

Mix Bag Performance; Revenue Visibility Ahead

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBIT margin – **MISS**; PAT – **MISS**

Recommendation Rationale

- **Demand Outlook:** Demand among OEMs is increasing as they recognise the need to catch up quickly with better quality and faster validation processes. AI-driven validation solutions remain a key priority for OEMs.
- **Deal Wins/Pipeline:** Deal wins have grown strongly (~20% on a TTM and YoY basis), driven by factors such as reprioritisation of existing programs and rising demand for more efficient, solution-based delivery.
- **AI Competencies:** KPIT remains highly optimistic about its AI competencies and the solutions being developed, particularly in AI-infused mobility. Management believes the company's advanced AI journey in mobility provides a significant competitive edge in winning new business.

Sector Outlook: Cautiously optimistic

Company Outlook & Guidance: The company remains confident in its strategy and ability to navigate the evolving mobility industry landscape, leveraging its technological prowess and strategic partnerships to drive future growth.

Current Valuation: 33x FY27E P/E

Current TP: 1,385/share

Recommendation: With a deal pipeline across business verticals, new partnerships, and higher adoption of new-age technologies, the company is expected to show better recovery. **Hence, we resume our coverage with a BUY rating on the stock.**

Financial performance

In Q1FY26, KPIT Technologies reported revenue of Rs 1,539 Cr vs Rs 1,365 Cr in Q1FY25, up 12.7% YoY and 0.7% QoQ. EBIT stood at Rs 237 Cr vs Rs 236 Cr in Q1FY25, up 0.4% YoY and down 10.5% QoQ. EBIT margin declined by 190 bps YoY and 192 bps QoQ to 15.4%. Net Income came in at Rs 172 Cr vs Rs 205 Cr in Q1FY25, down 16% YoY and 29.7% QoQ. In CC terms, revenue grew 4.9% YoY and declined 3.2% QoQ. The Total Contract Value (TCV) during the quarter stood at \$241 Mn vs \$202 Mn in Q1FY25, up 19% YoY and down 14% QoQ.

Valuation & Recommendation

The management expects geopolitical issues to settle down within a quarter and expects H2 to see higher performance than H1, with growth momentum, particularly driven by its top 25 clients. We are constructive on the long-term outlook of the company. Hence, we resume over coverage with a **BUY rating on the stock** and assign a 33x P/E multiple to its FY27E earnings to arrive at a TP of Rs 1,385/share, implying an upside of 10% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,539	0.7	12.7	1,571	(2.1)
EBIT	237	-10.5	0.4	266	(11.0)
EBIT Margin	15.4	-192bps	-190bps	16.9	(9.1)
Net Profit	172	(29.7)	(16.0)	214	(19.7)
EPS (Rs)	6.3	(29.8)	(16.0)	7.8	(19.1)

Source: Company, Axis Research

(CMP as of 30th July 2025)

CMP (Rs)	1,261
Upside /Downside (%)	10%
High/Low (Rs)	1,921/1,021
Market cap (Cr)	33,935
Avg. daily vol. (6m)Shrs.	13,71,600
No. of shares (Cr)	27

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	39.5	39.5	39.5
FII's	17.4	17.2	15.5
MFs/UTI	12.3	13.3	14.0
Banks/FIs	0	0	0
Others	30.9	30.0	31.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	5,842	6,757	8,037
EBIT	1,007	1,183	1,413
Net Profit	844	941	1,138
EPS (Rs)	31.1	34.6	41.9
PER (x)	40.6	36.4	30.1
P/BV (x)	11.8	9.5	7.7
EV/EBITDA (x)	27	22	17
ROE (%)	33	29	28

Relative Performance



Source: AceEquity, Axis Securities

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Outlook

From a long-term perspective, KPIT Technologies Ltd. is positioned for encouraging growth, supported by multiple long-term contracts with leading global brands. The company's improved revenue visibility enhances confidence in its business growth trajectory. KPIT's strong client engagement and technical expertise underscore its potential to become one of the fastest-growing companies in the Indian IT services sector.

Key highlights

- The **deal wins** during the quarter stood at \$241 Mn, primarily in powertrain and connected areas across the US and Europe, largely within the passenger car vertical. However, revenue conversion is taking longer due to reprioritisation of existing programs and demand for more efficient, solution-based delivery (using tools and accelerators), which can lead to cannibalisation of existing business.
- **The increase in fixed-price projects (62.5%) provides flexibility** and supports profitability. According to management, OEMs are prioritising investments in smart cockpits, Level 2+ autonomy, cybersecurity, functional safety, and extensive validation due to cost pressures.
- **KPIT entered a strategic partnership with JSW Motors** to create a digital foundation for its upcoming portfolio of New Energy Vehicles (NEVs). In terms of order book and pipeline, the company remains bullish on China and India, with a growing pipeline from both regions, including the JSW engagement win. The European pipeline remains strong, while the US is expected to see growth in the off-highway and commercial segments.
- **KPIT expects tariff-related uncertainty to stabilise in the subsequent quarter**, leading to more certainty and higher spending from clients who are currently focusing on essential, speed-focused programs due to budget constraints. Beyond key geographies, the company is in advanced discussions with three additional OEMs in Japan beyond its current major client, aiming to partner with at least four OEMs by FY26. In China, KPIT is partnering with global OEMs and Chinese tier-1 OEMs to gain a deeper understanding of technologies and expand outside channels.
- **The company is also revamping its HR processes (hiring, training, appraisals, and compensation) to align with productivity and AI adoption.** Management expects growth momentum to resume from H2FY26, led by project execution and higher demand from OEMs across key markets, while maintaining an EBITDA margin of 21% in the foreseeable future, assuming reasonable currency stability.

Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Results Review
(Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1 FY25	YoY (%)
Net sales	1,539	1,528	0.7	1,365	12.7
Total Expenditure	1,239	1,205	2.8	1,076	15.1
EBITDA	300	323	(7.1)	289	3.9
<i>EBITDA margin (%)</i>	<i>19.5</i>	<i>21.1</i>	<i>-163bps</i>	<i>21.1</i>	<i>-166bps</i>
Depreciation	63	58	8.6	53	19.8
EBIT	237	265	(10.5)	236	0.4
<i>EBIT margin (%)</i>	<i>15.4</i>	<i>17.3</i>	<i>-192bps</i>	<i>17.3</i>	<i>-190bps</i>
Interest cost	12	9	30.9	13	(5.3)
Other income	16	46	(65.4)	54	(70.7)
Exceptional item	0	0	NA	0	NA
PBT	236	316	(25.3)	277	(14.9)
Tax	64	71	(10.6)	73	(11.8)
Share of JV	-5	14	NA	-1	NA
Profit after tax	172	244	(29.7)	205	(16.0)
Reported EPS	6.3	9.0	(29.8)	7.5	(16.0)
Adj. PAT	172	244	(29.7)	205	(16.0)
Adj. EPS	6.3	8.9	(29.3)	7.5	(15.4)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	3,365	4,872	5,842	6,757	8,037
Change (YoY, %)	38	45	20	16	19
Operating expenses	2,730	3,880	4,610	5,300	6,267
EBITDA	635	991	1,232	1,457	1,771
Change (YoY, %)	45	56	24	18	22
Margin (%)	19	20	21	22	22
Depreciation	146	196	225	274	358
EBIT	489	796	1,007	1,183	1,413
Interest paid	32	55	42	49	56
Other income	40	60	172	120	161
Pre-tax profit	497	801	1,137	1,255	1,518
Tax	110	202	293	314	379
Effective tax rate (%)	22	25	26	25	25
Net profit	387	599	844	941	1,138
Exceptional items	0	0	0	0	0
Adjusted net profit	387	599	844	941	1,138
Change (YoY, %)	40	55	41	12	21
Adj. EPS	14	22	31	35	42
Dividend per share	3	5	8	9	10
Dividend Payout (%)	23	25	25	25	25

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	270	271	272	272	272
Reserves & surplus	1,381	1,875	2,640	3,346	4,200
Shareholders funds	1,651	2,146	2,912	3,618	4,472
Total Debt	49	45	2	23	23
Other liabilities	569	492	399	422	422
Curr Liab & prov	1,168	1,513	1,722	1,771	1,810
Current liabilities	1,067	1,391	1,633	1,661	1,700
Provisions	52	77	87	87	87
Total liabilities	1,737	2,005	2,121	2,193	2,232
Total equity & liabilities	3,400	4,168	5,033	5,811	6,704
Net fixed assets	415	466	234	161	153
Investments	25	8	194	194	194
Other non-curr assets	1,459	1,678	1,895	1,895	1,895
Current assets	1,501	2,016	2,710	3,562	4,462
Inventories	59	90	85	94	112
Sundry Debtors	775	956	889	206	246
Cash & Liquid	549	771	1,268	2,794	3,637
Other Curr Assets	119	200	468	468	468
Total assets	3,400	4,168	5,033	5,811	6,704

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	387	599	847	941	1,138
Depreciation	146	196	225	274	358
Change in working capital	129	51	13	723	(18)
Other operating activities	(8)	(5)	(130)	(72)	(105)
Cash flow from operations (a)	655	840	955	1,867	1,373
Capital expenditure	(512)	(60)	6	(200)	(350)
Chg in investments	(814)	(136)	(27)	-	-
Other investing activities	(31)	(5)	(204)	120	161
Cash flow from investing (b)	(1,357)	(201)	(224)	(80)	(189)
Equity raised/(repaid)	0	1	0	-	-
Debt raised/(repaid)	266	(77)	(93)	23	-
Dividend (incl. tax)	(89)	(150)	(210)	(235)	(285)
Chg in minorities	12	5	(17)	-	-
Other financing activities	170	(198)	87	(49)	(56)
Cash flow from financing (c)	359	(418)	(233)	(261)	(341)
Net change in cash (a+b+c)	(343)	221	498	1,526	844
Opening cash balance	893	549	771	1,268	2,794
Closing cash balance	549	770	1,268	2,794	3,637

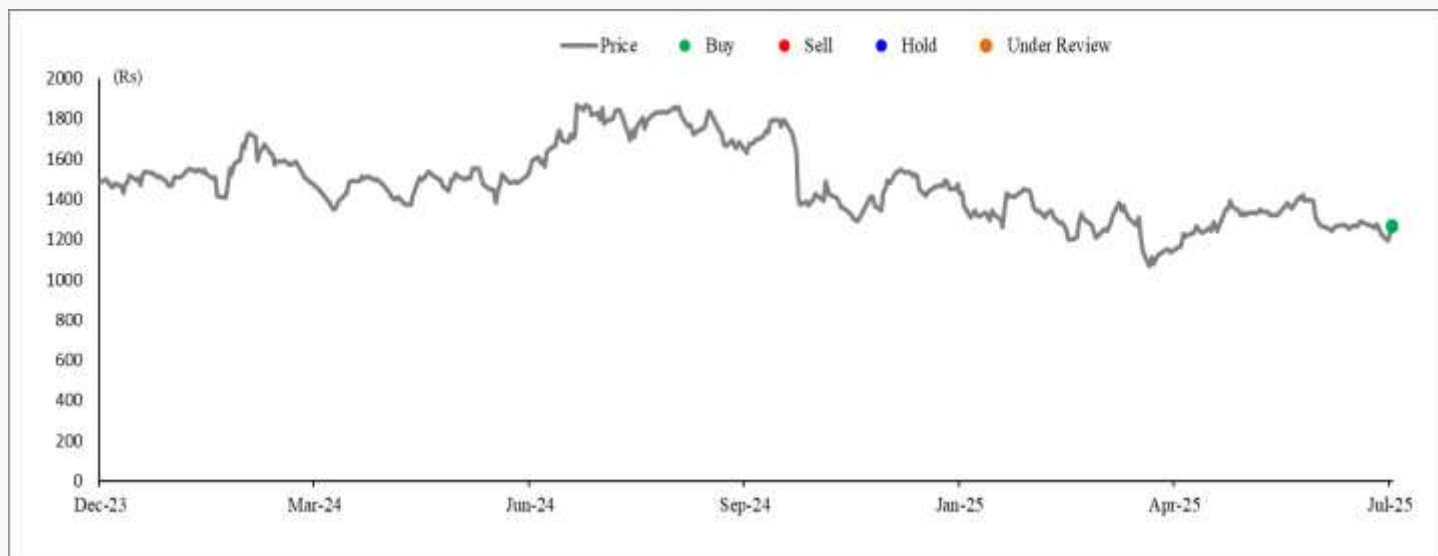
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	61	79	107	133	164
Adj EPS (Rs)	14	22	31	35	42
Adj EPS growth (%)	40.1	54	41	11	21
EBITDA margin (%)	18.9	20.3	21.1	21.6	22.0
Pre-tax margin (%)	14.8	16.4	19.5	18.6	18.9
Debt/Equity (x)	0.00	0.00	0.00	0.00	0.00
ROCE (%)	21	26	29	27	26
ROE (%)	26	32	33	29	28
Financial leverage ratios					
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Interest Coverage (x)	19.7	18.1	29.1	29.9	31.6
Interest / Debt (%)	-	-	-	-	-
Working Capital & Liquidity Ratio					
Inventory days	0	59	90	0	94
Receivable days	83	71	56	56	56
Payable days	18	18	11	11	11
Valuation ratio					
PER (x)	88.5	57.4	40.6	36.4	30.1
Adjusted PER (x)	88.5	57.4	40.6	36.4	30.1
P/BV (x)	20.7	16.0	11.8	9.5	7.7
EV/EBITDA (x)	53.0	33.9	26.9	21.6	17.3
Market Cap. / Sales (x)	10.2	7.1	5.9	5.1	4.3

Source: Company, Axis Securities

KPIT Technologies Price Chart and Recommendation History



Date	Reco	TP	Research
31-Jul-25	BUY	1,385	Result Update

Source: Axis Securities Research

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Note: Returns stated in the rating scale are our internal benchmark.