

**Recommendation and Rationale: -**

We initiate coverage on KPIT Technologies with “BUY” rating and a target price of Rs. 1849.50 valuing it at P/E multiple of 54x its FY26E EPS of Rs. 34.25. We believe

**1) KPIT is well positioned to take the benefits of the exponential transformations that are happening in the world of mobility.**

The global automobile industry is growing through rapid transformation with rising focus towards electrification and increasing the market penetration of Electric Vehicles (EV). This opens up many new opportunities in this industry and KPIT with its all-round offerings is well positioned to cater to the changing and dynamic requirements of the global OEM’s.

**2) The increasing need of making automobile more environment friendly, smarter and responsive which will be achieved with the help of Software-Defined Vehicles (SDV).**

Previously, vehicles were hardware-defined which had limitations and now the industry preference is moving towards SDV. SDV has improved safety features, more comfort with better infotainment, deeper insights into vehicle performance and ability to upload new features over the air by the automobile manufactures. These added features of SDV will be the driving factor for KPIT’s growth.

**3) Increasing demand for safer vehicles which will boost demand for ADAS.**

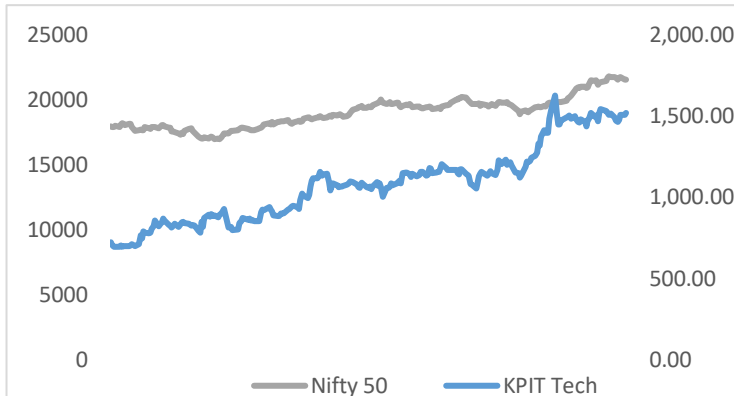
One of the added feature of SDV is the increase in safety of the vehicles. As the demand for SDV increases, the demand for innovation and improvements in ADAS system is also going to increase. KPIT with its 10+ years of experience, 3 Million Scenarios for Virtual Simulation per ISO, NHTSA, NCAP, SAE for Level 2 & L3+ and having the Largest independent ADAS/AD engineering team of 2000 members located across India, USA, Germany, Japan, Korea, Vietnam and China is well placed to fulfill the rising industry demand.

**4) Rising spend towards ER&D by the automobile manufacturers.**

The global automotive ER&D spending is currently \$180 billion (₹14,758 billion), constituting around 10% of the total ER&D expenditure in the manufacturing sector. This spending is projected to grow at a CAGR of approximately 7% to reach \$238 billion (₹19,566 billion) by 2025.

**5) Improvement in CC revenue guidance by management to 37% from previous guidance of 27%-30%.**

**Relative Performance for 1 Year**



Source: Zinnov Management Consulting Private Limited, Company, NSE

**Key Stock Data**

CMP (Rs)	1531
Industry	Computers- Software & Consulting
Market Cap (Rs. Crore)	41,971
52 Week High/Low (Rs)	1640/677
Weighted average number of diluted equity shares(as on 31 <sup>st</sup> March 2023)	27,30,98,567
BSE/NSE Code	542651/KPITTECH
Bloomberg	KPITTC IN

**Yearly Financial Data (in Rs. Crores/ Unless stated otherwise)**

Particulars	FY23	FY24E	FY25E	FY26E
Rev. from operations	3365.04	4,643.76	5,804.69	7,081.73
EBITDA	632.89	951.97	1,185.32	1,448.21
EBITDAM (%)	18.81%	20.50%	20.42%	20.45%
PBT	496.79	783.22	996.89	1,237.75
PAT	386.86	587.41	747.67	928.31
PATM(%)	11.50%	12.65%	12.88%	13.11%
EPS	14.10	21.67	27.58	34.25
Bloomberg EPS		20.91	26.80	34.59

**Quarterly Financial Data (in Rs. Crores/ Unless stated otherwise)**

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Rev. from operations	917.12	1,017.37	1,097.62	1,199.16
EBIDTA	169.87	182.35	213.88	239.93
EBIDTAM (%)	18.52%	17.92%	19.49%	20.01%
PBT	139.37	136.20	176.63	187.74
PAT	104.06	111.58	134.44	141.40
PAT Margin (%)	11.35%	10.97%	12.25%	11.79%
EPS	3.72	4.13	4.95	5.20

**Shareholding Pattern**

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Promoters	40.10%	39.49%	39.47%	39.47%
FII	20.30%	23.42%	25.91%	25.69%
DII	12.69%	12.30%	11.78%	12.25%
Public & Others	26.90%	24.80%	22.84%	22.60%

Source: Company, Bloomberg, NSE

### About the Company: -

KPIT Technologies serves as a worldwide ally to the automotive and mobility industries, actively driving the realization of software-defined vehicles. As a prominent independent partner in software development and integration, it contributes significantly to advancing mobility towards a cleaner, more intelligent, and safer future. With 11,000 employees across the globe, KPIT specializes in embedded software, AI, and digital solutions. This expertise allows KPIT to expedite the adoption of cutting-edge technologies for its clients' future mobility strategies. With engineering hubs strategically located in Europe, the USA, Japan, China, Thailand, and India, KPIT collaborates closely with leaders in automotive and Mobility, positioning itself at the forefront of the industry's transformation.

Source: Company

### Q2FY24 Con-call and Investor Presentation Highlights: -

1. Revenue saw a rise of 51.7% in CC terms and 54.2% in reported U.S dollar Y-o-Y. On a sequential basis revenue grew by 9% in CC terms and 8.4% in reported U.S dollar. Fixed part revenue component gone up by 5% in the quarter and management expects it to keep on increasing as SDV programs are undertaken.

2. KPIT has been focusing on improving the net realization rate which is the reason for the number gain up. Talking about the improving net realization rate, management said that they are focused on taking the rate billed to the client up with every new engagement, they had hired ahead of time and the fresher that were hired are now getting utilized and finally the more number of fixed projects undertaken helps in improving net realization and personal productivity

3. Company continues to focus on their top 25 clients with 84% of revenue coming from these clients. These clients have not fully embarked SDV and so there is still headroom to have more SDV programs.

4. EBIDTA Margin at 20% even after absorbing salary hike impact of 250 bps. This was absorbed because of revenue growth and net realization improvement. Guidance on the EBIDTA margin is revised to 20%+ from earlier guidance of 19%-20%.

5. Profits saw a rise of 68.7% Y-o-Y and 5.1% sequentially. The reason for lower rise in profit sequentially is because of the onetime other income in previous quarter and removing this impact the rise is 16% Q-o-Q.

6. Company's headcount stands at 11,971 an increase of 4%+ with attrition being at all-time low.

7. Company expects to add few more clients in the truck segment with good headroom to grow over there and increase the contribution beyond 20%.

8. Long-term fundamentals are unchanged, and the company remains confident in its medium-term prospects.

9. During the quarter company bagged TCV of \$156 Million from new engagements.

Source: Company

## Industry Overview

### Automotive sector is catching up

The automotive industry faced a massive slowdown for the last couple of years due to the pandemic. As the automotive industry is getting back in momentum for growth, the major problem faced by the industry are: - Chip shortages, Global economic slowdowns and Price shocks caused by global supply chain disruptions, higher production cost or fluctuation in raw material prices. The automotive sector contributes 7.1% to India's GDP.

### Surge in the adoption of EV

Global EV sales witnessed a significant growth of 60.8%, reaching 10.7 million units, By the end of CY2023, EV shipments are projected to reach 12.7 million units, making the consumer EV market nearly four times larger than it was in CY2020. The demand for non- internal combustion engine (ICE) vehicles is projected to be promising, with the United States expected to experience a remarkable increase from the current 2% EV adoption rate to a substantial 44% by 2035. Meanwhile, Europe is predicted to surpass these figures by adopting EVs at an even faster pace. These conservative estimates assume that EVs will achieve cost parity with ICE vehicles by 2025. By 2030, it is estimated that countries in emerging Asia could collectively manufacture over two million units of E4Ws (Electric 4 wheelers) annually.

### Government push towards EV

The government is focused on creating a sustainable future and emphasizing growth on the EV sector. Across Asia, governments demonstrate varying levels of commitment towards electrification. In emerging Asia, Thailand has introduced the 3030 EV Production Policy, which aims to achieve a 30 percent share of domestic vehicle production from EVs by 2030. Meanwhile, Indonesia has announced plans to prohibit the sales of fossil fuel motorcycles by 2040 and fossil fuel cars by 2050. The Global Regulatory Goals are set to Increase vehicle fuel efficiency by 35% by 2030, impose economic penalties for manufacturers not meeting average targets. Also the USA President Biden has set plans which targets 50% electric vehicle sales by 2030 which stimulates an American EV manufacturing boom. The European Union aims for at least 55% net reduction in greenhouse gas emissions by 2030. Also legislative proposals were adopted in July 2021 to achieve climate neutrality by 2050. Domestic markets target 30% EV sales for private cars, 70% for commercial vehicles, 40% for buses, and 80% for two- and three-wheelers by 2030. The Chinese President Xi Jinping announced peaking CO2 emissions before 2030 and aims for carbon neutrality by 2060.

### Shift of trends in the automotive sector.

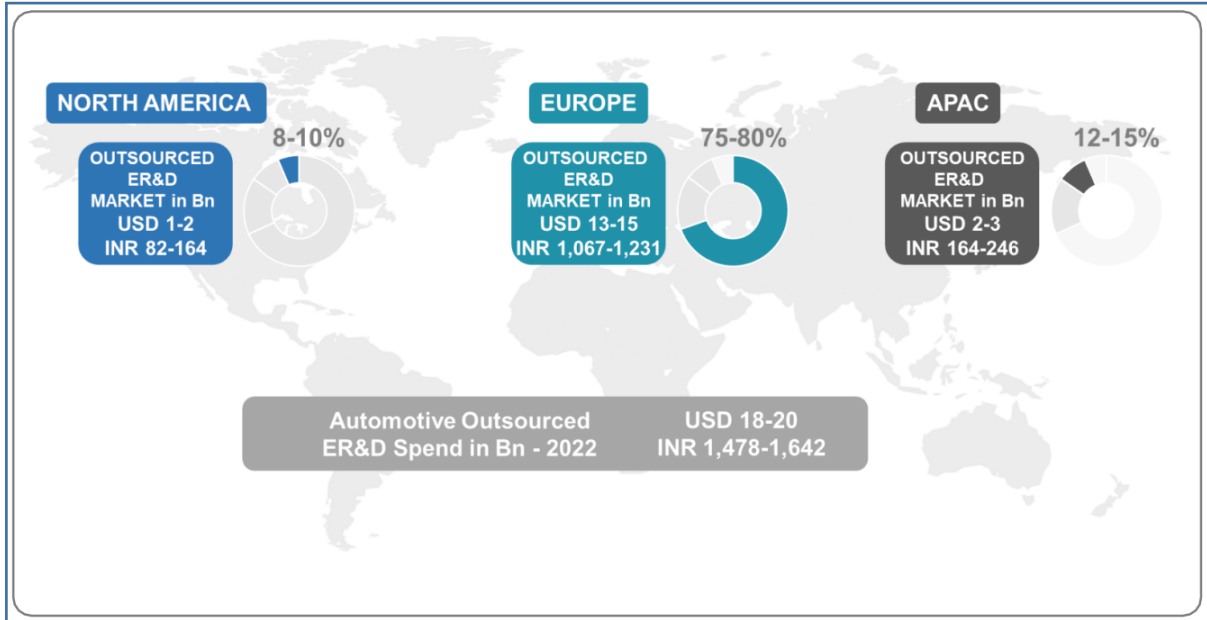
Automotive technology is gradually transitioning from electromechanical terminals to Software-Defined Vehicles (SDVs). This shift to SDV's make the automobiles more intelligent, expandable and mobile electronic terminals capable of continuous upgrades. In line with the increasing demand for safer vehicles among Indian consumers and the government's efforts to enhance road safety, car manufacturers in India have begun offering advanced driver assistance systems (ADAS) in their vehicles. Automakers are strategically aiming to capitalize on substantial revenues generated through software-enabled services. The emergence of electric vehicles (EVs) and autonomous vehicles presents promising opportunities for original equipment manufacturers (OEMs) to explore new avenues of earning. Automakers are strategically aiming to capitalize on substantial revenues generated through software-enabled services. The emergence of electric vehicles (EVs) and autonomous vehicles presents promising opportunities for original equipment manufacturers (OEMs) to explore new avenues of earning.

### Automotive Industry Spends

Roland Berger Report, October 2022 forecasts the software spend by automotive industry to reach \$43 billion by 2030. The forecasted activity based spending in the automotive sector for ADAS is \$1.5 - \$2 billion, hybrid and electric mobility \$3 - \$4 billion, infotainment and connected \$3 - \$4 billion, Safety system \$1 - \$2 billion, traditional powertrain \$0.5 - \$1.5 billion and for body engineering \$7 - \$8 billion.

### Geographical Distribution of Outsourced ER&D Spend

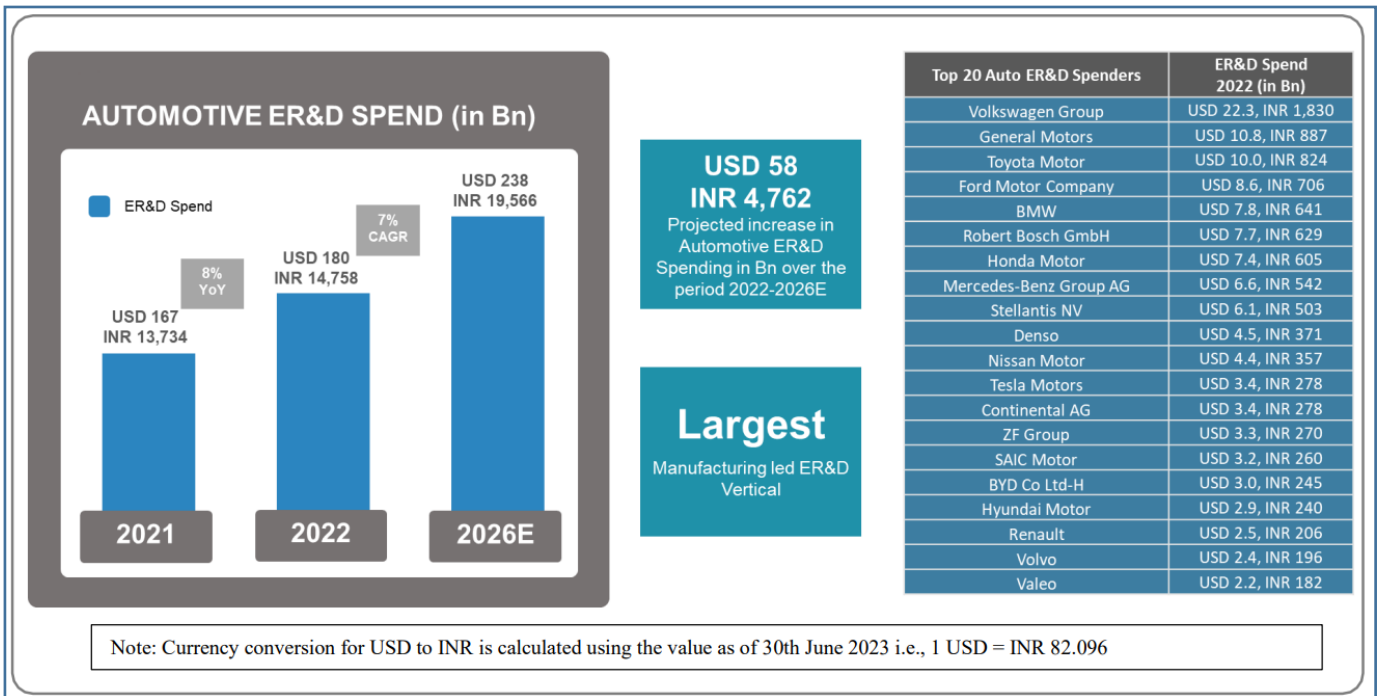
The automotive outsourced ER&D market spend is dominated by Europe, accounting for 75% of the total ER&D spend which is around \$13 - \$15 billion, APAC accounts for approximately 12-15% of the automotive outsourced ER&D market spend which is around \$2 - \$3 billion and North America accounts for around a 10% of the automotive outsourced ER&D market spend which is around \$1 - \$2 billion.



Source: Zinnov Management Consulting Private Limited report, Company

**Key initiatives by the Global OEMs: -**

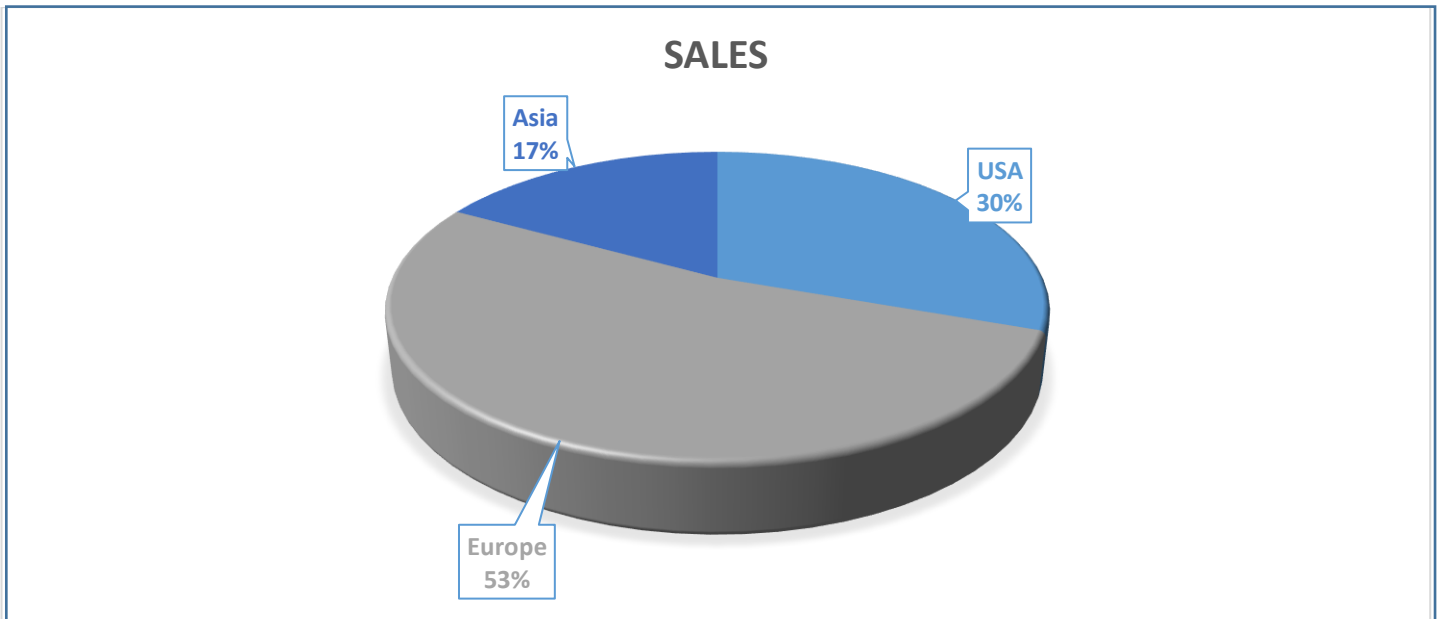
- Volkswagen has announced an investment of \$193 billion (₹15,845 billion) to ramp up EV production over the period 2023-2028.
- Tata Motors has committed to spend \$1.8 billion (₹148 billion) in the EV segment during the period 2022-2027.
- Nio announced plans to double its R&D investment towards new technology and product development. For 2022 Nio reported R&D expenses of approximately \$1.54 billion (₹126 billion).
- Hyundai has announced plans to spend \$28 billion (₹2,299 billion) over the period 2023-2033 to boost EV sales.
- Stellantis has committed to spend over \$30 billion (₹2,482 billion) on electrification and software development between 2021-2025.
- Volvo has committed to transition its entire model line-up to fully electric vehicles by 2030 and have one million electric cars on the road by 2025.
- Nissan will invest \$17.6 billion (₹1,445 billion) during the period 2021-2026 for its long-term electric vehicle strategy.
- Rivian, an electric vehicle manufacturer, raised \$12 billion (₹993 billion) via an initial public offering in 2021.
- Jaguar Land Rover plans to annually invest \$3.5 billion (₹287 billion) in order to take all Jaguars and 60% of Land Rovers electric by 2030.



Source: Zinnov Management Consulting Private Limited report

### KPIT's Geographic Distribution

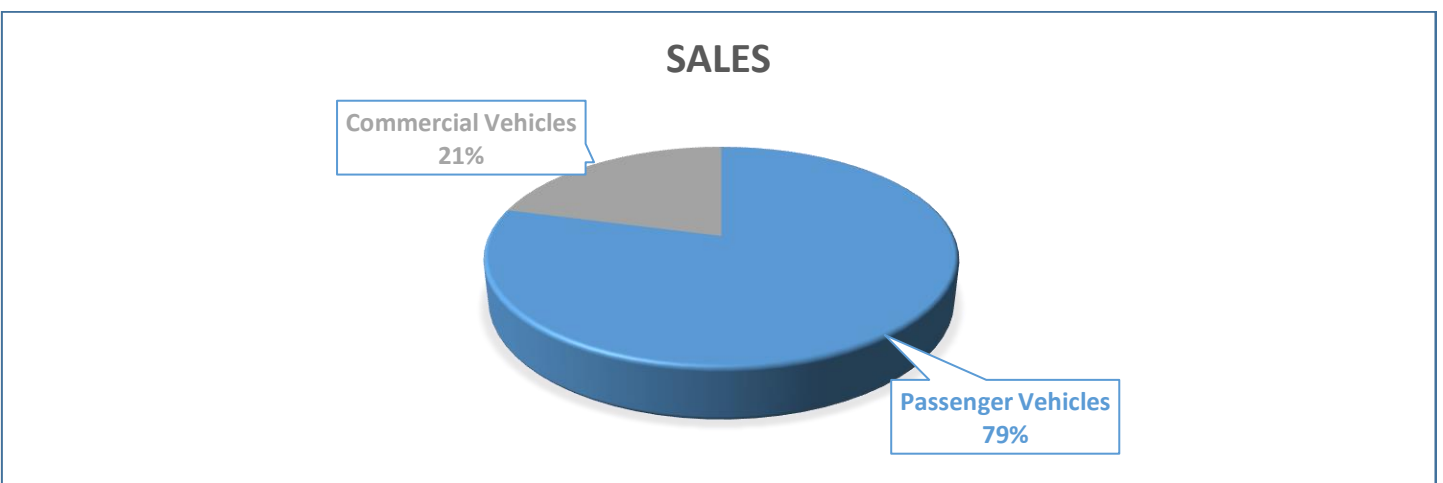
KPIT caters to Global OEM's and generates revenue from around the world. It has a strong geographic diversification with revenues generated from USA (~30% of total revenue in USD), Europe (~53% of total revenue in USD) and Asia (17% of total revenue in USD). The global car sales are expected to increase by 3.8% YoY (year on year) to 84.1 million vehicle units in CY 2023 and Global EV sales which witnessed a significant growth of 60.8%, reaching 10.7 million units. By the end of CY2023, EV shipments are projected to reach 12.7 million units, making the consumer EV market nearly four times larger than it was in CY2020. Considering the growth prospects in the overall automotive market and KPIT's position in catering to global OEM's, it is well placed to benefit from this expansion.



Source: Company

### Revenue Contribution

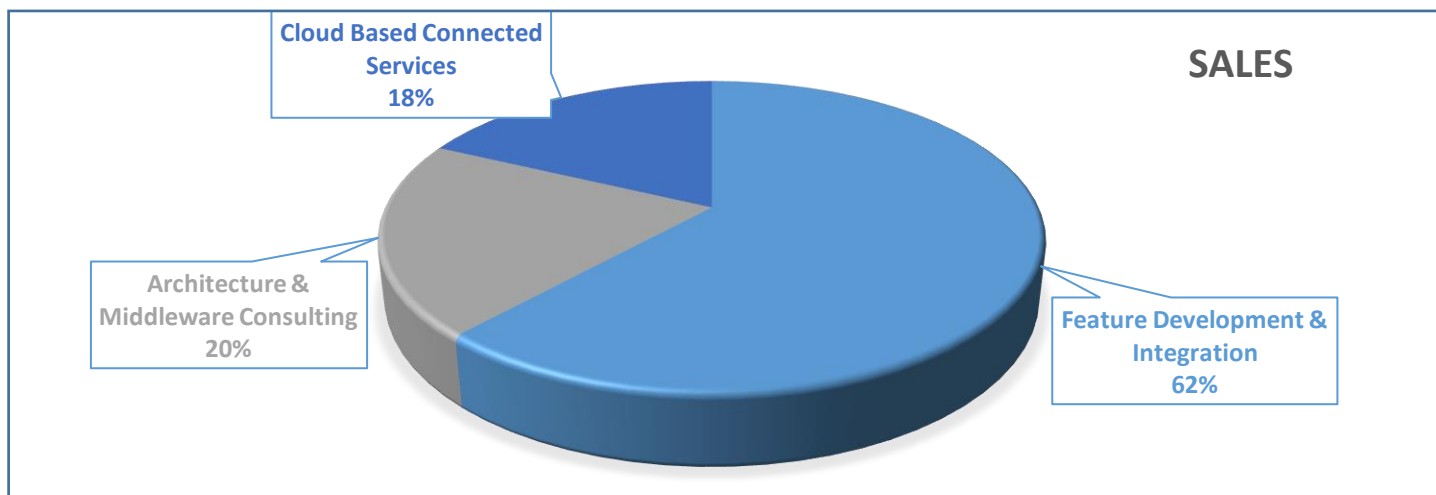
KPIT's caters to only automobile industry with it focus on new age solutions which improves the overall experience of using in automobile. The passenger vehicle segment has seen a lot of traction as many global OEMs have invested a lot for R&D in this space. KPIT derives major chunk of the dollar revenue from the passenger vehicles followed by commercial vehicles and remaining by other small verticals.



Source: Company

## Offering by KPIT Technologies Limited.

KPIT bifurcates its business into 3 units and offers 7 solutions within these units to the automotive sector. The 3 business units are- Feature Development and Integration (\$89.72 million) which includes Electrification, Autonomous Driving and ADAS, Body Electronics and Vehicle Engineering and Design), Architecture & Middleware Consulting (\$29.40 million) which includes (Middleware, AUTOSAR) and Cloud based connected services (\$26.08 million) which includes (Intelligent Cockpit, Digital Connected Solutions and Vehicle Diagnostics).



### 1. Autonomous Driving & ADAS

- System Engineering and Dependability  
It provide System Requirement development where it derives use cases, develop ODDs and on the Functional Safety front it provides analysis, consulting and deployment.
- Feature, Algorithm and Software development  
It develops algorithms using Artificial Intelligence, Machine Learning and Model Base Development Methodologies to industrialize software for production readiness. It provides software quality to enable production readiness.
- Platform and Software Integration  
Platform and Software Integration is a large part of its overall offering where it has expertise on porting and optimizing the software to the embedded platforms for the desired performance. It takes ownership of SW Integration and making the release for production programs which includes AUTOSAR, Adaptive AUTOSAR and OS integration as well.
- Verification and Validation  
It does the Requirements Based validation which is Unit & Function Testing and MIL, SIL . The key differentiation it provides here is the Scenario Based or Data Driven Validation which is done through Simulation. Additionally, it also provides Virtualization to validate the entire platform or AD Stack.
- Simulation for Homologation  
It has developed a comprehensive solution to ensure Homologation readiness for ADAS/AD vehicles. The solution consists of, a unique 8 Step methodology for virtual simulation, a range of accelerators, expert engineering services and strategic partnerships with industry leading tools and infrastructure providers like dSPACE and Microsoft.

### 2. Electrical & conventional powertrains

- Battery Management Systems  
AUTOSAR, functional safety compliant scalable and configurable (48V to 700V) BMS platform along with hardware reference design



- Inverter  
AUTOSAR compliant and configurable for various power ratings (up to 250 kW) Traction inverter platform along with scalable hardware design for control board and power board.
- Smart Charger  
Full suite of Electric Vehicle Communication Controller (EVCC) Solutions includes ready to use software stacks, accelerators & integration services.
- Vehicle Control Unit (VCU)  
Modular and configurable VCU solution, with flexible design to meet future requirements and scalable to fit demands for passenger and commercial vehicles

### 3. Connected Vehicles

- Production Sourced Solutions & Tools  
KPIT has 15+ years of Software Engineering Experience in Automotive In-Vehicle Infotainment, Clusters, Heads up Display, Digital Cockpit, Rear Seat Entertainment. It is a partner to the world's leading automotive OEM & Tier-1s.

### 4. Digital Connected Solutions

- Asset (Fleet) Management  
KPIT Asset Management Solution helps in unlocking the next generation of remote and monetizable services
- Remote Software Management  
KPIT RSM is the foundation of the Software Defined Vehicle and answer to Regulatory Compliance.
- Predictive Maintenance  
Predict remaining useful life of systems and components using data driven machine learning algorithms
- Their services in this segment includes User Experience Design, Mobile Application Development, KPIT Cloud Services.

### 5. Integrated Diagnostics and After Sales Transformation (iDART)

- It is a cloud-based ecosystem that offers tools & accelerators for the development and validation of E/E diagnostic functions using virtual and simulated environments, and provides digitized & transformative solutions for aftersales service & maintenance in addition to new-age use cases like continuous software updates, predictive maintenance and subscription based, direct-to-customer maintenance services.

### 6. ATOSAR

- Platforms and Tools  
KSAR Suite of Platforms comprises both Classic and Adaptive AUTOSAR stacks, Secure Bootloader and more
- Software Integration Services  
KPIT brings its 20+ years of software integration expertise to provide domain-specific solutions integrated with KSAR stack, along with other services related to development, verification and validation

### 7. Vehicle Engineering and Design

Their offerings cover the entire development cycle of a vehicle engineering & design production program

- New-age Solutions  
KPIT's new-age solutions accelerate product design and development
- Classical Mechanical Services  
KPIT helps in validating the concepts and validate into real products.
- Mechatronics  
KPIT focuses on developing packaging solutions for ECUs with consideration of space, safety, functionality, regulations, interconnects and heat dissipation.

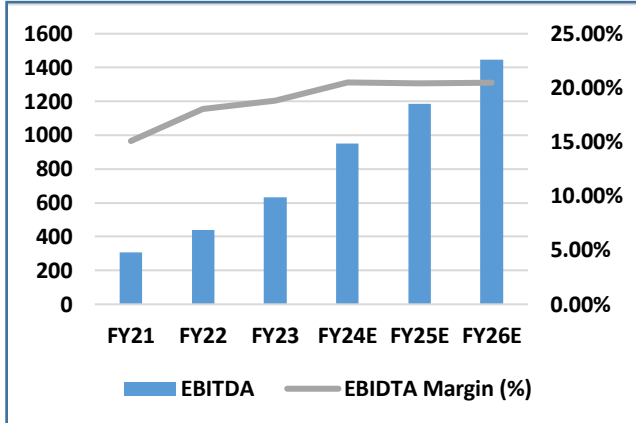
Source: Company



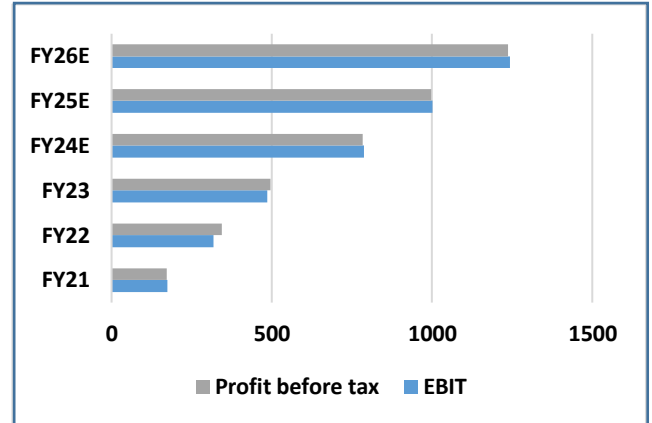


**Financial Highlights in charts**

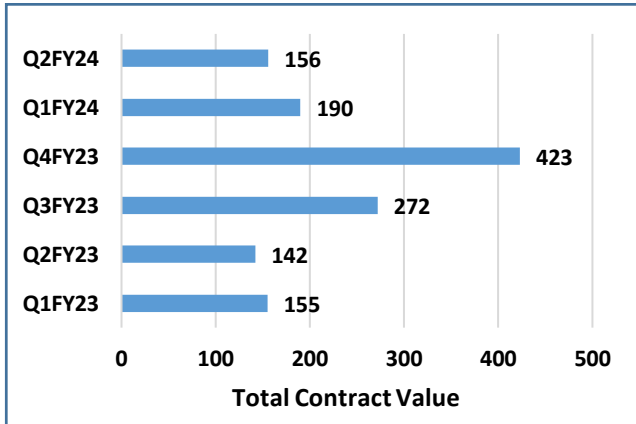
**Growing & Sustainable EBIDTA (in Rs. Crore)**



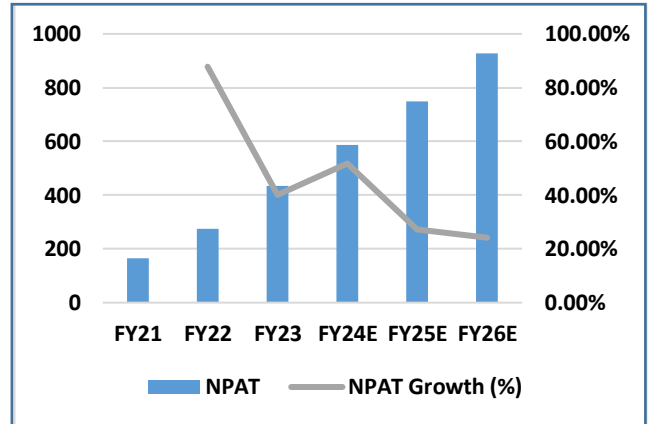
**Profitability Matrix: EBIT vs PBT trends (in Rs. Crore)**



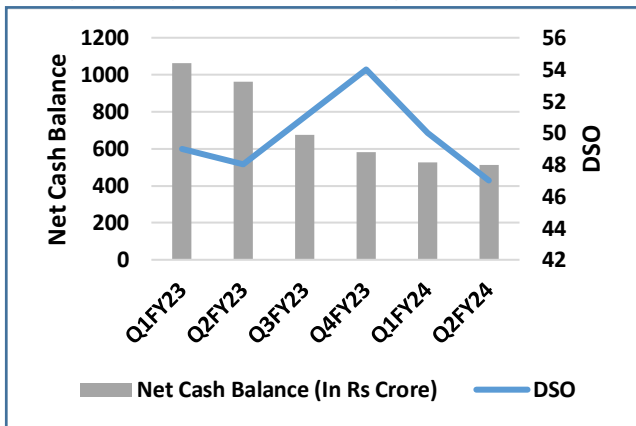
**Strong Deal Pipeline including new engagement with marquee names (in \$million)\***



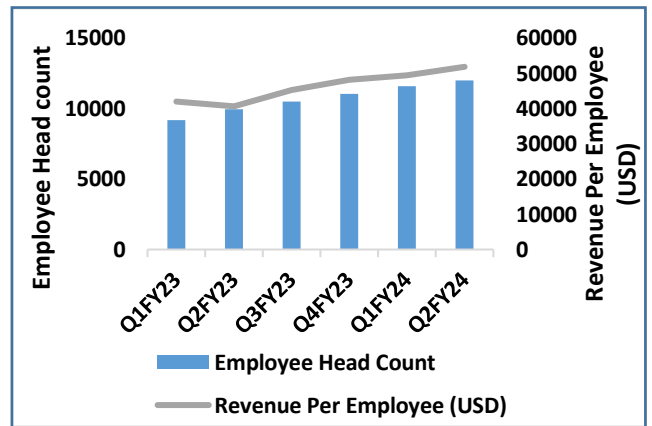
**Sustainable and growing NPAT (in Rs. Crores)**



**Strong Liquidity Position & reducing DSO**



**Constant addition of skilled labor force**



Source: Company

\*In Q4FY23 company entered a strategic engagement with Honda having a contract value of \$250 million which is included in TCV and Q3FY23 deals includes \$100 Million from mega engagement with Renault.

## Competitive Strengths

### 1. Strong financial position along with healthy margins and steady revenue growth.

KPIT has shown a 16% CAGR revenue growth in the last 3 years and also improved its EBIDTA margin from ~13% in 2020 to ~19% in FY2023. In Q2FY24 EBIDTA margin came at 20.01%. Company has a net cash position of Rs. 512.4 Crores in Q2FY24. Management has given a guidance of 20%+ EBIDTA margin and 37%+ revenue growth. Company has shown strong and steady growth in the revenue without sacrificing anything on the operating margin. Considering the management's commentary and the guidance, the financial profile of KPIT is expected to keep on improving.

### 2. Long term relations with its marquee customers

6 OEM's have relationship with KPIT for 17+ years, 4 OEM's have a relationship with KPIT for 12+ years and 7 OEM's have a relationship with KPIT for 7+years. KPIT has a total customer base of 60 active clients as on Q2FY24 and it derives 84% of the revenues from the strategic clients (top 25). Company is focused on increasing its wallet share from these 25 clients as there is still more revenue potential left since they are not fully embarked with SDV. Also company is focusing on increasing and onboarding new clients in the commercial vehicle segment.

### 3. Operates in a niche segment which opens a lot of growth opportunities

KPIT is an IT company with complete focus on the automotive segment only. It operates in a niche area and provides solutions to global OEMs. Automobile sector as a whole had seen a slowdown during pandemic but has picked good momentum since then. KPIT provides various solutions to these companies as mobility sector is moving more and more towards environment friendly, smarter and responsive solutions.

### 4. Increase in spend towards electrification and EV

The European markets are predicted to adopt EV at the faster pace compared to US and rest of the world. European markets have the highest revenue contribution in KPIT's revenue mix. Company's electrical & conventional powertrains solution offerings provides it an edge to enjoy the benefits of this increased spends.

Source: Company

## Growth Opportunities

### 1. Sodium-ion battery technology to alleviate Lithium dependency

These batteries will have extended lifespan with 80% capacity retention for 3000 – 6000 cycles, faster charging compared to the common lithium batteries, excellent high-temperature tolerance with minimal thermal management, enhanced Safety and it will substantially reduce the cost of ownership and increase the vehicle uptime. KPIT is inviting partners to manufacture and commercialize this technology. We believe this innovation will help KPIT in providing more value to the customer and be an integral part in the fast changing and developing EV landscape.

### 2. QORIX, Middle wear platform

ZF Group, a global technology company supplying systems for passenger cars, commercial vehicles, and industrial technology. QORIX is currently a subsidiary of KPIT, fully focused on Middleware solution development. ZF will be investing 50% towards equity in QORIX. KPIT and ZF are waiting for the regulations approval after which ZF group can initiate their investment in Qorix. The joint development will create an open and scalable platform which can be used across OEMs and mobility customers. There is a major gap in availability of a mature, modular, integrated middleware solution that allows mobility OEMs to manage the continual increase in software complexity while retaining full control of architecture and we believe this JV will help KPIT to cater to this area of growth.

### 3. L4 ADAS enabled vehicle

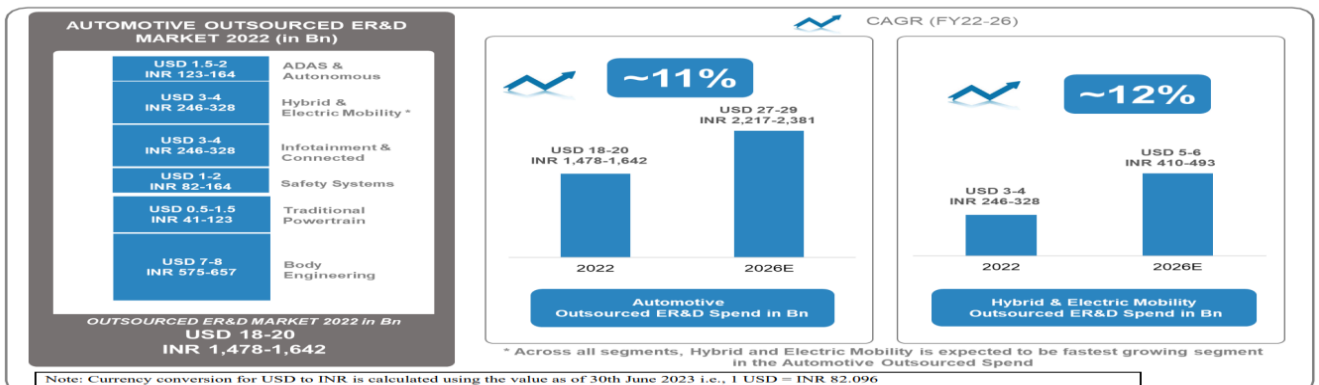
By 2035 the ADAS enabled vehicle sales is expected to touch the \$300 -\$400 billion and passenger cars installed with L3+ AD functions would rise to 17%+. L1 drive assist is expected to be around \$5-\$10 billion, L2 drive assist to be around \$60-\$80 billion, L3 to be around \$60-\$75 billion and L4 to be around \$170-\$230 billion. The increase in number of vehicles enabled with ADAS will bring in more growth opportunities for the company.

### 4. Automotive software market growth

The total market size is expected to reach \$83 billion. The powertrain, chassis market size is expected to go up to \$6 billion, body and energy market size is expected to go up to \$10 billion, the ADAS and HAD market size is expected to go up to \$42 billion, infotainment, security and connected service market size is expected to go up to \$18 billion and operating system and middlewear is expected to go up to \$7 billion. The market is expected to grow at a CAGR of 9.4% between 2019-2030 which is going to be driven by autonomous and connected vehicles.

### 5. Increase in outsourced ER&D spend

As per Zinnov Management Consulting Private Limited report, the global ER&D market is expected to grow at a faster rate than overall ER&D spending during the period of 2022-2026. There is an increasing adoption of digitization and the demand for skilled workers is increasing in the automotive industry, but due to the lack of the skilled workforce the outsourcing of ER&D spend is expected to grow. KPIT is well placed to take full benefit of this shift.



Source: Zinnov Management Consulting Private Limited report, Company

## Risks

### 1. Economy Risk

Any slowdown in the global economic activity can have adverse impact on the company's operations. KPIT caters to global OEM's who have business spread around the world. If there is any deterioration in the economy of the countries from which KPIT derives its major revenue, the company will not be able to continue its growth trajectory.

### 2. Currency Risk

KPIT earns major portion of the revenue in global currencies. Increase in the exchange rate volatility or any depreciation in the exchange rate will impact the revenue of the business.

### 3. Manpower and wages risk

KPIT is in constant need of skilled labor force and any if there is a decrease in the availability of the skilled workforce, KPIT may not be able to cater to the clients in the best possible way which may lead to KPIT loosing contracts and clients. The skilled workforce also has a high employee cost associated with them. In FY23 employee benefit expenses accounted for ~64% of the revenue from operation and any increase in the wage rate may adversely affect the company's profitability and reduce the margins.

### 4. Dependence on the auto sector with major revenue from limited number of clients.

KPIT only caters to the automobile sector, which bring in a lot of risk on table for the company since any slowdown in the automobile sector will hinder the company's growth. The automobile sector was one of the worst affected during Covid and KPIT too witnessed a slowdown in it growth. KPIT derives ~85% of the revenue from its top 25 clients and if it loses any client or contract from these clients, it will affect the revenue of the company.

Source: Zinnov Management Consulting Private Limited report, Company

## Management Team

Name	Description
Mr. Ravi Pandit	<ul style="list-style-type: none"> <li>Co-founder, Chairman</li> <li>Over the last 30+ years, KPIT, under Ravi Pandit's leadership, company has emerged as a premier establishment in its area of work.</li> </ul>
Mr. Kishor Patil	<ul style="list-style-type: none"> <li>Co-founder, CEO and MD of KPIT Technologies Limited, NASSCOM EC Member and Chair ER&amp;D council</li> <li>He co-founded KPIT in 1990. Under his leadership, the company had grown over 50 times in revenues in the last 12+ years to reach around USD 500 million (INR 3000 crores). This is achieved through organic growth and global acquisitions.</li> </ul>
Mr. Sachin Tikekar	<ul style="list-style-type: none"> <li>President and Joint Managing Director</li> <li>Sachin is the President and Joint Managing Director of KPIT. He has been with the company since the beginning, and has lead and guided the company in different areas. In his current role, Sachin is responsible for growing &amp; nurturing strategic relationships with customers and partners.</li> </ul>
Mr. Chinmay Pandit	<ul style="list-style-type: none"> <li>Whole-Time Director</li> <li>He is a Board Member and Geo Head, America. He is the Head of Geography (Americas) as well as the Head of Commercial Vehicle vertical. As the Geography head, he is responsible for the overall strategy and growth plan of the company in the geography. This includes executive connect with key clients' leadership, business development, operations in the geography, people development and the branding and positioning of the organization as a key technology expert. Mr. Chinmay is also responsible for the profitability of the geography. In his additional role as the Vertical Head, he is responsible for driving growth as well as the company's investments for the Commercial Vehicles vertical. He is also responsible for all client engagements in the Commercial Vehicles Vertical across the globe. He has been with the Company for last 15 years</li> </ul>
Mr. Anup Sable	<ul style="list-style-type: none"> <li>Whole-Time Director</li> <li>Mr. Anup Sable is the Chief Technology Officer and Board Member of KPIT. In his current responsibilities, he manages the CTO function and steers the technology direction of the company and is currently also the board member for Path Partner India. He is also responsible for incubating the Middleware and Virtualization Practices which will be a major growth driver in future and will enhance the company's recognition as a trusted software and integration partner to the Automotive &amp; Mobility industry.</li> </ul>
Mrs. Priya Hardikar	<ul style="list-style-type: none"> <li>Chief Financial Officer at KPIT.</li> <li>Mrs. Priya Hardikar completed graduation in Commerce from Pune University as rank holder and qualified as Cost Accountant with very high rank at all India level. She has been with the company in leadership position in Corporate Accounting and Finance (CF&amp;G) for more than 12 years. A highly result oriented and energetic leader with proven capability, she has played an instrumental role in setting up the best practices in the CF&amp;G function as well in compliances.</li> </ul>

Source: Company



**AJCONGLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISORS

### Subsidiaries

1. KPIT (Shanghai) Software Technology Co.
2. KPIT Technologies (UK) Limited
3. KPIT Technologies Netherlands B.V.
4. KPIT Technologies GmbH
5. MicroFuzzy Industrie- Elektronik GmbH
6. KPIT Technologias Ltda
7. KPIT Technologies GK
8. Kpit technologies holding inc.
9. KPIT technologies inc
10. ThaiGerTec co. ltd
11. PathPartner technology
12. Technica Group (Technica engineering GmbH, Technica electronics Barcelona S.L., Technica engineering Spain S.L., Technica Engineering Inc.)
13. KPIT Technologies SAS
14. Somit solution (Somit Solutions Limited, Somit Solutions Inc.)
15. Qorix GmbH
16. FMS

Source: Company

### Recent Developments

KPIT has acquired 13% share-holding in N-Dream for consideration of Euro 2.7 million as primary investment and Euro 0.3 million as secondary investment post completion of all closing conditions.

Source: Company



### Peer Comparison

Name	Market cap (in Rs. Cr.)	Revenue from operation (in Rs. Crore as on FY23)	PAT (In Rs. Crore as on FY23)	EPS (as on FY23)
KPIT Technologies Limited	41,948	3,365	387	14.10
Tata Technologies Limited	47,118	4,414	624	15.38
Tata Elxsi Limited	53,792	3,145*	755	121.26
L&T Technology Services Limited	55,497	8,013*	1,174	110.48

\*From Tata Elxi's total revenue, Rs. 1,177 crores is derived from transportation segment. From L&T Technology Services total revenue, Rs. 2770 crores is derived from transportation segment.

Source: Respective company's annual report, NSE



## Financials

### Income Statement (in Rs. Crore/unless otherwise stated)

Particulars	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue from operations	2035.74	2432.39	3365.04	4643.76	5804.69	7081.73
<b>Growth Rate (%)</b>		<b>19.48%</b>	<b>38.34%</b>	<b>38.00%</b>	<b>25.00%</b>	<b>22.00%</b>
Cost of materials consumed	0.052		65.88			
Changes in inventories of finished goods and work - in - progress			(25.44)			
Employee benefits expense	1341.47	1610.6	2155.3	3018.44	3773.05	4603.12
Other expenses	387.08	383.24	536.41	673.34	846.32	1030.39
<b>EBITDA</b>	<b>307.14</b>	<b>438.55</b>	<b>632.89</b>	<b>951.97</b>	<b>1185.32</b>	<b>1448.21</b>
<b>EBITDA Margin (%)</b>	<b>15.09%</b>	<b>18.03%</b>	<b>18.81%</b>	<b>20.5%</b>	<b>20.42%</b>	<b>20.45%</b>
Depreciation and amortisation expense	133.17	119.61	146.38	163.95	183.62	205.65
<b>EBIT</b>	<b>173.97</b>	<b>318.93</b>	<b>486.51</b>	<b>788.02</b>	<b>1001.70</b>	<b>1242.56</b>
Other income	15.762	44.809	40.192	40.19	40.19	40.19
Finance costs	17.253	19.395	32.313	45.00	45.00	45.00
Profit before share of profit of equity accounted investee and tax	172.47	344.35	494.39	783.22	996.89	1237.75
Share of profit of equity accounted investees (net of tax)		0.198	2.397			
<b>Profit before tax</b>	<b>172.47</b>	<b>344.54</b>	<b>496.79</b>	<b>783.22</b>	<b>996.89</b>	<b>1237.75</b>
Total tax expense	30.52	68.301	109.92	195.80	249.22	309.44
<b>Profit for the year</b>	<b>147.1</b>	<b>276.24</b>	<b>386.86</b>	<b>587.41</b>	<b>747.67</b>	<b>928.31</b>
<b>PAT Margin (%)</b>	<b>7.23%</b>	<b>11.36%</b>	<b>11.50%</b>	<b>12.65%</b>	<b>12.88%</b>	<b>13.11%</b>
<b>EPS</b>	<b>5.43</b>	<b>10.17</b>	<b>14.10</b>	<b>21.67*</b>	<b>27.58*</b>	<b>34.25*</b>

Source: Company, Ajcon Global Services Limited

\*For the calculation of EPS in our estimated period, we have considered total PAT and the number of equity shares are taken as on H1FY24 (without taking effect of dilution, if any).





**Balance Sheet (in Rs. Crore)**

Particulars	FY21	FY22	FY23	Particulars	FY21	FY22	FY23
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non - current assets</b>				<b>Equity</b>			
Property , plant and equipment	196.81	193.67	214.38	Equity share capital	269.04	270.02	270.34
Right - of - use assets	250.51	250.33	259.43	Other equity	937.80	1039.55	1381.19
Capital work - in - progress	11.79	0.41	5.64	Equity attributable to owners of the Company	1206.84	1309.57	1651.53
Goodwill	101.38	167.87	1010.25	Non - controlling interests	2.87	15.55	11.75
Other intangible assets	28.22	28.98	200.36	<b>Total equity</b>	<b>1209.72</b>	<b>1325.11</b>	<b>1663.29</b>
Intangible assets under development	0.28	-	26.87	<b>Liabilities</b>			
Investments accounted for using the equity method	-	21.61	25.22	<b>Non - Current Liabilities</b>			
Financial assets				Financial liabilities			
Investments	1.04	0.04	0.04	Borrowings	2.40	1.87	0.22
Other financial assets	8.16	53.88	56.83	Lease liabilities	190.06	183.40	186.42
Income tax assets ( net )	15.01	27.96	29.27	Other financial liabilities	28.05	92.68	285.01
Deferred tax assets ( net )	55.37	76.38	69.87	Provisions	9.64	25.43	37.54
Other non - current assets	3.28	0.85	0.80	Deferred tax liabilities ( net )	0.01	0.01	60.01
<b>Total Non- Current Assets</b>	<b>671.84</b>	<b>821.99</b>	<b>1899.00</b>	<b>Total Non-Current Liabilities</b>	<b>230.16</b>	<b>303.37</b>	<b>569.22</b>
<b>Current Assets</b>				<b>Current liabilities</b>			
Inventories	-	-	58.75	Financial liabilities			
Financial assets				Borrowings	0.73	0.72	48.98
Investments	126.16	107.57	38.95	Lease liabilities	36.79	41.25	50.88
Trade receivables				Trade payables			
Billed	308.35	371.45	592.44	( i ) Total outstanding dues of micro enterprises and small enterprises	0.25	0.57	0.35
Unbilled	69.36	69.54	182.32	( ii ) Total outstanding dues of creditors other than micro enterprises and small enterprises	135.00	136.66	163.98
Cash and cash equivalents	285.77	342.06	454.21	Other financial liabilities	86.14	189.93	444.82
Bank balances other than cash and cash equivalents above	415.03	550.73	94.91	Other current liabilities	210.44	242.10	361.44
Loans	0.43	0.00	0.00	Provisions	33.62	65.85	51.72
Other financial assets	53.70	27.97	28.37	Income tax liabilities ( net )	24.71	30.59	45.85
Other current assets	36.91	44.83	51.60	<b>Total Current Liabilities</b>	<b>527.67</b>	<b>707.66</b>	<b>1168.05</b>
<b>Total Current Assets</b>	<b>1295.70</b>	<b>1514.16</b>	<b>1501.57</b>				
<b>TOTAL ASSETS</b>	<b>1967.54</b>	<b>2336.15</b>	<b>3400.57</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1967.54</b>	<b>2336.15</b>	<b>3400.57</b>

Source: Company



### Cash Flow Statement (In Rs. Crore)

Particulars	FY21	FY22	FY23
Cash Flow From Operating Activity			
Profit For the Year	147.1	276.24	386.86
Adjustments	205.61	200.1	351.35
<b>Operating profit before working capital changes</b>	<b>352.71</b>	<b>476.34</b>	<b>738.21</b>
Adjustments for changes in working capital	307.64	87.47	(176.9)
Cash generated from operations	660.35	563.81	561.29
Income Tax paid (net)	(32.74)	(88.82)	(98.85)
<b>Net Cash generated from operating activities (A)</b>	<b>627.61</b>	<b>474.99</b>	<b>462.44</b>
<b>Net cash used in investing activities (B)</b>	<b>(500.84)</b>	<b>(302.4)</b>	<b>(202.34)</b>
<b>Net cash used in Financing activities (C)</b>	<b>(114.77)</b>	<b>(126.66)</b>	<b>(183.09)</b>
Exchange differences on translation of foreign currency cash and cash equivalents	(2.1)	0.81	0.32
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>9.88</b>	<b>46.73</b>	<b>77.32</b>

Source: Company

### Financial Ratios

Particulars	FY21	FY22	FY23
Current Ratio	2.46	2.14	1.29
Debt* to Equity ratio	0.19	0.17	0.17
Return on assets	7.48%	11.82%	11.38%
Return On equity	12.16%	20.85%	23.26%
Book Value per share	44.71	48.56	60.90

Source: Company

\*Debt includes current and non-current borrowings and lease liabilities.

#### Disclosure under SEBI Research Analyst Regulations 2014:

Sr.no.	Particulars	Yes/No
1)	Research Analyst or his/her relative's or Ajcon Global Services Limited financial interest in the subject company(ies):	No
2)	Research Analyst or his/her relative or Ajcon Global Services Limited actual/beneficial ownership of 1% or more securities of the subject company (ies) at the end of the month immediately preceding the date of publication of the Research report	No
3)	Research Analyst or his/her relative or Ajcon Global Services Limited has any other material conflict of interest at the time of publication of the Research Report	No
4)	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5)	Ajcon Global Services Limited has received any compensation from the subject company in the past twelve months	No
6)	Ajcon Global Services Limited has received any compensation for investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
7)	Ajcon Global Services Limited has received any compensation for products or services other than investment banking, or merchant banking, or brokerage services from the subject company in the past twelve months	No
8)	Ajcon Global Services Limited has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9)	Ajcon Global Services Limited has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10)	Research Analyst or Ajcon Global Services Limited has been engaged in market making activity for the subject company(ies)	No

#### Recommendation parameters for fundamental reports:

**Buy** – Absolute return of 20% and above

**Accumulate** – Absolute return between 15% and above

**Book profits:** On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

#### Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Aadesh Gosalia or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

#### **Analyst Certification**

I, Aadesh Gosalia, research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

#### **For research related queries contact:**

Mr. Aadesh Gosalia at [research@ajcon.net](mailto:research@ajcon.net),

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: [www.ajcononline.com](http://www.ajcononline.com)

**Registered and Corporate office** 408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062