

Organic softness and margin pressures persist...

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.

Q3FY26 Performance: KPIT reported revenues of US\$ 181 mn, flat QoQ/ up 2.8% YoY in USD terms (up 1.5% QoQ/ flat YoY in CC terms). On an organic basis it de-grew 1.9% QoQ in CC terms. Adj. EBITDA (ex-one off from new labour code) stood at 19.5%, down ~70 bps QoQ/ 164 bps YoY. Adj. PAT (ex-one off from new labour code) stood at ₹193 crore, up 14.2% QoQ/3% YoY.

Investment Rationale

- Revenue growth recovery to be led by priority mobility themes:** CC growth was supported by growth in commercial vehicles (CV) & the European market while Passenger Vehicle (PV) & Asia weakness with cautious OEM spending implies near-term growth remains dependent on integration benefits rather than core acceleration. CV & off-highway are scaling supported by Caresoft capabilities, while positive discussions in US, China, Middle East, India & pockets of Japan & Korea should aid future growth visibility. Notably, while broader budget pressure is seen in digital cockpit, cybersecurity, navigation on autopilot & multi-powertrain, KPIT is aligned to OEM spending pockets that continue to see prioritisation. **Management indicates Q4 to be the strongest quarter of the year with organic growth returning, and expects FY27 growth to exceed FY26 as recent deal wins ramp & solution-led programs move into production. Accordingly, we expect US\$ revenue to grow at a CAGR of 11.6% over FY26-28E.**
- Margin expansion potential from solution-led model:** EBITDA margins in Q3 saw partial wage hikes (expected to recur in Q4) and acquisition-related amortization, though depreciation and interest cost will likely stabilise ahead. The shift from effort-based services to solution-led, AI-infused engagements supports better realization & productivity over time. **As solution penetration deepens over the next 12-18 months, operating leverage, higher revenue per employee (₹60,980, up 1.5% QoQ/3.4% YoY), and outcome-linked pricing models provide a pathway for steady margin improvement. We have baked in EBITDA margins of 19.8%/21.3%/21.5% in FY26E/FY27E/FY28E.**
- Strategic positioning strengthens long-term competitive edge:** The addition of leadership bandwidth, expansion into micromobility (HMC Hive – Hero Group partnership), in-cabin digital experiences (via N-Dream), & cost-engineering strengths via Caresoft broaden its role in OEM transformation programs and thereby building a competitive edge for KPIT.

Rating and Target Price

- Given the recent stock price correction of ~18% in 6 months, risk reward turns highly favourable and we maintain a BUY rating, with target price of ₹1,400 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	6,418	7,225	8,157	11.8
EBITDA	620	985	1,225	32.9	1,269	1,537	1,751	12.6
EBITDA Margin (%)	18.4	20.2	21.0		19.8	21.3	21.5	
Net Profit	381	581	755	38.8	671	942	1,134	14.5
EPS (₹)	14.0	21.8	30.7		24.5	34.6	41.7	
P/E	71.1	46.8	36.1		40.7	29.0	24.1	
RoNW (%)	23.1	27.1	25.9		19.6	23.4	24.2	
RoCE (%)	22.6	30.9	34.6		27.7	29.1	29.8	

Source: Company, ICICI Direct Research

KPIT

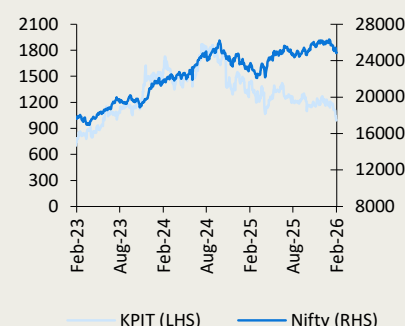
Particulars

Particulars	Amount
Market Cap (₹ Crore)	27,154
Total Debt (₹ Crore)	2
Cash & Invests (₹ Crore)	1,506
EV (₹ Crore)	25,649
52 week H/L	1479 /1021
Equity capital (₹ Crore)	271.7
Face value (₹)	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	39.5	39.4	39.4	39.4
FII	17.2	15.5	14.3	13.6
DII	21.3	22.4	23.9	25.4
Public	22.1	22.7	22.3	21.7

Price Chart



Key risks

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

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Performance highlights and outlook

- **Revenue Performance:** KPIT in Q3FY26 reported revenues of US\$ 181 mn, flat QoQ/ up 2.8% YoY in USD terms (up 1.5% QoQ/ flat YoY in CC terms). **On an organic basis it de-grew 1.9% in CC terms (as Caresoft and N-Dream contributed 3.4% to QoQ growth).**
- **Vertical performance:** Vertical wise, Passenger Vehicles (78% of the mix) de-grew by 1.2% QoQ/ 1.4% YoY whereas Commercial Vehicles (19% of the mix) saw a solid growth of 10.5% QoQ/ 29% YoY.
- **Geography performance:** Geography wise on a YoY basis, the growth was led by Europe (52% of the mix) and US (27% of the mix) which grew 12.3% and 4.6% while Asia (21% of the mix) de-grew by 15.4% YoY.
- **Asia is expected to return to growth in mid of next year with some volatility in Japan & Korea but steady momentum from India, Southeast Asia, Middle East, and China.**
- **Margin performance:** Adj. EBITDA (ex-one off from new labour code) stood at 19.5%, down ~70 bps QoQ/ 164 bps YoY after taking impact of partial wage increments during the quarter and incremental depreciation from Caresoft and N-Dream acquisition and related finance costs. Reported PAT stood at ₹133 crore, down 21% QoQ/ 29% YoY while Adj. PAT (ex-one off from new labour code) stood at ₹193 crore, up 14.2% QoQ/3% YoY.
- **Guidance/Aspiration:** Management expects steady deal wins to result in better growth in FY27 as compared to FY26. On the margins front, Q4 will continue to see some impact from wage hikes while depreciation and interest costs are expected to stabilise.
- **Solution led model advantage:** The solutions-led model aims to provide comprehensive solutions, even if it cannibalizes some existing KPIT business, by offering cheaper, better, and faster delivery leading to increase in wallet share and improved margins in the medium term.
- **TCV/ deal wins:** . The company won a TCV of US\$ 202 mn, down 13% QoQ/14.4% YoY.
- **Headcount:** The headcount for the quarter stood at 12,724 employees, a reduction of 155 employees QoQ.
- **Leadership changes:** Mr. Anup Sable has joined as COO. In addition, there has been an internal change at top management level, along with new leadership appointment for AI.
- **Partnerships:** KPIT announced a strategic collaboration with HMC HIVE, a Hero Motors Company, to develop next-generation Light Electric Vehicles (LEVs), for micromobility such as e-scooters and e-bicycles.
- **Dividend:** The Board declared an interim dividend of ₹2.25 per share.

Exhibit 1: Quarter Performance

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue (₹ crore)	1,617	1,478	9.4	1,588	1.9	In CC terms, revenue was up 1.5% QoQ/ flat YoY. On an organic basis it de-grew 1.9% in CC terms (as Caresoft and N-Dream contributed 3.4% to QoQ growth).
Employee expenses	996	925	7.7	978	1.9	
Gross Margin	621	553	12.4	610	1.9	
Gross margin (%)	38.4	37.4	100 bps	38.4	0 bps	
Other expenses	306	241	27.2	289	5.8	
EBITDA	315	312	1.0	321	-1.7	
EBITDA Margin (%)	19.5	21.1	-164 bps	20.2	-71 bps	On the margins front, Q4 will continue to see some impact from wage hikes while depreciation and interest costs are expected to stabilise.
Depreciation & amortisation	81	58	38.6	75	8.4	
EBIT	234	254	-7.7	246	-4.8	
EBIT Margin (%)	14.5	17.2	-269 bps	15.5	-101 bps	
Other income	11	9	17.8	7	47.3	
PBT	245	263	-6.8	253	-3.3	
Tax paid	48	70	-31.6	61	-22.5	
Share of profit/(loss) of JVand associate	-4.2	-6.4	-33.8	-22.7	-81.4	
PAT	133	187	-28.6	169	-21.1	Adj. PAT (ex-one off from new labour code) stood at ₹193 crore, up 14.2% QoQ/3% YoY

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY26E			FY27E			FY28E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	737	727	-1.4	834	807	-3.2	936	906	-3.1
Revenue	6,446	6,418	-0.4	7,341	7,225	-1.6	8,280	8,157	-1.5
EBITDA	1,331	1,269	-4.7	1,595	1,537	-3.6	1,803	1,751	-2.9
EBITDA Margin (%)	20.7	19.8	-88 bps	21.7	21.3	-46 bps	21.8	21.5	-31 bps
PAT	753	671	-10.9	992	942	-5.1	1,175	1,134	-3.5
Diluted EPS (₹)	27.7	24.7	-10.9	36.5	34.6	-5.1	43.2	41.7	-3.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total Revenues	5,842	6,418	7,225	8,157
Growth (%)	19.9	9.9	12.6	12.9
Employee Benefit Expense	3,699.3	3,987.3	4,550.3	5,151.6
Other Expenses	918.0	1,161.6	1,137.4	1,254.2
EBITDA	1,225	1,269	1,537	1,751
Growth (%)	24.4	3.6	21.1	13.9
Depreciation	225.0	299.0	332.3	344.3
Other Income	172.0	107.8	107.7	129.7
Interest	42.4	72.6	56.0	40.0
Share of profit/(loss) of joint venture and associate (net of tax)	2.8	(36.3)	-	16.0
PBT	1,133	969	1,257	1,512
Growth (%)	41.5	-14.4	29.7	20.3
Tax	292.9	238.5	314.1	378.1
PAT before Exceptional Items	840	731	942	1,134
Minority interest	-	0	0	0
Exceptional items	85	60	-	-
PAT after exceptional items	755	671	942	1,134
Growth (%)	29.8	-11.1	40.5	20.4
Diluted EPS	30.7	24.5	34.6	41.7
EPS (Growth %)	40.9	-20.0	41.0	20.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity	271.7	271.7	271.7	271.7
Reserves & Surplus	2,640	3,147	3,762	4,407
Networth	2,912	3,418	4,034	4,678
Total debt	1.53	1.53	1.53	1.53
Minority Interest	-	-	-	-
Other liabilities	476	476	476	476
Source of funds	3,390	3,896	4,512	5,156
Fixed assets	594	547	498	467
CWIP	9	9	9	9
Intangible assets	205	145	79	10
Goodwill	1,173	1,173	1,173	1,173
Non current investments	194	194	194	194
Other non current assets	148	148	148	148
Current Investments	238	238	238	238
Cash & Bank Balance	1,268	1,825	2,577	3,344
Inventories	85	93	105	118
Debtors	755	791	891	1,006
Other current assets	364	422	475	537
Trade payables	178	211	238	268
Other Current liabilities	1,465	1,480	1,638	1,820
Application of funds	3,390	3,896	4,512	5,156

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Profit after tax	839.6	730.5	942.4	1,134.2
Finance cost	42.4	72.6	56.0	40.0
Depreciation	225.0	299.0	332.3	344.3
Others	(172.0)	(107.8)	(107.7)	(129.7)
Change in working capital	77.6	(55.6)	20.2	23.4
CF from operations	1,012.6	938.7	1,243.3	1,412.1
Other Investments	(243.8)	107.8	107.7	129.7
(Purchase)/Sale of FA	(284.7)	(192.5)	(216.7)	(244.7)
Intangible Assets and goodwill	51.9	-	-	-
CF from investing Activities	(476.6)	(84.7)	(109.1)	(115.0)
Inc / (Dec) in Equity Capital	102.3	(0.0)	0.0	0.0
Inc/(Dec) in borrowings/lease liab	16.1	-	-	-
Dividend & Dividend tax	(192.8)	(224.5)	(326.6)	(489.9)
Interest Paid on Loans	(42.4)	(72.6)	(56.0)	(40.0)
NCI	-	-	-	-
CF from Financial Activities	(116.7)	(297.1)	(382.6)	(529.9)
Net change in cash	419.3	556.9	751.7	767.3
Opening cash	655.0	1,074.3	1,631.2	2,382.9
Closing cash	1,074.3	1,631.2	2,382.9	3,150.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Diluted EPS	27.8	24.6	34.6	41.7
BV	107.2	125.6	148.2	171.9
DPS	8.5	8.3	12.0	18.0
Cash Per Share	39.6	60.0	87.6	115.8
Operating Ratios (%)				
EBITDA Margin	21.0	19.8	21.3	21.5
PAT Margin	12.9	10.4	13.0	13.9
Debtor days	47	45	45	45
Creditor days	11	12	12	12
Return Ratios (%)				
RoE	25.9	19.6	23.4	24.2
RoCE	34.6	27.7	29.1	29.8
RoIC	53.4	53.2	71.4	89.9
Valuation Ratios (x)				
P/E	35.8	40.3	28.7	23.9
EV / EBITDA	20.8	19.6	15.7	13.4
Market Cap / Sales	4.6	4.2	3.7	3.3
Price to Book Value	9.3	7.9	6.7	5.8
Solvency Ratios				
Net Debt/Equity	(0.5)	(0.6)	(0.7)	(0.8)
Debt / EBITDA	0.0	0.0	0.0	0.0
Current Ratio	0.8	0.9	0.9	0.9
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicquality@icicidirect.com Contact Number: 18601231122

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