

KPIT Technologies Ltd.

BUY

Sector: IT-Automobiles

05th December 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs. 1,760
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	KPITTECH:IN	80,956	KPITTECH	542651	12 Months
CMP					Rs. 1,457
Return					+21%

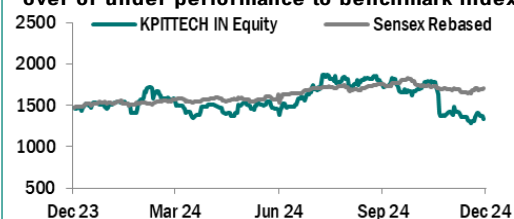
Data as of: 04-12-2024

Company Data	
Market Cap (Rs.cr)	40,793
52 Week High - Low (Rs.)	1,929-1,283
Enterprise Value (Rs.cr)	40,015
Outstanding Shares (cr)	27.4
Free Float (%)	61
Dividend Yield	0.5%
6m average volume (cr)	0.13
Beta	1.2
Face value Rs.	10

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	39.5	39.5	39.5
FII's	24.0	22.2	21.0
MFs/Insti	14.0	16.5	17.4
Public	22.6	21.8	22.2
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-16.5%	-5.6%	-2.6%
Absolute Sensex	-1.2%	5.8%	17.1%
Relative Return*	-15.2%	-11.5%	-19.8%

*over or under performance to benchmark index



Consolidated (cr)	FY25E	FY26E	FY27E
Sales	5,841	6,837	8,214
Growth (%)	19.9	17.1	20.1
EBITDA	1,203	1,415	1,708
EBITDA Margin (%)	20.6	20.7	20.8
Adj. PAT	837	984	1,205
Growth (%)	44.9	17.6	22.4
Adj. EPS	30.5	35.9	44.0
Growth (%)	44.9	17.6	22.4
P/E	47.3	40.2	32.9
P/B	13.7	10.3	7.9
EV/EBITDA	31.3	25.0	20.1
ROE (%)	34.2	31.1	28.8
D/E	0.1	0.1	0.1

Author: Saji John - Sr. Research Analyst

Long term growth will remain intact.

KPIT Technologies Ltd., a digital transformation consulting & software integration company, provides cutting edge engineering solutions to more than 150 companies & enterprises in the field of CASE mobility.

- We expect revenue and PAT CAGR to grow by 19% and 20% over FY25E-FY27E respectively, on the back of deal wins, pricing benefits and inorganic growth.
- Q2FY25 revenue came in at 20% YoY in constant currency, driven by middleware architecture consulting and software integration from the top strategic clients.
- EBITDA margin improved by 21bps YoY on account of strong volume growth and favourable currency mix. Despite investment in technology & salary hike we expect the margin to stabilize at 20-21% for the full year.
- The growth in the mobility & autonomous space is a priority for customers and KPIT continues to hold strong domain expertise by adding more capabilities through JV and acquisitions.
- The Board has sanctioned a plan to raise up to ₹2.88 billion implying an equity dilution of up to 6% through a Qualified Institutional Placement (QIP), suggesting possible future acquisitions to drive growth.

Outlook & Valuation

Despite the industry becoming more cautious about spending, KPIT has not seen any deal rollover from its top clients, but revenue may tend towards lower end of guidelines. Hence, we lower our estimate by 4% in FY26. The company is cautious about the timing of large deal implementations, especially in Europe, due to financial concerns among European OEMs. This may impact near-term growth. However, they remain optimistic about long-term prospects, citing a robust pipeline and ongoing client engagement. **Given the recent correction and fundamentally strong superior execution capability we rollover and value KPIT at its long term historical average at 40x on FY27E EPS with a target price of Rs.1,760 and reiterate with a Buy rating at CMP.**

Quarterly Financials Consol.

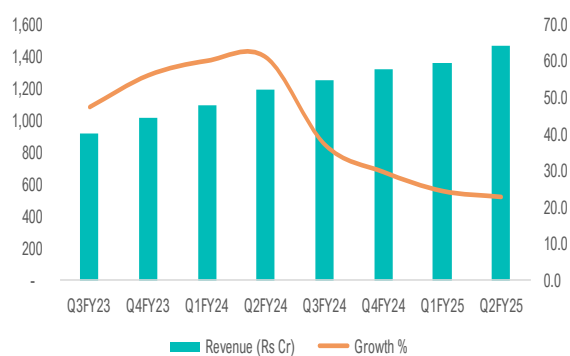
Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	1,471	1,199	22.7	1,365	7.8	2,836	2,297	23.5
EBITDA	297	240	24.0	287	3.5	585	460	27.2
Margin (%)	20.2	20.0	21bps	21.1	-85bps	20.6	20.0	60bps
EBIT	241	192	25.8	235	2.7	476	367	29.9
PBT	283	188	50.8	277	2.3	560	364	53.6
Rep. PAT	204	141	44.7	204	-0.2	408	275	48.4
Adj PAT	204	141	44.7	204	-0.2	408	275	48.4
EPS (Rs)	7.4	5.1	44.7	7.4	-0.2	14.9	10.0	48.4



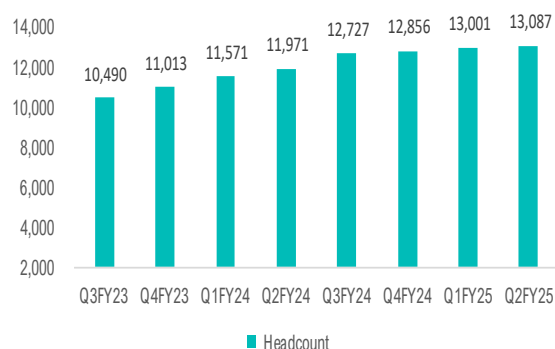
Key Concall Highlights

- Revenue grew by 20.1% year-on-year in constant currency terms and 19.3% in dollar terms, mainly driven by strong performance in Asian markets, especially Japan, Korea, and India.
- The company reaffirmed its revenue growth forecast of 18% to 22% year-on-year in constant currency, with EBITDA margins anticipated to be above 20.5%.
- The Board has sanctioned a plan to raise up to ₹2.88 billion through a Qualified Institutional Placement (QIP), suggesting possible future acquisitions to drive growth. The management is actively pursuing partnerships in various geographies to bolster their market position.
- The management observed a cautious atmosphere among OEMs in the U.S. and Europe, with European OEMs particularly impacted by financial performance challenges.
- Despite challenges, management anticipates growth in the U.S. from software bans on Chinese products and in off-highway and commercial vehicles. In Asia, strong growth is expected from existing Diamond and Gold clients, despite some OEM difficulties.
- KPIT attrition is at an all-time low, enabling to concentrate on developing competencies and productive utilization.

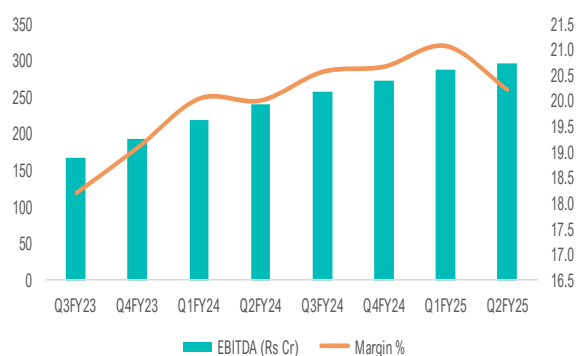
Revenue



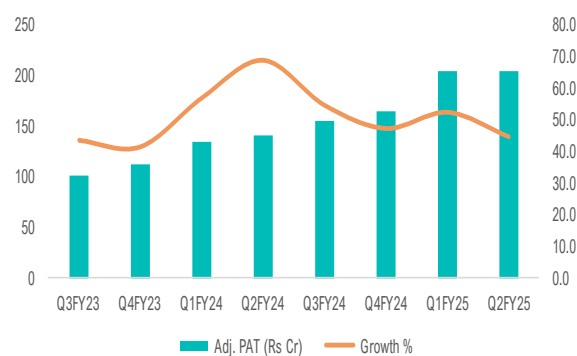
Headcount



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	6,034	7,141	5,841	6,837	-3.2	-4.3
EBITDA	1,219	1,471	1,203	1,415	-1.3	-3.8
Margins (%)	20.2	20.6	20.6	20.7	40bps	10bps
Adj. PAT	801	999	837	984	4.5	-1.5
EPS	29.2	36.4	30.5	35.9	4.6	-1.4



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	3,365	4,872	5,841	6,837	8,214
% change	38%	45%	20%	17%	20%
EBITDA	632	633	634	635	636
% change	19%	20%	2%	2%	2%
Depreciation	146	196	211	229	257
EBIT	486	487	488	489	490
Interest	32	55	41	47	54
Other Income	40	60	204	205	246
PBT	497	498	499	500	501
% change	44%	62%	47%	16%	22%
Tax	110	202	314	356	436
Tax Rate (%)	22%	25%	27%	27%	27%
Reported PAT	381	595	837	984	1,205
Adj*	6.7	0	0	0	0
Adj PAT	380	595	837	984	1,205
% change	44%	57%	45%	18%	22%
No. of shares (cr)	27.4	27.4	27.4	27.4	27.4
Adj EPS (Rs.)	13.9	21.7	30.5	35.9	44.0
% change	44%	57%	45%	18%	22%
DPS (Rs.)	3.3	3.3	3.3	3.3	3.3
CEPS (Rs.)	19.2	28.8	38.2	44.2	53.3

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	643	996	1,366	1,573	1,901
Non-cash adj.	45	59	45	51	57
Other Adjustments	-99	-202	-314	-356	-436
Changes in W.C	-177	-390	74	3	-36
C.F. Operation	418	463	1195	1271	1486
Capital exp.	-1,242	-303	-190	-191	-210
Change in inv.	0	21	0	0	0
Other invest. CF	1,084	0	0	0	0
C.F – Investment	-158	-303	-190	-191	-210
Issue of equity	-21	0	0	0	0
Issue/repay debt	-177	-55	-41	-47	-54
Dividends paid	-89	-93	-93	-93	-93
Other finance. CF	106	0	0	0	0
C.F – Finance	-183	-92	-84	-90	-96
Chg. in cash	77	51	899	990	1,180
Closing cash	419	506	1,405	2,410	3,667

BALANCE SHEET

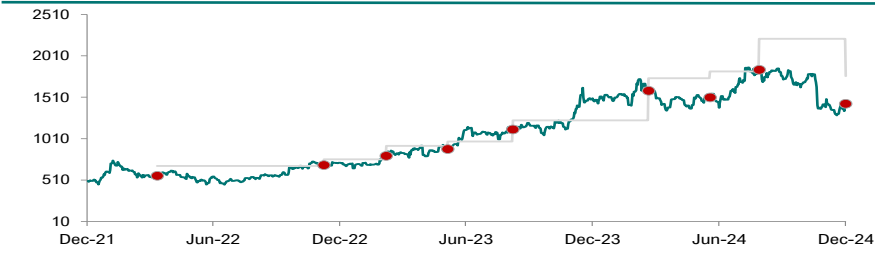
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	549	506	1,405	2,410	3,667
Accounts Receivable	621	801	928	1,087	1,305
Inventories	59	0	0	0	0
Other Cur. Assets	265	374	448	525	630
Investments	64	247	296	347	416
Gross Fixed Assets	795	935	1,074	1,214	1,354
Net Fixed Assets	474	418	346	257	140
CWIP	33	12	12	12	12
Intangible Assets	3,014	3,013	3,014	3,015	3,016
Def. Tax (Net)	37	53	64	75	90
Other Assets	1,202	1,375	1,648	1,929	2,318
Total Assets	3,433	3,759	4,907	6,238	7,836
Current Liabilities	1,100	1,108	1,412	1,670	1,985
Provisions	38	27	32	37	45
Debt Funds	286	342	393	444	495
Other Liabilities	357	143	161	178	202
Equity Capital	274	274	274	274	274
Reserves & Surplus	1,381	1,868	2,622	3,563	4,730
Shareholder's Fund	1,652	2,139	2,893	3,834	5,000
Total Liabilities	3,433	3,759	4,907	6,238	7,836
BVPS (Rs.)	53	71	98	133	175

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	18.8	20.3	20.6	20.7	20.8
EBIT margin (%)	14.5	16.3	17.0	17.4	17.7
Net profit mgn. (%)	11.3	12.2	14.3	14.4	14.7
ROE (%)	25.6	31.3	34.2	31.1	28.8
ROCE (%)	18.4	22.0	23.0	21.3	20.0
W.C & Liquidity	0.0	0.0	0.0	0.0	0.0
Receivables (days)	54.9	53.3	54.0	53.8	53.1
Inventory (days)	3.2	2.2	0.0	0.0	0.0
Payables (days)	26.1	23.4	26.9	29.8	29.4
Current ratio (x)	1.3	1.5	1.9	2.2	2.5
Quick ratio (x)	1.0	1.0	1.4	1.8	2.1
Turnover & Leverage	0.0	0.0	0.0	0.0	0.0
Gross asset T.O (x)	4.6	5.6	5.8	6.0	6.4
Total asset T.O (x)	1.2	1.4	1.4	1.3	1.2
Int. coverage ratio (x)	15.1	14.5	23.9	25.0	27.1
Adj. debt/equity (x)	0.2	0.2	0.1	0.1	0.1
Valuation	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	11.7	8.0	6.5	5.2	4.2
EV/EBITDA (x)	62.1	39.6	31.3	25.0	20.1
P/E (x)	104.3	66.6	47.3	40.2	32.9
P/BV (x)	23.9	18.5	13.7	10.3	7.9



Recommendation Summary (Last 3 years)



Dates	Rating	Target
15.Mar.22	Buy	680
11.Nov.22	Accumulate	760
09.Feb.23	Accumulate	923
09.May.23	Hold	976
11.Aug.23	Hold	1,231
23.Feb.24	Accumulate	1,740
22.May.24	Buy	1,821
01.Aug.24	Buy	2,216
05.Dec.24	Buy	1,760

Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Saji John, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd(P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Saji John, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

