December 12, 2025

Kaynes Technology India Limited: Update on entity

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating outstanding
Long-term fund-based – Cash credit	191.00	191.00	[ICRA]A- (Positive)
Long-term fund-based – Packing credit	25.00	25.00	[ICRA]A- (Positive)
Total	**216.00**	**216.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA notes that Kaynes Technology India Limited (KTIL) issued a disclosure on December 05, 2025, and subsequently held an analyst call on December 08, 2025, to address concerns raised in an independent research report dated December 03, 2025. The concerns primarily related to the accounting treatment of goodwill and intangible assets following recent acquisitions, cash flow presentation, high imputed average borrowing cost, an increase in contingent liabilities, working capital stretch impacting cash flows, and disclosure gaps in related-party transactions. The report also highlighted Iskraemeco India Private Limited's sharp improvement in profitability post-acquisition and its significant contribution to KTIL's consolidated financials.

The table below summarises the key concerns raised and the corresponding management clarifications:

Concerns raised by the research firm	KTIL's clarifications
Ambiguous goodwill recognition/reserve adjustments pertaining to acquisitions	The management explained that under Ind AS 103 - Business Combinations, previously unrecognised intangible assets such as customer contracts can be recognised during purchase price allocation. Accordingly, the management clarified that while the fixed assets schedule of the target companies (prior to the acquisition) did not account for the large value of customer contracts, Kaynes, for acquisition accounting purposes, considered the relevant amount as an intangible asset in its consolidated statements post-acquisition, rather than as goodwill.
Significant additions in intangible assets for technical know-how in FY2025 – Rs. 180 crore capitalised (6.5% of FY2025 revenues)	The company provided a break-up of the intangible assets of Rs. 170 crore which are: Rs. 115 crore for large customer contracts (Iskraemeco) classified under technical know-how, Rs. 26 crore for development costs linked to the Iskraemeco acquisition, and Rs. 39 crore from in-house R&D activities, including Kavach technology developed in collaboration with a German technology partner. Management reiterated its R&D capitalisation policy wherein development costs are capitalised until the product starts generating revenues, and if the R&D costs are in the nature of experiments, such costs are expensed in the P&L. While the intangible asset schedule in the annual report shows only the "Software" and "Technical know-how" sub-heads, the management clarified that customer contracts were grouped under technical know-how.
Variance in cash flow statement versus asset additions	Management clarified that due to the indirect method of cash flow reporting, the acquisition consideration of Rs. 72.5 crore (Rs. 88.3 crore less contingent consideration of Rs. 15.8 crore) was not visible in consolidated cash flows. In KTIL's standalone cash flow statement, acquisition-related outflows were netted against redemption of term deposits, resulting in a positive figure under "Proceeds from sale of investments/fixed deposits matured". Additionally, management explained that consolidated fixed asset additions of Rs. 948.7 crore comprise Rs. 780 crore for property, plant and equipment and capital work in progress (after capital advances) and Rs. 170 crore for right of use (ROU) assets (net of subsidy).

Concerns raised by the research firm	KTIL's clarifications
Receivable discounting and provisioning could impact profitability/margins	The entity has outlined that KTIL uses bill discounting and supply chain financing arrangements to manage receivables. In FY2025, Rs. 114.7 crore was discounted on a recourse basis and this is disclosed in the contingent liabilities schedule. In addition to this, the company also discounted some bills on a non-recourse basis as part of the supply chain finance programs with large customers. This amount neither appears as an on-balance sheet liability nor as a contingent liability. For large customers, entire invoice values are typically discounted within 7-10 days, compared with the standard 50-day cycle, reducing working capital pressure on a non-recourse basis. Management estimates the effective interest cost, including bill discounting (with recourse and without recourse), to be around 10%, aided by foreign-bank financing at lower interest costs. Management explained that interest cost for non-recourse bill discounting is also included under finance costs in the P&L, which pushes up the apparent borrowing cost.
Iskraemeco's high contribution to revenue/profit is noteworthy	The company clarified that the profit margin of 28% cited in the research report was incorrect and actual profit margin in H2 FY2025 was around 9%. The sharp improvement in profitability in H2 FY2025 compared with H1 FY2025 was attributed to operating leverage benefits as execution commenced on a large order. Further, the H1 FY2025 profitability was suppressed because of one-off costs that had impacted H1 FY2025. Specifically, H1 losses were driven by an inventory write-off of Rs. 44 crore related to experimental components and meter form factors that could not be reused, and Rs. 6 crore of corporate clean-up expenses. In H2 FY2025, Iskraemeco reported revenues of approximately Rs. 530 crore with PAT of Rs. 48.9 crore, compared to Rs. 85 crore revenue and negative PAT in H1 FY2025. For H1 FY2026, revenue was around Rs. 500 crore, with expectations of Rs. 300 crore in H2 FY2026. Over the medium term, KTIL expects growth in non-smart meter categories such as automotive, railways, aerospace, and defence to outpace current growth rates.
Contingent liabilities and net FX exposure rise	Management explained that the increase was driven by performance bank guarantee for Iskraemeco projects of Rs. 96.8 crore and corporate guarantees to subsidiaries of Rs. 132.5 crore (Kaynes Electronics Rs. 122.5 crore and Iskraemeco Rs. 10 crore), along with continuing receivable discounting arrangements. These guarantees were necessitated by funding requirements at Iskraemeco.
Rising cash conversion cycle (CCC) dents operating cash flows (OCF) post interest; high capex for OSAT/PCB weighs on free cash flows (FCF)	The management attributed the stretch in cash conversion cycle to higher trade receivables at Iskraemeco and Kaynes Electronics and advances to subsidiaries (standalone), and also the fact that the EMS business inherently entails higher working capital days. Management has also indicated that it is actively discounting invoices under supply chain finance arrangements to reduce its CCC. It also indicated that in the near term, FCF is expected to remain negative, while OCF is expected to turn positive. Management indicated that the OSAT and PCB capex will be funded through a mix of internal accruals, debt, QIP proceeds, and government subsidy. It stated that it sees no concerns in the receipt of capital subsidy and noted that a dedicated team has been formed to track subsidy-related developments.
Inconsistent disclosures for related-party transactions/balances	Management acknowledged an inadvertent omission in related-party disclosures in KTIL's standalone financial statements in its annual report and confirmed that the transactions were recorded in the overall financials. The management has ensured corrective actions to enable better future compliance. Further, it has ensured strengthened internal controls to avoid such issues in the future.

ICRA has reviewed the management's clarifications provided during the aforesaid call as well as those provided directly to ICRA and has carried out its own analysis of the facts.

The accounting treatment adopted for acquisitions appears consistent with Ind AS 103, with customer contracts recognised as intangible assets rather than goodwill, an approach that allows amortisation. The classification of intangibles under technical know-how, while not separately disclosed for customer contracts, does not indicate a misstatement but warrants improved disclosure. Similarly, the absence of a separate line item on cash outflow towards acquisition in the consolidated cash flow statement stems from the indirect method of reporting.

On operational aspects, the sharp improvement in Iskraemeco's profitability in H2 FY2025, that is in the smart meter business, was due to the commencement of execution of a large order and the absence of one-off costs that had impacted the H1 FY2025 financials. Operating profit margins seem reasonable at 9%, and not uncharacteristically high at around 28% that had been the basis for raising questions on their realism in the context of the nature of the business.

ICRA understands that the company has been actively using supply chain financing and bill discounting to manage its receivable cycle. The costs associated with the discounting are classified as finance charges, while the associated liabilities are not required to be reported (not even as contingent liabilities) given their non-recourse nature.

That said, because of business needs, ICRA notes that the company's contingent liabilities rose to Rs. 520 crore as of March 31, 2025, from Rs. 272.5 crore as of March 31, 2024, attributable primarily to performance and corporate guarantees. Likewise, for business needs, the capex outlay for the Outsourced Semiconductor Assembly and Test (OSAT) and the Printed Circuit Board (PCB) business remains significant and is expected to be funded through internal accruals, debt, QIP proceeds, and government subsidy.

The omission of related-party disclosures in the standalone financials was acknowledged by the management as inadvertent, with corrective measures promised. These misses reflect deficiencies in disclosures and internal controls.

For its analysis, ICRA principally relies on the audited financial statements published by companies. Further, prima facie, ICRA views the responses provided by the management of KTIL as analytically consistent while noting areas where enhanced disclosures and stronger compliance measures are needed. Concurrently, ICRA is further engaging with the company to understand its business plans and outlook. The rating outcome of the ongoing review process is expected to be published in the coming weeks.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KTIL.

About the company

Kaynes Technology India Limited (KTIL) offers electronic system design and manufacturing (ESDM) services to clients across various industries. The company is primarily involved in contract designing and manufacturing printed circuit board (PCB) assemblies, circuit boards and electronic components. Established in 1988 as a sole proprietorship firm with a single unit in Mysore, KTIL was converted into a private limited company in 2008. In recent years, the company has diversified its product portfolio and expanded beyond manufacturing to encompass product design and development, testing and after-sales services such as repair, remanufacturing, marketing and product lifecycle management.

The company has ample manufacturing capabilities spread across the country. It has further enhanced its capacities at its existing facilities in Mysore and Manesar and has set up a new facility at Chamarajanagar. Besides, the company is setting up outsourced semiconductor assembly and test (OSAT) and PCB manufacturing plants.

Key financial indicators (audited)

KTIL Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	1,804.6	2,721.8	1,579.7
PAT	183.3	293.4	196.0
OPBDITA/OI	14.2%	15.3%	16.5%
PAT/OI	10.2%	10.8%	12.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.7	0.4
Total debt/OPBDITA (times)	1.7	2.4	1.7
Interest coverage (times)	4.6	3.9	5.1

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)					Chronology of rating history for the past 3 years					
						FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Dec 12, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based Cash Credit	Long term	191.00	[ICRA]A- (Positive)	May 16, 2025	[ICRA]A- (Positive)	Nov 22, 2024	[ICRA]A- (Positive)	Dec 14, 2023	[ICRA]BBB+ (Stable)	Jan 24, 2023	[ICRA]BBB (Stable)
										Jan 03, 2023	[ICRA]BBB (Stable)
Fund-based Packing Credit	Long term	25.00	[ICRA]A- (Positive)	May 16, 2025	[ICRA]A- (Positive)	Nov 22, 2024	[ICRA]A- (Positive)	Dec 14, 2023	[ICRA]BBB+ (Stable)	Jan 24, 2023	[ICRA]BBB (Stable)
								-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term fund-based – Packing credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based – Cash Credit	-	-	-	191.00	[ICRA]A- (Positive)
NA	Long-term fund-based – Packing Credit	-	-	-	25.00	[ICRA]A- (Positive)

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis (as on March 31, 2025)

Company Name	Ownership	Consolidation Approach
Kaynes Technology India Limited	100.00%	Full Consolidation
Kaynes International Design & Manufacturing Private Limited	95.21%	Full Consolidation
Kemsys Technologies Private Limited	100.00%	Full Consolidation
Kaynes Embedded Systems Private Limited	60.00%	Full Consolidation
Kaynes Technology Europe GmbH	60.00%	Full Consolidation
Kaynes Electronics Manufacturing Private Limited	100.00%	Full Consolidation
Kaynes Semicon Private Limited	100.00%	Full Consolidation
Kaynes Circuits India Private Limited	100.00%	Full Consolidation
Kaynes Holding Pte. Limited	100.00%	Full Consolidation
Kaynes Mechatronics Private Limited	100.00%	Full Consolidation
Iskraemeco India Private Limited	100.00%	Full Consolidation
ESSNKAY Electronics LLC	100.00%	Full Consolidation
Digicom Electronics Inc	100.00%	Full Consolidation

Source: Company

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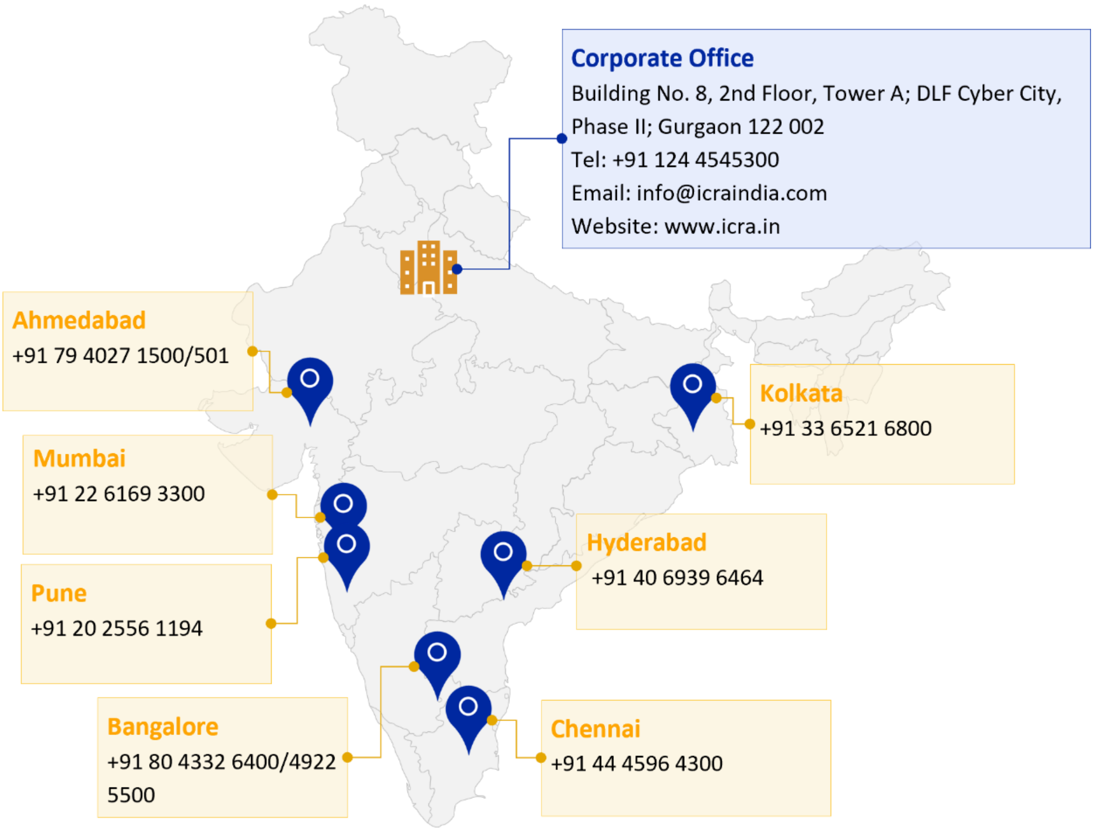

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