Kaynes Technology India (KAYTEC)

CMP: ₹ 2,858 | Target ₹ 3,100 (8%) | Target Period: 12 months | HOLD

November 17, 2026

Core EMS steady; balance sheet yet to improve...

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.

Q2FY27 performance: Kaynes reported weak results, with revenue growing ~5% YoY (flat QoQ) to ₹954 crore. Segmentally, Auto grew 50% YoY, Industrials declined 18% YoY as smart metering was deliberately scaled back, Railways rose 65% YoY, while the remaining medical, aerospace, and IoT segments grew 20% YoY. EBITDA margins fell 315 bps YoY and 242 bps QoQ to 13.2%, pressured by a lower mix of high-margin smart meters, lower operating leverage, and upfront costs for new OSAT and PCB projects.

Investment Rationale:

- **EMS growth to remain steady, Smart meters posed pressure:** Revenue growth was primarily impacted due to a conscious reduction in smart metering revenue, which declined to ₹54 crore (down ~76% YoY). Excluding metering, core EMS business grew 34% YoY to ₹799 crore, supported by healthy traction across aerospace & defence, railways and industrial segments. Management remains confident of delivering 30%+ growth in the EMS business in FY27. Further, OSAT and PCB facilities are now operational, with customer approvals underway. OSAT has commenced revenue generation, while PCB to start contributing from Q3FY27, with both businesses expected to move towards full operations by Q4FY27. The strategic partnership with Vishay is expected to utilise 75–90% of existing semiconductor capacity while accelerating customer validation and global market access.
- **Profitability and working capital remain key monitorables:** Margin was impacted by adverse business mix, elevated commodity costs and initial ramp-up expenses of OSAT/PCB. Higher depreciation and finance costs further supressed earnings. Going ahead, margins are expected to improve through higher value-added product and gradual normalisation of input costs. Easing of strategic inventory and proposed smart metering restructuring could further support profitability and cash flows. However, working capital remains stretched, with net working capital days at 169 and H1 operating cash outflow of ₹278 crore. Smart meter receivables, though declining, remain elevated at ₹1,091 crore and overall receivables at ₹1,825 crore.

Rating and Target Price:

Going ahead, i) timely execution of the proposed restructuring in smart meter business wherein Kaynes shall focus on manufacturing and not on entire installation and maintenance, ii) Execution and customer validation on new projects of OSAT and PCB shall remain key monitorable. Besides, Kaynes with its new auditor undertook restatement of historic financials under Ind AS 8. Consistency from here on remains key factor to gain confidence on the stock. We maintain HOLD rating with target price of ₹3,100 i.e.45x P/E.

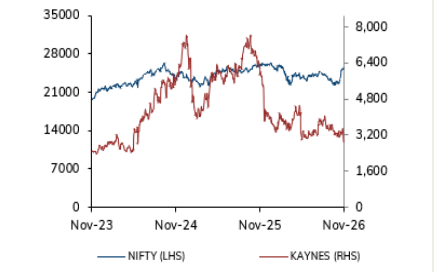
Particulars

Particular	Amount
Market Cap (₹ Crore)	19,212
H1FY27 Debt (₹ Crore)	1,810
H1FY27 Cash (₹ Crore)	107
EV (₹ Crore)	20,915
52 Week H/L (₹)	6,230/ 2,744
Equity Capital (₹ Crore)	67
Face Value	10

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	53.5	53.5	53.5	53.3
FII	8.8	7.2	5.8	6.1
DII	16.7	15.1	11.7	12.5
Public	20.9	24.1	28.9	28.1

Price Chart



Key risks

(i) Any restraint in domestic government support measures.

(ii) Execution of PCBs and OSAT projects.

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

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	1,126	1,805	2,722	3,681	48.4	4,256	6,405	31.9
EBITDA	168	254	411	522	45.9	578	958	35.4
EBITDA margin (%)	14.9	14.1	15.1	14.2		13.6	15.0	
Net Profit	95	183	293	392	60.3	273	460	8.4
EPS (₹)	16.4	28.7	45.8	58.5		40.8	68.7	
P/E(x)	174.7	99.7	62.4	48.9		70.1	41.6	
RoCE (%)	16.7	11.0	14.7	11.3		9.2	12.2	
RoE (%)	9.9	7.4	10.2	8.4		5.6	8.5	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 Earnings call highlights

- **Restatement and financial reporting:** Following the appointment of a new auditor, the company restated prior-period financials under Ind AS 8 to improve financial reporting, governance and compliance. FY26 consolidated revenue was revised upwards to ₹3,680 crore from ₹3,620 crore, while EBITDA margin was restated to 14.2% from 15.8%. FY26 PAT increased to ₹392 crore from ₹364 crore. Certain bill-discounting and supplier-financing arrangements have also been reclassified under borrowings which overall has increased FY26 short term debt from ₹538 crore to ₹1005 crore.
- **Core EMS growth remains robust:** Q2FY27 consolidated revenue stood at ₹953 crore, with core EMS revenue growing 34% YoY to ₹799 crore, compared to ₹595 crore last year. Overall revenue growth remained muted due to the deliberate moderation of Smart Metering revenue, which declined 76% YoY to ₹54 crore from ₹228 crore, as management prioritized collections and balance sheet improvement.
- **Margin pressure amid commodity inflation and new business ramp-up:** EBITDA stood at ₹126 crore, with EBITDA margin at 13.2%, while H1 EBITDA margin stood at 14.1%. Margins were impacted by elevated copper and Aluminium prices, crude-linked input costs, rupee depreciation and initial ramp-up of OSAT and PCB facilities.
- **New customer additions and strategic partnerships:** Kaynes entered into a strategic partnership with Vishay, a global semiconductor player with approximately US$4 billion revenue. Vishay is expected to take up 75-90% of Kaynes Semicon capacity, providing access to global markets outside China and accelerating customer validation and commercialization. A 49% equity participation by Vishay is envisaged, with definitive agreements expected over the next 2-3 months. The partnership is expected to bring additional cash into the system, easing the funding requirements at the parent level. Existing customer commitments will be maintained, with additional capacity expansion possible as demand increases.
- **Order book and growth outlook:** Order book remained strong at ₹10,625 crore, supported by healthy demand across EMS, aerospace, railways and other high-tech segments. Management reiterated its target of delivering growth at approximately 2x the market growth, with core EMS expected to grow over 30% in FY27. H1 growth in the EMS business stood at 42%, supported by strong execution and capacity utilization.
- **Working capital and Smart Metering collections:** Smart Metering receivables declined to ₹1,091 crore from ₹1,402 crore in Q1FY27, with collections of over ₹400 crore during H1 despite revenue of approximately ₹290 crore. Management is targeting a reduction in total receivables to below ₹750 crore before ramping up additional supplies. EMS receivables stood at ₹86.8 crore compared to ₹80.7 crore in Q1. Rolling 12-month net working capital stood at 169 days versus 163 days in the previous quarter.
- **Smart Metering restructuring:** Management is evaluating strategic options for the Smart Metering business and is at an advanced stage of discussions with potential partners, with a proposal expected by the next quarter-end. The proposed structure involves retaining smart meter manufacturing within Kaynes while transferring installation and O&M operations to a third party, which would initially

have the right to procure meters from Kaynes. This is aimed at reducing receivable intensity, improving cash conversion and maintaining a more disciplined and profitable business model.

- **OSAT & PCB:** Both OSAT and PCB Unit 2 facilities are now operational, with multiple products undergoing customer validation and approvals. PCB Unit 1 is expected to start generating revenue from Q3FY27, while both businesses are expected to move towards full operations by Q4FY27. PCB continues to remain a supply-constrained market, with lead times of 6-8 months and customers seeking advance payments.
- **Growth in high-value segments:** Aerospace and railways continue to witness strong traction, with growth of over 70% and 50%, respectively. Kaynes has received approval for one of its Kavach products and is now eligible for commercial production. Sensonic, the European subsidiary, operates in railway sensing and signaling systems for detecting people and animals on railway tracks. Management is also actively exploring opportunities in medical electronics, which represents a potential growth area.
- **Focus on product-led growth and global expansion:** Management aims to increase the contribution of product sales within the EMS business to 25-30%, through higher-value box-build solutions, design capabilities and value-added manufacturing. The company is targeting an increase in export revenue from approximately 10% currently to over 25% by 2030 under its Mission 30 strategy, supported by August Electronics in North America and expansion into higher-value global markets.
- **Focus on balance-sheet discipline:** Management has strategically built inventory of approximately ₹200-250 crore to mitigate supply-chain disruptions and ensure uninterrupted customer deliveries, with plans to gradually liquidate it from December as supply-chain conditions improve. Management reiterated that it does not expect to raise funds through a QIP over the next one year, supported by collections, inventory release and expected cash inflows from the Vishay and Smart Metering restructuring initiatives.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	**952.5**	**906.2**	**5%**	**946.0**	**1%**	Overall growth remained modest as smart meter revenue declined by ~76%, YoY. Aside this, Auto grew 50% YoY, Railways grew 65% YoY, Others grew 20% YoY. Industrials (expect smart meters) grew 25% YoY.
Other Income	18.62	43.07	-57%	14.43	29%	
Total Income	971.1	949.3	2%	960.4	1%	
Gross profit	**304.4**	**304.9**	**0%**	**325.6**	**-6%**	
Gross margin %	**32.0**	**33.6**	**-168 bps**	**34.4**	**-245 bps**	Gross margins impacted due to revenue mix and cost inflation
Operating Expenses	723.8	681.0	6%	713.3	1%	
Employee Expenses	103.2	77.3	34%	85.1	21%	
Total Expenses	826.9	758.2	9%	798.4	4%	
EBITDA	**125.6**	**148.0**	**-15%**	**147.6**	**-15%**	
EBIDTA %	**13.2**	**16.3**	**-315 bps**	**15.6**	**-242 bps**	Margins declined owing to adverse business mix, elevated commodity costs and initial ramp-up expenses of OSAT/PCB
Depreciation	34.7	16.6	109%	37.0	-6%	High Dep. driven from investments in PCB and OSAT
Finance cost	38.7	22.8	70%	37.1	4%	
PBT	70.7	151.7	-53%	87.9	-20%	
Tax	24.9	30.3	-18%	31.5	-21%	
PAT	**39.8**	**121.4**	**-67%**	**56.4**	**-29%**	PAT declined resulting from modest topline growth and low margins

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**2,722**	**3,681**	**4,256**	**6,405**
% Growth	50.8	35.2	17.4	50.5
Other income	107	176	91	72
Total Revenue	**2,829**	**3,857**	**4,347**	**6,477**
Employee Expenses	178	314	417	596
Other expenses	2,133	2,845	3,261	4,852
Total Operating Expenditure	2,311	3,159	3,678	5,447
Operating Profit (EBITDA)	**411**	**522**	**578**	**958**
% Growth	61.6	27.2	10.6	65.8
Interest	101	79	154	218
PBDT	309	443	424	740
Depreciation	45	120	151	199
PBT before Exceptional Items	265	323	273	541
Total Tax	78	97	91	153
PAT	**293**	**392**	**273**	**460**
% Growth	60.2	38.4	-29.2	65.0
EPS	**45.8**	**58.5**	**40.8**	**68.7**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	293	406	287	474
Depreciation	45	120	151	199
Interest	101	79	154	218
Cash Flow before WC changes	**439**	**605**	**592**	**891**
(Inc)/dec in Current Assets	-976	-1,615	-150	-1,095
Inc/(dec) in CL and Provisions	518	169	111	495
Others	-324	-243	-424	-434
Net CF from Operating activities	**-342**	**-1,085**	**129**	**-143**
(Purchase)/Sale of Fixed Assets	-829	-958	-976	-1,072
Others	-92	-305	34	40
Net CF from Investing activities	**-921**	**-1,262**	**-943**	**-1,032**
Dividend	-	-	-	-
Others	745	1,995	537	960
Net CF from Financing Activities	**745**	**1,995**	**537**	**960**
Net Cash flow	-518	-352	-276	-214
Opening Cash/Cash Equivalent	1,526	1,008	655	379
Closing Cash/ Cash Equivalent	**1,008**	**655**	**379**	**165**

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	2,805	4,775	5,048	5,508
Total Shareholders funds	2,869	4,842	5,115	5,575
Minority Interest	-3	-17	-29	-41
Total Debt	984	1,424	1,988	2,974
Other liabilities	10	13	18	24
Total Liabilities	**3,859**	**6,263**	**7,093**	**8,533**
Gross Block	762	1,341	2,324	3,612
Acc: Depreciation	122	242	393	592
Net Block	640	1,099	1,931	3,021
Capital WIP	300	372	319	30
Total Fixed Assets	941	1,472	2,250	3,051
Non Curr. Assets (Incl. Intangible)	1,078	1,542	1,578	1,655
Inventory	843	1,058	1,420	1,876
Debtors	559	2,103	1,866	2,457
Other Current Assets	394	561	834	1,053
Cash	1,008	655	379	165
Total Current Assets	2,803	4,377	4,500	5,550
Current Liabilities	962	1,129	1,234	1,723
Net Current Assets (Ex Cash)	2,848	3,904	3,645	3,992
Total Assets	**3,859**	**6,263**	**7,093**	**8,533**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	45.8	58.5	40.8	68.7
Cash per Share	157.2	97.9	56.6	24.6
BV	447.6	723.2	764.0	832.6
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	15.1	14.2	13.6	15.0
PAT Margin	10.8	10.6	6.4	7.2
Return Ratios (%)				
RoE	10.2	8.4	5.6	8.5
RoCE	14.7	11.3	9.2	12.2
Valuation Ratios (x)				
EV / EBITDA	44.5	38.1	35.9	22.9
P/E	62.4	48.9	70.1	41.6
Market Cap / Sales	6.5	5.0	4.4	3.0
Price to Book Value	6.4	4.0	3.7	3.4
Working Capital Management Ratios				
Inventory Days	108.8	100.2	119.3	105.7
Debtors Days	72.1	199.0	156.7	138.4
Creditors Days	99.3	79.9	76.2	76.0
Asset turnover	3.7	2.9	1.9	1.8
Solvency Ratios (x)				
Debt / Equity	0.3	0.3	0.4	0.5
Current Ratio	1.5	3.0	2.9	2.7
Quick Ratio	0.6	2.0	1.6	1.5

Source: Company, ICICI Direct Research

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