CMP: ₹3735 | Target ₹ 3590 (-4%) | Target Period: 12 months | HOLD

August 11, 2026

Steady EMS growth; balance sheet discipline remains key...

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.

Q1FY27 performance: Kaynes reported mixed set of results with revenue at ₹946 crore (+40% YoY/-29% QoQ), wherein growth was witnessed across segments i.e. Auto (+35% YoY), Industrials (+31% YoY), Railways (+81% YoY), IoT (+69% YoY) and aerospace and medical grew by 181% YoY respectively. EBITDA stood at ₹147 crore, up 31% YoY, with EBITDA margin at 15.6%. Smart Meter revenue declined 12% YoY to ₹204 crore as management consciously moderated supplies to focus on collections and balance-sheet improvement. Working capital remained elevated, with working capital days at ~163 days vs. at ~122 days in Q1FY26.

Investment Rationale:

- **EMS growth to remain healthy:** Kaynes delivered a steady start to FY27 with revenue growth of 40% YoY wherein core EMS grew 53% YoY supported by strong demand across automotive, aerospace, defense and railways. Healthy order book (~₹8,900 crore order book), new client additions, higher customer traction and August Electronics' North American presence provide strong revenue visibility. Meanwhile, OSAT and PCB are on track for commercialization from Q3FY27, with management targeting ~₹450 crore combined FY27 revenue. We expect Kaynes revenue to grow by ~36% CAGR over next 2 years aided by strong growth in EMS segment while PCB & OSAT to ramp up.
- **Margins headwinds & working capital concerns to keep under check:** Q1FY27 profitability was impacted amid geopolitical instability leading to escalation in commodity cost & rupee depreciation. Gross & EBITDA margins declined by 685 bps YoY and 119 bps YoY respectively to 34.4% and 15.6%. Management expects profitability to normalize over medium term via pass through & revised pricing agreements. On the other hand, working capital cycle continues to remain under pressure specifically on the receivables side. Total receivables stood at ₹1,925 crore (EMS at ₹613 crore while metering receivables at ₹1311 crore). To address this management has adopted a cautious approach in smart metering business (laggard on receivables) to prioritize collections over revenue growth. Management is evaluating to de-risk the metering business which shall improve balance sheet & cash conversion however its execution needs to be watched out.

Rating and Target Price:

Working-capital normalisation remains key monitorable especially on the receivables front. Besides, new projects i.e. OSAT & PCB shall drive growth over medium to long term however execution on the same shall be watched out. We maintain HOLD rating with target price of ₹3590 i.e.45x P/E.

Result Update

KAYNES TECHNOLOGY

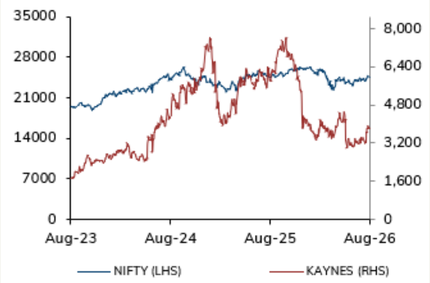
Particulars

Particular	Amount
Market Cap (₹ Crore)	25,038
FY26 Debt (₹ Crore)	913
FY26 Cash (₹ Crore)	799
EV (Rs Crore)	25,152
52 Week H/L (₹)	7,705/ 2,995
Equity Capital (₹ Crore)	67
Face Value	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	53.5	53.5	53.5	53.5
FII	10.7	8.8	7.2	5.8
DII	23.6	16.7	15.1	11.7
Public	12.1	20.9	24.1	28.9

Price Chart



Key risks

(i) Any restraint in domestic government support measures.

(ii) Better execution on cashflow and order book could surprise positively.

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ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	1,126	1,805	2,722	3,626	47.7	4,820	6,771	36.6
EBITDA	168	254	411	574	50.6	722	1,048	35.1
EBITDA margin (%)	14.9	14.1	15.1	15.8		15.0	15.5	
Net Profit	95	183	293	354	55.0	360	526	22.0
EPS (₹)	16.4	28.7	45.8	54.3		55.3	80.1	
P/E(x)	229.0	130.6	81.8	68.9		67.7	46.7	
RoCE (%)	16.7	11.0	15.2	13.3		11.6	13.0	
RoE (%)	9.9	7.4	10.3	7.4		7.0	9.3	
Net Sales	1,126	1,805	2,722	3,626		4,820	6,771	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- Core EMS growth remains robust: Q1FY27's consolidated revenue grew 40% YoY to ₹946 cr, led by 53% YoY growth in standalone EMS revenue to ₹639 cr. Overseas business grew strongly by 327% YoY to ₹102 cr, while smart metering revenue declined 12% YoY to ₹204 crore as management prioritised collections over growth.
- **Margin pressure amid supply-chain inflation**: EBITDA grew 31% YoY to ₹148 cr, while EBITDA margin declined 119bps YoY to 15.6%. Component prices have increased 30–35%, with PCB prices up 10–12%, & lead times extending to 6–8 months. Management expects near-term margin pressure due to the lag in passing on higher costs, though pricing agreements should aid normalization over the medium term.
- New customers additions include an Indian EV two-wheeler manufacturer, global brands from Germany and France and a leading wireless communication player. Also, 72+ customers visited the company during the quarter, indicating healthy customer traction.
- Order book remained strong at >₹8,900 crore, with Q1 additions exceeding execution. Demand remained healthy across domestic and global markets, with growth across automotive, aerospace, defence, railways and other EMS segments.
- **Working capital remains key concern**: Receivables increased to ₹1,925 crore, with metering receivables at ₹1,311 crore vs ₹613 crore for EMS. Q1 operating cash flow remained negative at ~₹259 crore, although this improved from negative ₹379 crore in Q1FY26. Management has deliberately curtailed metering supplies and received ₹200 crore collection from Gridcrest in July, targeting cash-positive status by FY27-end.
- Management continues to evaluate options to de-risk the service component of the metering business, including potential restructuring/divestment of the service portion. The objective is to reduce receivable intensity and improve cash conversion, with greater clarity expected by February.
- **OSAT & PCB:** Remains on track for commercialization from Q3FY27, with combined FY27 revenue targeted at ~₹450 crore. OSAT trials/customer validation are nearing completion, while PCB trials are underway.
- Partnership with Mitsui provides Kaynes Semicon access to the Japanese market. The company has also received ₹170 cr of government subsidy for the OSAT business till July 2026.
- One large global customer has reportedly requested the entire PCB capacity, with customer trials underway and vendor approval received. Kaynes is also in advanced discussions with a large global EV manufacturer, which could provide significant validation for its PCB capabilities.
- **Progress under Space technology**: Kaynes is developing its first 3U satellite, targeted for launch around mid-2027 subject to regulatory approvals and ISRO launch schedule. Subsidiaries are also entering titanium gas-bottle manufacturing for ISRO and DRDO requirements.
- **Focus on balance-sheet discipline:** Management reiterated that balance-sheet strength is now a key priority, with focus shifting from growth-at-all-costs towards profitable, product-led growth, operational excellence and disciplined capital allocation.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ (%)	Comments
Revenue	946.0	673.5	40%	1,242.6	-24%	Overall growth remained robust, Auto (+35% YoY), Industrials (+31% YoY), Railways (+81% YoY), IoT (+69% YoY) and aerospace and medical grew by 181% YoY respectively.
Other Income	14.43	27.10	-47%	41.86	-66%	Decline owing to QIP funds being utilized
Total Income	960.4	700.6	37%	1,284.5	-25%	
Gross profit	325.6	277.9	17%	394.1	-17%	
Gross margin %	34.4	41.3	-685 bps	31.7	270 bps	Gross margins impacted owing to rupee dep. (3.5%) & commodity inflation
Operating Expenses	713.3	501.5	42%	958.2	-26%	
Employee Expenses	85.1	58.9	44%	90.8	-6%	
Total Expenses	798.4	560.4	42%	1,048.9	-24%	Expenses expanded w.r.t to new facilities coming on board
EBITDA	**147.6**	**113.0**	**31%**	**193.7**	**-24%**	
EBIDTA %	**15.6**	**16.8**	**-119 bps**	**15.6**	**1 bps**	Margins declined owing to commodity inflation & geopolitical pressures
Depreciation	37.0	15.6	137%	54.4	-32%	
Finance cost	37.1	28.4	31%	40.9	-9%	
PBT	87.9	96.1	-9%	140.3	-37%	
Tax	31.5	21.5	46%	49.0	-36%	
PAT	56.4	74.6	-24%	91.2	-38%	PAT declined factoring increased operating & non-operating expenses along with reduced other income.

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement			₹ crore	
(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**2,722**	**3,626**	**4,820**	**6,771**
% Growth	50.8	33.2	32.9	40.5
Other income	107	157	85	77
Total Revenue	**2,829**	**3,783**	**4,905**	**6,847**
Employee Expenses	178	314	400	562
Other expenses	2,133	2,739	3,698	5,161
Total Operating Expenditure	2,311	3,052	4,098	5,723
Operating Profit (EBITDA)	**411**	**574**	**722**	**1,048**
% Growth	61.6	39.8	25.8	45.1
Interest	101	117	157	206
PBDT	309	457	565	842
Depreciation	45	107	157	203
PBT before Exceptional Items	265	350	409	639
Total Tax	78	140	124	179
PAT	**293**	**364**	**371**	**537**
% Growth	60.2	20.6	1.9	46.1
EPS	**45.8**	**54.3**	**55.3**	**80.1**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement			₹ crore	
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax (Adjusted)	293	354	360	526
Depreciation	45	107	157	203
Interest	101	117	157	206
Cash Flow before WC changes	439	578	674	936
(Inc)/dec in Current Assets	-950	-1,335	-899	-927
Inc/(dec) in CL and Provisions	440	325	457	470
Net CF from Operating activities	**-71**	**-433**	**232**	**479**
(Purchase)/Sale of Fixed Assets	**-858**	**-974**	**-1,072**	**-1,076**
Others	-3	-127	-42	-4
Net CF from Investing activities	**-861**	**-1,101**	**-1,114**	**-1,080**
Dividend	-	-	-	-
Others	542	1,458	655	981
Net CF from Financing Activities	**542**	**1,458**	**655**	**981**
Net Cash flow	-391	-76	-228	379
Closing Cash/ Cash Equivalent	**1,056**	**799**	**364**	**587**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet			₹ crore	
(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	64	67	67	67
Reserve and Surplus	2,776	4,681	5,052	5,589
Total Shareholders' funds	2,840	4,748	5,119	5,655
Minority Interest	4	14	23	31
Total Debt	903	913	1,706	2,874
Other liabilities	10	17	24	32
Total Liabilities	**3,757**	**5,692**	**6,872**	**8,593**
Gross Block	626	1,339	2,408	3,696
Acc: Depreciation	122	229	385	589
Net Block	504	1,110	2,023	3,108
Capital WIP	300	372	319	30
Total Fixed Assets	805	1,482	2,341	3,138
Non Curr. Assets (Incl. Intangible)	1,153	1,565	1,697	1,847
Inventory	814	1,103	1,581	1,941
Debtors	575	1,528	1,915	2,412
Other Current Assets	238	418	625	783
Cash	1,056	799	364	587
Total Current Assets	2,683	3,847	4,485	5,722
Current Liabilities	884	1,202	1,651	2,114
Net Current Assets (Ex Cash)	2,856	3,444	3,198	4,195
Total Assets	**3,757**	**5,692**	**6,872**	**8,592**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	45.8	54.3	55.3	80.1
Cash per Share	164.8	119.3	54.4	87.7
BV	443.2	709.2	764.5	844.6
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	15.1	15.8	15.0	15.5
PAT Margin	10.8	10.0	7.7	7.9
Return Ratios (%)				
RoE	10.3	7.4	7.0	9.3
RoCE	15.2	13.3	11.6	13.0
Valuation Ratios (x)				
EV / EBITDA	58.1	43.9	36.6	26.1
P/E	81.8	68.9	67.7	46.7
Market Cap / Sales	8.5	6.6	5.1	3.7
Price to Book Value	8.5	5.3	4.9	4.4
Working Capital Management Ratios				
Inventory Days	105.1	106.4	117.7	103.4
Debtors Days	74.1	147.4	142.5	128.5
Creditors Days	88.1	82.1	92.8	87.9
Asset turnover	4.5	2.8	2.0	1.9
Solvency Ratios (x)	91.1	171.7	167.3	144.1
Debt / Equity	0.3	0.2	0.3	0.5
Current Ratio	1.6	2.2	2.1	2.1
Quick Ratio	0.7	1.3	1.2	1.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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