

KAYNES TECHNOLOGY

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	6,263
12 month price target (INR)	6,530
52 Week High/Low	7,825/2,555
Market cap (INR bn/USD bn)	401/4.7
Free float (%)	34.0
Avg. daily value traded (INR mn)	3,703.8

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	57.75%	57.75%	57.75%
FII	11.17%	14.84%	14.92%
DII	31.08%	27.41%	27.32%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

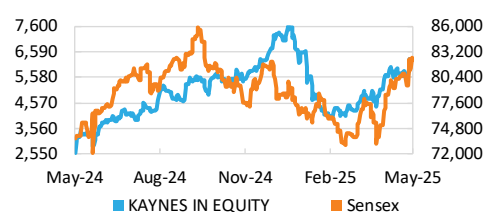
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	27,218	42,487	63,101	86,810
EBITDA	4,107	6,585	9,693	13,695
Adjusted profit	2,934	3,928	5,860	8,393
Diluted EPS (INR)	45.8	61.4	91.7	131.3
EPS growth (%)	59.7	34.2	49.2	43.2
RoAE (%)	11.0	12.9	16.6	19.8
P/E (x)	115.1	85.8	57.5	40.1
EV/EBITDA (x)	81.6	51.7	35.0	24.9
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	42,487	63,101	13%	18%
EBITDA	6,585	9,693	13%	16%
Adjusted profit	3,928	5,860	8%	17%
Diluted EPS (INR)	61.4	91.7	8%	17%

PRICE PERFORMANCE



Excellent margin showing; capex on track

Kaynes posted robust 54%/76%/43% YoY growth in revenue/EBITDA/PAT in Q4FY25. Revenue growth was led by industrial (+54% YoY), IoT IT (269%) and Automotive (+37%). Margins increased 210bp YoY/280bp QoQ to 17.1% on account of customer mix and operating leverage.

Management guides for minimum 60% revenue growth and 50bp margin improvement in FY26 on the back of a robust orderbook, client additions and order wins trend. OSAT and HDI PCB projects are largely on track with trial runs to begin in H2FY26. We are raising estimates to reflect guidance and raising TP to INR6530. Downgrade the stock from 'BUY' to 'HOLD' as the recent rally limits the upside at the CMP.

Margins surprise positively; strong margin guidance

Kaynes reported consolidated revenue at INR9.8bn (+54% YoY/+49% QoQ), in-line with our estimates led by a strong performance in the industrial segment (+54% YoY, 55% of overall revenue mix) followed by automotive (+37% YoY, 22% of overall) and IT/Consumer (+269% YoY, 12% of overall). EBITDA expanded to INR1.7bn (+76% YoY/+79% QoQ) with EBITDA margins at 17.1% (versus 14.9% in Q4FY24) as product mix resulted in a 210bp margin expansion. PAT was INR1.2bn (+43% YoY/+75% QoQ), 6% above our estimates. Order book grew to INR 65.9bn at +60% YoY/+9% QoQ. Management guides for 60% revenue growth with EBITDA margins at 15.6% (+50bp YoY) for FY26 driven by strong order book, growth in smart meters and ramp up in aerospace, automotive and exports.

Capacity expansion and strong order pipeline to fuel growth

Semicon and PCB facilities shall start pilot production by Dec-25 (on-track) and will be fully contributing to revenue FY27 onwards (marginal contribution in Q4FY26). Kaynes also completed the acquisition of August Electronics, Canada (better margin than existing consolidated margins of Kaynes) to expand its international footprint in North America.

Estimates raised; downgrade to 'HOLD' on recent sharp rally

We are raising FY26E/27E EPS for Kaynes by 8%/17% to reflect the upbeat guidance on margins. We are valuing Kaynes at 45x FY29E EPS (full ramp-up of OSAT and PCB board facilities) and discounting it back to 15% to arrive at a Mar-26 TP of INR6530 (earlier INR5800). Given the recent rally in Kaynes's share price, we downgrade the stock from 'BUY' to 'HOLD' given limited upside in the near term. Execution on OSAT and PCB projects are key risks, in our opinion.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	9,845	6,373	54.5	6,612	48.9
EBITDA	1,679	952	76.3	940	78.5
Adjusted Profit	1,162	813	43.0	665	74.8
Diluted EPS (INR)	18.1	13.1	38.2	10.4	74.8

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	27,218	42,487	63,101	86,810
Gross profit	8,220	13,171	20,192	28,647
Employee costs	1,781	2,849	4,131	4,957
Other expenses	2,333	3,736	6,368	9,995
EBITDA	4,107	6,585	9,693	13,695
Depreciation	447	800	1,300	1,950
Less: Interest expense	1,013	1,400	1,330	1,197
Add: Other income	1,070	650	450	495
Profit before tax	3,716	5,035	7,513	11,043
Prov for tax	782	1,108	1,653	2,650
Less: Other adj	0	0	0	0
Reported profit	2,934	3,928	5,860	8,393
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,934	3,928	5,860	8,393
Diluted shares o/s	64	64	64	64
Adjusted diluted EPS	45.8	61.4	91.7	131.3
DPS (INR)	0	0	0	0
Tax rate (%)	21.0	22.0	22.0	24.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	69.8	69.0	68.0	67.0
Employee cost (%of rev)	6.5	6.7	6.5	5.7
Other exp (% of rev)	8.6	8.8	10.1	11.5
EBITDA margin (%)	15.1	15.5	15.4	15.8
Net profit margin (%)	10.8	9.2	9.3	9.7
Revenue growth (% YoY)	50.8	56.1	48.5	37.6
EBITDA growth (% YoY)	61.6	60.3	47.2	41.3
Adj. profit growth (%)	60.1	33.9	49.2	43.2

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.5	6.5	6.5
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	81.0	81.0	81.0
Automotive (rev growth)	35.2	60.0	30.0	30.0
Industrial (rev growth)	72.8	60.0	30.0	30.0
Aerospace , Defence & Others (rev growth)	(49.7)	80.0	40.0	15.0
Medical (rev growth)	0.5	50.0	40.0	10.0
Railways (rev growth)	(4.0)	50.0	40.0	30.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	115.1	85.8	57.5	40.1
Price/BV (x)	11.9	10.4	8.8	7.2
EV/EBITDA (x)	81.6	51.7	35.0	24.9
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	641	639	639	639
Reserves	27,762	31,689	37,549	45,942
Shareholders funds	28,403	32,329	38,189	46,581
Minority interest	40	40	40	40
Borrowings	8,755	8,500	8,500	8,500
Trade payables	6,829	10,476	15,559	21,405
Other liabs & prov	2,386	1,749	2,367	3,078
Total liabilities	46,412	53,093	64,654	79,604
Net block	5,045	14,445	18,895	22,095
Intangible assets	141	23	23	23
Capital WIP	4,937	1,000	1,000	1,000
Total fixed assets	10,123	15,468	19,918	23,118
Non current inv	9,456	0	0	0
Cash/cash equivalent	10,563	4,558	5,810	4,743
Sundry debtors	5,746	8,736	12,975	17,851
Loans & advances	0	0	0	0
Other assets	10,524	24,330	25,951	33,892
Total assets	46,412	53,093	64,654	79,604

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,716	5,035	7,513	11,043
Add: Depreciation	447	800	1,300	1,950
Interest (net of tax)	56	750	880	702
Others	181	0	0	0
Less: Changes in WC	(4,522)	(13,787)	(158)	(6,259)
Operating cash flow	(766)	(8,310)	7,882	4,785
Less: Capex	(9,487)	(6,263)	(5,750)	(5,150)
Free cash flow	(10,254)	(14,573)	2,132	(365)

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	11.0	12.9	16.6	19.8
RoCE (%)	14.5	16.5	20.2	24.0
Inventory days	131	126	125	128
Receivable days	62	62	63	65
Payable days	100	108	111	116
Working cap (% sales)	27.7	50.2	34.0	31.9
Gross debt/equity (x)	0.3	0.3	0.2	0.2
Net debt/equity (x)	(0.1)	0.1	0.1	0.1
Interest coverage (x)	3.6	4.1	6.3	9.8

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	59.7	34.2	49.2	43.2
RoE (%)	11.0	12.9	16.6	19.8
EBITDA growth (%)	61.6	60.3	47.2	41.3
Payout ratio (%)	0	0	0	0

Q4FY25 conference call highlights

- **Guidance:** Kaynes guided 60% revenue growth with EBITDA margins expanding 50bp for FY26 to 15.6% (+200bp for next few years) driven by strong growth across all business verticals and client additions.
- **Financials:** Average monthly order inflow stands at INR5.1bn (versus INR4bn earlier). NWC days stand at 87 and are likely to improve significantly in FY26, driven by inventory optimisation and better production planning. Other non-current assets have increased due to acquisition of old customer contracts with deferred payment terms; new contracts have clear payment terms.
- **Upcoming facilities:** Construction of HDI PCB plant in Chennai and OSAT plant in Sanand is on track and is likely to complete construction by Dec-25. Pilot production from these facilities to start by Q4FY26 with factories likely to be operational in FY27. Five customers are in active talks; one has already issued an RFQ. Much of the capacity will be booked before operations begin, as per the company. Kaynes has applied under SPECS 2.0 and expects to receive PLI benefits. Kaynes has completed its Chamarajanagar facility with a couple of exclusive zones for some large customers and set to start working at higher capacity.
- **Capex:** Total capex for semicon plant and PCB plant is INR34bn (50% from central and 20–25% from state government subsidy) and INR14bn (40% from central and 25% state government subsidy). The overall capex is to be completed by FY28 with significant capacity utilisation. Capex for the EMS business would only be the maintenance capex.
- **Order book:** Order book as of Mar-25 stands at INR66bn with majority orders from aerospace, industrial and automotive (margin accretive orders). These orders are higher margin than the ones the company is delivering right now and to be executed over 1–1.5 years.
- **August Electronics, Canada:** With the recent acquisition of August Electronics in Canada, Kaynes has strengthened its North American footprint, adding manufacturing capability in Canada and large high margin customers. August Electronics has better EBITDA margins than the consolidated market (one of the premier vendors in Canada) set to grow at 15–20%. The acquisition provides the company exposure to sectors such as instrumentation, petroleum, medical and IT (high value addition areas).
- **Aerospace:** Kaynes has been a strategic partner to ISRO for over a decade and aims to deepen this collaboration, especially in emerging space and defence technologies. With the launch of its subsidiary Mechatronics, the company is building significant capacity to become a premier supplier of satellite components and possibly small satellite launch systems. It is also exploring national security applications through *Sea Stick Venture*, backed by experienced ex-government scientists.
- **Others:** Kaynes continues to enter into new technologies in the electronics space with the acquisition of companies such as Sensonic and new subsidiary Kaynes Spacetech. The company's majority stake in Sanand, a global AI-based rail network safety solution company, enabled it to capitalise on the electronics and technology upgrade in the railway sector.

Exhibit 1: Quarterly performance

INR mn; Y/E March	Q4FY24	Q4FY25	YoY	Q3FY25	QoQ	FY24A	FY25A	YoY
Net Sales	6,373	9,845	54%	6,612	49%	18,046	27,218	51%
Cost of RM Consumed	4,786	6,687	40%	4,573	46%	13,299	18,997	43%
Gross Profit	1,587	3,158	99%	2,038	55%	4,747	8,220	73%
Gross margin	24.9%	32.1%	720 bps	30.8%	130 bps	26.3%	30.2%	390 bps
Employee Costs	320	466	46%	578	-19%	1,028	1,781	73%
% of sales	5.0%	4.7%	140 bps	8.7%	-400 bps	5.7%	6.5%	15%
Other Expenses	314	1,014	222%	520	95%	1,178	2,333	98%
% of sales	4.9%	10.3%	-210 bps	7.9%	240 bps	6.5%	8.6%	31%
Total Expenditure	5,421	8,166	51%	5,671	44%	15,505	23,111	49%
EBITDA	952	1,679	76%	940	79%	2,542	4,107	62%
EBITDA Margin	14.9%	17.1%	210 bps	14.2%	280 bps	14.1%	15.1%	100 bps
Depreciation	74	169	129%	108	56%	251	447	78%
EBIT	879	1,509	72%	832	81%	2,290	3,660	60%
Other Income	294	205	-30%	246	-17%	559	1,070	91%
PBIT	1,173	1,714	46%	1,078	59%	2,849	4,729	66%
Interest	153	295	92%	270	9%	534	1,013	90%
Exceptional (Income)/Expense	0	0		0		0	0	
Profit Before Tax	1,019	1,419	39%	808	76%	2,316	3,716	60%
Tax Expense	207	257	24%	144	79%	483	782	62%
Adj. Tax Rate	20.3%	18.1%	-220 bps	17.8%	30 bps	20.8%	21.0%	20 bps
Minority Interest	0	0		0				
Reported Net Profit	813	1,162	43%	665	75%	1,833	2,934	60%
Reported EPS (Basic)	13.1	18.1	38%	10.4	75%	30.6	45.8	50%
Adjusted Net Profit	813	1,162	43%	665	75%	1,833	2,934	60%
Adjusted EPS	13.0	18.0	39%	10.4	73%	30.2	45.4	50%

Source: Company, Nuvama Research

Exhibit 2: Segmental performance

INR mn; Y/E March	Q4FY24	Q4FY25	YoY	Q3FY25	QoQ	FY24A	FY25A	YoY
Net Sales	6,373	9,746	53%	6,439	51%	18,046	26,945	49%
Automotive	1,615	2,212	37%	1,840	20%	5,233	7,077	35%
Industrial	3,526	5,415	54%	3,712	46%	8,662	14,970	73%
Aerospace , Defence & Others	32	98	207%	13	674%	541	272	-50%
Medical	191	197	3%	132	49%	541	544	1%
Railways	701	689	-2%	398	73%	1,985	1,905	1%
IOT/ IT / Consumer & Others	308	1,135	269%	343	231%	1,083	2,177	-4%
Revenue mix								
Automotive	25%	23%	-260 bps	29%	-590 bps	29%	26%	-270 bps
Industrial	55%	56%	20 bps	58%	-210 bps	48%	56%	760 bps
Aerospace , Defence & Others	1%	1%	50 bps	0%	80 bps	3%	1%	-200 bps
Medical	3%	2%	-100 bps	2%	0 bps	3%	2%	-100 bps
Railways	11%	7%	-390 bps	6%	90 bps	11%	7%	-390 bps
IOT/ IT / Consumer & Others	5%	12%	680 bps	5%	630 bps	6%	8%	210 bps

Source: Company, Nuvama Research

Exhibit 3: Kaynes's product portfolio

Diversified product portfolio



Automotive

Cluster PCBA



LED Headlamp/Tail Lamp/LED Position Lamp/DRL PCBA



Switches PCBA¹



BCU Master / BCU Slave PCBA



Industrial & EV

Engine Control Panel



Street light controller



BLE Module



Precision Bridge and Strain Gage



Railways

UM71 - Receiver



ETCS cubicle



SDTC cubicle



SDTC Card File



Medical

Endoscopy cart & ICP sensor module



X-ray & Dental X-ray machine



Controller Units



Protein & clinical chemistry analyzers



Aerospace, Outerspace & Strategic electronics

HH Sonar



Mission Critical Products²



ESAF



ATE & LRU Cable Assemblies



IOT/IT, Cons and others

Bar Code Scanner & RFID gateway



PLC & Asset Condition Monitoring gateway



Sensors



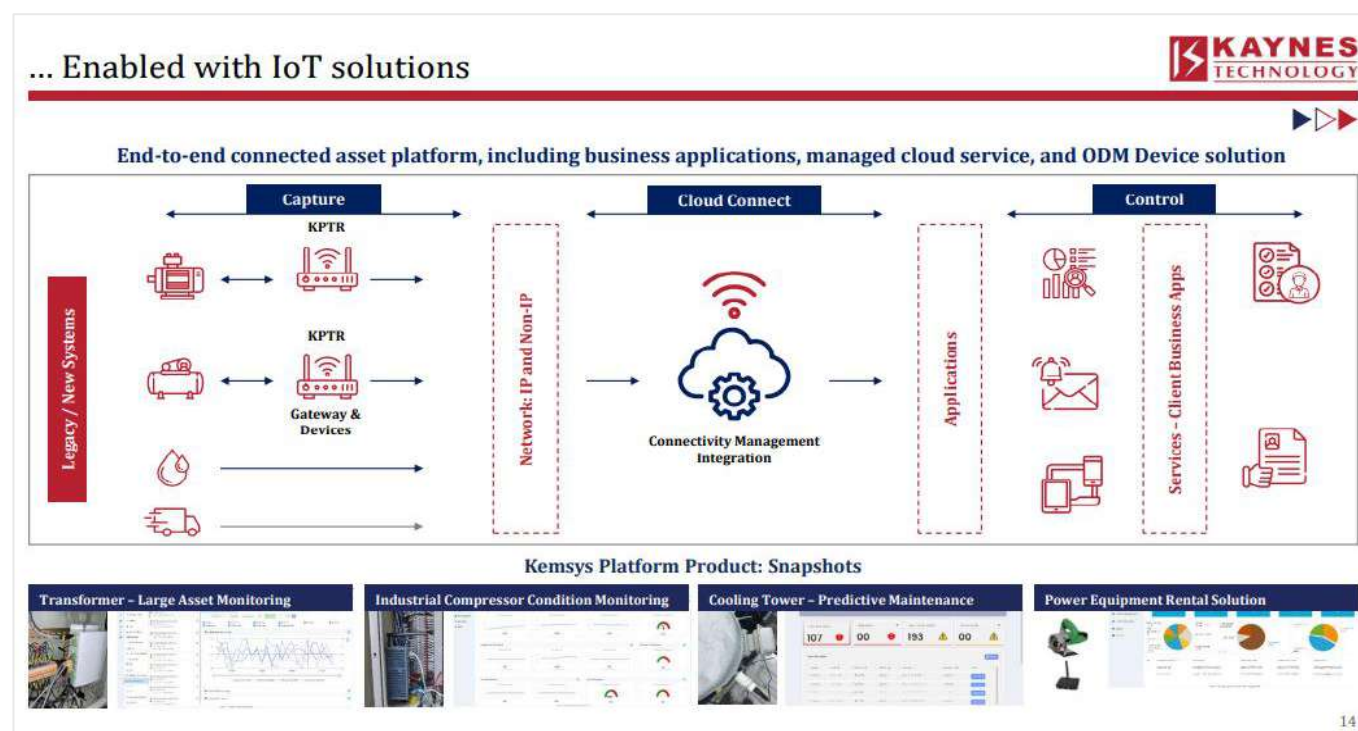
Industrial HMI Reader & Industrial Tablet



1 - Headlamp level switch / Steering control switch/ Windowlift Motor/ Rocker Switch PCBA | 2 - Kaynes has been a valuable industry partner for soft landing of Chandrayaan-3 & launch of Aditya-L1 missions

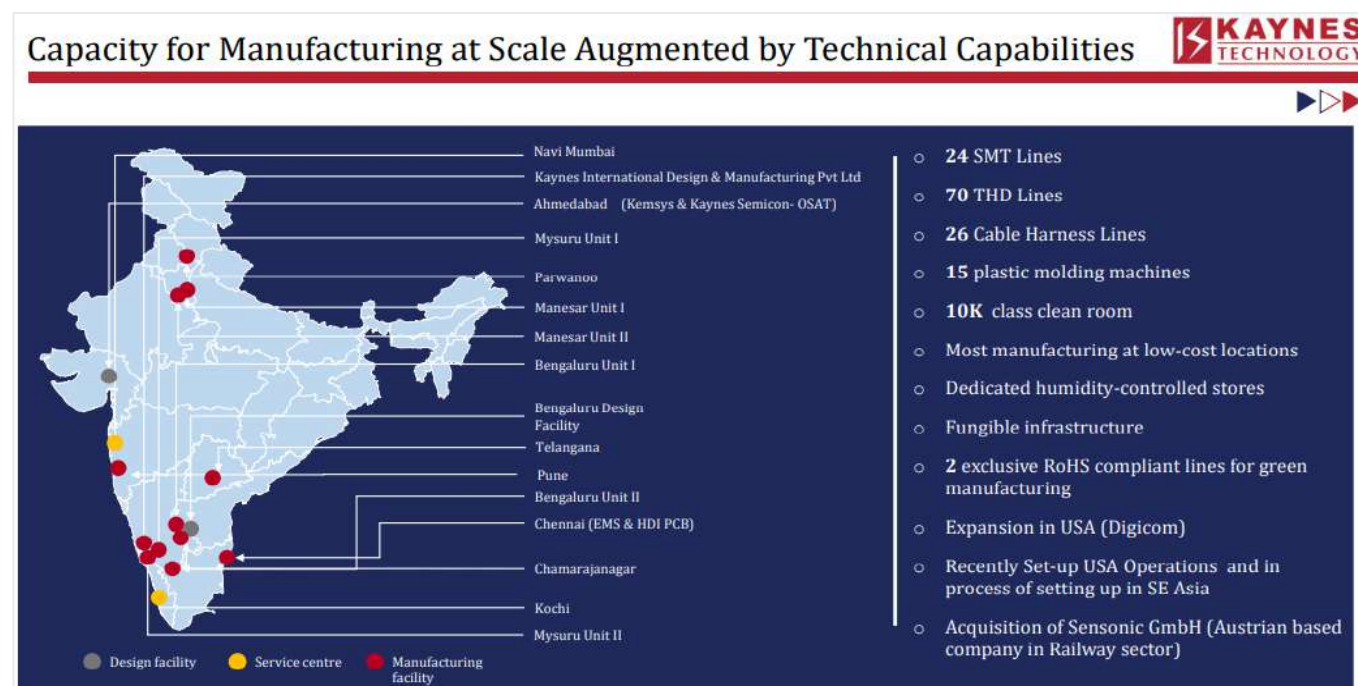
Source: Company Presentation

Exhibit 4: Kaynes's IoT solutions



Source: Company Presentation

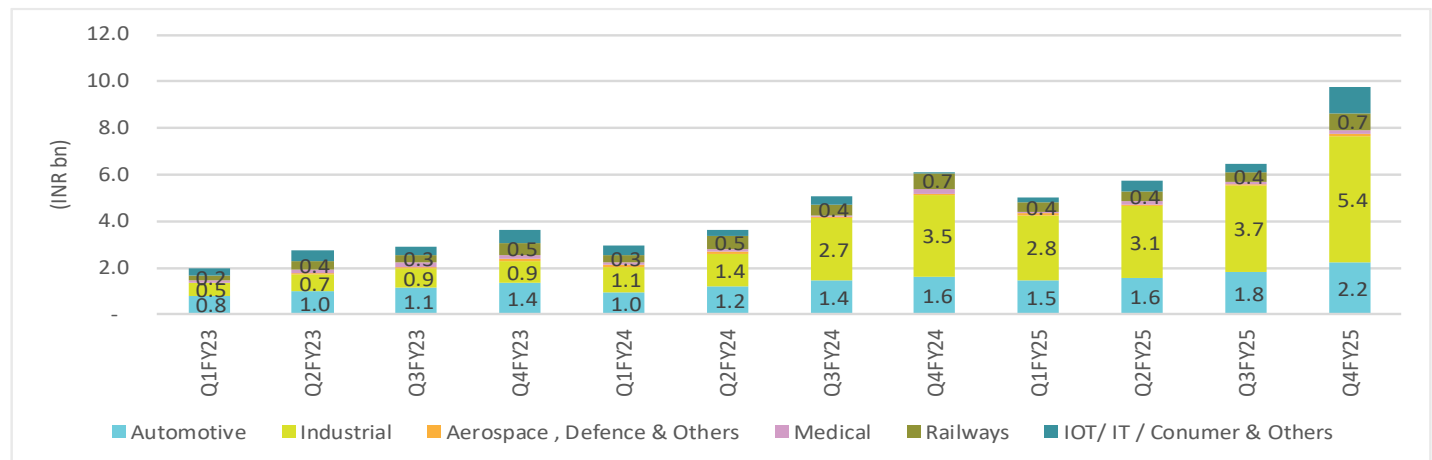
Exhibit 5: Kaynes's presence across India



Source: Company Presentation

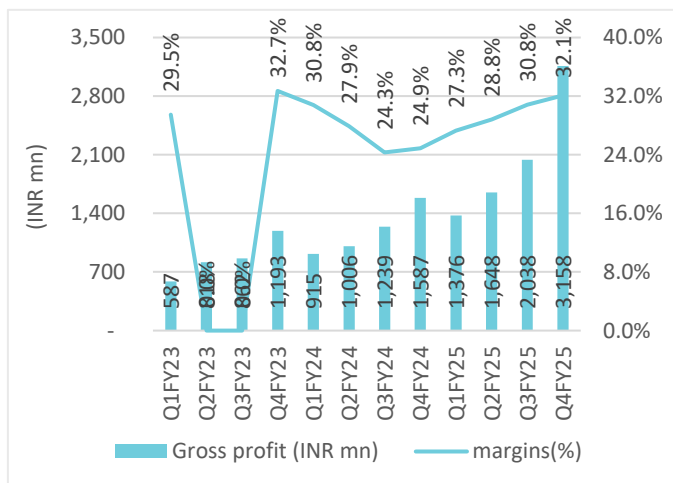
Focus charts

Exhibit 6: Quarterly revenue split



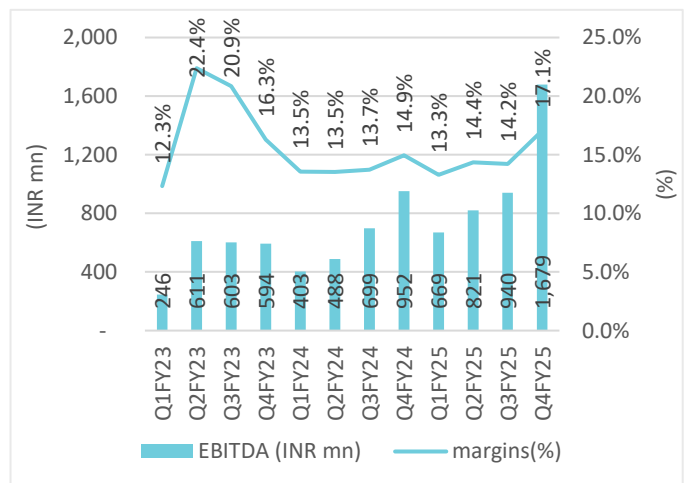
Source: Company, Nuvama Research

Exhibit 7: Gross profit quarterly trend



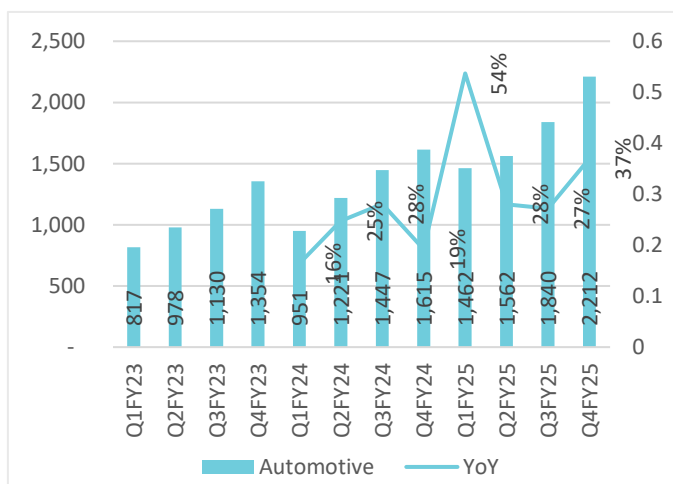
Source: Company, Nuvama Research

Exhibit 8: EBITDA quarterly trend



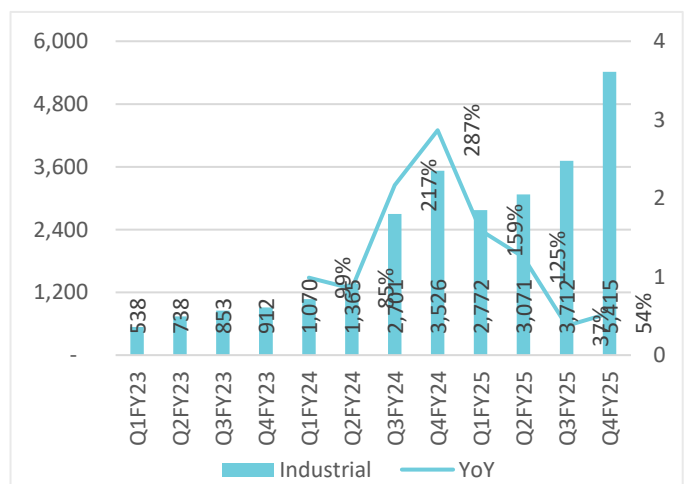
Source: Company, Nuvama Research

Exhibit 9: Automotive quarterly performance trend



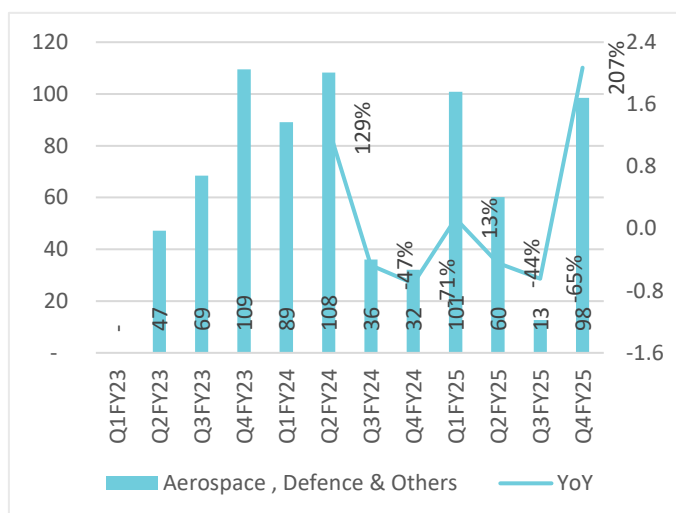
Source: Company, Nuvama Research

Exhibit 10: Industrial quarterly performance trend



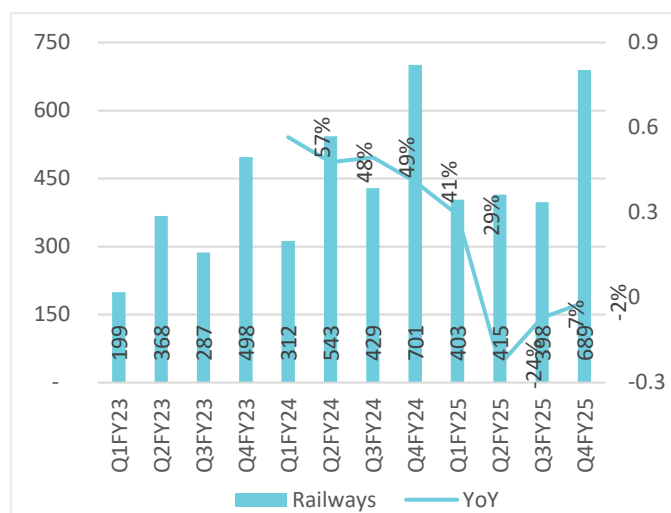
Source: Company, Nuvama Research

Exhibit 11: Aerospace and defence quarterly performance trend



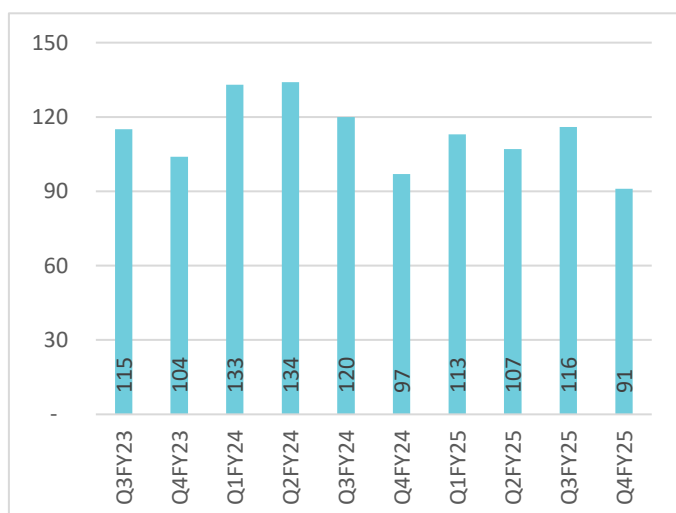
Source: Company, Nuvama Research

Exhibit 12: Railways quarterly performance trend



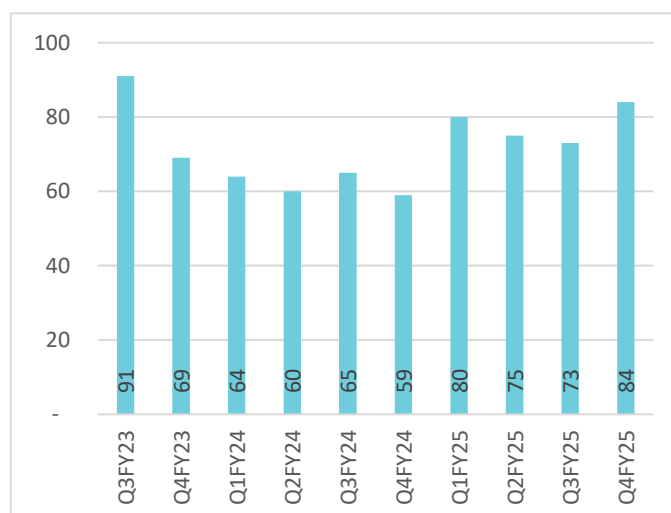
Source: Company, Nuvama Research

Exhibit 13: Inventory days trend



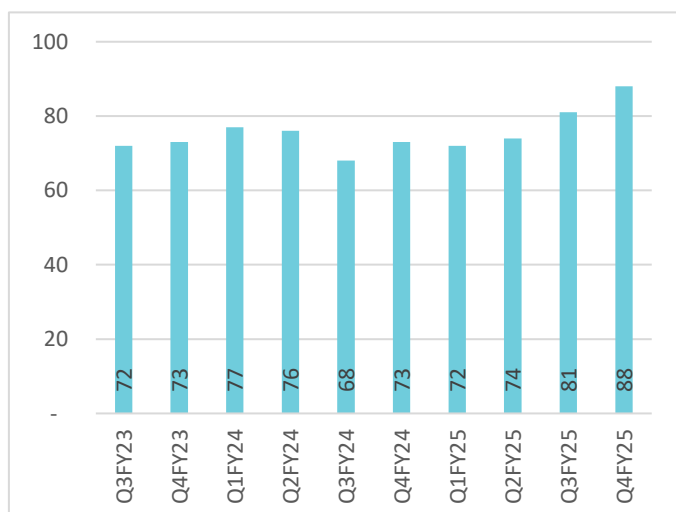
Source: Company, Nuvama Research

Exhibit 14: Receivable days trend



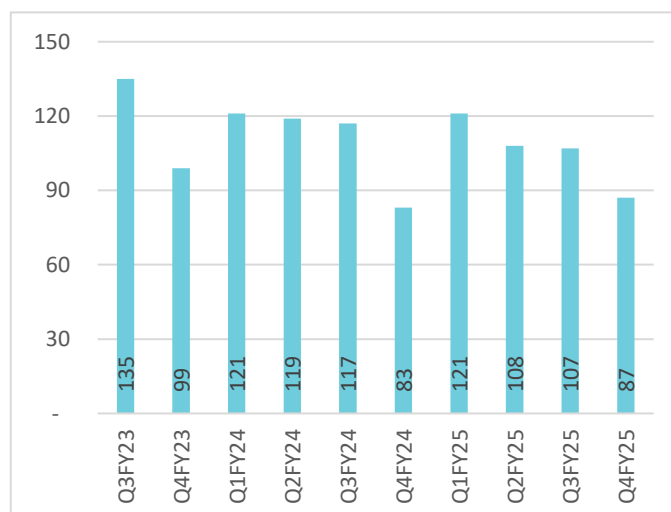
Source: Company, Nuvama Research

Exhibit 15: Payables days trend



Source: Company, Nuvama Research

Exhibit 16: Net working capital days trend



Source: Company, Nuvama Research

Company Description

Founded in 1998, Kaynes Technology (Kaynes) has over 3 decades of experience in providing conceptual design, process engineering, integrated manufacturing and life-cycle support to OEMs. It is a leading integrated and IoT-enabled solutions provider with capabilities across the entire spectrum of ESDM. Currently, it is operating in the low-volume high-value niche in the EMS space. Industrial electronics, railway electronics, medical electronics, defence electronics, automotive electronics and IT hardware are the key verticals that Kaynes services. It has served 370+ customers in 28+ countries; including marquee MNCs. Kaynes operates 16 advanced manufacturing facilities to undertake high mix and high value products with variable or flexible volumes. It has evolved as an integrated electronics player by moving into OSAT and HDI PCB.

Investment Theme.

Kaynes is a leading player in the low-volume high-value, largely non-consumer EMS sub-space with a record of accomplishment of servicing sectors that entail complexity and criticality. We like Kaynes due to its: i) well-diversified client base across key verticals; ii) marquee client roster, a testimony to its sophistication of managing complex tasks. Meanwhile, robust B2B capex trends and GoI's import substitution push are conducive. We believe Kaynes is well poised to deliver a strong 46%/82%/42% CAGR in Revenue/EBITDA/PAT respectively in FY24-27 on the back of robust order book as well as new order wins, given it is one of the few full stack Electronics player in India.

Key Risk

Currently, the domestic EMS sector is turbo-charged largely due to favourable government policies. Any change in government stance on manufacturing-related policies, particularly adverse changes, shall be the biggest risk to the EMS sector growth. Kaynes is one of the largest EMS players in India. As the EMS sector grows, we see a host of EMS players becoming large. If Kaynes is unable to retain its pace of growth and scale, it shall face challenges in the future from competition; this is a potential risk.

Additional Data

Management

Chairman	Ramesh Kunhikannan
MD	Savitha Ramesh
CEO	Rajesh Sharma
CFO	Jairam Paravastu Sampath
Auditor	M/s K.P. Rao & Co.

Holdings – Top 10*

	% Holding	% Holding
Axis Mutual Fun	2.54	
Nippon Life	2.02	
Canara Robeco M	1.72	
Motilal Oswal L	1.59	
HDFC Life	1.09	

*Latest public data

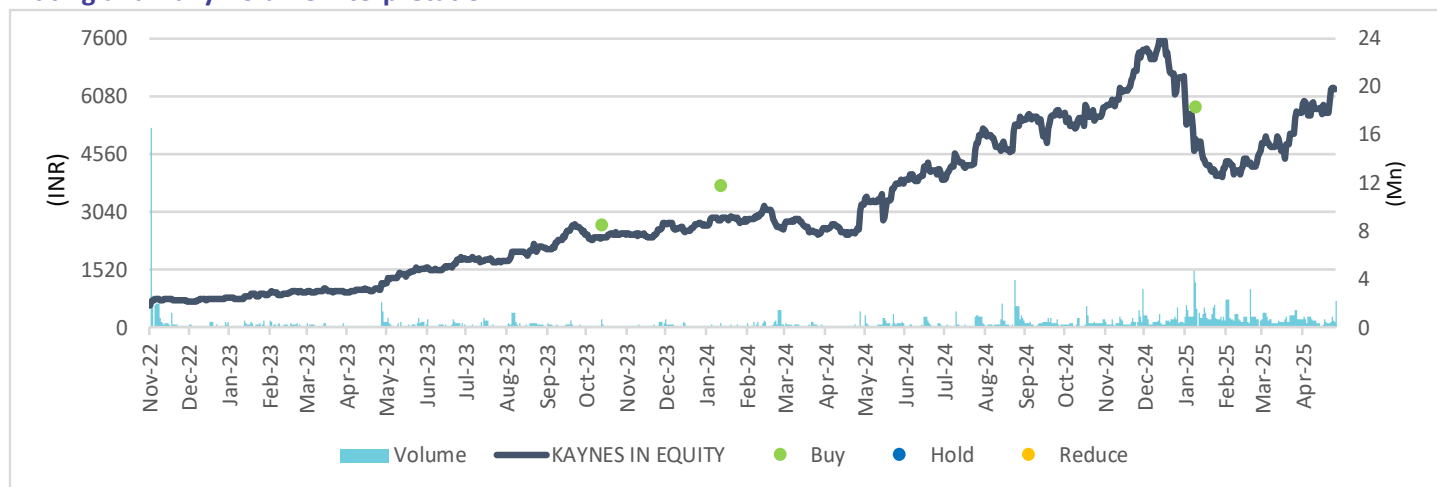
Recent Company Research

Date	Title	Price	Reco
28-Jan-25	Delayed execution drives Q3 miss; <i>Result Update</i>	6565	Buy
30-Oct-24	Soaring to new heights; <i>Result Update</i>	5269	Buy
27-Jul-24	Setting a promising tone for FY25; <i>Result Update</i>	4249	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
15-May-25	Syrma SGS	Segment mix drives margin surprise; <i>Result Update</i>
15-May-25	Crompton Consumer	Steady quarter; forays into solar rooftop; <i>Result Update</i>
14-May-25	Symphony	Investor day: Aspiring for holistic grow; <i>Company Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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