KAYNES TECHNOLOGY INDIA (KAYTEC)

CMP: ₹ 7,280 | Target: ₹ 8,900 (+22%) | Target Period: 12 months | BUY

October 6, 2025

Deepening capabilities with 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 over 500+ customers both domestically and in international markets.

Investment Rationale

- **Building capabilities while executing brisk growth:** Kaynes Technology has emerged as one of the fastest-growing EMS players, strategically positioned as a margin-focused company with emphasis on low-volume, high-value businesses and strong design capabilities that enhance client stickiness and value addition. Its scalable growth model is reinforced by ongoing investments in PCB manufacturing and OSAT facilities, driving backward integration and positioning it as a vertically integrated player with enhanced cost efficiency and supply chain resilience. These expansions are expected to unlock operating leverage, expand margins, and sustain profitability, making Kaynes well-placed to deliver long-term profitable growth.
- **Industry leading margins backed by superior product mix:** Kaynes consistently earns industry leading gross margin of 30%+ (41%+ in Q1FY26) as it focuses on select high margin segments like industrial, automotive, railways, Aerospace & defence, medical, etc. Similarly, Kaynes earns EBITDA margin of 15%+ and is slated to increase further (16.8% in Q1FY26) owing to operating leverage and increasing proportion of high margin verticals including industrials, railways and aerospace. Over medium term, PCB manufacturing and OSAT are expected to be further margin accretive.

Rating and Target Price:

- Kaynes is making aggressive investments in India EMS and chip manufacturing space. Government support measures in various forms including capital subsidy, PLI incentives, anti-dumping duty, and its vision to increase India's domestic manufacturing makes risk-reward of these investments favourable. Further, Kaynes has showcased its superior execution capabilities.
- On OSAT and PCB, the company has just scratched the surface which shall enable it to command rich valuation. The company is expected to deliver India's first semiconductor chip during this month and is also on timeline for commercial production around Q4FY26 for both its OSAT and PCB output. Considering robust growth runway, superior capabilities and execution track record, we believe the valuations are expected to stay on the premium side even in comparison to other EMS companies. We assign BUY rating with a target price at ₹ 8,900 i.e. 67x P/E on FY28E EPS.

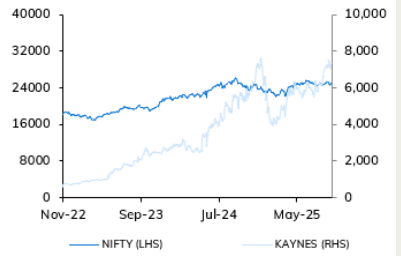
Particulars

Particular	Amount
Market Cap (₹ Crore)	48,803
FY25 Debt (₹ Crore)	876
FY25 Cash (₹ Crore)	1,056
EV (Rs Crore)	48,622
52 Week H/L (₹)	7,822/3,82
Equity Capital (₹ Crore)	64.1
Face Value	10

Shareholding pattern

	Sep-24	Dec-24	Mar-24	Jun-25
Promoter	57.8	57.8	57.8	53.5
FII	14.9	14.8	11.2	10.7
DII	16.1	15.0	17.0	22.4
Public	11.3	12.4	14.1	13.4

Price Chart



Key risks

i) Any restraint in domestic government support measures.

ii) Execution delays especially in upcoming ventures i.e. OSAT and PCB manufacturing.

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Conviction Pick

ICICI Securities – Retail Equity Research

Key Financial Summary

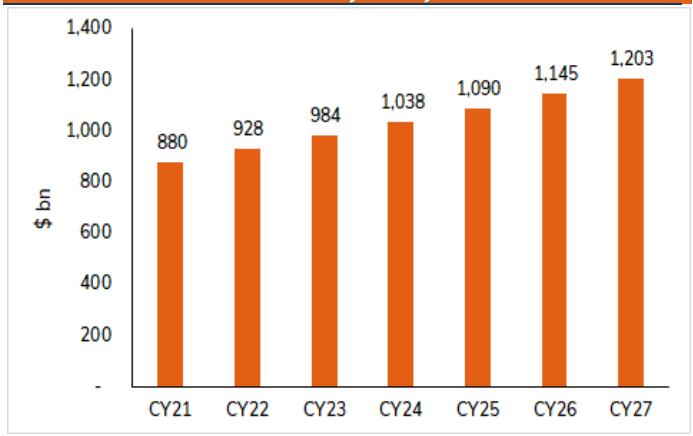
(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	706	1,126	1,805	2,722	56.8	4,313	6,545	8,844	48.1
EBITDA	93	168	254	411	63.8	708	1,105	1,538	55.3
EBITDA margin (%)	13.2	14.9	14.1	15.1		16.4	16.9	17.4	
Net Profit	41	95	183	293	92.4	448	671	886	44.5
EPS (₹)	53.9	16.4	28.7	45.8		67.0	100.2	132.3	
P/E(x)	135.2	445.1	253.9	159.0		108.7	72.6	55.0	
RoCE (%)	27.1	16.7	11.0	15.2		14.6	18.5	21.0	
RoE (%)	20.3	9.9	7.4	10.3		9.2	12.1	13.7	

Source: Company, ICICI Direct Research

Industry Background

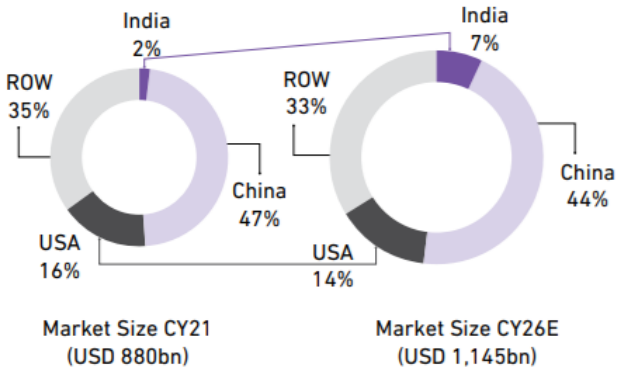
Macro tailwinds in favour of EMS companies

Exhibit 1: Global ESDM industry over years



Source: Kaynes Annual report FY25, ICICI Direct Research

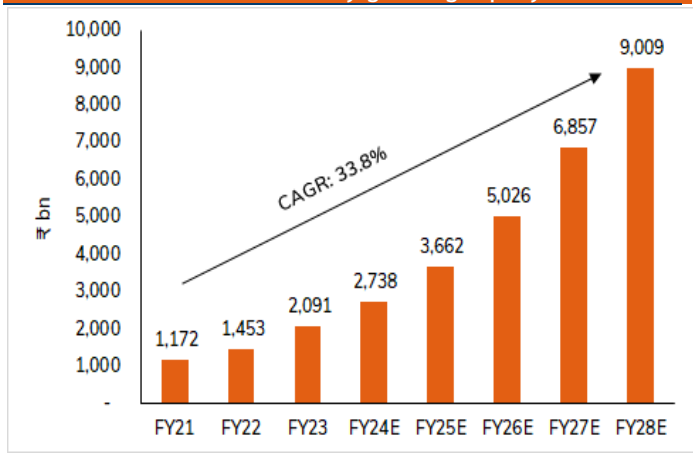
Exhibit 2: India at a nascent stage on global platform



Source: Dixon annual report FY24, ICICI Direct Research

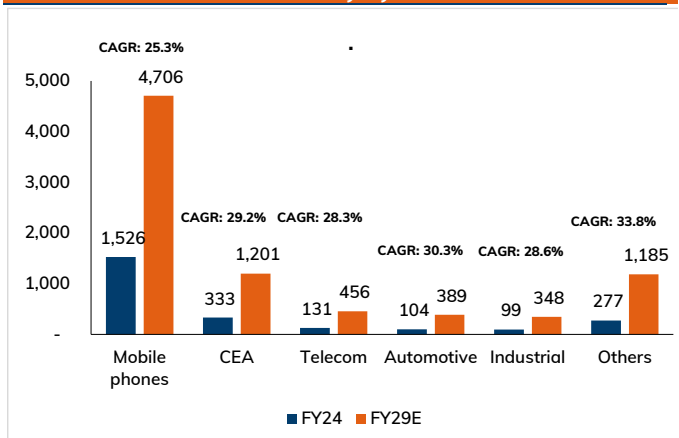
As depicted in Exhibit 1, Global electronics system design and manufacturing (ESDM) industry is growing at a steady rate of 5.2%, which stood at $880 bn in CY21 and is estimated to be valued at $1,203 bn in CY27E. **China is a dominant player** with market share of ~45% while **India's share was low at ~2%** in CY21 which is estimated to increase to ~7% in CY26E. China dominates the supply of essential components like PCBs, display panels, batteries, semiconductors, capacitors, etc which makes many countries highly dependent on China. With increasing global tensions and trade war uncertainties, countries like India shall benefit as global players look to diversify their supply chain and manufacturing facilities.

Exhibit 3: Indian ESDM industry growing rapidly...



Source: Kaynes annual report FY25, ICICI Direct Research

Exhibit 4: Indian ESDM Industry by end user



Source: PGEL placement doc, ICICI Direct Research

Indian ESDM industry is rapidly growing at a robust **CAGR of 33.8%** and is expected to reach ~₹9,009 crore by FY28. Here, mobile phones and CEA forms a major chunk in Indian ESDM industry contributing ~75%, followed by IT, Telecom, Automotive & industrials. Moreover, Indian companies have been traditionally engaged as a contract manufacturer with very less exposure on design front however this seems to changing with company gaining design capabilities along-side manufacturing abilities. Initiatives like Make in India and PLI for electronics has played a significant role by providing financial support to ESDM companies overall boosting overall ESDM industry in India.

Exhibit 5: Limited Design capabilities...

Depth of India's Presence:		High	Medium	Low
Segment	**Products**	**Final Assembly / Sub - Assembly**	**Component mfg.**	**Design**
Mobile	Smartphones	• Assembly for mobile has taken off; ~2B cumulative shipments between 2014-2022 • Sub-assembly: Battery pack, Charger largely localized; Camera module, display assembly ~25% localization	• Production of mechanical and composites (casing, cable and box content etc.). • E.g., Tata electronics for iPhone casing (10-15% BoM)	• Minimal to no presence
Consumer electronics	TV	• Multiple EMS (e.g., Dixon, Amber) / OEMs (e.g., Samsung) do finished product assembly / sub-assembly – Display is the largest component, sub-assembled in India for TV	• Open cells (~60% BoM) are primarily imported	• Limited design capabilities with players like Dixon
	Air conditioners Refrigerator		• Through-hole Components, Electro-mechanical components are manufactured	• Home-grown OEMs such as Blue Star, Godrej Appliances have established some design and engineering capabilities
IT hardware	Laptop Server	• >80% of laptops consumed domestically are imported	• Primarily import dependent	• Minimal presence (VVDN Technologies, CDAC)
Telecom	4G/5G RAN; Baseband unit (incl. CU, DU), Antenna / RRU, xPON FTTH, Others'	• >40% of total imports are from China	• Primarily import dependent	• Ongoing design efforts by a consortium led by TCS
Automotive	Powertrain, Body and Convenience, Connectivity	• ~65% import dependent, i.e., most OEMs import sub-assemblies)	• Low tech components such as wire harness and connectors are manufactured (~10% BoM)	• Leading home-grown OEMs such as Tata Motors, M&M have established product design and engineering capabilities, but have limited capabilities in electronics
Hearables & Wearables	Smart watch, headphone, wristband, glasses, ring, etc.	• Largely Box-assembly (No PCBA today) – e.g., Dixon for boAt,	• Primarily import dependent	• Minimal to no presence

Source: Niti Aayog, ICICI Direct Research

As depicted above, Indian companies have gained capabilities in final assembly as well as sub-assembly. However, component ecosystem is still under development, as government through its component PLI and custom duty optimisation is trying to build component ecosystem. On Design side, Indian companies lag with near to negligible value addition on design side. On a global value chain, currently India has miniscule contribution, offering enough headroom for structural growth of ESDM companies over long term.

EMS industry growth backed by following key drivers:

- **At global level, China + 1 strategy aims to reduce dependency on China by diversifying its supply chain and shifting production to countries like India**. Availability of large labour force with a reasonable skill set at a relatively lower cost positions India on a better footing. India could act as key supplementary hub for EMS alongside China.
- **Government's efforts to make India a manufacturing hub** - Initiatives in the form of Make in India, PLI scheme, duty rationalisation, ease of doing business, etc. to boost ESDM industry in India.

Government reform measures that are being taken to boost the sector -

Under Make in India, Government aims to make India a global manufacturing hub.

a) ISM 1.0 scheme - Launched in 2021 by central government, India Semiconductor Mission (ISM) 1.0 scheme had an outlay of ₹ 76,000 crore, with an intent to build a semiconductor and display manufacturing ecosystem in India. The scheme provides significant fiscal support esp. capital subsidy across several areas of the value chain.

b) PLI scheme - The scheme was initially announced in the year 2019 by the Government of India to incentivise the incremental sales of manufactured goods. The scheme has witnessed considerable success specifically in mobile phones. The government has extended PLI schemes to other segments including white goods (Air conditioners, LED lighting, etc.) including their components, telecom, IT hardware, automobiles, etc. The scheme makes Indian manufacturers more competitive and encourages investment in that respective segment. At macro level, import substitution and increase in export competitiveness are the positive outcomes alongwith job creation.

c) **Component PLI scheme** – Government recently announced a significant production linked incentive scheme aimed at bolstering domestic manufacturing of electronic components with budget outlay of ₹22,919 crore aiming to reduce reliance on imports and enhancing local value addition through incentivizing the production of resistors, capacitors, inductors, transistors, PCBs, diodes, camera modules, display assemblies, etc. aiming to support various segments including mobile phone, consumer electronics, automotive, telecom, etc. helping India to strengthen India's position in global electronics supply chain.

d) Custom duty optimization – Government has been proactively optimizing custom duty at component and finished goods level to make Indian manufacturers more competitive. For instance, in the recent budget, the government had increased custom duty on interactive flat panel display which is a finished good but reduced import duty on open cells which India will still take a while to produce in-house. Thus, optimizing Indian manufacturers competitiveness.

e) State government support – Incentive and subsidies are also being given at state level. For semiconductor plants, select state governments are offering 20-25% contribution in capex alongwith interest subsidies and incentives for research and development.

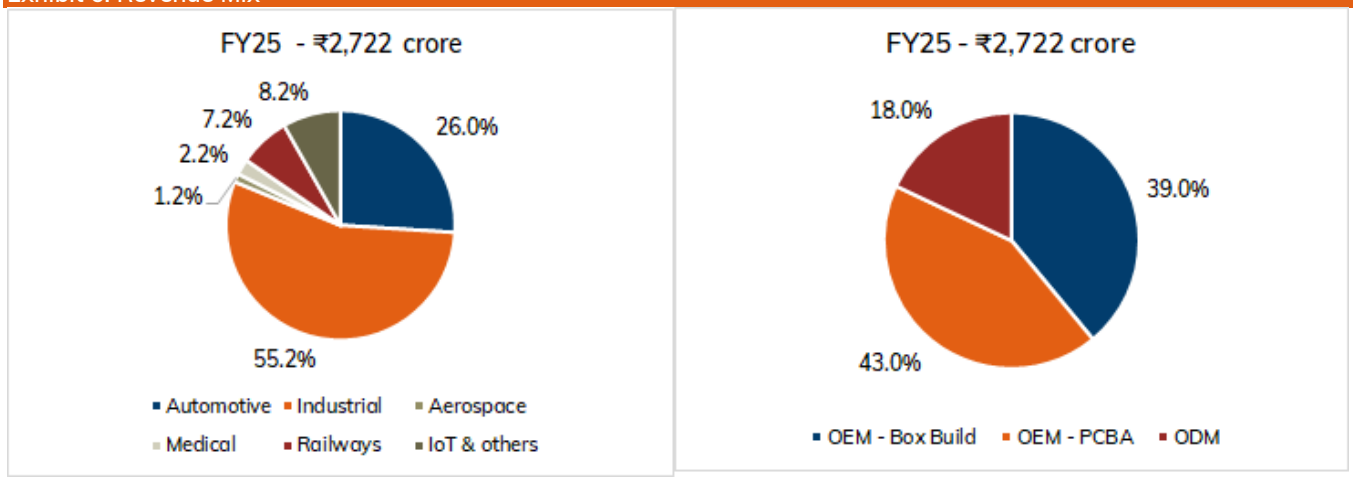
f) Other such schemes – Earlier, initiatives such as Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) provided financial incentive on capital expenditure for the identified list of electronic goods that comprise downstream value chain of electronic products, i.e., electronic components, semiconductor/ display fabrication units, etc. which involve high value-added manufacturing. However, this scheme is no longer active for new applicants. Going ahead, ISM 2.0 is the forthcoming phase wherein details are awaited. Other schemes like Modified Electronics Manufacturing Clusters Scheme (EMC 2.0) aid in creating infrastructure, common facilities, and amenities to attract investment and employment.

Company Background

Kaynes Technology India Ltd. (est. 1988, Mysore, Karnataka) is a leading integrated electronics manufacturing services (EMS) provider, offering end-to-end solutions spanning conceptual design, process engineering, integrated manufacturing, and lifecycle support. With **more than three decades of expertise**, the company caters to diverse sectors including Automotive, Industrial, Aerospace & Defence, Medical, Railways, IT, and IoT-enabled solutions. The company has a strong focus on IoT and smart electronics, delivering customizable platforms, devices, and vertical solutions that enable businesses to transition toward digital and connected ecosystems.

Kaynes operates **16 strategically located manufacturing plants** across India and the USA, complemented by two specialized design centres in India. These centres provide advanced embedded design, firmware & software development, prototyping, and certification services, ensuring comprehensive engineering support. The geographic proximity of its facilities to key customers enhances service efficiency and cost competitiveness. Kaynes' integrated model, diversified sectoral presence, and capability to offer concept-to-completion solutions position it as a critical partner for global OEMs and system integrators.

Exhibit 6: Revenue Mix



Source: Company, ICICI Direct Research

Currently, entire revenue is generated from its EMS business while OSAT and PCB to start meaningfully contributing from FY27E onwards.

As depicted above, the company has a diversified presence in relatively high margin segments including industrial, automotive, aerospace, railways, medicals, IoT & others. Further, its ODM proportion is steadily rising which is supporting industry leading margins.

i) OEM turnkey solutions-PCBA: EMS of PCBAs, cable harness, magnetics and plastics.

ii) OEM box build: build to print, build to specification of complex box builds

iii) ODM and product engineering & IoT solutions: ODM for smart metering, smart street lighting, BLDC inverter, IoT solutions for smart CEAs; PCB cladding or electrical schematics to embedded design and submitting proof of concept to prototyping.

Investment Rationale

A) ESDM Business: Presence mainly in high margin product segments

Kaynes' core EMS and design-led portfolio remains the foundation of its business, extending across high-growth verticals such as automotive and electric vehicles, industrial automation, aerospace and defence, healthcare electronics, and IoT-enabled smart infrastructure. With comprehensive end-to-end capabilities, Kaynes delivers value across every stage of the customer value chain.

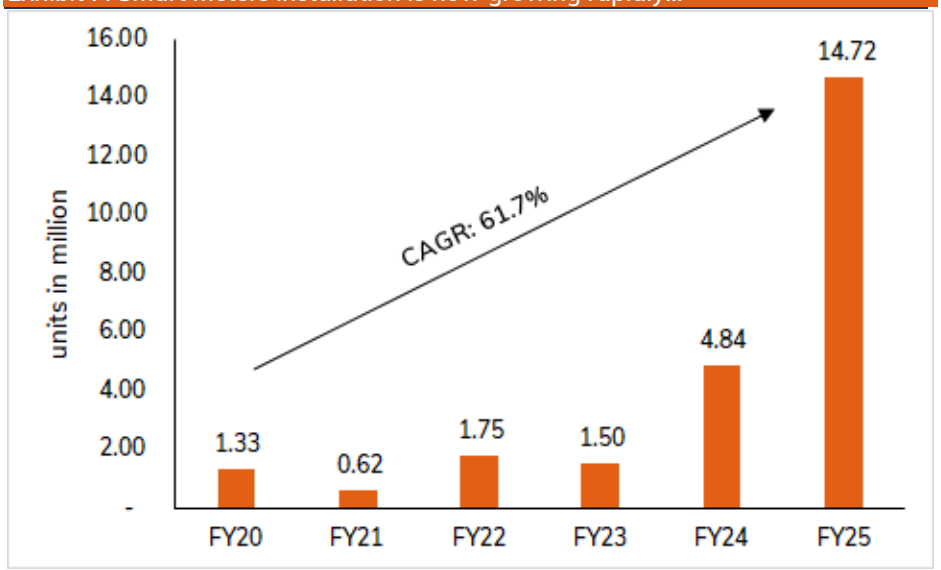
The company is focused on building long-term strengths in high-margin verticals and is consistently rising up the value chain.

a) Industrial & EV (55% of FY25 revenue):

India's shift towards Industry 4.0 is transforming manufacturing with greater adoption of IoT, automation, and digital control systems, driving demand for robust, connected electronic solutions. Kaynes is well positioned to capture this trend, with ~50+% of its revenue already derived from the Industrial and EV portfolio. Its offerings span a wide range of applications—from street lighting control systems and industrial HMIs to engine control panels, BLE modules, precision bridges, strain gauges, smart meters, and AMI infrastructure. On the EV side, Kaynes serves the full spectrum of electric 2W, 3W, and 4W vehicles, along with critical EV infrastructure such as DC fast chargers and power modules.

Smart meters – near term growth catalyst: With an estimated market size of ~₹6,500 crore, expanding rapidly under schemes like the RDSS (Revamped Distribution Sector Scheme) and the Smart City Mission, smart meters are becoming central to household energy management by enabling real-time monitoring, grid optimisation, and integrated electricity solutions.

Exhibit 7: Smart meters installation is now growing rapidly...



Source: NSGM, ICICI Direct Research

To capture this opportunity, Kaynes inaugurated a dedicated EMS facility in September 2024 with an annual capacity of 4 mn smart meters. Further, the company has acquired Iskraemeco India Pvt. Ltd for ~₹49.3 crore resulting into strengthening its customer service capabilities while building in-house expertise in design, edge analytics, and system integration. This positions Kaynes to deliver secure, scalable, and comprehensive smart metering solutions. The company has a robust order pipeline for smart meters from Gujarat, Kerela and West Bengal. Kaynes is also driving backward integration through its entry into HDI and multilayer PCBs, creating cost advantages and enhancing competitiveness.

Importantly, nearly 50% of Advanced Metering Infrastructure Service Providers (AMISPs)—including IntelliSmart, EDF, Apraava, Monte Carlo, and GMR—lack in-house device manufacturing. Through its Iskraemeco JV, Kaynes is targeting these customers and aims to capture a 15–20% market share in the segment. Overall,

Kaynes' Industrial and EV division offers a strong, margin-accretive portfolio aligned with high-growth markets.

b) Automotive (26% of FY25 revenue):

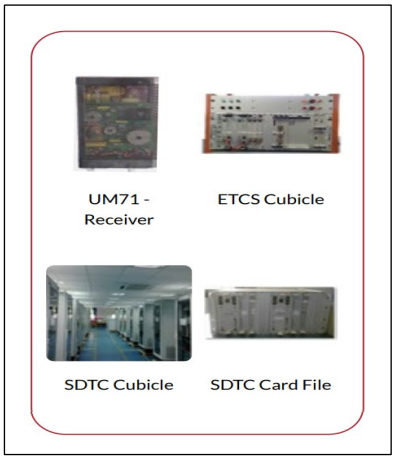
Kaynes delivers smart mobility and power electronics solutions through its automotive segment, offering products such as cluster PCBA, LED headlamps & tail lamps PCBA, daytime running lights (DRLs), switches PCBA, and body control units (master and slave), alongside infotainment-related electronics. With the automotive sector rapidly electrifying, demand is surging for electronic control units (ECUs), motor controllers, lighting modules, and ADAS systems. India's emergence as a global automotive R&D hub, supported by rising investments and consumer appetite for advanced electronics, is accelerating PCBA content per vehicle, particularly around safety, comfort, connectivity, and energy efficiency.

Within the EV ecosystem, Kaynes supplies critical components for electric 2W, 3W, and 4W vehicles, as well as DC fast chargers and power modules. With an average seven-year relationship across its top automotive clients, Kaynes' automotive vertical is firmly positioned for sustained growth, deeper global integration, and margin expansion.

c) Railways (7% of FY25 revenue):

India's railway is undergoing a strategic transformation, with digitalisation, automation, and AI-led safety systems driving upgrades. Backed by strong government investments planned in rail and metro infra by 2030, supported by public–private partnerships, demand for advanced signalling, control, and safety equipment is rising sharply.

Kaynes has established itself as a key player in this space, offering rail signalling and traffic management solutions for efficient and safe operations. Its portfolio includes products such as the UM71 receiver, ETCS cubicle, SDTC cubicle, STDC card file, and other specialised signalling and safety systems.



Recent Acquisition of Sensonic to enhance railway safety & signalling capabilities:

Kaynes acquired 54% stake in Sensonic GmbH through its subsidiary in December 2024, Kaynes Holding Pte Ltd. Sensonic is globally recognised for its AI- and machine learning-driven fibre optic sensing solutions, which enable track condition monitoring, landslide detection, and infrastructure security. This acquisition not only strengthens Kaynes' product capabilities but also extends its global footprint in railway technology.

Expanding its role in Kavach programme:

Kaynes is also expanding its role in India's Kavach programme (Train Collision Avoidance System). In collaboration with a German technology partner, the company is developing an onboard electronic safety system, with proof of concept expected in FY26 and deliveries to follow regulatory approvals.

Out of a total addressable market of 68,000 km, management suggests half of it is the first priority i.e. 34,000 km which could lead to ₹15,000 – 20,000 crore of business, implying business of ~₹50 lakh per km. Kaynes targets 15-20% market share i.e. revenue opportunity of ~₹2,000 crore from this business over next 4-5 years.

Overall, with its investments in Kavach and the acquisition of Sensonic, Kaynes has positioned itself as an Original Design Manufacturer (ODM) delivering cutting-edge safety and signalling electronics, well aligned with India's modernisation and safety priorities in the railway ecosystem.

d) Aerospace, outer space and strategic electronics (1% of revenue):

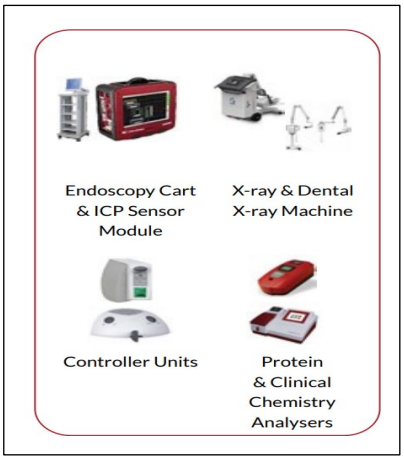
Although currently miniscule contributor, its contribution is set to increase sharply to closer to ~8% for FY26E with order execution expected from Q2 onwards.

Kaynes has capabilities of critical and advanced electronics for aerospace, defence, outer space, and other strategic applications, including handheld sonar, ESAF, ATE & LRU cable assemblies, and other mission-critical systems. Building on its expertise in low-volume, high-complexity programmes, the company is deepening its focus on space-grade electronics, satellite communications, and high-reliability defence systems that meet stringent global standards. As per company, India's defence

sector is projected to consume ₹70–72 bn worth of electronics over the next decade, driven by higher allocations and an agenda of modernisation and localisation, which positions Kaynes as a key beneficiary.

The aerospace segment is emerging as a major growth engine, supported by strong order inflows, dedicated facilities, and contracts from a leading US-based OEM, with execution expected to accelerate in the coming year. Kaynes has also been a trusted ISRO partner for over a decade, delivering mission-critical assemblies and subsystems for flagship space missions.

To advance next-generation technologies, the company has launched Kaynes Space Tech, a subsidiary led by ex-ISRO scientists, focused on high-precision manufacturing for satellites and launch vehicle components. Alongside, investments in talent and leadership capacity are ensuring scalability without compromising quality. With growing demand for advanced avionics, navigation systems, and defence electronics, Kaynes is strategically positioned to capture long-term growth in India's aerospace and defence ecosystem.



e) Medical:

Kaynes' medical division has witnessed the addition of large European client and an expanding global footprint in med-tech. The company manufactures a wide range of high-value, low-volume products such as endoscopy carts, X-ray units, dental imaging systems, ICP sensor modules, and diagnostic analysers. This is a margin-accretive segment, well aligned with Kaynes' strategic focus. With constant innovation and the integration of advanced technologies like robotics, AI, and telemedicine, the medical electronics sector is set to outpace the broader ESDM industry, offering significant long-term opportunities.

f) IoT, consumer and other:

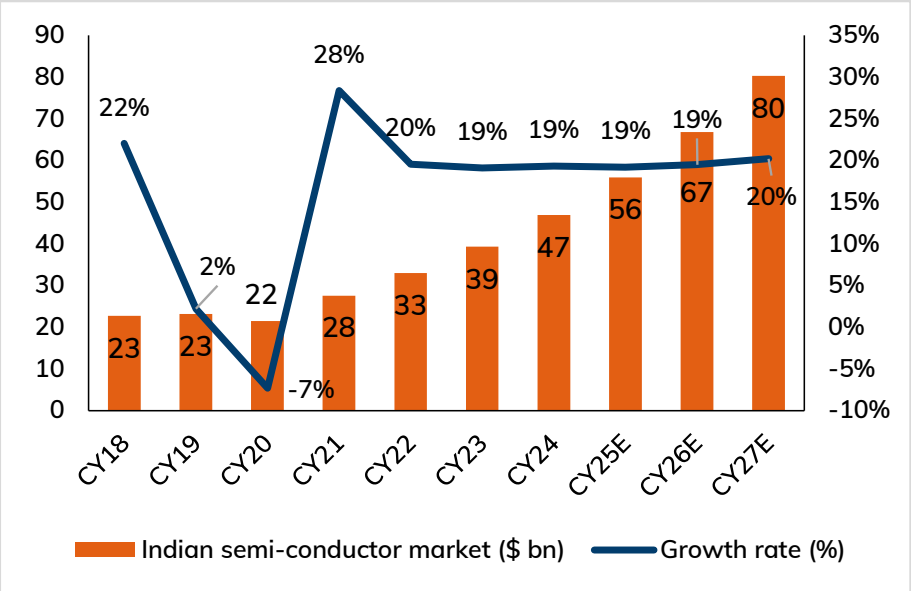
The company provides integrated product solutions, embedded devices, and IoT-enabled systems, with a portfolio spanning barcode scanners, RFID gateways, PLCs, asset condition monitoring gateways, sensors, industrial HDMI readers, and industrial tablets. In IoT, consumer, and other verticals, Kaynes is gaining momentum with rising demand from both government and private sectors. By enhancing its software and design capabilities, the company is positioned to deliver more intelligent, value-added solutions. This segment's contribution is expected to rise in the near term, supported by the growing adoption of connected and smart systems across industries.

Foraying into backward integration with strong execution capabilities

Kaynes has built a robust product portfolio and consistently delivers strong value addition to its clients, enabling the company to command higher margins compared to peers in the ESDM space. Over the years, it has strategically expanded its product offerings and enhanced design capabilities, strengthening its competitive positioning. In line with its vision to evolve into a fully integrated solutions provider, Kaynes has announced significant capex plans to venture into OSAT, multi-layer and HDI PCB manufacturing which is expected to further enrich its portfolio. By incorporating PCB fabrication and OSAT capabilities, the company is positioning itself as a comprehensive partner—offering customers end-to-end solutions that combine design, manufacturing, and advanced packaging.

B) OSAT:

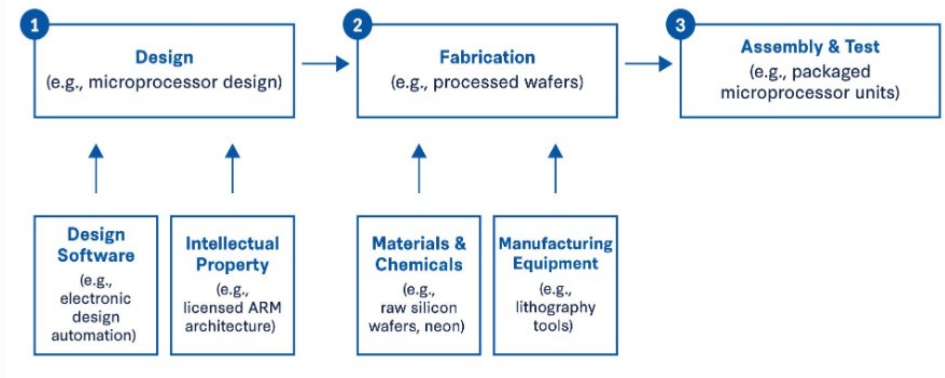
Exhibit 8: India semi-conductor market ($ bn)



Source: PIB, Kaynes placement Doc, ICICI Direct Research

India semi-conductor market size currently stands at ~$47 bn as on CY24 and is slated to increase to $80 bn by CY27 and $100-110 bn by CY30, compounding at 14%+ CAGR. About 95% of the semiconductors is imported from countries including China, Taiwan, South Korea, and Singapore. This offers huge headroom for long-term growth potential as India steadily climbs up the value chain in domestic chip manufacturing, backed by government support.

Exhibit 9: Semiconductor value chain



Source: CSIS report, ICICI Direct Research

The process of making semiconductor chip is complex which involves three stages as depicted above. Most Indian companies including Kaynes are focusing on 3rd stage which has relatively less capex and skill set requirement.

i) Design - The idea for the chip is created and planned which involves defining specifications, creating the chip's architecture with an intricate workflow using specialized hardware description languages and Electronic Design Automation (EDA) software tools. As integrated circuits have decreased in size, chip

manufacturing process have also grown in complexity. Design stage is significantly dominated by US companies who is a leader in production and licensing of intellectual property (IP). Select firms rely on reusable design blocks built by others. Leading companies in this stage include Intel, Nvidia, Qualcomm.

India is not targeting this segment in a major way currently though it is to be noted that ~20% of the world's chip design engineers are estimated to be based in the country which indicates of the talent base and value addition potential in India's semiconductor ecosystem over long term.

ii) Fabrication – Post design, the detailed plan is then sent to a fabrication facility wherein the chip is physically built in a clean room environment as per the specifications. This includes steps like photolithography, etching, deposition, and ion implantation to build the actual circuits onto a silicon wafer. Taiwan produces more than 60% of the world's semiconductors, including nearly 90% of the most advanced ones. Taiwan's TSMC is the largest foundry and is able to earn stellar EBITDA margin of 65%+ and PAT margin of 40%+ backed by its scale and capabilities. From India, Tata electronics is investing ₹ 91,000 crore in fab plant at Dholera, Gujarat. Besides, HCL-Foxconn will be manufacturing display driver chips for mobile phones, laptops and automobiles at its plant located at Jewar, Uttar pradesh.

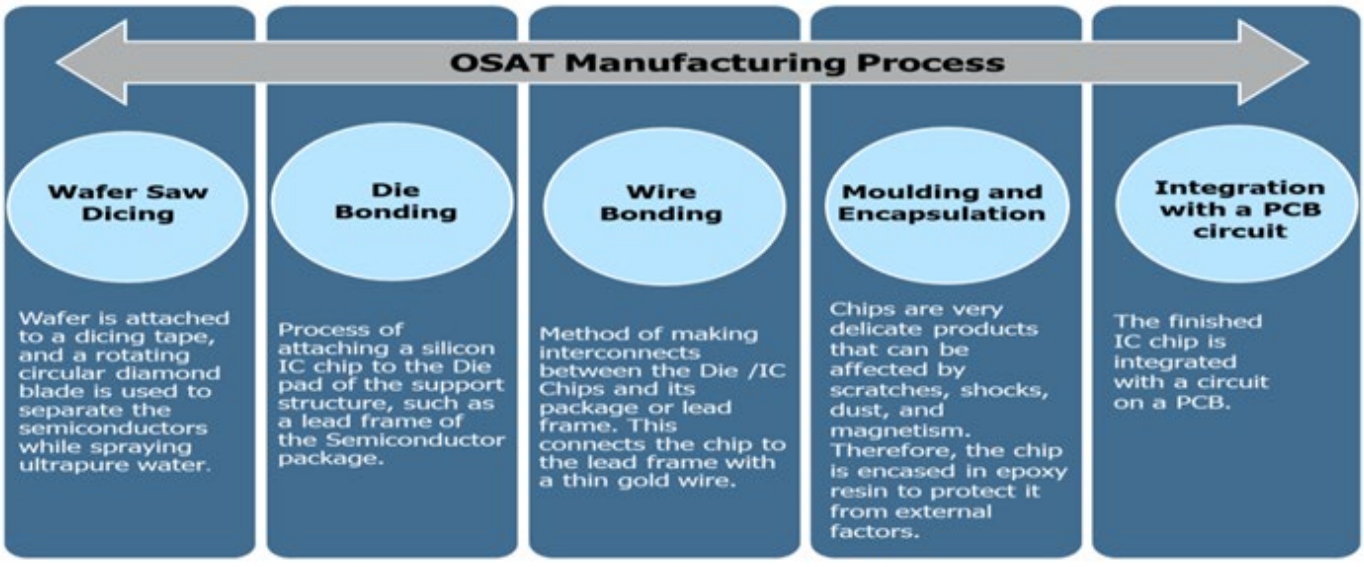
iii) Assembly & Test – In this stage, the final chip is assembled, tested and packaged for use. This activity is mainly outsourced to OSAT companies wherein after wafer fabrication, they carry out a) assembly - The chip is packaged into a protective casing and connected to external pins or contacts. b) Test: The chip is evaluated for quality, performance, and stability before being shipped out.

Among companies, Kaynes is positioning as an OSAT company with plant in Sanand, Gujarat and is investing ₹ 3300 crore+. The other notable companies investing include:

- CG power's subsidiary CG Semi is investing ₹ 7600 crore in 2 advanced facilities in Sanand, Gujarat. This is in partnerships with Renesas Electronics and Stars Microelectronics.
- Suchi Semicon is investing $100 mn in an OSAT plant in Surat, Gujarat.
- Micron technology is investing ~$2.75 bn in an Advanced Technology Memory Packaging (ATMP) facility in Sanand, Gujarat
- Tata Semiconductor Assembly and Test Pvt Ltd (TSAT) is investing ₹27,000 crore ($3.25 billion) in an OSAT facility in Morigaon, Assam.

Kaynes is expected to deliver India's first semiconductor chip during this month and is also on timeline for commercial production from Q4FY26.

Exhibit 10: OSAT manufacturing process



Source: Kaynes placement document, ICICI Direct Research

Government support measures -

- Government has approved Semicon India programme with a total outlay of ₹ 76,000 crore.
- Fiscal support of 50% of the project cost is being provided which is on pari-passu basis i.e. when the investment in plant and machinery is being made. The funding from centre mainly excludes land and some parts of buildings.
- Besides, state governments are also offering capital support and incentives for chip manufacturing plant. Most state governments are offering capital subsidy of 20-25% post commencement of operation.
- Overall, expect government to handhold the industry as seen in EMS space including mobile, other consumer durable manufacturing, PCB manufacturing through optimal custom duty, anti-dumping duty, BIS norms, etc. Thus, the risk-reward seems favorable for the industry to invest backed by government support measures.

Kaynes positioning.

Kaynes has ventured into OSAT part of chip manufacturing.

a) Investment details and capacity

- Kaynes, under its subsidiary Kaynes semicon, is investing ₹ 3300 crore+ for its OSAT facility at Sanand, Gujarat under the government's ISM 1.0 scheme. The plant shall be built on a ~46 acre plot of land.
- The project involves an investment of ₹3,300 crore, of which ~70% shall be government subsidy. About 50% funding shall be from central government under ISM 1.0 scheme, while Gujarat state government shall be offering another 20% capital subsidy.
- The OSAT facility shall have capacity of 6.3 mn chips per day which shall cater to wide variety of applications which include segments such as industrial, automotive, electric vehicles, consumer electronics, telecom, mobile phones, etc. Once fully operational, the plant shall have the ability to handle 3.3 billion components annually.

b) Key client & manufacturing partnerships

- Kaynes has made select strategic partnerships in this segment. It has allotted a 10% stake in its OSAT subsidiary to US Tech India Pvt. Ltd. and an 8.25% stake to Alpha & Omega Semiconductor (AOS), a global semiconductor chip supplier. UST acts as a digital engineering partner to semiconductor companies, leveraging its deep domain knowledge and AI expertise to develop advanced, high-performance solutions. This stake dilution is mainly with the objective to strengthen the relationship with its clients. With more customers and technology partners on its side, Kaynes business case further strengthens alongwith scale, stability and such other advantages.
- Company has secured three anchor clients for the pilot phase from varied countries including US (AOS), India (L&T semiconductor technologies) and Germany (Infineon technologies). Here, it is noteworthy that 100% of its capacity of 4.6 bn chips/annum is tied up. Considering the increasing interests, the company is scouting for land to meet potential demand.
- The company signed a five-year agreement with Alpha & Omega Semiconductor (AOS). As per the agreement, 60% of the first-phase production will be utilised by AOS.
- Kaynes Semicon and L&T Semiconductor Technologies (LTSCT) have partnered to acquire the power modules business of Fujitsu General for ₹ 118 cr. Fujitsu will transfer the production facilities related to the power modules business to Kaynes Semicon which will in turn manufacture these products for LTSCT. This strategic partnership allows Kaynes to generate

immediate revenue by taking over Fujitsu's existing customers and gradually shift production from Japan to their OSAT plant.

- Kaynes has partnered with Infineon Technologies to launch first "Made in India" MEMS Microphone. This shall be done by integrating Infineon's bare die technology for next-generation wearable devices, including TWS earbuds.
- Kaynes acquired a 13.2% stake in US-based Mixx Technologies, a deeptech semiconductor startup, for $3 million, which handles chip design and supports process design. Mixx Technologies brings three-dimensional scalability (3DS) to generative Artificial Intelligence (AI) and high-performance computing systems by integrating the power of photonic circuits and advanced packaging.
- The company will be integrating Emerson's NI Semiconductor Test System (STS) as the preferred test platform across its facilities. This partnership shall standardise and streamline the test infrastructure for analog, mixed-signal, RF, power, and MEMS devices. Resultantly, this shall accelerate production, improve flexibility, and reduce time-to-market for Kaynes' Test-as-a-Service (TaaS) offerings.

c) Production timeline

- Commercial production shall commence from Q4FY26 while the pilot line is operational. First chip samples are expected during this month, which shall be for its first anchor client i.e. US based Alpha & Omega semiconductor (AOS).

d) Financial details

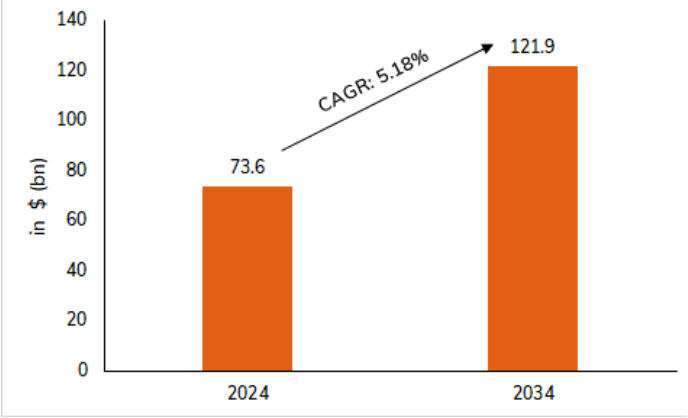
- Revenue from OSAT business shall contribute ₹100 crore in FY26 while ₹ 1000-1500 crore has been guided for FY27E from investments in OSAT and PCB manufacturing business combined.
- Management expects OSAT business to clock revenue of ~₹4,000 crore by FY30E. This business shall be able to comfortably earn 20%+ EBITDA margin.

C) PCB Manufacturing – leaping towards backward integration

Printed Circuit Boards (PCBs) form the foundation of modern electronics, powering everything from smartphones and computers to advanced medical devices, automotive systems, and aerospace technologies. Serving as the critical base for most electronic circuits, PCBs cater to a wide spectrum of industries, including consumer electronics, automotive, EVs, IoT, healthcare, and defence.

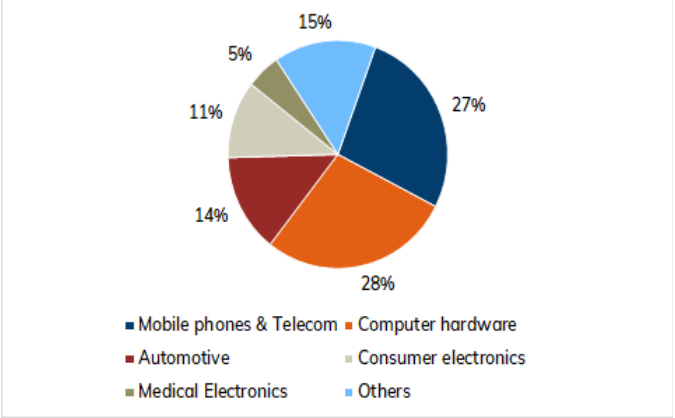
The global PCB market, valued at ~$73.6 billion in 2024, is projected to grow at a CAGR of 5.2%, reaching ~$121.9 billion by 2034. This growth is being driven by several structural trends: Rising demand for compact, high-performance electronic devices, global rollout of 5G networks, accelerating adoption of electric mobility, rapid expansion of industrial IoT and AI-driven infrastructure. By entering multi-layer and HDI PCB manufacturing, Kaynes is positioning itself to capitalize on this high-growth market while strengthening supply-chain control and ensuring seamless backward integration.

Exhibit 11: Global PCB market on steady rise...



Source: Kaynes QIP doc, ICICI Direct Research

Exhibit 12: PCB industry by end user



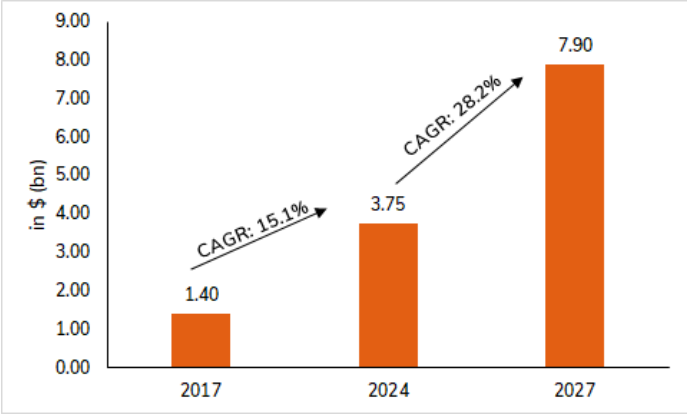
Source: Kaynes QIP doc, ICICI Direct Research

Globally, the PCB market is led by the mobile phones and telecom segment, which contributes around 27% of total demand. This is followed by computer hardware (28%), automotive (14%), consumer electronics (11%), and medical electronics (5%). Other sectors such as power & energy, lighting, and strategic electronics also play a meaningful role in driving PCB demand. With the adoption of emerging technologies like renewables, hydrogen energy, and next-generation power infrastructure, the share of the power and energy segment in the global PCB market is expected to rise significantly in the years ahead.

India's PCB Market – Poised for Rapid Growth

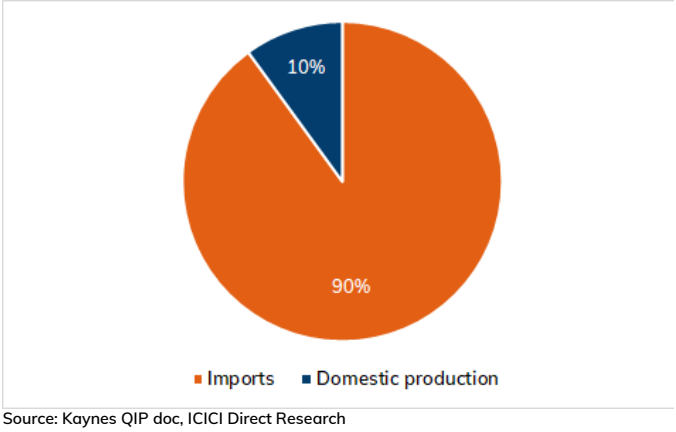
India's domestic electronics consumption is expanding at a robust pace, driven by rising demand across smartphones, automotive electronics (including EVs), consumer durables, IoT devices, and defence applications. This surge in demand has translated into a growing need for high-performance PCBs across industries. However, the Indian PCB ecosystem continues to face structural supply gaps. Local manufacturing remains concentrated in low-to-mid layer PCBs, while the country is significantly dependent on imports for advanced categories such as flexible, HDI, and multilayer PCBs. This heavy reliance on foreign suppliers exposes Indian OEMs to global supply-chain risks and currency fluctuations. Against this backdrop, the push for self-reliance in electronics manufacturing, supported by government initiatives like PLI schemes, and industry-led investments in backward integration, positions India's PCB market for rapid, sustained growth in the coming decade.

Exhibit 13: Indian PCB industry poised for growth...



Source: Kaynes QIP doc, ICICI Direct Research

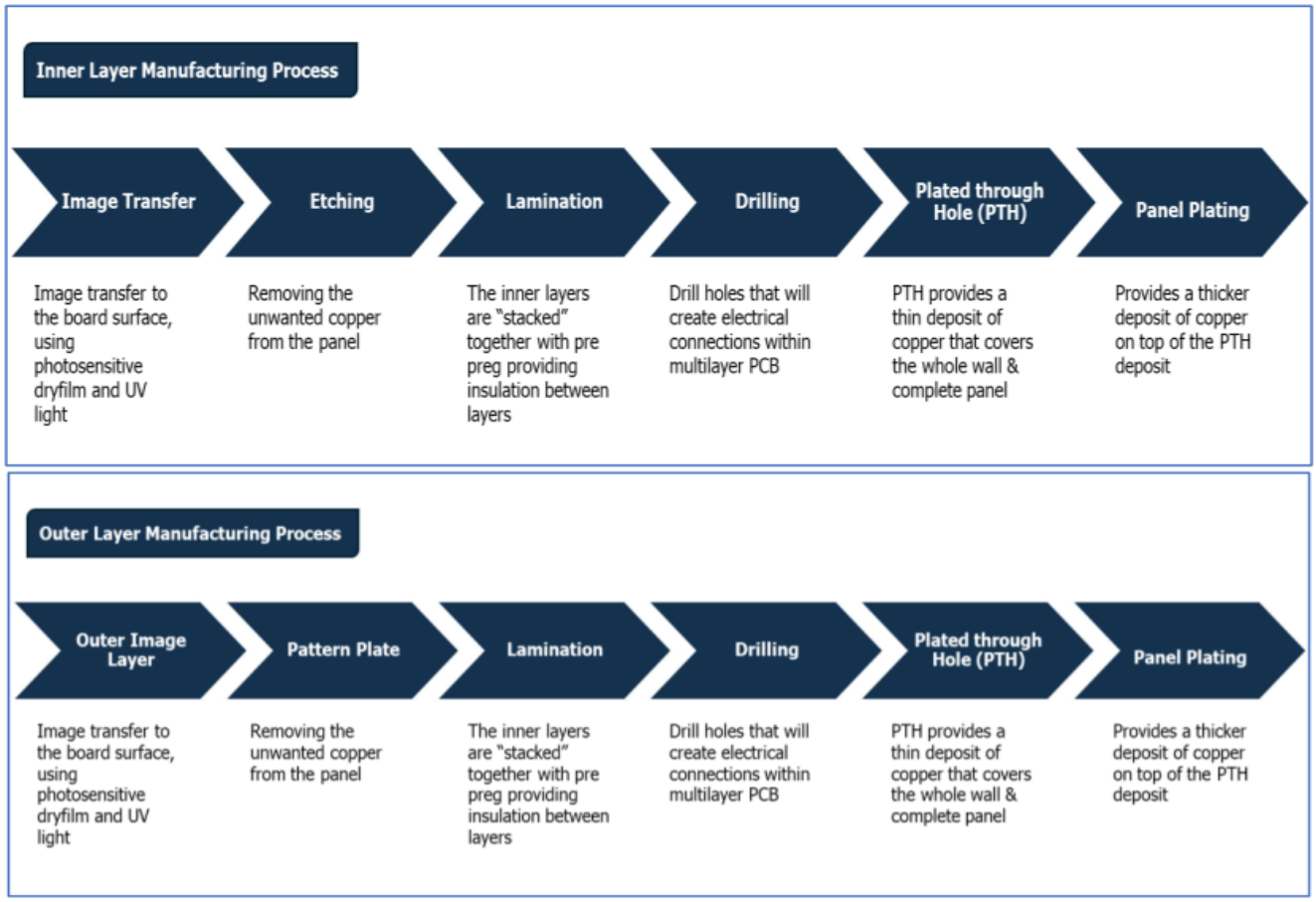
Exhibit 14: Currently dominated by imports...



Source: Kaynes QIP doc, ICICI Direct Research

Between 2017 and 2024, India's bare-PCB segment expanded from ~$1.4 billion to ~$3.75 billion, registering a strong CAGR of ~15.1%. This growth has been fuelled by rising adoption across consumer electronics, telecom, computing, automotive, and industrial applications. Given that PCBs are fundamental to virtually all electronic devices, demand is expected to accelerate further. From 2024 to 2027, the overall PCB demand in India is projected to grow at a CAGR of 24.2%, reaching ~$7.9 billion.

Exhibit 15: PCB manufacturing process



Source: Kaynes QIP doc, ICICI Direct Research

The Indian government has undertaken several initiatives to reduce dependence on imports and strengthen the domestic PCB ecosystem. A 30% anti-dumping duty has been imposed on bare PCBs up to six layers, safeguarding local manufacturers from cheaper foreign supply. Additionally, the recently announced Component PLI scheme offers incentives and capital subsidies, while various state governments are extending capital subsidies and other support measures to encourage investments in domestic PCB manufacturing.

Kaynes – Targeting Multi-layer and HDI-PCB Manufacturing

Kaynes has announced its foray into PCB manufacturing with the construction of a multi-layer and HDI-PCB facility at Chennai location. This strategic investment is a key step in its transition towards becoming a vertically integrated electronics player. Multi-layer and HDI PCBs are critical in applications demanding high circuit density, advanced functionality, and miniaturization. Representing one of the fastest-growing segments within the global PCB industry, HDI boards are increasingly used in smart wearables, connected devices, and next-generation electronics, where compactness and performance are essential.

HDI technology leverages thin materials and fewer layers compared to traditional PCBs, delivering greater efficiency, reliability, and performance—making it well-suited for complex, small-form-factor designs. Its applications span medical diagnostics equipment, communication systems, navigation devices, and advanced computing platforms. Currently, India meets its HDI PCB requirement largely through imports, underscoring a significant opportunity for domestic players like Kaynes to fill this structural gap.

Exhibit 16: Proposed capacity expansion

Location	Verticals	Proposed capacity
Chennai, Tamil Nadu	Bare PCB fabrication - HDI	330,000 sq. meter per annum
Chennai, Tamil Nadu	PCB- Multilayer	10,50,000 sq. meter per annum

Source: Kaynes QIP doc, ICICI Direct Research

By investing early, Kaynes is positioning itself to capture market share in a high-value segment while strengthening its backward integration strategy and reducing reliance on imports. The company is investing ~₹1,400 crore towards establishing a world-class PCB manufacturing facility with an annual capacity of 330,000 sq. meters for HDI PCBs and 1,050,000 sq. meters for multilayer PCBs. About 65% of its net investment is expected to be received as subsidy over a period of time. The investment is expected to be margin accretive at optimum utilisation.

The plant, currently in its final stages of completion, is expected to commence operations by January 2026. This state-of-the-art facility will be the first of its kind in India, equipped to manufacture multilayer PCBs up to 74 layers and HDI PCBs up to 8 layers, along with flexible PCBs for high-end applications.

Its capabilities will cater to mission-critical sectors including aerospace, defence, AI, backplanes, drones, medical devices, smartphones, and other advanced technologies. With this initiative, Kaynes is set to establish itself as a domestic leader in HDI manufacturing, while laying the foundation for future expansion into more advanced board technologies and tapping into high-potential global markets.

Strengthening the portfolio through backward integration...

Kaynes already has a strong portfolio of advanced, high-performance electronic components serving defence, automotive, and communications industries. The move into HDI and multilayer PCB manufacturing represents a natural extension into backward integration, enabling: Reduced reliance on imports for critical PCB requirements, value addition through in-house production of compact & high-speed boards, enhanced design integration, quality control, and supply chain efficiency across its EMS value chain These PCBs are crucial for smart meters, automotive systems, industrial controls, and next-generation electronics, ensuring Kaynes' products remain at the forefront of performance and reliability. The company expects meaningful revenue contributions from this initiative and has already begun engaging with potential customers—one of whom has issued a request for proposal (RFP). This early traction underscores strong market interest and validates Kaynes' positioning as an integrated solutions provider capable of delivering across the electronics manufacturing spectrum.

Further, Kaynes circuits, a subsidiary of Kaynes Technology has recently signed a non-binding MoU to invest ₹4,995 crore over six years to establish advanced electronics manufacturing facilities in Thoothukudi, Tamil Nadu. The new facility shall produce components like HDI PCBs, flexible PCBs, and wire harnesses for sectors including telecom, defense, and automotive.

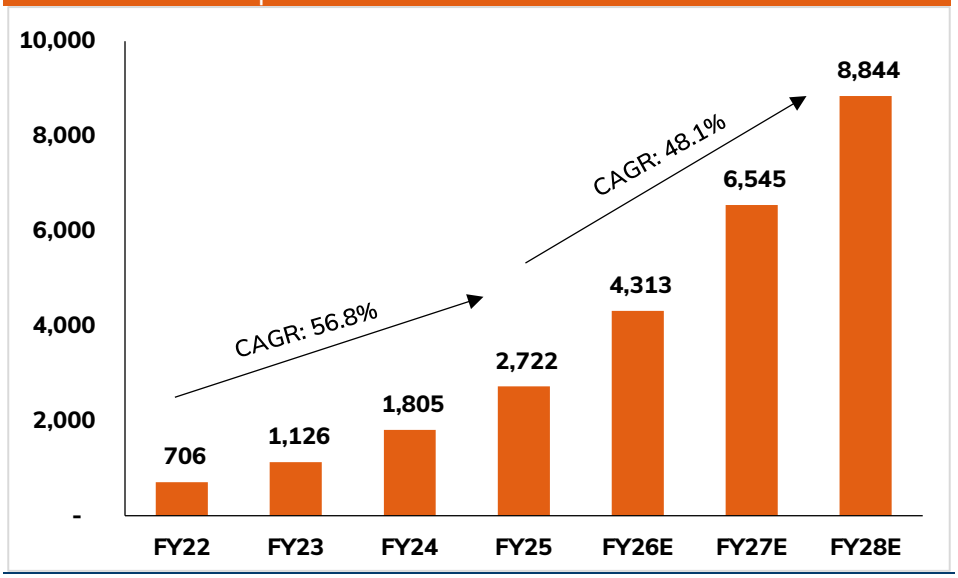
Key Financial Summary

Revenue expected to grow 48% CAGR over FY25-28E

As depicted in chart below, Kaynes is growing its business at a rapid pace with astounding CAGR of 48.1% expected over FY25-28E. The growth has been supported by strong product portfolio across various verticals including industrials, automotive, IT and telecom, medical and IoT consumer segment.

Over FY22-FY25, company has grown its revenue significantly, registering CAGR of 56.8%. Further with the company exploring multiple new opportunities with OSAT and PCB manufacturing, wherein the company has already onboarded 3 clients for its OSAT services providing medium to long term revenue visibility. Overall, with strong execution capabilities and strong product portfolio, the company is expected to register healthy growth in coming years.

Exhibit 17: Trend in Topline

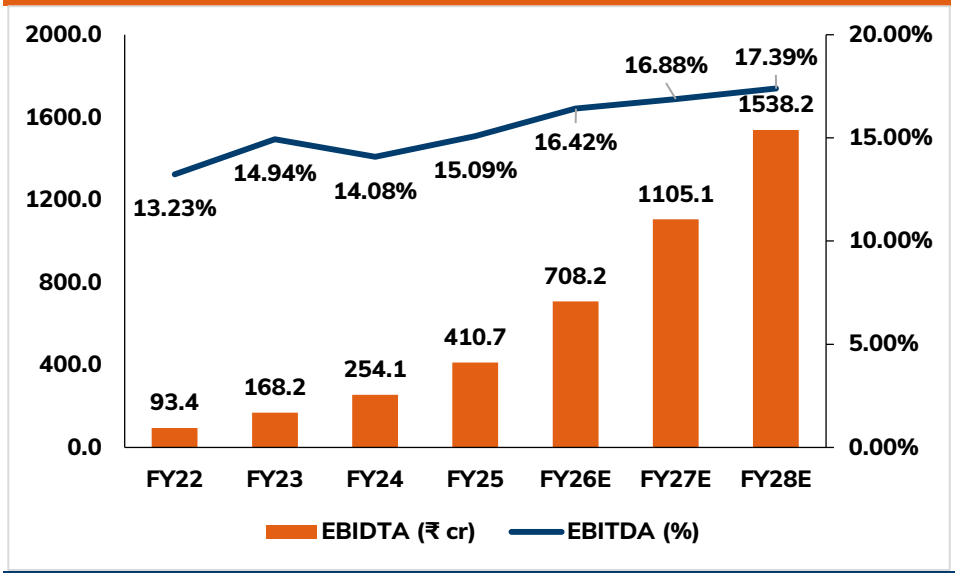


Source: Company, ICICI Direct Research

EBITDA to grow at ~ 55% CAGR over FY25-28E with an uptick in margins

Kaynes has been able to command higher margins than its peers due to focus on low volume high margin products. In FY25 company reported a strong EBITDA margin of 15.1% which is further expected to improve over long-term owing to operating leverage and backward integration. Company's EBITDA has witnessed a staggering ~63.5% CAGR over FY22-FY25 and is slated to further increase at 55.3% CAGR over FY25-28E.

Exhibit 18: EBITDA Trend

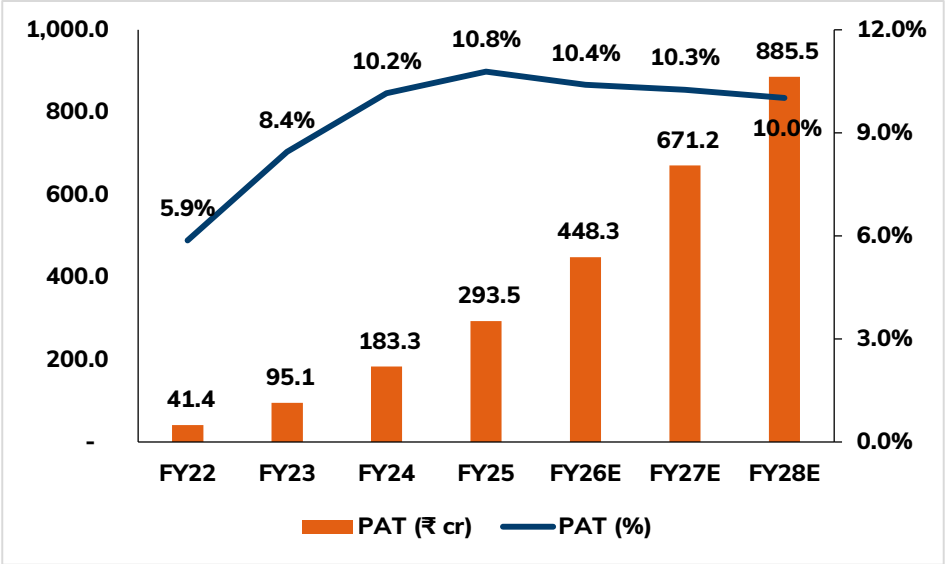


Source: Company, ICICI Direct Research

PAT expected to grow ~44.5% CAGR over FY25-28E

Kaynes reported consolidated PAT of ₹293.5 crore for FY25 wherein PAT has grown by ~92.6% CAGR over FY22-FY25. Backed by strong topline growth and margin improvement, we expect PAT to grow ~44.5% CAGR over FY25-FY28E.

Exhibit 19: PAT Trend

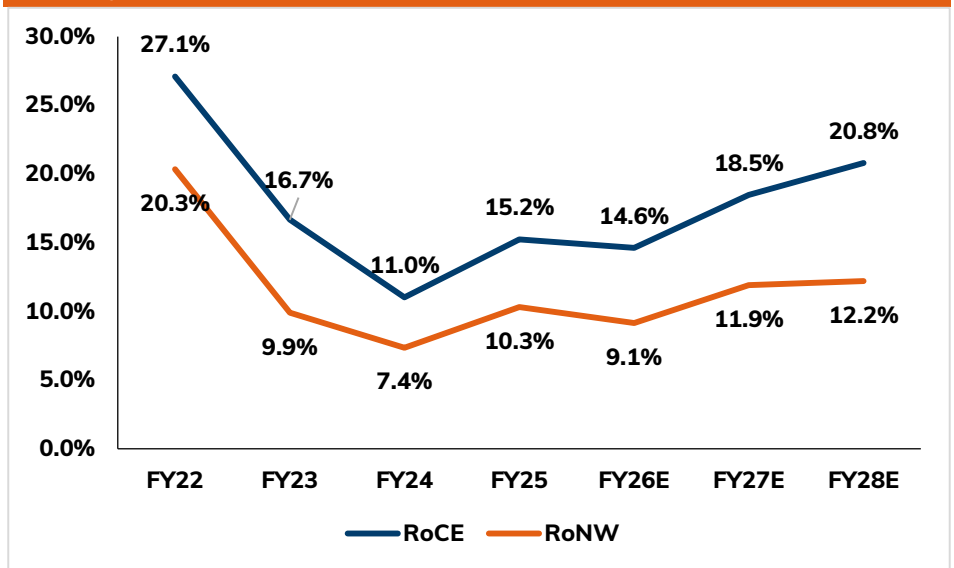


Source: Company, ICICI Direct Research

Return ratios to improve with strong execution backward integration

Both RoCE and RoNW are expected to witness an uptick supported by growth and margin expansion.

Exhibit 20: Trend in Return Ratios



Source: Company, ICICI Direct Research

Risk and Concerns

Any restraint in Government support

Government has been consistently supporting manufacturing ecosystem in India through its "Make in India" initiative and through various schemes such as PLI scheme, SPECS, EMC 2.0, ISM, etc. These supports have bolstered Indian manufacturers to start production in India, reducing reliance on imports. Kaynes has been one of the beneficiaries of these schemes. Further the new expansions are extensively dependent on government's support. Any delay or reduction or change in government's policy might impact its long-term investment plans and might slow down its growth plans.

Supply chain management esp. amidst geopolitical tensions

Political tension such as trade wars, sanctions, export controls, etc. or such other risks which have ability to create business uncertainties, disrupt supply chain and elongate the company's working capital cycle.

Delay/execution risk in upcoming expansion

Delay/execution risk related to the upcoming expansion such as multilayer PCB & HDI PCB and OSAT facility might impact near to medium term visibility of business prospects.

Financial Summary

Exhibit 21: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**1,805**	**2,722**	**4,313**	**6,545**	**8,844**
% Growth	60.3	50.8	58.5	51.8	35.1
Other income	56	107	110	89	40
Total Revenue	**1,861**	**2,829**	**4,423**	**6,635**	**8,885**
Employee Expenses	103	178	310	503	702
Other expenses	1,448	2,133	3,295	4,937	6,605
Total Operating Expenditure	1,550	2,311	3,605	5,440	7,306
Operating Profit (EBITDA)	**254**	**411**	**708**	**1,105**	**1,538**
% Growth	51.1	61.6	72.4	56.0	39.2
Interest	53	101	135	142	150
PBDT	201	309	573	963	1,389
Depreciation	25	45	81	151	240
PBT before Exceptional Items	176	265	492	812	1,148
Total Tax	48	78	153	230	303
PAT before MI	**183**	**293**	**448**	**671**	**886**
% Growth	92.7	60.1	52.8	49.7	31.9
EPS	**28.7**	**45.8**	**67.0**	**100.2**	**132.3**

Source: Company, ICICI Direct Research

Exhibit 22: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	183	293	448	671	886
Depreciation	25	45	81	151	240
Interest	53	101	135	142	150
Cash Flow before WC changes	262	440	665	965	1,276
(Inc)/dec in Current Assets	-359	-950	-829	-1,170	-1,215
Inc/(dec) in CL and Provisions	149	440	378	545	563
Net CF from Operating activities	**52**	**-71**	**213**	**339**	**623**
(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	1,459	541	1,465	-52	-140
Net CF from Financing Activities	**1,459**	**541**	**1,465**	**-52**	**-140**
Net Cash flow	1,104	-391	657	-739	-321
Opening Cash/Cash Equivalent	486	1,526	1,056	1,596	683
Closing Cash/ Cash Equivalent	**1,526**	**1,056**	**1,596**	**683**	**205**

Source: Company, ICICI Direct Research

Exhibit 23: 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	5,493	6,378
Total Shareholders funds	2,487	2,840	4,889	5,560	6,445
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**	**6,579**	**7,481**
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	1,261	1,386	1,504
Inventory	548	814	1,221	1,820	2,436
Debtors	356	575	910	1,381	1,866
Other Current Assets	157	238	355	531	689
Cash	1,526	1,056	1,596	683	205
Total Current Assets	2,587	2,683	4,083	4,415	5,196
Current Liabilities	448	884	1,256	1,794	2,351
Net Current Assets (Ex Cash)	3,664	2,856	4,423	3,303	3,049
Total Assets	**2,817**	**3,757**	**5,811**	**6,579**	**7,481**

Source: Company, ICICI Direct Research

Exhibit 24: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	28.7	45.8	67.0	100.2	132.3
Cash per Share	238.7	164.8	238.4	102.0	30.5
BV	389.1	443.2	730.1	830.3	962.6
Dividend per share	-	-	-	-	-
Operating Ratios (%)					
EBITDA Margin	14.1	15.1	16.4	16.9	17.4
PAT Margin	10.2	10.8	10.4	10.3	10.0
Return Ratios (%)					
RoE	7.4	10.3	9.2	12.1	13.7
RoCE	11.0	15.2	14.6	18.5	21.0
Valuation Ratios (x)					
EV / EBITDA	178.4	113.2	67.8	44.4	32.2
P/E	253.9	159.0	108.7	72.6	55.0
Market Cap / Sales	25.0	16.5	11.0	7.3	5.5
Price to Book Value	18.7	16.4	10.0	8.8	7.6
Workin Capital Management Ratios					
Inventory Days	107.6	105.1	100.8	100.2	100.1
Debtors Days	69.8	74.1	75.1	76.0	76.6
Creditors Days	70.8	88.1	84.6	84.1	84.0
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	1.7	1.8	1.8
Quick Ratio	0.8	0.7	0.7	0.8	0.8

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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