

July 1, 2026

European OEM slowdown derails near-term growth...

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.

Event Update: KPIT issued two exchange filings on June 30 & July 1, 2026, providing a preliminary business update on Q1FY27 financial performance and a clarification on revenue outlook for the remainder of the year.

Key highlights and implications

- Revenue Impact: The business update is a negative surprise with KPIT expecting USD revenue to decline ~1% YoY in Q1FY27 vs Q1FY26**, driven by sudden actions by certain European OEM clients, which is KPIT's key geography (Europe is ~47% FY26 revenue mix) following their recent profit warnings and adverse business outlook. Moreover, The July 1 clarification filing indicated that **Q2FY27 revenues are expected to be in the same range as Q1FY27, implying weakness is likely to persist into H1FY27. This is materially below prior expectation of QoQ growth in the first half and management commentary of FY27 being better than FY26 during Q4FY26 results.** Management characterised it as a short-term phenomenon, noting client cost-cutting typically drives more outsourcing & offshoring, as seen during COVID.
- H1FY27 to be unsatisfactory; H2FY27 recovery expected:** Management acknowledged H1 performance will be disappointing but expressed confidence in demonstrating sustainable, profitable growth in H2, with Q4FY27 positioned as a strong sequential growth quarter to build FY28 foundation. **Accordingly, we cut our USD revenue estimates by 4.4%/5.4% in FY27E/ FY28E and expect US\$ revenue to grow at CAGR of 7.1% over FY26-28E vs 10.1% earlier.**
- Margin pressure:** KPIT guided that EBITDA margin and net profit margin for Q1FY27 will decline QoQ, with profitability decline likely to be proportionately higher than revenue drop, given the absence of any near-term cost optimization levers in such a short window. Thus, we cut our EBITDA margin estimates by ~300 bps/~200 bps & **bake in EBITDA margins of 18%/19.6% in FY27E/FY28E which is materially below the earlier FY27 guided margins of 20.5-21.2%.**
- AI-led productivity measures being deployed:** KPIT is executing AI-led productivity improvement and cost containment measures to build the foundation for margin recovery, while continuing to invest in AI-led products and solutions to capture medium-term growth opportunities.
- Positive traction in Products & Solutions, Trucks, Off-Highway:** Despite near-term headwinds, KPIT highlighted continued strong momentum in its Products & Solutions business (~21% of pipeline, expected to grow ~30% YoY in FY27), Trucks & Off-Highway sub-vertical and the US, Korea and India geographies. Technology domains of autonomous driving, connected, after-sales and full vehicle design & engineering continue to see healthy demand too.

Rating and Target Price

- Given the challenging outlook in the near term and absence of operating leverage in FY27, we now expect meaningful growth from FY28 onwards vs earlier anticipated growth recovery from H2FY27. **We believe, the stock multiple derating will sustain and thus downgrade to HOLD valuing it at 19x FY28E EPS (vs 22x earlier) at target price of ₹630.**

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	6,968	7,687	9.1
EBITDA	985	1,225	1,258	32.8	1,252	1,509	9.5
EBITDA Margin (%)	20.2	21.0	19.5		18.0	19.6	
Net Profit	581	755	637	34.3	683	898	18.7
EPS (₹)	21.8	30.7	23.3		25.1	33.0	
P/E	26.5	20.5	24.3		22.7	17.3	
RoNW (%)	27.1	25.9	18.0		17.5	20.9	
RoCE (%)	30.9	34.6	21.4		18.7	21.9	

Source: Company, ICICI Direct Research



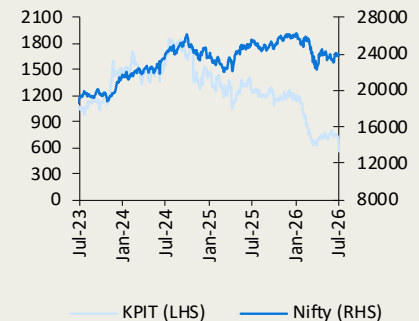
Particulars

Particulars	Amount
Market Cap (₹ Crore)	15,482
Total Debt (₹ Crore)	462
Cash & Invests (₹ Crore)	1,390
EV (₹ Crore)	14,554
52 week H/L	1328 / 559
Equity capital (₹ Crore)	272.2
Face value (₹)	10.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	39.4	39.4	39.4	39.4
FII	15.5	14.3	13.6	13.3
DII	22.4	23.9	25.4	24.7
Public	22.7	22.3	21.7	22.7

Price Chart



Key risks

- Deeper than expected cuts from European OEM clients impacting H2FY27 recovery visibility
- Lower than expected margins

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Exhibit 1: Change in Estimates

(₹ Crore)	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	784	749	-4.4	879	831	-5.4
Revenue	7,248	6,968	-3.9	8,085	7,687	-4.9
EBITDA	1,522	1,252	-17.7	1,754	1,509	-14.0
EBITDA Margin (%)	21.0	18.0	-303 bps	21.7	19.6	-207 bps
PAT	885	683	-22.8	1,080	898	-16.9
Diluted EPS (₹)	32.5	25.1	-22.8	39.7	33.0	-16.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
(Year-end March)	FY26	FY27E	FY28E	
Total Revenues	6,455	6,968	7,687	
Growth (%)	10.5	7.9	10.3	
Employee Benefit Expense	3,996.1	4,440.6	4,940.7	
Other Expenses	1,201.0	1,275.5	1,237.6	
EBITDA	1,258	1,252	1,509	
Growth (%)	2.7	-0.5	20.5	
Depreciation	300.6	334.5	353.6	
Other Income	85.7	59.7	79.7	
Interest	73.7	56.0	40.0	
Share of profit/(loss) of joint venture and associate (net of tax)	(37.6)	-	16.0	
PBT	932	921	1,211	
Growth (%)	-17.7	-1.1	31.4	
Tax	234.7	238.6	313.6	
PAT before Exceptional Items	697	683	897	
Minority interest	0	-0	-0	
Exceptional items	60	-	-	
PAT after exceptional items	637	683	898	
Growth (%)	-15.5	7.2	31.4	
Diluted EPS	23.3	25.1	33.0	
EPS (Growth %)	-24.1	7.8	31.4	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				₹ crore
(₹ Crore)	FY26E	FY27E	FY28E	
Profit after tax	637.3	682.7	897.3	
Finance cost	73.7	56.0	40.0	
Depreciation	300.6	334.5	353.6	
Others	(85.7)	(59.7)	(79.7)	
Change in working capital	692.2	42.9	60.1	
CF from operations	1,618.0	1,056.2	1,271.3	
Other Investments	368.6	59.7	79.7	
(Purchase)/Sale of FA	(324.1)	(209.0)	(230.6)	
Intangible Assets and goodwill	(1,986.5)	-	-	
CF from investing Activities	(1,941.9)	(149.3)	(150.9)	
Inc / (Dec) in Equity Capital	223.8	-	-	
Inc/(Dec) in borrowings/lease liab	493.5	-	-	
Dividend & Dividend tax	(224.4)	(326.7)	(490.0)	
Interest Paid on Loans	(73.7)	(56.0)	(40.0)	
NCI	-	-	-	
CF from Financial Activities	419.2	(382.7)	(530.0)	
Net change in cash	95.3	524.3	590.4	
Opening cash	1,223.2	1,318.4	1,842.7	
Closing cash	1,318.4	1,842.7	2,433.1	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-end March)	FY26E	FY27E	FY28E	
Equity	272.2	272.2	272.2	
Reserves & Surplus	3,269	3,625	4,032	
Networth	3,541	3,897	4,304	
Total debt	462.17	462.17	462.17	
Minority Interest	8	8	8	
Other liabilities	861	861	861	
Source of funds	4,873	5,228	5,636	
Fixed assets	626	568	515	
CWIP	0	0	0	
Intangible assets	566	499	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	1,865	2,455	
Inventories	88	95	105	
Debtors	928	1,002	1,105	
Other current assets	490	529	584	
Trade payables	261	282	311	
Other Current liabilities	2,123	2,265	2,464	
Application of funds	4,873	5,228	5,636	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios			
(Year-end March)	FY26E	FY27E	FY28E
Per share data (₹)			
Diluted EPS	23.4	25.1	33.0
BV	130.1	143.1	158.1
DPS	7.5	12.0	18.0
Cash Per Share	48.5	67.7	89.4
Operating Ratios (%)			
EBITDA Margin	19.5	18.0	19.6
PAT Margin	9.9	9.8	11.7
Debtor days	52	52	52
Creditor days	15	15	15
Return Ratios (%)			
RoE	18.0	17.5	20.9
RoCE	21.4	18.7	21.9
RoIC	27.5	27.7	36.9
Valuation Ratios (x)			
P/E	24.3	22.7	17.3
EV / EBITDA	11.6	11.2	8.9
Market Cap / Sales	2.4	2.2	2.0
Price to Book Value	4.4	4.0	3.6
Solvency Ratios			
Net Debt/Equity	(0.3)	(0.4)	(0.5)
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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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