Loan to 'IND A-'; Outlook Stable.

The rating letter received from India Ratings & Research Private Limited is attached as an Annexure.

Details as required to be disclosed as per BSE's Circular No. 20230714-34 dated July 14, 2023, and NSE's Circular No. NSE /CML/2023/57 dated July 14, 2023, are as under:

1.	Date of occurrence of Event / Information	October 24, 2024
2.	Time of occurrence of Event/ Information	07:20 P.M. (IST)

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: 2024.10.25 10:15:18 +05'30'

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

Title

India Ratings Upgrades Kaynes Technology India's Term Loan to 'IND A-'; Outlook Stable

Brief

India Ratings and Research (Ind-Ra) has taken the following rating actions on Kaynes Technology India Limited's (KTIL) instruments:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Term loan*	-	-	FY26	INR103.09	WD	Withdrawn
Term loan	-	-	FY28	INR112	IND A-/Stable	Assigned
Fund-based working capital limit	-	-	-	INR1,210	IND A-/Stable/A1	Upgraded
Fund-based working capital limit	-	-	-	INR2,590	IND A-/Stable/A1	Assigned
Proposed Fund-based working capital limit	-	-	-	INR2,118	IND A-/Stable/A1	Assigned
Non-fund-based working capital limit	-	-	-	INR100	IND A1	Upgraded
Non-fund-based working capital limit	-	-	-	INR120	IND A1	Assigned

WD – Rating withdrawn
*The term loan has been repaid in full, therefore the rating has been withdrawn. This is consistent with Ind-Ra's rating withdrawal policy.

Analytical Approach

Ind-Ra continues to take a full consolidated approach of KTIL along with its subsidiaries for the rating review, due to the strong operational linkages among them.

Detailed Rationale of the Rating Action

The upgrade reflects a significant improvement in the consolidated revenue and EBITDA over FY22-FY24, backed by the timely execution of orders from strong counterparties. KTIL's revenue and orderbook are well diversified across sectors and clients, which gives stability to its business operations. The improvement in financial profile was on the back of (a) an improvement in the internal cash accruals with strong credit ratios and (b) an equity fund raise of INR20 billion, which has significantly improved the financial flexibility of the company. The Positive Outlook reflects Ind-Ra's expectations that KTIL will continue the growth momentum in the existing business over the medium term, backed by its strong orderbook.

The ratings are constrained by KTIL's significantly large investment plans in the outsourced semiconductor assembly and test (OSAT) and printed-circuit board (PCB) areas over FY25-FY30, which exposes the company to project-specific implementation risks. While the timely implementation of these plans would materially improve KTIL's credit profile, Ind-Ra would monitor the key milestones such as construction update, commercial operation date, timely receipt of subsidy support from the government, product approvals by clients and revenue & profitability ramp-up. Also, KTIL's business is working capital intensive, although the net working capital cycle progressively reduced over FY22-FY24.

List of Key Rating Drivers

Strengths

- Strong revenue growth & stable EBITDA margin

- Comfortable credit metrics
- Diversified revenue profile
- Strong customer & supplier connect
- Positive regulatory environment and domestic demand tailwind

Weaknesses
- Large capex plans
- Intensive working capital
- Forex risk; intense competition and other industry risks

Detailed Description of Key Rating Drivers

Strong Revenue Growth & Stable EBITDA Margin: The consolidated revenue and EBITDA grew at a robust CAGR of 60% and 65%, respectively, over FY22-FY24, backed by a strong domestic demand environment, timely execution of order book and client addition. Ind-Ra expects the demand momentum to continue in FY25, backed by a robust orderbook of INR50.4 billion as of 1QFY25 (INR15.2 billion as on 31 March 2022) and continued demand tailwinds from segments such as automotive & industrial, railways and medical. The consolidated EBITDA margins were stable at 13%-15% over FY22-FY24 and are one of the highest in the industry, backed by KTIL's presence in the profitable B2B segments. Ind-Ra expects the EBITDA margins from KTIL's existing business to remain stable in 14%-15% range over FY25-FY27, supported by the operating leverage, presence of purchase price variance clause in contracts which enables KTIL to pass on volatile raw material costs to customers and possible new orders from high-margin, low volume segments such as railways, medical and aerospace.

Comfortable Credit Metrics: The consolidated credit metrics improved in FY24 due to the funds raised through a qualified institutional placement. The consolidated gross interest coverage (EBITDA/ gross interest expense) was comfortable at 4.76x in FY24 (FY23: 4.82x) and the consolidated gross leverage (gross debt/operating EBITDA) stood at 1.27x (0.93x). Ind-Ra expects the gross interest coverage and gross leverage to remain below its negative rating trigger over the near-to-medium term. However, any additional debt drawdown greater than Ind-Ra's expectations, leading to deterioration of the credit metrics, would be a key rating monitorable.

Diversified Revenue Profile: KTIL's revenue profile is diversified across key industry segments, product types and clients, isolating the company from a slowdown in demand in any one particular sector. The company derives its revenue from diversified segments such as automotive, industrial & electrical vehicles, aerospace, medical, railway and information technology, with no one sector contributing over 50% to the consolidated revenue. While the share of industrial and electric vehicles in the consolidated revenue grew to 48% in FY24 (FY23: 27%), it was well diversified across clients and product types. Over FY25-FY27, management is expecting incremental orders from railways, smart meters and information technology segments, which would further diversify the overall orderbook and subsequently the revenue profile. KTIL has a total customers base in excess of 370 with the top 10 and top five customers contributing 41% (FY23: 54%) and 28% (FY23: 38%) to the FY24 revenue, respectively. In terms of product type, the share of box-build increased to 42% in FY24 (FY23: 28%), which augurs well for the overall margin profile.

Strong Customer & Supplier Connect: KTIL has longstanding customers relations of seven to nine years across various industry segments. This is underpinned by an increase in the average order inflow (1QFY25: INR4.8 billion per month; 1QFY24: INR2.2 billion) and an increase in the average order value (INR11 million per order; INR7.6 million). Also, KTIL has a geographically diversified, wide base of over 1,300 suppliers with limited reliance on a single supplier along with alternate sources of vendors for each component. KTIL's supplier base is a mix of domestic and international sources, with about 60% of its total raw material requirement being imported. KTIL has longstanding relationship of 17-21 years with its top four suppliers; with the top 10 and top five suppliers contributing 29% to the FY24 revenue (FY23: 44%) and 23% (FY23: 35%), respectively.

Positive Regulatory Environment and Domestic Demand Tailwind: The government of India launched the National Policy on Electronics in 2019 to promote domestic electronics manufacturing and industry-led research and development initiatives. Subsequently, in March 2020, the government rolled out three key policy initiatives, namely, Production-linked Incentive scheme, capital subsidy for electronic components, and electronic manufacturing clusters. All the above initiatives would lead to the creation of a favourable environment for wide-scale electronics manufacturing in India. The demand environment remains robust with rising digital penetration domestically, government initiatives such as Digital India and Skill India supporting demand of electronic items and supply chain recalibration by global original equipment manufacturers, leading to India emerging as strategic alternative for electronics manufacturing.

Large Capex Plans: KTIL has planned significantly large capex of about INR47 billion over FY25-FY30, segregated in INR33.1 billion towards an OSAT facility and INR14 billion towards a PCB facility; while investment in the existing electronics manufacturing services business remains negligible. The total capex shall be funded by a mix of equity contribution, subsidy support from central and state governments and bridge debt funding. Ind-Ra accesses the funding risk to remain low-to-moderate, as KTIL has already raised INR13.7 billion equity through the qualified institutional placement route in FY24, of which INR10.6 billion has been earmarked towards full-equity contribution in both the projects. However, timely release of subsidy support from central and state governments towards the construction of the facilities remains a key monitorable.

Technology risk remains high for KTIL, given both the projects require the implementation of newer technology from India's perspective, continued support from the technology partners to reduce the obsolescence risk, timely product approvals along with finalisation of supply chain. This risk is partly getting allayed by (a) KTIL's long and established experience in the electronics manufacturing services industry which has similar business dynamics as that of both the projects, and (b) KTIL's technology tie-ups with strong partners (including Globetronics Inc.). However, timely completion of the project along with product approvals and stabilisation of operations remains a key monitorable.

Intensive Working Capital: The company's extensive order book across diversified sectors necessitates maintaining a high inventory level, which results in a higher working capital requirement. The company reduced its net working capital/sales to 30% in FY24 (FY23: 37%) from 41% in FY20. However, the percentage of receivables discounted in FY24 increased to 33% from 23% in FY23. The company has been able to reduce the inventory days due to which the net working capital days improved in FY24. The average fund based working capital utilisation for the 12 months ended June 2024 was 84% and is likely to have reduced since then due to the additional sanctioned limits. Ind-Ra expects the working capital requirement to increase for which the company has already availed additional sanction limits. The working capital cycle for OSAT and PCB is expected to be 50days and 80days, respectively.

Forex Risk; Intense Competition and Other Industry Risks: The company imports 60% of its material requirements, which exposes it to foreign exchange fluctuation risk. While part of the forex exposure is naturally hedged from exports (about 10% of total revenue) and the company has the ability to pass-on volatility in forex rates to customers on a quarterly basis. Ind-Ra notes that forex gain/losses remained negligible over FY21-FY24. Moreover, KTIL is in the business of technology contract manufacturing, which exposes it to risk of frequent changes in technology. It also has to constantly upgrade and adopt its manufacturing processes and supply chain to meet the requirement of its customers. Also, the company operates in a highly competitive business environment, due to the presence of several organised and unorganised players. This limits its bargaining power/pricing ability, thereby constraining any major uptick in margins to an extent.

Liquidity

Adequate: The liquidity is supported by cash and equivalents of INR15,256 million as on 31 March 2024. The average utilisation of the working capital limits was high at about 84% during the 12 months ended June 2024. However, KTIL received incremental sanctions of working capital limits (fund based and non-fund based) in August and September 2024, which has meaningfully improved liquidity position. KTIL's scheduled debt servicing is INR850 million-950 million each over FY25-FY26 including schedule repayments of INR44 million and balance towards interest costs (including bill discounting charges). KTIL raised total equity funding of INR19,997 million over FY22-FY24, of which about INR12,475 million remained unutilised as on 30 June 2024, which gives comfort over capex plans.

Rating Sensitivities

Positive: Sustaining the growth in revenue and EBITDA in line Ind-Ra's expectations and/or timely completion and commercialisation of upcoming capex plans without any significant deterioration in the key credit ratios could lead to a positive rating action.

Negative: Developments that can individually or collectively lead to a negative rating action include:
- a slower-than-expected ramp-up in the revenue and EBITDA and/or an elongation in the working capital cycle leading to gross leverage exceeding 2.5x and interest coverage reducing below 3.0x on a sustained basis
- delayed implementation of the new projects with respect to completion, product approval and subsidy support from government

Disclosures for CE Rating

India Ratings & Research
A Fitch Group Company

Disclosures for Provisional Rating

ESG Issues

Any Other Information

About the Company

KTIL is a leading end-to-end and IoT solutions enabled integrated electronics manufacturing player, having capabilities across the entire spectrum of electronics system design and manufacturing (ESDM) services. It has over three decades of experience with more than 250 customers, eight manufacturing plants and two service centres. The company has presence across various sectors; automotive, industrial & electric vehicles, railways, medical, and aerospace, etc.

Key Financial Indicators

Particulars	FY23	FY24
Revenue (INR million)	11,261	18,046
EBITDA (INR million)	1,683	2,542
EBITDA margin (%)	15	14
Gross interest coverage (x)	4.8	4.8
Net leverage (x)	-1.9	-4.7
Source: XX		

Applicable Criteria

- Evaluating Corporate Governance
- Short-Term Ratings Criteria for Non-Financial Corporates
- Corporate Rating Methodology
- Guidelines on What Constitutes Non-Cooperation
- The Rating Process

Status of Non-Cooperation with Previous Rating Agency

KTIL has been placed under the non-cooperation category by CRISIL Ratings Limited and Infomerics Ratings due to the inadequate information provided by the company.

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook				
				17 April 2024	8 April 2024	18 September 2023	30 September 2022	9 July 2021

Issuer rating	Long-term	-		-	-	WD	IND BB+/Rating Watch with Positive Implications	IND BB/Negative
Fund-based working capital limit	Long-term/Short-term	INR5,918	IND A-/Stable/A1	IND BB+/Stable(ISSUER NOT COOPERATING)/ IND A4+(ISSUER NOT COOPERATING)	IND BB+/Rating Watch with Positive Implications(ISSUER NOT COOPERATING)/ IND A4+ Rating Watch with Positive Implications (ISSUER NOT COOPERATING)	-	IND BB+/Rating Watch with Positive Implications/ IND A4+/Rating Watch with Positive Implications	IND BB/Negative/ IND A4+
Non-convertible debenture	Long-term	INR22.31	-	WD	IND BB+/Rating Watch with Positive Implications(ISSUER NOT COOPERATING)	-	IND BB+/Rating Watch with Positive Implications	IND BB/Negative
Non-fund-based working capital limit	Short-term	INR220	IND A1	IND A4+(ISSUER NOT COOPERATING)	IND A4+ Rating Watch with Positive Implications (ISSUER NOT COOPERATING)	-	IND A4+/Rating Watch with Positive Implications	IND A4+
Term loan	Long-term	INR112	IND A-/Stable	-	-	-	-	-

Term loan	Long-term	INR103.09	WD	IND BB+/Stable(ISSUER NOT COOPERATING)	IND BB+/Rating Watch with Positive Implications(ISSUER NOT COOPERATING)	-	IND BB+/Rating Watch with Positive Implications	IND BB/Negative

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limit	Low
Non-fund-based working capital limits	Low
Term loan	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Correction in Previous Release

Ind-Ra corrects the rating action commentary published on 8 April 2024 to add Rating watch with Positive implication to short-term debt rating.

Annexure

Contact

Hormazd Panthaki

Senior Analyst

+91 22 40356145

Priyanka Bansal

Associate Director

+91 22 40356148

Primary and secondary analysts details from AWC

Media Relations
Ameya Bodkhe
Marketing Manager
+91 22 40356121

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.