India

Overweight *(no change)*

Highlighted Companies

Cyient DLM Ltd

ADD, TP Rs1000, Rs637 close

Cyient DLM has a strong presence in the defence products segment, which is likely to benefit from policy tailwinds in the defence space in India and Europe. The air taxi optionality could also play out by FY27F, as Honeywell's largest client Lilium vies for type certification by the end of CY24F.

Dixon Technologies

ADD, TP Rs17200, Rs14876 close

Dixon Technologies has captured a large market share across categories in the consumer electronics outsourcing space, much above its peers. Management gave guidance of volume dipping slightly in 3QFY25F, touching around 2.3-2.4m units per month, due to post-Diwali festival market slowdown. However, the company expects a recovery in 4QFY25F, with the volume seen rising to 2.8-3m units per month as demand picks up.

Kaynes Technology

ADD, TP Rs6000, Rs5776 close

The acquisition of Iskraemeco positions Kaynes Technology well in the smart meter market, which is estimated to generate Rs65bn in revenue over the coming years. Management aims to capture a 15%-20% share of the government's smart meter rollout. Kaynes Technology consistently adds new capabilities across verticals and expands its customer base, with a specific focus on large customers and high-growth segments.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Cyient DLM Ltd	82.51	52.91	32.68
Dixon Technologies	230.86	132.74	82.26
Kaynes Technology	201.29	121.18	84.56

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Cyient DLM Ltd	5.55	5.03	4.36
Dixon Technologies	52.49	34.88	24.65
Kaynes Technology	14.85	13.22	11.44

EMS

Burgeoning glocalization is here to stay

- In 2Q, our EMS coverage universe reported a 98% YoY growth in revenue while EBITDA & PAT were also up significantly by 81% and 89%, respectively.
- FY25F RAC industry volume is expected at 13m units. Kaynes expects a revenue of Rs30bn, (+66%). PGEL's sales/PAT growth guidance at 50%/83%.
- We believe that 'burgeoning glocalization' will continue in India. We upgrade our rating on Kaynes to ADD (from HOLD) and downgrade Amber to HOLD.

Strong 2QFY25 performance across our coverage universe

In 2QFY25, our electronics manufacturing services or EMS coverage universe reported a 98% YoY growth in revenue while EBITDA and PAT were also up significantly by 81% and 89%, respectively. Sales growth was primarily led by Dixon Technologies or Dixon (+133%), Amber Enterprises or Amber (+82%) and Kaynes Technology or Kaynes (+59%). Syrma SGS was the major laggard which witnessed a 17% decline. Avalon Technologies (Avalon) witnessed a 139% improvement in EBITDA while Dixon and Amber also saw a 114% and 91% jump, respectively. On the profitability front, Avalon saw the highest PAT growth of 140% YoY. Amber reported a net profit as against a loss YoY. Dixon's profitability improved 108% YoY. On an aggregate basis, printed circuit board assembly or PCBA EMS companies in our coverage universe reported revenue, EBITDA and PAT growth of 32%, 60% and 57%, respectively. Margin improved by 183bp overall. Consumer EMS companies saw revenue, EBITDA and PAT growth of 113%, 89% and 109%, respectively.

Management commentaries are optimistic

Cyient DLM is exploring expansion into the EV space, Dixon expects a lower volume in 3QFY25F, at ~2.3-2.4m units per month. However, it expects a recovery in 4QFY25F, with the volume seen rising to 2.8-3m units per month. Amber expects a strong year for the room air-conditioner or RAC industry in FY25F, with a volume of 13m units. Despite muted sales growth in 2Q, Syrma maintained its FY25F revenue guidance of Rs45bn (up 45%), with EBITDA at Rs3bn, aided by a favourable order mix & operational efficiency. Kaynes maintained its revenue growth guidance at Rs30bn, (+66%) for FY25F, with the EBITDA margin at ~14.5-15%. Net working capital or NWC days reduced further to 70-72 days by FY25F. Avalon gave 16-24% FY25F revenue growth guidance. After a strong 1HFY25 performance, PG Electroplast or PGEL revised upward its FY25F revenue guidance to Rs42.5bn (up ~50%) and PAT guidance to Rs2.5bn, up 83% YoY.

Outlook and valuation

We continue to believe that 'burgeoning glocalization' is likely to prevail in India over the next few years led by government initiatives like Atma Nirbhar Bharat and PLI scheme. We upgrade Kaynes to ADD (from HOLD) with a higher target price of Rs6,000 (Rs4,500 earlier) as the company sustained its growth trajectory, leveraging innovations in smart technology and industrial solutions. We downgrade Amber to HOLD (from ADD) as the stock rallied ~50% since we upgraded our rating on it to ADD in the last three months. Top Picks: We like Cyient DLM, which offers electronics solutions for mission-critical applications with high entry barriers. Also, Dixon, which is highly scalable and profitable, with high fungibility in its product line.

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Figure 1: Results summary of our coverage universe

Company	Rating	CMP	Sales (Rs m)		EBITDA (Rs m)		EBITDA Margin (%)		PAT (Rs m)	
		Rs	Sep-24	YoY	Sep-24	YoY	Sep-24	YoY (bp)	Sep-24	YoY
Dixon	ADD	14,811	1,15,341	133%	4,264	114%	3.7%	(33)	2,360	108%
Amber	HOLD	6,209	16,847	82%	1,137	91%	6.8%	33	236	N/A
PGEL	REDUCE	624	6,713	46%	564	50%	8.4%	24	193	56%
Kaynes	ADD	5,623	5,721	59%	821	68%	14.4%	83	602	86%
Syrma	ADD	560	8,327	17%	710	45%	8.5%	164	396	30%
Avalon	REDUCE	831	2,750	37%	301	139%	11.0%	469	175	140%
Cyient DLM	ADD	623	3,895	33%	316	34%	8.1%	6	155	5%
IKIO	REDUCE	251	1,250	6%	222	-17%	17.8%	(490)	129	-29%
Elin	ADD	201	3,046	11%	113	15%	3.7%	11	53	35%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Results snapshot

Company	Rating	Sales					EBITDA					PAT					EBITDA Margin				
(Rs m)		Sep-24	Sep-23	YoY	Jun-24	QoQ	Sep-24	Sep-23	YoY	Jun-24	QoQ	Sep-24	Sep-23	YoY	Jun-24	QoQ	Sep-24	Sep-23	YoY (bp)	Jun-24	QoQ (bp)
Dixon	ADD	1,15,341	49,432	133.3%	65,798	75.3%	4,264	1,989	114.4%	2,479	72.0%	2,360	1,134	108.2%	1,397	68.9%	3.7%	4.0%	-33	3.8%	-7
Amber	HOLD	16,847	9,271	81.7%	24,013	-29.8%	1,137	596	90.9%	1,962	-42.0%	236	-57	N/A	803	-70.6%	6.8%	6.4%	33	8.2%	-142
PGEL	REDUCE	6,713	4,604	45.8%	13,207	-49.2%	564	376	50.1%	1,306	-56.8%	193	124	56.0%	837	-76.9%	8.4%	8.2%	24	9.9%	-149
Kaynes	ADD	5,721	3,608	58.5%	5,040	13.5%	821	488	68.3%	669	22.8%	602	323	86.4%	508	18.6%	14.4%	13.5%	83	13.3%	108
Syrma	ADD	8,327	7,117	17.0%	11,599	-28.2%	710	490	44.8%	446	59.1%	396	305	29.9%	203	94.8%	8.5%	6.9%	164	3.8%	468
Avalon	REDUCE	2,750	2,010	36.8%	1,995	37.9%	301	126	139.1%	44	589.1%	175	73	140.1%	-23	N/A	11.0%	6.3%	469	2.2%	877
Cyient DLM	ADD	3,895	2,918	33.4%	2,579	51.0%	316	235	34.4%	200	58.2%	155	147	5.5%	106	45.8%	8.1%	8.1%	6	7.8%	37
IKIO	REDUCE	1,250	1,179	6.0%	1,270	-1.6%	222	267	-16.9%	167	33.0%	129	182	-29.2%	124	4.4%	17.8%	22.7%	-490	13.2%	461
Elin	ADD	3,046	2,733	11.4%	2,936	3.7%	113	99	14.7%	133	-14.7%	53	39	35.3%	59	-10.5%	3.7%	3.6%	11	4.5%	-80
Aggregate	**OVERWEIGHT**	**1,63,890**	**82,873**	**98%**	**1,28,436**	**28%**	**8,449**	**4,666**	**81%**	**7,405**	**14%**	**4,300**	**2,270**	**89%**	**4,014**	**7%**	**5.2%**	**5.6%**	**-47**	**5.8%**	**-61**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Estimates hits/miss

Sep-24	Actuals				InCred Estimates				Consensus Estimates				Difference vs InCred (%)				Difference Vs Consensus (%)			
(Rs m)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (bp)	Revenue	EBITDA	PAT	EBITDA Margin (bp)
Dixon	1,15,341	4,264	2360	3.7%	83,442	3,121	1,808	3.7%	91,414	3,500	2,046	3.8%	38.2%	36.6%	30.5%	(4)	26.2%	21.8%	15.3%	(13)
Amber	16,847	1,137	236	6.8%	11,995	780	52	6.5%	12,048	839	35	7.0%	40.5%	45.8%	354.5%	25	39.8%	35.6%	573.4%	(21)
PGEL	6,713	564	193	8.4%	6,354	491	155	7.7%	6,100	507	172	8.3%	5.7%	14.8%	24.8%	67	10.0%	11.3%	12.2%	10
Kaynes	5,721	821	602	14.4%	6,122	817	534	13.4%	5,986	856	633	14.3%	-6.6%	0.5%	12.7%	100	-4.4%	-4.1%	-4.9%	5
Syrma	8,327	710	396	8.5%	12,835	674	360	5.3%	10,000	581	381	5.8%	-35.1%	5.2%	10.0%	327	-16.7%	22.1%	4.1%	271
Avalon	2,750	301	175	11.0%	2,267	159	68	7.0%	2,359	166	75	7.0%	21.3%	89.9%	158.1%	396	16.6%	81.4%	132.4%	391
Cyient DLM	3,895	316	155	8.1%	3,881	334	206	8.6%	3,876	325	197	8.4%	0.3%	-5.3%	-25.0%	(49)	0.5%	-2.6%	-21.4%	(25)
IKIO	1,250	222	129	17.8%	1,429	300	227	21.0%	-	-	-	N/A	-12.5%	-26.0%	-43.1%	(323)	N/A	N/A	N/A	N/A
Elin	3,046	113	53	3.7%	3,170	127	72	4.0%	3,103	137	61	4.4%	-3.9%	-11.0%	-26.4%	(29)	-1.8%	-17.2%	-12.5%	(69)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

Figure 4: Valuation

Company	BBG Ticker	Rating	CMP Rs	Target Rs	Mkt cap (Rs bn)	P/E (x) FY25F	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY25F	P/BV (x) FY26F	P/BV (x) FY27F	EV/EBITDA (x) FY25F	EV/EBITDA (x) FY26F	EV/EBITDA (x) FY27F
Dixon	DIXON IN	ADD	14,811	17,200	882	132.7	82.3	49.7	34.9	24.7	14.6	58.2	42.3	32.0
Amber	AMBER IN	HOLD	6,209	6,880	209	70.9	48.8	38.0	9.3	7.8	6.5	29.4	25.7	21.3
PGEL	PGEL IN	REDUCE	624	515	162	81.9	64.6	51.3	13.7	11.3	9.3	46.3	37.6	30.6
Kaynes	KAYNES IN	ADD	5,623	6,000	359	121.2	84.6	58.3	13.2	11.4	9.0	79.8	52.3	38.8
Syrma	SYRMA IN	ADD	560	500	99	40.7	26.7	19.3	4.0	3.4	2.9	26.0	18.2	13.3
Avalon	AVALON IN	REDUCE	831	565	55	83.1	49.4	39.4	7.7	6.7	5.7	44.9	31.5	26.2
Cyient DLM	CYIENTDL IN	ADD	623	1,000	49	52.9	32.7	27.2	5.0	4.4	4.0	33.2	22.9	17.9
IKIO	IKIO IN	REDUCE	251	282	19	35.6	31.7	28.2	3.3	3.1	2.8	22.4	19.3	17.6
Elin	ELIN IN	ADD	201	271	10	46.1	23.3	16.4	2.0	1.8	1.6	18.6	11.9	9.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Earnings revision summary

(Rs)	New Estimates FY25F	New Estimates FY26F	New Estimates FY27F	Old Estimates FY25F	Old Estimates FY26F	Old Estimates FY27F	Change (%) FY25F	Change (%) FY26F	Change (%) FY27F
Dixon	112.5	181.6	250.2	108.0	149.5	209.3	4.2%	21.5%	19.5%
Amber	92.1	133.8	171.9	88.1	126.7	158.9	4.5%	5.6%	8.2%
PGEL	8.0	10.1	12.8	7.3	8.0		9.7%	26.1%	
Kaynes	47.7	68.3	91.7	43.7	63.3	86.8	9.0%	8.0%	5.7%
Syrma	9.8	15.0	20.7	9.8	15.0	20.7	0.1%	0.0%	0.2%
Avalon	8.5	14.3	18.0	6.8	11.7	14.4	24.9%	22.0%	25.1%
Cyient DLM	12.0	19.5	27.8	15.2	23.5		-20.9%	-17.2%	
IKIO	7.2	9.1		7.2	9.1				
Elin	4.5	8.9	12.7	8.3	13.2		-45.7%	-32.3%	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Overall results summary

Aggregate	Sep-24	Sep-23	YoY (%)	Jun-24	QoQ (%)
Revenue	1,63,890	82,873	97.8%	1,28,436	27.6%
EBITDA	8,449	4,666	81.1%	7,405	14.1%
EBITDA margin	5.2%	5.6%	-47bp	5.8%	-61bp
PAT	4,300	2,270	89.4%	4,014	7.1%
Aggregate (PCB)	**Sep-24**	**Sep-23**	**YoY (%)**	**Jun-24**	**QoQ (%)**
Revenue	20,693	15,654	32.2%	21,212	-2.4%
EBITDA	2,149	1,339	60.4%	1,359	58.1%
EBITDA margin	10.4%	8.6%	183bp	6.4%	398bp
PAT	1,328	848	56.7%	794	67.2%
Aggregate (Consumer)	**Sep-24**	**Sep-23**	**YoY (%)**	**Jun-24**	**QoQ (%)**
Revenue	1,43,197	67,219	113.0%	1,07,224	33.5%
EBITDA	6,300	3,326	89.4%	6,047	4.2%
EBITDA margin	4.4%	4.9%	-55bp	5.6%	-124bp
PAT	2,972	1,423	108.9%	3,220	-7.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key management commentary & highlights

Amber Enterprises

- Management expects a strong year for the RAC industry in FY25F, with a volume of 13m units vs. 9.5-10m units in FY24. Despite the strong 1HFY25 performance with a 55% revenue growth, management maintained its 25% growth guidance for FY25F and the company, in our view, is likely to over-deliver on its guidance. The company expects a significant improvement in RoCE, which is likely to touch 15% by the end of FY25F. Over the next three years, the company aims to double its revenue. After providing PCBA solutions for inverter ACs, Amber has now expanded its offerings.
- Recently, Amber started Ascent Circuits' new manufacturing plant in Hosur (Tamil Nadu), which will add annual capacity of up to 8,40,000 sq.m in two phases. The company has also inked a joint venture with Korea Circuits to foray into advanced PCB manufacturing for HDI, flex, and semiconductor substrates. Moreover, with new customers being added, new product launches like the addition of tower ACs and cassette ACs, and foray into the global market, the company is confident that it will grow higher than the industry's ~30% growth.
- **Outlook**: Amber continues to leverage favourable government initiatives like 'Make in India' and 'Atmanirbhar Bharat' to reduce the dependence on imports. We raise our FY25F-27F revenue estimates by 7%-7.2% & PAT estimates by 4.5%-8.2%, factoring in the healthy 2Q results, healthy growth in RAC business & new initiatives. The stock has rallied ~50% since we upgraded our rating on it to ADD in the last three months & now trades at ~70x FY25F/50x FY26F EPS. Therefore, we downgraded it to HOLD (from ADD) with a higher target price of Rs6,880 (Rs5,000 earlier), valuing it at 45x (from 35x) Sep 2026F EPS.

Avalon Technologies

- Management has given 16-24% FY25F revenue growth guidance, with the uptick expected in 2HFY25F. Avalon aims to continue expanding its manufacturing footprint and investing in technological advancements. The US production has been transferred to India plants, reducing the US manufacturing plant's contribution to 11% from 27% at the start of FY24. Avalon continues to focus on the Indian market, which has historically accounted for a small portion of its revenue. In 1HFY25, the revenue share from India stood at 41% while 59% was from the US. Currently, the order book stands at Rs14.9bn, up 19% YoY.
- Avalon has long-term contracts worth Rs11bn, which are expected to be executed over an average period of 14 months to 3 years. The company expects to incur a capex of Rs400-450m annually for the next two years, in line with its asset-light model. Avalon continues to focus on the Indian market, which has historically accounted for a small portion of its revenue. In 1HFY25, the revenue share from India stood at 41% and 59% from the US.
- Avalon witnessed a strong recovery in 2QFY25, with a 98% YoY jump in revenue of the clean energy segment accompanied by double-digit margin. Management gave guidance of a significant momentum in 2HFY25F. Avalon plans to continue expanding its manufacturing footprint and invest in technological advancements to drive future growth. For FY25F-27F, we raise revenue estimates by 8%-13% and PAT estimates by 22%-25%, factoring in the recovery in 2Q and the guidance. We retain REDUCE rating on Avalon with a higher target price of Rs565 (Rs414 earlier), valuing it at 35x (from 32x) Sep 2026F EPS.

Cyient DLM

- The recent acquisition of Altek Electronics is likely to enhance Cyient DLM's capabilities and market position, especially in the North American region, in the medical and industrial segment. Starting from 3QFY25F, Cyient DLM expects to see a noticeable improvement in the overall business performance. The acquisition is expected to deliver a ROCE of 15% and be earnings-accretive by FY26F.

- Cyient DLM is exploring expansion into the electric vehicle (EV) space, focusing on the automotive segment, with both India and the US as potential markets for this opportunity. Cyient DLM added two major new clients in 2Q - a defence contractor in India and a global oilfield services company, broadening its client base.
- **Outlook**: Cyient DLM has a strong presence in the defence products segment, which is likely to benefit from policy tailwinds in the defence space in India and Europe. The air taxi optionality could also play out by FY27F, as Honeywell's largest client Lilium vies for type certification by the end of CY24F. For FY25F/26F, we lower our EBITDA estimates by 13.5%/12.5% and PAT estimates by 21%/17%, respectively, factoring in lower order inflow in 1HFY25 and lower sales. We introduce FY27F revenue estimate of Rs24.4bn, with an EPS of Rs26. We value Cyient DLM at 45x Sep 2026F EPS (from FY26F earlier) to arrive at a lower target price of Rs1,000 (Rs1,049 earlier).

Dixon Technologies

- In the smartphone business, Dixon saw a remarkable 468% increase in volume, with total sales touching 8.13m units during the quarter. The LED TV business faced some challenges during the quarter, with a 10% YoY decline in volume which was attributed to overall weakness in the industry.
- Dixon expects its lighting segment to achieve over three-fold growth in FY25F, driven by the strong demand for its products. The company successfully completed the acquisition of iSmartU and expects further growth from clients such as Tecno, Infinix, and Airtel. The revenue of the mobile phone segment grew 20x in FY20-24 to Rs109bn in FY24, which further expanded to Rs146bn in 1HFY25.
- Dixon's new manufacturing facility in Chennai is expected to be operational by Dec 2024F, further boosting the production capacity. The company expects revenue from its recent acquisition of iSmartU to be in the range of Rs70-75bn in FY24F, and surge to ~Rs100bn by FY26F.
- **Outlook**: Dixon has captured a large market share across categories in the consumer electronics outsourcing space, much above its peers. Management gave guidance of the volume dipping slightly in 3QFY25F, touching around 2.3-2.4m units per month, due to post-Diwali festival market slowdown. However, the company expects a recovery in 4QFY25F, with the volume seen rising to 2.8-3m units per month as demand picks up. For FY25F-27F, we have increased our revenue estimates by 19%-29% and PAT estimates by 4%-22%, factoring in higher revenue in the mobile phone and IT hardware businesses. We maintain our ADD rating on the stock with a higher target price of Rs17,200 (Rs13,400 earlier), valuing it at 80x (75x earlier) EPS.

Syrma SGS

- Despite muted sales growth in 2Q, management maintained its FY25F revenue guidance of Rs45bn (up 45%), with EBITDA at Rs3bn, aided by a favourable order mix & operational efficiency. Syrma spent Rs1.3bn in 1HFY25, with a large part of it utilized for the new campus facility in Pune. With this, a large part of the capex is already behind, and it is looking to incur another Rs300-500m in 2HFY25F. The order book grew 7% QoQ to Rs48bn as of 2QFY25-end, with an order inflow of Rs11bn. Five customers, who were onboarded last year, have gone into commercial production. Syrma expects a total production-linked incentive (PLI) scheme benefit of Rs150m in FY25F. It received the PLI scheme nod for two segments in the medtech business. This strong order pipeline is expected to support sales in coming quarters. Total debt, including working capital loans, rose by 43% YoY to Rs6bn, while total cash fell 22% QoQ to Rs4.3bn at the end of 1HFY25.
- The Pune facility is spread across 26.5 acres, with a manufacturing area of 1.20m square feet at peak capacity. The first phase covers 60,000sqft. The

facility will enhance Syrma's printed circuit board assembly (PCBA) capabilities, catering primarily to the rising domestic demand from automotive and industrial sectors.

- **Outlook**: We believe there is a fundamental flaw with Syrma's business model as it tries to imitate both Dixon Technologies and Kaynes Technology. Manufacturing at scale is more important for the consumer segment whereas quality and precision matters more for the automotive and industrial sectors. In the EMS space, gross margin is a reliable indicator of the entry barriers and potential price wars among competitors. Factoring in a healthy shift in its order book, and a higher margin led by a lower share of consumer business, we have cut revenue estimates by 6%/7%/4% for FY25F/26F/27F, respectively, while maintaining the profitability estimates. We retain our ADD rating on the stock with a target price of Rs500, valuing it at 28x Sep 2026F EPS.

Kaynes Technology

- 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.
- 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 margin. 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. 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.
- 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.
- **Outlook**: 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).

PG Electroplast

- After a strong 1HFY25 performance, management has revised upward its FY25F guidance to a revenue of Rs42.5bn (up ~50%), additional revenue of Rs6bn from the Goodworth JV group and PAT of Rs2.5bn, up 83% YoY. The company gave production-linked incentive or PLI scheme guidance of Rs300m for FY25F and Rs375m for FY26F. Management expects the margin to remain stable, in terms of absolute per-unit contribution. Commodity price fluctuations are likely to impact percentage margin, but operational efficiency should mitigate this effect. The TV business of the Goodworth JV in 1HFY25 stood at Rs2.86bn, up 85%. Capital efficiency of the business improved, with RoCE at

27% and RoE at 19% as of 1HFY25-end. Net fixed asset turns for the company stood at 5.2x.

- PGEL has planned a capex of ~Rs3.8bn in FY25F, with most of it allocated to plant and machinery. The expansion plan remains on track and PGEL is exploring funding options, with a board-approved fund-raising of up to Rs15bn to capitalize on organic growth opportunities, including meeting additional working capital and capex needs. It expects fixed-asset turnover at ~4.5x.
- The company is considering expanding into additional consumer durable categories and backward integration, which aligns with its current business model and the focus on asset efficiency.
- On PGEL's management's revising its guidance upwards, we raise our revenue/earnings estimates by 14%/10% and 22%/26% for FY25F and FY26F, respectively. We introduce our FY27F EPS of Rs12.8, with a revenue of Rs59.2bn. PGEL is looking to raise Rs15bn via qualified institutional placement or QIP of shares to fund its ongoing capex. We expect its revenue and earnings to clock 29%/34% CAGR, respectively, over FY24-27F. We retain our REDUCE rating on the stock with a higher target price of Rs515 (Rs185 earlier), valuing it at 45x (in line with Amber Enterprises) Sep 2026F EPS.

Elin Electronics

- Management gave revenue guidance of Rs11.6-12bn for FY25F and Rs13.5bn for FY26F. Despite sustained pressure on demand in lighting and FMEG segments due to competitive pricing, the company expects its margin to stabilize, supported by operational efficiency and a diversified product mix. Additionally, pressure from higher polycarbonate costs may impact percentage margin, although the company expects to mitigate it through its strategic focus on high-growth segments.
- Despite the high prices of raw materials, particularly aluminium and copper, Elin Electronics managed to grow its EBITDA by 15% YoY to Rs113m with a margin of 3.7%. PAT improved by 22% YoY to Rs48m. The company managed its working capital well, as reflected by the reduction in net working capital or NWC days to 58 from 63 YoY. Gross margin did face some contraction due to raw material cost pressure, with the cost of raw materials consumed rising to 75.2% of revenue, up from 74.3% in 2QFY24. While margin pressure continues in the lighting segment, its operational efficiency and volume growth in core segments are expected to support its profitability.
- **Outlook**: In 2QFY25, the company incurred Rs183m capex, primarily in expanding the production capacity in Ghaziabad for key products such as oil-filled radiators, OTGs, and TPW fans. The total capex guidance stands at Rs350-400m per year, other than setting up of a new facility on a 4-acre plot in Bhiwadi. New products, including kettles, OTGs, and chimneys, are set for launch by FY25F-end, with each expected to contribute more than Rs500m in annual revenue by FY26F. The company gave revenue guidance of Rs11.6-12bn for FY25F and Rs13.5bn for FY26F. We retain our ADD rating on Elin Electronics, valuing it at 25x Sep 2026F EPS with a higher target price of Rs271 (Rs264 earlier). Amid volatility in raw material prices leading to margin pressure, we have cut FY25F/26F EBITDA estimates by 29%/22%, respectively, and PAT estimates by 46%/32%, respectively.

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Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

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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:
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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.