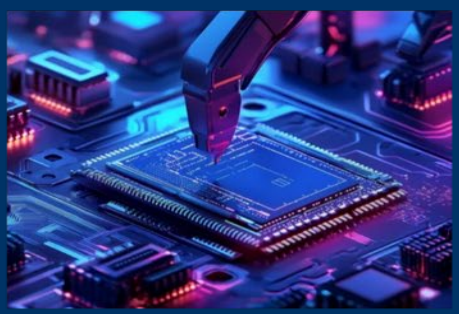
KAYNES TECHNOLOGY

BUY

Potential Upside of 50%+ in ~2 years



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11th March 2025 | CMP – ₹4,150 | View – **Buy**

Kaynes Technology India Ltd.

Kaynes Technology India Ltd. (Kaynes) is one of the leading and fastest growing Electronics Manufacturing Services (EMS) provider in India. Incorporated in 2008, the company has built strong capabilities in offering conceptual design, process engineering, integrated manufacturing and life-cycle support. It provides PCB Assembly, Box-Build and ODM services to domestic as well as overseas customers. Its customer base is spread across diverse industries such as Automotive, Industrial, Railways, Aerospace, Medical, IT, etc.

Over the last 3 years (FY21-24), Revenue/EBITDA/PAT have grown at ~62%/84%/166% CAGR. EBITDA margin profile has improved from 9.7% in FY21 to 14.1% in FY24. Return ratios have also improved significantly over this period with ROE and RoCE coming at 11% and 12% respectively (Post Preference Issuance).

ESDM Industry at an inflection point: India's EMS industry is rapidly evolving from being a major importer of electronics to becoming a key player in the global EMS market. Govt. of India's key focus on becoming a global manufacturing hub, preference to local value addition and policy support through various schemes and incentives provides a multi-decadal opportunity for investment in this sector.

New technological adoptions provide newer growth opportunities: The roll-out of 5G technology provided significant boost to EMS industry by driving demand for advanced electronic telecommunication components and devices. Similarly, rising demand from wearable electronics, mobile and other consumer appliances leading the growth in consumer segment while notable demand for EV components and EV charging infrastructure to drive Electric Vehicle (both 4W and 2W) industry growth.

Focus on Value-add products: Over the years, Kaynes developed strong customer relationships with average relationship across end-user industries reaching more than 7 years. This enables it to increase wallet share by providing higher value services such as Box Build and ODM. Strengthening of R&D capabilities, new product introductions and continuous investment in infrastructure leading the pathway for higher growth in high-value segments. Thus, revenue mix change towards favorable product portfolio is contributing to the journey towards best-in-class margin profile.

Backward Integration – Next Growth Driver: In a strategic move, management's decision on setting up OSAT and PCB manufacturing facility would enable the company to cater to a larger market in the electronics supply chain. While these investments will open new revenue generation opportunities, it will reduce company's dependence on third party suppliers, enhance synchronization in producing more complex products and improve TAT for customers. Additionally, with financial support from the Center and State governments, investments in these facilities are expected to generate superior returns over the years.

BUY with 50%+ potential upside over two years: Kayes exhibited strong execution capabilities and diversified exposure to several end-user industries. Factoring in new revenue drivers in terms of OSAT and PCB manufacturing, near term catalysts like smart meter facility and contribution from multiple recent acquisitions, we expect Kaynes to register Revenue/EBITDA/PAT CAGR growth of 50%/55%/52% over FY24-27E, outpacing industry growth trajectory. At CMP ₹4,150, stock is trading at ~65x FY26E P/E (near to long-term 1-Yr Fwd average of ~63x) and ~30x FY26E EV/EBITDA multiple. As the stock price showed healthy correction in past couple of months (down ~-50% from ATH of ₹7,822 on 1st Jan 2025) and owing to structural tailwinds and multiple growth levers in place for the company, we recommend **BUY** this stock at ~₹4,000 levels with expectation of 50%+ potential upside over next 2 years.

Important Statistics

Nifty	22,498
Sensex	74,102
CMP* (₹)	4,150
M.CAP (₹ crs)	27,716.66
52 Week H/L (₹)	7,822 / 2,424
NSE Code	KAYNES
BSE Code	543664
Bloomberg Code	KAYNES:IN

Shareholding pattern (%)	Dec'24
Promoter	57.75
FII	14.84
DII	15.04
Public & Others	12.37

Relative Comparison

Absolute Return	1Yr	3Yr	5Yr
KAYNES	**37%**	**457%**	**457%**
Nifty 50	1%	35%	115%
Sensex	1%	33%	108%

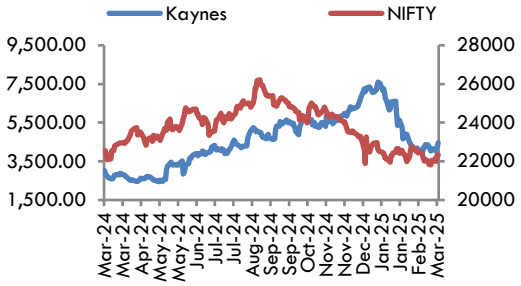
Source: Company, Way2Wealth Research

Financial Snapshot

(₹ crs)

Particulars	FY24	FY25E	FY26E
Revenue	1,805	2,808	3,925
Gross Profit	475	840	1,220
EBITDA	254	404	605
EBITDA Margin	*14%*	*14%*	*15%*
PAT	183	302	413
EPS	30	47	64
P/E	137	89	65
P/Bk	11	10	8
EV/EBITDA	101	64	44
ROE	*11%*	*11%*	*14%*

Source: Company, Way2Wealth Research



Prasad Hase

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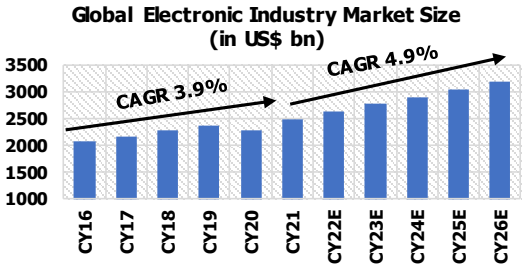
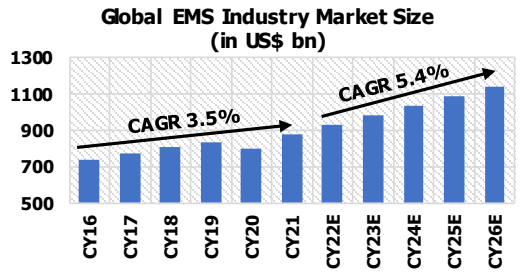
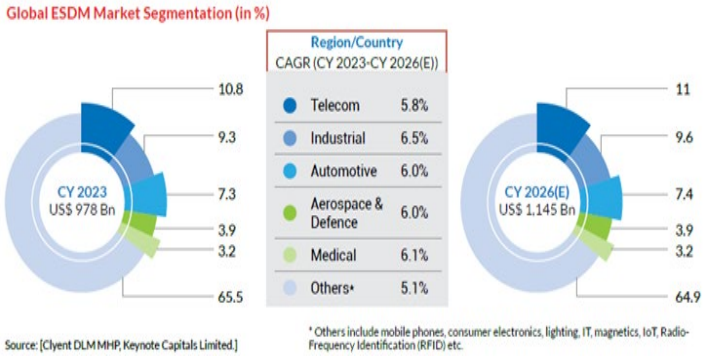
Global ESDM Industry

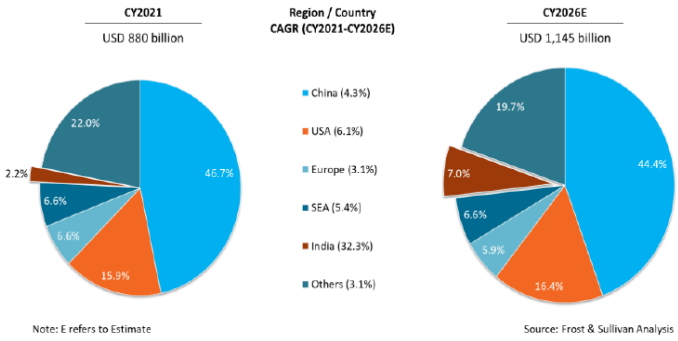
- The global Electronics market was valued at $2,763bn in CY23 and is expected to reach $3,168bn by CY26 to grow at CAGR 4.9%. Accounting for approximately 35% of the overall global electronics industry, the Electronic System Design and Manufacturing (ESDM) market is projected to grow to $1,145bn by FY26 from $984bn in FY23 at ~5.4% CAGR.
- China dominates the global electronics industry production with ~60% share (in FY22) and is also the top exporter (30% share) as well as importer (17%) in global trade dynamics.
- Resultantly, China also leads in the global EMS business with a 46.7% share and is expected to moderate to 44.4% by FY26. It is a global leader due to operational cost benefits, availability of many highly skilled personnel, infrastructure, logistical advantages, and proximity to the largest end-user base across all end-user verticals.
- Telecom industry constitutes more than 10%+ of the Global ESDM market by end-user industry segmentation followed by Industrial and Automotive segments.
- Growth in Industrial segment at 6.5% CAGR over FY23-26E is expected to drive overall EMS industry's growth, with significant contribution anti- pated from Automotive, Aerospace & Defence and Medical segments.





Source: Company, Way2Wealth Research





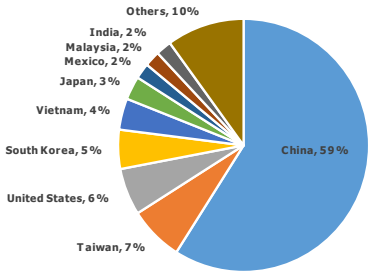
Top Exporters of Electronics

Country	Export Value	Export Share
China	$886bn	30%
Taiwan	$267bn	9%
US	$210bn	7%
South Korea	$189bn	6%
Singapore	$168bn	6%
Germany	$157bn	5%
Vietnam	$130bn	4%
Malaysia	$105bn	4%
Japan	$87bn	3%
Mexico	$82bn	3%
Netherlands	$62bn	2%
India	$24bn	1%

Top Importers of Electronics

Country	Import Value	Import Share
China	$512bn	17%
US	$482bn	16%
Germany	$180bn	6%
Singapore	$147bn	5%
Taiwan	$126bn	4%
South Korea	$124bn	4%
Mexico	$118bn	4%
Vietnam	$116bn	4%
Japan	$109bn	4%
India	$78bn	2%
Netherlands	$75bn	3%
Malaysia	$69bn	2%

Global Electronics Products, CY22,
(End-devices and Components)



Source: Cyient DLM, RHP, Rubix, Company, Way2Wealth Research

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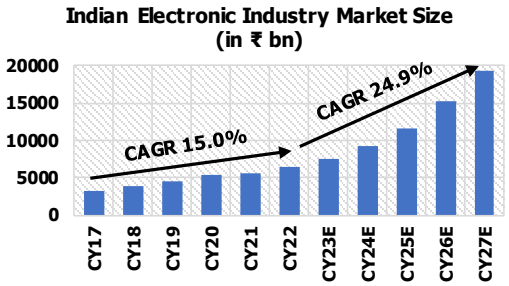
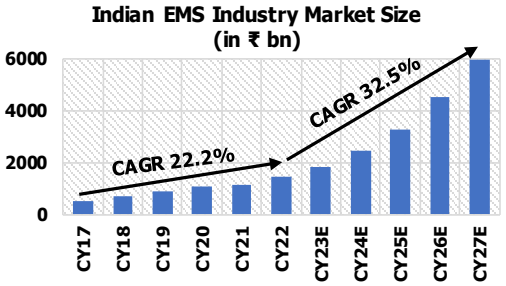
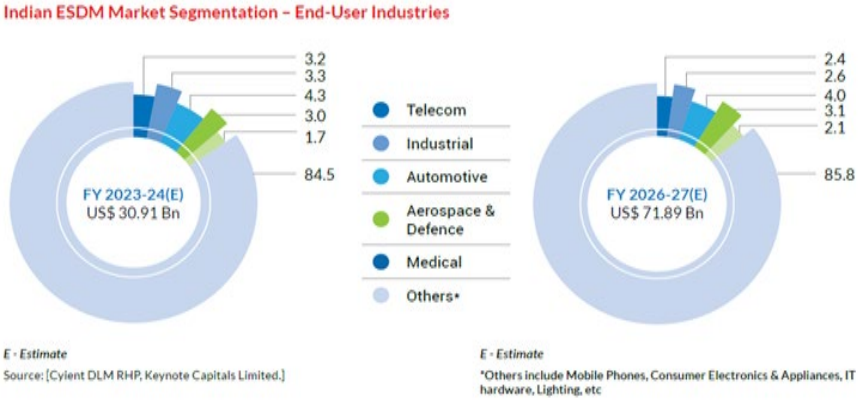
Indian ESDM Industry

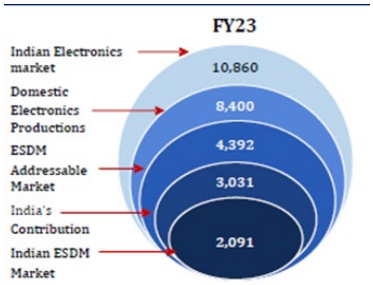
- India's Electronics System Design and Manufacturing (ESDM) industry was valued at $30.91bn as of FY24 and is expected to reach $71.89bn by FY27, with an anticipated growth rate of 32.5% CAGR.
- In India, several Original Equipment Manufacturers (OEMs) have traditionally engaged in the development, design, and manufacturing of electronic products internally. Currently, OEMs with in-house capabilities account for ~75% of India's total domestic electronics production market. However, there is a gradual increase in reliance on ESDM partners.
- India's overall Electronics Market size stood at ₹10,860bn of which addressable ESDM market was ₹4,492bn. India's contribution to Electronics stood at ₹3,031bn which constituted ~70% share, while remaining ~30% market demand was likely fulfilled by imports. Domestic ESDM market was valued at ₹2,091bn, constituting only ~48% of the addressable market. This provides a large headroom for Indian ESM companies to grow and grab higher market share in domestic market itself.
- In India, ESM in Mobile Phones, Consumer Electronic & Appliances, IT hardware, Lighting, etc. forms ~85% market followed by Automotive, Industrial and Telecom industries.

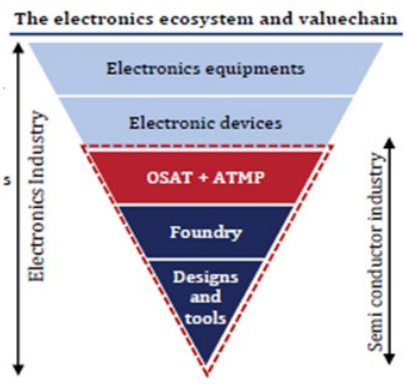


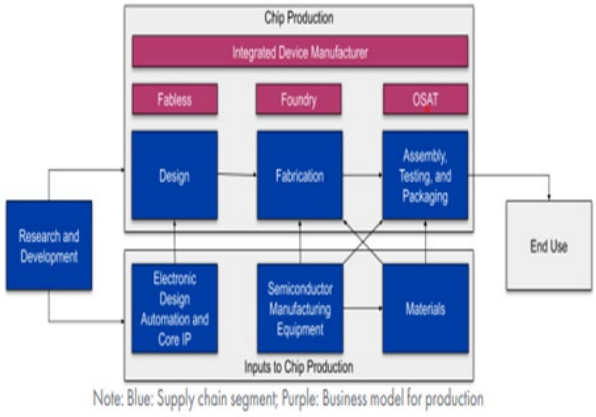


Source: Company, Way2Wealth Research









Source: Company, Way2Wealth Research

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Under the 'Make In India' and 'PLI for Electronics' initiatives, the Govt. of India has introduced several schemes and policies to promote the electronics manufacturing sector in India.

Amid India's rapidly growth demand for electronics products, large reliance on imports can primarily be attributed to requirement of investment on a large scale.

As Govt. of India's PLI incentives and financial support through other schemes tries to largely address this gap, India Inc needs to focus on some of areas highlighted below in the red which requires technological prowess, supply chain establishment and manufacturing capability strengthening.

SEGMENT-WISE DEPTH OF INDIA'S STRENGTH ACROSS THE VALUE CHAIN OF THE ELECTRONICS SECTOR

Depth of India's Presence:		High	Medium	Low
Segment	**Products**	**Final assembly/ sub-assembly**	**Component manufacturing**	**Design**
Mobile	Smartphones	• Assembly for mobile has taken off; ~2 billion cumulative shipments between 2014 and 2022 • Sub-assembly: battery pack, charger largely localised; camera module, display assembly ~25% localisation	• Production of mechanical and composites (casing, cable and box content etc.) • E.g., Tata Electronics for iPhone casing (10%–15% Bill of Materials (BOM))	Minimal to no presence
Consumer electronics	TV	• Multiple EMS (e.g., Dixon, Amber)/OEMs (e.g., Samsung) undertake finished product assembly/sub-assembly • Display is the largest component sub-assembled in India for TVs	Open cells (~60% BOM) are primarily imported	Limited design capabilities with players like Dixon
	Air conditioners		Through-hole components, electro-mechanical components are manufactured	Home-grown OEMs such as Blue Star, Godrej Appliances have established some design and engineering capabilities
	Refrigerators			
IT hardware	Laptop	>80% of laptops consumed domestically are imported	Primarily import dependent	Minimal presence (VVDN Technologies, CDAC)
	Server			
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 harnesses and connectors are manufactured (~10% BOM)	Leading home-grown OEMs such as Tata Motors and M&M have established product design and engineering capabilities, but have limited capabilities in electronics
Hearables and wearables	Smartwatch, headphones, wristband, glasses, ring,	Largely box assembly (No PCBA today) e.g., Dixon for boAt	Primarily import dependent	Minimal to no presence

Source: Niti Aayog

Source: NITI Ayog, Way2Wealth Research

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GOVERNMENT INITIATIVES TO ENCOURAGE ELECTRONICS AND SEMICONDUCTOR MANUFACTURING

Govt. of India Schemes	Details
Modified Electronics Manufacturing Clusters (EMC) and EMC 2.0 Schemes	Launched in October 2012, the Electronics Manufacturing Clusters (EMC) Scheme aimed to develop world-class infrastructure and shared facilities to attract investments in India's electronics sector. By its closure in October 2017, the scheme approved 19 Greenfield EMCs and 3 Common Facility Centres (CFCs) across 15 states, fostering nationwide growth in electronics manufacturing. To address evolving industry needs, MeitY introduced the Modified EMC (EMC 2.0) Scheme on April 1, 2020. This initiative focuses on strengthening infrastructure and positioning India as an electronics manufacturing hub. EMC 2.0 offers financial assistance of up to 50% (capped at ₹70cr/₹700mn per 100 acres) for clusters and 75% (capped at ₹75cr/₹750nn) for CFCs, encouraging large manufacturers and supply chains to invest. The scheme remained open for applications until March 2024, with fund disbursement scheduled until March 2028, ensuring sustained support for the sector's growth.
Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing	The PLI Scheme, launched in April 2020, offers a 4%–6% financial incentive to companies on incremental sales of mobile phones and electronics over the base year (2019-20) for five years (2020-2026). Aimed at boosting domestic electronics manufacturing, especially in mobile phones, the scheme expects ₹8.12tn in production and ₹4.87tn in exports. After initial success, a second round was introduced in March 2021, extending benefits to electronic component manufacturers.
PLI Scheme for IT Hardware and PLI Scheme 2.0 for IT Hardware	The PLI Scheme for IT Hardware offers 4%, 2%, or 1% incentives on incremental sales of India manufactured goods like laptops, tablets, All-in-One PCs, and servers over four years. Initially, 14 companies committed ₹2,517cr investments and ₹1.61tn production. PLI 2.0 extends average incentives of 5% over six years, adding ultra-small form factor devices. With 27 approved firms pledging ₹2,955cr in investments and ₹3.52tn production, 13 earlier applicants migrated to PLI 2.0. The aim of this scheme is to boost domestic manufacturing and reduce the reliance on imports.
Modified Special Incentive Package Scheme (M-SIPS)	The Modified Special Incentive Package Scheme (M-SIPS) offers capital subsidies for electronics manufacturing—20% for investments in SEZs and 25% in non-SEZs—covering 44 categories of electronic products and components. Launched in 2012 and amended in 2015 and 2017, it aims to offset manufacturing disabilities and attract investments. By March 2024, 316 projects with ₹83,247cr investments were approved, generating ₹10.63tn in revenue, ₹2.08tn exports, 4.25 lakh jobs, and ₹1.44tn in government revenue.
Electronics Development Fund (EDF)	The Electronics Development Fund (EDF) fosters R&D and innovation in electronics, IT, and nano-electronics by acting as a "Fund of Funds." Managed by CANBANK Venture Capital Funds Ltd., it invests in "Daughter Funds" to provide risk capital for technology development, enriching intellectual property and supporting entrepreneurial growth in these sectors.
Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)	The Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS), launched in April 2020, aims to strengthen India's electronics manufacturing ecosystem. It offers a 25% financial incentive on capital expenditure for investments in new units or expansions in electronic components, semiconductor fabrication, ATMP units, and related sub-assemblies. The scheme supports R&D and modernisation, is open for three years, and provides incentives for investments made within five years. It is implemented through a nodal agency designated by MeitY.

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The India Semiconductor Mission (ISM) serves as an umbrella initiative encompassing multiple schemes aimed at developing a robust semiconductor and display manufacturing ecosystem in India. Launched by the Government of India with a total outlay of ₹76,000cr (over $10bn), ISM is structured to provide financial support and incentives across various segments of the semiconductor value chain. The key schemes under this mission are:

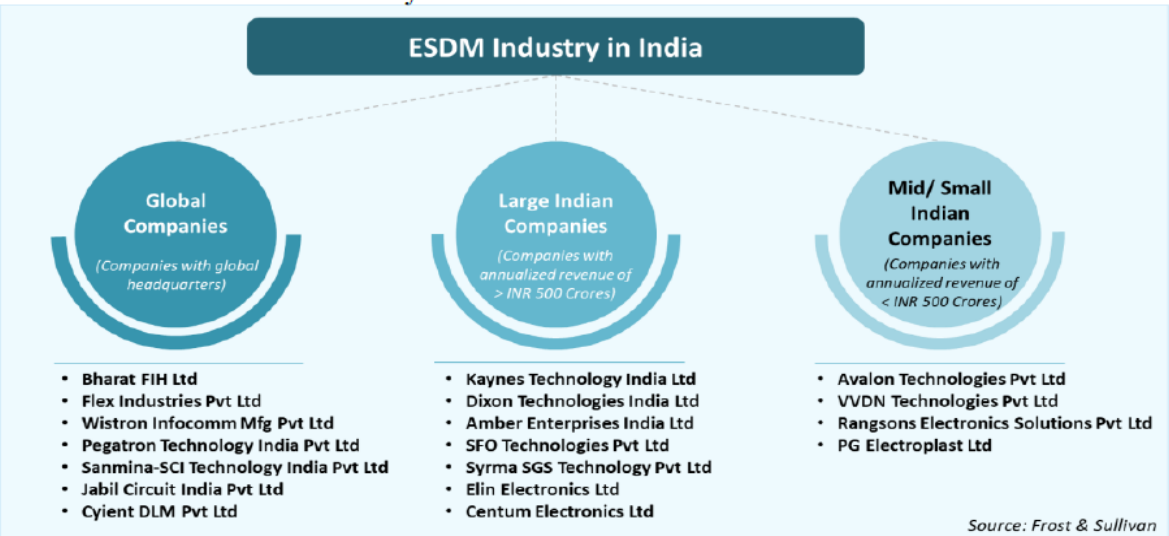
Scheme for Setting Up of Semiconductor Fabs in India	This scheme aims to attract substantial investments to establish semiconductor wafer fabrication facilities within the country. It offers fiscal support covering up to 50% of the project cost, with the exact percentage determined by the technology node. Specifically, projects involving technology nodes of 28nm or lower are eligible for up to 50% support, those above 28nm to 45nm can receive up to 40%, and nodes above 45nm to 65nm are entitled to up to 30% of the project cost.
Scheme for Setting Up of Display Fabs in India	This scheme is designed to promote the establishment of display fabrication units, such as TFT LCD or AMOLED display fabs. It offers fiscal support covering up to 50% of the project cost, with the exact percentage determined by the Expenditure Finance Committee.
Scheme for Setting Up of Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking, and Packaging (ATMP)/ Outsourced Semiconductor Assembly and Test (OSAT) Facilities in India	This scheme aims to encourage the establishment of facilities in specialised areas such as compound semiconductors, silicon photonics, sensors, and semiconductor ATMP/OSAT units. It offers fiscal support covering 30% of the capital expenditure for eligible applicants. Up to 2.5% of the scheme's outlay is earmarked for research and development, skill development, and training to foster the growth of the compound semiconductors and ATMP ecosystem in India. However, beneficiaries under this scheme are not eligible for incentives under the Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) for the same category.
Design Linked Incentive (DLI) Scheme	The Design Linked Incentive (DLI) Scheme, launched by the Ministry of Electronics and Information Technology, aims to boost India's semiconductor design ecosystem. It offers financial incentives and infrastructure support to domestic companies, start-up, and MSMEs involved in semiconductor design. The scheme targets import substitution, strengthens local design capabilities, and supports the growth of semiconductor Intellectual Property (IP), Integrated Circuits (ICs), and System on Chips (SoCs). It is managed by Centre for Development of Advanced Computing (CDAC) and is available for three years starting from January 2022.

Source: Company, Way2Wealth Research

Indian ESDM Players

There are more than 30 players in the organized market ranging from large, medium to small. Few other major players are Cyient DLM, Flex, Jabil, SFO, Elin Electronics, NTL, Syrma, and Foxconn.

Industry structure of ESDM market in India



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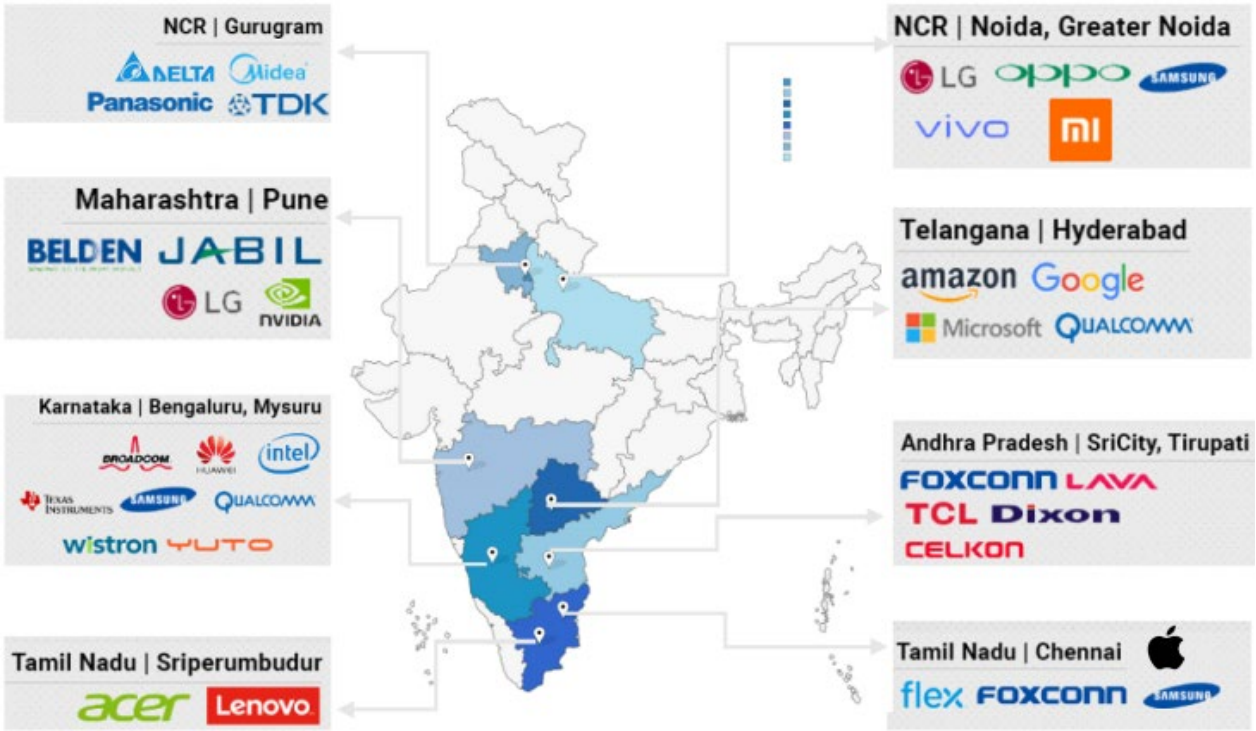
Capabilities	OSAT & PCB Fabrication	Mobile Phones	CEA[1]	Auto-motive	Industrial	Telecom	A&D[2]	IT	Medical	Railway	Others[3]
Kaynes Technology India Ltd	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Bharat FIH Ltd		✓	✓	✓		✓	✓	✓			✓
Dixon Technologies (India) Ltd		✓	✓						✓		✓
Amber Enterprises India Ltd			✓							✓	✓
SFO Technologies Pvt Ltd				✓	✓	✓	✓		✓		✓
Syrma SGS Technology Ltd			✓	✓	✓	✓			✓		✓
Elin Electronics Ltd			✓								✓
Avalon Technologies Ltd				✓	✓	✓	✓		✓	✓	✓
Cyient DLM					✓		✓		✓		

Note – All data as per F&S report
1 – Consumer electronics and appliances | 2 - Aerospace & defense | 3- Energy power and lighting

List of ESM players in India and their manufacturing plant locations



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Website: www.way2wealth.com Email: research@way2wealth.com *Way2wealth Research is also available on Bloomberg WTWL<GO>*

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Comparative Analysis of India Listed ESM Players

- Kaynes showcases track record of strong financials across EMS industry.
- While revenue has shown 60% CAGR growth over FY22-24, EBITDA grew at 65% CAGR over the same period.
- EBITDA margins expanded ~82bps in last two years and stood at 14% in FY24. It shows Kaynes ability to operate at best-in-class margin levels.
- Additionally, the company also reported best-in-class bottom-line profitability with PAT growing at 110% CAGR over FY22-24.

	Kaynes Technology Ltd.	Syrma SGS Technology Ltd.	Cyient DLM Ltd.	Avalon Technologies Ltd.	Moschip Technologies Ltd.
Industries	Automotive Industrial Railway Aerospace & Defence Consumer Medical IoT / IT	Automotive Industrial Railway Defence Telecom IT	Industrial Aerospace & Defence Healthcare & Lifescience	Automotive Industrial Railway Aerospace & Defence Telecom Medical Solar Hydrogen Energy System Automation	Automotive Industrial Telecom Medical & Healthcare Energy & Utility Consumer IT / IoT Data Center Multimedia
Revenue	FY22 : ₹706cr FY23 : ₹1,126cr FY24 : ₹1,805cr FY25E : ₹2,808cr FY26E : ₹3,295cr FY27E : ₹6,069cr	FY22 : ₹1,020cr FY23 : ₹2,0486cr FY24 : ₹3,154cr FY25E : ₹4,310cr FY26E : ₹5,787cr FY27E : ₹7,594cr	FY22 : ₹722cr FY23 : ₹832cr FY24 : ₹1,192cr FY25E : ₹1,579cr FY26E : ₹1,964cr FY27E : ₹2,459cr	FY22 : ₹841cr FY23 : ₹945cr FY24 : ₹867cr FY25E : ₹1,062cr FY26E : ₹1,373cr FY27E : ₹1,730cr	FY22 : ₹706cr FY23 : ₹1,126cr FY24 : ₹1,805cr FY25E : ₹2,808cr FY26E : ₹4,345cr FY27E : ₹6,446cr
Revenue CAGR	FY22-24 CAGR : 60% FY24-27E CAGR : 52%	FY22-24 CAGR : 76% FY24-27E CAGR : 34%	FY22-24 CAGR : 29% FY24-27E CAGR : 27%	FY22-24 CAGR : 2% FY24-27E CAGR : 26%	FY22-24 CAGR : 41% FY24-27E CAGR : -
EBITDA	FY22 : ₹94cr FY23 : ₹168cr FY24 : ₹254cr FY25E : ₹404cr FY26E : ₹605cr FY27E : ₹938cr	FY22 : ₹94cr FY23 : ₹188cr FY24 : ₹199cr FY25E : ₹304cr FY26E : ₹419cr FY27E : ₹564cr	FY22 : ₹85cr FY23 : ₹88cr FY24 : ₹111cr FY25E : ₹135cr FY26E : ₹198cr FY27E : ₹262cr	FY22 : ₹98cr FY23 : ₹113cr FY24 : ₹63cr FY25E : ₹107cr FY26E : ₹159cr FY27E : ₹216cr	FY22 : ₹23cr FY23 : ₹29cr FY24 : ₹26cr FY25E : - FY26E : - FY27E : -
EBITDA CAGR	FY22-24 CAGR : 65% FY24-27E CAGR : 55%	FY22-24 CAGR : 45% FY24-27E CAGR : 42%	FY22-24 CAGR : 14% FY24-27E CAGR : 33%	FY22-24 CAGR : -20% FY24-27E CAGR : 51%	FY22-24 CAGR : 6% FY24-27E CAGR : -
EBITDA Margin	FY22 : 13% FY23 : 15% FY24 : 14% FY25E : 14% FY26E : 15% FY27E : 15%	FY22 : 9% FY23 : 9% FY24 : 6% FY25E : 7% FY26E : 7% FY27E : 7%	FY22 : 12% FY23 : 11% FY24 : 9% FY25E : 9% FY26E : 10% FY27E : 11%	FY22 : 12% FY23 : 11% FY24 : 7% FY25E : 10% FY26E : 12% FY27E : 12%	FY22 : 16% FY23 : 15% FY24 : 9% FY25E : - FY26E : - FY27E : -
PAT	FY22 : ₹42cr FY23 : ₹95cr FY24 : ₹183cr FY25E : ₹302cr FY26E : ₹413cr FY27E : ₹642cr	FY22 : ₹57cr FY23 : ₹119cr FY24 : ₹107cr FY25E : ₹152cr FY26E : ₹226cr FY27E : ₹321cr	FY22 : ₹41cr FY23 : ₹32cr FY24 : ₹61cr FY25E : ₹70cr FY26E : ₹120cr FY27E : ₹168cr	FY22 : ₹68cr FY23 : ₹53cr FY24 : ₹28cr FY25E : ₹63cr FY26E : ₹97cr FY27E : ₹137cr	FY22 : ₹6cr FY23 : ₹6cr FY24 : ₹10cr FY25E : - FY26E : - FY27E : -
PAT CAGR	FY22-24 CAGR : 110% FY24-27E CAGR : 52%	FY22-24 CAGR : 38% FY24-27E CAGR : 44%	FY22-24 CAGR : 22% FY24-27E CAGR : 40%	FY22-24 CAGR : -36% FY24-27E CAGR : 70%	FY22-24 CAGR : 29% FY24-27E CAGR : -
PAT Margin	FY22 : 6% FY23 : 8% FY24 : 10% FY25E : 11% FY26E : 11% FY27E : 11%	FY22 : 6% FY23 : 6% FY24 : 3% FY25E : 4% FY26E : 4% FY27E : 4%	FY22 : 6% FY23 : 4% FY24 : 5% FY25E : 4% FY26E : 6% FY27E : 7%	FY22 : 8% FY23 : 6% FY24 : 3% FY25E : 6% FY26E : 7% FY27E : 8%	FY22 : 4% FY23 : 3% FY24 : 3% FY25E : - FY26E : - FY27E : -
India:Export (FY24)	91%:9%	75%:25%	53%:47%	43%:57%	48%:52%
NetDebt/Equity (FY24)	-0.5	0.1	-0.5	0.0	0.26
RoE (FY24)	11%	7%	7%	5%	5%
RoCE (FY24)	9%	5%	6%	4%	23%
No. of SMT Lines	24	33	6	11	-
No. Mfg. Facility	8	15	3	3	-
No. of Engineers	160+	250+	-	-	-

Source: Company, Bloomberg, Way2Wealth Research

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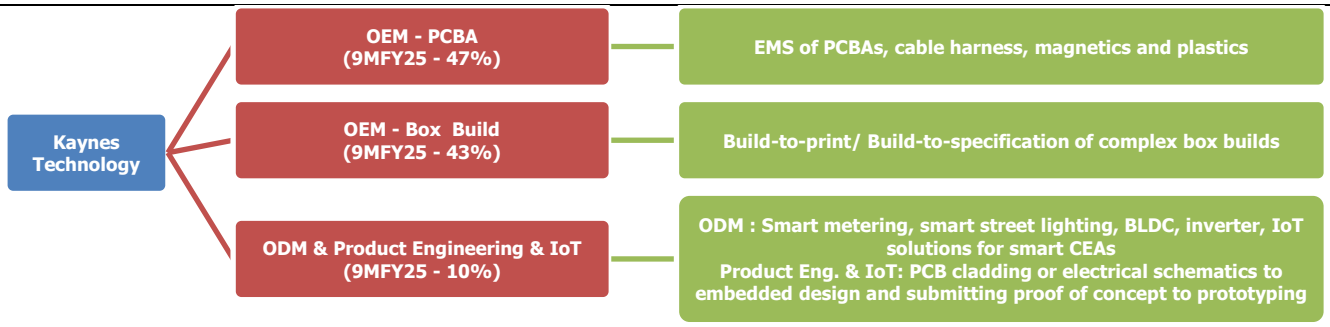
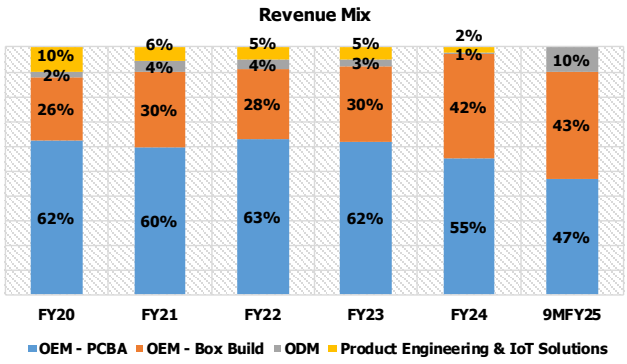
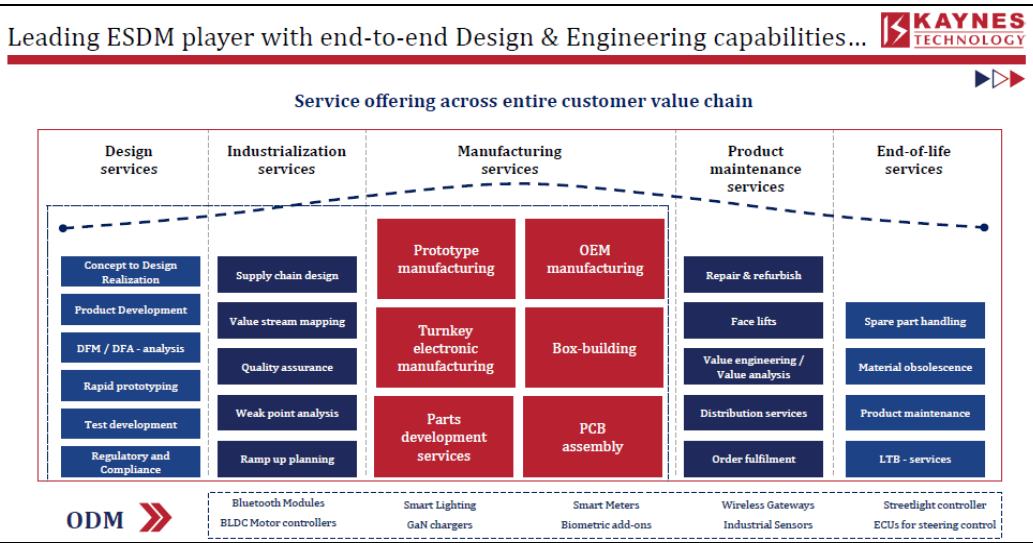
Kaynes Technology Ltd. – Company Profile

Kaynes Technology Ltd. (Kaynes) is one of the leading and fastest growing Electronics Manufacturing Services (EMS) provider in India. Incorporated in 2008, the company has built strong capabilities in offering conceptual design, process engineering, integrated manufacturing and life-cycle support. It provides PCB Assembly, Box-Build and ODM services to domestic as well as overseas customers. Its customer base is spread across diverse industries such as Automotive, Industrial, Railways, Aerospace, Medical, IT, etc.

The company operates under three broad segments: OEM Turnkey Solutions – PCBAs (47% of revenue in 9MFY25), OEM Box Build (43%), ODM and Product Engineering & IoT Solutions (10%).







Source: Company, Way2Wealth Research

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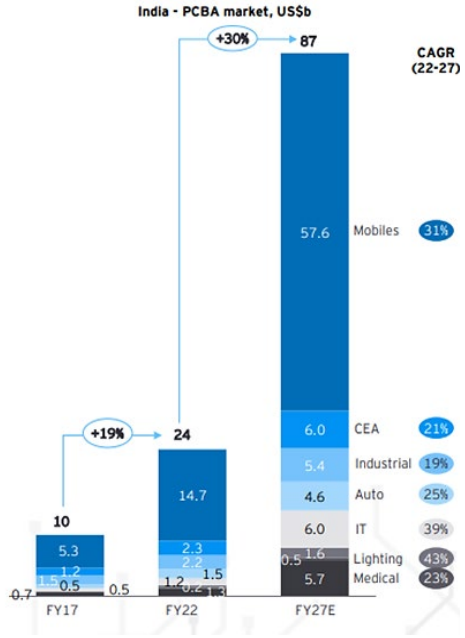
OEM – Turnkey Solutions – Printed Circuit Board Assemblies ("PCBAs"):

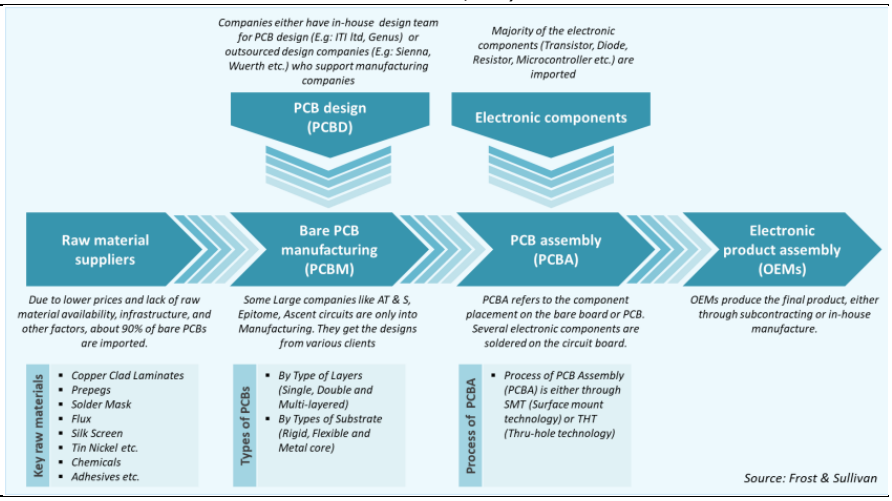
At the heart of the electronics industry is the printed circuit board or PCB. A PCB with components mounted onto it is called an assembled PCB and the manufacturing process is called PCB assembly or PCBA. PCB assembly is a major activity and is normally outsourced to EMS companies. Out of the overall PCBA demand in India, approx. 80% of demand is met through imports or domestic manufacturing of Bare PCBs and then local assembly in India.

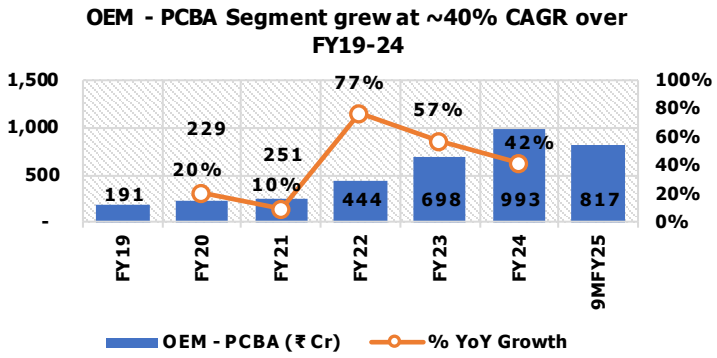
Key growth drivers for PCBA market in India – 1) With growing demand of electronics, the need for PCBA and high-speed assembly will increase 2) Miniaturization of electronic components in applications like automotive and others leading to complex and higher value PCBA 3) Better availability of PCB and components to drive local production by both EMS players and OEMs.

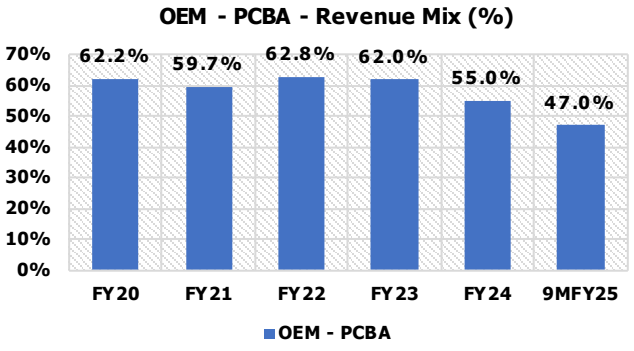
PCB assembly in Mobile segment is expected to lead the growth with ~31% CAGR over FY22-27E, followed by consumer segment at ~21%. Owing to rapid technological advancement in the medical industry, it will emerge as the new segment with high growth potential.



Source: E&Y, Way 2 Wealth







Source: Company, Way2Wealth Research

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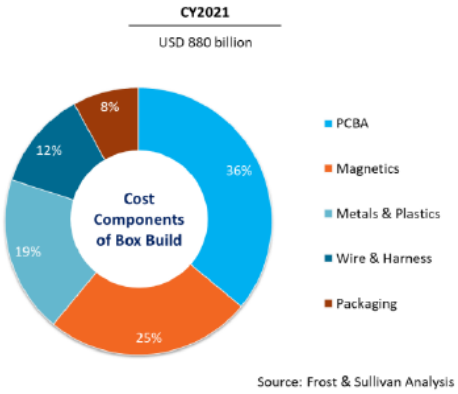
OEM – Turnkey Solutions – Box Build ("OEM – Box Build"):

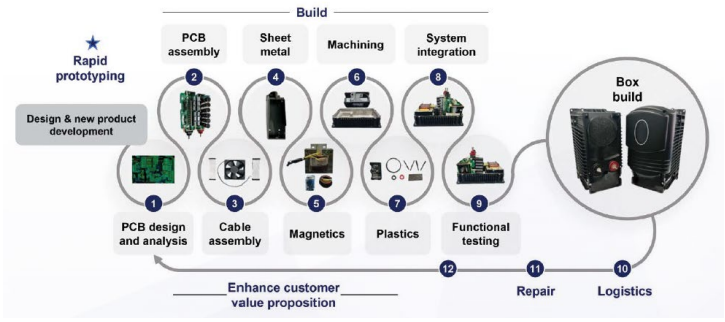
In the box build system, the OEM outsources the complete product to a third-party EMS firm, and the EMS firms make the final finished product, put in the OEM logo, and dispatch it to the OEM warehouse to be resold. In this case, the EMS firm takes care of both electronic BOM, Mechanical and Electrical BOM and assembles the final product, and does the required testing before it is dispatched. This model is largely used in high volume low margin (HVLM) types of products such as mobiles, computer hardware and industrial segments. Box build assembly requires an integrated infrastructure to enable EMS companies to manufacture products in-house.

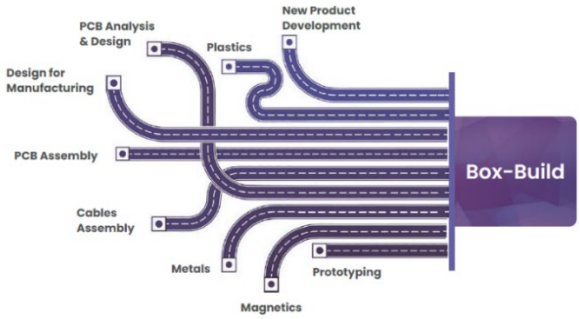
Kaynes' focus remains on box-build capabilities to offer full product. It is enhancing in-house test fixtures to offer OEMs faster turnaround, complex prototypes, and zero-defect products. The company is also upgrading existing facilities to expand the consumer portfolio and provide full box-built services, aiming to secure a larger revenue share.

Global EMS market - Box-build market split by cost components, in %, CY2021

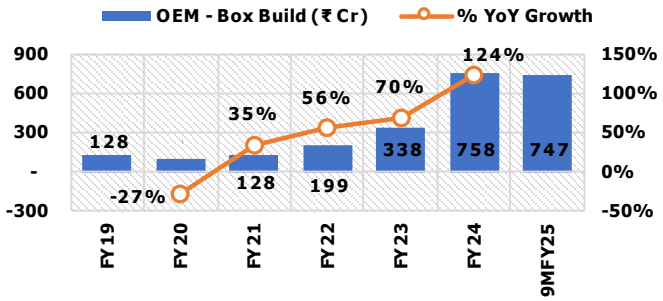


Source: Frost & Sullivan Analysis

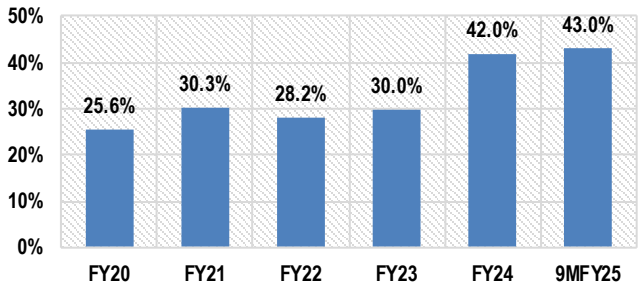




OEM - Box Build Segment grew at ~43% CAGR over FY19-24



OEM - Box Build - Revenue Mix (%)



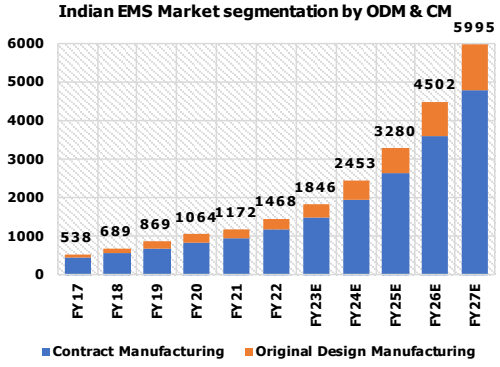
Source: Avalon, Company, Way2Wealth Research

ODM & Product Engineering and IoT Solutions: Company offers ODM services in smart metering technology, smart street lighting, brush less DC ("BLDC") technology, inverter technology, gallium nitride based charging technology and providing IoT solutions for making smart consumer appliances or devices IoT connected.

Kaynes ODM offerings encompass a diverse range of solutions such as smart metering technology smart street lighting, BLDC technology, inverter technology, gallium nitride-based charging technology. It specializes in developing and implementing IoT connectivity.

The company is focusing on continuous process of up-skilling and adding infrastructure by investing in newer licenses, testing equipment and application software. By FY24, advanced design facilities at Mysuru, Bengaluru and Ahmedabad constituted a 160+ member R&D team.

Indian EMS Market segmentation by ODM & CM



Source: Company, Way2Wealth Research

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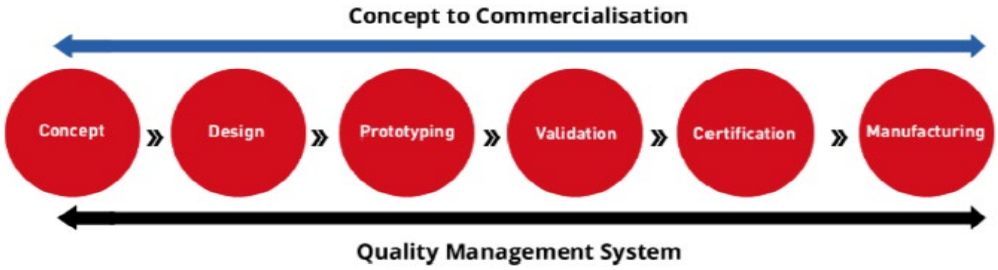
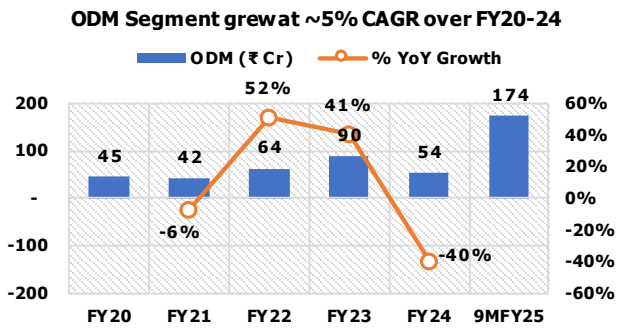
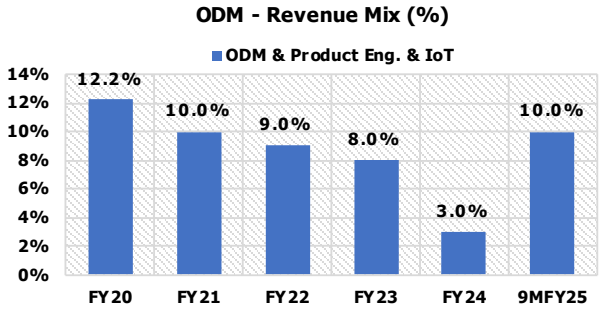


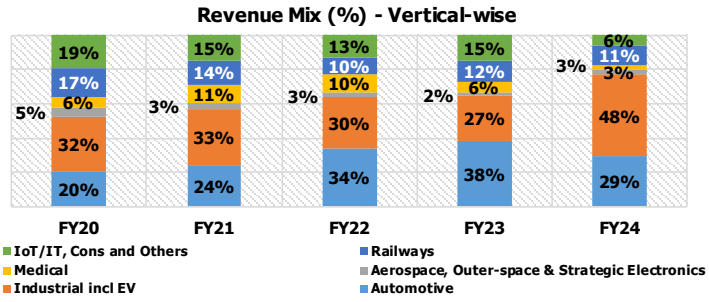
Under Product Engineering and IoT Solutions, it provides conceptual design and product engineering services in industrial and consumer segments.





End-User Industries: Kaynes offers wide-ranging product portfolio having applications across industry verticals such as automotive, telecom, aerospace and defence, space, medical, IoT and industrial.

Diverse portfolio limits exposure of the company to sectoral downturns associated with a particular vertical. It also ensures revenues are consistent across periods on account of customers serving different industry verticals with different business or industry cycles.



Number of Customers (FY22)		
Industry Vertical	**Domestic**	**Overseas**
Automotive	67	5
Industrial incl EV	179	29
Aerospace, Outer-space & Strategic Electronics	23	2
Medical	23	6
Railways	10	5
IoT/IT, Cons and Others	22	8
Total	324	55

Automotive

Industrial incl. EV

Aerospace, Outer space and strategic electronics

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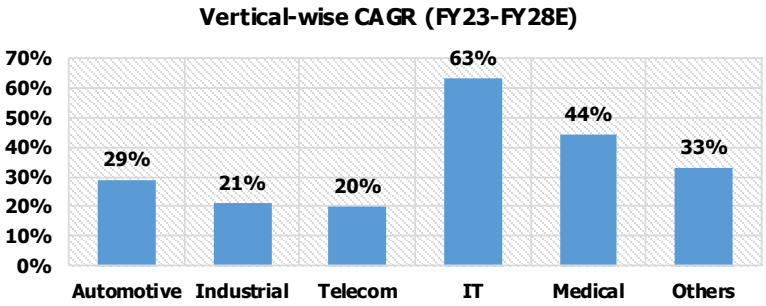

Source: Company, Way2Wealth Research

Telecom: The rollout of 5G infrastructure and the deployment of advanced network equipment are driving the growth of the telecom sector. This segment is projected to experience substantial growth in the coming years.

Automotive: The rapid development of autonomous and electric vehicles is driving significant demand for advanced electronics in this sector. Along with the aerospace & defence sector, the automobile industry is projected to experience substantial growth in the coming years.

Aerospace and Defence (A&D): ESDM providers are strategic partners for the aerospace and defence industry, offering cost reductions of 10-15% through their services. This sector is anticipated to experience significant growth due to the increasing demand for advanced avionics, navigation systems, and defence electronics.

Medical: Constant innovation and the integration of cutting-edge technologies, such as robotics, artificial intelligence, and telemedicine, are propelling the medical electronics sector. This segment is expected to outpace the overall growth of the Electronics System Design and Manufacturing (ESDM) industry.

Railways

SIEMENS · FRAUSCHER · Hitachi Rail STS · LORAM · ALSTOM

Medical

Beat · KAVO · stryker · TRANSASIA · SKANRAY

IoT, IT, Cons & Others

intel · orient electric · TVS ELECTRONICS · CYPRESS · ottomate

Source: Company, Way2Wealth Research

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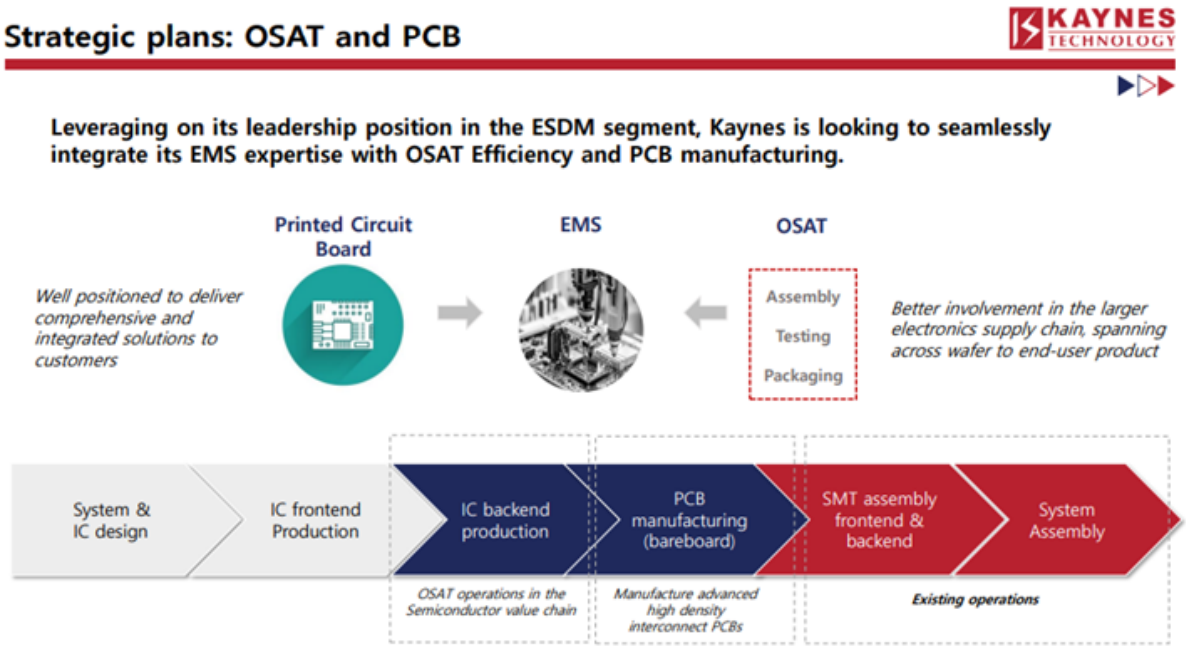
INVESTMENT RATIONALE

Backward Integration to be key growth driver

Kaynes is focusing on enhancing backward integration by manufacturing in-house components like bare printed circuit boards. By incorporating OSAT and PCB fabrication capabilities, it is positioning itself as the comprehensive and integrated solutions provider to customers. By combining expertise in ESDM capabilities, OSAT, PCB and more, the company is trying to offer integrated solutions that are greater than the sum of the parts.



Outsourced Semiconductor Assembly and Test (OSAT) – Foray into High Value Segment

The OSAT process is a pivotal stage in the semiconductor industry's manufacturing cycle. OSAT companies specialize in providing essential services such as packaging and testing for integrated circuits produced by foundries. This outsourcing model allows semiconductor manufacturers to leverage expertise and cost efficiencies, ensuring that the final ICs meet rigorous quality and performance standards.

On Sept. 3rd, 2024, Kaynes received approval from the Union Cabinet for setting up an Outsourced Semiconductor Assembly and Test (OSAT) facility in Sanand, Gujarat with a ₹3,307 crore investment. It became the fourth company in the country to receive OSAT facility approval. The company claims the plant to have a capacity of 63 lakh chips per day.

Under programme for development of semiconductors and display manufacturing scheme, 50% of the investment (~₹1,650cr) will come from the Centre Government while, the Gujarat government will provide aid of 20% investment (~₹660cr), and the rest 30% of the investment (~₹1,000cr), will be borne by the company.

The facility will have 13 assembly lines. Along with wire-bond technology and substrate technology, Kaynes will undertake advanced packaging in co-packaged optics (CPO) in the field of silicon photonics.

The management is confident of manufacturing products at a competitive rate than China because of government subsidy and production-linked incentive.

Raw Material Sourcing Plan

Partnering with RM vendors to establish manufacturing facility/ecosystem in India

Raw Material	Country
Silicon Wafer	Fabs in Taiwan, Germany, etc.
Lead Frame/Substrate	Singapore, Malaysia, Hong Kong, China
Backgrind/Dicing Tape	Japan
Silver Epoxy	Japan
Gold Wire, Copper Wire	Japan
Mold Compound	Japan
Plating Chemicals	Singapore

Source: Company, Way2Wealth Research

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Apart from 13 lines, it will have an automated test equipment line set up for Kaynes' customers.

For OSAT facility, Kaynes has entered technological partnership with three companies: 1) Globetronics, Malaysia, 2) Aptos Technologies, Taiwan and 3) AOI Co., Japan.

Already three customers in this regard have been signed of which two are pure-play semiconductor companies from Taiwan and US each. LightSpeed Photonics will be the first paying customer in this segment.

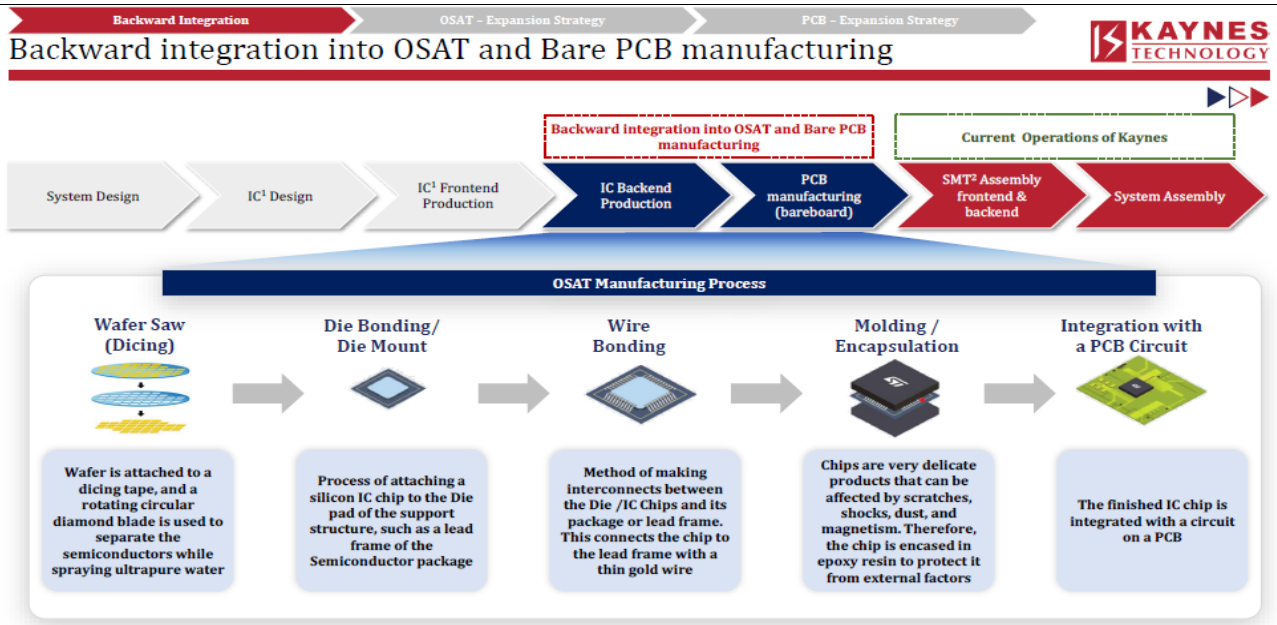
Management anticipates an asset turn of 1.0x and to achieve maximum revenue potential by FY30 and revenue contribution from this facility to start from Q4FY26.

The Govt. of India by now has approved financial support for setting up OSAT facility, under the Modified Programme for Development of Semiconductor and Display Manufacturing Ecosystem, to five companies. Status of each company is given Below:

Overview of Products Offergins	
Packaging Technologies	**Potential Target Geographies**
QFN Packaging	North America, APAC, Europe
FCBFA	North America, Europe, Asia Pacific and EMEA, South America
Global Packaging	North America, Europe, Asia Pacific and LAMEA

Source: Company, Way2Wealth Research

Company	Project Value	Specifications
Micron Technology Ltd. (US)	$2.75bn (Micron : $825mn Center Gov : $1,375mn State Gov : $550mn)	Location: Sanand, Gujrat. Timeline: Phase -I Expected in 2025 Status: Project Delayed by several months
Tata Electronics Pvt. Ltd.	$11bn	Partner: Powerchip Semiconductor Manufacturing Corp. (PSMC) Location: Dholera, Gujrat. Timeline: Late-2025 / Early 2026 India's first FAB facility Fab Capacity: 50,000 wafer starts per month
Tata Semiconductor Assembly and Test Pvt. Ltd.	$3-3.5bn (₹27,000cr)	Location: Morigaon, Assam Timeline: 2025 Capacity: 48 mn Chips per day
CG Power Ltd.	$0.9-0.92bn (₹7,600cr) Center: $422mn (₹3,501cr)	Partner: Renesas Electronics Corp. (Japan) & Stars Microelectronics Public Co. (Thailand) Location: Sanand, Gujarat Capacity: 15 mn Chips per day
HCL Technologies Ltd.	Applied for Subsidy but not approved yet Foxconn: $37.2mn (40% Stake)	Partner: Foxconn Technology Ltd. Exp. Location: Noida, UP



Source: Company, Way2Wealth Research

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HDI PCB Facility – To aid margin improvement and increase operational efficiency

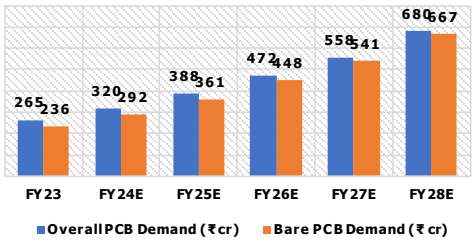
To enhance backward integration, Kaynes focuses on manufacturing components in-house like bare printed circuit boards.

Printed Circuit Boards (PCBs) constitute the base of most electronic circuits and enable connecting electronic and electrical components without the use of wires. In India, almost 92% of the market is dependent on imports, however, this share is expected to reduce significantly in the future. Overall PCB demand in the country is expected to grow at a CAGR of 20.7% to reach approximately ₹680bn by FY28. Bare PCB will account for more than 98% of this demand. Bare PCB demand in the country is expected to grow at a CAGR of 23.1% to reach approximately ₹667bn during this period (FY23 to FY28).

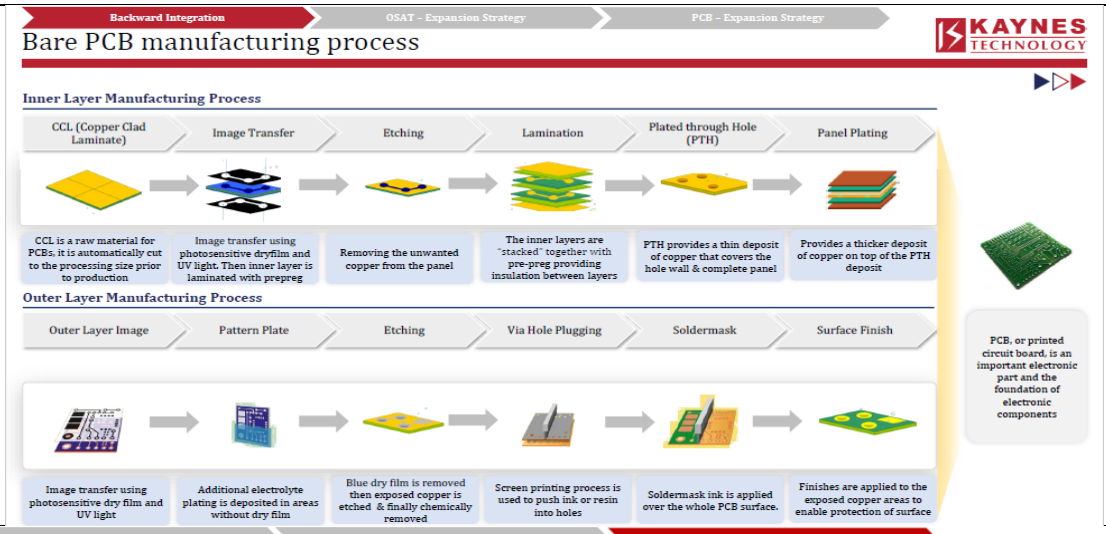
We believe these backward integration measures will allow company to reduce dependence on third party components, reduce lead time on account of synchronization of actual requirements leading to faster utilization of remaining components, better management of material inventory, and contribute to higher margins.Kaynes received approval to set up facility to manufacture High-Density Interconnection printed circuit boards (HDI PCBs) in Oragadam in Tamil Nadu.

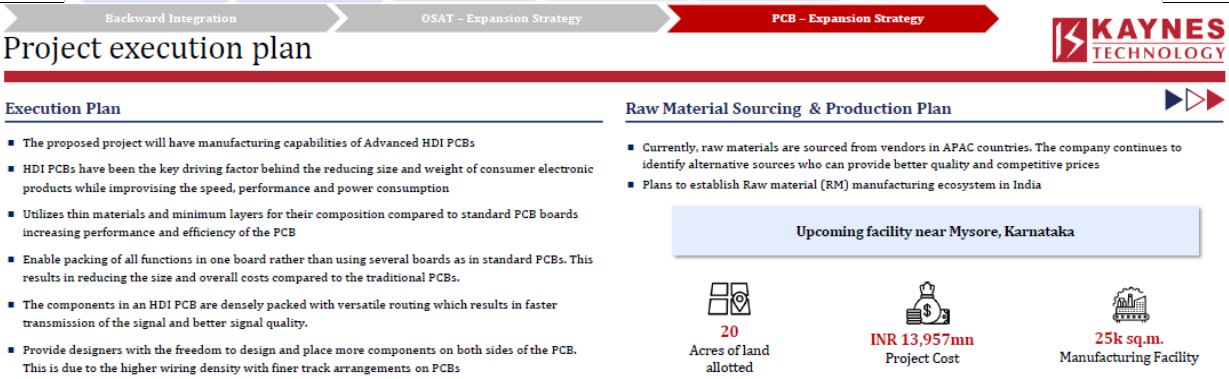
Total project cost is likely to be ₹14bn spread over two phases, of which first phase capex is estimated to be ₹7-7.5bn, which is expected to get commercialized by Q4FY26. The company has been able to secure financial aid the Center Govt. (~25%) and State Govt (~35%). While this subsidy may not come in advance, it is likely to be received in 6 to 9 months. This project is expected to generate an asset turnover of ~1.0x.

India PCB Market Demand Outlook (₹bn)



Source: F&S, Company, Way2Wealth Research





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Capabilities of leading PCB manufacturers in INDIA

Company Name	Year of establishment	Manufacturing Location	PCB Offering	Type of PCB manufacturing	Segment Focus
AT&S India Pvt. Ltd.	1999	Nanjangud, Karnataka	Double Sided PTH PCBs, Metal Core PCBs , Multilayer PCBs, HDI any layer PCBs, Flexible & Rigid Flexible PCBs	Single Sided Double Sided Multi Layer	Smart Phone, CE, Tablets, Ultrabook, Watches / Wearables item and Automotive, Industrial and Medical
Epitome Components	1997	2 units in Ahmednagar, Maharashtra	Single Sided PCBs, Double Sided PCBs and Rigid Flexible PCBs	Single Sided Double Sided Multi Layer	Consumer Electronics, IT Hardware, EMS and Others
Ascent Circuits Pvt. Ltd.	1999	Hosur, Tamil Nadu	Single Sided PCBs, Double Sided PCBs, Multilayer PCBs, Rigid Flexible PCBs	Single Sided Double Sided Multi Layer	EMS, CE, IT Hardware, Strategic Electronics and Mobile
Shogni Technoarts Pvt. Ltd.	1979	Pune, Maharashtra	Single Layer PCB, Double Layer PCB, Multi Layer PCB, Metal Clad PCB	Single Sided Double Sided Multi Layer	EMS, Consumer Electronics, IT Hardware and Others
Cipsa-Tec India Pvt. Ltd.	2005	Tumkur, Andhra Pradesh	Double Layer PCBs, Multi layer PCBs, Metal Clad PCBs	Double Sided Multi Layer	EMS, Consumer Electronics, IT Hardware and Others
Vintek Circuits (India) Pvt. Ltd.	1990	Gurgaon, Haryana	Single Sided PCBs	Single Side	Consumer Electronics, EMS and Others
Micropack Ltd.	1984	Bangalore, Karnataka	Copper Rigid PCBs and Rigid Flex PCBs	Double Side Multi Layer	Defence, Space & Avionics, Telecom & Medical Electronics and Industrial Electronics
Meena Circuits Pvt. Ltd.	2006	Vadodara, Gujarat	Single Sided, Double Sided, Multi layer	Single Sided Double Sided Multi Layer	Consumer Electronics, Energy & Utility, Automotive & Medical

Source: Company websites

Source: F&S, Company, Way2Wealth Research

Strengthening of Manufacturing Capabilities – To fulfill growing demand

The company's focus remains on capacity expansion and for which the management expects capital investment in EMS business to range between ₹200-300cr per annum and it will largely be self-funded. This capex would ensure the EMS business grows at 40-50% going forward.

It is setting up new facility in Chamarajnagar, Karnataka and expanding in Mysuru and Manesar.

Chamrajanagar (Karnataka):

- **Total Built Up Area –** 350,000 Sq. Ft.
- **Phase I –** Alpha & Beta Ready (100,000 Sq. Ft.)
- **Phase II –** Gamma to be ready by Q3FY25 (240,000 Sq. Ft.)
- Clean Room of Class 10K
- Wire Bonding
- Box Build

Kongara Kalan (Hyderabad) (Near Airport):

- Total Plant Area: 70K Sq. Ft.
- SMT Lines: 1 Nos.
- Plastic Injection Machines: 29 Nos. (80-350 Ton)

Some of the completed expansion projects are as follows:

Manesar (Haryana):

- Facility became operational with 2 SMT lines

(Kaynes Expansion – Chamarajanagar)

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Cham

rajanagar (Karnataka):

- Chamarajanagar (Karnataka): New plant of 88,500 sq. ft. is operational with 4 SMT line.

Pune (Maharashtra):

- New plant of 62,000 sq. ft. was acquired successfully.

Kaynes Mechatronics:

- New molding facility of 20,000+ sqft with 20 Injection Molding Machines

Digicom Inc.:

- ESDM business acquired in the US having built up area of 20,000 sq. ft. with 2 advanced SMT machines

(Kaynes Expansion – Hyderabad)

Source: Company, Way2Wealth Research

Near Term Catalysts – Large Opportunity in Smart Meter & Kavach Signaling System

Smart Meter Manufacturing – A Strategic Entry

In Sept 2024, Kaynes inaugurated an electronic manufacturing facility in Hyderabad to produce smart meters.

Kaynes has been manufacturing smart meters for Iskraemeco and L&T from its facility in Mysore.

However, to tap in large opportunity in a rapidly growing smart metering industry and to scale up the company's ability to fulfill near term demand, a dedicated facility in Hyderabad was set up.

This facility has the capacity to produce 3,000 meters per day in one assembly line and the total manufacturing capacity stands at 4 mn meters per annum.

Implementation of Indian government's RDSS scheme will require 250 mn. smart meters. With average realizations of ₹3,000 per meter, this industry opens a TAM opportunity of ₹750cr for EMS companies. While orders for 110 mn smart meters are still pending, the management sees this as an excellent opportunity to drive medium-term growth.

Additionally, Kaynes acquired Iskraemeco India Pvt. Ltd. for ₹49.3cr to enhance its customer servicing capabilities.

With an aim to become the largest smart meter manufacturing company in India, this acquisition will enable the company to jointly offer smart meters to all the different AMISPs (Advanced Metering Infrastructure Service Provider).

Source: Company, Way2Wealth Research

Almost 50% of AMISPs do not have in-house device manufacturing capacities which include companies like IntelliSmart, EDF, Apraava, Monte Carlo, GMR. While manufacturing Iskraemeco JV, it also plans to cater to such AMISPs and aims to garner nearly 15-20% market share. Management believes that this vertical has the potential to generate ~₹1,000cr revenue over the next 12 months.

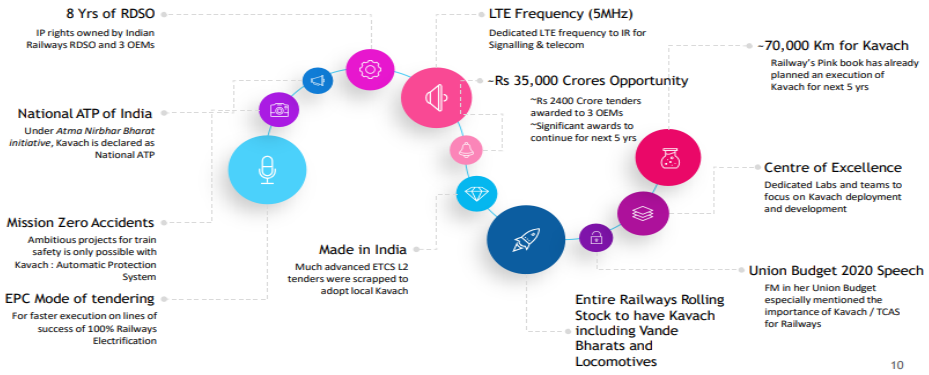
Train Collision Avoidance System (Kavach Programme) – Banking on Structural Opportunity in Railways

The company wants to be an ODM player for Kavach, signaling system and products.

Kaynes has tied up with a German technology partner for the product development. Once the product is ready, it will cater to all the key OEMs in the country.

Out of a total addressable market of 68,000 km, major routes will make about half of it, ~25,000-30,000 km. Assuming average realization of ₹0.5cr per km, this leads to a total addressable market of about ₹12,500-15,000cr.

Management aims to gain 10-15% of the total market, which translates into ~₹2,000cr opportunity size.



Source: Company, Way2Wealth Research

Focus on Overseas Market Expansion

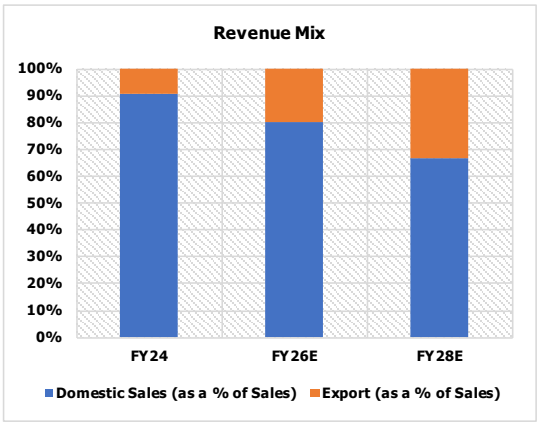
Kaynes is focusing on large customers by expanding its geographical footprint with additional sales and business development representatives in the US, Japan, and Europe.

It is also enhancing manufacturing facilities to better serve customers globally.

In Dec'23, the company acquired 100% stake in Digicom Electronics Inc., Oakland, California. As this acquisition will enable Kaynes to expand into US markets, it can do small build and prototyping in the US and as far as scale manufacturing is concerned, it can be done in India. Even the last mile Box Build can be executed in the US before it can be shipped to customers in the US.

In Dec'24, Kaynes announced acquisition of 54% stake in Sensonic GmbH, Austria to expand its presence in global infrastructure technology market by acquiring capabilities in railway safety and efficiency.

Currently, the company derives nearly 90% of its revenue from domestic market with only 10% coming from overseas market. Going forward, management aims to increase the share of exports in overall revenue mix significantly higher to nearly 20% by FY26 and take further higher to contribute nearly one third over 2-3 years.



Source: Company, Way2Wealth Research

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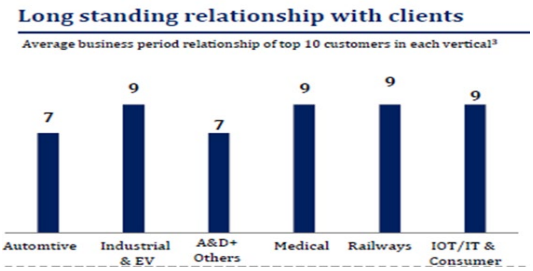
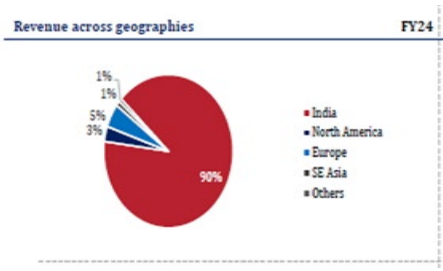
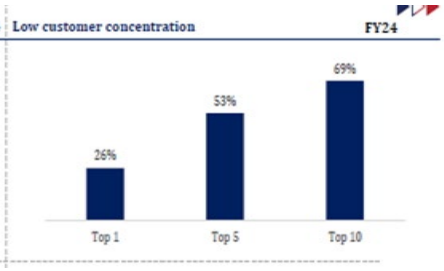
Diverse Clientele Base and strong relationship

Kaynes caters to more than 375 marquee clients across 3 continents. Over three decades, the company has developed a strong relationship with average period for top 10 clients ranging between 7-9 years across industry verticals.







Source: Company, Way2Wealth Research

Strong Order Book – New segments to maintain healthy growth rate momentum

The company has added new customers in segments such as Electric Vehicle (EV), Defence and Aerospace, Medical, IT, etc.

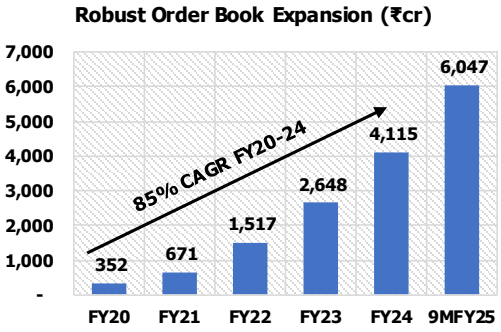
The current order book which stood at ₹6,047cr by Q3FY25 saw an order inflow of ₹624cr during the quarter largely contributed by Industrial & EV, Aerospace and Automotive sectors.

Management anticipates order from Aerospace and Defence to contribute significantly to top-line growth from FY26 onwards.

In FY24, the company had won a large order from CDAC for high-performance computing servers and secured a significant contract in aerospace, outer space, and strategic verticals.

Additionally, the company established a partnership with a major medical equipment company for both domestic and export markets.

Over FY20, average order value has increased ~6x to 8.6mn in FY24 primarily on account of higher contribution from Box Build and ODM segments and complex orders coming in from higher margin industries like EV, Aerospace & Defence, IT, etc.



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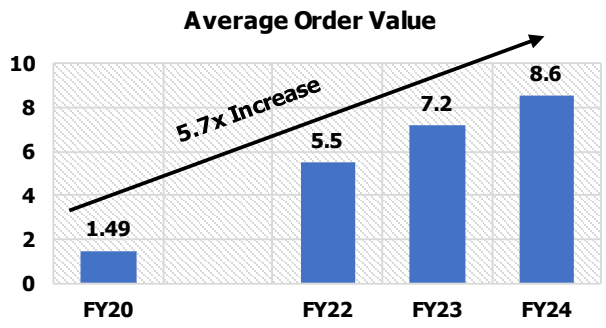
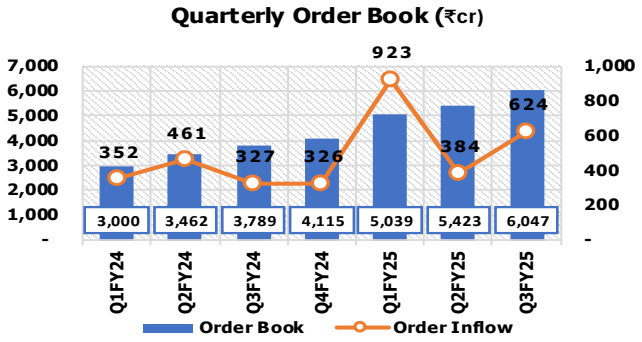




Source: Company, Way2Wealth Research

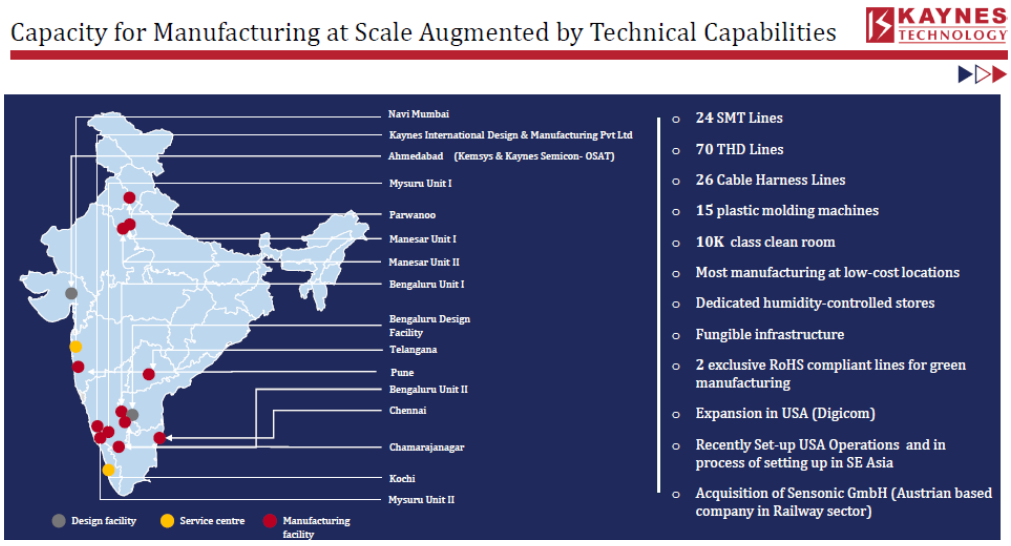
Manufacturing Facilities spread acrss the country

Kaynes has set up manufacturing facilities equipped with cutting-edge technology located in proximity to customers.
The company is undertaking significant capex expansion which primary includes OSAT facility and PCB manufacturing facility.

Additionally, an integrated manufacturing facility with an estimated capex of $600mn is being set up at Chamrajanagar.

Further, some of these facilities are located within dedicated parks and clusters identified by the government, which offers incentives like that of special economic zones:

- **Mysuru, Karnataka - Unit - I:** Approved under Electronics Hardware Technology Park Scheme of Software Technology Park of India, Bengaluru
- **Chennai, Tamil Nadu:** Approved under 100% Export Oriented Unit Scheme



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	Entity	City	State	Area	Sectors
1	KTIL	Mysuru Unit I	Karnataka	98,243	Industrial, Railways, Medical, Defence, other High-End and End-to-End
	KTIL	Mysuru Unit II	Karnataka	27,842	Auto, Industrial and HVLM
	KIDM	Mysuru	Karnataka	3,000	IT and Telecom
2	KTIL	Parwanoo	Himachal Pradesh	5,523	IT, Industries and HVLM
3	KTIL	Selaqui	Uttarakhand	7,700	Wire Harness, Magnetics and HVLM
4	KTIL	Chennai	Tamil Nadu	10,125	Wire Harness, Magnetics and HVLM
5	KTIL	Bengaluru Unit I	Karnataka	12,425	Defence, Wire Harness, Power, including Testing Facility
	KTIL	Bengaluru Unit II	Karnataka	13,447	Auto and Industrial
	KMPL	Bengaluru	Karnataka	50,000	IT, Industries and HVLM
6	KTIL	Manesar Unit I	Haryana	20,000	IT, Industries and HVLM
	KTIL	Manesar Unit II	Haryana	80,000	IT, Industries and HVLM
7	KTIL	Mumbai	Maharashtra	6,350	All Industries Service Centre
8	KTIL	Pune	Maharashtra	62,000	IT, Industries and HVLM
9	KTIL	Kochi	Kerala	2,000	Railway and Defence Service Centre
10	KEMPL	Chamarajanagar	Karnataka	88,500	Automotive and Industrial
	Digicom	Oakland	California	20,000	Industrial, Medical, Aerospace, IT and Defence
	Total			5,07,155	

Source: Company, Way2Wealth

FINANCIALS

Kaynes has multiple topline growth levers in place which can play out over the next couple of quarters such as 1) OSAT and PCB manufacturing facilities will start commercial production in Q4FY26, 2) Dedicated Smart Meter manufacturing facility will see ramp up from FY26 onwards, 3) Production for "Kavach" system will begin post POC completion in FY26, 4) Contribution from acquired companies like Israemeco, Sensonic, etc. will pick up, 5) Recent capacity expansion initiatives will enable company to convert higher order flow into order executions, etc.
Resultantly, we expect Kaynes to post 56%, 40% and 55% revenue growth in FY25, FY26 and FY27 respectively.

Kaynes exhibits best-in-class margin profile in EMS industry. There are several factors which can support the company's margin improvement trajectory in coming years, such as 1) Changing revenue mix with rise in share from high margin Box Build and ODM segment 2) Initiation of revenue contribution from OSAT business, which has better margin profile 3) Commencement of PCB manufacturing facility, will facilitate backward integration. As a result, we expect EBITDA margins to improve to 15.5% by FY27 from 14.1% reported in FY24.

Additionally, Kaynes has also shown remarkable improvement in bringing down working capital days from 175 days in FY20 to 111 days in FY24 (Calculated). We assume WC days to fall further to 102 days by FY25.

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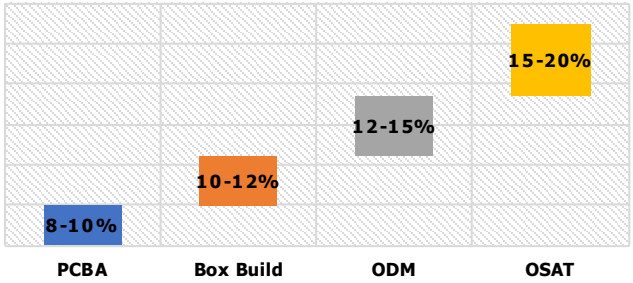
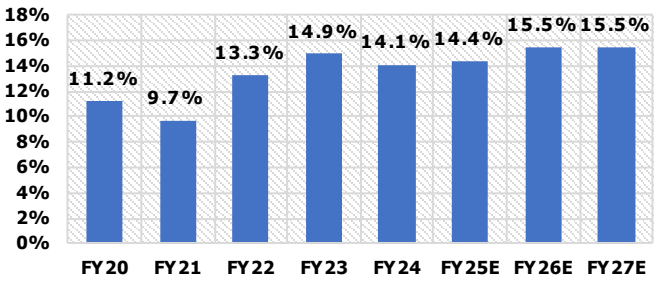
(₹ cr)	FY20	FY21	FY223	FY23	FY24	FY25E	FY26E	FY27E
OEM - Turnkey - Box Build	94	128	198	338	758	1,147	1,578	2,335
		35%	55%	71%	124%	51%	38%	48%
OEM - Turnkey - PCBA	229	251	445	698	993	1,298	1,664	2,446
		10%	77%	57%	42%	31%	28%	47%
ODM & Prod. Eng. & IoT	45	42	64	90	54	364	583	688
		-6%	51%	42%	-40%	572%	60%	18%
OSAT	-	-	-	-	-	-	100	600
								500%
Total	368	421	706	1,126	1,805	2,808	3,925	6,069
		14%	68%	59%	60%	56%	40%	55%

Broad Range - Margin Profile



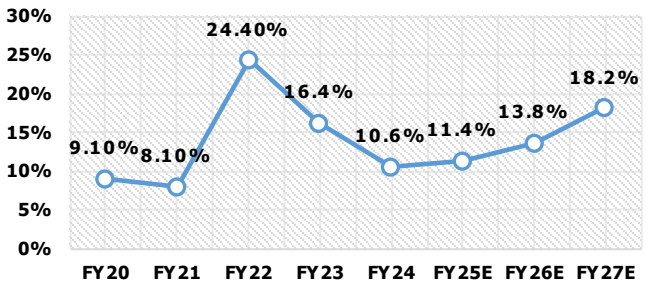
These are indicative segmental margin profile and may vary company to company

EBITDA Margin

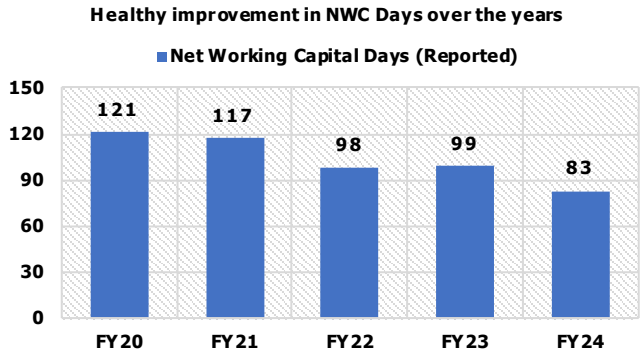


Healthy return ratios and improving WC Capital cycle

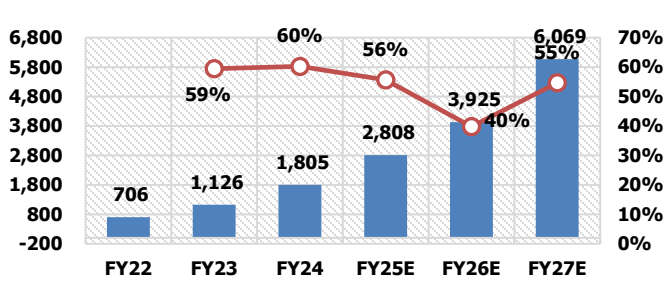
RoE



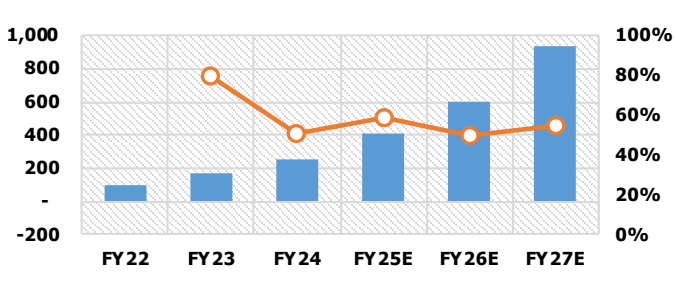
Healthy improvement in NWC Days over the years



Revenue to grow at 50% CAGR over FY24-27E



Revenue to grow at 55% CAGR over FY24-27E



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Registered Office: Rukmini Towers, 3rd & 4th Floor, # 3/1, Platform Road, Sheshadripuram, Bangalore - 560 020,
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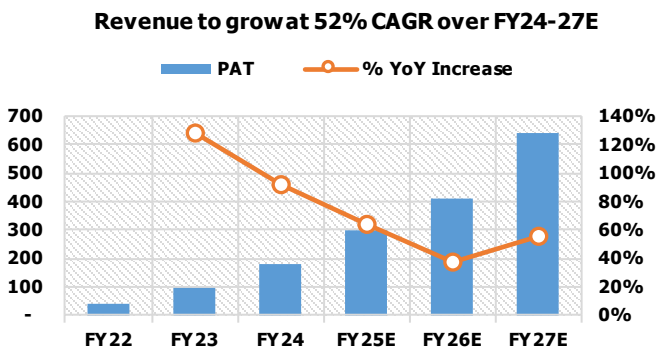

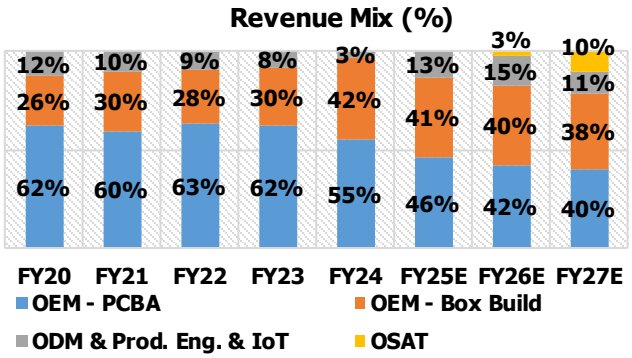

Source: Company, Way2Wealth

Risks

- **Delay in OSAT and PCB Units:** Delay in commencement of commercial production in OSAT and PCB manufacturing facility, which is expected by Q4FY26, can impact top-line growth.
- **Order book build-up in Smart Meter & Kavach:** In Kavach product, management is awaiting mandatory product approvals from the Govt. of India. In Smart meter, product approvals from other AMISPs are awaited. Any delay in approvals on both these fronts would impact order book growth momentum.

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Outlook and valuation

Kaynes Technology Ltd. over the years has been transformed into an end-to-end semiconductor solution provider catering to marquee customers from more than eight end-user industries. Company's expansion strategies received strong support from Govt. of India's policy initiatives for semiconductor industry, to achieve broader vision of making the country a global manufacturing hub.

The company is well positioned to benefit out of a structural shift seen off-late in India wherein reliance of OEMs on ESDM players is increasing. Strengthening of R&D capabilities and undertaking capacity expansion by semiconductor companies like Kaynes is prompting higher collaborations with OEMs leading to longer client relationships and fueling growth in ODM segment.

Management's plans for backward integration through OSAT and PCB manufacturing will not only be margin accretive in coming years but also will strengthen company's manufacturing capabilities by reducing dependence on third party, improve complex product designing and reduction in design approval time, will curtail TAT for customers.

Moves such as foray into manufacturing certain products with large TAM such as Smart Meter and Kavach are strategic in nature and will keep up the growth momentum intact. Additionally, recent acquisitions undertaken like Iskraemeco and Sesonic, keeping in view technological collaborations and other synergies existing customer base / geographical expansion / forward integration are testimony to management prowess in the field of semiconductor industry.

With multiple levers in place such as backward integration, shift towards favorable product mix, capacity additions in EMS business, expanding TAM with new product launches, foray into end-user industries and improving contribution from acquired companies will cumulatively enable the company to maintain 50%+ CAGR growth in earnings over coming years.

We expect the company to clock Revenue/EBITDA/PAT CAGR growth of 50%/55%/52% over FY24-27e period and expand EBITDA margins to 15.5% by FY27 to showcase at best-in-class margin performance. Based on a strong execution track record, robust growth prospects, customer stickiness and support from Govt. policy initiatives led to a significant valuation re-rating of the company in past one year. Post a healthy correction in stock price of ~50% from ATH of ₹7,822 on 1st Jan 2025, at CMP ₹4,150 the stock is currently trading at 65x its FY26e P/E multiple (near to long-term 1-Yr Fwd average of ~63x). Govt. of India's capex aid for OSAT and PCB facilities will act as the key investment rationale in the company's long term structural story as it will significantly improve return ratios. Additionally, we expect there exists multiple growth cylinders to fire for the company over the next two years (FY26 and FY27) and the management to announce new triggers such as inorganic expansion or new capacity addition. All these levers cumulatively can provide a potential upside of more than 50% to the stock price over the next two years. Thus, **we recommend investors to BUY this stock at ~₹4,000 levels for long-term investment horizon.**

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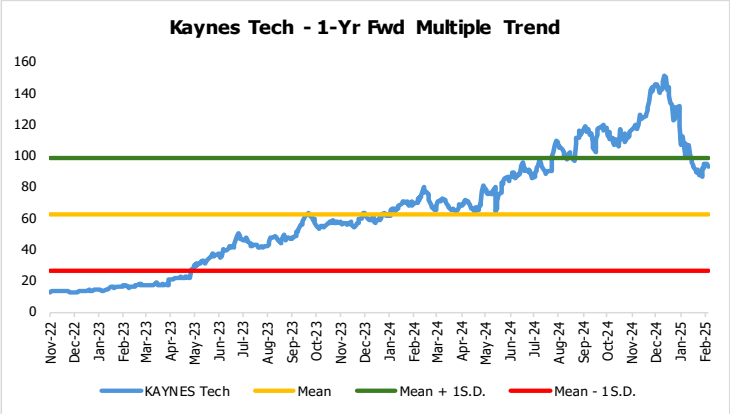
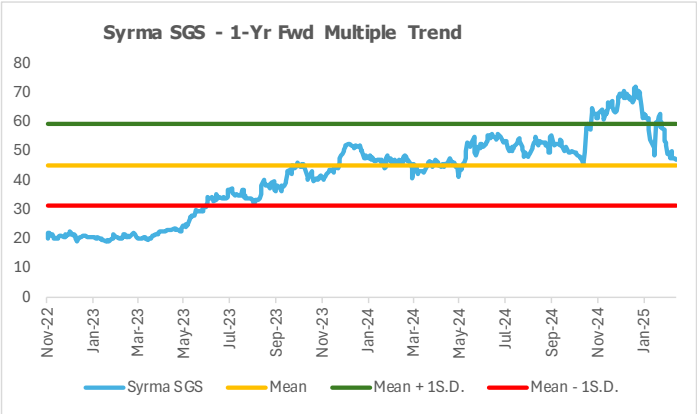
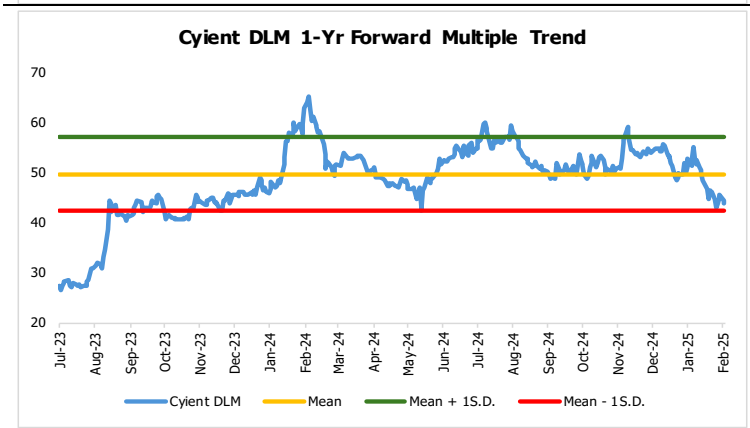
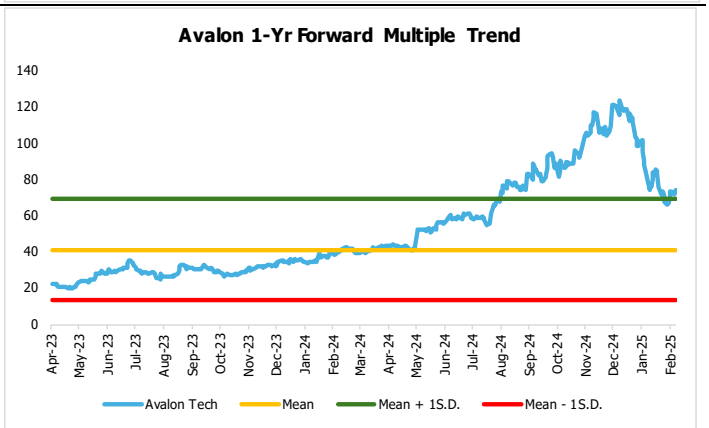
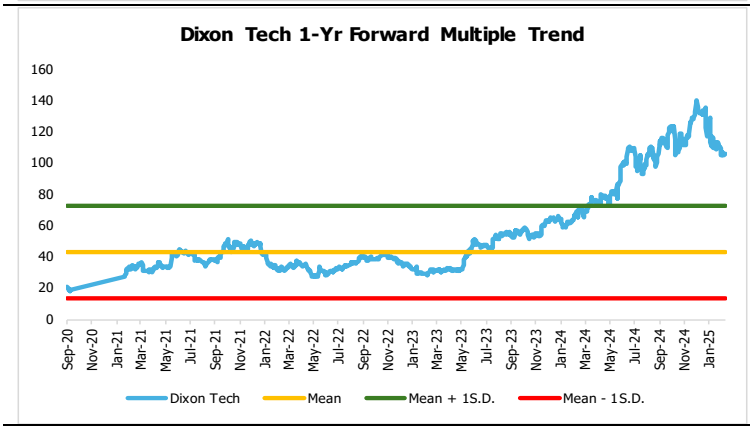
Price-to-Earnings Multiple

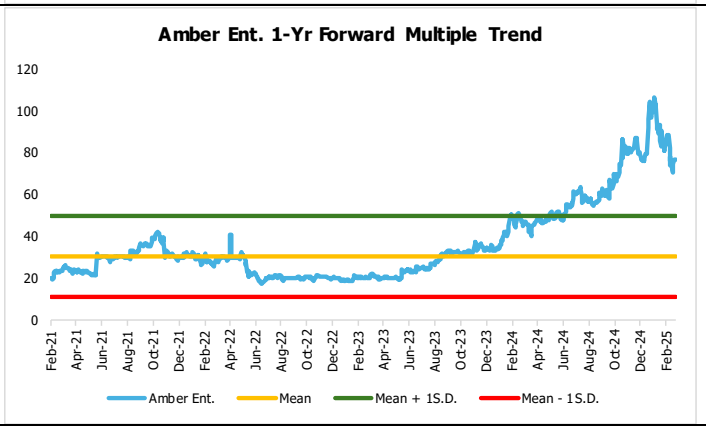












Source: Company, Way2Wealth Research

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Relative Valuation

Domestic Listed EMS Players	CMP	Mcap	EPS			CAGR	P/E			P/Bk			EV/EBITDA		
EMS Players	(₹)	(₹ Cr)	FY25E	FY26E	FY27E	(FY25-27E)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Kaynes	4,150	26,792	47	64	99	46%	89	65	42	10	8	7	64	44	30
Syrma SGS	425	7,574	9	13	18	42%	49	34	24	4	4	3	27	20	15
Avalon	628	4,154	14	21	28	38%	66	43	30	7	6	5	39	26	19
Cyient DLM	403	3,196	24	32	31	14%	45	18	13	3	3	3	26	17	13
Data Pattern	1,416	7,926	47	58	83	32%	40	32	26	6	5	4	31	25	19
Dixon	13,967	83,901	133	202	275	44%	107	70	52	33	23	16	58	40	30
Amber	5,507	18,626	77	117	165	46%	75	50	35	8	7	6	29	23	18

OSAT Global Players	CMP	Mcap	EPS ($)			CAGR	P/E			P/Bk			EV/EBITDA		
EMS Players		(bn)	FY25E	FY26E	FY27E	(FY25-27E)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
ASE Technology Holding Co. Ltd. (USD)	10	22	0.3	0.4	0.5	22%	15.2	11.4	10.1	2.0	1.8	-	7.0	5.9	-
Amkor Technology Inc. (USD)	21	5	1.4	2.0	2.2	24%	13.9	9.9	9.1	1.1	1.0	0.9	4.1	3.3	3.2
Powertech Technology Inc. (TWD)	125	93	0.3	0.3	-	-	13.4	11.3	-	1.6	1.6	-	5.3	4.1	-
King Yuan Electronics Co. Ltd. (TWD)	104	127	0.2	0.3	-	-	12.7	12.5	10.4	2.6	2.2	2.3	7.4	6.3	6.5

OSAT Global Players	CMP	Mcap	Revenue (USD mn)			CAGR	EBITDA (USD mn)			EBITDA Margin			Adj. PAT (USD mn)		
EMS Players		(bn)	FY25E	FY26E	FY27E	(FY25-27E)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
ASE Technology Holding Co. Ltd. (USD)	10	22	20,321	23,039	25,254	11%	3,779	4,475	-	18.6%	19.4%	-	1,424	1,899	2,169
Amkor Technology Inc. (USD)	21	5	6,303	6,862	7,192	7%	1,118	1,359	1,415	17.7%	19.8%	19.7%	357	505	545
Powertech Technology Inc. (TWD)	125	93	2,298	2,555	-	-	630	806	-	27.4%	31.5%	-	226	258	-
King Yuan Electronics Co. Ltd. (TWD)	104	127	1,075	1,302	-	-	566	671	-	52.6%	51.5%	-	298	305	-

(₹ Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	706	1,126	1,805	2,808	3,925	6,069
EBITDA	94	168	254	404	605	938
EBITDA Margin	13%	15%	14%	14%	15%	15%
Profit After Tax	42	95	183	302	413	642
EPS	9	20	30	47	64	99
P/E			137	89	65	42
Target P/E						**66**
Target Price						6,551
CMP						4,150
Upside Potential						**50%+**

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Financial Performance

(₹ crs)

(₹ Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR
Revenue	**706**	**1,126**	**1,805**	**2,808**	**3,925**	**6,069**	**50%**
COGS	489	780	1,330	1,968	2,704	4,181	46%
Gross Margin	*31%*	*31%*	*26%*	*30%*	*31%*	*31%*	
Employee Expenses	60	77	103	219	315	487	68%
Total Operating Exp.	123	178	221	437	615	950	63%
EBITDA	**94**	**168**	**254**	**404**	**605**	**938**	**55%**
Depre. & Amort.	13	19	25	40	93	158	85%
EBIT	**81**	**150**	**229**	**364**	**512**	**780**	**50%**
Other Income	4	11	56	126	146	226	59%
Profit Before Tax	**59**	**126**	**232**	**381**	**526**	**817**	**52%**
Tax Expense	17	31	48	79	113	176	54%
Profit After Tax	**42**	**95**	**183**	**302**	**413**	**642**	**52%**
PAT Margin	*6%*	*8%*	*10%*	*11%*	*11%*	*11%*	
EPS	9	20	30	47	64	99	49%

(₹ Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	46	58	64	64	64	64
Other Equity	156	901	2,423	2,725	3,138	3,780
Non-controlling Interest	1	1	2	3	4	5
Net Worth	**204**	**960**	**2,488**	**2,791**	**3,205**	**3,848**
Borrowings	170	136	306	306	756	1,256
Trade Payables	167	223	361	502	684	1,149
Lease Liabilities	32	19	16	16	16	16
Other Liabilities	45	80	93	93	93	93
Total Equity and Liabilities	**618**	**1,418**	**3,265**	**3,708**	**4,755**	**6,363**
Gross Block	122	161	424	850	1,972	3,328
Inventories	226	413	548	767	937	1,125
Trade Receivables	198	227	356	568	723	1,273
Cash and cash equivalent	7	26	19	106	206	119
Bank Balances	15	460	1,506	1,006	506	106
Other Assets	55	131	411	411	411	411
Total Assets	**622**	**1,418**	**3,265**	**3,708**	**4,755**	**6,363**

Source: Company, Way2wealth Research

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Disclosure of Interest Statement: Kaynes Technology Ltd. as on March 11, 2025

Name of the Security	Kaynes Technology Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL No No No
Conflict of Interest	No
Receipt of Compensation	No
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