



India

ADD (previously HOLD)

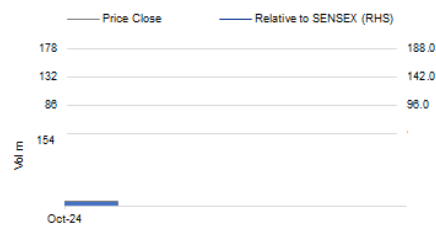
Consensus ratings*: Buy 14 Hold 6 Sell 3

Current price:	Rs5,270
Target price: ▲	Rs6,000
Previous target:	Rs4,500
Up/downside:	13.9%
InCred Research / Consensus:	17.8%
Reuters:	KAYN.INS
Bloomberg:	KAYNES IN
Market cap:	US\$4,645m Rs337,324m
Average daily turnover:	US\$24.7m Rs1791.1m
Current shares o/s:	63.9m
Free float:	11.3%

*Source: Bloomberg

Key changes in this note

- We raise revenue estimates by ~2%-5% and PAT estimates by 8%-9% for FY25F-26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.9)	16.5	121.8
Relative (%)	2.4	19.1	77.2

Major shareholders	% held
Axis MF	2.8
Nippon Life	2.3
Canara Robeco	2.1

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Kaynes Technology

Robust performance to continue; upgrade to ADD

- 2Q EBITDA at Rs821m, up 68% YoY (+23% QoQ), was in line with our estimate and 4% below consensus. The EBITDA margin rose by 83bp YoY to 14.4%.
- Management maintained its revenue growth guidance of Rs30bn for FY25F, with the EBITDA margin at ~14.5-15%. NWC days fell to 108 in 1HFY25.
- Kaynes to sustain its growth trajectory. We upgrade our rating on it to ADD (from HOLD) with a higher TP of Rs6,000 (Rs4,500 earlier), valuing it at 75x.

Healthy revenue-led growth

Kaynes Technology (Kaynes) reported a healthy 2QFY25 revenue of Rs5.7bn, up 56% YoY (+14% QoQ), 6% below our estimate and 4% below the Bloomberg or BB consensus estimate. Revenue growth was primarily driven by the industrial vertical, which was up by ~125% YoY. EBITDA stood at Rs821m, up 68% YoY (+23% QoQ), in line with our estimate and 4% below the BB consensus estimate. The EBITDA margin expanded by 83bp YoY to 14.4%. PAT came in at Rs602m, up 86% YoY (+19% QoQ), 13% above our estimate and 5% below the BB consensus estimate.

Healthy revenue guidance of Rs30bn for FY25F is on track

Management maintained its revenue growth guidance at Rs30bn, (a growth of 66%) for FY25F, with the EBITDA margin at ~14.5-15%. Net working capital or NWC days reduced to 108 in 1HFY25 vs. 119 days in 1HFY24, while management expects them to reduce further to 70-72 days by the end of FY25F.

Robust order book and sustained inflow

In 2QFY25, the monthly average order inflow increased by 24% YoY to Rs3.4bn while the order book surged 57% YoY to Rs54.3bn. Kaynes added a few orders within a 5–10-year timeline, which will translate into high margins. Key growth areas include railway signaling, smart meters, and industrial IoT. The company expects significant demand in 2HFY25F from these verticals, contributing to sustained revenue growth.

Outlook and valuation

Kaynes consistently adds new capabilities across verticals and expands its customer base, with a specific focus on large customers and high-growth segments. Factoring in a healthy 2Q, order book and guidance, we raise our revenue estimates by ~2%-5% and PAT estimates by ~8%-9% for FY25F-26F. Kaynes is aiming to be a fully integrated electronic solutions provider across EMS, OSAT, and high-density interconnect boards. It has successfully added and grown new verticals like smart meter and is now looking to capture opportunities like KAVACH for Indian Railways. We believe Kaynes will sustain its growth trajectory, leveraging innovations in smart technology and industrial solutions. We upgrade our rating on Kaynes to ADD (from HOLD) with a higher target price of Rs6,000, (Rs4,500 earlier), valuing the stock at 75x Sep 2026F (from 60x). Supply chain & macroeconomic headwinds are key downside risks.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	11,261	18,046	29,226	43,627	58,741
Operating EBITDA (Rsm)	1,683	2,542	4,173	6,429	8,704
Net Profit (Rsm)	952	1,834	3,047	4,366	5,861
Core EPS (Rs)	14.9	28.7	47.7	68.3	91.7
Core EPS Growth	158.3%	92.7%	66.1%	43.3%	34.3%
FD Core P/E (x)	353.83	183.65	110.56	77.15	57.47
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)	198.05	127.73	78.56	51.51	38.24
P/FCFE (x)	(59.21)	(26.63)	(305.33)	(170.95)	(922.70)
Net Gearing	(101.4%)	(49.0%)	(32.4%)	(17.7%)	(10.5%)
P/BV (x)	97.91	13.54	12.07	10.43	8.83
ROE	34.8%	13.0%	11.5%	14.5%	16.6%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** Kaynes reported a 64% YoY increase in revenue for 1HFY25, with 2Q revenue at Rs57.bn (+59% YoY). Management has given revenue guidance of Rs30bn for FY25F, with the EBITDA margin at ~15%. The high-margin sectors, such as railways and aerospace, and the low-margin but high-volume verticals like automotive and electric vehicle or EV, balance out the overall EBITDA, enhancing scalability and procurement cost efficiency. Kaynes aims to be a fully integrated electronic solutions provider across EMS, OSAT, and high-density interconnect boards. Management is confident of sustaining the growth trajectory, leveraging innovations in smart technology and industrial solutions. Kaynes is optimistic about growth in various sectors, including aerospace, IoT, industrial, and IT, which are expected to boost revenue and profitability over time.
- **Order book and pipeline:** The current order book stands at Rs54.2bn, up from Rs50.4bn in 1QFY25. Key growth areas include railway signaling, smart meters, and industrial IoT. The company expects significant demand in 2HFY25F from these verticals, contributing to sustained revenue growth.
- **OSAT:** Kaynes is progressing well on its OSAT and HDI PC board projects, with revenue generation expected by 4QFY26F. Additionally, phase one of the smart data factory in Telangana is operational, with further expansion underway at the Sanand plant in Gujarat.
- **Smart meter business:** The acquisition of Iskraemeco positions Kaynes well in the smart meter market, which is estimated to generate Rs65bn in revenue over the coming years. Management aims at capturing a 15%-20% share of the government's smart meter rollout, benefiting from Iskraemeco's proprietary technology and expertise. Besides domestic markets, Kaynes sees opportunities for exporting smart meters and other electronic equipment to Europe, North America, and South America. The company sees export growth, particularly from FY26F. Certain states, particularly Maharashtra, have witnessed a delay in smart meter installations due to political factors. However, management remains optimistic, citing the government's overall commitment to digitalizing power distribution.
- **Industrial & EV:** The industrial segment, including smart meter and Industry 4.0 equipment, is expected to post robust growth in 2HFY25F. While the EV segment faces challenges, Kaynes' diversified customer base (including two-wheeler, three-wheeler, and component manufacturers) provides some insulation from market volatility.
- **KAVACH Project:** Kaynes is working on the KAVACH rail signaling project as an ODM player, in collaboration with a German partner. The company is targeting a 15%-20% market share in this segment, with significant revenue potential as the government expands rail infrastructure.
- **Working capital:** The net working capital cycle is targeted to reduce to approximately 75-72 days by the year-end, down from 108 days. This was attributed to strategic inventory purchases in anticipation of 2HFY25F demand. Management expects to generate positive cash flow by the year-end.
- **Customer relationship:** Kaynes prioritizes long-term customer relationships and has been working on customer acquisition strategies that can yield revenue in FY27F-28F. This approach aims to diversify income sources and stabilize revenue.

Figure 1: Quarterly results snapshot

Rs m	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Revenue	5,721	3,608	58.5%	5,040	13.5%	10,761	6,580	63.5%
Raw Material Costs	4,073	2,602	56.5%	3,664	11.2%	7,935	4,829	64.3%
Employees Costs	399	223	79.3%	335	19.3%	734	459	59.9%
Other Expenditure	428	295	44.7%	372	15.0%	799	572	39.8%
Total Expenses	4,900	3,121	57.0%	4,371	12.1%	9,271	5,690	62.9%
EBITDA	821	488	68.3%	669	22.8%	1,490	891	67.3%
EBITDA Margin (%)	14.4%	13.5%	83 bps	13.3%	108 bps	13.8%	13.5%	32 bps
Other Income	336	90	274.4%	283	18.5%	619	171	262.1%
Interest	221	118	87.4%	227	-2.6%	449	231	94.5%
Depreciation	86	65	31.5%	84	2.7%	170	118	43.8%
PBT	849	394	115.5%	641	32.5%	1,491	713	109.1%
Total Tax	247	71	248.4%	133	85.4%	358	161	122.7%
PAT	602	323	86.4%	508	18.6%	1,110	570	94.9%
Net Margin (%)	10.5%	9.0%	157 bps	10.1%	45 bps	10.3%	8.7%	166 bps
PAT	602	323	86.4%	508	18.6%	1,110	570	94.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

% of Sales	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Raw Material Costs	71.2%	72.1%	-92bp	72.7%	-151bp	73.7%	73.4%	35bp
Employees Costs	7.0%	6.2%	81bp	6.6%	34bp	6.8%	7.0%	-15bp
Other Expenditure	7.5%	8.2%	-72bp	7.4%	9bp	7.4%	8.7%	-126bp
Tax Rate (%)	29%	18%	1,111bp	21%	832bp	24%	23%	146bp
Gross Margin	28.8%	27.9%	92bp	27.3%	151bp	26.3%	26.6%	-35bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental revenue

Segmental Details	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Automotive	1,562	1,221	28.0%	1,462	6.9%	3,024	2,171	39.3%
Industrial (Incl. EV)	3,071	1,365	125.0%	2,772	10.8%	5,843	2,435	140.0%
Aerospace, Outer Space, etc.	61	108	-44.0%	101	-39.9%	161	197	-18.2%
Medical	111	115	-3.1%	50	120.3%	161	263	-38.7%
Railways	415	529	-21.5%	403	2.8%	818	855	-4.4%
IoT / IT, Consumer & Others	501	272	84.5%	252	98.9%	753	658	14.5%
Total	5,721	3,608	58.5%	5,040	13.5%	10,761	6,580	63.5%
Revenue Share (%)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Automotive	27.3%	33.8%	-652bp	29.0%	-169bp	28.1%	33.0%	-490bp
Industrial (Inc EV)	53.7%	37.8%	1,586bp	55.0%	-132bp	54.3%	37.0%	1,730bp
Aerospace, Outer-space etc.	1.1%	3.0%	-194bp	2.0%	-94bp	1.5%	3.0%	-150bp
Medical	1.9%	3.2%	-124bp	1.0%	94bp	1.5%	4.0%	-250bp
Railways	7.2%	14.6%	-740bp	8.0%	-75bp	7.6%	13.0%	-540bp
IoT / IT, Cons & Others	8.8%	7.5%	123bp	5.0%	376bp	7.0%	10.0%	-300bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals vs. estimates

vs. InCred	2QFY25	2QFY25F	Diff
Revenue	5,721	6122	-6.6%
EBITDA	821	817	0.5%
Margin (%)	14.4%	13.4%	100bp
PAT	602	534	12.7%
vs. Consensus	2QFY25	2QFY25C	Diff
Revenue	5,721	5986	-4.4%
EBITDA	821	856	-4.1%
Margin (%)	14.4%	14.3%	5bp
PAT	602	633	-4.9%

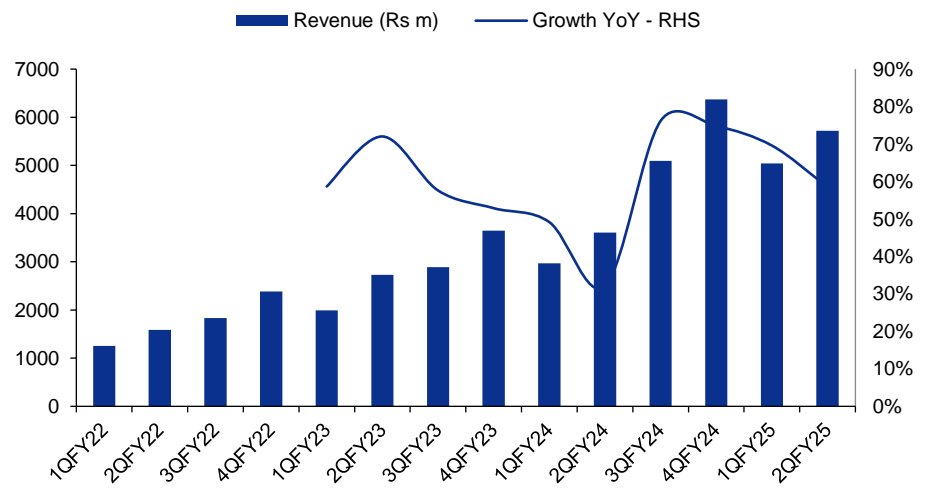
SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Figure 5: Our revised earnings estimates

(Rs m)	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	29,226	43,627	58,741	28,643	41,590	55,772	2.0%	4.9%	5.3%
EBITDA	4,173	6,429	8,704	3,992	5,871	8,087	4.5%	9.5%	7.6%
PAT	3,047	4,366	5,861	2,794	4,044	5,545	9.0%	8.0%	5.7%

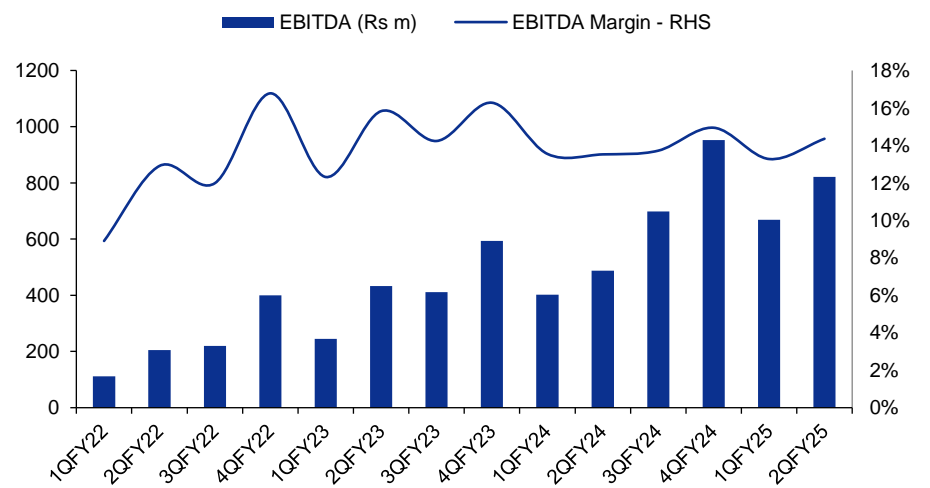
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: Quarterly revenue trend



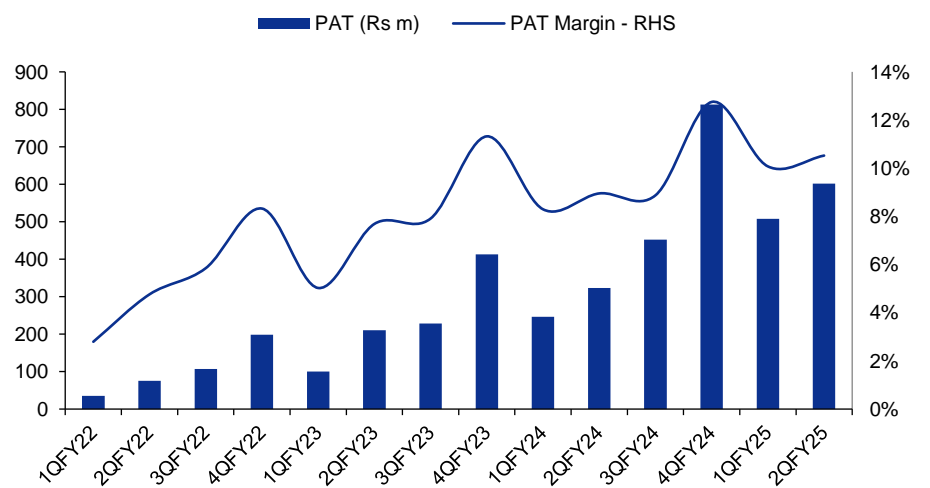
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



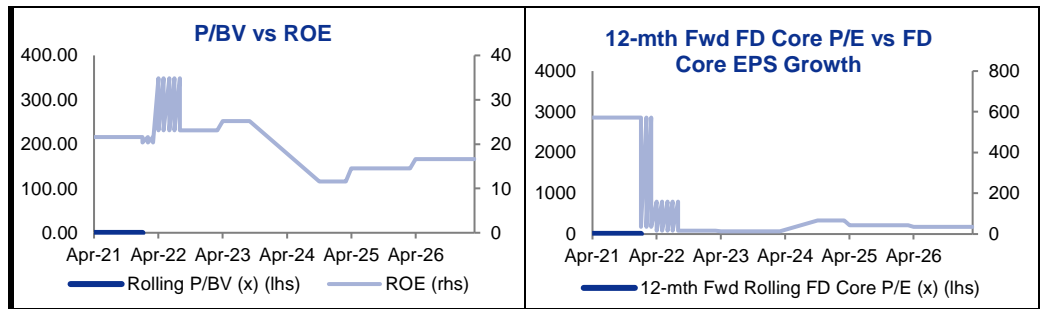
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	11,261	18,046	29,226	43,627	58,741
Gross Profit	3,460	4,747	7,808	11,692	15,801
Operating EBITDA	1,683	2,542	4,173	6,429	8,704
Depreciation And Amortisation	(187)	(251)	(363)	(759)	(1,039)
Operating EBIT	1,496	2,290	3,810	5,670	7,665
Financial Income/(Expense)	(349)	(533)	(946)	(445)	(400)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	114	559	1,300	452	371
Profit Before Tax (pre-EI)	1,260	2,317	4,164	5,677	7,636
Exceptional Items					
Pre-tax Profit	1,260	2,317	4,164	5,677	7,636
Taxation	(308)	(483)	(1,117)	(1,311)	(1,775)
Exceptional Income - post-tax					
Profit After Tax	952	1,834	3,047	4,366	5,861
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	952	1,834	3,047	4,366	5,861
Recurring Net Profit	952	1,834	3,047	4,366	5,861
Fully Diluted Recurring Net Profit	952	1,834	3,047	4,366	5,861

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,260	2,317	4,164	5,677	7,636
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,626)	(1,534)	(2,166)	(4,241)	(4,367)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	187	251	363	759	1,039
Other Operating Cashflow	14	134			
Net Interest (Paid)/Received	251	14	946	445	400
Tax Paid	(503)	(483)	(1,117)	(1,311)	(1,775)
Cashflow From Operations	(416)	700	2,189	1,329	2,934
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)	(946)	(445)	(400)
Cash Flow From Financing	5,596	14,232	(977)	(475)	(430)
Total Cash Generated	244	(120)	(2,049)	(2,415)	(765)
Free Cashflow To Equity	(5,689)	(12,651)	(1,103)	(1,970)	(365)
Free Cashflow To Firm	(5,604)	(14,367)	(2,019)	(2,385)	(735)

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	12,085	8,718	6,971
Total Debtors	2,270	3,556	5,759	8,596	11,574
Inventories	4,132	5,483	7,207	10,877	14,645
Total Other Current Assets	1,039	1,572	2,546	3,801	5,118
Total Current Assets	12,301	25,867	27,597	31,992	38,308
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	5,847	8,728	11,751
Other Current Liabilities	696	788	1,277	1,905	2,566
Total Current Liabilities	4,134	7,347	10,043	13,524	17,178
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	96	122	151
Total Liabilities	4,577	7,767	10,478	13,979	17,658
Shareholders Equity	3,440	24,869	27,915	32,281	38,142
Minority Interests	13	16	16	16	16
Total Equity	3,453	24,885	27,931	32,297	38,158

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	60.5%	60.3%	62.0%	49.3%	34.6%
Operating EBITDA Growth	89.4%	51.0%	64.2%	54.1%	35.4%
Operating EBITDA Margin	14.9%	14.1%	14.3%	14.7%	14.8%
Net Cash Per Share (Rs)	54.77	190.79	141.67	89.47	62.60
BVPS (Rs)	53.83	389.07	436.74	505.04	596.74
Gross Interest Cover	4.28	4.30	4.03	12.74	19.14
Effective Tax Rate	24.5%	20.8%	26.8%	23.1%	23.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	68.83	58.92	58.16	60.05	62.67
Inventory Days	149.62	131.94	108.13	103.34	108.47
Accounts Payables Days	90.52	80.12	80.58	83.29	87.04
ROIC (%)	17.6%	14.7%	16.3%	16.9%	17.6%
ROCE (%)	35.0%	14.0%	12.9%	17.1%	20.1%
Return On Average Assets	11.9%	9.5%	10.6%	11.2%	12.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.