

Positioned for a stronger growth phase...

About the stock: KPIT Technologies Limited (KPIT), headquartered in Pune, is a pure-play automotive ER&D services company, focused on helping global OEMs and Tier 1 suppliers accelerate their transition toward SDVs. It has delivered ROE of 25%+ and ROCE of 30%+ over the last two FYs.

Investment Rationale

- Long-term growth reinforced through strategic investments & portfolio shift:** KPIT reported a 0.7% QoQ USD (2.3% QoQ CC) organic revenue decline in Q2, partly offset by a ~2.5% QoQ contribution from two-month consolidation of Caresoft. It's strategic transition from a services to end-to-end solutions company along with increased fixed-price contracts enhances delivery efficiency. Additionally, investments in Caresoft, helm.ai and adjacencies such as micromobility and industrials too enhance long-term positioning. **Management expects recovery from Q3 (flattish to +ve CC growth) and stronger momentum into FY27. Accordingly, we expect US\$ revenue to grow at a CAGR of 10.6% over FY25-28E.**
- Margin resilience supported by operating leverage and solution-led model:** EBITDA margin stood at 20.2% in Q2, aided by operational efficiencies and INR depreciation, despite one-time costs and higher amortisation and finance charges linked to Caresoft. While near-term pressures from amortisation and wage hikes persist through Q3-Q4, **management remains confident of maintaining ~21% EBITDA margins.** The ongoing transition toward end-to-end solutions and a higher fixed-price mix improves delivery efficiency and margin sustainability. **We have baked in EBITDA margins of 20.7%/21.7%/21.8% in FY26E/FY27E/FY28E.**
- Robust order inflow and improving client demand visibility:** KPIT recorded US\$232mn in deal wins in Q2 (+12% YoY), including a US\$100mn+ multi-year engagement with a European OEM, expected to ramp up over the next few quarters from Q3. Management noted improving client sentiment and renewed traction across autonomous driving, cybersecurity, after-sales diagnostics and commercial vehicle programs. **Stronger demand trends in Europe, India and China, along with a healthy pipeline, provide confidence on revenue recovery and improved visibility into FY27.**

Rating and Target Price

- Given growth catalysts from Caresoft and N-dream consolidation, strategic deal ramp up and a recovery in client spending, we maintain a BUY rating, with revised target price of ₹1,475 as we roll over to FY28E; valuing it at 34x on FY28E EPS.**

Key Financial Summary

₹ Crore	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	3,365	4,872	5,842	22.1	6,446	7,341	8,280	12.3
EBITDA	620	985	1,225	32.9	1,331	1,595	1,803	13.7
EBITDA Margin (%)	18.4	20.2	21.0		20.7	21.7	21.8	
Net Profit	381	581	755	38.8	753	992	1,175	15.9
EPS (₹)	14.0	21.8	30.7		27.6	36.5	43.2	
P/E	84.1	55.3	42.7		42.8	32.5	27.5	
RoNW (%)	23.1	27.1	25.9		22.0	24.3	24.6	
RoCE (%)	22.6	30.9	34.6		28.9	30.1	30.3	

Source: Company, ICICI Direct Research

KPIT

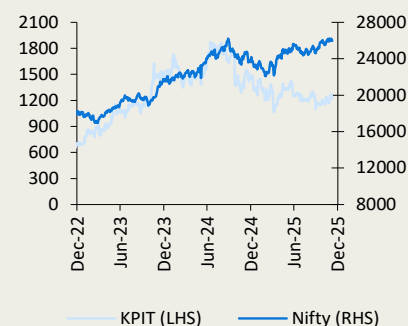
Particulars

Particulars	Amount
Market Cap (₹ Crore)	33,209
Total Debt (₹ Crore)	2
Cash & Invests (₹ Crore)	1,506
EV (₹ Crore)	31,704
52 week H/L	1538 /1021
Equity capital (₹ Crore)	271.7
Face value (₹)	10.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	39.5	39.5	39.4	39.4
FII	17.4	17.2	15.5	14.3
DII	20.4	21.3	22.4	23.9
Public	22.8	22.1	22.7	22.3

Price Chart



Key risks

- Lower than anticipated synergies through M&A
- Lower than expected margins

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Change in Estimates

(₹ Crore)	FY26E			FY27E			FY28E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	754	737	-2.2	870	834	-4.1	991	936	-5.6
Revenue	6575	6446	-2.0	7657	7341	-4.1	8772	8280	-5.6
EBITDA	1378	1331	-3.4	1651	1595	-3.4	1929	1803	-6.5
EBITDA Margin (%)	21.0	20.7	-31 bps	21.6	21.7	17 bps	22.0	21.8	-21 bps
PAT	851	753	-11.5	1075	992	-7.7	1282	1175	-8.4
Diluted EPS (₹)	31.3	27.7	-11.5	39.55	36.5	-7.7	47.16	43.2	-8.4

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenues	4,872	5,842	6,446	7,341	8,280
Growth (%)	44.8	19.9	10.3	13.9	12.8
Employee Benefit Expense	3,112.0	3,699.3	4,042.8	4,590.0	5,203.9
Other Expenses	774.3	918.0	1,072.2	1,155.8	1,273.2
EBITDA	985	1,225	1,331	1,595	1,803
Growth (%)	58.8	24.4	8.7	19.8	13.0
Depreciation	195.8	225.0	290.2	323.0	343.3
Other Income	66.4	172.0	86.7	100.8	130.8
Interest	54.8	42.4	64.3	48.0	40.0
Share of profit/(loss) of joint venture and associate (net of tax)	(0.5)	2.8	(47.8)	(2.0)	16.0
PBT	800	1,133	1,016	1,323	1,566
Growth (%)	61.1	41.5	-10.3	30.3	18.4
Tax	201.9	292.9	262.7	330.8	391.6
PAT before Exceptional Items	599	840	753	992	1,175
Minority interest	4	-	-	-	-
Exceptional items	13	85	-	-	-
PAT after exceptional items	581	755	753	992	1,175
Growth (%)	52.5	29.8	-0.2	31.8	18.4
Diluted EPS	21.8	30.7	27.6	36.5	43.2
EPS (Growth %)	56.0	40.9	-10.1	32.1	18.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E	FY28E
Profit after tax	598.5	839.6	753.0	992.4	1,174.8
Finance cost	54.8	42.4	64.3	48.0	40.0
Depreciation	195.8	225.0	290.2	323.0	343.3
Others	(66.4)	(172.0)	(86.7)	(100.8)	(130.8)
Change in working capital	(33.8)	77.6	(54.9)	22.4	23.5
CF from operations	749.0	1,012.6	965.9	1,285.0	1,450.8
Other Investments	15.5	(243.8)	86.7	100.8	130.8
(Purchase)/Sale of FA	(259.7)	(284.7)	(193.4)	(220.2)	(248.4)
Intangible Assets and goodwill	(192.5)	51.9	-	-	-
CF from investing Activities	(436.7)	(476.6)	(106.7)	(119.5)	(117.6)
Inc / (Dec) in Equity Capital	29.9	102.3	-	-	0.0
Inc/(Dec) in borrowings/lease liab	42.2	16.1	-	-	-
Dividend & Dividend tax	(128.7)	(192.8)	(244.8)	(326.5)	(489.7)
Interest Paid on Loans	(54.8)	(42.4)	(64.3)	(48.0)	(40.0)
NCI	-	-	-	-	-
CF from Financial Activities	(111.4)	(116.7)	(309.1)	(374.5)	(529.7)
Net change in cash	200.8	419.3	550.1	791.1	803.5
Opening cash	454.2	655.0	1,074.3	1,624.4	2,415.5
Closing cash	655.0	1,074.3	1,624.4	2,415.5	3,219.0

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity	271.2	271.7	271.7	271.7	271.7
Reserves & Surplus	1,875	2,640	3,149	3,814	4,500
Networth	2,146	2,912	3,420	4,086	4,771
Total debt	44.74	1.53	1.53	1.53	1.53
Minority Interest	17	-	-	-	-
Other liabilities	560	476	476	476	476
Source of funds	2,767	3,390	3,898	4,564	5,249
Fixed assets	543	594	555	517	491
CWIP	1	9	9	9	9
Intangible assets	284	205	147	83	14
Goodwill	1,146	1,173	1,173	1,173	1,173
Non current investments	8	194	194	194	194
Other non current assets	170	148	148	148	148
Current Investments	86	238	238	238	238
Cash & Bank Balance	771	1,268	1,818	2,609	3,413
Inventories	90	85	93	106	120
Debtors	749	755	795	905	1,021
Other current assets	320	364	424	483	545
Trade payables	240	178	212	241	272
Other Current liabilities	1,161	1,465	1,485	1,660	1,844
Application of funds	2,767	3,390	3,898	4,564	5,249

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (₹)					
Diluted EPS	21.4	27.8	27.7	36.5	43.2
BV	79.2	107.2	125.7	150.2	175.4
DPS	6.7	8.5	9.0	12.0	18.0
Cash Per Share	24.2	39.6	59.7	88.8	118.3
Operating Ratios (%)					
EBITDA Margin	20.2	21.0	20.7	21.7	21.8
PAT Margin	11.9	12.9	11.7	13.5	14.2
Debtor days	56	47	45	45	45
Creditor days	18	11	12	12	12
Return Ratios (%)					
RoE	27.1	25.9	22.0	24.3	24.6
RoCE	30.9	34.6	28.9	30.1	30.3
RoIC	42.6	53.4	56.8	74.6	91.9
Valuation Ratios (x)					
P/E	55.3	42.7	42.8	32.5	27.5
EV / EBITDA	31.9	25.1	22.6	18.4	15.8
Market Cap / Sales	6.6	5.5	5.0	4.4	3.9
Price to Book Value	15.0	11.1	9.4	7.9	6.8
Solvency Ratios					
Net Debt/Equity	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)
Debt / EBITDA	0.0	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.8	0.9	0.9	0.9
Quick Ratio	0.9	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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