

Kaynes Technologies

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR4,661 TP: INR6,500 (+39%) Buy

Robust order book reaffirms strong growth visibility

Earnings below estimates

- Kaynes Technologies (KAYNES) reported a strong 3Q performance, with revenue rising 30% YoY, led by strong traction in the Industrials vertical (up 38% YoY, including EV) and automotive (up 28% YoY). The order book jumped 60%/12% YoY/QoQ to ~INR60.5b, and its EBITDA margin expanded 50bp YoY during the quarter, fueled by the favorable business mix.
- Despite strong revenue growth in 3Q, it missed our estimates by 16% due to a delay in the execution of smart meter orders (~INR1b). The majority of this delay is expected to be executed in 4QFY25. We believe the earlier momentum of higher growth will resume considering the strong order book at hand. Margins are also expected to expand as a result of a favorable business mix toward high-margin sectors (industrials - smart meter, aerospace, and railways).
- We cut our EPS estimates for FY25/FY26/FY27 by 11%/8%/10%, by incorporating a guidance cut for FY25 and factoring in its 3Q numbers. **We reiterate our BUY rating on the stock with a TP of INR6,500 (premised on 48x FY27E EPS).**

Improved operating performance aided by a favorable business mix

- KAYNES' consol. revenue grew 30% YoY to INR6.6b (est. INR7.9b) in 3QFY25, while EBITDA rose 35% YoY to INR940m (est. INR1.2b). EBITDA margin expanded 50bp YoY to 14.2% (est. 15.2%), led by a corresponding expansion in gross margin (up 650bp YoY) due to a favorable business mix. Adjusted PAT grew 47% YoY to INR665m (est. of INR892m).
- The order book rose to INR60.4b as of Dec'24 from INR54.2b/INR37.9b in Sep'24/Dec'23. Order inflows in 3Q grew ~54% YoY to INR12.9b. The order book was generated mainly from the Industrials & EV, Aerospace, and Automotive sectors.
- In 9MFY25, KAYNES's revenue/EBITDA/Adj. PAT grew 49%/53%/74% YoY to INR17.4b/INR2.4b/INR1.8b; implied revenue/EBITDA/Adj. PAT growth in 4QFY25 is expected to be 67%/82%/54%
- Net working capital days deteriorated to 117 in 9MFY25 from 107 days in 9MFY24. Net debt was ~INR6b as of 9MFY25 vs. INR2.4b as of 9MFY24.

Highlights from the management commentary

- **Guidance:** Management reduced its revenue guidance to INR28-29b from the earlier guidance of over INR30b for FY25, while its EBITDA margin guidance remains intact at ~15%. For FY26, management expects INR45b of revenue (ex-inorganic revenue) with further improvement in margins led by better gross margin and operating leverage.
- **QIP:** The company highlighted its plans to raise funds through QIP to support its future growth drivers, such as geographical expansion (in North America), scaling up the ODM business, and deepening its technological footprint in certain niche areas of semiconductors.
- **Smart meters:** The new plant ramp-up is progressing well, and the current order book makes it mandatory for the company to further increase its capacity soon.

Bloomberg	KAYNES IN
Equity Shares (m)	64
M.Cap.(INRb)/(USD\$b)	298.4 / 3.4
52-Week Range (INR)	7825 / 2424
1, 6, 12 Rel. Per (%)	-30/17/54
12M Avg Val (INR M)	2131

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	28.0	43.7	67.9
EBITDA	4.2	6.8	10.8
Adj. PAT	3.0	5.5	8.7
EBITDA Margin (%)	14.8	15.6	15.9
Cons. Adj. EPS (INR)	47.4	85.4	136.1
EPS Gr. (%)	65.2	80.2	59.3
BV/Sh. (INR)	436.5	521.9	658.0

Ratios

Net D:E	-0.3	-0.0	-0.2
RoE (%)	11.5	17.8	23.1
RoCE (%)	13.0	17.9	23.7

Valuations

P/E (x)	98	55	34
EV/EBITDA (x)	69	44	27

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	57.8	57.8	57.8
DII	15.0	16.1	19.1
FII	14.8	14.9	12.7
Others	12.4	11.3	10.4

Note: FII includes depository receipts

Valuation and view

- With a strong order book and healthy order inflows, KAYNES is likely to resume its strong revenue growth momentum going forward. Further, the increased traction in some of the high-margin verticals will lead to margin expansion for the company.
- We estimate a revenue/EBITDA/Adj. PAT CAGR of 56%/62%/68% over FY24-FY27. **Reiterate BUY with a TP of INR6,500 (premised on 48x FY27E EPS).**

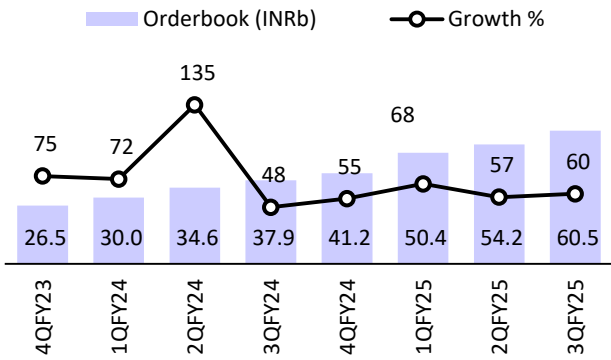
Consolidated - Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross Sales	2,972	3,608	5,093	6,373	5,040	5,721	6,612	10,643	18,046	28,016	7,894	-16
YoY Change (%)	49.1	32.1	76.2	74.8	69.6	58.5	29.8	67.0	60.3	55.2	55.0	
Total Expenditure	2,569	3,121	4,394	5,421	4,371	4,900	5,671	8,914	15,505	23,856	6,698	
EBITDA	403	488	699	952	669	821	940	1,729	2,542	4,160	1,196	-21
Margins (%)	13.5	13.5	13.7	14.9	13.3	14.4	14.2	16.2	14.1	14.8	15.2	
Depreciation	53	65	60	74	84	86	108	110	251	388	95	
Interest	113	118	148	153	227	221	270	270	533	988	200	
Other Income	81	90	94	294	283	336	246	200	559	1,065	200	
PBT before EO expense	319	394	585	1,019	641	849	808	1,549	2,317	3,848	1,101	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	319	394	585	1,019	641	849	808	1,549	2,317	3,848	1,101	
Tax	72	71	133	207	133	247	144	294	483	819	209	
Rate (%)	22.6	18.0	22.7	20.3	20.8	29.1	17.8	19.0	20.8	21.3	19.0	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	246	323	452	813	508	602	665	1,255	1,834	3,029	892	
Adj PAT	246	323	452	813	508	602	665	1,255	1,834	3,029	892	-25
YoY Change (%)	149.0	52.8	97.7	97.3	106.0	86.4	47.1	54.4	92.9	65.2	97.4	
Margins (%)	8.3	9.0	8.9	12.8	10.1	10.5	10.1	11.8	10.2	10.8	11.3	

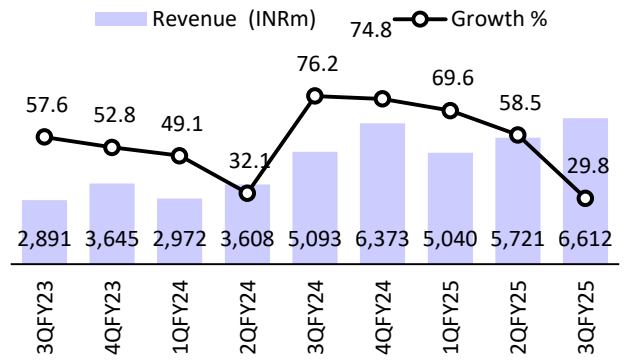
Key Exhibits

Exhibit 1: Consolidated order book trend



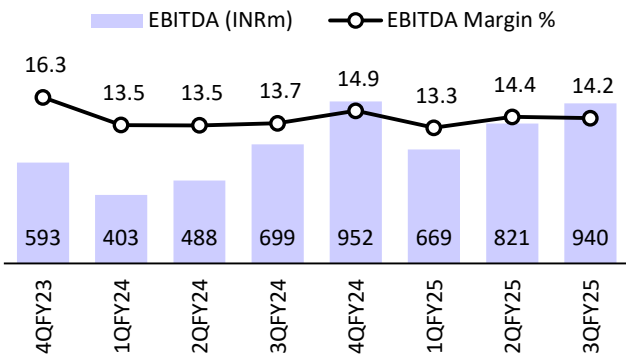
Source: Company, MOFSL

Exhibit 2: Consolidated revenue trend



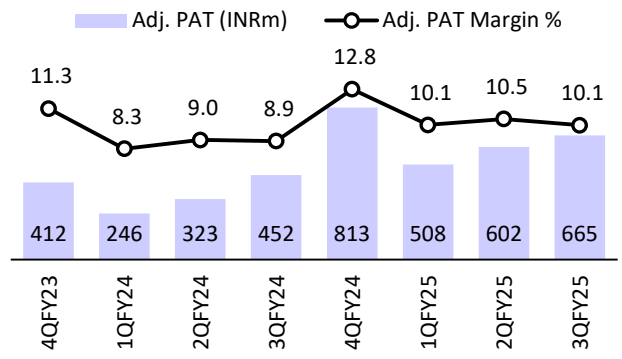
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



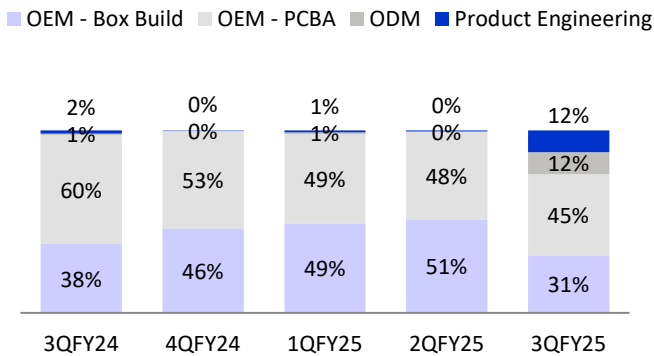
Source: Company, MOFSL

Exhibit 4: Consolidated Adj. PAT trend



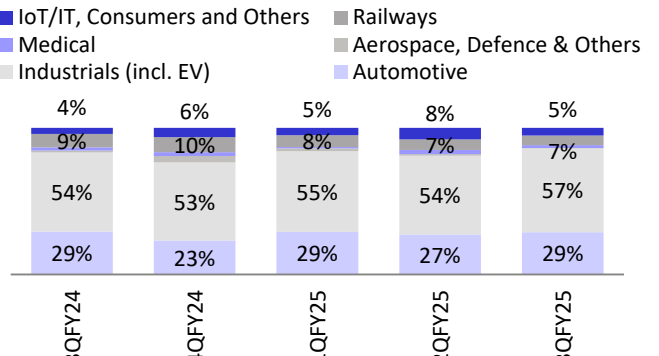
Source: Company, MOFSL

Exhibit 5: Product-wise revenue mix



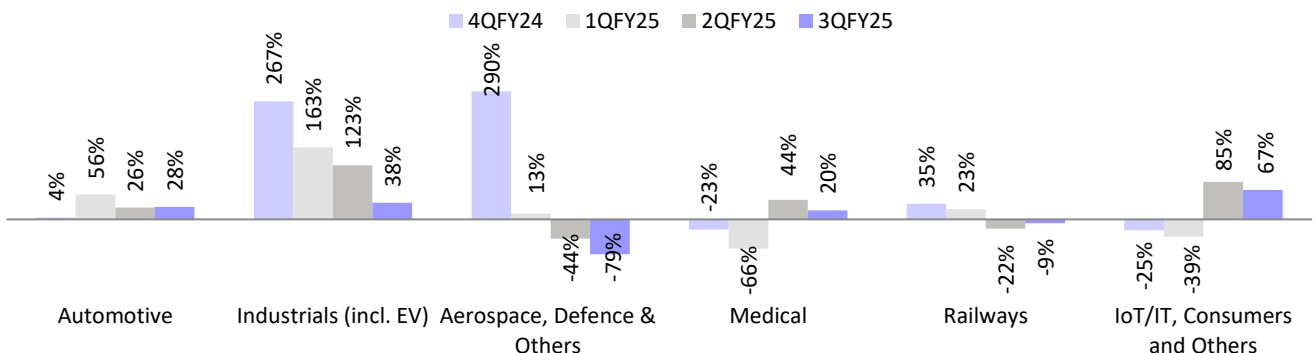
Source: Company, MOFSL

Exhibit 6: End-user industry-wise revenue mix



Source: Company, MOFSL

Exhibit 7: Key growth trends across end-user verticals



Source: MOFSL, Company



Highlights from the management commentary

Outlook and guidance

- FY25 revenue guidance targets INR28-29b, representing 55% YoY growth, with implied 4QFY25 growth of 60-67% to achieve guidance; margins expected to be over 15%. At the current gross block, the company can grow revenue by 40-50% from current levels (TTM).
- FY25 EBITDA margin is expected to be more than 15%, with further improvement supported by high-margin segments like industrials, aerospace, and IT; gross margin is projected to sustain above 30% in the long term.
- KAYNES' FY26E revenue is projected to be ~INR45b, driven by growth in EMS, Semiconductor, and OSAT & PCB businesses, barring acquisition-based revenue.
- The long-term outlook anticipates significant margin improvement by FY27-FY28, driven by high-margin OSAT business contributions.

Orders and execution

- Order book growth is driven by industrials, EVs, aerospace, and automotive sectors, with orders expected to materialize from 4QFY26.
- Aerospace and defense-secured orders are anticipated to contribute significantly to revenue from FY26 onwards.
- Smart Meters' integration of Iskraemeco is progressing well, with capacity expansion at the new Hyderabad plant addressing current orders; shipment delays are due to ramp-up, while additional orders include AMISP and three state projects.
- Railways revenue has been impacted by order delays related to elections, with recovery expected post-budget; order inflows have increased, and production for "Kavach" will begin after POC completion in FY26.

Capex and projects

- OSAT business groundbreaking at Sanand, Gujarat is underway, with revenue expected from 4QFY26; HDIPCB factory approved in Tamil Nadu, with total semiconductor project capex at INR23b, supported by 50% Central and ~20-25% state subsidies, which comes to 6-9 following the Central's subsidy.
- QIP funds will be utilized for expansion into new geographies like North America, scaling the ODM business, and potential acquisitions of companies with USD35-50m ticket sizes having strong profitability and cultural alignment.

Business updates and strategic initiative

- For growth, the company wants to strengthen its presence in North America, Europe, and South Asia and focus on ODM and high-margin businesses as part of its margin strategy. Additionally, an infrastructure push is expected to drive demand in the railways, power, and telecom sectors through government projects.
- The automotive business focuses on EV chargers, components, and expansion into 2W and 3W segments.
- The IoT and IT segments are progressing as anticipated, with the largest government customers onboarded, and further expansion is expected in the coming year, backed by growing opportunities; these segments are among the higher-yielding areas in the company's order book, which also includes industrial, aerospace, and railways.
- The company has secured a large European-based medical client, which has expanded its presence in the US through acquisitions, providing substantial RFQs and significant order visibility, thereby addressing a prior gap in large

clientele and positioning the company for steady growth in the medical segment.

- By FY26-27, three-fourths of the revenue is expected to come from the existing EMS business, while one-fourth will be driven by newer businesses. This will require additional working capital; hence, the increase in debt levels for FY26 is anticipated to be less than proportionate.
- The company has acquired a majority stake (54%) in Sensonic GmbH, a railway network safety company.

Other

- Exports to contribute 20-25% of revenue by FY26, driven by silicon and PCB assembly.
- Working capital days improved to 107 days in Dec '24 from 117 days in Mar '24, while inventory days remain elevated due to advance purchases for upcoming quarters. Positive operating cash flow (OCF) is expected to begin from 4QFY25 onwards.

Valuation and view

- With a strong order book and healthy order inflows, KAYNES is likely to resume its strong revenue growth momentum going forward. Further, the increased traction in some of the high-margin verticals will lead to margin expansion for the company.
- We estimate a revenue/EBITDA/Adj. PAT CAGR of 56%/62%/68% over FY24-FY27. **Reiterate BUY with a TP of INR6,500 (premised on 48x FY27E EPS).**

Exhibit 8: Changes to our estimates

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,126	46,852	74,271	28,016	43,685	67,896	-7%	-7%	-9%
EBITDA	4,548	7,287	11,789	4,160	6,794	10,777	-9%	-7%	-9%
Adj. PAT	3,421	5,912	9,629	3,029	5,460	8,699	-11%	-8%	-10%

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	3,682	4,206	7,062	11,261	18,046	28,016	43,685	67,896
Change (%)	1.1	14.2	67.9	59.4	60.3	55.2	55.9	55.4
RM Cost	2,417	2,861	4,894	7,801	13,299	20,005	31,736	49,378
Employees Cost	424	459	602	771	1,028	1,892	2,272	3,531
Other Expenses	428	477	629	1,006	1,178	1,958	2,883	4,210
Total Expenditure	3,269	3,797	6,126	9,578	15,505	23,856	36,891	57,119
% of Sales	88.8	90.3	86.7	85.1	85.9	85.2	84.4	84.1
EBITDA	413	409	937	1,683	2,542	4,160	6,794	10,777
Margin (%)	11.2	9.7	13.3	14.9	14.1	14.8	15.6	15.9
Depreciation	84	101	132	187	251	388	463	1,182
EBIT	330	308	805	1,496	2,290	3,772	6,331	9,595
Int. and Finance Charges	236	240	256	349	533	988	320	320
Other Income	19	40	41	114	559	1,065	989	1,878
PBT bef. EO Exp.	113	109	590	1,260	2,317	3,848	7,000	11,153
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	113	109	590	1,260	2,317	3,848	7,000	11,153
Total Tax	19	11	174	308	483	819	1,540	2,454
Tax Rate (%)	17.1	10.5	29.4	24.5	20.8	21.3	22.0	22.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	94	97	417	952	1,834	3,029	5,460	8,699
Adjusted PAT	94	97	417	952	1,834	3,029	5,460	8,699
Change (%)	-3.8	4.0	328.2	128.4	92.7	65.2	80.2	59.3
Margin (%)	2.5	2.3	5.9	8.5	10.2	10.8	12.5	12.8

Consolidated - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	68	68	462	581	639	639	639	639
Preference Capital	0	11	4	0	0	0	0	0
Total Reserves	959	1,308	1,560	9,009	24,230	27,259	32,719	41,418
Net Worth	1,027	1,387	2,026	9,590	24,869	27,898	33,358	42,058
Minority Interest	6	9	11	13	16	16	16	16
Total Loans	1,643	1,526	1,779	1,359	3,061	2,561	0	0
Deferred Tax Liabilities	79	52	68	77	102	102	102	102
Capital Employed	2,755	2,974	3,884	11,039	28,047	30,576	33,475	42,175
Gross Block	930	1,181	1,544	1,925	3,831	5,797	7,434	28,943
Less: Accum. Deprn.	382	483	615	802	1,054	1,442	1,905	3,087
Net Fixed Assets	547	698	929	1,123	2,777	4,355	5,529	25,856
Goodwill on Consolidation	23	23	23	23	152	152	152	152
Capital WIP	119	126	83	293	1,051	4,435	17,137	900
Total Investments	16	17	15	33	1,318	1,318	1,318	1,318
Current Investments	0	0	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	3,075	3,330	5,173	12,715	27,354	26,383	22,784	40,546
Inventory	1,511	1,639	2,264	4,132	5,483	6,687	10,434	15,558
Account Receivables	937	1,218	1,977	2,271	3,556	4,605	7,181	11,161
Cash and Bank Balance	123	143	216	4,860	15,256	11,729	363	6,359
Loans and Advances	504	331	716	1,453	3,060	3,362	4,805	7,469
Curr. Liability & Prov.	1,027	1,219	2,340	3,148	4,605	6,066	13,444	26,597
Account Payables	921	954	1,641	2,229	3,610	4,385	6,956	10,823
Other Current Liabilities	76	226	648	857	920	1,541	6,269	15,435
Provisions	30	39	52	62	74	140	218	339
Net Current Assets	2,048	2,110	2,833	9,567	22,750	20,317	9,340	13,949
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	2,755	2,974	3,884	11,039	28,047	30,576	33,475	42,175

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	13.8	14.3	9.0	16.4	28.7	47.4	85.4	136.1
Cash EPS	26.1	29.1	11.9	19.6	32.6	53.5	92.7	154.6
BV/Share	151.0	203.9	43.9	164.9	389.1	436.5	521.9	658.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	338.8	325.6	516.2	284.7	162.4	98.3	54.6	34.2
Cash P/E	178.7	160.0	392.3	237.9	142.9	87.2	50.3	30.1
P/BV	30.9	22.9	106.2	28.3	12.0	10.7	8.9	7.1
EV/Sales	9.0	7.9	30.7	23.8	15.8	10.3	6.8	4.3
EV/EBITDA	80.4	80.9	231.4	158.9	112.4	69.4	43.8	27.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	20.6	4.0	-4.6	-17.2	-32.7	-48.6	-148.2	69.4
Return Ratios (%)								
RoE	9.1	8.1	24.4	16.4	10.6	11.5	17.8	23.1
RoCE	10.8	11.2	17.8	16.5	11.6	13.0	17.9	23.7
RoIC	10.9	10.7	18.2	24.0	22.3	25.2	35.6	31.0
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.6	4.6	5.9	4.7	4.8	5.9	2.3
Asset Turnover (x)	1.0	1.0	1.1	0.8	0.6	0.8	0.9	1.0
Inventory (Days)	205	201	146	150	132	122	120	115
Debtor (Days)	106	93	83	69	59	60	60	60
Creditor (Days)	136	120	97	91	80	80	80	80
Leverage Ratio (x)								
Current Ratio	3.0	2.7	2.2	4.0	5.9	4.3	1.7	1.5
Interest Cover Ratio	1.4	1.3	3.1	4.3	4.3	3.8	19.8	30
Net Debt/Equity	1.5	1.0	0.8	-0.4	-0.5	-0.3	0.0	-0.2

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	113	109	590	1,260	2,317	3,848	7,000	11,153
Depreciation	84	101	132	187	251	388	463	1,182
Interest & Finance Charges	228	233	-11	-100	-27	-77	-669	-1,558
Direct Taxes Paid	-19	-28	-22	-503	-483	-819	-1,540	-2,454
(Inc)/Dec in WC	44	-137	-743	-1,629	-1,358	-1,094	-388	1,387
CF from Operations	451	277	-53	-784	701	2,247	4,866	9,710
Others	2	0	265	365	0	0	0	0
CF from Operating incl EO	452	277	211	-419	701	2,247	4,866	9,710
(Inc)/Dec in FA	-312	-250	-422	-581	-2,792	-5,350	-14,339	-5,273
Free Cash Flow	140	27	-211	-1,001	-2,091	-3,103	-9,473	4,437
(Pur)/Sale of Investments	205	2	-33	0	0	0	0	0
Others	8	7	11	-4,352	-12,261	1,065	989	1,878
CF from Investments	-99	-241	-445	-4,933	-15,052	-4,285	-13,350	-3,394
Issue of Shares	0	270	228	6,600	13,436	0	0	0
Inc/(Dec) in Debt	-118	-44	301	-336	1,702	-500	-2,561	0
Interest Paid	-236	-240	-256	-349	-533	-988	-320	-320
Dividend Paid	0	0	0	0	0	0	0	0
Others	0	-6	0	-371	-320	0	0	0
CF from Fin. Activity	-354	-19	272	5,543	14,285	-1,488	-2,881	-320
Inc/Dec of Cash	-1	17	38	191	-67	-3,526	-11,365	5,996
Opening Balance	8	126	143	216	4,860	15,255	11,729	363
Other cash & cash equivalent	115	0	35	4,453	10,462	0	0	0
Closing Balance	123	143	216	4,860	15,255	11,729	363	6,359

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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