

India

ADD (no change)

Consensus ratings*: Buy 14 Hold 6 Sell 3

Current price:	Rs5,268
Target price: ▲	Rs6,117
Previous target:	Rs6,000
Up/downside:	16.1%
InCred Research / Consensus:	1.9%
Reuters:	
Bloomberg:	KAYNES IN
Market cap:	US\$3,906m Rs337,212m
Average daily turnover:	US\$47.6m Rs4108.5m
Current shares o/s:	64.0m
Free float:	11.3%

*Source: Bloomberg

Key changes in this note

- We lower our revenue estimates by ~5%-9% and PAT estimates by ~5%-10% for FY25F-26F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(25.5)	(0.6)	83.0
Relative (%)	(22.2)	5.5	71.7

Major shareholders	% held
Axis MF	2.8
Nippon Life	2.0
Canara Robeco	1.4

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Kaynes Technology

Some hiccups due to delay in shipment

- 3Q EBITDA stood at Rs940m, up 35% YoY, 19% below our estimate and 24% below BB consensus estimate. EBITDA margin expanded 50bp YoY to 14.2%.
- Management lowered its FY28F revenue guidance to Rs28bn, from Rs30bn earlier, for FY25F, with the EBITDA margin at ~15%.
- We cut revenue estimates by ~5%-9% and PAT estimates by ~5%-10% for FY25F-26F. Retain ADD rating with a higher TP of Rs6,117, (Rs6,000 earlier).

Delay in shipment restricts revenue growth

Kaynes Technology (Kaynes) reported a 3QFY25 revenue of Rs6.6bn, up 30% YoY (+16% QoQ), 20% below our estimate and 18% below Bloomberg or BB consensus estimate. The revenue growth was restricted due to delayed shipments in rail and industrial segments, particularly in the case of smart meters. However, management believes it to be a temporary problem and expects an improvement in 4QFY25F. EBITDA stood at Rs940m, up 35% YoY (+15% QoQ), 19% below our estimate and 24% below BB consensus estimate. The EBITDA margin expanded by 50bp YoY to 14.2%. PAT was at Rs665m, up 47% YoY (+10% QoQ), 22% below our estimate & 26% below BB consensus estimate.

Lowers revenue guidance

Management lowered its FY28F revenue guidance to Rs28bn, from Rs30bn earlier, for FY25F, with the EBITDA margin at ~15%. Net working capital or NWC days reduced to 107 in 9MFY25 vs. 117 days in 9MFY24, while management expects them to decline further in the coming quarters.

Robust order book with sustained inflow

In 3QFY25, total order inflow rose by 43% YoY to Rs12.9bn while the order book surged 60% YoY to Rs60.5bn. Kaynes added a few orders in verticals such as industrial, electric vehicle or EV, aerospace & medical equipment, which will translate into a higher margin. Key growth areas include railway signaling, smart meters, & industrial IoT. Kaynes is focused on operationalizing additional geographical beachheads & deepening its tech footprint. Plans are underway to enhance ODM capabilities which will drive future 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 the soft 3Q performance and guidance, we cut revenue estimates by ~5%-9% and PAT estimates by ~5%-10% 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 bare PCB, OSAT & KAVACH. We believe Kaynes will sustain its growth trajectory, leveraging innovations in smart technology and industrial solutions. Retain ADD rating on the stock with a higher target price of Rs6,117, (Rs6,000 earlier), valuing it at 70x FY27F (from 75x Sep 2026F). 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	27,435	39,526	55,553
Operating EBITDA (Rsm)	1,683	2,542	3,920	5,822	8,209
Net Profit (Rsm)	952	1,834	2,737	4,034	5,594
Core EPS (Rs)	14.9	28.7	42.8	63.0	87.4
Core EPS Growth	158.3%	92.7%	49.2%	47.4%	38.7%
FD Core P/E (x)	354.23	183.86	123.20	83.59	60.28
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)	198.27	127.88	83.62	56.75	40.49
P/FCFE (x)	(59.27)	(26.66)	105.77	(19,642.79)	434.21
Net Gearing	(101.4%)	(49.0%)	(34.2%)	(21.5%)	(13.0%)
P/BV (x)	98.01	13.56	12.21	10.66	9.06
ROE	34.8%	13.0%	10.4%	13.6%	16.2%
% Change In Core EPS Estimates			(10.29%)	(7.72%)	(4.70%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** Kaynes reported 3QFY25 revenue growth of ~30% YoY, which was below expectations. The EBITDA margin stood at ~14.2%, showing an improvement of 50bp YoY, led by an improvement in gross margin. The order book increased to Rs60.4bn in 3QFY25 from Rs54.2bn QoQ, with an order inflow of Rs12.2bn (up 55% YoY) driven by verticals like industrial, EV, aerospace and medical equipment. Rail and industrial segments faced delayed shipment and offtake problems, particularly in the case of smart meters. However, management stated that these problems are temporary, and an improvement is likely in 4QFY25F.
- **Guidance:** Management lowered its FY25F revenue guidance to Rs28bn, from Rs30bn earlier, with the EBITDA margin at 15% led by a favourable business mix amid contributions from high-margin sectors like industrial, aerospace, IT, and medical equipment. Kaynes expects a healthy performance across verticals such as industrial, EV, aerospace, medical equipment, and automotive.
- **OSAT update:** Construction has commenced at the OSAT facility in Sanand, Gujarat, and the HDI PCB factory in Tamil Nadu. Both projects are progressing on schedule, with revenue expected by 4QFY26F.
- **Integration of Iskraemeco India:** The integration of Iskraemeco India, a recent acquisition in the smart meter business, is progressing smoothly. The Hyderabad-based smart meter factory is in production, with substantial orders requiring capacity expansion.
- **New acquisition - Sensonic:** Kaynes acquired majority stake in Sensonic, a global artificial intelligence or AI-based railway network safety solution provider, emphasizing its focus on innovative and high-growth sectors.
- **Working capital:** Net working capital days improved to 107 from 117 in the previous year, and inventory days stood at 117, reflecting proactive procurement to meet upcoming demands.
- **Geographical expansion:** Kaynes outlined plans to enhance its global presence, deepen technology expertise, and strengthen ODM capabilities, aiming for a transition from millions to billions of dollars in revenue.
- **Outlook:** Kaynes is focused on operationalizing additional geographical beachheads and deepening its technology footprint. Plans are underway to enhance ODM capabilities, which will drive future growth. Management is focused on the goal of transitioning Kaynes into a fully integrated ESDM company.

Figure 1: Results snapshot

Rs m	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Revenue	6,612	5,093	29.8%	5,721	15.6%	17,373	11,673	48.8%
Raw Material Costs	4,573	3,854	18.7%	4,073	12.3%	12,741	8,734	45.9%
Employees Cost	578	249	132.5%	399	44.8%	1,312	708	85.4%
Other Expenditure	520	292	78.3%	428	21.6%	1,319	863	52.8%
Total Expenses	5,671	4,394	29.1%	4,900	15.7%	14,942	10,084	48.2%
EBITDA	940	699	34.6%	821	14.5%	2,431	1,589	52.9%
EBITDA Margin (%)	14.2%	13.7%	50 bps	14.4%	-13 bps	14.0%	13.6%	38 bps
Other Income	246	94	161.5%	336	-26.6%	865	265	226.4%
Interest	270	148	81.7%	221	21.8%	718	379	89.5%
Depreciation	108	60	81.9%	86	26.2%	278	178	56.6%
PBT	808	585	38.2%	849	-4.8%	2,299	1,298	77.2%
Total Tax	144	133	8.2%	247	-41.8%	525	288	82.3%
PAT	665	452	47.1%	602	10.4%	1,774	1,022	73.7%
Net Margin (%)	10.1%	8.9%	118bp	10.5%	-47bp	10.2%	8.8%	146bp
PAT	665	452	47.1%	602	10.4%	1,774	1,022	73.7%

: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost and margins

% of Sales	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Raw Materials	69.2%	75.7%	-650bp	71.2%	-202bp	73.3%	74.8%	-148bp
Employees Costs	8.7%	4.9%	386bp	7.0%	176bp	7.6%	6.1%	149bp
Other Expenditure	7.9%	5.7%	214bp	7.5%	39bp	7.6%	7.4%	20bp
Tax Rate (%)	18%	23%	-494bp	29%	-1,133bp	23%	22%	64bp
Gross Margin	30.8%	24.3%	650bp	28.8%	202bp	26.7%	25.2%	148bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental performance (Rs m)

Kaynes - Segmental	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Automotive	1,875	1,447	29.6%	1,562	20.0%	4,899	3,619	35.4%
Industrial (Incl. EV)	3,747	2,702	38.7%	3,071	22.0%	9,590	5,136	86.7%
Aerospace, Outerspace, etc.	12	36	-65.9%	61	-79.7%	174	233	-25.6%
Medical	203	87	133.8%	111	83.2%	365	350	4.2%
Railways	433	429	1.0%	415	4.4%	1,251	1,284	-2.6%
IoT / IT, Cons & Others	324	393	-17.5%	501	-35.4%	1,077	1,051	2.5%
Total	6,594	5,093	29.5%	5,721	15.3%	17,355	11,673	48.7%

Revenue Share (%)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Automotive	28.4%	28.4%	-5bp	27.3%	106bp	28%	31%	-280bp
Industrial (Inc EV)	56.7%	53.0%	362bp	53.7%	298bp	55%	44%	1,120bp
Aerospace, Outerspace, etc.	0.2%	0.7%	-52bp	1.1%	-87bp	1%	2%	-100bp
Medical	3.1%	1.7%	137bp	1.9%	114bp	2%	3%	-90bp
Railways	6.5%	8.4%	-187bp	7.2%	-70bp	7%	11%	-380bp
IoT / IT, Cons & Others	4.9%	7.7%	-281bp	8.8%	-386bp	6%	9%	-280bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

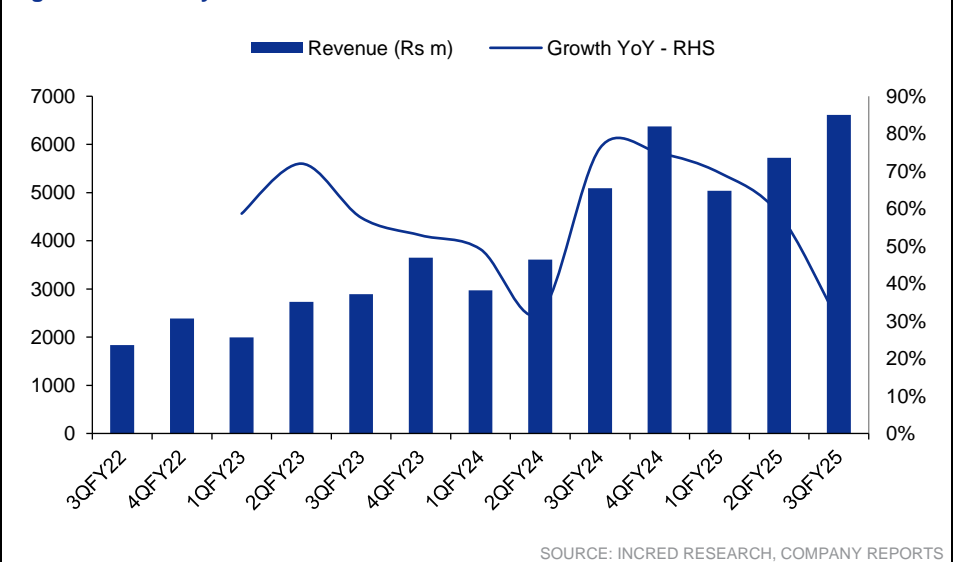
Figure 4: Actuals versus estimates (Rs m)

vs. InCred	3QFY25	3QFY25F	Diff.
Revenue	6,612	8211	-19.5%
EBITDA	940	1166	-19.4%
Margin (%)	14.2%	14.2%	2bp
PAT	665	856	-22.4%

vs. Consensus	3QFY25	3QFY25C	Diff.
Revenue	6,612	8028	-17.6%
EBITDA	940	1229	-23.5%
Margin (%)	14.2%	15.3%	-109bp
PAT	665	901	-26.2%

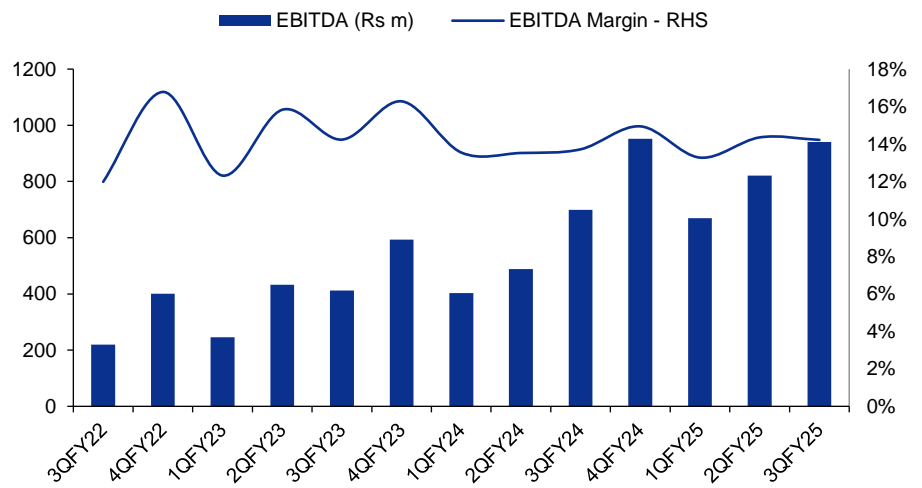
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly revenue trend



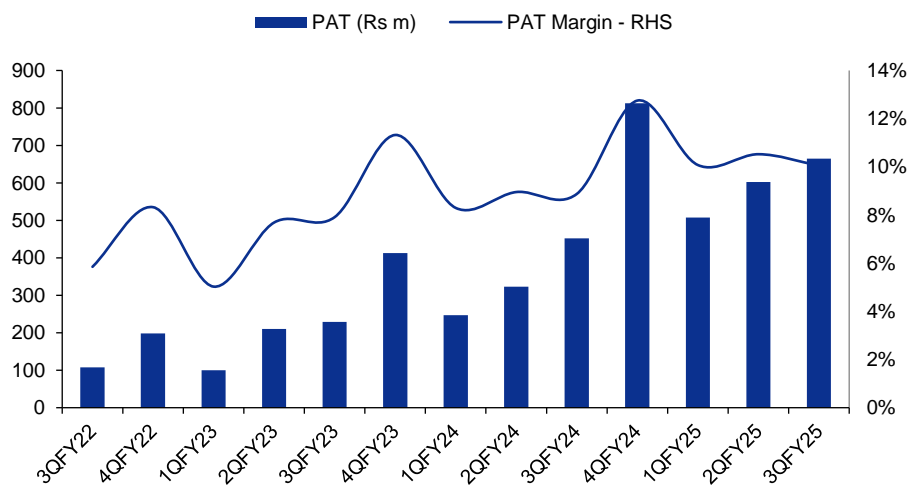
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly PAT trend



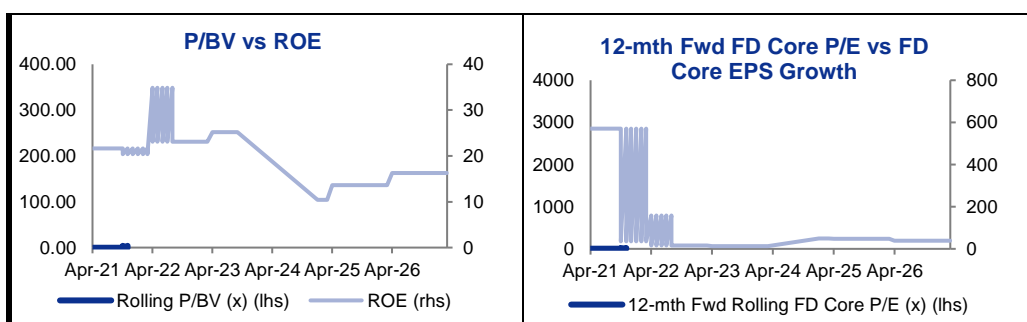
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our revised earnings estimates

(Rs m)	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	27,435	39,526	55,553	29,226	43,627	58,741	-6.1%	-9.4%	-5.4%
EBITDA	3,920	5,822	8,209	4,173	6,429	8,704	-6.1%	-9.4%	-5.7%
PAT	2,737	4,034	5,594	3,047	4,366	5,861	-10.2%	-7.6%	-4.6%

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	27,435	39,526	55,553
Gross Profit	3,460	4,747	7,578	10,870	15,166
Operating EBITDA	1,683	2,542	3,920	5,822	8,209
Depreciation And Amortisation	(187)	(251)	(395)	(624)	(834)
Operating EBIT	1,496	2,290	3,525	5,198	7,375
Financial Income/(Expense)	(349)	(533)	(1,010)	(1,021)	(1,050)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	114	559	1,121	1,062	939
Profit Before Tax (pre-EI)	1,260	2,317	3,636	5,239	7,265
Exceptional Items					
Pre-tax Profit	1,260	2,317	3,636	5,239	7,265
Taxation	(308)	(483)	(899)	(1,205)	(1,671)
Exceptional Income - post-tax					
Profit After Tax	952	1,834	2,737	4,034	5,594
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	952	1,834	2,737	4,034	5,594
Recurring Net Profit	952	1,834	2,737	4,034	5,594
Fully Diluted Recurring Net Profit	952	1,834	2,737	4,034	5,594

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,260	2,317	3,636	5,239	7,265
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,626)	(1,534)	(1,660)	(3,562)	(4,631)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	187	251	395	624	834
Other Operating Cashflow	14	134			
Net Interest (Paid)/Received	251	14	1,010	1,021	1,050
Tax Paid	(503)	(483)	(899)	(1,205)	(1,671)
Cashflow From Operations	(416)	700	2,482	2,117	2,846
Capex	(581)	(3,826)	(3,800)	(3,500)	(3,500)
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)	(3,062)	(2,769)	(2,769)
Debt Raised/(repaid)	(336)	1,702	3,767	635	699
Proceeds From Issue Of Shares	6,600	13,436			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(667)	(905)	(1,010)	(1,021)	(1,050)
Cash Flow From Financing	5,596	14,232	2,758	(386)	(350)
Total Cash Generated	244	(120)	2,178	(1,038)	(273)
Free Cashflow To Equity	(5,689)	(12,651)	3,188	(17)	777
Free Cashflow To Firm	(5,604)	(14,367)	(1,589)	(1,673)	(972)

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	16,265	14,275	13,020
Total Debtors	2,270	3,556	5,406	7,788	10,946
Inventories	4,132	5,483	6,765	9,854	13,850
Total Other Current Assets	1,039	1,572	2,390	3,444	4,840
Total Current Assets	12,301	25,867	30,825	35,361	42,656
Fixed Assets	1,405	3,806	7,143	10,020	12,686
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	10,348	13,478	16,429
Short-term Debt	1,209	2,949	6,395	7,035	7,738
Current Portion of Long-Term Debt					
Total Creditors	2,229	3,610	5,488	7,907	11,113
Other Current Liabilities	696	788	1,198	1,726	2,426
Total Current Liabilities	4,134	7,347	13,082	16,668	21,278
Total Long-term Debt	150	112	433	429	425
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	231	234	229	224	220
Total Non-current Liabilities	382	345	662	653	644
Total Provisions	62	74	88	118	149
Total Liabilities	4,577	7,767	13,832	17,440	22,071
Shareholders Equity	3,440	24,869	27,607	31,641	37,235
Minority Interests	13	16	16	16	16
Total Equity	3,453	24,885	27,623	31,657	37,251

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	60.5%	60.3%	52.0%	44.1%	40.5%
Operating EBITDA Growth	89.4%	51.0%	54.2%	48.5%	41.0%
Operating EBITDA Margin	14.9%	14.1%	14.3%	14.7%	14.8%
Net Cash Per Share (Rs)	54.69	190.51	147.42	106.41	75.89
BVPS (Rs)	53.75	388.51	431.28	494.31	581.70
Gross Interest Cover	4.28	4.30	3.49	5.09	7.03
Effective Tax Rate	24.5%	20.8%	24.7%	23.0%	23.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	68.83	58.92	59.61	60.92	61.54
Inventory Days	149.62	131.94	112.57	105.84	107.12
Accounts Payables Days	90.52	80.12	83.62	85.31	85.95
ROIC (%)	17.6%	14.7%	15.7%	16.7%	17.9%
ROCE (%)	35.0%	14.0%	11.3%	14.1%	17.4%
Return On Average Assets	11.9%	9.5%	9.5%	10.7%	11.8%

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.