

Stocks and Securities

Aditya Birla Money Ltd.



ADITYA BIRLA
CAPITAL

PROTECTING INVESTING FINANCING ADVISING

IPO Note- Kaynes Technology India Limited

10 November 2022

Kaynes Technology India Ltd (“Kaynes”) is a leading integrated electronics manufacturer with capabilities across the entire spectrum of electronics system design and manufacturing (“ESDM”) services. It is experienced in providing end-to-end services starting from conceptual design, process engineering, integrated manufacturing, and life-cycle support for major players in the automotive, industrial, aerospace & defence, outer-space, nuclear, medical, railways, Internet of Things, Information Technology and other segments. Kaynes operates 8 manufacturing facilities across India in the states of Karnataka, Haryana, Himachal Pradesh, Tamil Nadu, and Uttarakhand.

Well diversified revenue stream with no client concentration

Top 10 clients account for ~50% of revenue with no single client contributing more than 15% of revenue. It services clients across diverse industries with automobiles and industrial contributing 34% and 30% to the revenues. Medical devices (10%), railways (10%), consumer electronics (8%) and IoT/ IT (5%) contribute the rest. The company is also focusing on the space and defence segment and has recently won orders from leading aerospace company and for repair and maintenance of electronic components of the Dornier aircraft. It derives 80% revenue from India with prominent MNC companies as clients while exports account for 20%. Its order book has grown from ₹ 352 Cr. in FY20 to ₹ 2,266 Cr. as of Jun '22. The average order value has grown from ₹ 15 lakh to ₹ 55 lakh over the same period.

Focus on enhancing manufacturing capabilities and product offerings

Currently, OEM turnkey solutions in the form of PCB assembly (“PCBA”) accounts for 63% of revenue. It provides PCBA services along with cable harness, magnetics and plastic components for automotive components such as lamps, switches, control units and gear shift controllers. Box build solutions for OEMs generate 28-30% of revenue. The company is slowly growing the revenue share of complex solutions such as ODM, product engineering and IoT solutions. Kaynes currently provides ODM services for smart meters, smart street lighting, BLDC motors and smart IoT based appliances.

Key Risks – i) Higher import dependence for electronic components which are key raw material ii) Competitive intensity rising in the EMS industry.

Rich Valuation; Long Growth Runway – SUBSCRIBE

The Indian EMS industry is at an inflection point. Factors such as ‘China + 1’ sourcing, import substitution, govt thrust on domestic manufacturing with PLI schemes and import duties will help the sector to grow. Kaynes is expanding capacity to cater to the future demand. Debt repayment through IPO proceeds should improve profitability. At issue price of ₹ 587, it will trade at 81.8x FY22 PE. We ascribe **SUBSCRIBE** rating on the IPO with a long-term view.

Particulars (₹ Cr)	Mar-20	Mar-21	Mar-22
Revenue	368.2	420.6	706.3
EBITDA	41.4	40.9	93.7
EBITDA Margin (%)	11.2%	9.7%	13.3%
Net Profit	9.4	9.7	41.7
CFO	45.3	27.7	21.11
ROE	10.5%	8.1%	24.5%

Rating	SUBSCRIBE
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Issue Details

Issue Opens	10-Nov-22
Issue Closes	14-Nov-22
Face Value (₹)	10
Price Band (₹)	559-587
Bid Lot	25
Fresh Issue (₹ Cr.)	530
OFS Size (₹ Cr.)	328
Market cap @ upper price band (₹ Cr.)	3,413
Listing	NSE/BSE
BRLMs	DAM Capital, IIFL Securities
Registrar	Link Intime India Pvt Ltd

Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter	79.8	63.8
Non-Promoter	20.2	36.2

Issue Structure (In Cr. no. of shares)

Issue size	1.46
Fresh	0.90
OFS	0.56
Break-up of net issue to public (%):	
QIB's portion	50.0
Non-institutional portion	15.0
Retail Portion	35.0

Analyst Details

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