

KAYNES TECHNOLOGY

COMPANY UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	5,770
12 month price target (INR)	6,700
52 Week High/Low	7,825/3,825
Market cap (INR bn/USD bn)	387/4.3
Free float (%)	34.0
Avg. daily value traded (INR mn)	3,984.3

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	53.46%	53.52%	57.75%
FII	10.17%	10.71%	11.17%
DII	23.66%	22.39%	16.98%
Pledge	0%	0%	0%

FINANCIALS

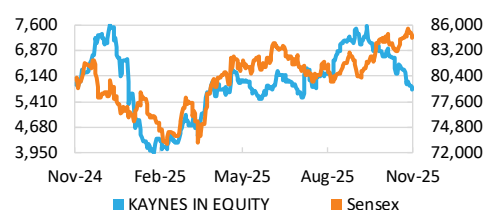
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	27,218	41,068	64,129	93,396
EBITDA	4,107	6,644	10,079	15,518
Adjusted profit	2,934	4,379	5,997	8,101
Diluted EPS (INR)	45.8	65.3	89.5	120.8
EPS growth (%)	59.7	42.7	37.0	35.1
RoAE (%)	11.0	11.4	11.6	13.8
P/E (x)	126.2	88.5	64.6	47.8
EV/EBITDA (x)	89.5	53.5	37.8	25.7
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	41,068	64,129	-	5.0
EBITDA	6,644	10,079	-	3.3
Adjusted profit	4,379	5,997	2.2	4.0
Diluted EPS (INR)	65.3	89.5	2.1	4.0

PRICE PERFORMANCE



Key takeaways from analyst meet

We recently met with Kaynes Technology management for a business update. The EMS order book is robust at INR80bn driving management reiteration of INR45bn revenue for FY26 (including INR1bn OSAT and INR2bn of Augusta). On the receivables front, the company is confident about normalisation by Mar-26 (net working capital days of 70–80 days), contingent upon the supply chain financing.

Kaynes also elaborated an INR85bn capex during FY26–29 towards OSAT (INR33bn), PCB (INR14bn), HDI/Flex PCB (INR17bn), CCL (INR17bn) and Camera Module (INR3.2bn). We reckon 51%/56%/40% in revenue/EBITDA/PAT CAGR over FY25–28; maintain 'HOLD' with a Dec-26E TP of INR6700. At the CMP, Kaynes trades at 64.4x FY27E EPS.

EMS continues to scale up well

Kaynes continues to scale up EMS operations with likely Q3FY26 revenue to exceed INR13bn at ~INR41bn, backed by industrial, auto, aerospace and a likely recovery in railways. Smart meters should contribute INR8–10bn and Kavach INR3–4bn in FY26 though government-linked demand remains volatile. Smart-meter mix has moderated versus H1, offset by scaling auto/EV customers. Management maintains 30–35% EMS growth as achievable in the medium term on the back of product portfolio and customer addition across verticals.

New ventures update

Kaynes' PCB facility is fully ready with commercial production likely from FY27 starting with 12–16 layer boards and a phased ramp into HDI (~20% mix), and can achieve up to 30%-plus EBITDA margins as utilisation improves. Major PCB capex block of ~INR9bn is planned for FY28 to complete the Chennai build-out. Kaynes plans to have eight–ten customers in OSAT segment in medium-long term and guides for INR4–5bn capex in FY26 aided by central pari passu subsidies, targeting INR1bn revenue in FY26 and INR10bn in FY27. Margins will range from 5–8% on legacy packages to ~25% for advanced modules with limited working-capital intensity. Management also laid out capex plans for HDI/Flex PCBs, copper clad laminates (CCL), camera modules and multilayer PCBs (total INR85bn during FY26–29).

Balance sheet and receivable update

It has been able to reduce non-current receivables from INR3bn to INR2bn in H1 aided by collections, discounting and hopes on positive operating cash flow likely by Mar-26 despite Q4 seasonality. Inventory is slightly higher currently to support a stronger Q3/Q4 and payables shall normalise by Mar-26. Medium-term WC target of 70–80 days stays in sight. Doubtful debts (3.4% of revenue in H1FY26) is more due to receivable aging criterion (across industrial, EV, defence and railway verticals).

Tweaking estimates; maintain 'HOLD'

We are tweaking FY26E–28E PAT by 2–3%. We value Kaynes at 45x FY29E EPS, discounted back at 15% to arrive at an unchanged Dec-26E TP of INR6700. Maintain 'HOLD' as we await a better price to enter the stock.

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	27,218	41,068	64,129	93,396
Gross profit	8,220	13,758	22,125	32,688
Employee costs	1,781	3,116	5,609	7,572
Other expenses	2,333	3,998	6,437	9,598
EBITDA	4,107	6,644	10,079	15,518
Depreciation	447	730	1,700	3,060
Less: Interest expense	1,013	1,300	1,690	2,873
Add: Other income	1,070	1,000	1,000	800
Profit before tax	3,716	5,614	7,689	10,385
Prov for tax	782	1,235	1,692	2,285
Less: Other adj	0	0	0	0
Reported profit	2,934	4,379	5,997	8,101
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,934	4,379	5,997	8,101
Diluted shares o/s	64	67	67	67
Adjusted diluted EPS	45.8	65.3	89.5	120.8
DPS (INR)	0	0	0	0
Tax rate (%)	21.0	22.0	22.0	22.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	69.8	66.5	65.5	65.0
Employee cost (%of rev)	6.5	7.6	8.7	8.1
Other exp (% of rev)	8.6	9.7	10.0	10.3
EBITDA margin (%)	15.1	16.2	15.7	16.6
Net profit margin (%)	10.8	10.7	9.4	8.7
Revenue growth (% YoY)	50.8	50.9	56.2	45.6
EBITDA growth (% YoY)	61.6	61.8	51.7	54.0
Adj. profit growth (%)	60.1	49.2	37.0	35.1

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
Auto. (rev growth)	35.2	50.0	40.0	20.0
Industrial (rev growth)	72.8	55.0	20.0	30.0
Aerospace , Defence & Others (rev growth)	(49.7)	60.0	100.0	100.0
Medical (rev growth)	0.5	50.0	10.0	10.0
Railways (rev growth)	(4.0)	40.0	100.0	40.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	126.2	88.5	64.6	47.8
Price/BV (x)	13.0	8.0	7.1	6.2
EV/EBITDA (x)	89.5	53.5	37.8	25.7
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	670	670	670
Reserves	27,762	47,860	53,858	61,958
Shareholders funds	28,403	48,530	54,528	62,628
Minority interest	40	40	40	40
Borrowings	8,755	1,000	15,000	32,000
Trade payables	6,829	13,502	19,327	28,147
Other liabs & prov	2,386	1,706	2,398	3,276
Total liabilities	46,412	64,778	91,292	126,090
Net block	5,045	13,630	32,855	53,021
Intangible assets	141	23	23	23
Capital WIP	4,937	4,937	4,937	4,937
Total fixed assets	10,123	18,590	37,816	57,981
Non current inv	9,456	0	0	0
Cash/cash equivalent	10,563	15,165	3,843	2,704
Sundry debtors	5,746	13,502	17,570	25,588
Loans & advances	0	0	0	0
Other assets	10,524	17,522	32,063	39,818
Total assets	46,412	64,778	91,292	126,090

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,716	5,614	7,689	10,385
Add: Depreciation	447	730	1,700	3,060
Interest (net of tax)	56	300	690	2,073
Others	181	0	0	0
Less: Changes in WC	(4,522)	(4,870)	(3,869)	(6,338)
Operating cash flow	(766)	538	4,518	6,895
Less: Capex	(9,487)	(13,205)	(29,150)	(22,961)
Free cash flow	(10,254)	(12,667)	(24,632)	(16,066)

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	11.0	11.4	11.6	13.8
RoCE (%)	14.5	15.9	15.7	16.1
Inventory days	131	130	125	130
Receivable days	62	86	88	84
Payable days	100	136	143	143
Working cap (% sales)	27.7	39.7	44.3	36.9
Gross debt/equity (x)	0.3	0	0.3	0.5
Net debt/equity (x)	(0.1)	(0.3)	0.2	0.5
Interest coverage (x)	3.6	4.5	5.0	4.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	59.7	42.7	37.0	35.1
RoE (%)	11.0	11.4	11.6	13.8
EBITDA growth (%)	61.6	61.8	51.7	54.0
Payout ratio (%)	0	0	0	0

Other takeaways from management meet

Guidance and business mix

Management reiterated FY26 revenue of INR45bn with EMS at INR41–42bn, Q3 revenue above INR13bn, and improving railway enquiries after a recent lull. PCB revenue for FY27 is likely at ~INR5bn, and the company continues to target a USD1bn by FY28, though did not rule surpassing it well before that on annualised basis. The current order book is ~INR80bn.

Satellite and Advanced Electronics

Kaynes Spacotech was set up as part of a new vertical expansion into drones and satellite electronics. Kaynes has expanded into satellite and drone electronics through its new entity, Kaynes Spacotech, focusing on low- to medium-volume, high-reliability systems. Development work is underway on AR/VR hardware, display electronics and next-generation boards including a targeted **76-layer PCB**. These initiatives remain early-stage but broaden the company's presence in advanced electronic subsystems.

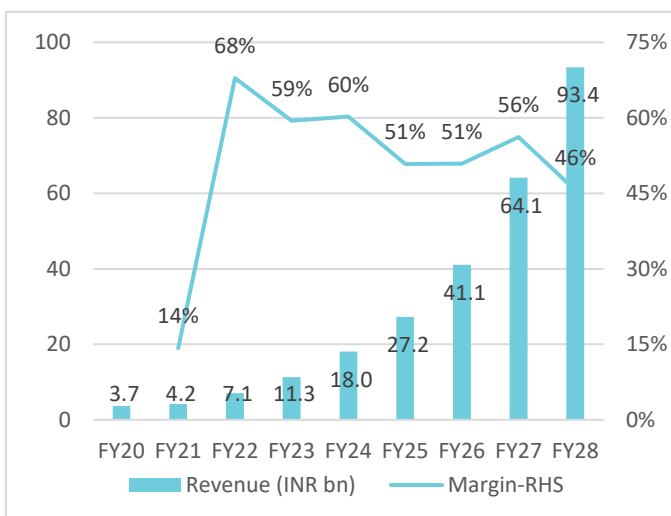
Subsidy status

Central fiscal support agreements have been filed with disbursements pending election timelines. Kaynes estimate total subsidy (central, state government) around INR34–35bn, including INR15bn in cash subsidy. Tamil Nadu state subsidies remain strong at 40-42%, and PCB capex of INR14bn is eligible under SPECS/ECMS provisions.

Iskraemeco Update

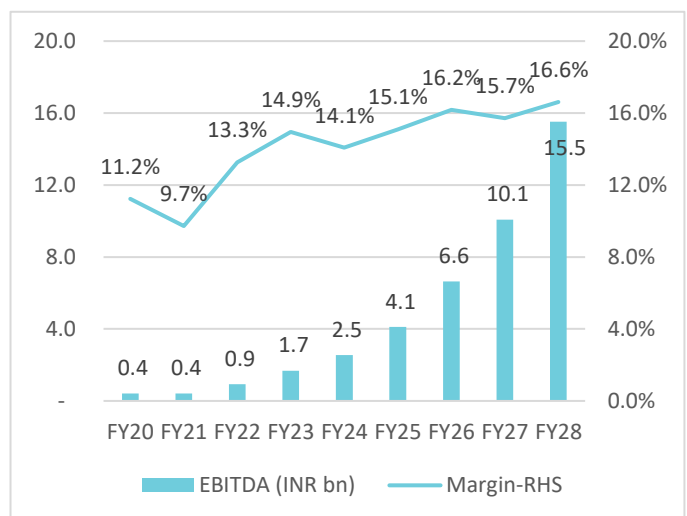
Kaynes provided the required INR0.9bn PGCIL bank guarantee post-acquisition. Iskraemeco recorded ~INR6bn in FY25 revenue, with losses in H1 and improvement in H2; consolidated H2FY25 profit was ~INR1.8bn, including ~INR0.5bn from Iskraemeco, reflecting strong scale up. Execution continues on the INR17bn PGCIL order.

Exhibit 1: Revenue trend



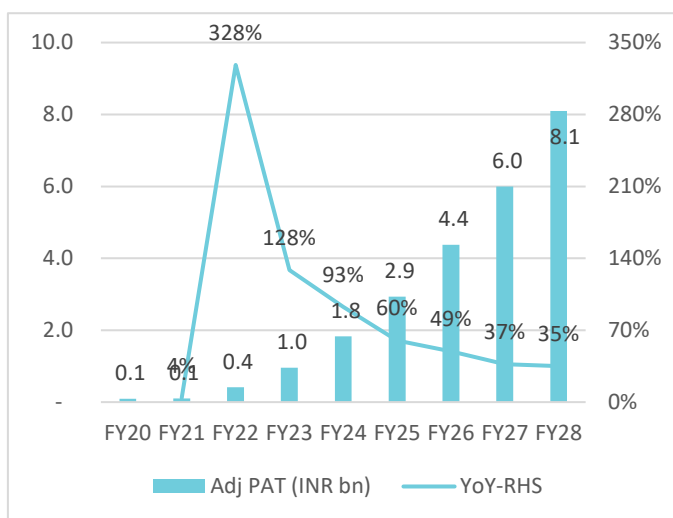
Source: Company, Nuvama Research

Exhibit 2: EBITDA trend



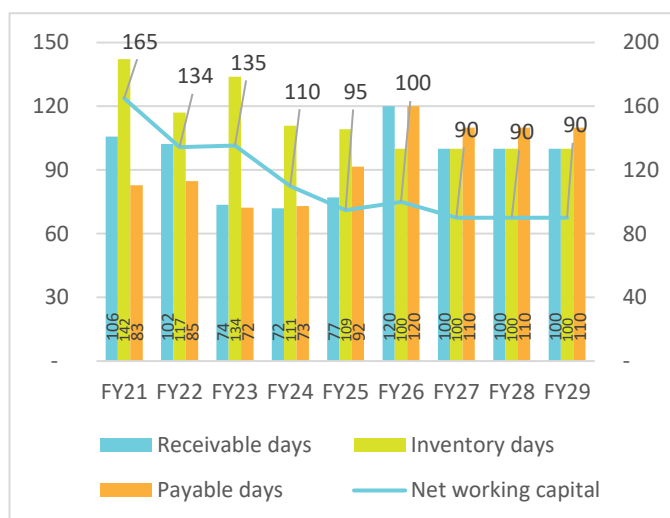
Source: Company, Nuvama Research

Exhibit 3: PAT trend



Source: Company, Nuvama Research

Exhibit 4: Net working capital



Source: Company, Nuvama Research

Exhibit 5: Cash flow summary

INR mn	FY22	FY23	FY24	FY25	FY26	FY27	FY28
OCF before WC	732	1,544	2,542	4,219	6,644	10,079	15,518
WC change	(743)	(1,629)	(3,035)	(4,522)	(4,870)	(3,869)	(6,338)
Others	(22)	(503)	(483)	(644)	(1,235)	(1,692)	(2,285)
OCFS	(32)	(588)	(976)	(947)	538	4,518	6,895
Capex	(422)	(581)	(3,826)	(9,487)	(13,205)	(29,150)	(22,961)
FCF	(455)	(1,169)	(4,802)	(10,434)	(12,667)	(24,632)	(16,066)
Loan raised/ (loan repayed)	301	(336)	1,702	5,189	(7,755)	14,000	17,000
Equity raised	228	6,229	13,436	27	15,749	-	-

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 48%/53%/46% CAGR in Revenue/EBITDA/PAT respectively in FY25-28 on the back of robust order book as well as new order wins and ramp up in new verticals (OSAT and HDI PCB), 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

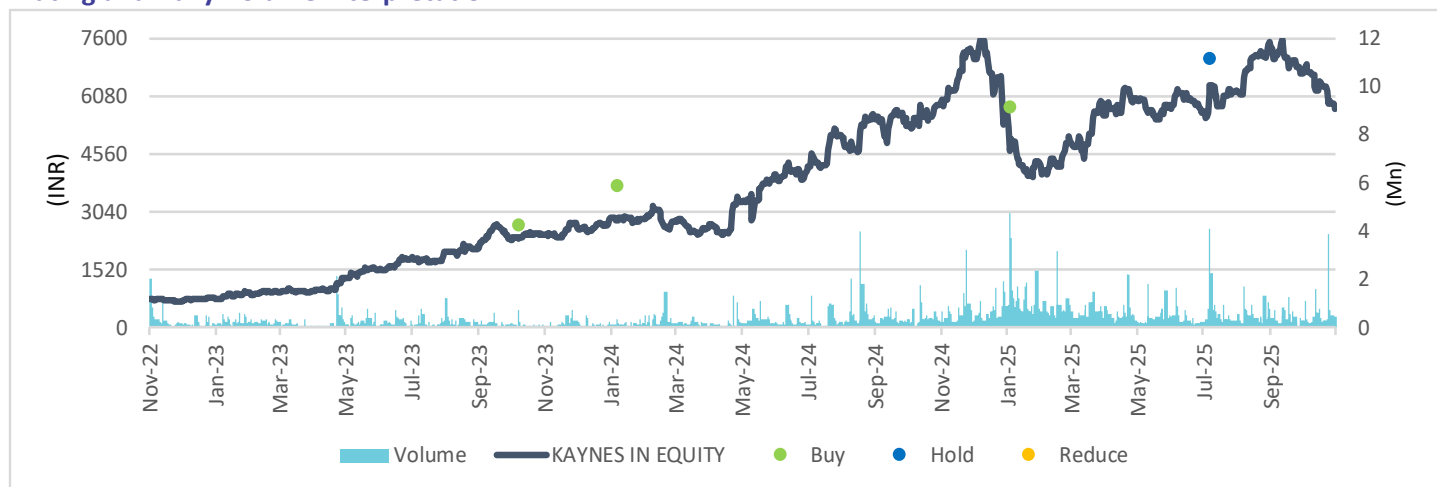
Recent Company Research

Date	Title	Price	Reco
05-Nov-25	Margins steady; working capital intensit; <i>Result Update</i>	6,658	Hold
31-Jul-25	Margins offset revenue miss; <i>Result Update</i>	6,172	Hold
16-May-25	Excellent margin showing; capex on track; <i>Result Update</i>	6,262	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
21-Nov-25	Consumer Durables, Electricals & EMS	Appliances weak; C&W and EMS gleam; <i>Sector Update</i>
15-Nov-25	Eureka Forbes	Solid quarter; margin expansion continue; <i>Result Update</i>
14-Nov-25	Voltas	Weak quarter; optimism in the air; <i>Result 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%	207
Hold	<15% and >-5%	69
Reduce	<-5%	35

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