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Robust growth ahead aided by OSAT and PCB...

About the stock: Kaynes Technology India (Kaynes) is an Indian integrated electronics manufacturing company offering end-to-end solutions, from design to life-cycle support, for various sectors including Automotive, Industrial, Aerospace, Medical, and IoT. Founded in 1988 and headquartered in Mysore, it provides Electronics System Design and Manufacturing (ESDM) services and has experience with 500+ customers both domestically and in international markets.

Q2FY26 performance: Kaynes reported broadly in line results wherein revenue came in at ₹906 crore (up by 58% YoY / 35% QoQ). Industrial segment contributed ~59% of revenue, Automotive: ~22%, IoT and railways: ~7% each, medical division: 3%, Aerospace and defence: ~1%. Company reported EBITDA of ₹148 crore with EBITDA margins translating to 16.3%. PAT reported at ₹121 crore up by 102% YoY and 63% QoQ. Order book continues to grow (up 9.4% QoQ to ₹8099 crore), suggesting healthy growth outlook. Increase in debtors from ₹ 575 crore in FY25 to ₹ 1122 crore in H1FY26 impacted cash flow. Management intends to discount receivables and improve overall cashflow in H2FY26.

Investment Rationale

- **Superior growth for multi-years:** Kaynes is one of the fastest-growing EMS players, which is further reinforced by its ongoing investments in PCB manufacturing and outsourced semiconductor and assembly testing (OSAT) facilities. At consol level, management aims to achieve \$1bn revenue (~₹ 8,800 crore+) by FY28E and \$2bn (~₹ 18,000 crore) by FY30E, implying ~46% CAGR over FY25-30E. Further, these expansions are expected to drive backward integration, enhance supply chain resilience, unlock operating leverage and expand margins, thus making Kaynes well-placed to deliver long-term profitable growth.
- **Industry leading margins:** Kaynes consistently earns industry leading gross margin of 30%+ (34% in Q2FY26) as it focuses on select high margin segments like industrial, automotive, railways, Aerospace & defence, medical, etc. It earns EBITDA margin of 15%+ and is slated to increase further owing to operating leverage and increasing proportion of high margin verticals i.e. industrials, railways and aerospace. Over medium term, PCB manufacturing and OSAT shall be further margin accretive.

Rating and Target Price

- Successful delivery of India's first multi-module chip during October and government's approval under ECMS scheme for PCB manufacturing in initial round, indicate Kaynes superior all-round execution abilities. On OSAT and PCB manufacturing, the company has just scratched the surface. Considering robust growth runway, superior capabilities and execution track record, the valuations are expected to stay on the premium side. We maintain BUY rating on the stock with a target price at ₹ 8,900, valuing the stock at 67x P/E on FY28E EPS.



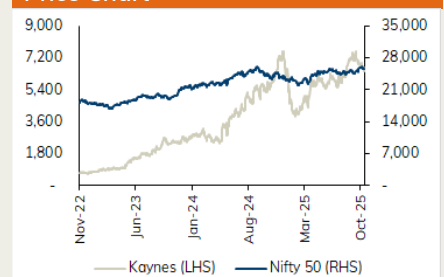
Particulars

Particular	Amount
Market Cap (₹ Crore)	43,022
H126 Debt (₹ Crore)	309
H126 Cash (₹ Crore)	1,053
EV (Rs Crore)	42,278
52 Week H/L (₹)	7,822/3,82
Equity Capital (₹ Crore)	64.1
Face Value	10

Shareholding pattern

	Dec-24	Mar-24	Jun-25	Sep-25
Promoter	57.8	57.8	53.5	53.5
FII	14.8	11.2	10.7	10.7
DII	15.0	17.0	22.4	23.7
Public	12.4	14.1	13.4	12.2

Price Chart



Key risks

- Any restraint in domestic government support measures.
- Execution delays in upcoming ventures i.e. OSAT and PCB manufacturing

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	706	1,126	1,805	2,722	56.8	4,231	6,488	8,767	47.7
EBITDA	93	168	254	411	63.8	673	1,074	1,499	53.9
EBITDA margin (%)	13.2	14.9	14.1	15.1		15.9	16.6	17.1	
Net Profit	41	95	183	293	92.4	449	677	886	44.6
EPS (₹)	53.9	16.4	28.7	45.8		67.1	101.0	132.3	
P/E(x)	120.7	397.4	226.7	141.9		96.9	64.3	49.1	
RoCE (%)	27.1	16.7	11.0	15.2		14.1	18.2	20.6	
RoE (%)	20.3	9.9	7.4	10.3		9.2	12.2	13.7	

Concall highlights and outlook

- Achieved a significant technological milestone by delivering **India's first commercially manufactured multi-chip module (IPM-5)**. This was accomplished through a strategic collaboration with Alpha & Omega Semiconductor (AOS) and Mitsui & Co. at the Sanand facility.
- Management reiterated its full-year revenue and EBITDA guidance, while minor quarterly revenue spill-overs could occur owing to global supply chain constraints and geopolitical tensions. **The company believes it is on track for its long-term guidance of \$1bn by FY28E and \$2bn by FY30E.**
- Company's total order book remains robust at ₹8,099 crore (up by 9.4% QoQ), excluding OSAT and PCB orders.
 - a) Industrial segment:** Steady run-rate business, expected to remain the largest segment, contributing ~40% of total revenue over near to medium term. Smart meters driving growth.
 - b) Automotive segment:** About 26% of the portfolio and is anticipated to grow at ~50%. Post GST cut, the segment is witnessing traction while there are inquiries for more components manufacturing including PCBs.
 - c) Railways segment:** Revenue is expected to grow significantly, targeting a double-digit percentage of total revenue in medium term from current ~7%. Kavach market opportunity of 68,000 km route estimated at ~₹34,000 crore over long term in phases shall aid growth in this segment.
 - d) Aerospace & Defence segment:** Expects robust growth post the final approval from a major US client, expected by the end of this year, with an aim to contribute ~10% of the total business in couple of years' time.
 - e) IoT/Consumer:** Seeing increased traction from High-Performance Computing (HPC) servers, which is forecast to become a substantial business segment.
- PCB manufacturing** - Company is targeting the high-growth, high-margin PCB segments (multilayer, flex, and HDI) in two phases (Chennai followed by a second unit down south). This backward integration is expected to be margin accretive, as PCBs currently form ~10% of Kaynes' product value. Production for the first phase is targeted to begin in April 2026. The project is backed by strong commercial interest, with discussions underway with approximately 16 potential customers.
- Increase in debtors** from ₹ 575 crore in FY25 to ₹ 1122 crore in H1FY26 remains the concern which is impacting its operating cashflow. Further, its non-current assets include receivables which are not due. Management is looking to monetise this by discounting the receivables which shall improve its cashflow. The company has successfully made ₹60 crore receivables

discounting experiment and is targeting a further ₹300 crore cash inflow by removing legacy "receivables not due" from its system.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY	Q1FY26	QoQ (%)	Comments
Revenue	906.2	572.1	58%	673.5	35%	Reported strong revenue growth. Industrial segment contributed ~59% of total revenue followed by automotive segment contributing ~22% of revenue, Railways and IoT division contributed ~7% of revenue each and balance by ~5% by other segments (Aerospace & defense and medical).
Other Income	43.07	33.55	28%	27.10	59%	Interest earned on QIP funds, yet to be utilised
Total Income	949.3	605.7	57%	700.6	36%	
Gross profit	304.9	164.8	85%	277.9	10%	
Gross margin %	33.6	28.8	480 bps	41.3	-761 bps	Gross margin remained healthy
Operating Expenses	681.0	450.1	51%	501.5	36%	
Employee Expenses	77.3	39.9	93%	58.9	31%	
Total Expenses	758.2	490.0	55%	560.4	35%	Expenses well contained.
EBITDA	148.0	82.1	80%	113.0	31%	
EBIDTA %	16.3	14.4	198 bps	16.8	-45 bps	Margin improvement mainly owing to changes in product mix
Depreciation	16.6	8.6	93%	15.6	6%	
Finance cost	22.8	22.1	3%	28.4	-20%	
PBT	151.7	84.9	79%	96.1	58%	
Tax	30.3	24.7	22%	21.5	41%	
PAT	121.4	60.2	102%	74.6	63%	

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,805	2,722	4,231	6,488	8,767
% Growth	60.3	50.8	55.5	53.3	35.1
Other income	56	107	110	89	40
Total Revenue	1,861	2,829	4,341	6,578	8,808
Employee Expenses	103	178	304	493	688
Other expenses	1,448	2,133	3,255	4,921	6,581
Total Operating Expenditure	1,550	2,311	3,558	5,414	7,269
Operating Profit (EBITDA)	254	411	673	1,074	1,499
% Growth	51.1	61.6	63.9	59.6	39.5
Interest	53	101	99	104	110
PBDT	201	309	574	970	1,389
Depreciation	25	45	81	151	240
PBT before Exceptional Items	176	265	493	819	1,148
Total Tax	48	78	154	232	303
PAT before MI	183	293	449	677	886
% Growth	92.8	60.2	53.1	50.7	30.9
EPS	28.7	45.8	67.1	101.0	132.3

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	183	293	449	677	886
Depreciation	25	45	81	151	240
Interest	53	101	99	104	110
Cash Flow before WC changes	262	439	629	932	1,236
(Inc)/dec in Current Assets	-359	-950	-794	-1,152	-1,009
Inc/(dec) in CL and Provisions	149	440	363	553	561
Net CF from Operating activities	52	-71	198	334	787
(Purchase)/Sale of Fixed Assets	-274	-858	-1,000	-1,000	-800
Others	-133	-3	-21	-26	-4
Net CF from Investing activities	-407	-861	-1,021	-1,026	-804
Dividend	-	-	-	-	-
Others	1,460	542	1,501	-14	-100
Net CF from Financing Activities	1,460	542	1,501	-14	-100
Net Cash flow	1,104	-391	677	-706	-117
Opening Cash/Cash Equivalent	486	1,526	1,056	1,538	647
Closing Cash/ Cash Equivalent	1,526	1,056	1,538	647	363

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	64	64	67	67	67
Reserve and Surplus	2,423	2,776	4,822	5,499	6,385
Total Shareholders funds	2,487	2,840	4,889	5,566	6,452
Minority Interest	2	4	4	4	4
Total Debt	323	903	903	993	1,003
Other liabilities	6	10	15	22	29
Total Liabilities	2,817	3,757	5,811	6,585	7,487
Gross Block	328	626	1,617	2,608	3,696
Acc: Depreciation	68	122	203	354	594
Net Block	259	504	1,415	2,254	3,102
Capital WIP	77	300	309	319	30
Total Fixed Assets	336	805	1,724	2,573	3,132
Non Current Assets	343	1,153	1,117	1,189	1,244
Inventory	548	814	1,173	1,767	2,271
Debtors	356	575	1,125	1,635	2,090
Other Current Assets	157	238	376	562	730
Cash	1,526	1,056	1,538	647	363
Total Current Assets	2,587	2,683	4,212	4,611	5,453
Current Liabilities	448	884	1,242	1,788	2,342
Net Current Assets (Ex Cash)	3,664	2,856	4,509	3,470	3,474
Total Assets	2,817	3,757	5,811	6,585	7,487

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	28.7	45.8	67.1	101.0	132.3
Cash per Share	238.7	164.8	229.8	96.6	54.2
BV	389.1	443.2	730.2	831.3	963.5
Dividend per share	-	-	-	-	-
Operating Ratios (%)					
EBITDA Margin	14.1	15.1	15.9	16.6	17.1
PAT Margin	10.2	10.8	10.6	10.4	10.1
Return Ratios (%)					
RoE	7.4	10.3	9.2	12.2	13.7
RoCE	11.0	15.2	14.1	18.2	20.6
Valuation Ratios (x)					
EV / EBITDA	158.7	101.0	63.7	40.8	29.5
P/E	226.7	141.9	96.9	64.3	49.1
Market Cap / Sales	22.3	14.7	10.0	6.6	4.9
Price to Book Value	16.7	14.7	8.9	7.8	6.7
Workin Capital Management Ratios					
Inventory Days	107.6	105.1	98.6	98.1	94.1
Debtors Days	69.8	74.1	94.5	90.8	86.6
Creditors Days	70.8	88.1	85.0	84.5	84.4
Asset turnover	5.7	4.5	2.7	2.5	2.4
Solvency Ratios (x)					
Debt / Equity	0.1	0.3	0.2	0.2	0.2
Current Ratio	2.1	1.6	1.9	1.9	1.9
Quick Ratio	0.8	0.7	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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