

January 28, 2025

## Q3FY25 Result Update

■ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>BUY</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>5,528</b>		<b>6,085</b>	
Sales (Rs. m)	43,175	62,580	43,175	62,580
% Chng.	-	-	-	-
EBITDA (Rs. m)	6,778	10,075	6,778	10,075
% Chng.	-	-	-	-
EPS (Rs.)	59.4	92.3	59.4	92.3
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	18,046	27,149	43,175	62,580
EBITDA (Rs. m)	2,542	3,966	6,778	10,075
Margin (%)	14.1	14.6	15.7	16.1
PAT (Rs. m)	1,833	2,820	3,805	5,906
EPS (Rs.)	28.7	44.1	59.4	92.3
Gr. (%)	75.1	53.6	34.9	55.2
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	10.6	10.4	12.2	16.4
RoCE (%)	14.7	14.1	15.1	19.1
EV/Sales (x)	15.8	10.8	7.0	4.9
EV/EBITDA (x)	112.4	74.1	44.6	30.4
PE (x)	162.6	105.8	78.4	50.5
P/BV (x)	12.0	10.2	9.0	7.7

### Key Data

KAYN.BO | KAYNES IN

52-W High / Low	Rs.7,825 / Rs.2,424
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.298bn/ \$ 3,448m
Shares Outstanding	64m
3M Avg. Daily Value	Rs.4197.14m

### Shareholding Pattern (%)

Promoter's	57.75
Foreign	14.84
Domestic Institution	15.04
Public & Others	12.37
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(34.1)	9.7	61.9
Relative	(31.6)	17.5	50.8

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## Results below estimates, guidance revised

We cut our FY25 EPS estimates by 5.9%, reflecting weaker-than-expected performance in Q3FY25, primarily due to delays in order execution within the railways and smart metering segments, along with orders being pushed to Q4FY25 in the A&D segments. This also follows a downward revision in FY25 revenue guidance. Despite this, we are upgrading our recommendation to "BUY" from "HOLD" due to the significant recent correction in stock price. Our revised DCF-based TP is Rs5,528 (down from Rs6,085), implying PE of 60x FY27E earnings. KAYNES has lowered its FY25 revenue guidance to Rs28bn from Rs30bn, with an EBITDA margin of 15%. However, the company has maintained a strong outlook for FY26, projecting revenue of Rs45bn with EBITDA margin of 15-16%. The OSAT facility development is on track, with estimated revenue starting in Q4FY26, while PCB manufacturing is expected to begin as planned, contributing to revenue from FY27. KAYNES reported 29.8% YoY revenue growth in Q3FY25, driven by 37.6% YoY increase in the industry segment (which contributed ~56% to revenue). EBITDA margin stood at 14.2%, reflecting higher upfront expenses related to employee and overhead costs tied to the company's organic and inorganic expansion. These costs are expected to normalize from Q4FY25, with revenue growth following. We estimate FY24-27E revenue/EBITDA/PAT CAGR of 51.4%/58.3%/47.6%, with EBITDA margin expansion of ~200bps. Upgrade to "BUY."

**Revenue increased by 29.8%, adj PAT grew by 47.1%:** Sales increased by 29.8% YoY to Rs6.6bn (PLe: Rs8.0bn). Automotive/Industrial/Medical/ IT & Consumer grew by 27.6%/37.6%/58.2%/85.1% YoY, whereas Railways/Aerospace declined by 5.8%/50.9% YoY. EBITDA grew by 34.6% YoY to Rs940mn (PLe: Rs1.2bn). EBITDA margins expanded by 50bps to 14.2% (PLe: 15.0%). PBT grew by 38.2% YoY to Rs808mn (PLe: Rs1.1bn). PAT grew by 47.1% YoY to Rs665mn (PLe: Rs820mn). Company order book stood at Rs60bn vs Rs38bn in Q3FY24.

**Con call highlights:** **1)** Keynes has revised its topline guidance for FY25 to Rs28-29bn from earlier Rs30bn with a margin of 15%+. In FY26, the company is expecting a topline of Rs45bn with a margin of 15-16%. **2)** In the smart metering segment, the company has received orders from three states and from AMISP. The company expects revenue of Rs1bn from this segment by FY26. **3)** In the EV segment, the company has started manufacturing three-wheeler components; earlier, it focused only on two- and four-wheelers. **4)** Industrial and EV, aerospace, medical and automotive were the key verticals driving order book growth, where several large orders were booked in Q3FY25. **5)** The company is raising funds through QIP, strategically aimed at supporting its growth by expanding into additional geographies such as North America, Europe, and South Asia, enhancing ODM capabilities, and deepening its technology footprint. **6)** Keynes has commenced construction of its OSAT factory at Sanand, Gujarat, and HDI PCB factory at Oragadam, Tamil Nadu. Both projects are expected to generate revenue from Q4FY26. **7)** The company will invest Rs3 bn in capex for the EMS segment, Rs33 bn for semiconductors (70% government subsidy expected) and Rs14bn for PC Boards (60% subsidy expected), with the remaining amounts for semiconductors and PCBs funded by the company..**8)** It acquired a large European client in the medical segment and is expecting good business in the IT segment as the it has large government customers. **9)** The company has acquired a majority stake in Sensonic, a globally operating company specializing in AI-based railway network safety solutions. **10)** The average monthly order inflow grew from Rs3.2bn in Q2FY25 to Rs4.3bn in Q3FY25.

**Exhibit 1: Q3FY25 result overview: Sales increased by 29.8% YoY, PAT grew by 47.1% YoY**

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>6,612</b>	<b>5,093</b>	<b>29.8</b>	<b>5,721</b>	<b>15.6</b>	<b>17,373</b>	<b>11,673</b>	<b>48.8</b>
<b>Expenditure</b>								
Operating & Manufacturing Expenses	4,573	3,854	18.7	4,073	12.3	12,311	8,513	44.6
% of Net Sales	69.2	75.7		71.2		70.9	72.9	
<b>Gross Profit</b>	<b>2,038</b>	<b>1,239</b>	<b>64.5</b>	<b>1,648</b>	<b>23.7</b>	<b>5,062</b>	<b>3,160</b>	<b>60.2</b>
% of Net Sales	30.8	24.3	6.50	28.8		29.1	27.1	
Personnel Cost	578	249	132.5	399	44.8	1,312	708	85.4
% of Net Sales	8.7	4.9		7.0		7.6	6.1	
Other Expenses	520	292	78.3	428	21.6	1,319	863	52.8
% of Net Sales	7.9	5.7		7.5		7.6	7.4	
Total Expenditure	5,671	4,394	29.1	4,900	15.7	14,942	10,084	48.2
<b>EBITDA</b>	<b>940</b>	<b>699</b>	<b>34.6</b>	<b>821</b>	<b>14.5</b>	<b>2,431</b>	<b>1,589</b>	<b>52.9</b>
Margin (%)	14.2	13.7	0.50	14.4		14.0	13.6	
Other income	246	94	161.5	336	-26.6	865	265	226.4
Depreciation	108	60	81.9	86	26.2	278	178	56.6
<b>EBIT</b>	<b>832</b>	<b>639</b>	<b>30.2</b>	<b>735</b>	<b>13.1</b>	<b>3,017</b>	<b>1,677</b>	<b>80.0</b>
Interest	270	148	81.7	221	21.8	718	379	89.5
<b>PBT</b>	<b>808</b>	<b>585</b>	<b>38.2</b>	<b>849</b>	<b>-4.8</b>	<b>2,299</b>	<b>1,298</b>	<b>77.2</b>
Total Taxes	144	133	8.2	247	-41.8	524	276	89.8
ETR (%)	17.8	22.7		29.1		22.8	21.3	
Adj. PAT	665	452	47.1	602	10.4	1,775	1,022	73.8
Exceptional Items	-	-		-		-	-	
<b>Reported PAT</b>	<b>665</b>	<b>452</b>	<b>47.1</b>	<b>602</b>	<b>10.4</b>	<b>1,777</b>	<b>1,021</b>	<b>74.0</b>

Source: Company, PL

**Exhibit 2: Segmental breakup: Automotive/Industrial grew by 27.6%/37.6% YoY**

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Revenues</b>								
Automotive	1,846	1,447	27.6	1,557	18.6	4,864	3,619	34.4
Industrial	3,717	2,702	37.6	3,066	21.2	9,555	5,136	86.0
Railways	404	429	(5.8)	409	(1.4)	1,216	1,284	(5.3)
Medical	138	87	58.2	159	(13.7)	347	350	(0.8)
IoT/IT, Consumer and others	294	159	85.1	496	(40.6)	1,042	817	27.6
Aerospace, Outerspace and Strategic tech	18	36	(50.9)	55	(68.0)	174	233	(25.6)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>18,046</b>	<b>27,149</b>	<b>43,175</b>	<b>62,580</b>
YoY gr. (%)	60.3	50.4	59.0	44.9
Cost of Goods Sold	-	-	-	-
Gross Profit	4,747	7,765	11,744	17,147
Margin (%)	26.3	28.6	27.2	27.4
Employee Cost	1,028	1,901	2,245	3,192
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>2,542</b>	<b>3,966</b>	<b>6,778</b>	<b>10,075</b>
YoY gr. (%)	51.0	56.0	70.9	48.6
Margin (%)	14.1	14.6	15.7	16.1
Depreciation and Amortization	251	432	1,234	1,843
<b>EBIT</b>	<b>2,290</b>	<b>3,534</b>	<b>5,544</b>	<b>8,232</b>
Margin (%)	12.7	13.0	12.8	13.2
Net Interest	534	969	972	1,024
Other Income	559	1,100	505	673
<b>Profit Before Tax</b>	<b>2,316</b>	<b>3,665</b>	<b>5,077</b>	<b>7,881</b>
Margin (%)	12.8	13.5	11.8	12.6
Total Tax	483	845	1,272	1,974
Effective tax rate (%)	20.8	23.1	25.1	25.1
<b>Profit after tax</b>	<b>1,833</b>	<b>2,820</b>	<b>3,805</b>	<b>5,906</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,833</b>	<b>2,820</b>	<b>3,805</b>	<b>5,906</b>
YoY gr. (%)	92.5	53.9	34.9	55.2
Margin (%)	10.2	10.4	8.8	9.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,833</b>	<b>2,820</b>	<b>3,805</b>	<b>5,906</b>
YoY gr. (%)	92.5	53.9	34.9	55.2
Margin (%)	10.2	10.4	8.8	9.4
Other Comprehensive Income	6	-	-	-
Total Comprehensive Income	1,839	2,820	3,805	5,906
<b>Equity Shares O/s (m)</b>	<b>64</b>	<b>64</b>	<b>64</b>	<b>64</b>
<b>EPS (Rs)</b>	<b>28.7</b>	<b>44.1</b>	<b>59.4</b>	<b>92.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,680</b>	<b>12,966</b>	<b>26,093</b>	<b>33,912</b>
Tangibles	3,276	12,462	25,459	33,139
Intangibles	404	504	634	774
<b>Acc: Dep / Amortization</b>	<b>903</b>	<b>1,275</b>	<b>2,430</b>	<b>4,179</b>
Tangibles	682	966	2,008	3,620
Intangibles	220	309	421	559
<b>Net fixed assets</b>	<b>2,777</b>	<b>11,691</b>	<b>23,663</b>	<b>29,733</b>
Tangibles	2,594	11,497	23,451	29,519
Intangibles	183	194	213	214
Capital Work In Progress	1,314	1,007	932	803
Goodwill	152	152	152	152
Non-Current Investments	1,443	1,463	490	493
Net Deferred tax assets	(102)	(140)	(194)	(277)
Other Non-Current Assets	1,099	3,099	2,099	2,099
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	5,483	7,438	11,237	16,288
Trade receivables	3,556	4,760	7,097	10,287
Cash & Bank Balance	15,256	12,932	5,109	3,705
Other Current Assets	1,278	1,525	1,677	1,845
<b>Total Assets</b>	<b>32,652</b>	<b>44,416</b>	<b>52,840</b>	<b>65,825</b>
<b>Equity</b>				
Equity Share Capital	639	640	640	640
Other Equity	24,230	28,613	32,418	38,324
<b>Total Network</b>	<b>24,869</b>	<b>29,253</b>	<b>33,058</b>	<b>38,964</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	112	543	863	939
Provisions	192	275	365	447
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,949	7,949	8,449	10,949
Trade payables	3,610	5,281	8,280	12,002
Other current liabilities	803	957	1,615	2,232
<b>Total Equity &amp; Liabilities</b>	<b>32,652</b>	<b>44,416</b>	<b>52,840</b>	<b>65,825</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,316	3,665	5,077	7,881
Add. Depreciation	251	432	1,234	1,843
Add. Interest	534	969	972	1,024
Less Financial Other Income	559	1,100	505	673
Add. Other	(384)	(600)	(145)	(45)
Op. profit before WC changes	2,717	4,466	7,138	10,703
Net Changes-WC	(1,534)	(1,489)	(3,137)	(4,519)
Direct tax	(481)	(845)	(1,272)	(1,974)
<b>Net cash from Op. activities</b>	<b>701</b>	<b>2,132</b>	<b>2,729</b>	<b>4,210</b>
Capital expenditures	(3,826)	(9,039)	(13,131)	(7,784)
Interest / Dividend Income	520	600	145	45
Others	(11,746)	-	(1,000)	-
<b>Net Cash from Inv. activities</b>	<b>(15,052)</b>	<b>(8,439)</b>	<b>(13,986)</b>	<b>(7,739)</b>
Issue of share cap. / premium	13,436	4,384	3,805	5,906
Debt changes	1,702	5,515	877	2,610
Dividend paid	-	-	-	-
Interest paid	(534)	(969)	(972)	(1,024)
Others	(318)	-	-	-
<b>Net cash from Fin. activities</b>	<b>14,286</b>	<b>8,930</b>	<b>3,711</b>	<b>7,492</b>
<b>Net change in cash</b>	<b>(65)</b>	<b>2,622</b>	<b>(7,546)</b>	<b>3,962</b>
Free Cash Flow	(3,125)	(6,907)	(10,402)	(3,574)

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	28.7	44.1	59.4	92.3
CEPS	32.6	50.8	78.7	121.1
BVPS	389.1	457.0	516.4	608.7
FCF	(48.9)	(107.9)	(162.5)	(55.8)
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	14.7	14.1	15.1	19.1
ROIC	43.3	13.7	11.9	14.4
RoE	10.6	10.4	12.2	16.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.2)	0.1	0.2
Net Working Capital (Days)	110	93	85	85
<b>Valuation(x)</b>				
PER	162.6	105.8	78.4	50.5
P/B	12.0	10.2	9.0	7.7
P/CEPS	142.9	91.7	59.2	38.5
EV/EBITDA	112.4	74.1	44.6	30.4
EV/Sales	15.8	10.8	7.0	4.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

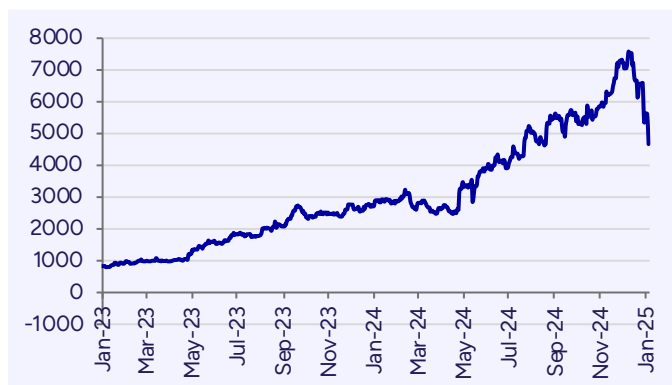
**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>6,373</b>	<b>5,040</b>	<b>5,721</b>	<b>6,612</b>
YoY gr. (%)	74.8	69.6	58.5	29.8
Raw Material Expenses	4,786	3,664	4,073	4,573
Gross Profit	1,587	1,376	1,648	2,038
Margin (%)	24.9	27.3	28.8	30.8
<b>EBITDA</b>	<b>952</b>	<b>669</b>	<b>821</b>	<b>940</b>
YoY gr. (%)	60.5	66.2	68.3	34.6
Margin (%)	14.9	13.3	14.4	14.2
Depreciation / Depletion	74	84	86	108
<b>EBIT</b>	<b>879</b>	<b>585</b>	<b>735</b>	<b>832</b>
Margin (%)	13.8	11.6	12.9	12.6
Net Interest	153	227	221	270
Other Income	294	283	336	246
<b>Profit before Tax</b>	<b>1,019</b>	<b>641</b>	<b>849</b>	<b>808</b>
Margin (%)	16.0	12.7	14.8	12.2
Total Tax	207	133	247	144
Effective tax rate (%)	20.3	20.7	29.1	17.8
<b>Profit after Tax</b>	<b>813</b>	<b>508</b>	<b>602</b>	<b>665</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>813</b>	<b>508</b>	<b>602</b>	<b>665</b>
YoY gr. (%)	96.8	106.3	86.4	47.1
Margin (%)	12.8	10.1	10.5	10.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>813</b>	<b>508</b>	<b>602</b>	<b>665</b>
YoY gr. (%)	96.8	106.3	86.4	47.1
Margin (%)	12.8	10.1	10.5	10.1
Other Comprehensive Income	4	(3)	-	-
<b>Total Comprehensive Income</b>	<b>817</b>	<b>506</b>	<b>602</b>	<b>665</b>
Avg. Shares O/s (m)	64	64	64	64
<b>EPS (Rs)</b>	<b>12.7</b>	<b>7.9</b>	<b>9.4</b>	<b>10.4</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Hold	6,085	6,971
2	09-Dec-24	Hold	6,085	6,295

**Analyst Coverage Universe**

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,883	1,553
2	Avalon Technologies	Hold	899	938
3	Bajaj Electricals	Reduce	676	782
4	Century Plyboard (I)	Hold	811	823
5	Cera Sanitaryware	Hold	7,712	7,188
6	Crompton Greaves Consumer Electricals	BUY	536	368
7	Cyient DLM	BUY	692	515
8	Finolex Industries	Accumulate	270	233
9	Greenpanel Industries	BUY	427	361
10	Havells India	BUY	1,890	1,578
11	Kajaria Ceramics	BUY	1,545	1,061
12	Kaynes Technology India	Hold	6,085	6,971
13	KEI Industries	BUY	5,041	4,128
14	Polycab India	BUY	8,233	6,251
15	R R Kabel	BUY	2,151	1,385
16	Supreme Industries	BUY	5,040	4,022
17	Syrma SGS Technology	Hold	629	610
18	Voltas	Accumulate	1,980	1,780

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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