

November 26, 2025

## Consistent execution keeps the growth engine buzzing!

**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.

**Q2FY26 Performance:** KPIT reported revenues of US\$ 181 mn, up 1.8% QoQ/ 4.5% YoY USD (up 0.3% QoQ/ up 0.4% YoY in CC terms – although on an organic basis it de-grew 0.7% QoQ in USD terms/ 2.3% in CC terms. EBITDA margin came at 20.2%, up ~70 bps QoQ/ down ~30 bps YoY. PAT at ₹169 crore, down 1.6% QoQ/17% YoY.

### Investment Rationale

- Strategic investments to fuel future growth:** In Q2, organic revenues de-grew 0.7% QoQ USD/ 2.3% QoQ CC, where Caresoft (2 months consolidation) contributed 2.5% to QoQ growth. Caresoft acquisition, investment in helm.ai, & entry into adjacencies like micromobility & industrial verticals strengthen long-term capabilities for KPIT. KPIT saw a temporary US\$45mn impact from clients reprioritising spends in EV & middleware programs, mainly in the US & Asia & a little in Europe & US\$20mn cannibalisation impact because of transitioning from a service to holistic solution led selling (18% of revenue) model. **Management expects a QoQ recovery in Q3 (flattish to +ve CC growth) & meaningful acceleration in Q4 leading to a stronger FY27 trajectory. Accordingly, we expect US\$ revenue to grow at a CAGR of 10.6% over FY25-28E.**
- Operational efficiency boosts margin:** EBITDA margin at 20.2%, was supported by operational efficiencies & INR depreciation, despite elevated one-time expenses and amortisation & finance costs w.r.t Caresoft consolidation. KPIT's strategic transition from services to end-to-end solutions and increased fixed-price contracts enhances delivery efficiency & profitability potential. While continued elevated amortization and finance costs w.r.t Caresoft along with increments (through Q3 & Q4) may weigh on near-term margins, **management remains confident of maintaining ~21% EBITDA margins. We have baked in EBITDA margins of 20.7%/21.7%/21.8% in FY26E/FY27E/FY28E.**
- Strong deal pipeline and improving client momentum:** Despite muted organic growth, KPIT secured US\$ 232 mn in deal wins (+12% YoY). Notably, it won a multi-year, multi-domain US\$100 mn+ 3-year deal with a European OEM which shall ramp up over a couple of quarters from Q3. Management highlighted improving client sentiment & renewed traction in autonomous, cybersecurity, after sales diagnostics, and commercial vehicle programs. **Strengthening demand from Europe, India and China, along with robust pipeline underpin revenue recovery and visibility into FY27.**

### Rating and Target Price

- Given the growth triggers from Caresoft & N-dream consolidation & strategic deal ramp up, we maintain a positive view with a BUY rating, with target price of ₹1,400 (vs ₹1,500 earlier) at a multiple of 38x P/E on FY27E 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

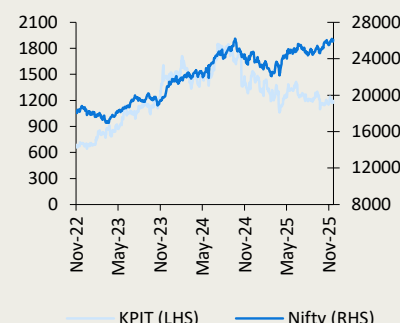
### Particulars

Particulars	Amount
Market Cap (₹ Crore)	32,204
Total Debt (₹ Crore)	2
Cash & Invests (₹ Crore)	1,506
EV (₹ Crore)	30,700
52 week H/L	1563 /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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## Performance highlights and outlook

- **Revenue Performance:** KPIT in Q2FY26 reported revenues of US\$ 181 mn, up 1.8% QoQ/ 4.5% YoY in USD terms (up 0.3% QoQ/ up 0.4% YoY in CC terms – although **on an organic basis it de-grew 0.7% QoQ in USD terms/ 2.3% in CC terms as Caresoft consolidated for 2 months, contributed 2.5% to QoQ growth**).
- **Vertical performance:** Vertical wise, Passenger Vehicles (79% of the mix) de-grew by 1.3% QoQ/ grew 3.2% YoY whereas Commercial Vehicles (17% of the mix) saw a solid growth of 19.3% QoQ/ 9.6% YoY.
- **Geography performance:** Geography wise on a YoY basis, the growth was led by Europe (49% of the mix) and US (27% of the mix) which grew 5.4% and 4.2% followed by Asia (23% of the mix) which grew by 2.8% YoY.
- **Margin performance:** EBITDA for the quarter stood at 20.2%, up ~70 bps QoQ/ down ~30 bps YoY, supported by operational efficiency and INR depreciation, despite headwinds from elevated one-time expenses & amortisation (₹43 mn) and finance costs (₹47 mn) w.r.t Caresoft consolidation. KPIT's strategic transition from services to end-to-end solutions led model and increased fixed-price contracts enhances delivery efficiency and profitability potential. **PAT for the quarter stood at ₹169 crore, down 1.6% QoQ/17% YoY. PAT this quarter was impacted by a ₹23 crore loss from Qorix JV due to license revenue lumpiness.**
- **Guidance/Aspiration:** On the revenue front, management expects a sequential recovery from Q3 (flattish to +ve CC growth) and a meaningful acceleration in Q4 leading to a stronger FY27 trajectory. Management reiterated its target of sustaining 21%+ EBITDA margin, despite increments spread across Q3 & Q4.
- **TCV/ deal wins:** The company won a TCV of US\$ 232 mn, down 4% QoQ/ up 12% YoY. Notably, it won a multi-year, multi-domain US\$100 mn+ 3-year deal with a European OEM which shall ramp up over a couple of quarters from Q3.
- **Caresoft Italy entity & N-Dream** will be integrated with KPIT Q3 onwards.
- **Headcount:** The headcount for the quarter stood at 12,879 employees, an addition of 334 employees QoQ. This included a reduction of about 500 employees in the organic business, offset by the addition of around 800 employees from the Caresoft acquisition. The company continues to hire talent in AI and related areas while rationalizing its workforce to address skill gaps and align with its evolving solution-oriented model.

### Quarter Performance

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Revenue (₹ crore)	1,587.7	1,471.4	7.9	1,538.8	3.2	In CC terms, revenue was up 0.3% QoQ/ 0.4% YoY – although on an organic basis it de-grew 0.7% QoQ in USD terms/ 2.3% in CC terms as Caresoft consolidated for 2 months, contributed 2.5% to QoQ growth.
Employee expenses	977.9	944.8	3.5	975.4	0.3	
Gross Margin	609.8	526.6	15.8	563.3	8.3	
Gross margin (%)	38.4	35.8	262 bps	36.6	180 bps	
Other expenses	289.2	224.9	28.6	263.4	9.8	
EBITDA	320.7	301.8	6.3	299.9	6.9	
EBITDA Margin (%)	20.2	20.5	-31 bps	19.5	71 bps	Management reiterated its target of sustaining 21%+ EBITDA margin, despite increments spread across Q3 & Q4.
Depreciation & amortisation	74.7	56.1	33.2	62.9	18.8	
EBIT	246.0	245.7	0.1	237.0	3.8	
EBIT Margin (%)	15.5	16.7	-121 bps	15.4	9 bps	
Other income	7.3	41.7	-82.4	3.9	86.4	
PBT	253.3	287.4	-11.9	240.9	5.1	
Tax paid	61.5	79.4	-22.5	63.9	-3.8	
Share of profit/(loss) of JVand associate	-22.7	-4.3	429.0	-5.1	343.9	
PAT	169.1	203.7	-17.0	171.9	-1.6	

Source: Company, ICICI Direct Research

### 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
<b>EBITDA</b>	<b>985</b>	<b>1,225</b>	<b>1,331</b>	<b>1,595</b>	<b>1,803</b>
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
<b>PBT</b>	<b>800</b>	<b>1,133</b>	<b>1,016</b>	<b>1,323</b>	<b>1,566</b>
Growth (%)	61.1	41.5	-10.3	30.3	18.4
Tax	201.9	292.9	262.7	330.8	391.6
<b>PAT before Exceptional Items</b>	<b>599</b>	<b>840</b>	<b>753</b>	<b>992</b>	<b>1,175</b>
Minority interest	4	-	-	-	-
Exceptional items	13	85	-	-	-
<b>PAT after exceptional items</b>	<b>581</b>	<b>755</b>	<b>753</b>	<b>992</b>	<b>1,175</b>
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 %)	<b>56.0</b>	<b>40.9</b>	<b>-10.1</b>	<b>32.1</b>	<b>18.4</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore					
(₹ Crore)	FY24	FY25	FY26E	FY27E	FY28E
<b>Profit after tax</b>	<b>598.5</b>	<b>839.6</b>	<b>753.0</b>	<b>992.4</b>	<b>1,174.8</b>
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
<b>CF from operations</b>	<b>749.0</b>	<b>1,012.6</b>	<b>965.9</b>	<b>1,285.0</b>	<b>1,450.8</b>
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	-	-	-
<b>CF from investing Activities</b>	<b>(436.7)</b>	<b>(476.6)</b>	<b>(106.7)</b>	<b>(119.5)</b>	<b>(117.6)</b>
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	-	-	-	-	-
<b>CF from Financial Activities</b>	<b>(111.4)</b>	<b>(116.7)</b>	<b>(309.1)</b>	<b>(374.5)</b>	<b>(529.7)</b>
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
<b>Closing cash</b>	<b>655.0</b>	<b>1,074.3</b>	<b>1,624.4</b>	<b>2,415.5</b>	<b>3,219.0</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
<b>Equity</b>	<b>271.2</b>	<b>271.7</b>	<b>271.7</b>	<b>271.7</b>	<b>271.7</b>
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
<b>Source of funds</b>	<b>2,767</b>	<b>3,390</b>	<b>3,898</b>	<b>4,564</b>	<b>5,249</b>
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
<b>Application of funds</b>	<b>2,767</b>	<b>3,390</b>	<b>3,898</b>	<b>4,564</b>	<b>5,249</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
<b>Per share data (₹)</b>					
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
<b>Operating Ratios (%)</b>					
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
<b>Return Ratios (%)</b>					
RoE	27.1	25.9	22.0	24.3	24.6
RoCE	30.9	34.6	28.9	30.1	30.3
RoC	42.6	53.4	56.8	74.6	91.9
<b>Valuation Ratios (x)</b>					
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
<b>Solvency Ratios</b>					
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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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