

India

HOLD (no change)

Consensus ratings*: Buy 14 Hold 5 Sell 3

Current price:	Rs4,250
Target price: ▲	Rs4,500
Previous target:	Rs3,286
Up/downside:	5.9%
InCred Research / Consensus:	18.9%
Reuters:	KAYN.INS
Bloomberg:	KAYNES IN
Market cap:	US\$3,741m Rs271,649m
Average daily turnover:	US\$11.7m Rs852.1m
Current shares o/s:	63.9m
Free float:	15.4%

*Source: Bloomberg

Key changes in this note

- For FY25F/26F, we raise revenue estimates by ~5%/8% and PAT estimates by ~2%/6%.
- We also introduce our FY27F EPS of Rs87.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.3	55.8	131.4
Relative (%)	6.2	43.0	88.3

Major shareholders	% held
PROMOTERS	63.6
FII	8.0
DII	13.1

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Kaynes Technology

Robust start to FY25

- 1Q EBITDA stood at Rs669m, up 66% YoY, 0.8% above our estimate and 4.8% above the consensus estimate. The EBITDA margin fell by 27bp YoY to 13.3%.
- Management maintained its revenue growth guidance of 50-60% for FY25F, with the EBITDA margin at ~15%. NWC days are likely to decline to 72 days.
- We retain HOLD rating with a higher target price of Rs4,500, (Rs3,286 earlier), as we roll forward our valuation to Sep 2026F (from FY26F) at 60x (from 55x).

Robust revenue-led growth

Kaynes Technology (Kaynes) posted robust 1QFY25 numbers, with revenue at Rs5bn, up 70% YoY (-20% QoQ), beating our estimate by 10% and consensus estimate by 5%. EBITDA came in at Rs669m, up 66% YoY (down 30% QoQ), 0.8% above our estimate and 4.8% above consensus estimate. The EBITDA margin fell by 27bp YoY (down 167bp QoQ) to 13.3%. PAT stood at Rs508m, up 106% YoY (down 38% QoQ, 6% below our estimate and 10.4% above consensus estimate).

Healthy revenue guidance of 50-60% for FY25F is on track

Management maintained its revenue growth guidance of 50-60% for FY25F, with the EBITDA margin at ~14.5-15%. Net working capital or NWC days reduced to 83 in FY24 from 99 in FY23 and they are expected to decline to 70-72 days by the end of FY25F. Moreover, in FY25F, Kaynes is aiming to clock Rs1bn+ in revenue from the medical equipment segment. Kaynes also reiterated its FY28F revenue guidance of US\$1bn, of which 75% is from the current business and the remaining 25% from OSAT and bare PCB boards.

Healthy order book and inflow

In 1QFY25, the monthly average order inflow increased 120% YoY to Rs4.8bn while the order book surged 68% YoY to Rs50bn. It added a few orders within a 5–10-year timeline, which will translate into high margins. Average order value increased from Rs7.6m in 1QFY24 to Rs11m in 1QFY25. The company is focusing on adding orders with a 5–10-year timeline, which will aid in higher margins.

Outlook and valuation

Kaynes consistently adds new capabilities across verticals and expands the customer base, with specific focus on large customers and high-growth segments. The business model of Kaynes has shifted from low-volume, high-mix in the automotive space to high-volume, low-mix in the industrial and EV segments. For FY25F/26F, we raise revenue estimates by ~5%/8% and PAT by ~2%/6%, factoring in higher order inflow at a lower margin. We also introduced our FY27F EPS of Rs87. We retain HOLD rating on Kaynes with a higher target price of Rs4,500, (Rs3,286 earlier), as we roll forward our valuation to Sep 2026F at 60x (from 55x). Supply chain & macroeconomic headwinds are key downside risks. Approval for OSAT business and significant margin expansion are key upside risks.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	11,261	18,046	28,643	41,590	55,772
Operating EBITDA (Rsm)	1,683	2,542	3,992	5,871	8,087
Net Profit (Rsm)	952	1,834	2,794	4,044	5,545
Core EPS (Rs)	14.9	28.7	43.7	63.3	86.7
Core EPS Growth	158.3%	92.7%	52.3%	44.7%	37.1%
FD Core P/E (x)	285.36	148.11	97.23	67.17	48.99
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	159.32	102.09	65.81	45.30	33.10
P/FCFE (x)	(47.75)	(21.47)	(178.26)	(145.25)	(658.29)
Net Gearing	(101.4%)	(49.0%)	(32.4%)	(18.1%)	(10.6%)
P/BV (x)	78.96	10.92	9.82	8.57	7.29
ROE	34.8%	13.0%	10.6%	13.6%	16.1%
% Change In Core EPS Estimates			8.35%	11.52%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY25 conference-call highlights

- **Overview:** Kaynes reported a healthy revenue growth of ~70% YoY in 1QFY25. The company received positive traction, especially from the industrial, aerospace & outer space segments. The company demonstrated consistent quarterly performance, with notable revenue and profit growth over the past five quarters. Despite a slight decrease in the EBITDA margin, profitability metrics improved significantly.
- **Guidance:** Management maintains its revenue growth guidance of 50-60% for FY25F, while the EBITDA margin is expected to improve to ~15% from the current 14% level. Management expects a further improvement in net working capital or NWC days to 70 days by FY25F.
- **Orders:** The order book in Jun 2024 stood at Rs50.4bn, marking an increase of 68% YoY. Order inflow per month increased from Rs2.2bn in 1QFY24 to Rs4.8bn in 1QFY25. Average order value increased from Rs7.6m in 1QFY24 to Rs11m in 1QFY25. The company is focusing on adding orders with a 5–10-year timeline, which will aid in higher margins. Overall, the average execution period for the orders is ~1.25 years.
- **OSAT approval expected shortly:** Outsourced Semiconductor Assembly and Test (OSAT) and high-density interconnection printed circuit board or PCB projects are crucial to the business strategy of being an integrated player. The company is in the final stages of securing government approval for new investments and expects the approval shortly. Even in the event of a two-to-three-month delay, the company believes it will remain within its plan and catch up with the project implementation timeline.
- **50% share to be from high-volume products from 60% currently:** Management stated that the industrial and EV segments are generally high-volume sectors with lower margins. Aerospace, medical equipment and railway segments have higher margins. The company aims to have a 50% share in high-volume products (from the current 60% level) and a 50% share in profit-making products.
- **NWC days stabilize:** Kaynes said that it has a working capital cycle of around 121 days for the quarter, similar to 1QFY24. The company continues to invest in new initiatives and focuses on high-potential opportunities to strengthen its competitive edge. Kaynes consistently adds new capabilities across verticals and expands its customer base, with a specific focus on large customers and high-growth segments. The company maintained strong balance sheet metrics, with an asset turnover ratio of 5.2x.

Figure 1: Quarter results snapshot

Rs m	1QFY25	1QFY24	YoY	4QFY24	QoQ	Incred Estimates	Diff	Consensus	Consensus Diff
Revenue	5,040	2,972	69.6%	6,373	-20.9%	4,577	10.1%	4,800	5.0%
Raw Material Costs	3,664	2,057	78.2%	4,786	-23.4%				
Employee Costs	335	236	41.7%	320	4.6%				
Other Expenditure	372	276	34.7%	314	18.3%				
Total Expenses	4,371	2,569	70.1%	5,421	-19.4%				
EBITDA	669	403	66.2%	952	-29.8%	664	0.8%	638	4.8%
EBITDA Margin (%)	13.3%	13.5%	-27 bp	14.9%	-167 bp				
Other Income	283	81	248.6%	294	-3.8%				
Interest	227	113	101.9%	153	48.1%				
Depreciation	84	53	59.0%	74	13.4%				
PBT	641	319	101.2%	1,019	-37.1%				
Total Tax	133	72	85.0%	207	-35.5%				
PAT	508	246	106.0%	813	-37.5%				
Net Margin (%)	10.1%	8.3%	178 bp	12.8%	-268 bp				
PAT	508	246	106.0%	813	-37.5%	542	-6.3%	460	10.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

% of Sales	1QFY25	1QFY24	YoY	4QFY24	QoQ
Raw Materials	72.7%	69.2%	349 bp	78.1%	-541 bp
Employees Cost	6.6%	7.9%	-131 bp	5.0%	162 bp
Other Expenditure	7.4%	9.3%	-191 bp	4.9%	245 bp
Tax Rate (%)	21%	23%	-183 bp	20%	52 bp
Gross Margin	27.3%	30.8%	-349 bp	21.9%	541 bp

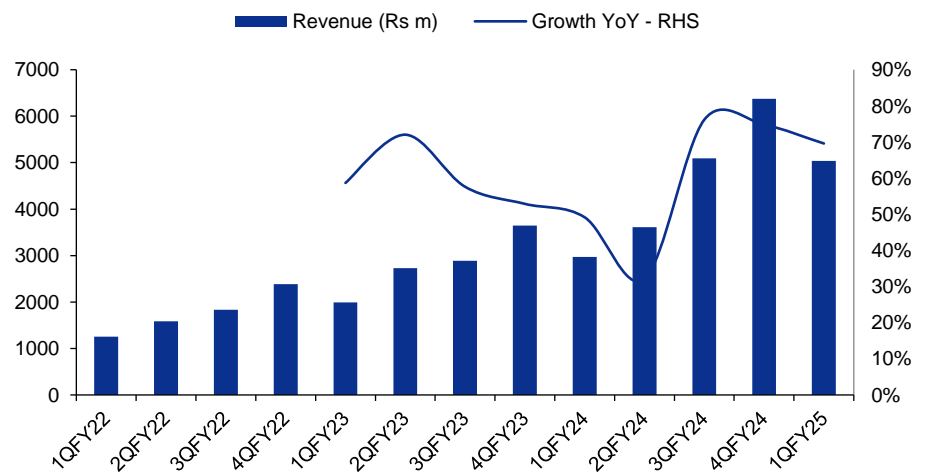
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise revenue details

Segmental Details	1QFY25	1QFY24	YoY	4QFY24	QoQ
Automotive	1,462	951	53.7%	1,615	-9.5%
Industrial (Incl. EV)	2,772	1,070	159.1%	3,526	-21.4%
Aerospace, outer space, etc.	101	89	13.1%	308	-67.3%
Medical	50	149	-66.1%	191	-73.6%
Railways	403	327	23.3%	701	-42.5%
IoT / IT, Cons & Others	252	386	-34.8%	32	682.9%
Total	5,040	2,972	69.6%	6,373	-20.9%
Revenue Share (%)	1QFY25	1QFY24	YoY	4QFY24	QoQ
Automotive	29.0%	32.0%	-300 bp	25.3%	366 bp
Industrial (Inc EV)	55.0%	36.0%	1900 bp	55.3%	-33 bp
Aerospace, outer space, etc.	2.0%	3.0%	-100 bp	4.8%	-283 bp
Medical	1.0%	5.0%	-400 bp	3.0%	-200 bp
Railways	8.0%	11.0%	-300 bp	11.0%	-300 bp
IoT / IT, Cons & Others	5.0%	13.0%	-800 bp	0.5%	449 bp

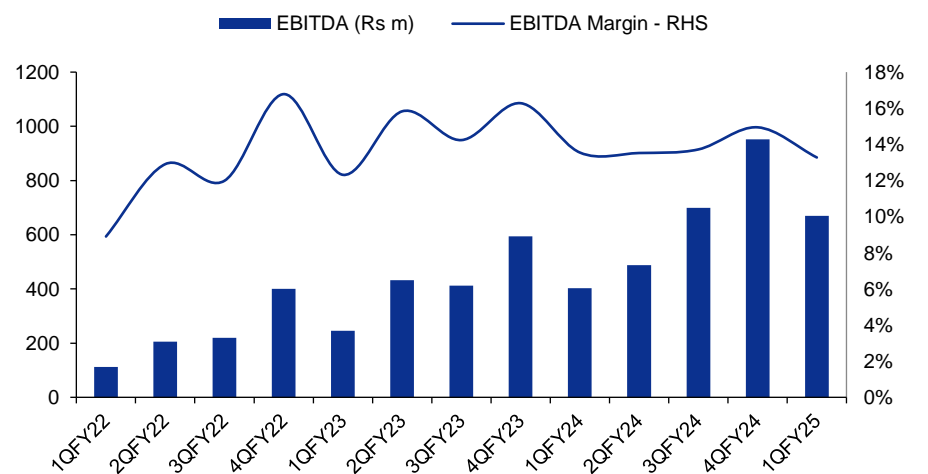
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly revenue trend



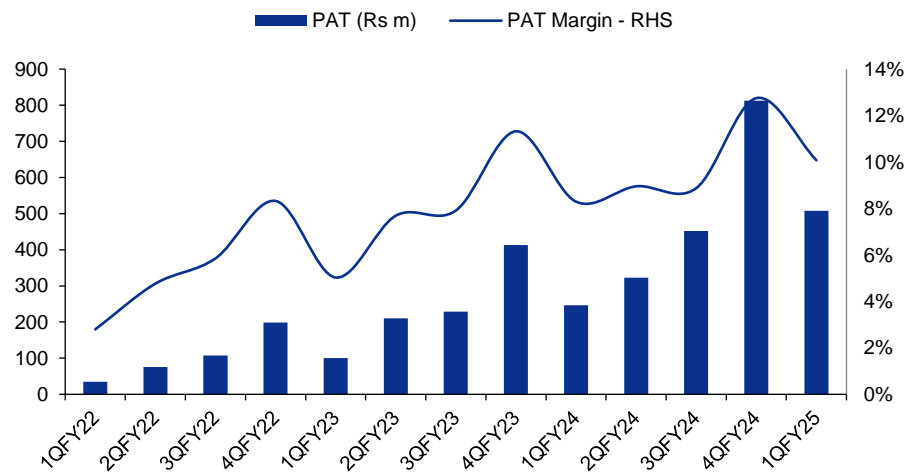
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly PAT trend



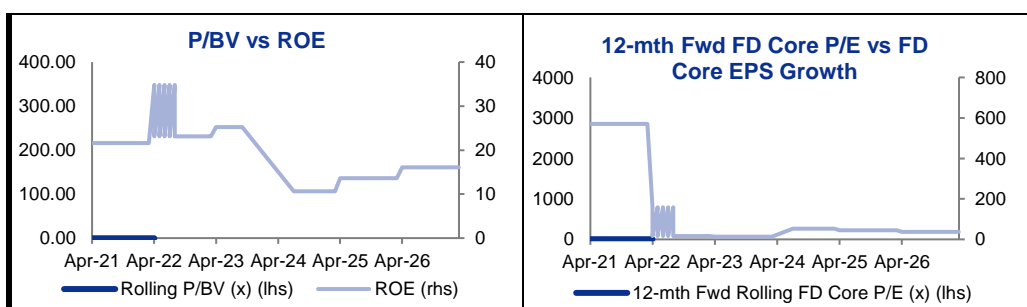
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

(Rs m)	New Estimates		Old Estimates		Change (%)		Introduced
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Revenue	28,643	41,590	27,396	38,555	4.6%	7.9%	55,772
EBITDA	3,992	5,871	3,924	5,586	1.7%	5.1%	8,087
PAT	2,794	4,044	2,741	3,819	1.9%	5.9%	5,545

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	11,261	18,046	28,643	41,590	55,772
Gross Profit	3,460	4,747	7,562	11,146	15,089
Operating EBITDA	1,683	2,542	3,992	5,871	8,087
Depreciation And Amortisation	(187)	(251)	(479)	(759)	(1,039)
Operating EBIT	1,496	2,290	3,513	5,112	7,047
Financial Income/(Expense)	(349)	(533)	(494)	(445)	(400)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	114	559	518	452	371
Profit Before Tax (pre-EI)	1,260	2,317	3,537	5,119	7,018
Exceptional Items					
Pre-tax Profit	1,260	2,317	3,537	5,119	7,018
Taxation	(308)	(483)	(743)	(1,075)	(1,474)
Exceptional Income - post-tax					
Profit After Tax	952	1,834	2,794	4,044	5,545
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	952	1,834	2,794	4,044	5,545
Recurring Net Profit	952	1,834	2,794	4,044	5,545
Fully Diluted Recurring Net Profit	952	1,834	2,794	4,044	5,545

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,260	2,317	3,537	5,119	7,018
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,626)	(1,534)	(1,999)	(3,819)	(4,098)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	187	251	479	759	1,039
Other Operating Cashflow	14	134			
Net Interest (Paid)/Received	251	14	494	445	400
Tax Paid	(503)	(483)	(743)	(1,075)	(1,474)
Cashflow From Operations	(416)	700	1,768	1,429	2,886
Capex	(581)	(3,826)	(4,000)	(4,000)	(4,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(4,453)	(10,461)			
Other Investing Cashflow	98	(765)	738	731	731
Cash Flow From Investing	(4,937)	(15,052)	(3,262)	(3,269)	(3,269)
Debt Raised/(repaid)	(336)	1,702	(31)	(30)	(30)
Proceeds From Issue Of Shares	6,600	13,436			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(667)	(905)	(494)	(445)	(400)
Cash Flow From Financing	5,596	14,232	(525)	(475)	(430)
Total Cash Generated	244	(120)	(2,018)	(2,315)	(813)
Free Cashflow To Equity	(5,689)	(12,651)	(1,524)	(1,870)	(413)
Free Cashflow To Firm	(5,604)	(14,367)	(1,988)	(2,285)	(783)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	4,860	15,256	12,000	8,733	6,938
Total Debtors	2,270	3,556	5,644	8,195	10,989
Inventories	4,132	5,483	7,063	10,369	13,905
Total Other Current Assets	1,039	1,572	2,496	3,624	4,859
Total Current Assets	12,301	25,867	27,201	30,920	36,691
Fixed Assets	1,405	3,806	7,327	10,568	13,528
Total Investments	33	1,318	1,449	1,594	1,754
Intangible Assets	205	437	408	383	360
Total Other Non-Current Assets	236	1,224	1,347	1,482	1,630
Total Non-current Assets	1,880	6,785	10,531	14,026	17,271
Short-term Debt	1,209	2,949	2,920	2,890	2,862
Current Portion of Long-Term Debt					
Total Creditors	2,229	3,610	5,730	8,320	11,157
Other Current Liabilities	696	788	1,251	1,816	2,436
Total Current Liabilities	4,134	7,347	9,901	13,027	16,455
Total Long-term Debt	150	112	110	109	108
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	231	234	229	224	220
Total Non-current Liabilities	382	345	339	334	328
Total Provisions	62	74	95	120	149
Total Liabilities	4,577	7,767	10,335	13,481	16,932
Shareholders Equity	3,440	24,869	27,663	31,707	37,252
Minority Interests	13	16	16	16	16
Total Equity	3,453	24,885	27,679	31,723	37,267

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	60.5%	60.3%	58.7%	45.2%	34.1%
Operating EBITDA Growth	89.4%	51.0%	57.1%	47.1%	37.7%
Operating EBITDA Margin	14.9%	14.1%	13.9%	14.1%	14.5%
Net Cash Per Share (Rs)	54.77	190.79	140.33	89.70	62.09
BVPS (Rs)	53.83	389.07	432.79	496.06	582.80
Gross Interest Cover	4.28	4.30	7.11	11.49	17.60
Effective Tax Rate	24.5%	20.8%	21.0%	21.0%	21.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	68.83	58.92	58.61	60.72	62.77
Inventory Days	149.62	131.94	108.61	104.50	108.89
Accounts Payables Days	90.52	80.12	80.86	84.23	87.37
ROIC (%)	17.6%	14.7%	15.2%	15.6%	16.6%
ROCE (%)	35.0%	14.0%	12.0%	15.6%	18.8%
Return On Average Assets	11.9%	9.5%	9.0%	10.6%	11.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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