

Recommendation and Rationale: -

We had initiated coverage on KPIT Technologies with “BUY” rating and a target price of Rs. 1849.50 valuing it at a multiple of 54x its FY26E EPS of Rs. 34.25. We had further upgraded our target price to Rs. 2016.90 post its Q3FY24 results. Taking into account the management guidance and company’s performance in Q4FY24 and FY24, we change our rating to “ACCUMULATE” and reduce our target price Rs. 1789.02 valuing it at a multiple of 54x its FY26E EPS of Rs. 33.13.

Outlook

KPIT Technologies has been giving good set of numbers and has met its guidance again in Q4FY24. The guidance for FY25 is on the positive note with CC revenue growth of 18%-22% and EBITDA margin of 20.5%+ but it is less than the growth seen in FY24 and also less than our estimates. The long term growth story of the company is still intact and with improvement in the global automobile industry we are confident about the company’s growth story.

Q4FY24 Highlights

- Growth in Q4FY24 was led by middle wear, connected, power train and autonomous domain, broad based across geography with Europe and Asia leading this growth.
- Passenger car and CV, both saw strong sequential growth.
- Company will invest in technology areas such as cross practice offering and AI offering with increased focus on Asian markets.
- The board has approved an ESOP scheme and the cost of the same will be in lines of Rs. 100 crores in FY25.
- The company has been able to outperform its peers backed by area of new technology, deep relation, trusted partnership and substantial deal wins in past as well as during the quarter.
- Further they are planning to double down on their current offerings and get benefit of client spends in this area.
- TCV in Q4FY24 stood at \$261 million and this is broad based. Top two wins where were upward of \$50 million were from Asia in area of SDV and Europe in area of integration.
- Company is confident about the continuation of spend by the OEM in the industry and not seeing any signs of slowdown.
- Further the company will be focusing more on platinum and gold accounts to expand further as they are seen right opportunity to engage with them more meaningfully. Over the last two years, major growth came from diamond clients.

Key Stock Data	28 th May 2024
CMP (Rs)	1511
Industry	Computers- Software & Consulting
Market Cap (Rs. Crore)	41511
52 Week High/Low (Rs)	1764/961
Number of equity shares	27.12 Crores
BSE/NSE Code	542651/KPITTECH
Bloomberg	KPITTC IN

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

Particulars	FY23	FY24	FY25E	FY26E
Rev. from operations	3365.04	4871.54	5943.28	7131.93
EBITDA	632.89	991.37	1248.09	1497.71
EBITDAM (%)	18.81%	20.35%	21.00%	21.00%
PBT	496.79	800.49	1005.53	1198.15
PAT	386.86	598.57	754.15	898.61
PATM(%)	11.50%	12.29%	12.69%	12.60%
EPS	14.10	21.95	27.81	33.13

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

Particulars	Q4FY24	Q3FY24	Q2FY24	Q1FY24
Rev. from operations	1317.80	1256.96	1199.16	1097.62
EBIDTA	272.87	258.50	239.93	213.88
EBIDTAM (%)	20.70%	20.60	20.01%	19.49%
PBT	224.48	211.58	187.74	176.63
PAT	165.91	156.75	141.40	134.44
PAT Margin (%)	12.58	12.4%	11.79%	12.25%
EPS	6.06	5.73	5.20	4.95

Shareholding Pattern

Particulars	Q4FY24	Q3FY24	Q2FY24	Q1FY24
Promoters	39.47%	39.47%	39.47%	39.47%
FII	23.98%	26.48%	25.69%	25.91%
DII	14.00%	11.60%	12.25%	11.78%
Public & Others	22.56%	22.43%	22.60%	22.84%

Source: Company, Bloomberg, NSE

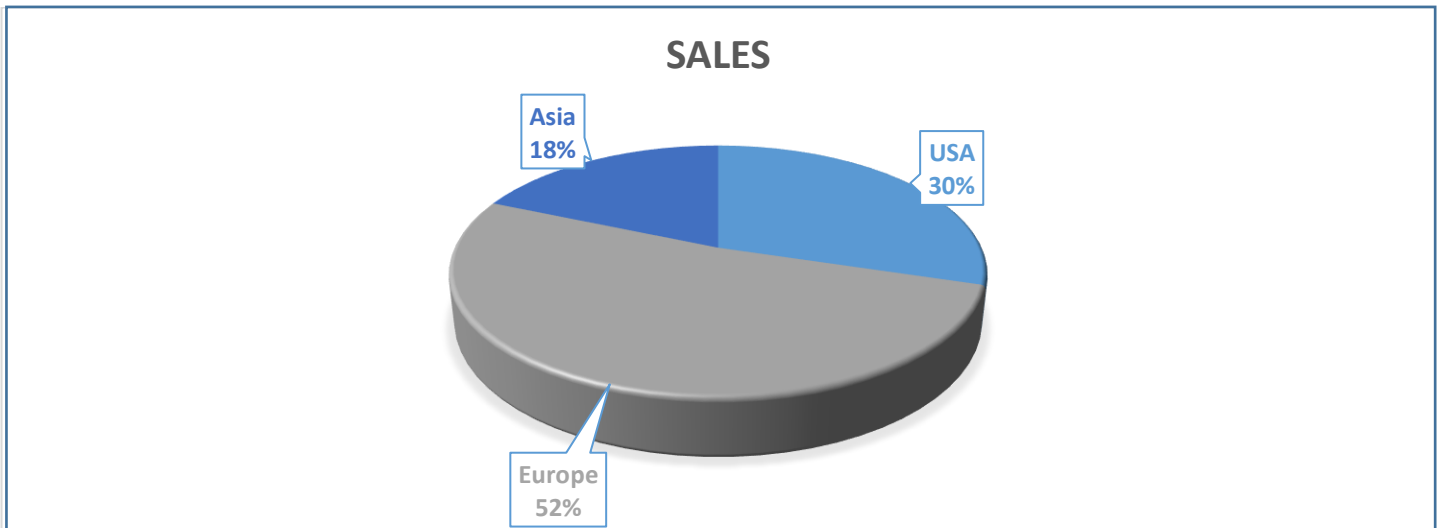
About the Company: -

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 12500+ 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

KPIT's Geographic Distribution

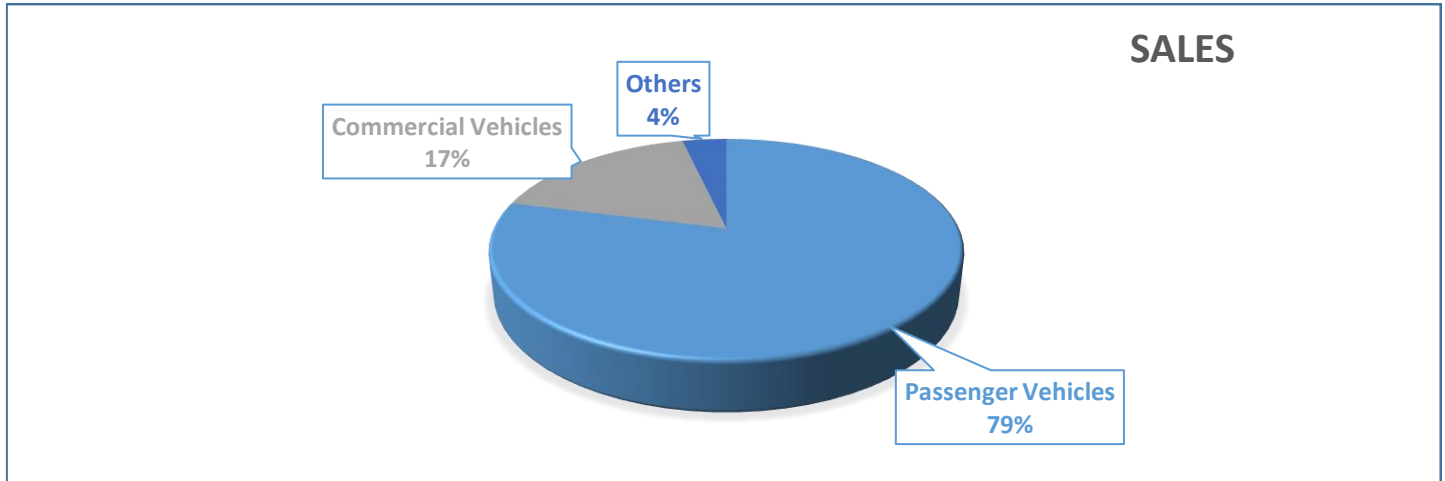
KPIT caters to Global OEM's and generates revenue from around the world. It has a strong geographic diversification with revenues generated from USA (~30% of total revenue in USD), Europe (~52% of total revenue in USD) and Asia (18% of total revenue in USD). The revenue contribution has remained more or less same over the past quarters, but in absolute numbers, U.S market has seen marginal improvement sequentially and Asian markets have shown good growth in Q4FY24 over the same quarter last year.



Source: Company

Revenue Contribution

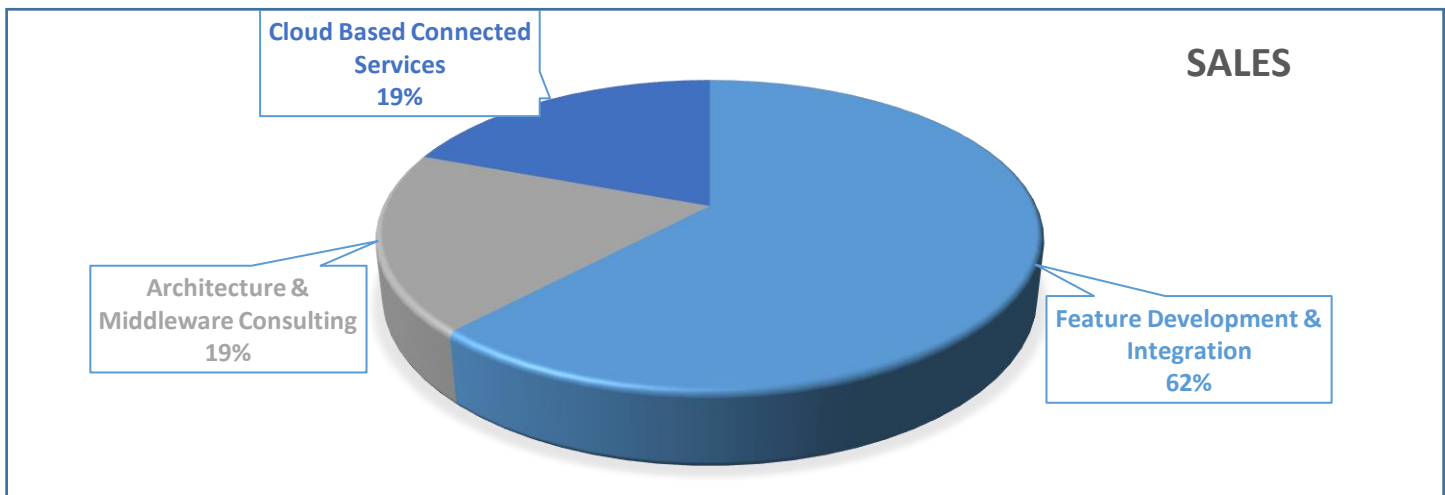
KPIT's caters to only automobile industry with its focus on new age solutions which improves the overall experience of using an automobile. KPIT derives major chunk of the dollar revenue from the passenger vehicles (\$125.55 million) followed by commercial vehicles (\$27.76 million) and remaining by other small verticals (Total revenue of \$159.02 million). KPIT has plans to increase its contribution from commercial vehicle segment. It is expecting positive momentum from trucks segment within CV space and work is going on in off-highway segment with management being optimistic about the work in that space.



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 (\$98.64 million) which includes Electrification, Autonomous Driving and ADAS, Body Electronics and Vehicle Engineering and Design), Architecture & Middleware Consulting (\$29.70 million) which includes (Middleware, AUTOSAR) and Cloud based connected services (\$30.68 million) which includes (Intelligent Cockpit, Digital Connected Solutions and Vehicle Diagnostics).

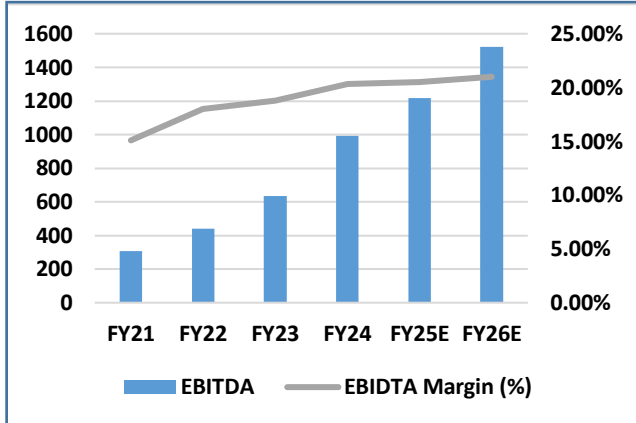


Source: Company

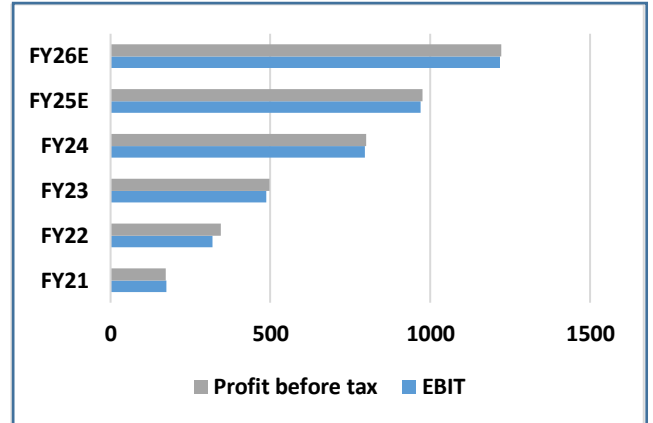


Financial Highlights in charts

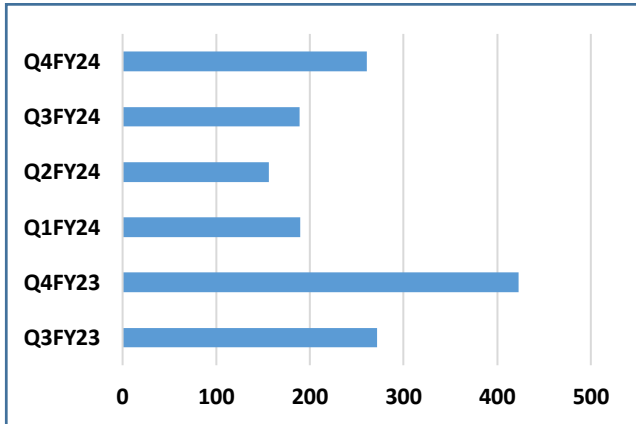
Growing & Sustainable EBIDTA (in Rs. Crore)



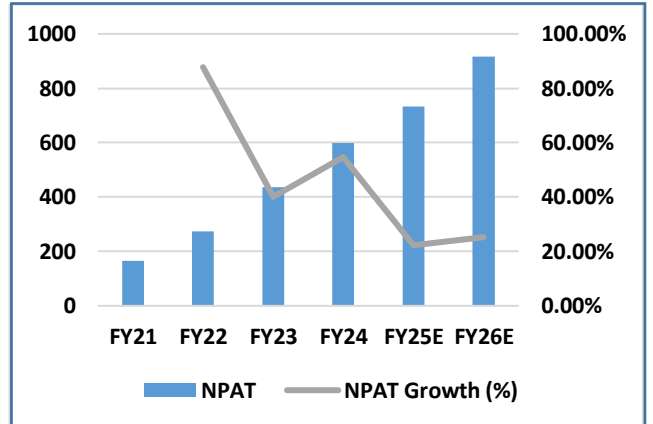
Profitability Matrix: EBIT vs PBT trends (in Rs. Crore)



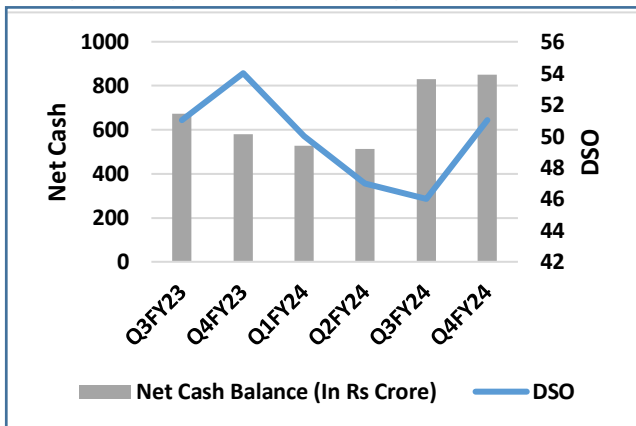
Strong Deal Pipeline including new engagement with marquee names (in \$million)*



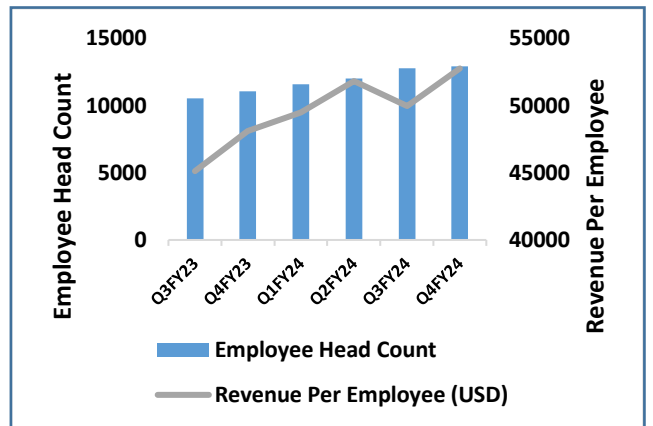
Sustainable and growing NPAT (in Rs. Crores)



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.

Management Team

Name	Description
Mr. Ravi Pandit	<ul style="list-style-type: none"> Co-founder, Chairman Over the last 30+ years, KPIT, under Ravi Pandit's leadership, company has emerged as a premier establishment in its area of work.
Mr. Kishor Patil	<ul style="list-style-type: none"> Co-founder, CEO and MD of KPIT Technologies Limited, NASSCOM EC Member and Chair ER&D council 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.
Mr. Sachin Tikekar	<ul style="list-style-type: none"> President and Joint Managing Director 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 & nurturing strategic relationships with customers and partners.
Mr. Chinmay Pandit	<ul style="list-style-type: none"> Whole-Time Director 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
Mr. Anup Sable	<ul style="list-style-type: none"> Whole-Time Director 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 & Mobility industry.
Mrs. Priya Hardikar	<ul style="list-style-type: none"> Chief Financial Officer at KPIT. 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&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&G function as well in compliances.

Source: Company



Subsidiaries

Name of component	Relationship
KPIT Technologies (UK) Limited	Subsidiary
KPIT (Shanghai) Software Technology Co. Limited	Subsidiary
KPIT Technologies Netherland B.V.	Subsidiary
KPIT Technologies GmbH	Subsidiary
KPIT Technologias Ltda	Subsidiary
Microfuzzy Industrie-Elektronik GmbH	Subsidiary
KPIT Technologies Limited GK	Subsidiary
KPIT Technologies Inc.	Subsidiary
KPIT Technologies Holding Inc.	Subsidiary
ThaiGerTec Co., Limited	Subsidiary
PathPartner Technology Private Limited	Subsidiary
PathPartner Technology Inc	Subsidiary
PathPartner Technology GmbH	Subsidiary
Somit Solutions (UK) Limited (with effect from 1 June 2022)	Subsidiary
Somit Solutions Inc. (with effect from 1 June 2022)	Subsidiary
KPIT Technologies Employee Welfare Trust (ESOP trust)	Subsidiary
KPIT Technologies S.A.S (with effect from 23 September 2022)	Subsidiary
Technical Engineering GmbH (with effect from 1 October 2022)	Subsidiary
Technica Electronics Barcelona, S.L. (with effect from 1 October 2022)	Subsidiary
Technical Electronics Spain S.L. (with effect from 1 October 2022)	Subsidiary
Technical Engineering Inc. (with effect from 1 October 2022)	Subsidiary
Qorix GmbH (with effect from 10 March 2023)	Subsidiary
FMS Future Mobility Solutions GmbH (with effect from 1 April 2023)	Subsidiary
N Dream AG (with effect from 5 December 2023)	Associate

Source: Company

JV

ZF Friedrichshafen AG (ZF) and Qorix GmbH, wholly owned stepdown subsidiary has formed a JV and incorporated the company named "QORIX INDIA PRIVATE LIMITED" (Qorix India)



Financials

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

Particulars	FY22	FY23	FY24	FY25E	FY26E
Revenue from operations	2,432.39	3,365.04	4,871.54	5,943.28	7,131.93
Growth Rate (%)	19.48%	38.34%	44.77%	22.00%	20.00%
Cost of materials consumed		65.88	71.96		
Changes in inventories of finished goods and work - in - progress		-25.442	-13.63		
Employee benefits expense	1,610.60	2,155.30	3112.02	3,833.41	4,564.44
Other expenses	383.24	536.41	709.82	891.49	1,069.79
EBITDA	438.55	632.89	991.37	1,218.37	1,497.71
EBIDTA Margin (%)	18.03%	18.81%	20.35%	20.50%	21.00%
EBIDTA Growth Rate	42.79%	44.31%	56.64%	22.90%	22.93
Depreciation and amortisation expense	119.61	146.38	195.79	248.00	305.00
EBIT	318.93	486.51	795.58	970.37	1,192.70
Other income	44.809	40.192	60.26	60.26	60.26
Finance costs	19.395	32.313	54.82	54.82	54.82
Profit before share of profit of equity accounted investee and tax	344.35	494.39	801.02	975.81	1,198.15
Share of profit of equity accounted investees (net of tax)	0.198	2.397	-0.53		
Profit before tax	344.54	496.79	800.49	975.81	1,198.15
Total Tax Expense	68.301	109.92	201.92	243.95	299.54
Profit for the year	276.24	386.86	598.57	731.86	898.61
Total other comprehensive income / (loss)	-2.269	48.568			
NPAT	273.97	435.43	598.57	731.86	898.61
NPAT Growth (%)	87.79%	40.04%	54.73%	22.27%	22.78
NPAT Margin (%)	11.36%	11.50%	12.29%	12.31%	12.60%
Earnings per equity share (face value per share ₹ 10 each)	10.17	14.1	21.95	26.99	33.13

Source: Company, Ajcon Global Services Limited

Balance Sheet (in Rs. Crore)

Particulars	FY22	FY23	FY24	Particulars	FY22	FY23	FY24
ASSETS				EQUITY AND LIABILITIES			
Non - current assets				Equity			
Property , plant and equipment	193.67	214.38	239.52	Equity share capital	270.02	270.34	271.21
Right - of - use assets	250.33	259.43	303.34	Other equity	1039.55	1381.19	1874.64
Capital work - in - progress	0.41	5.64	0.51	Equity attributable to owners of the Company	1309.57	1651.53	2145.85
Goodwill	167.87	1010.25	1146.32	Non - controlling interests	15.55	11.75	17.10
Other intangible assets	28.98	200.36	226.15	Total equity	1325.11	1663.29	2162.96
Intangible assets under development	-	26.87	57.55	Liabilities			
Investments accounted for using the equity method	21.61	25.22	8.13	Non - Current Liabilities			
Financial assets				Financial liabilities			
Investments	0.04	0.04	0.04	Borrowings	1.87	0.22	0.06
Other financial assets	53.88	56.83	69.79	Lease liabilities	183.40	186.42	216.74
Income tax assets (net)	27.96	29.27	19.56	Other financial liabilities	92.68	285.01	154.67
Deferred tax assets (net)	76.38	69.87	78.79	Provisions	25.43	37.54	51.28
Other non - current assets	0.85	0.80	1.69	Deferred tax liabilities (net)	0.01	60.01	69.57
	821.99	1899.00	2151.44		303.37	569.22	492.34
Current Assets				Current liabilities			
Inventories	-	58.75	90.24	Financial liabilities			
Financial assets				Borrowings	0.72	48.98	44.67
Investments	107.57	38.95	86.29	Lease liabilities	41.25	50.88	67.26
Trade receivables				Trade payables			
Billed	371.45	592.44	748.94	(i) Total outstanding dues of micro enterprises and small enterprises	0.57	0.35	
Unbilled	69.54	182.32	206.89	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	136.66	163.98	239.76
Cash and cash equivalents	342.06	454.21	655.01	Other financial liabilities	189.93	444.82	327.20
Bank balances other than cash and cash equivalents above	550.73	94.91	115.51	Other current liabilities	242.10	361.44	633.26
Loans				Provisions	65.85	51.72	77.12
Other financial assets	27.97	28.37	42.28	Income tax liabilities (net)	30.59	45.85	123.28
Other current assets	44.83	51.60	71.25		707.66	1168.05	1512.89
	1514.16	1501.57	2016.44				
TOTAL ASSETS	2336.15	3400.57	4167.89	TOTAL EQUITY AND LIABILITIES	2336.15	3400.57	4167.89

Source: Company

Cash Flow Statement (In Rs. Crore)

Particulars	FY22	FY23	FY24
Cash Flow From Operating Activity			
Profit For the Year	344.54	496.79	800.49
Adjustments	200.1	241.43	251.31
Operating profit before working capital changes	544.64	738.22	1051.8
Adjustments for changes in working capital	87.47	-176.9	87.1
Cash generated from operations	632.11	561.3	1138.85
Income Tax paid (net)	-88.82	-98.85	-137.09
Net Cash generated from operating activities	543.29	462.45	1001.76
Net cash used in investing activities	-302.4	-202.34	-563.7
Net cash used in Financing activities	-126.66	-183.09	-239.98
Exchange differences on translation of foreign currency cash and cash equivalents	0.81	0.32	2.72
Net increase in cash and cash equivalents	46.73	77.32	200.8

Source: Company

Financial Ratios

Particulars	FY22	FY23	FY24
Current Ratio	2.14	1.29	1.33
Cash Ratio	0.48	0.39	0.43
Debt Ratio	0.00	0.01	0.01
Debt to Equity ratio	0.00	0.03	0.02
Return on assets ratio	11.82%	11.38%	14.36%
Return On equity ratio	20.85%	23.26%	27.67%

Source: Company

Recommendation History

Date	Recommendation	TP	Research
10 th January 2024	BUY	1849.50	Initiating Coverage
15 th February 2024	BUY	2016.90	Result Update

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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
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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
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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 an occurrence of a specific event leading to change in fundamentals of the Company recommended

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