KPIT Technologies (KPITE)

CMP: ₹544 | Target: ₹600 (10%) | Target Period: 12 months | HOLD

October 29, 2026

Recovery to remain gradual...

About the stock: KPIT Technologies Limited (KPIT), headquartered in Pune, is a pure-play automotive ER&D services company. It has delivered ROE of 25%+ and ROCE of 30%+ over the last two FYs.

Q2FY27 performance: KPIT reported revenue of US$176.8 mn, flat QoQ/down 2.2% YoY in USD terms (up 0.5% QoQ/0.2% YoY CC). Reported EBITDA margin stood at 16.7%, up ~50 bps QoQ/ down ~350 bps YoY, while PAT stood at ₹121 crore, up 3.6% QoQ/down 28.6% YoY.

Investment Rationale:

- **Near-term growth remains weak; recovery hinges on stabilisation of large OEM accounts:** KPIT reported a weak Q2FY27 with revenues flat QoQ and down 2.2% YoY. **Notably, the top two OEM accounts (one in Europe and one in Japan) led to a ~13% YoY decline in topline. Moreover, the recovery in European passenger-car OEM spending is likely to be prolonged, given cost-cutting measures, Chinese competition and pressure on profitability. Thus, although the management expects H2 to be better than H1, strong growth in Q4 and the two large accounts to bottom out over the next couple of quarters, the timing and pace of recovery is likely to be gradual.** Europe fell 15.2% QoQ and 16.3% YoY amid OEM cost-cutting and Chinese competition while Passenger vehicle declined 4.1% QoQ/7.8% YoY. This drag was partly offset by growth in the US, up 15.7% QoQ/25.9% YoY and Commercial Vehicles (trucks and off-highway), up 17.6% QoQ/27.3% YoY and traction in its products. **We expect US$ revenue to grow at CAGR of 4.4% over FY26-28E.**
- **Margins improve sequentially, but profitability remains under pressure:** EBITDA margin expanded 50 bps QoQ to 16.7%, supported by favourable business mix and operating efficiencies, but fell ~350 bps YoY. While management expects gradual margin recovery through revenue growth, mix improvement and AI-led productivity, realisation depends on demand recovery and execution. **Its 22–24% medium-term margin aspiration remains challenging amid weak near-term growth visibility. Accordingly, we have conservatively baked in EBITDA margins of 17.2%/19.1% in FY27E/FY28E.**
- **Products and diversification offer support, but deal momentum has softened: AI-first projects contributed ~9% of revenue**, supported by KPIT's Beacon-led portfolio, while growth in commercial vehicles, trucks & off-highway and products helped offset weakness in passenger cars. However, **new engagement TCV fell 17.1% Qo/ 8.2% YoY to US$213 mn, indicating a softer bookings trend**. KPIT continues investing in Beacon-led products, connected services and adjacent markets, but these opportunities may take time to scale and offset pressure from large OEM accounts in the near term.

Rating and Target Price: We maintain a HOLD rating, as weakness in large OEM accounts, Europe and profitability tempers the benefits from commercial vehicles, products and expected H2 recovery. We value it at 20x FY28E EPS with a target price of ₹600.

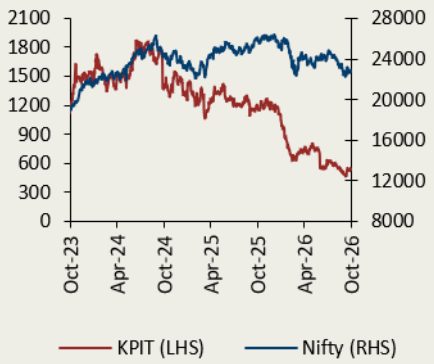
Particulars

Particulars	₹ crore
Market Cap (₹ Crore)	14,774
Total Debt (₹ Crore)	462
Cash & Invests (₹ Crore)	1,390
EV (₹ Crore)	13,847
52 week H/L	1284/470
Equity capital (₹ Crore)	272.2
Face value (₹)	10.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	39.4	39.4	38.6	38.6
FII	13.6	13.3	13.2	9.1
DII	25.4	24.7	23.6	23.5
Public	21.7	22.7	24.6	28.8

Price Chart



Key risks

- Slower than expected recovery in revenue growth
- Lower than expected margin expansion

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	4,872	5,842	6,455	26.0	6,776	7,363	6.8
EBITDA	985	1,225	1,258	32.8	1,166	1,403	5.6
EBITDA Margin (%)	20.2	21.0	19.5		17.2	19.1	
Net Profit	581	755	637	34.3	575	826	13.8
EPS (₹)	21.8	30.7	23.3		21.1	30.3	
P/E	25.3	19.5	23.2		25.7	17.9	
RoNW (%)	27.1	25.9	18.0		15.2	20.0	
RoCE (%)	30.9	34.6	21.4		17.1	20.8	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** KPIT reported Q2FY27 revenue of US$176.8 mn, flat QoQ/down 2.2% YoY in USD terms (up 0.5% QoQ/0.2% YoY CC). In rupee terms, revenue stood at ₹1,691 crore, up 1.0% QoQ/6.5% YoY. Performance remained impacted by spending reductions and program cancellations at two large OEM accounts (one in Europe and one in Japan), partly offset by growth across other clients and offerings
- **Vertical Performance:** Vertical wise, Passenger Cars (74.9% of the mix) declined 4.1% QoQ/7.8% YoY to US$132.4 mn, while Commercial Vehicles (22.6% of the mix) grew 17.6% QoQ/27.3% YoY to US$40 mn.
- **Geography Performance:** Geography wise, US (35.3% of the mix) grew 15.7% QoQ/25.9% YoY, while Europe (42.1% of the mix) declined 15.2% QoQ/16.3% YoY. JKC – Japan, Korea & China (17.5% of the mix) grew 10.7% QoQ but declined 13.8% YoY, while SIMA – South-East Asia, India, Middle East & Africa (5.1% of the mix) grew 27.6% QoQ/41.3% YoY.
- **Margin performance**: Reported EBITDA margin stood at 16.7%, up ~50 bps QoQ/ down ~350 bps YoY, while PAT stood at ₹121 crore, up 3.6% QoQ/down 28.6% YoY. Profitability continued to be impacted by a forex loss of ₹17.1 crore and a ₹15.6 crore share of loss from Qorix, with Qorix losses expected to reduce from Q3.
- **Guidance/ Aspiration: Management reiterated that H2FY27 should be better than H1, with growth expected to improve from Q4FY27. The two large accounts are expected to bottom out over the next couple of quarters, while trucks, off-highway, newer passenger vehicle clients and Products & Solutions are expected to support broader growth. Margin improvement is likely to be gradual, supported by revenue recovery, business mix and AI-led productivity gains**
- **TCV/ Deal wins and client addition:** KPIT secured new engagements with TCV of US$213 mn, down 17.1% QoQ/8.2% YoY. Wins spanned powertrain, connected technologies, autonomous technologies, middleware, cybersecurity, vehicle engineering and after-sales.
- **Strategic initiatives:** Products revenue grew 5% QoQ/25% YoY, while fixed-price contracts accounted for 70.6% of revenue versus 67.7% in Q1FY27. AI-first projects contributed ~9% of revenue, supported by KPIT's Beacon-led portfolio. The company is expanding its offerings across connected services and adjacencies such as energy tech and deep tech, although meaningful contributions from these opportunities will take time.
- **Vietnam subsidiary:** KPIT Technologies' board approved incorporation of a wholly owned subsidiary in Vietnam with proposed capital of US$2 million to carry out business in the field of Engineering and Technology, product, services segment, primarily in mobility industry for all KPIT offerings. **The company expects growing footprint in one of the major Chinese OEMs in Vietnam and aims to make Vietnam one of its major hubs.**
- **Employee Addition & Attrition:** Total headcount stood at 12,347, up 44 employees QoQ. Management indicated that attrition was elevated during the quarter but expects it to moderate following phased salary increments.

Exhibit 1: Quarter Performance

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue (₹ crore)	1,691	1,588	6.5	1,675	1.0	In CC terms, revenue was up 0.5% QoQ/ 0.2% YoY CC.
Employee expenses	1,077	978	10.1	1,060	1.5	
Gross Margin	614	610	0.8	615	-0.1	
Gross margin (%)	36.3	38.4	-207 bps	36.7	-37 bps	
Other expenses	332	289	14.7	343	-3.4	
EBITDA	283	321	-11.8	271	4.2	
EBITDA Margin (%)	16.7	20.2	-347 bps	16.2	52 bps	Management reiterated confidence in its medium-term 22–24% EBITDA margin aspiration.
Depreciation & amortisation	86	75	15.0	83	4.1	
EBIT	197	246	-19.9	189	4.2	
EBIT Margin (%)	11.6	15.5	-385 bps	11.3	36 bps	
Other income	-14	7	-291.4	-15	-4.0	
PBT	183	253	-27.8	174	4.9	
Tax paid	47	61	-22.9	44	8.0	
Share of profit/(loss) of JVand associate	-15.6	-22.7	-31.5	-14.0	10.8	
PAT	119.9	169	-29.1	116	3.0	Profitability continued to be impacted by a forex loss of ₹17.1 crore and a ₹15.6 crore share of loss from Qorix

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	%Change	Old	New	%Change
Revenue (USD mn)	714	713	-0.2	790	775	-1.9
Revenue	6,700	6,776	1.1	7,388	7,363	-0.3
EBITDA	1,102	1,166	5.8	1,442	1,403	-2.7
EBITDA Margin (%)	16.5	17.2	76 bps	19.5	19.1	-46 bps
PAT	569	575	1.0	872	826	-5.3
Diluted EPS (₹)	20.9	21.1	1.0	32.0	30.3	-5.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total Revenues	6,455	6,776	7,363
Growth (%)	10.5	5.0	8.7
Employee Benefit Expense	3,996.1	4,354.8	4,730.9
Other Expenses	1,201.0	1,254.6	1,229.7
EBITDA	1,258	1,166	1,403
Growth (%)	2.7	-7.3	20.3
Depreciation	300.6	338.9	353.4
Other Income	85.7	46.3	85.1
Interest	73.7	68.4	40.0
Share of profit/(loss) of joint venture and associate (net of tax)	(37.6)	(21.6)	20.0
PBT	**932**	**784**	**1,114**
Growth (%)	-17.7	-15.9	42.2
Tax	234.7	209.4	288.6
PAT before Exceptional Items	**697**	**574**	**826**
Minority interest	0	-1	0
Exceptional items	60	-	-
PAT after exceptional items	**637**	**575**	**826**
Growth (%)	-15.5	-9.8	43.6
Diluted EPS	23.3	21.1	30.3
EPS (Growth %)	**-24.1**	**-9.5**	**43.8**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY26E	FY27E	FY28E
Profit after tax	**637.3**	**574.2**	**825.8**
Finance cost	73.7	68.4	40.0
Depreciation	300.6	338.9	353.4
Others	(85.7)	(46.3)	(85.1)
Change in working capital	692.2	26.8	49.1
CF from operations	**1,618.0**	**962.0**	**1,183.2**
Other Investments	368.6	46.3	85.1
(Purchase)/Sale of FA	(324.1)	(203.3)	(220.9)
Intangible Assets and goodwill	(1,986.5)	-	-
CF from investing Activities	**(1,941.9)**	**(156.9)**	**(135.8)**
Inc / (Dec) in Equity Capital	223.8	-	-
Inc/(Dec) in borrowings/lease liab	493.5	-	-
Dividend & Dividend tax	(224.4)	(326.9)	(490.4)
Interest Paid on Loans	(73.7)	(68.4)	(40.0)
NCI	-	-	-
CF from Financial Activities	**419.2**	**(395.3)**	**(530.4)**
Net change in cash	95.3	409.7	517.1
Opening cash	1,223.2	1,318.4	1,728.2
Closing cash	**1,318.4**	**1,728.2**	**2,245.3**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY26E	FY27E	FY28E
Equity	**272.2**	**272.2**	**272.2**
Reserves & Surplus	3,269	3,516	3,851
Networth	3,541	3,788	4,124
Total debt	462.17	462.17	462.17
Minority Interest	8	8	8
Other liabilities	861	861	861
Source of funds	**4,873**	**5,120**	**5,455**
Fixed assets	626	558	497
CWIP	0	0	0
Intangible assets	566	498	428
Goodwill	2,798	2,798	2,798
Non current investments	122	122	122
Other non current assets	247	247	247
Current Investments	49	49	49
Cash & Bank Balance	1,341	1,751	2,268
Inventories	88	92	101
Debtors	928	974	1,058
Other current assets	490	515	559
Trade payables	261	274	298
Other Current liabilities	2,123	2,212	2,374
Application of funds	**4,873**	**5,120**	**5,455**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26E	FY27E	FY28E
Per share data (₹)			
Diluted EPS	23.4	21.1	30.3
BV	130.1	139.0	151.4
DPS	7.5	12.0	18.0
Cash Per Share	48.5	63.4	82.4
Operating Ratios (%)			
EBITDA Margin	19.5	17.2	19.1
PAT Margin	9.9	8.5	11.2
Debtor days	52	52	52
Creditor days	15	15	15
Return Ratios (%)			
RoE	18.0	15.2	20.0
RoCE	21.4	17.1	20.8
RoIC	27.5	24.9	33.4
Valuation Ratios (x)			
P/E	23.2	25.7	17.9
EV / EBITDA	11.0	11.5	9.2
Market Cap / Sales	2.3	2.2	2.0
Price to Book Value	4.2	3.9	3.6
Solvency Ratios			
Net Debt/Equity	(0.3)	(0.4)	(0.4)
Debt / EBITDA	0.4	0.4	0.3
Current Ratio	0.7	0.7	0.7
Quick Ratio	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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