



Kaynes Technologies

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR5,270 TP: INR6,600 (+25%) Buy

Continues to deliver robust performance

Earnings below estimates

- Kaynes Technologies India Ltd (KAYNES) delivered an all-round performance in 2Q with: revenue surging 59% YoY in 2QFY25, led by strong traction in the Industrials vertical (up 2.2x YoY; includes EV); order book growing 57% YoY to ~INR54.2b; and EBITDA margins expanding 90bp YoY during the quarter due to the favorable business mix.
- Its revenue has been growing at an average rate of ~58% over the last eight quarters and we believe this momentum to further strengthen due to the execution of a strong order book at hand. Margins are also expected to expand as a result of a favorable business mix toward high-margin sectors (industrials - smart meter, aerospace, and railways).
- We largely maintain our EPS estimates for FY25/FY26. We reiterate our BUY rating on the stock with a TP of INR6,600 (55x Sep'26E EPS).

Strong order book reaffirms robust growth visibility

- Consolidated revenue grew 59% YoY to INR5.7b (est. INR6b) in 2QFY25, while EBITDA grew 68% YoY to INR821m (est. INR890m).
- EBITDA margins expanded 90bp YoY to 14.4% (est. 14.8%), led by the corresponding increase in gross margins (up 90bp YoY) as a result of a favorable business mix.
- Adjusted PAT grew 86% YoY to INR602m (est. of INR667m).
- The order book increased to INR54.2b as of Sep'24 vs. INR50.4b/INR34.6b in Jun'24/Sep'23. Order inflows in 2Q grew ~16% YoY to INR9.6b. The company expects order inflows to accelerate in 2HFY25.
- In 1HFY25, KAYNES's revenue/EBITDA/Adj. PAT grew 64%/67%/95% YoY to INR10.7b/INR1.5b/INR1.1b; implied revenue/EBITDA/Adj. PAT growth in 2HFY25 is expected to be 71%/86%/84%, led by strong revenue growth coupled with margin expansion.
- Cash outflow from operating activities stood at ~INR2.3b in 1HFY25 vs. INR235m in 1HFY24. Net working capital days improved to 108 in 1HFY25 vs. 119 days in 1HFY24. Net debt stood at ~INR6b as of 1HFY25 vs. INR1.2b as of 1HFY24.

Highlights from the management commentary

- **Guidance:** The company maintains its guidance of surpassing INR30b revenue in FY25 with EBITDA margins of ~15%. It is expected to clock ~USD1b revenue by FY28 and triple its revenue by FY29 (on FY25 base). An increase in the mix of high-margin sectors, coupled with operating leverage, will drive margin expansion in 2HFY25.
- **Exports:** The company expects exports to pick up from 4QFY25/FY26. It expects exports to account for ~20% of the revenues in FY26 (vs 9.3% in FY24) and ~1/3rd of the revenues over the next 2-3 years.
- **Smart Meter:** The acquisition of Iskraemeco has opened up a significant opportunity worth ~40 to 50m smart meters to be executed over the next few years (revenue potential of ~INR65b). KAYNES expects to grab ~15-20% market share within the smart meter segment.

Bloomberg	KAYNES IN
Equity Shares (m)	64
M.Cap.(INRb)/(USDb)	337.3 / 4
52-Week Range (INR)	5910 / 2158
1, 6, 12 Rel. Per (%)	3/90/95
12M Avg Val (INR M)	1175

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	30.4	47.1	69.7
EBITDA	4.6	7.5	11.2
Adj. PAT	3.4	6.1	9.3
EBITDA Margin (%)	15.0	16.0	16.1
Cons. Adj. EPS (INR)	53.8	95.1	145.7
EPS Gr. (%)	87.4	76.9	53.3
BV/Sh. (INR)	442.8	537.9	683.7

Ratios

Net D:E	-0.4	-0.4	-0.3
RoE (%)	12.9	19.4	23.9
RoCE (%)	13.9	19.1	23.4

Valuations

P/E (x)	98	56	36
EV/EBITDA (x)	71	43	29

Shareholding pattern (%)

As on	Sep-24	Jun-24	Sep-23
Promoter	57.8	57.8	63.6
DII	16.1	17.9	15.9
FII	14.9	14.3	9.6
Others	11.3	10.0	10.9

Note: FII includes depository receipts