

KAYNES TECHNOLOGY

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	6,659
12 month price target (INR)	6,700
52 Week High/Low	7,825/3,825
Market cap (INR bn/USD bn)	446/5.0
Free float (%)	34.0
Avg. daily value traded (INR mn)	3,572.4

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	53.46%	53.52%	57.75%
FII	10.17%	10.71%	11.17%
DII	23.66%	22.39%	16.98%
Pledge	0%	0%	0%

FINANCIALS

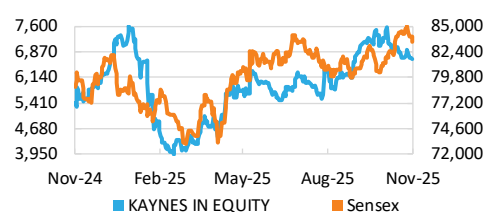
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	27,218	41,068	61,102	85,731
EBITDA	4,107	6,644	9,753	14,017
Adjusted profit	2,934	4,285	5,767	8,105
Diluted EPS (INR)	45.8	63.9	86.0	120.9
EPS growth (%)	59.7	39.6	34.6	40.5
RoAE (%)	11.0	11.2	11.2	13.9
P/E (x)	145.8	104.5	77.6	55.2
EV/EBITDA (x)	103.5	63.2	44.0	31.2
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	41,068	61,102	(4.9)	(4.0)
EBITDA	6,644	9,753	(4.3)	(4.2)
Adjusted profit	4,285	5,767	(0.8)	(7.5)
Diluted EPS (INR)	64	86	(5.2)	(11.6)

PRICE PERFORMANCE



Margins steady; working capital intensity moves up

Kaynes reported Q2FY26 results with revenue/EBITDA/PAT surging 58%/80%/102% YoY. Revenue growth was led by Industrial (+74% YoY), Automotive (+26%) and Railways (+53% YoY). Gross margin expanded 440bp YoY to 33.6% on product mix. Kaynes guides for strong revenue growth in H2FY26 (50–60% growth over 1HFY26) and optimism on EBITDA margin. New venture investments on OSAT and HDI PCB are progressing well with new customer additions/sign-ups.

Even so, we are cutting FY26E–28E PAT by 1–11% to reflect: i) lower revenue growth assumption; and ii) higher interest cost on greater working capital intensity (rose to 119 versus 88/73 in Mar-25/ Mar-24). Maintain ‘HOLD’ with a Dec-26E TP of INR 6,700 (earlier INR7360).

Robust growth in revenue and margins

Consolidated Q2FY26 revenue was INR9.1bn, up 58% YoY (1% above our estimate) led by strong performances in Industrial (+74%), automobile (+26%) and railways grew 53%. Gross margin rose by 484bp to 33.6% (-761bp QoQ). EBITDA came in at INR1.48bn (+ 80% YoY; 11% above our estimate) with 16.3% margin (150bp above our estimates). Adjusted PAT was INR 1,214mn (+102% YoY/+63% QoQ), 48% above our estimate. Order book jumped 49% YoY/9% QoQ to a record INR81bn while management indicated strong order inflow to sustain over coming quarters. Management indicated 50–60% growth in 2H (over 1HFY26), thus implying a range of INR42–45bn for FY26; they reiterated margin expectations of 16%-plus on the back of a ramp up in facilities, strong order book, scale up of high-value segments.

OSAT and HDI PCB facilities on track; working capital to be curtailed

OSAT facility (Sanand, Gujarat) became operational in Q4FY26 and HDI PCB facility (Chennai) has received approval with Phase I targeted by FY26 end and Phase II to follow within 3 year of Phase I. Kaynes has so far signed up three strong customers (Alpha & omega, Mitsui) and MoU with another four clients for its OSAT business. Kaynes has seen substantial jump across inventory/receivables and payables days, as shown in Exhibit 1, resulting into significant cash outflow from operations in 1HFY26. Moreover, Kaynes has provided for INR550mn towards doubtful debts in 1HFY26, though it is confident about full recoverability.

Estimates revised; maintain ‘HOLD’

We are cutting FY26E–28E PAT by 1–11% due to a modest cut in revenue growth assumption, and bake in higher interest cost towards working capital loans led by segment mix (higher execution of defence/aerospace orders). We value Kaynes at 45x FY29E EPS, discounted back at 15% to arrive at a Dec-26TP of INR7160 (earlier INR7360); maintain ‘HOLD’ as we await better price for entry.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	9,062	5,721	58.4	6,735	34.6
EBITDA	1,480	821	80.2	1,130	30.9
Adjusted Profit	1,214	602	101.7	746	62.7
Diluted EPS (INR)	18.5	9.4	96.7	11.5	60.6

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	27,218	41,068	61,102	85,731
Gross profit	8,220	13,758	21,080	30,006
Employee costs	1,781	3,116	5,609	7,572
Other expenses	2,333	3,998	5,718	8,417
EBITDA	4,107	6,644	9,753	14,017
Depreciation	447	750	1,500	2,250
Less: Interest expense	1,013	1,300	1,560	1,872
Add: Other income	1,070	900	700	770
Profit before tax	3,716	5,494	7,393	10,665
Prov for tax	782	1,209	1,627	2,560
Less: Other adj	0	0	0	0
Reported profit	2,934	4,285	5,767	8,105
Less: Excp.item (net)	0	0	0	0
Adjusted profit	2,934	4,285	5,767	8,105
Diluted shares o/s	64	67	67	67
Adjusted diluted EPS	45.8	63.9	86.0	120.9
DPS (INR)	0	0	0	0
Tax rate (%)	21.0	22.0	22.0	24.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	69.8	66.5	65.5	65.0
Employee cost (%of rev)	6.5	7.6	9.2	8.8
Other exp (% of rev)	8.6	9.7	9.4	9.8
EBITDA margin (%)	15.1	16.2	16.0	16.3
Net profit margin (%)	10.8	10.4	9.4	9.5
Revenue growth (% YoY)	50.8	50.9	48.8	40.3
EBITDA growth (% YoY)	61.6	61.8	46.8	43.7
Adj. profit growth (%)	60.1	46.0	34.6	40.5

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.5	6.5	6.5
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	81.0	81.0	81.0
Auto. (rev growth)	35.2	50.0	35.0	30.0
Industrial (rev growth)	72.8	55.0	30.0	35.0
Aerospace , Defence & Others (rev growth)	(49.7)	60.0	40.0	15.0
Medical (rev growth)	0.5	50.0	40.0	10.0
Railways (rev growth)	(4.0)	40.0	40.0	30.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	145.8	104.5	77.6	55.2
Price/BV (x)	15.1	9.2	8.3	7.2
EV/EBITDA (x)	103.5	63.2	44.0	31.2
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	641	670	670	670
Reserves	27,762	47,767	53,534	61,639
Shareholders funds	28,403	48,437	54,204	62,309
Minority interest	40	40	40	40
Borrowings	8,755	8,500	14,500	24,500
Trade payables	6,829	13,502	18,414	23,488
Other liabs & prov	2,386	1,706	2,307	3,046
Total liabilities	46,412	72,184	89,465	113,382
Net block	5,045	12,803	21,008	30,448
Intangible assets	141	23	23	23
Capital WIP	4,937	3,000	3,000	3,000
Total fixed assets	10,123	15,827	24,031	33,471
Non current inv	9,456	0	0	0
Cash/cash equivalent	10,563	15,725	12,563	14,554
Sundry debtors	5,746	14,627	19,251	23,488
Loans & advances	0	0	0	0
Other assets	10,524	26,006	33,620	41,868
Total assets	46,412	72,184	89,465	113,382

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,716	5,494	7,393	10,665
Add: Depreciation	447	750	1,500	2,250
Interest (net of tax)	56	400	860	1,102
Others	181	0	0	0
Less: Changes in WC	(4,522)	(18,371)	(6,725)	(6,673)
Operating cash flow	(766)	(12,936)	1,402	4,784
Less: Capex	(9,487)	(6,571)	(9,704)	(11,690)
Free cash flow	(10,254)	(19,507)	(8,302)	(6,906)

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	11.0	11.2	11.2	13.9
RoCE (%)	14.5	14.4	14.2	16.1
Inventory days	131	137	133	124
Receivable days	62	91	101	91
Payable days	100	136	146	137
Working cap (% sales)	27.7	63.1	53.4	45.8
Gross debt/equity (x)	0.3	0.2	0.3	0.4
Net debt/equity (x)	(0.1)	(0.1)	0	0.2
Interest coverage (x)	3.6	4.5	5.3	6.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	59.7	39.6	34.6	40.5
RoE (%)	11.0	11.2	11.2	13.9
EBITDA growth (%)	61.6	61.8	46.8	43.7
Payout ratio (%)	0	0	0	0

Q2FY26 conference call highlights

Guidance

- **Long-term targets:** On track to achieve USD 1 billion revenue by FY28 and USD 2 billion by FY30, supported by OSAT and HDI PCB projects.
- **Order book:** At INR 81bn, up 49% YoY/+9%QoQ, excluding OSAT and PCB orders; about 60% of OSAT capacity already committed to large global customers such as AOS, L&T Semiconductor, and Infineon.
- **Margin outlook:** Current EBITDA margin at 16.3%, expected to improve further as high-value segments (OSAT, HDI PCB) scale up.
- **Cash flow guidance:** Management expects positive operating cash flow by FY26-end, aided by receivable monetization (~INR 3 bn) and working capital discipline.
- **Balance sheet health:** Continued deleveraging post QIP (~INR 8.5 bn repayment). Net working capital to normalize as VMI (Vendor Managed Inventory) and customer-led discounting roll out.
- Capex incurred till date: INR8.40bn in 1HFY26.

Segments Performance

- **Industrial:**
 - Remain the largest vertical (~40% of revenue); steady growth from smart meters, automation, and energy systems.
 - Smart meter demand remains robust with healthy order coverage.
- **Automotive**
 - Contributes ~26% of revenue; short-term moderation offset by strong EV and Tier-1 OEM pipeline.
 - Benefiting from customers' push for local sourcing of electronic components, improving localization and margins.
 - Expected to grow broadly in line with company average (~50% YoY) in FY26.
- **Aerospace & Defence:**
 - Strong strategic opportunity pipeline; US customer qualification by year-end expected to drive FY27 ramp-up.
 - Focus on high-reliability and mission-critical systems for domestic and global clients.
- **Railways**
 - Gaining momentum from Kavach safety system deployment and railway automation initiatives.
 - Own Kavach solution already approved and under supply; segment expected to contribute double-digit share to FY26 revenue.
- **Others / Emerging Verticals**

- IoT, High-Performance Computing (HPC), and server electronics showing traction (~12% of revenue).
- Integration of August Electronics enhancing capabilities in RF testing, Industry 4.0 solutions, and export market access.

Capex and expansion projects

- OSAT
 - Commercial operations commenced; India's first multi-chip module (IPM5) delivered in partnership with AOS and Mitsui.
 - Around 60% capacity booked by anchor clients.
 - Expected to make India self-reliant in semiconductor packaging; margin accretive from FY27 onwards.
- HDI PCB Facility
 - INR 37bn of total capex plan; of which Phase I (INR 14bn) is under execution, with production targeted by Mar–Apr 2026.
 - Government and state capital subsidy (~25%) approved under PLI scheme.
 - Will produce high-density multilayer and flex PCBs, reducing import dependence and improving internal supply chain efficiency.
 - Facility expected to turn cash positive within two years of commissioning; future expansion to include copper-clad laminates and prepares for full backward integration.
- Funding & Financial Planning
 - Funded via ~30% equity, 70% debt/subsidy; no financing concerns flagged.
 - Strong cash flow generation expected post FY27 as new projects reach steady state.

Working capital

- Receivables elevated due to quarter-end billing concentration; corrective actions underway:
 - Legacy receivable (~INR 3–3.5 bn) to be monetized by FY26-end.
 - Even shipment scheduling and Vendor Inventory management roll-out to reduce net working capital days by 5–10 days.
 - Invoice discounting through customers' banks (e.g., J.P. Morgan).
- INR 550 mn provision made as prudence; management confident of full recovery.
- Target: Net working capital improvement versus FY25 despite growth-led inventory build-up.

Exhibit 1: Trend in working capital components

INR mn	Q4FY24	Q2FY25	Q4FY25	Q2FY26
Revenue	6,373	5,721	9,845	9,062
YoY	75%	59%	54%	58%
Inventories	5,483	7,129	8,144	9,823
Receivable	3,556	5,307	5,746	11,223
Payables	3,610	4,059	6,829	8,371
Net working capital	5,429	8,377	7,061	12,675
Reported days				
Inventories	97	107	91	104
Receivable	59	75	84	131
Payables	73	74	88	119
Net working capital	83	108	87	116
Non current asset (NCA)				
Gross Receivable (incl NCA)	4,654	8,772	11,488	18,906
Net Working capital (incl NCA)	6,527	11,842	12,803	20,358
Days (TTM Basis)				
Inventories	111	117	109	111
Receivable	72	87	77	127
Payables	73	67	92	95
Net working capital	110	138	95	143
Non current asset (NCA)				
Gross Receivable (incl NCA)	14	37	62	76
Net Working capital (incl NCA)	119	151	165	188

Source: Company, Nuvama Research

Exhibit 2: Quarterly performance

INR mn; Y/E March	Q2FY25	Q2FY26	YoY	Q1FY26	QoQ	Q2FY26E	Var
Net Sales	5,721	9,062	58%	6,735	35%	9,014	1%
Cost of RM Consumed	4,073	6,013	48%	3,956	52%	5,949	1%
Gross Profit	1,648	3,049	85%	2,779	10%	3,065	-1%
Gross margin	28.8%	33.6%	480 bps	41.3%	-760 bps	34.0%	-40 bps
Employee Costs	399	773	93%	589	31%	659	17%
% of sales	7.0%	8.5%	150 bps	8.7%	-20 bps	7.3%	120 bps
Other Expenses	428	797	86%	1,059	-25%	1,069	-25%
% of sales	7.5%	8.8%	130 bps	15.7%	-690 bps	11.9%	-310 bps
Total Expenditure	4,900	7,582	55%	5,604	35%	7,677	-1%
EBITDA	821	1,480	80%	1,130	31%	1,337	11%
EBITDA Margin	14.4%	16.3%	200 bps	16.8%	-50 bps	14.8%	150 bps
Depreciation	86	166	94%	156	6%	170	-2%
EBIT	735	1,314	79%	974	35%	1,167	13%
Other Income	336	431	28%	271	59%	220	96%
PBIT	1,071	1,744	63%	1,245	40%	1,387	26%
Interest	221	228	3%	284	-20%	350	-35%
Exceptional (Income)/Expense	0	0		0		0	
Profit Before Tax	849	1,517	79%	961	58%	1,037	46%
Tax Expense	247	303	22%	215	41%	218	39%
Adj. Tax Rate	29.1%	19.9%	-920 bps	22.3%	-240 bps	21.0%	-110 bps
Minority Interest	0	0		0		0	
Reported Net Profit	602	1,214	102%	746	63%	819	48%
Reported EPS (Basic)	9.4	18.6	97%	11.6	60%	12.2	52%
Adjusted Net Profit	602	1,214	102%	746	63%	819	48%
Adjusted EPS	9.4	18.5	97%	11.5	61%	12.2	51%

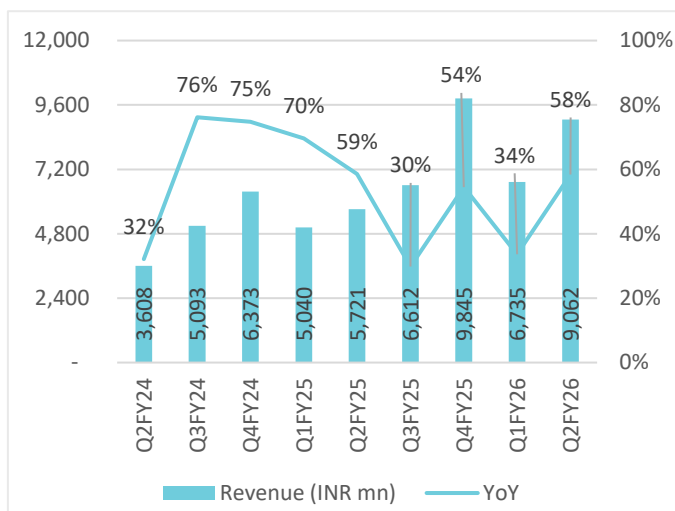
Source: Company, Nuvama Research

Exhibit 3: Segmental performance

INR mn; Y/E march	Q2FY25	Q2FY26	YoY	Q1FY26	QoQ	Q2FY26E	Var
Net Sales	5,720	8,904	56%	6,735	32%	9,014	-1%
Automotive	1,562	1,973	26%	1,818	9%	2,344	-16%
Industrial	3,071	5,347	74%	3,973	35%	5,067	6%
Aerospace , Defence & Others	60	91	51%	67	35%	108	-16%
Medical	165	249	51%	67	269%	247	1%
Railways	415	634	53%	471	35%	622	2%
IOT/ IT / Conumer & Others	447	611	37%	337	81%	626	-2%
Revenue mix							
Automotive	27%	22%	-520 bps	27%	-480 bps	26%	-380 bps
Industrial	54%	60%	640 bps	59%	100 bps	56%	380 bps
Aerospace , Defence & Others	1%	1%	0 bps	1%	0 bps	1%	-20 bps
Medical	3%	3%	-10 bps	1%	180 bps	3%	10 bps
Railways	7%	7%	-10 bps	7%	10 bps	7%	20 bps
IOT/ IT / Conumer & Others	8%	7%	-100 bps	5%	190 bps	7%	-10 bps

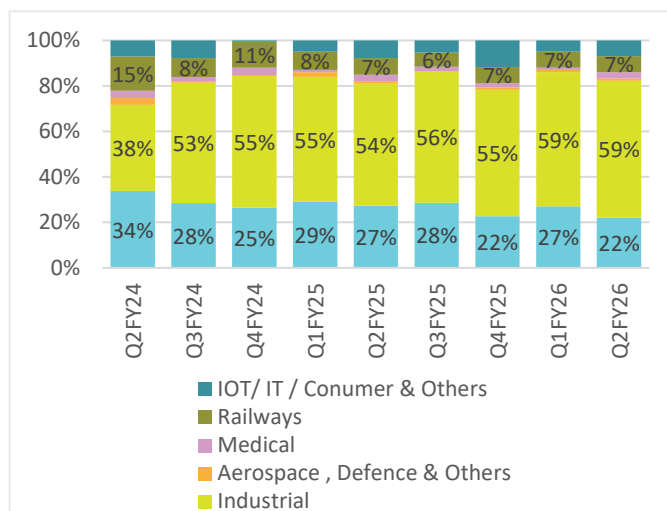
Source: Company, Nuvama Research

Exhibit 4: Revenue trend



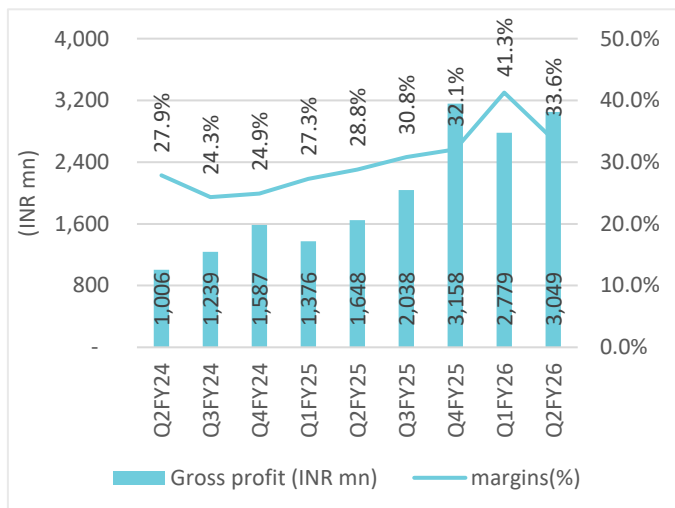
Source: Company, Nuvama Research

Exhibit 5: Revenue mix trend



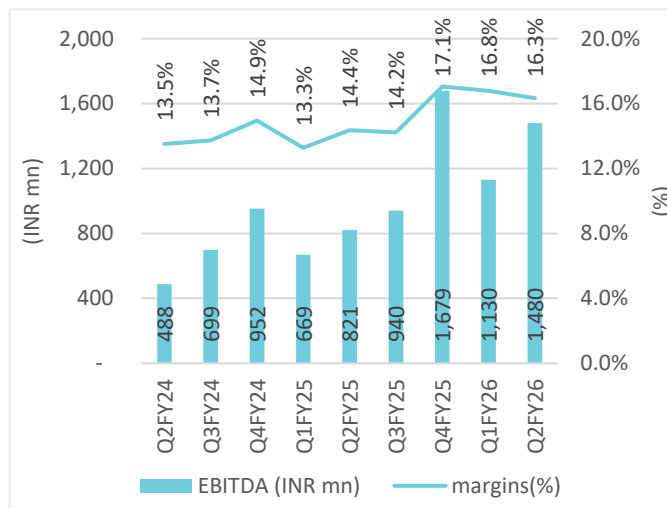
Source: Company, Nuvama Research

Exhibit 6: Gross profit quarterly trend



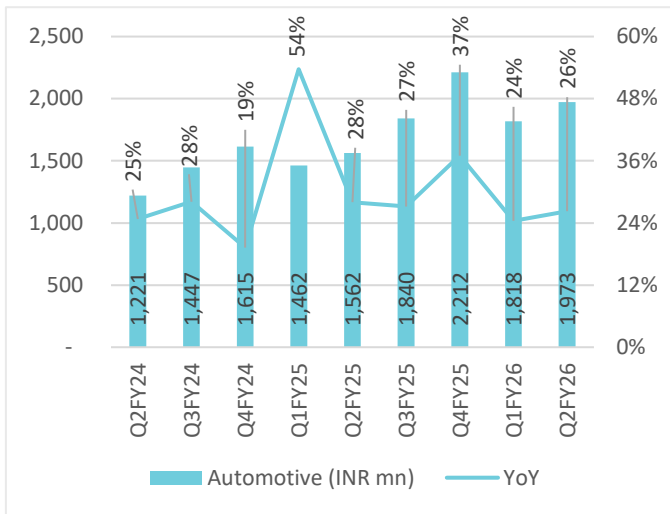
Source: Company, Nuvama Research

Exhibit 7: EBITDA quarterly trend



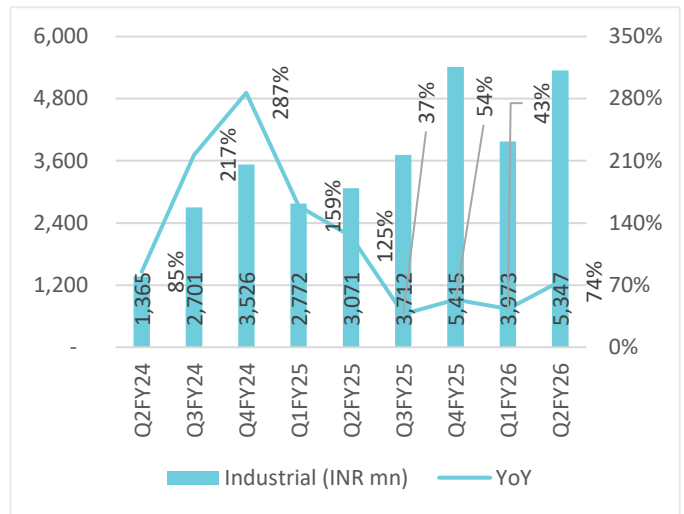
Source: Company, Nuvama Research

Exhibit 8: Automotive quarterly revenue trend



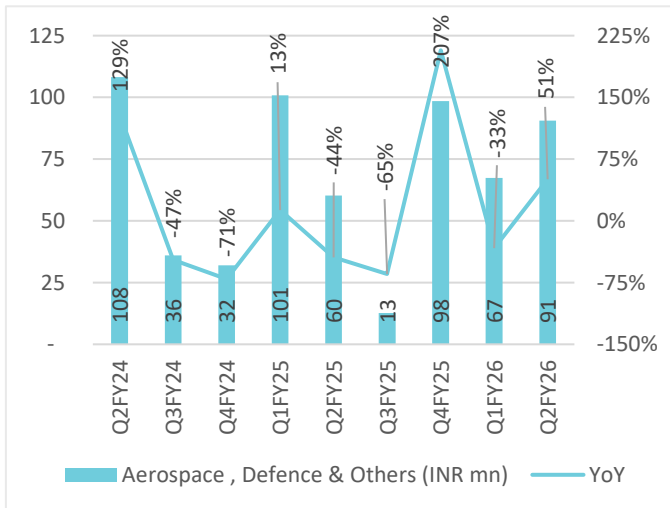
Source: Company, Nuvama Research

Exhibit 9: Industrial quarterly revenue trend



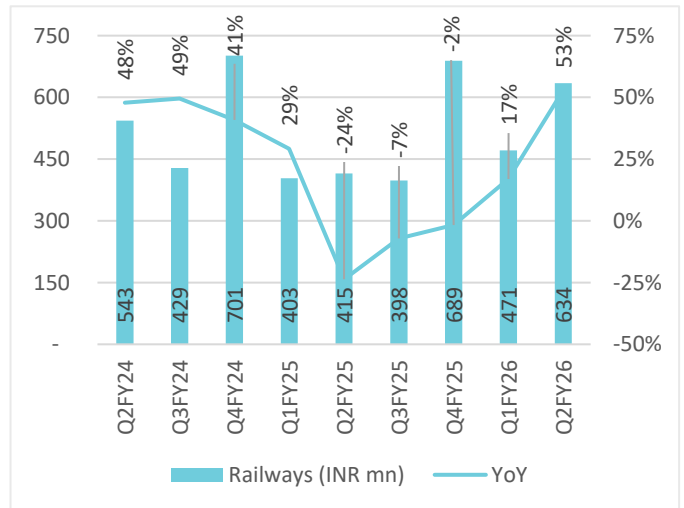
Source: Company, Nuvama Research

Exhibit 10: Aerospace and defence quarterly revenue trend



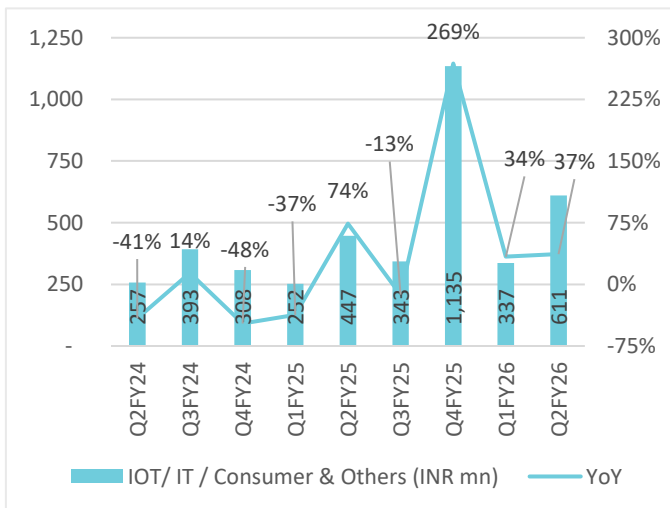
Source: Company, Nuvama Research

Exhibit 11: Railways quarterly revenue trend



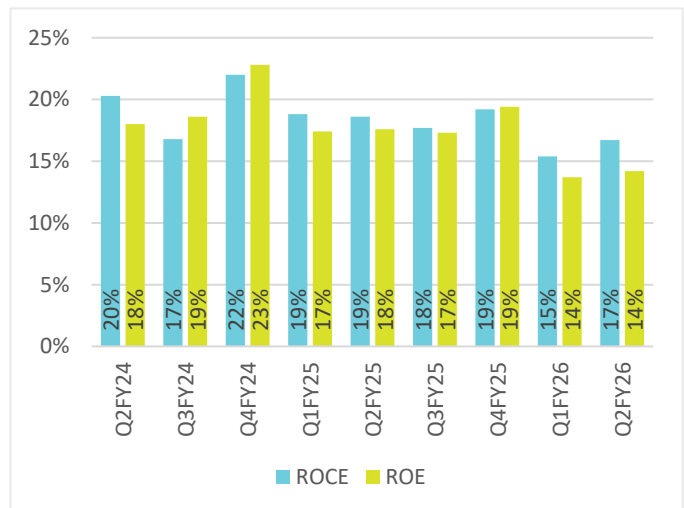
Source: Company, Nuvama Research

Exhibit 12: IOT/IT/Consumer revenue trend



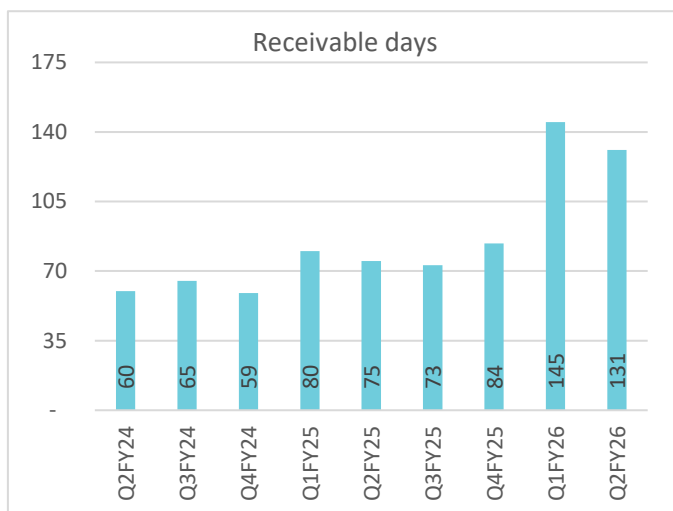
Source: Company, Nuvama Research

Exhibit 13: Trend in return profile



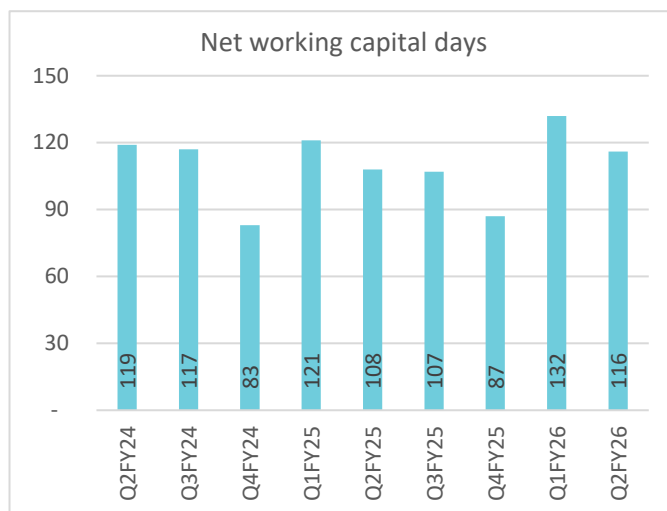
Source: Company, Nuvama Research

Exhibit 14: Receivable days trend



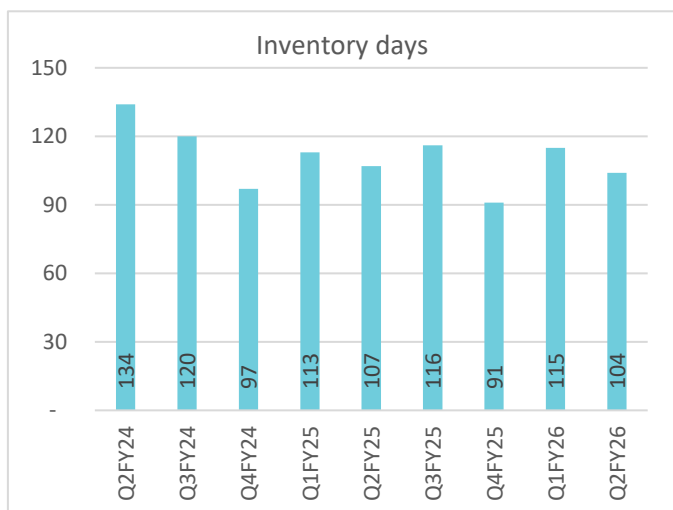
Source: Company, Nuvama Research

Exhibit 15: Net working capital days trend



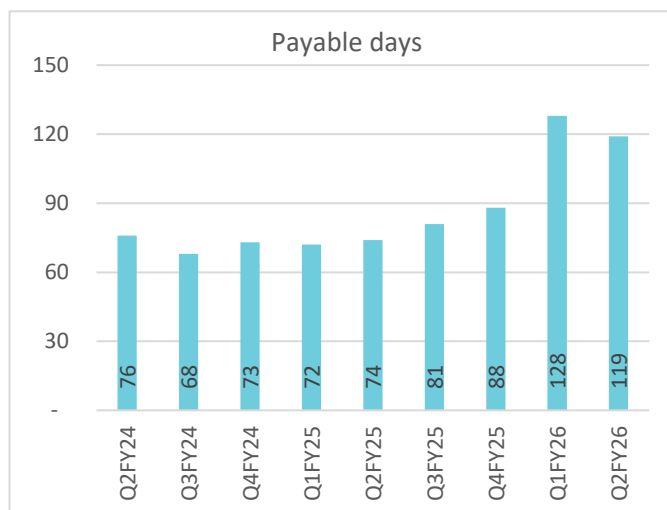
Source: Company, Nuvama Research

Exhibit 16: Inventory days trend



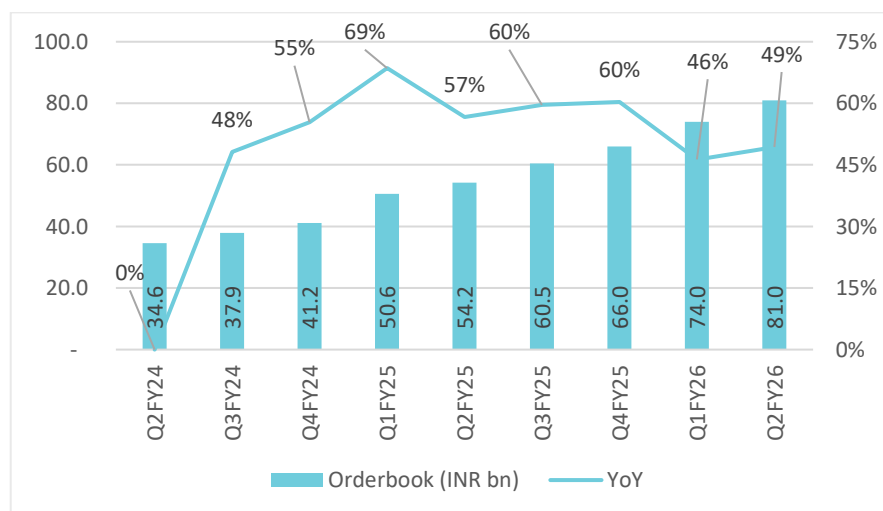
Source: Company, Nuvama Research

Exhibit 17: Payable days trend



Source: Company, Nuvama Research

Exhibit 18: Order book quarterly trend



Source: Company, Nuvama Research

Company Description

Founded in 1998, Kaynes Technology (Kaynes) has over 3 decades of experience in providing conceptual design, process engineering, integrated manufacturing and life-cycle support to OEMs. It is a leading integrated and IoT-enabled solutions provider with capabilities across the entire spectrum of ESDM. Currently, it is operating in the low-volume high-value niche in the EMS space. Industrial electronics, railway electronics, medical electronics, defence electronics, automotive electronics and IT hardware are the key verticals that Kaynes services. It has served 370+ customers in 28+ countries; including marquee MNCs. Kaynes operates 16 advanced manufacturing facilities to undertake high mix and high value products with variable or flexible volumes. It has evolved as an integrated electronics player by moving into OSAT and HDI PCB.

Investment Theme

Kaynes is a leading player in the low-volume high-value, largely non-consumer EMS sub-space with a record of accomplishment of servicing sectors that entail complexity and criticality. We like Kaynes due to its: i) well-diversified client base across key verticals; ii) marquee client roster, a testimony to its sophistication of managing complex tasks. Meanwhile, robust B2B capex trends and GoI's import substitution push are conducive. We believe Kaynes is well poised to deliver a strong 48%/53%/46% CAGR in Revenue/EBITDA/PAT respectively in FY25-28 on the back of robust order book as well as new order wins and ramp up in new verticals (OSAT and HDI PCB), given it is one of the few full stack Electronics player in India.

Key Risk

Currently, the domestic EMS sector is turbo-charged largely due to favourable government policies. Any change in government stance on manufacturing-related policies, particularly adverse changes, shall be the biggest risk to the EMS sector growth. Kaynes is one of the largest EMS players in India. As the EMS sector grows, we see a host of EMS players becoming large. If Kaynes is unable to retain its pace of growth and scale, it shall face challenges in the future from competition; this is a potential risk.

Additional Data

Management

Chairman	Ramesh Kunhikannan
MD	Muthukumar Narayanaswamy
CEO	Rajesh Sharma
CFO	Jairam Paravastu Sampath
Auditor	M/s K.P. Rao & Co.

Holdings – Top 10*

	% Holding	% Holding
Axis Mutual Fun	2.54	
Nippon Life	2.02	
Canara Robeco M	1.72	
Motilal Oswal L	1.59	
HDFC Life	1.09	

*Latest public data

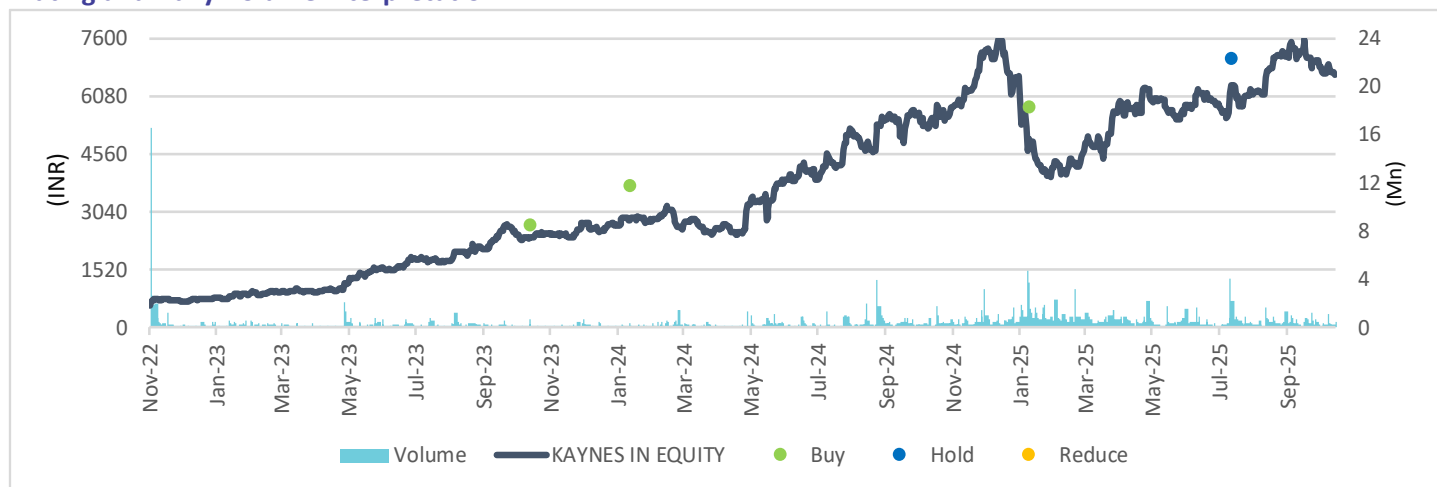
Recent Company Research

Date	Title	Price	Reco
31-Jul-25	Margins offset revenue miss; <i>Result Update</i>	6,172	Hold
16-May-25	Excellent margin showing; capex on track; <i>Result Update</i>	6,262	Buy
28-Jan-25	Delayed execution drives Q3 miss; <i>Result Update</i>	6,565	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Oct-25	Bajaj Electrical	Fans to overshadow near-term improvement; <i>Result Update</i>
18-Oct-25	Dixon	In-line quarter; near-term challenges em; <i>Result Update</i>
18-Oct-25	Havells India	Summer categories drag steady quarter; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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