KPIT Technologies (KPITE)

CMP: ₹593 | Target: ₹640 (8%) | Target Period: 12 months

HOLD

July 30, 2026

Result Update

Weak Q1 as expected; gradual recovery expected in H2...

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.

Q1FY27 performance: KPIT reported revenue of US$176.8 mn, down 4.4% QoQ / 0.6% YoY in USD terms (down 3.6% QoQ CC / up 0.1% YoY CC). Reported EBITDA margin stood at 16.2, down ~260 bps QoQ/~330 bps YoY%. Reported PAT stood at ₹116 crore, down 28.6% QoQ/32.3% YoY.

Investment Rationale:

- **Near-term growth remains subdued; recovery hinges on H2FY27:** Q1FY27 revenue declined QoQ primarily due to program ramp-downs/cancellations and stress at key European/Japanese OEMs. They were also hit by competition from Chinese automotive OEMS and US tariffs. PV declined 2.4% QoQ/5.1% YoY, while CV, despite declining 12.2% QoQ, remained strong at +29.1% YoY and management expect it to return to QoQ growth Q2 onwards. **Management expects Q2 revenue to remain around Q1 levels as full impact of the European program reduction is likely to flow through during the quarter (Q1 impact of ~4%), implying a weak H1. Growth is expected to gradually recover in H2, with a more meaningful improvement by Q4, supported by ramp-up of recent wins, wallet-share gains, new OEM relationships, expansion in off-highway/trucks and increasing traction in higher-margin products and solutions.** Encouragingly, diversification is becoming visible with the US growing 10.5% QoQ/4.0% YoY, while trucks, off-highway & newer PV OEM relationships provide incremental growth avenues. **We expect the recovery to be gradual given continued uncertainty across key European OEM clients. We expect US$ revenue to grow at CAGR of 4.4% over FY26-28E.**
- **AI-led Products & Solutions strengthen long-term positioning, though margin recovery needs execution:** KPIT continues its transition towards a more differentiated AI-led Products & Solutions model, with Beacon forming the underlying layer across offerings such as N-Dream, i-DART, Technica and Cymotive. Traction across AI-defined mobility, vehicle engineering, autonomous technologies, digital cockpit and after-sales remains encouraging. Q1 EBITDA margin was impacted by sudden revenue decline and lack of sufficient time for corresponding cost optimisation, however, **management expects margins to improve successively every quarter, aided by revenue recovery, improving mix and AI-led productivity gains, while retaining its medium-term 22–24% margin aspiration.** We remain constructive on the structural opportunity, although the pace of revenue and margin recovery warrants a more balanced stance in the near term. **Accordingly, we have baked in EBITDA margins of 16.5%/19.5% in FY27E/FY28E.**

Rating and Target Price: Given the near-term hiccups such as growth moderation, continued uncertainty across European passenger vehicle OEMs and slower margin trajectory, partly offset by healthy deal wins, diversification and KPIT's differentiated AI-led Products & Solutions strategy, **we maintain a HOLD rating at a target price of ₹640 valuing it at 20x FY28E EPS.**

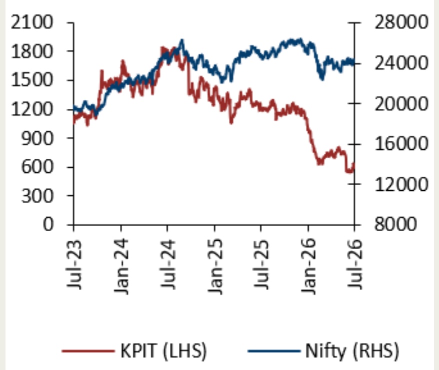
Particulars

Particulars	₹ crore
Market Cap (₹ Crore)	16,135
Total Debt (₹ Crore)	462
Cash & Invests (₹ Crore)	1,390
EV (₹ Crore)	15,207
52 week H/L	1328/543
Equity capital (₹ Crore)	272.2
Face value (₹)	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	39.4	39.4	39.4	38.6
FII	14.3	13.6	13.3	13.2
DII	23.9	25.4	24.7	23.6
Public	22.3	21.7	22.7	24.6

Price Chart



Key risks

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

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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	6,700	7,388	7.0
EBITDA	985	1,225	1,258	32.8	1,102	1,442	7.1
EBITDA Margin (%)	20.2	21.0	19.5		16.5	19.5	
Net Profit	581	755	637	34.3	569	872	16.9
EPS (₹)	21.8	30.7	23.3		20.9	32.0	
P/E	27.7	21.3	25.3		28.4	18.5	
RoNW (%)	27.1	25.9	18.0		15.1	21.0	
RoCE (%)	30.9	34.6	21.4		16.4	21.7	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** KPIT in Q1FY27 reported revenues of US$176.8 mn, down 4.4% QoQ / 0.6% YoY in USD terms (down 3.6% QoQ / up 0.1% YoY CC). In rupee terms, revenue was down 2% QoQ/ up 8.9% YoY at ₹1675 crore. Performance was impacted by sudden spending reductions and program-level actions by some of its large European passenger vehicle OEM clients and stress at Europen/Japanese OEMs. They were also hit by competition from Chinese automotive OEMS and US tariffs.
- **Vertical Performance:** Vertical wise, Passenger Cars (78% of the mix) de-grew by 2.4% QoQ/5.1% YoY to US$138.1 mn, while Commercial Vehicles (19% of the mix) declined 12.2% QoQ but grew 29.1% YoY to US$34 mn. Management continues to see healthy medium-term opportunities across trucks and off-highway, supported by new logos across the US, Europe and Asia.
- **Geography Performance:** The company has revised its geography reporting from Q1FY27, with US (30.5% of the mix) growing 10.5% QoQ/4% YoY, Europe (49.7% of the mix) growing 1.2% QoQ/11.4% YoY, while JKC – Japan, Korea & China (15.8% of the mix) declined 25% QoQ/29.7% YoY and SIMA – South-East Asia, India, Middle East & Africa (4% of the mix) declined 41.1% QoQ/ 3.6% YoY.
  - **SIMA:** The geography saw a sharp sequential decline partly due to a significant product sale in Q4FY26.
- **Margin performance**: Reported EBITDA margin stood at 16.2%, down ~260 bps QoQ/~330 bps YoY, impacted by revenue reduction and lack of sufficient time for corresponding cost optimisation, while reported PAT stood at ₹116 crore, down 28.6% QoQ/32.3% YoY. Q1 included a forex loss of ₹16.3 crore versus ₹31.2 crore in Q4FY26 and ₹14 crore share of loss from Qorix, where losses increased due to revenue postponement. Management expects margins to improve successively from here, aided by revenue recovery, improving mix, and AI-led productivity measures.
- **Guidance/ Aspiration: Management expects Q2FY27 revenue to remain in a similar range as Q1FY27, implying continued weakness in H1.** However, it remains confident of returning to sustainable profitable growth during H2FY27, with meaningful sequential growth expected in Q4FY27. Recovery is expected to be supported by Products & Solutions, trucks and off-highway, newer passenger vehicle OEMs and growth across the US, Korea and India. **Management continues to target a medium-term EBITDA margin of 22–24%, with margins expected to improve progressively from Q1 levels.**
- **TCV/ Deal wins and client addition:** KPIT won US$257 mn of new engagements during Q1FY27, down 26.4% QoQ/ up 6.6% YoY. Wins were broad-based across connected and autonomous domains, digital cockpit, after-sales, cybersecurity, powertrain, vehicle engineering and middleware across European, American and Asian OEMs. The overall pipeline remains satisfactory, with healthy growth in the Products & Solutions pipeline, supporting medium-term revenue visibility despite current client-specific headwinds.
- **Strategic initiatives:** KPIT continues to broaden its growth engines across new passenger vehicle OEMs, trucks & off-highway, adjacencies and AI-led Products & Solutions. Its Products & Solutions portfolio comprising N-Dream, i-DART, Technica and Cymotive, powered by Beacon, is aimed at enabling newer business models and improving non-linear revenue contribution. During the quarter, N-Dream's AirConsole entered India through Tata Motors Passenger Vehicles' Sierra.ev, expanding KPIT's software-led digital cockpit proposition beyond Europe.
- **Employee Addition & Attrition:** The headcount for the quarter stood at 12,303 employees, a reduction of 217 employees QoQ.

Exhibit 1: Quarter Performance

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue (₹ crore)	1,675	1,539	8.9	1,711	-2.1	In CC terms, revenue was down 3.6% QoQ/up 0.1% YoY CC.
Employee expenses	1,060	975	8.7	1,046	1.3	
Gross Margin	615	563	9.1	665	-7.5	
Gross margin (%)	36.7	36.6	10bps	38.8	-213bps	
Other expenses	343	263	30.3	342	0.3	
EBITDA	271	300	-9.5	322	-15.7	
EBITDA Margin (%)	16.2	19.5	-328bps	18.8	-262bps	Management reiterated confidence in its medium-term (FY29) of 22–24% EBITDA margin aspiration.
Depreciation & amortisation	83	63	31.3	82	0.7	
EBIT	189	237	-20.3	240	-21.3	
EBIT Margin (%)	11.3	15.4	-412bps	14.0	-275bps	
Other income	-15	4	-471.6	-10	46.3	
PBT	174	241	-27.6	230	-24.3	
Tax paid	44	64	-31.3	62	-28.8	
Share of profit/(loss) of JVand associate	-14.0	-5.1	174.5	-5.5	154.8	
PAT	116	172	-32.3	163	-28.6	Q1 included a forex loss of ₹16.3 crore versus ₹31.2 crore in Q4FY26 and ₹14 crore share of loss from Qorix, where losses increased due to revenue postponement.

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	Old	FY27E New	%Change	Old	FY28E New	%Change
Revenue (USD mn)	749	714	-4.7	831	790	-4.9
Revenue	6,968	6,700	-3.9	7,687	7,388	-3.9
EBITDA	1,252	1,102	-12.0	1,509	1,442	-4.5
EBITDA Margin (%)	18.0	16.5	-151bps	19.6	19.5	-12bps
PAT	683	569	-16.6	898	872	-2.9
Diluted EPS (₹)	25.1	20.9	-16.6	33.0	32.0	-2.9

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Total Revenues	6,455	6,700	7,388
Growth (%)	10.5	3.8	10.3
Employee Benefit Expense	3,996.1	4,378.4	4,786.7
Other Expenses	1,201.0	1,218.9	1,160.0
EBITDA	1,258	1,102	1,442
Growth (%)	2.7	-12.4	30.8
Depreciation	300.6	322.0	339.9
Other Income	85.7	58.0	90.2
Interest	73.7	61.0	40.0
Share of profit/(loss) of joint venture and associate (net of tax)	(37.6)	(10.0)	20.0
PBT	**932**	**767**	**1,172**
Growth (%)	-17.7	-17.6	52.7
Tax	234.7	201.1	303.5
PAT before Exceptional Items	**697**	**566**	**868**
Minority interest	0	-3	-3
Exceptional items	60	-	-
PAT after exceptional items	**637**	**569**	**872**
Growth (%)	-15.5	-10.7	53.1
Diluted EPS	23.3	20.9	32.0
EPS (Growth %)	**-24.1**	**-10.3**	**53.2**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement		₹ crore	
(₹ Crore)	FY26E	FY27E	FY28E
Profit after tax	**637.3**	**566.3**	**868.4**
Finance cost	73.7	61.0	40.0
Depreciation	300.6	322.0	339.9
Others	(85.7)	(58.0)	(90.2)
Change in working capital	692.2	20.4	57.5
CF from operations	**1,618.0**	**911.6**	**1,215.6**
Other Investments	368.6	58.0	90.2
(Purchase)/Sale of FA	(324.1)	(201.0)	(221.6)
Intangible Assets and goodwill	(1,986.5)	-	-
CF from investing Activities	**(1,941.9)**	**(143.0)**	**(131.4)**
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)	(61.0)	(40.0)
NCI	-	-	-
CF from Financial Activities	**419.2**	**(387.9)**	**(530.4)**
Net change in cash	95.3	380.8	553.8
Opening cash	1,223.2	1,318.4	1,699.2
Closing cash	**1,318.4**	**1,699.2**	**2,253.0**

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	3,508	3,886
Networth	3,541	3,780	4,158
Total debt	462.17	462.17	462.17
Minority Interest	8	8	8
Other liabilities	861	861	861
Source of funds	**4,873**	**5,112**	**5,490**
Fixed assets	626	570	519
CWIP	0	0	0
Intangible assets	566	502	434
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	1,722	2,275
Inventories	88	91	101
Debtors	928	963	1,062
Other current assets	490	509	561
Trade payables	261	271	299
Other Current liabilities	2,123	2,191	2,381
Application of funds	**4,873**	**5,112**	**5,490**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios			
(Year-end March)	FY26E	FY27E	FY28E
Per share data (₹)			
Diluted EPS	23.4	20.9	32.0
BV	130.1	138.8	152.6
DPS	7.5	12.0	18.0
Cash Per Share	48.5	62.4	82.7
Operating Ratios (%)			
EBITDA Margin	19.5	16.5	19.5
PAT Margin	9.9	8.5	11.8
Debtor days	52	52	52
Creditor days	15	15	15
Return Ratios (%)			
RoE	18.0	15.1	21.0
RoCE	21.4	16.4	21.7
RoIC	27.5	23.4	34.8
Valuation Ratios (x)			
P/E	25.3	28.4	18.5
EV / EBITDA	12.1	13.4	9.9
Market Cap / Sales	2.5	2.4	2.2
Price to Book Value	4.6	4.3	3.9
Solvency Ratios			
Net Debt/Equity	(0.3)	(0.3)	(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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