CMP: ₹3,700 Target: ₹ 4,900 (32%) Target Period: 12 months

BUY

February 9, 2026

Result Update

Order deferrals weigh on Q3, long term growth intact…

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.

Q3FY26 performance: Kaynes reported weak set of numbers, with revenue at ₹804 crore which grew by 22% YoY and declined 11.3% QoQ. Auto division fared well aided by recent volume uptick, Aerospace started picking pace, industrial and railway segment were sluggish with execution delays. Order book continues to increase and stood at ₹9072 cr, up 50% YoY and suggests top-line growth shall improve. Gross and EBITDA margin have been broadly stable. Net working capital days were high at 139 days vs 107 days on YoY basis which management aims to bring it down significantly in Q4.

Investment Rationale

- **Strong multi-year growth visibility albeit with quarterly jitters:** Kaynes Q3FY26 witnessed execution delays and timing-led revenue deferrals. FY26E, management guidance has been cut from ~₹4500cr to ₹4100 cr. However, its long-term growth trajectory remains intact underpinned by robust order book, diversified EMS exposure and ongoing investments in bare PCB manufacturing (investing ~₹ 1500 cr currently which could potentially create additional ₹13,500 cr PCB assembly opportunity) and OSAT (still at initial stages). Management continues to target $1bn revenue by FY28E and $2bn by FY30E.
- **Superior margin framework:** Kaynes continues to maintain a structurally superior margin profile with gross margin of ~34% and EBITDA margin of ~16%, supported by its focus on high-value segments such as industrials, automotive, railways and aerospace & defence. Further, expected rise in exports proportion shall be supportive. Over the medium term, PCB backward integration and OSAT operations are expected to be margin-accretive, reinforcing Kaynes' positioning as a profitable, high-quality EMS growth play.

Rating and Target Price

- Considering company's strong growth track record, industry tailwinds and the investments being made on one hand and select execution delays otherwise, we estimate revenue CAGR of 45% to ₹8310 cr over FY25-28E. Execution of management's guidance to improve working capital days and improve operating cashflow will be crucial to watch out. Managing balance sheet in high capex phase and execution in new ventures will drive company's long term future performance. We value the stock at 43x P/E on FY28E EPS with a BUY rating and target price at ₹ 4,900,

KAYNES TECHNOLOGY

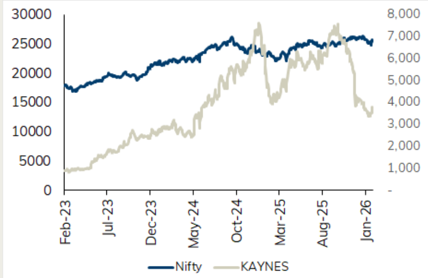
Particulars

Particular	Amount
Market Cap (₹ Crore)	24,890
H126 Debt (₹ Crore)	309
H126 Cash (₹ Crore)	1,053
EV (Rs Crore)	24,146
52 Week H/L (₹)	7,705/3,29
Equity Capital (₹ Crore)	64.1
Face Value	10

Shareholding pattern

	Mar-24	Jun-25	Sep-25	Dec-25
Promoter	57.8	53.5	53.5	53.5
FII	11.2	10.7	10.7	8.9
DII	17.0	22.4	23.7	16.7
Public	14.1	13.4	12.2	20.9

Price Chart



Key risks

(i) Any restraint in domestic government support measures.

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

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ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	706	1,126	1,805	2,722	56.8	3,913	6,145	8,310	45.1
EBITDA	93	168	254	411	63.8	602	992	1,351	48.7
EBITDA margin (%)	13.2	14.9	14.1	15.1		15.4	16.1	16.3	
Net Profit	41	95	183	293	92.4	421	633	771	38.0
EPS (₹)	53.9	16.4	28.7	45.8		62.9	94.5	115.2	
P/E(x)	68.7	226.2	129.0	80.8		58.8	39.1	32.1	
RoCE (%)	27.1	16.7	11.0	15.2		15.2	17.4	16.4	
RoE (%)	20.3	9.9	7.4	10.3		8.7	11.5	12.3	

Source: Company, ICICI Direct Research

Concall highlights and outlook

- Management revised downward its FY26 revenue guidance owing to execution delays and project deferrals, particularly in railway segment (Kavach program). This reduction is timing led and not owing to any order cancellation.
- Despite near-term moderation, management maintained long-term revenue guidance of $1bn by FY28E and $2bn by FY30E, supported by EMS growth, OSAT ramp up and PCB manufacturing.
- Sanand OSAT facility is now operational, with FSA (fiscal support agreement) approval under ISM received, improving visibility on central and state capex subsidies.
- Total order book remains robust at ~₹9,072 crore, representing ~1.5 years of forward revenue visibility, excluding OSAT and PCB orders.
- Order book growth continues (~50% YoY on monthly inflow basis), though execution conversion lagged in Q3 due to project postponements (notably railways).
- ODM led orders account for ~20% of current order book (largely smart metering business), expected to rise once new product (railways, Kavach) are fully approved and added.
- **PCB manufacturing** - Company is targeting the high-growth, high-margin PCB segments (multilayer, flex, and HDI) in two phases (Chennai followed by a second unit down south). PCB manufacturing initiative (HDI, multilayer, flex) progressing as planned; Phase-1 production targeted to commence from April 2026. Management highlighted a long-term revenue opportunity of ~₹15,000 crore from existing customers, comprising ~₹1,500 crore from PCB sales and ~₹13,500 crore from incremental EMS business.
- **Capex & Funding:**
  Management indicated that capex in core EMS would not be significant, with current focus on debottlenecking and improving asset utilisation rather than capacity addition. Incremental capex will be primarily directed towards OSAT & PCB manufacturing. Further management reiterated that the capex program is adequately funded, supported by central and state subsidies, internal accruals and improving cashflows confirming that no equity dilution or QIP is envisaged.
- **Working capital and cashflows:**
  Working capital remained elevated during Q3FY26, driven by higher receivables & inventory buildup amid execution delays and project deferrals. Management highlighted that this increase was largely timing-led as materials were procured to ensure delivery readiness. Further, the management expects meaningful normalization in net working capital to ~70-85 days by FY26 end, supported by stronger Q4 revenue throughput, inventory consumption and initiatives to improve receivables collections.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY	Q2FY26	QoQ (%)	Comments
Revenue	804.0	661.2	22%	906.2	-11%	Kaynes below expected performance was largely driven by muted growth in its industrial & railway division which have likely witnessed YoY de-growth owing to execution delay. Other segments including auto, aerospace and IoT witnessed strong growth.
Other Income	44.80	24.64	82%	43.07	4%	Interest earned on QIP funds, yet to be fully utilised
Total Income	848.8	685.8	24%	949.3	-11%	
Gross profit	277.6	203.8	36%	304.9	-9%	
Gross margin %	34.5	30.8	369 bps	33.6	87 bps	Gross margin remained healthy
Operating Expenses	598.1	509.3	17%	681.0	-12%	
Employee Expenses	86.6	57.8	50%	77.3	12%	
Total Expenses	684.7	567.1	21%	758.2	-10%	Expenses well contained.
EBITDA	**119.3**	**94.0**	**27%**	**148.0**	**-19%**	
EBIDTA %	**14.8**	**14.2**	**62 bps**	**16.3**	**-149 bps**	Strong margin vs peers owing to better product mix broadly maintained.
Depreciation	20.4	10.8	88%	16.6	23%	
Finance cost	24.9	27.0	-8%	22.8	9%	
PBT	118.9	80.8	47%	151.7	-22%	
Tax	39.7	14.4	176%	30.3	31%	
PAT	76.6	66.5	15%	121.4	-37%	Q3FY26 PAT includes exceptional loss of ₹ 2.5 cr owing to labour code changes.

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	**2,722**	**3,913**	**6,145**	**8,310**
% Growth	50.8	41.8	57.0	35.2
Other income	107	140	111	82
Total Revenue	**2,829**	**4,054**	**6,255**	**8,392**
Employee Expenses	178	311	506	705
Other expenses	2,133	3,000	4,647	6,254
Total Operating Expenditure	2,311	3,312	5,153	6,959
Operating Profit (EBITDA)	**411**	**602**	**992**	**1,351**
% Growth	61.6	46.5	64.8	36.2
Interest	101	101	136	212
PBDT	309	501	855	1,139
Depreciation	45	76	122	193
PBT before Exceptional Items	265	425	733	946
Total Tax	78	144	211	257
PAT before MI	**293**	**421**	**633**	**771**
% Growth	60.2	43.6	50.3	21.9
EPS	**45.8**	**62.9**	**94.5**	**115.2**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	293	421	633	771
Depreciation	45	76	122	193
Interest	101	101	136	212
Cash Flow before WC changes	439	598	891	1,176
(Inc)/dec in Current Assets	-950	-720	-969	-1,031
Inc/(dec) in CL and Provisions	440	405	533	583
Net CF from Operating activities	**-71**	**283**	**455**	**728**
(Purchase)/Sale of Fixed Assets	**-858**	**-1,360**	**-1,500**	**-1,500**
Others	-3	-21	-26	-4
Net CF from Investing activities	**-861**	**-1,381**	**-1,526**	**-1,504**
Dividend	-	-	-	-
Others	542	1,499	654	1,118
Net CF from Financing Activities	**542**	**1,499**	**654**	**1,118**
Net Cash flow	-391	401	-416	343
Opening Cash/Cash Equivalent	1,526	1,056	1,262	660
Closing Cash/ Cash Equivalent	**1,056**	**1,262**	**660**	**836**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	64	67	67	67
Reserve and Surplus	2,776	4,794	5,427	6,199
Total Shareholders funds	2,840	4,861	5,494	6,265
Minority Interest	4	4	4	4
Total Debt	903	903	1,694	3,024
Other liabilities	10	15	22	29
Total Liabilities	**3,757**	**5,783**	**7,214**	**9,322**
Gross Block	626	1,417	2,908	4,696
Acc: Depreciation	122	198	320	512
Net Block	504	1,220	2,588	4,184
Capital WIP	300	309	319	30
Total Fixed Assets	805	1,529	2,907	4,214
Non Curr. Assets (Incl. Intangible)	1,153	1,677	1,726	1,779
Inventory	814	1,151	1,653	2,169
Debtors	575	1,072	1,515	1,981
Other Current Assets	238	376	562	730
Cash	1,056	1,262	660	836
Total Current Assets	2,683	3,861	4,390	5,716
Current Liabilities	884	1,284	1,810	2,386
Net Current Assets (Ex Cash)	2,856	3,839	3,241	4,166
Total Assets	**3,757**	**5,783**	**7,214**	**9,322**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data				
EPS	45.8	62.9	94.5	115.2
Cash per Share	164.8	188.4	98.6	124.9
BV	443.2	726.0	820.6	935.7
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	15.1	15.4	16.1	16.3
PAT Margin	10.8	10.8	10.3	9.3
Return Ratios (%)				
RoE	10.3	8.7	11.5	12.3
RoCE	15.2	15.2	17.4	16.4
Valuation Ratios (x)				
EV / EBITDA	57.4	40.6	26.0	20.0
P/E	80.8	58.8	39.1	32.1
Market Cap / Sales	8.4	6.1	4.0	3.0
Price to Book Value	8.3	5.1	4.5	4.0
Workin Capital Management Ratios				
Inventory Days	105.1	103.7	96.5	94.3
Debtors Days	74.1	96.5	88.4	86.1
Creditors Days	88.1	94.8	90.1	90.5
Asset turnover	4.5	2.9	2.2	1.8
Solvency Ratios (x)	91.1	105.4	94.8	90.0
Debt / Equity	0.3	0.2	0.3	0.5
Current Ratio	1.6	1.8	1.8	1.8
Quick Ratio	0.7	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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