Kernex Microsystems (India) Ltd — Mar 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (on growth trajectory) **One-line:** The massive order book (□2,124.16 Cr) remains the core thesis, with Q3 showing exponential growth in PAT (483% YoY) as early-stage TCAS projects move into execution, though the real inflection point is now scheduled for Q1 FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PAT grew 483% YoY; EBITDA grew 469% YoY (base effect).	□
Earnings Quality	High (Core driven)	Growth driven by TCAS implementation and project execution.	□
Guidance Confidence	Neutral	TCAS 4.0 software completion (99%) and ISA (Apr 2025) are on track.	□
Management Credibility	Strong	Specific timelines provided for CLW project and new product launches.	□
Business Quality Signal	Improving	Transitioning from a small-scale player to a large-scale railway tech executor.	□
Key Q&A Exchange	Not applicable	PPT_ONLY: No concall conducted or available.	□
The Street's Primary Anxiety	Execution Timelines	Management provided specific months for CLW delivery (May '25) and installation (June '25).	□
Capital Cycle Stage	Investment / Ramp-up	Procurement for CLW loco equipment is in progress; inventory build likely.	□
Margin / Return Ratio Trajectory	Improving	9M FY25 EBITDA growth (304%) outpacing historical averages.	□
Pricing Power	Stable	Regulated/Bidding environment for IR projects; margins depend on execution efficiency.	□
FCF Conversion & Quality	Distorted	High inventory/procurement for upcoming CLW orders likely impacting cash.	□
Competitive Moat Signals	Widening	One of the few approved vendors for TCAS; TCAS 4.0 software 99% complete.	□
Balance Sheet Strength	Adequate	Order book of □2,124.16 Cr provides 9M visibility against current scale.	□
Working Capital Efficiency	Deteriorating	SCR TCAS final bill submitted; CLW procurement starting indicates WC lock-up.	□
Mgmt Guidance Track Record	Reliable	Meeting technical development milestones (TCAS 4.0 hardware approved).	□
Key Vulnerability / Red Flag	Revenue Concentration	Total order book is heavily skewed toward CLW (□1,730 Cr, ~81%).	□
Management Tone	Confident	Based on detailed project-wise execution timelines provided in PPT.	□

Key Takeaways (Positives & Negatives):

- **Positives:**
  - The Order Book of **₹2,124.16 Cr** is massive relative to current revenue levels, providing multi-year visibility.
  - TCAS 4.0 development is nearing completion (99% software/testing done), with ISA expected in April 2025, positioning the company for the next generation of Kavach tenders.
  - Execution of existing projects (NCR A & B) is healthy at 60-70% completion.
  - Diversification into new products (Pulse Generators, Radio Modems) with clear TDC (Target Date of Completion) in 2025.
- **Negatives:**
  - **The "Waiting Period":** Major revenue from the CLW project (₹1,730 Cr) only starts hitting the P&L from June 2025 (Q1 FY26), creating a potential "execution gap" in the interim quarters.
  - **Single-Client Risk:** The business remains almost entirely dependent on Indian Railways' capital expenditure and tender rollouts.
  - **Forward-looking watchpoint:** Monitor the "ISA - Apr 2025" milestone for TCAS 4.0; any delay here would prevent the company from bidding on the next ~9,500 Km of future TCAS projects.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	Not in document	Not in document	Not in document	→	PPT provides PAT/EBITDA highlights only.
EBITDA (₹Cr)	₹2.33 (233 Lakhs)	↑ 469%	First entry	↑	Volume driven by TCAS NCR project execution.
EBITDA Margin %	Not in document	Not in document	Not in document	→	Expected to expand as CLW project scales.
PAT (₹Cr)	₹1.11 (111 Lakhs)	↑ 483%	First entry	↑	Significant YoY growth on a low base.
Order Book (₹Cr)	₹2,124.16	First entry	First entry	→	Includes ₹1,730 Cr from CLW.
Order Inflows (₹Cr)	Not in document	Not in document	Not in document	→	Focus is on current execution and TCAS 4.0.
Execution Rate (%)	65% (avg)	First entry	First entry	→	NCR A (70%) and NCR B (60%) combined.
Book-to-bill (x)	~12.5x (est)	First entry	First entry	↑	Based on 9M FY25 annualized PAT trajectory.
Net Debt / (Cash)	Not in document	Not in document	Not in document	→	Procurement for CLW underway.
Working Capital	Not in document	Not in document	Not in document	↓	Final bill submitted for SCR; awaiting payment.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
TCAS Implementation (SCR/NCR)	Not in document	Not in document	Not in document	→	At Average	70% completion on GZB-CNB stretch.
CLW (Loco Equipment)	0.00	N/A	N/A	→	Below Average	Supply to start May 2025; Installation June 2025.
Automatic Block Signalling	Not in document	Not in document	Not in document	→	At Average	3 block sections waiting for client commissioning.
KMIL Exclusive	1,735.38 (OB)	N/A	N/A	→	Above Average	Core driver of the ₹2,124 Cr order book.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery (Did they do what they promised last Q?)	Risk Flag
Guidance	Volume / Capacity	CLW Installation starts from June 2025.	Requires massive scaling of installation teams from Q1 FY26.	First entry.	Execution
Guidance	Timelines	TCAS 4.0 ISA by April 2025.	Software is 99% complete; TDC Mar 2025 is realistic.	First entry.	Technical
Guidance	Timelines	NCR A & B projects completion by June 2025.	Requires finishing remaining 30-40% execution in ~4 months.	First entry.	Delay
Strategy	New Products	NMS (June '25), Radio Modems (Aug '25), Pulse Gen (Dec '25).	Staggered rollout suggests manageable R&D/testing load.	First entry.	Technical
Balance	Working Capital	Final bill for SCR TCAS submitted.	Awaiting realization to fund CLW procurement.	First entry.	Cash Flow

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Order Book	Not available	₹2,124.16 Cr	First entry
TCAS 4.0 Status	Not available	99% Software done	First entry
CLW Timeline	Not available	Installation: June '25	First entry
9M PAT Growth	Not available	313% YoY	First entry
New Product Pipeline	Not available	4 products by Dec '25	First entry

INVESTOR NOTES: * **The Inflection Point:** The financial performance in Q3 is a "pre-game" show. The real thesis-defining execution begins in June 2025 with the CLW loco installations. * **Kavach 4.0 is the Moat:** The successful completion of ISA (Independent Safety Assessment) in April 2025 will determine the company’s ability to participate in the massive 9,500 Km upcoming tender pipeline (□3,023 Cr future bids). * **Working Capital Watch:** The transition from being a service/installation provider (NCR/SCR) to a product/equipment supplier (CLW) will likely stress the balance sheet in the short term due to procurement needs starting in April 2025. * **Summary Signal:** This quarter confirms the company is technically on track. Long-term investors should ignore the small PAT base and focus on the April/June 2025 execution milestones.