

Estimate change



TP change



Rating change



**CMP: INR723**

**TP: INR970 (+34%)**

**Buy**

**Near-term snags; medium-term thesis intact**

**Product and solution pivot now central to the KPIT story**

| Bloomberg             | KPITTECH IN |
|-----------------------|-------------|
| Equity Shares (m)     | 274         |
| M.Cap.(INRb)/(USDb)   | 198.1 / 2.1 |
| 52-Week Range (INR)   | 1435 / 625  |
| 1, 6, 12 Rel. Per (%) | -3/-33/-43  |
| 12M Avg Val (INR M)   | 1303        |
| Free float (%)        | 60.6        |

**Financials & Valuations (INR b)**

| Y/E Mar         | FY26   | FY27E | FY28E |
|-----------------|--------|-------|-------|
| Sales           | 64.5   | 69.8  | 77.0  |
| EBIT Margin (%) | 16.2   | 16.1  | 16.9  |
| PAT             | 6.4    | 9.0   | 10.5  |
| EPS (INR)       | 25.0   | 32.8  | 38.5  |
| EPS Gr. (%)     | (13.9) | 31.3  | 17.4  |
| BV/Sh. (INR)    | 130.1  | 151.5 | 176.7 |

**Ratios**

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 19.7 | 23.4 | 23.6 |
| RoCE (%)   | 16.7 | 14.5 | 16.5 |
| Payout (%) | 30.0 | 35.0 | 35.0 |

**Valuations**

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 28.9 | 22.0 | 18.8 |
| P/BV (x)      | 5.6  | 4.8  | 4.1  |
| EV/EBITDA (x) | 13.6 | 12.2 | 10.3 |
| Div Yield (%) | 1.0  | 1.6  | 1.9  |

**Shareholding pattern (%)**

| As On    | Mar-26 | Dec-25 | Mar-25 |
|----------|--------|--------|--------|
| Promoter | 39.4   | 39.4   | 39.5   |
| DII      | 24.7   | 25.4   | 21.3   |
| FII      | 14.0   | 14.3   | 18.1   |
| Others   | 22.0   | 20.9   | 21.2   |

FII Includes depository receipts

- KPIT Technologies (KPIT) reported revenue of USD185m in 4QFY26, up 1.8% QoQ in CC terms vs. our estimate of 1% growth. Growth was led by the commercial vehicles segment, up 11.6% QoQ, while the passenger car segment declined 0.2% QoQ. EBIT margin was 15.9% (up 25bp QoQ), largely in line with our estimate of 16%. Adj. PAT was down 9.6% QoQ/18.4% YoY to INR1,630m (below our est. of INR2,165m).
- For FY26, revenue/EBIT grew 10.5%/4.58% and adj. PAT declined 13.9% YoY in INR terms. We expect revenue/EBIT/adj. PAT to grow 10.9%/2%/24.3% YoY in 1QFY27. RoE came in at 19.7% in FY26 (vs. 33.1%/31.3%/26.1% in FY25/FY24/FY23). **We believe KPIT remains one of the better-positioned ER&D plays within automotive software and continues to be our preferred pick in the space.** We reiterate our BUY rating with a revised TP of INR970, based on 25x FY28E EPS.

**Our view: KPIT's chip-to-cloud stack strengthens long-term relevance**

- **Shift to products and solutions pivotal; near-term growth remains uneven:** KPIT's key strategic shift remains its transition from a services-led model to a products and solutions-led business. Solutions and products now contribute ~15% of revenue (~USD110m), and **as seen in Exhibit 2, management targets this mix to scale meaningfully to ~60% over the next three years** (with the services mix declining from ~85% to ~40% over the same period), while products and solutions are expected to grow ~30%+ going forward.
- However, the transition is creating near-term disruption in some legacy middleware and traditional services work. **In addition, two large SDV programs are ending in 1HFY27, creating a near-term growth headwind,** though management indicated the impact is being offset gradually through new client ramps and adjacencies. We believe FY27 will remain a transition year, with acceleration likely **becoming more visible from 2H as delayed OEM programs move toward launch and solution-led revenues scale.** We estimate FY27 revenue growth at ~4.8% YoY CC.
- **KPIT's software stack and integration capability remain a key differentiator:** We believe KPIT's positioning is materially stronger than most ER&D peers due to its end-to-end automotive **software capability across the full chip-to-cloud stack.** Unlike peers that operate in narrower engineering areas, KPIT covers the entire automotive software V-model from architecture and middleware to feature development, integration, validation, cloud, and after-sales.
- **Management highlighted that integration remains the key bottleneck in SDV development,** with modern vehicles carrying ~100–120 computers and ~300+ software features that must work seamlessly across different hardware environments. **We believe these capabilities differentiate KPIT** from traditional engineering vendors and improve its strategic positioning within OEM programs.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- **Off-highway, India and China provide medium-term diversification levers:** Passenger car demand remains soft globally, particularly among legacy Western OEMs, with delays and cancellations in new platform programs. However, KPIT continues to gain wallet share across most large clients, suggesting **the issue is more industry-related than company-specific. In contrast, trucks and off-highway delivered ~18% YoY growth in FY26** and continue to see healthy traction, supported by the >USD50m SDM deal win. **We believe adjacencies such as off-highway, connected services, aftersales, and micro-mobility can gradually diversify the revenue base over the medium term.**
- At the same time, India and China are becoming strategically important, with both contributing ~4% of revenues each. We believe geographic diversification should improve gradually over FY27–28.
- **Margins likely to remain resilient despite elevated investments:** KPIT maintained EBITDA margins near ~21% despite continued investments in AI, products, leadership hiring, and acquisitions. **FY27 EBITDA margin guidance stands at 20.5–21.2%**, reflecting ongoing investments in solutions capabilities and new markets. Management continues to invest >5% of revenue into R&D, materially higher than peers. **Over the medium term, the company targets 22–24% EBITDA margins, driven by higher-margin products, AI-infused delivery, reusable solution assets,** and increasing fixed-price work. We estimate FY27 EBITDA margins at ~20.8%.

#### Valuations and changes to our estimates

- We believe **KPIT remains well-positioned to benefit from the long-term shift toward SDVs**, supported by its capabilities, end-to-end automotive software stack, and increasing focus on products and solutions. While near-term demand remains uneven due to delays in OEM platform programs and the ramp-down of two large SDV engagements in 1HFY27, **we believe that automotive ER&D spending is nearing a bottom, with medium-term software demand remaining structurally intact.**
- Factoring in the near-term impact of program ramp-downs and softer growth visibility in 1HFY27, we cut our estimates by 2-5%. However, we continue to expect gradual improvement in growth and margins from FY28 onward, supported by mix improvement, AI-led efficiencies, and increasing fixed-price engagements. **We believe KPIT remains one of the better-positioned ER&D plays within automotive software and continues to be our preferred pick in the space.** We reiterate our BUY rating with a revised TP of INR970, based on 25x FY28E EPS.

#### Beat on revenue and margins in line with our estimates; two major SDV programs to end in 1HFY27

- USD revenue came in at USD185m; up 1.8% QoQ in CC terms vs. our estimate of 1% growth. For FY26, revenue stood at USD725m, up 1.3% YoY CC.
- Growth was led by the commercial vehicles segment, up 11.6% QoQ, while the passenger car segment declined 0.2% QoQ.
- In terms of geographies, the US & Asia rose 0.6%/25.1% QoQ in USD terms, while Europe declined 7.1%.

- EBIT margin was 15.9% (up 25bp QoQ), largely in line with our estimate of 16%. For FY26, adj. EBIT margin stood at 16.2% vs. 17.1% in FY25.
- Two of the largest SDV programs are coming to an end in 1H, but revenue will be largely compensated by growth in newly acquired accounts. Continuation of these programs would have resulted in 4%-5% sequential growth.
- The company indicated FY27 EBITDA guidance of 20.5%-21.2%.
- Deal TCV stood at USD349m, up 25% YoY.
- Adj. PAT was down 9.6% QoQ/18.4% YoY to INR1,630m (below our est. of INR2,165m). For the full year, adj. PAT stood at INR6.3b, up 83% YoY.
- DSO at the end of 4QFY26 stood at 47 days. The net headcount was down 1.6% QoQ to 12,520 in 4QFY26.
- The company declared a final dividend of INR5.25/share for FY26.

### Key highlights from the management commentary

- Demand environment remained uneven - passenger car programs continued to face delays and cancellations (notably Honda's new platform programmes), while commercial vehicles and off-highway witnessed stronger traction.
- ADAS is the fastest-growing spend pocket, expected to reach 3x current levels by 2030; infotainment/digital services and E-architecture are also seeing a material uptick.
- Management views near-term moderation as transitional; medium-term outlook remains robust, driven by an integration demand surge once delayed programs move to the launch phase.
- 4QFY26 is guided to be the highest-growth quarter of FY26 with positive organic growth; profitability is expected to improve sequentially despite continued investments.
- FY27 revenue growth is guided to be higher than FY26; the exact quantum is deferred to April-end commentary. Management expressed reasonable confidence in acceleration.
- Growth in FY26 was led by trucks and off-highway (+18% YoY) and cloud-based connected services; OEM revenues grew ~9% YoY, partially offset by a decline in Tier-1 revenues.

### Valuation and view

- We believe **KPIT remains well-positioned to benefit from the long-term shift toward SDVs**, supported by its capabilities, end-to-end automotive software stack, and increasing focus on products and solutions. Factoring in the near-term impact of program ramp-downs and softer growth visibility in 1HFY27, we cut our estimates by 2-5%.
- However, we continue to expect gradual improvement in growth and margins from FY28 onward, supported by mix improvement, AI-led efficiencies, and increasing fixed-price engagements. **We believe KPIT remains one of the better-positioned ER&D plays within automotive software and continues to be our preferred pick in the space.** We reiterate our BUY rating with a revised TP of INR970, based on 25x FY28E EPS.

**Quarterly Performance**

| Y/E March         | FY25   |        |        |        | FY26   |        |        |        | FY25   | FY26   | Est.<br>4QFY26 | Var.<br>(% / bp) |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|------------------|
|                   | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |        |        |                |                  |
| Revenue (USD m)   | 165    | 173    | 176    | 177    | 178    | 181    | 181    | 185    | 691    | 725    | 182            | -0.6             |
| QoQ (%)           | 3.8    | 4.8    | 1.7    | 0.6    | 0.5    | 1.8    | 0.0    | 2.2    |        |        | 0.6            | -57bp            |
| Revenue (INR m)   | 13,646 | 14,714 | 14,780 | 15,283 | 15,388 | 15,877 | 16,175 | 17,110 | 58,423 | 64,549 | 16,605         | -2.6             |
| YoY (%)           | 24.3   | 22.7   | 17.6   | 16.0   | 12.8   | 7.9    | 9.4    | 12.0   | 19.9   | 10.5   | 8.6            | 79bp             |
| GPM (%)           | 35.3   | 34.8   | 36.6   | 36.1   | 35.2   | 37.3   | 36.8   | 37.4   | 35.7   | 36.7   | 36.5           | 28bp             |
| SGA (%)           | 14.2   | 14.3   | 15.5   | 15.0   | 14.2   | 16.2   | 16.2   | 16.7   | 14.8   | 15.8   | 15.5           | 66bp             |
| EBITDA            | 2,882  | 3,018  | 3,122  | 3,230  | 3,239  | 3,351  | 3,334  | 3,533  | 12,251 | 13,457 | 3,487          | -4.4             |
| EBITDA Margin (%) | 21.1   | 20.5   | 21.1   | 21.1   | 21.0   | 21.1   | 20.6   | 20.6   | 21.0   | 20.8   | 21.0           | -39bp            |
| EBIT              | 2,356  | 2,457  | 2,538  | 2,651  | 2,610  | 2,604  | 2,524  | 2,713  | 10,002 | 10,451 | 2,657          | -5.0             |
| EBIT Margin (%)   | 17.3   | 16.7   | 17.2   | 17.3   | 17.0   | 16.4   | 15.6   | 15.9   | 17.1   | 16.2   | 16.0           | -40bp            |
| Other income      | 417    | 417    | 92     | -81    | 39     | 73     | 108    | -100   | 845    | -1,133 | 249            | -56.7            |
| ETR (%)           | 26.2   | 28.0   | 27.1   | 26.4   | 27.1   | 26.7   | 25.1   | 27.5   | 26.9   | 26.6   | 25.5           | -41bp            |
| PAT               | 2,042  | 2,037  | 1,870  | 2,447  | 1,719  | 1,691  | 1,334  | 1,630  | 8,395  | 6,374  | 2,165          | -38.4            |
| QoQ (%)           | 24.2   | -0.2   | -8.2   | 30.9   | -29.7  | -1.6   | -21.1  | 22.2   |        |        | 62.3           |                  |
| YoY (%)           | 52.4   | 44.6   | 20.4   | 48.9   | -15.8  | -17.0  | -28.6  | -33.4  | 40.3   | -24.1  | -11.5          |                  |
| Exceptional items | 0      | 0      | 0      | -450   | 0      | 0      | 469    | 0      | -450.0 | 469.4  | 0.0            |                  |
| Adj. PAT          | 2,042  | 2,037  | 1,870  | 1,997  | 1,719  | 1,691  | 1,804  | 1,630  | 7,945  | 6,843  | 2,165          | -16.7            |
| EPS (INR)         | 7.5    | 7.5    | 6.8    | 8.9    | 6.3    | 6.2    | 4.9    | 6.0    | 29.0   | 25.0   | 7.9            | -38.4            |

**Key Performance Indicators**

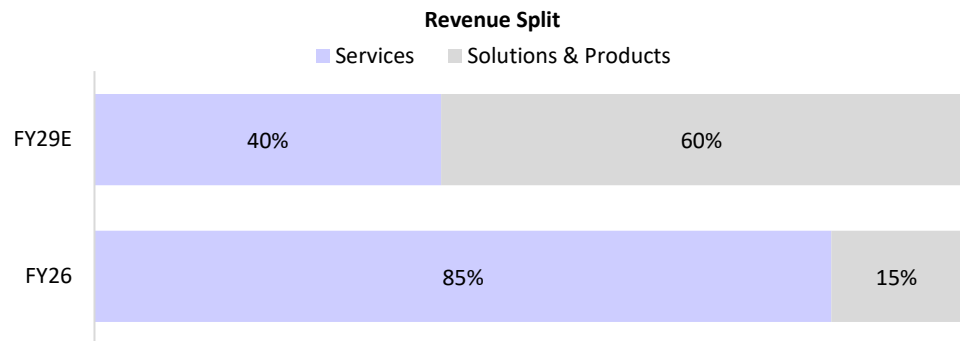
| Y/E March                      | FY25   |        |        |        | FY26   |        |        |        | FY25   | FY26   |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |        |        |
| Revenue (QoQ CC %)             | 4.7    | 4.7    | 2.0    | 3.0    | -3.2   | 0.3    | 1.5    | 1.8    |        |        |
| <b>Margins (%)</b>             |        |        |        |        |        |        |        |        |        |        |
| Gross Margin                   | 35.3   | 34.8   | 36.6   | 36.1   | 35.2   | 37.3   | 36.8   | 37.4   | 35.7   | 36.7   |
| EBIT Margin                    | 17.3   | 16.7   | 17.2   | 17.3   | 17.0   | 16.4   | 15.6   | 15.9   | 17.1   | 16.2   |
| Net Margin                     | 15.0   | 13.8   | 12.7   | 13.1   | 11.2   | 10.6   | 11.2   | 9.5    | 13.6   | 10.6   |
| <b>Operating metrics</b>       |        |        |        |        |        |        |        |        |        |        |
| Headcount                      | 13,253 | 13,087 | 12,795 | 12,873 | 12,545 | 12,879 | 12,724 | 12,520 | 12,873 | 12,520 |
| DSO                            | 46     | 45     | 42     | 44     | 45     | 49     | 40     | 47     | 44.0   | 47.0   |
| <b>Key Geographies (YoY %)</b> |        |        |        |        |        |        |        |        |        |        |
| US                             | 3.5    | 7.8    | 4.2    | 4.0    | 11.6   | 4.2    | 4.6    | -0.6   | 4.8    | 4.9    |
| Europe                         | 24.8   | 10.6   | 5.5    | -6.4   | -7.2   | 5.4    | 12.3   | 12.7   | 7.9    | 5.6    |

**Exhibit 1: Europe continues to see a rebound, while the US and Asia declined**

| QoQ %  | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | 4QFY26 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| US     | 26.2   | 0.6    | -1.7   | 0.9    | 6.0    | -1.6   | 2.4    | -2.5   | 5.9    | 5.6    | -4.4   | -2.1   | 0.6    |
| Europe | 7.8    | 10.9   | 12.2   | 3.2    | 4.4    | 3.3    | -0.6   | -1.5   | -7.4   | 2.4    | 12.9   | 4.9    | -7.1   |
| Asia   | -2.0   | 18.2   | 17.8   | 4.4    | 14.6   | 13.2   | 23.1   | 13.1   | 10.0   | -8.0   | -10.2  | -6.9   | 25.1   |

Source: Company, MOFSL

**Exhibit 2: KPIT targets 60% of revenue from solutions and products by FY29 (vs. ~15% currently)**



Source: Company, MOFSL



## Highlights from the management commentary

### 4QFY26 performance and demand outlook by Mr. Kishor Patil, CEO Session

- Demand environment remained uneven - passenger car programs continued to face delays and cancellations (notably Honda's new platform programmes), while commercial vehicles and off-highway witnessed stronger traction.
- ADAS is the fastest-growing spend pocket, expected to reach 3x current levels by 2030; infotainment/digital services and E-architecture also seeing material uptick.
- Management views near-term moderation as transitional; medium-term outlook remains robust, driven by integration demand surge once delayed programs move to the launch phase.
- 4QFY26 is guided to be the highest-growth quarter of FY26 with positive organic growth; profitability is expected to improve sequentially despite continued investments.
- KPIT estimates ~10-11% market share in its addressable segments; significant headroom exists for wallet deepening within existing accounts and new account additions across agencies.
- Strategic external investments totaling ~USD 400m made across the chip-to-cloud stack (PATH Partners for E-architecture, Technica for cybersecurity, N-Dream for aftersales, Caresoft for vehicle engineering/benchmarking, Helm.ai for autonomy); investments made outside the 5% R&D budget.
- FY27 revenue growth guided to be higher than FY26; exact quantum deferred to April-end commentary. Management expressed reasonable confidence in acceleration.
- Growth in FY26 was led by trucks and off-highway (+18% YoY) and cloud-based connected services; OEM revenues grew ~9% YoY, partially offset by a decline in Tier-1 revenues.
- Two strategic engagements highlighted: (1) Long-term SDM program for a global off-highway OEM, TCV in excess of USD 50mn, targeting next-gen modular software-defined machine platform; (2) Digital cockpit platform for a leading Japanese Tier-1, covering 3 OEM programs with potential expansion to 5.

- **Passenger Cars:** Passenger car OEM spend declined ~20-25% in FY26; volumes and profitability fell sharply across most legacy Western OEMs. Wallet share largely retained - KPIT maintained or gained wallet share in majority of its T25 client base.
- **Commercial Vehicles:** KPIT is an early-mover in Software-Defined Machines (SDM) for trucks and off-highway; won a landmark >USD 50m long-term engagement for next-gen modular platform transformation.
- **Asia:** Asia revenue has declined over recent quarters, primarily due to the ramp-down of the large Honda program; recovery expected over 2-3 quarters, with Asia growth normalizing by mid-FY27. China strategy gaining foothold revenues small but strategically significant.
- **Europe:** Europe remains the largest TCV contributor this quarter; European OEMs are actively reallocating R&D spend from local onsite vendors to India-based partners, a structural tailwind for KPIT. Qorix (KPIT's middleware product) has been incorporated into a European Union automotive software partnership though near-term traction has been below expectations due to delayed new vehicle program launches.
- **Cloud-Based Connected Services:** Cloud-based connected services was the second-fastest-growing segment in Q4FY26; OTA updates, cybersecurity, and after-sales digital services are core growth drivers. KPIT's cybersecurity solution is deployed across millions of Volkswagen Group vehicles (via Cariad JV).
- Anup Sable elevated to **Chief Operating Officer and Key Managerial Person**; previously served as CTO for 31 years.
- Academic partnerships established for M.Tech and PhD-level research programmes with premier institutions.
- AI pipeline acceleration underway; ~21% of total pipeline already represents products and solutions; management targets ~30%+ growth rate in solutions and products going forward.
- Microsoft recognized KPIT as a Frontier Technology Partner.

#### **Mr. Sachin Tikekar, Co-founder and Joint MD session**

- Demand from off-highway OEMs has outpaced expectations; these players are comparatively more financially stable than passenger car peers and are investing proactively in software-defined machine programs.
- Truck segment demand remained subdued, with North American and European markets in a prolonged slump (~9 months); a recovery is anticipated in 2HFY26, driven by pre-buying activity and infrastructure-linked spend.
- Revenue model transition is underway: >80% of new contracts are now fixed-price; four largest clients being converted from T&M this quarter, next four in the following quarter - expected to take overall fixed-price/outcome-based mix north of 75%.
- Management guided for **near-term EBITDA margin stability** despite current headwinds; **medium-term margin expansion** is a stated objective to support continued technology investment.

- Five key margin levers: **(1) shift to outcome-based contracts, (2) deployment of proprietary solutions, (3) product licensing models, (4) AI-infused delivery, and (5) per-person revenue and contribution improvement.**
- **Per-person revenue and contribution have improved consistently** over the past three years and are expected to remain on an upward trajectory — the most significant structural efficiency lever going forward.
- **Passenger Cars:** Coverage of major global (ex-China) OEMs is now near-complete following three new OEM additions.
- **Commercial Vehicles:** Truck segment is in a cyclical trough across North America and Europe; recovery expected in 2HFY26 as infrastructure and construction activity revives. Off-highway is the faster-growing and more immediate opportunity; clients in this segment have stronger balance sheets and higher near-term investment appetite.
- **US:** North America truck market recovering from a prolonged slump; pre-buying activity and infrastructure-linked demand expected to drive 2H FY26 recovery. Major North American off-highway OEM win (current and next-gen program) is the most significant recent deal in the region and serves as the reference engagement for the off-highway vertical.
- **Europe:** European OEMs face the highest pressure among all geographies - simultaneous headwinds from Chinese competition, tariffs, and cost-heavy local engineering ecosystems.
- Strategy for European OEMs is centered on dramatically reducing product and production costs; KPIT is positioned to benefit as these OEMs expand their partner ecosystems beyond the traditional Western Europe supply base.
- **Asia:** India domestic revenue is a new strategic priority from FY26; three demand drivers - competitive domestic OEMs, global OEMs building India-for-India products, and conglomerates entering passenger cars via Chinese platforms - create a multi-layered opportunity.
- AI is being embedded into the delivery model as a core lever for driving non-linearity; outcome-based contracts are structured to allow KPIT to retain the efficiency gains generated by AI-infused solutions.
- Five proprietary products under development expected to see strong near-term growth.

### **Outlook and Margins performance**

- Management described the FY27 demand environment as positive overall, with good traction across segments; some near-term headwinds expected to ease through the year.
- Two of KPIT's largest SDV programs are coming to an end; revenue impact will be largely offset by growth from newly acquired accounts.
- Management noted that continuation of these programs would have contributed an additional 4–5% sequential growth for the year - indicative of the underlying momentum being built in new accounts.
- Solid growth expected from trucks, off-highway, US, India, and China; India revenue expected to nearly double off a small base.
- Growth areas for FY27 include connected vehicles, after-sales, and autonomous driving.

- Solutions and products revenue guided to grow ~30% YoY in FY27; management views this as a key profitability driver going forward.
- EBITDA margin guided at 20.5–21.2% for FY27, post increased investments in AI solutions, products competency development, and new market buildout; range reflects uncertainty around currency movements.
- Medium-term growth expected to be driven by three levers: (1) wallet share expansion in existing accounts, (2) new account wins, and (3) expansion across new geographies and adjacencies.
- Management committed to annualized sustainable double-digit revenue growth over the medium term; tone was measured, with emphasis on not over-committing.
- Solutions and products mix targeted to expand from ~15% in FY26 to ~60% of revenue in three years; services mix to decline from ~85% to ~40% over the same period.
- EBITDA margins expected to expand to 22–24% in the medium term, up from current levels, as the solutions and products mix improves and operating leverage kicks in.
- Management is evaluating a new high-spend, tech-enabled adjacency (beyond current automotive verticals) where KPIT can replicate its automotive leadership positioning over the next four years; no specific segment disclosed.

**Valuation and view**

- We believe **KPIT remains well-positioned to benefit from the long-term shift toward SDVs**, supported by its capabilities, end-to-end automotive software stack, and increasing focus on products and solutions. Factoring in the near-term impact of program ramp-downs and softer growth visibility in 1HFY27, we cut our estimates by 2-5%.
- However, we continue to expect gradual improvement in growth and margins from FY28 onward, supported by mix improvement, AI-led efficiencies, and increasing fixed-price engagements. **We believe KPIT remains one of the better-positioned ER&D plays within automotive software and continues to be our preferred pick in the space.** We reiterate our BUY rating with a revised TP of INR970, based on 25x FY28E EPS.

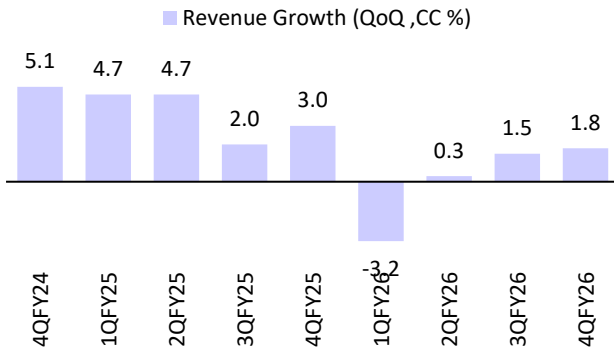
**Exhibit 3: Summary of our revised estimates**

|                  | Revised |        | Earlier |        | Change  |         |
|------------------|---------|--------|---------|--------|---------|---------|
|                  | FY27E   | FY28E  | FY27E   | FY28E  | FY27E   | FY28E   |
| INR/USD          | 93.8    | 93.8   | 93.8    | 93.8   | 0.0%    | 0.0%    |
| USD Revenue (m)  | 744     | 821    | 767     | 859    | -3.0%   | -4.4%   |
| Growth (%)       | 2.7     | 10.4   | 6.2     | 12.0   | -360bps | -170bps |
| EBIT margin (%)  | 16.1    | 16.9   | 16.8    | 17.1   | -70bps  | -20bps  |
| Adj. PAT (INR b) | 8,987   | 10,547 | 9,461   | 10,775 | -5.0%   | -2.1%   |
| Adj. EPS         | 32.8    | 38.5   | 34.5    | 39.3   | -5.0%   | -2.1%   |

Source: MOFSL

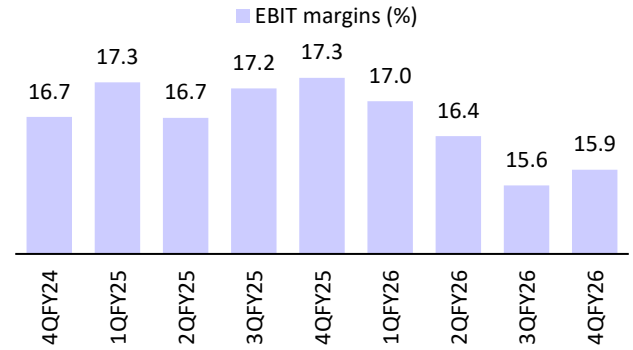
## Story in charts

**Exhibit 4: Revenue grew 1.8% QoQ CC, driven by inorganic contribution**



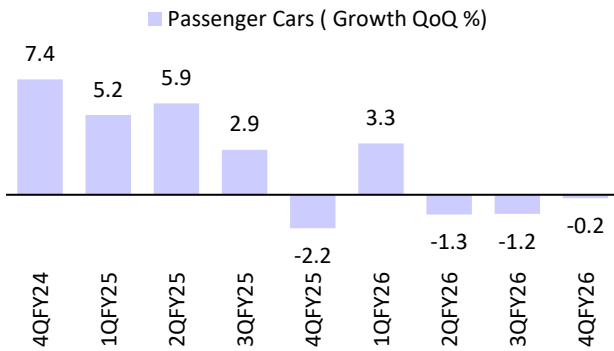
Source: Company, MOFSL

**Exhibit 5: EBIT increased 30bp QoQ**



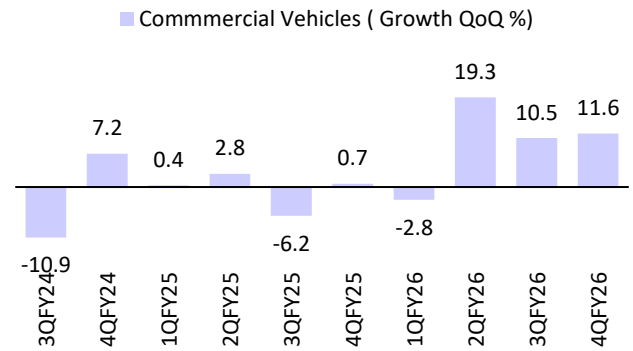
Source: Company, MOFSL

**Exhibit 6: Passenger cars growth declined 0.2% QoQ...**



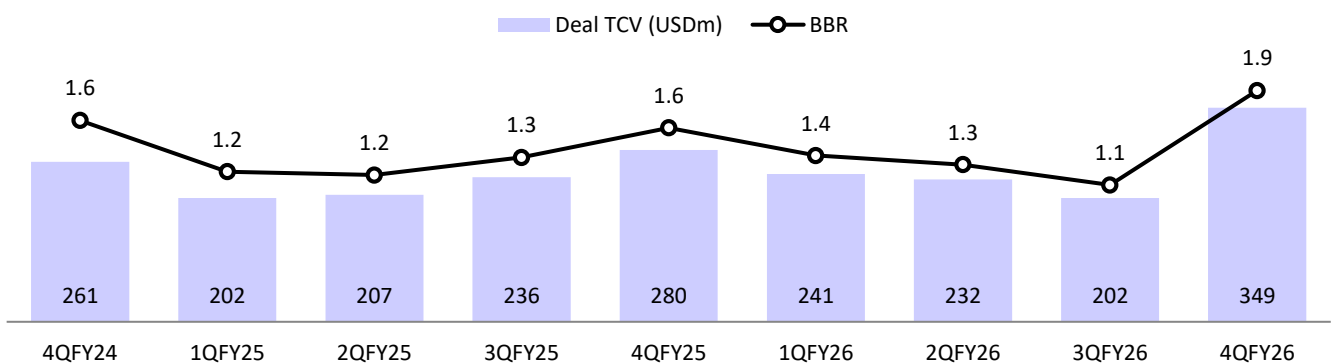
Source: Company, MOFSL

**Exhibit 7: ...while the CV segment led growth in 4QFY26**



Source: Company, MOFSL

**Exhibit 8: Deal TCV stood at USD349m, up 25% YoY; BBR at 1.9x**



Source: Company, MOFSL

## Operating metrics

**Exhibit 9: Operating metrics**

|                                      | 4QFY24        | 1QFY25        | 2QFY25        | 3QFY25        | 4QFY25        | 1QFY26        | 2QFY26        | 3QFY26        | 4QFY26        |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Verticals (%)</b>                 |               |               |               |               |               |               |               |               |               |
| Passenger Cars                       | 79.0          | 80.0          | 80.8          | 81.7          | 79.5          | 81.8          | 79.3          | 78.3          | 76.5          |
| Commercial Vehicles                  | 17.5          | 16.9          | 16.6          | 15.3          | 15.3          | 14.8          | 17.3          | 19.2          | 20.9          |
| Others                               | 3.6           | 3.1           | 2.6           | 3.0           | 5.2           | 3.4           | 3.3           | 2.5           | 2.6           |
| <b>Geographies (%)</b>               |               |               |               |               |               |               |               |               |               |
| US                                   | 29.7          | 28.2          | 27.5          | 26.4          | 27.7          | 29.2          | 27.4          | 26.8          | 26.4          |
| Europe                               | 51.7          | 51.5          | 48.8          | 47.2          | 43.4          | 44.3          | 49.2          | 51.5          | 46.9          |
| Asia                                 | 18.6          | 20.3          | 23.8          | 26.4          | 28.9          | 26.5          | 23.4          | 21.7          | 26.6          |
| <b>Business Mix (%)</b>              |               |               |               |               |               |               |               |               |               |
| Feature Development & Integration    | 62.0          | 61.0          | 59.7          | 62.0          | 59.0          | 59.5          | 60.7          | 61.1          | 57.9          |
| Architecture & Middleware Consulting | 18.7          | 20.5          | 23.5          | 20.3          | 22.8          | 20.2          | 17.2          | 16.8          | 17.4          |
| Cloud Based Connected Services       | 19.3          | 18.5          | 16.9          | 17.7          | 18.3          | 20.3          | 22.0          | 22.2          | 24.6          |
| <b>Project Type (%)</b>              |               |               |               |               |               |               |               |               |               |
| Fixed Price                          | 55%           | 54%           | 57%           | 59%           | 60%           | 63%           | 65%           | 66%           | 68%           |
| Time and Material                    | 45%           | 47%           | 43%           | 41%           | 40%           | 38%           | 35%           | 34%           | 32%           |
| <b>Client Profile</b>                |               |               |               |               |               |               |               |               |               |
| Strategic Client Revenue (T-21)      | 86%           | 87%           | 86%           | 88%           | 88%           | 87%           | 87%           | 88%           | 85%           |
| <b>Employee Metrics (%)</b>          |               |               |               |               |               |               |               |               |               |
| Development                          | 12,064        | 12,438        | 12,248        | 11,940        | 11,993        | 11,676        | 12,042        | 11,893        | 11,703        |
| Sales                                | 792           | 815           | 839           | 855           | 880           | 869           | 837           | 831           | 817           |
| <b>Total Employees</b>               | <b>12,856</b> | <b>13,253</b> | <b>13,087</b> | <b>12,795</b> | <b>12,873</b> | <b>12,545</b> | <b>12,879</b> | <b>12,724</b> | <b>12,520</b> |

Source: Company, MOFSL

## Financials and valuations

| Consolidated - Income Statement     |               |               |               |               |               | (INR m)       |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                           | FY22          | FY23          | FY24          | FY25          | FY26          | FY27E         | FY28E         |
| <b>Total Income from Operations</b> | <b>24,324</b> | <b>33,650</b> | <b>48,715</b> | <b>58,423</b> | <b>64,549</b> | <b>69,813</b> | <b>77,048</b> |
| Change (%)                          | 19.5          | 38.3          | 44.8          | 19.9          | 10.5          | 8.2           | 10.4          |
| Employees Cost                      | 16,106        | 21,957        | 31,704        | 37,550        | 40,868        | 44,229        | 49,023        |
| <b>Total Expenditure</b>            | <b>16,106</b> | <b>21,957</b> | <b>31,704</b> | <b>37,550</b> | <b>40,868</b> | <b>44,229</b> | <b>49,023</b> |
| % of Sales                          | 66.2          | 65.3          | 65.1          | 64.3          | 63.3          | 63.4          | 63.6          |
| <b>Gross Profit</b>                 | <b>8,218</b>  | <b>11,693</b> | <b>17,012</b> | <b>20,873</b> | <b>23,681</b> | <b>25,584</b> | <b>28,025</b> |
| SG&A                                | 3,832         | 5,457         | 7,159         | 8,622         | 10,224        | 11,078        | 11,403        |
| <b>EBITDA</b>                       | <b>4,385</b>  | <b>6,236</b>  | <b>9,852</b>  | <b>12,251</b> | <b>13,457</b> | <b>14,506</b> | <b>16,622</b> |
| % of Sales                          | 18.0          | 18.5          | 20.2          | 21.0          | 20.8          | 20.8          | 21.6          |
| Depreciation                        | 1,196         | 1,464         | 1,958         | 2,250         | 3,006         | 3,281         | 3,621         |
| <b>EBIT</b>                         | <b>3,189</b>  | <b>4,772</b>  | <b>7,894</b>  | <b>10,002</b> | <b>10,451</b> | <b>11,225</b> | <b>13,001</b> |
| % of Sales                          | 13.1          | 14.2          | 16.2          | 17.1          | 16.2          | 16.1          | 16.9          |
| Other Income                        | 254           | 204           | 116           | 873           | -1,133        | 838           | 1,156         |
| <b>PBT</b>                          | <b>3,443</b>  | <b>4,976</b>  | <b>8,010</b>  | <b>10,875</b> | <b>9,318</b>  | <b>12,063</b> | <b>14,157</b> |
| Total Tax                           | 683           | 1,099         | 2,019         | 2,929         | 2,475         | 3,076         | 3,610         |
| Tax Rate (%)                        | 19.8          | 22.1          | 25.2          | 26.9          | 26.6          | 25.5          | 25.5          |
| <b>Adjusted PAT</b>                 | <b>2,760</b>  | <b>3,876</b>  | <b>5,991</b>  | <b>7,945</b>  | <b>6,843</b>  | <b>8,987</b>  | <b>10,547</b> |
| Change (%)                          | 94.5          | 40.4          | 54.5          | 32.6          | -13.9         | 31.3          | 17.4          |
| Margin (%)                          | 11.3          | 11.5          | 12.3          | 13.6          | 10.6          | 12.9          | 13.7          |
| Minority Interest/Exceptional items | 0             | 0             | 0             | -450          | 469           | 0             | 0             |
| <b>Reported PAT</b>                 | <b>2,760</b>  | <b>3,876</b>  | <b>5,991</b>  | <b>8,395</b>  | <b>6,374</b>  | <b>8,987</b>  | <b>10,547</b> |

| Consolidated - Balance Sheet        |               |               |               |               |               | (INR m)       |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                           | FY22          | FY23          | FY24          | FY25          | FY26          | FY27E         | FY28E         |
| Equity Share Capital                | 2,700         | 2,703         | 2,712         | 2,717         | 2,722         | 2,722         | 2,722         |
| Total Reserves                      | 10,396        | 13,812        | 18,746        | 26,405        | 32,687        | 38,528        | 45,384        |
| <b>Net Worth</b>                    | <b>13,096</b> | <b>16,515</b> | <b>21,459</b> | <b>29,122</b> | <b>35,409</b> | <b>41,251</b> | <b>48,106</b> |
| Minority Interest                   | 155           | 118           | 171           | 0             | 77            | 77            | 77            |
| Borrowings                          | 19            | 2             | 1             | 0             | 1,431         | 1,431         | 1,431         |
| Other Long term liabilities         | 3,015         | 5,690         | 4,923         | 3,990         | 7,527         | 7,688         | 7,909         |
| <b>Capital Employed</b>             | <b>16,285</b> | <b>22,325</b> | <b>26,553</b> | <b>33,112</b> | <b>44,444</b> | <b>50,446</b> | <b>57,523</b> |
| <b>Net Fixed Assets</b>             | <b>4,440</b>  | <b>4,738</b>  | <b>5,429</b>  | <b>5,938</b>  | <b>6,263</b>  | <b>6,392</b>  | <b>6,536</b>  |
| Goodwill                            | 1,679         | 10,103        | 11,463        | 11,729        | 27,985        | 27,985        | 27,985        |
| Capital WIP                         | 4             | 56            | 5             | 94            | 4             | 4             | 4             |
| Other Assets                        | 2,097         | 4,093         | 4,617         | 5,468         | 9,351         | 8,802         | 8,961         |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>15,142</b> | <b>15,016</b> | <b>20,164</b> | <b>27,101</b> | <b>28,961</b> | <b>35,368</b> | <b>42,661</b> |
| Account Receivables                 | 4,410         | 7,748         | 9,558         | 8,895         | 10,748        | 10,902        | 12,032        |
| Cash and Bank Balance               | 3,421         | 4,542         | 6,550         | 12,232        | 13,184        | 19,201        | 25,040        |
| Current Investments                 | 6,863         | 1,622         | 2,441         | 4,012         | 2,139         | 2,139         | 2,139         |
| Other Current Assets                | 448           | 1,104         | 1,615         | 1,962         | 2,890         | 3,126         | 3,450         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>7,077</b>  | <b>11,681</b> | <b>15,126</b> | <b>17,218</b> | <b>28,117</b> | <b>28,103</b> | <b>28,621</b> |
| Account Payables                    | 1,372         | 1,643         | 2,398         | 1,782         | 2,608         | 2,376         | 2,633         |
| Other Current Liabilities           | 5,046         | 9,520         | 11,957        | 14,564        | 24,546        | 24,763        | 25,025        |
| Provisions                          | 658           | 517           | 771           | 871           | 963           | 963           | 963           |
| <b>Net Current Assets</b>           | <b>8,065</b>  | <b>3,335</b>  | <b>5,039</b>  | <b>9,883</b>  | <b>844</b>    | <b>7,265</b>  | <b>14,040</b> |
| <b>Appl. of Funds</b>               | <b>16,285</b> | <b>22,325</b> | <b>26,553</b> | <b>33,112</b> | <b>44,447</b> | <b>50,449</b> | <b>57,526</b> |

## Financials and valuations

### Ratios

| Y/E March                | FY22 | FY23 | FY24 | FY25  | FY26  | FY27E | FY28E |
|--------------------------|------|------|------|-------|-------|-------|-------|
| <b>Basic EPS (INR)</b>   | 10.1 | 14.2 | 21.9 | 29.0  | 25.0  | 32.8  | 38.5  |
| Cash EPS                 | 14.5 | 19.4 | 29.1 | 38.9  | 34.3  | 44.8  | 51.7  |
| BV/Share                 | 48.5 | 61.1 | 79.1 | 107.2 | 130.1 | 151.5 | 176.7 |
| DPS                      | 0.0  | 0.0  | 2.1  | 8.3   | 7.5   | 11.5  | 13.5  |
| Payout (%)               | 0.0  | 0.0  | 9.6  | 28.7  | 30.0  | 35.0  | 35.0  |
| <b>Valuation (x)</b>     |      |      |      |       |       |       |       |
| P/E                      | 71.4 | 51.0 | 33.0 | 24.9  | 28.9  | 22.0  | 18.8  |
| Cash P/E                 | 49.9 | 37.2 | 24.8 | 18.6  | 21.1  | 16.1  | 14.0  |
| P/BV                     | 14.9 | 11.8 | 9.1  | 6.7   | 5.6   | 4.8   | 4.1   |
| EV/Sales                 | 7.6  | 5.7  | 3.8  | 3.1   | 2.8   | 2.5   | 2.2   |
| EV/EBITDA                | 42.1 | 30.6 | 19.0 | 14.7  | 13.6  | 12.2  | 10.3  |
| Dividend Yield (%)       | 0.0  | 0.0  | 0.3  | 1.2   | 1.0   | 1.6   | 1.9   |
| <b>Return Ratios (%)</b> |      |      |      |       |       |       |       |
| RoE                      | 21.8 | 26.1 | 31.3 | 33.1  | 19.7  | 23.4  | 23.6  |
| RoCE                     | 21.5 | 18.5 | 19.7 | 21.9  | 16.7  | 14.5  | 16.5  |

### Consolidated - Cash Flow Statement

(INR m)

| Y/E March                    | FY22          | FY23          | FY24          | FY25          | FY26           | FY27E         | FY28E         |
|------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|
| OP/(Loss) before Tax         | 2,762         | 4,968         | 8,004         | 10,875        | 9,318          | 12,063        | 14,157        |
| Depreciation                 | 1,196         | 1,464         | 1,958         | 2,250         | 3,006          | 3,281         | 3,621         |
| Interest & Finance Charges   | 0             | 183           | 436           | 274           | 591            | -838          | -1,156        |
| Direct Taxes Paid            | -888          | -989          | -1,371        | -2,049        | -2,141         | -3,076        | -3,610        |
| (Inc)/Dec in WC              | 875           | -1,769        | 871           | 2,166         | -77            | -33           | -1,299        |
| Others                       | 805           | 768           | 119           | 379           | 1,251          | 0             | 0             |
| <b>CF from Operations</b>    | <b>4,750</b>  | <b>4,625</b>  | <b>10,018</b> | <b>13,895</b> | <b>11,948</b>  | <b>11,397</b> | <b>11,713</b> |
| (Inc)/Dec in FA              | -685          | -1,276        | -1,549        | -1,273        | -1,386         | -3,411        | -3,764        |
| <b>Free Cash Flow</b>        | <b>4,065</b>  | <b>3,349</b>  | <b>8,469</b>  | <b>12,622</b> | <b>10,562</b>  | <b>7,987</b>  | <b>7,948</b>  |
| (Pur)/Sale of Investments    | 2,720         | 6,080         | 3,517         | 6,049         | 8,316          | 0             | 0             |
| Others                       | -5,059        | -6,827        | -7,605        | -10,466       | -18,790        | 797           | 1,100         |
| <b>CF from Investments</b>   | <b>-3,024</b> | <b>-2,024</b> | <b>-5,637</b> | <b>-5,690</b> | <b>-11,861</b> | <b>-2,614</b> | <b>-2,665</b> |
| Issue of shares              | 27            | 17            | 17            | 5             | 6              | 0             | 0             |
| Inc/(Dec) in Debt            | -521          | -641          | -935          | -1,308        | 3,620          | 379           | 482           |
| Interest Paid                | -32           | -87           | -195          | -194          | -493           | 0             | 0             |
| Dividend Paid                | -741          | -892          | -1,287        | -1,928        | -2,244         | -3,145        | -3,691        |
| Others                       | 0             | -228          | 0             | 0             | 0              | 0             | 0             |
| <b>CF from Fin. Activity</b> | <b>-1,267</b> | <b>-1,831</b> | <b>-2,400</b> | <b>-3,424</b> | <b>889</b>     | <b>-2,767</b> | <b>-3,209</b> |
| <b>Inc/Dec of Cash</b>       | <b>459</b>    | <b>770</b>    | <b>1,981</b>  | <b>4,781</b>  | <b>976</b>     | <b>6,017</b>  | <b>5,839</b>  |
| Forex Adjustment             | 104           | 352           | 27            | 21            | -24            | 0             | 0             |
| Opening Balance              | 2,858         | 3,421         | 4,542         | 7,430         | 12,232         | 13,185        | 19,201        |
| <b>Closing Balance</b>       | <b>3,421</b>  | <b>4,542</b>  | <b>6,550</b>  | <b>12,232</b> | <b>13,185</b>  | <b>19,201</b> | <b>25,040</b> |

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
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| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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