

Healthy TCV wins support recovery outlook...

About the stock: KPIT Technologies Limited (KPIT), headquartered in Pune, is a pure-play automotive ER&D services company, focused on helping global OEMs and Tier 1 suppliers accelerate their transition toward SDVs. It has delivered ROE of 25%+ and ROCE of 30%+ over the last two FYs.

Q4FY26 & FY26 Performance: KPIT reported revenue of US\$ 185 mn, up 2.2% QoQ/ 4.3% YoY in USD terms (up 1.8% QoQ CC). Reported EBITDA margin stood at 18.8%, down ~70 bps QoQ/ 230 bps YoY. Reported PAT stood at ₹163 crore, up 22% QoQ/ down 33% YoY. For FY26, revenue stood at US\$ 725 mn, up 4.8% in USD terms (up 1.3% YoY CC). Reported EBITDA margin stood at 19.5%, down ~50 bps YoY. Reported PAT stood at ₹637 crore, down 15.5% YoY.

Investment Rationale

- Robust deal wins and recovery visibility:** KPIT's strong TCV wins (US\$349 mn, +73% QoQ/+24.6% YoY), indicate improving demand visibility. **Management highlighted FY27 is expected to be better than FY26**, supported by healthy traction across CV, connected mobility, autonomous driving & aftersales transformation. Growth is expected to accelerate from H2FY27 as newly won engagements ramp up and Products & Solutions-led revenues scale further, partly offsetting the impact of 2 large SDV program closures (1 planned production transition & 1 impacted by Honda's cancellation of new EV platform programs) in H1FY27 continuation of which would have resulted in 4-5% QoQ growth. **We expect US\$ revenue to grow at CAGR of 10.1% over FY26-28E.**
- Margin discipline and strategic M&A support long-term story:** Despite higher investments in AI, products and new geographies, management guided for healthy FY27 EBITDA margins of 20.5–21.2% with a midterm target of 22% to 24%, aided by higher gross contributions from higher margin product portfolio and AI-infused solutions, and transition to more fixed-price contracts. Moreover, acquisition of a strategic stake in Israel-based Cymotive strengthens its automotive cybersecurity offerings and expands opportunities in product- and licensing-led revenue streams. Net cash stood at ₹9.6 bn at FY26-end, providing flexibility for continued strategic investments and M&A. **We have baked in EBITDA margins of 21%/21.7% in FY27E/FY28E.**
- AI-led products strategy strengthens differentiation:** KPIT continues to deepen its positioning in software-defined mobility through AI-led products, platforms & reusable solutions. Products & Solutions (contributes ~21% of pipeline) & are expected to grow faster than the core business as KPIT expects these revenues to grow ~30% YoY in FY27 & increase from ~15% of revenues currently to ~60% by FY29. Its proprietary AI-led "Beacon" mobility intelligence platform, backed by 25+ years of automotive expertise & 2,000+ production programs, is witnessing increasing OEM interest. Management also continues to invest aggressively (~5% of revenue) in AI, validation, cybersecurity & mobility engineering capabilities to strengthen long-term competitive differentiation.

Rating and Target Price

- Given lower than expected growth trajectory & sector valuations multiple compression, we lower our target multiple. Nonetheless, we maintain a BUY rating after sharp correction which has priced in most of the negatives, with target price of ₹870 valuing it at 22x on FY28E EPS.**

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	7,248	8,085	11.9
EBITDA	985	1,225	1,258	32.8	1,522	1,754	18.1
EBITDA Margin (%)	20.2	21.0	19.5		21.0	21.7	
Net Profit	581	755	637	34.3	885	1,080	30.2
EPS (₹)	21.8	30.7	23.3		32.5	39.7	
P/E	33.6	25.9	30.7		22.1	18.1	
RoNW (%)	27.1	25.9	18.0		21.6	23.0	
RoCE (%)	30.9	34.6	21.4		23.0	24.6	

Source: Company, ICICI Direct Research



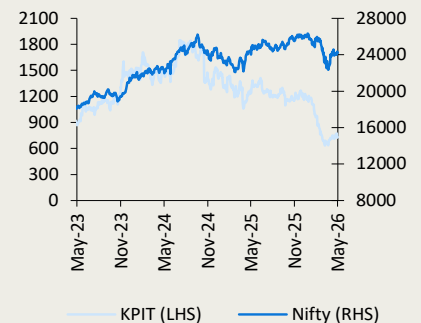
Particulars

Particulars	Amount
Market Cap (₹ Crore)	19,590
Total Debt (₹ Crore)	462
Cash & Invests (₹ Crore)	1,390
EV (₹ Crore)	18,663
52 week H/L	1434 / 625
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

- Lower than anticipated synergies through M&A
- Lower than expected margins

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Performance highlights and outlook

- **Revenue Performance:** KPIT in Q4FY26 reported revenues of US\$ 185 mn, up 2.2% QoQ/ 4.3% YoY in USD terms (up 1.8% QoQ CC). For FY26, revenue stood at US\$ 725 mn, up 4.8% in USD terms (up 1.3% YoY CC).
- **Vertical performance:** Vertical wise, Passenger Vehicles (77% of the mix) de-grew by 0.2% QoQ/ grew 0.5% YoY whereas Commercial Vehicles (21% of the mix) saw a solid growth of 11.6% QoQ/ 43% YoY.
- **Geography performance:** Geography wise on a YoY basis, the growth was led by Europe (47% of the mix) grew 12.7% while Asia (27% of the mix) and US (26% of the mix) de-grew by 3.8% and 0.6%.
 - KPIT expects India revenues to nearly double in FY27 on a low base (~4% revenue contribution), while China and off-highway opportunities are also scaling gradually.
- **Margin performance:** Reported EBITDA margin stood at 18.8%, down ~70 bps QoQ/ 230 bps YoY. Reported PAT stood at ₹163 crore, up 22% QoQ/ down 33% YoY. The company won a TCV of US\$ 349 mn, up 73% QoQ/24.6% YoY. For FY26, reported EBITDA margin stood at 19.5%, down ~50 bps YoY. Reported PAT stood at ₹637 crore, down 15.5% YoY.
- **Guidance/Aspiration:** Management highlighted that FY27 is expected to be better than FY26, supported by healthy traction across commercial vehicles, connected mobility, autonomous driving and aftersales transformation. **On the margins front management guided for healthy FY27 EBITDA margins of 20.5–21.2% with a midterm target of 22% to 24%, aided by higher gross contributions from higher margin product portfolio and AI-infused solutions, and transition to more fixed-price contracts.**
- **TCV/ deal wins and client additions:** The company won a TCV of US\$ 349 mn, up 73% QoQ/24.6% YoY and had a decent pipeline across mobility programs. KPIT noted that ~21% of the pipeline is now driven by solutions and products. Management indicated that off-highway, commercial vehicle and European consolidation-related opportunities contributed meaningfully to deal momentum during the quarter. **KPIT also highlighted that it added 13 new clients during FY26, including three new passenger vehicle OEMs, four truck OEMs and six off-highway OEMs.**
- **Strategic wins:** The company highlighted **two strategic wins during the quarter** - a long-term engagement exceeding USD 50mn with a global off-highway equipment leader focused on software-defined machine transformation, and a strategic engagement with a leading Japanese Tier-1 to deliver next-generation digital cockpit solutions across multiple OEM programs.
- **Headcount:** The headcount for the quarter stood at 12,520 employees, a reduction of 204 employees QoQ.
- **Cymotive acquisition:** KPIT announced the acquisition of a strategic stake in Israel-based automotive cybersecurity firm Cymotive Technologies as part of its strategy to strengthen software-defined vehicle and AI-led mobility solutions. KPIT will initially invest \$10 million through preference capital, with the potential total acquisition value ranging between \$60–120 million for a 100% stake by mid-2029, subject to performance milestones. The acquisition expands KPIT's cybersecurity capabilities across both in-vehicle and external automotive cybersecurity solutions and enhances its product- and licensing-led revenue opportunities in the automotive sector. Management indicated that the acquisition rationale was not only access to technology/IP, but also the deep competency of the engineering team and the relevance of the cybersecurity stack for future SDV architectures. KPIT added that the company intends to scale Cymotive's offerings beyond existing relationships, leveraging KPIT's broader OEM customer base and global delivery footprint.

- Business model change to more of AI and solutions & products:** KPIT is fundamentally transitioning from a linear engineering-services model toward AI-infused solutions and products, with AI expected to materially alter software development, validation and integration workflows across the automotive V-cycle. The company noted that **Beacon**, KPIT's mobility intelligence platform, is being deployed both internally and as a licensable product for OEMs, enabling AI first development, integration and validation. Management indicated that AI can improve software productivity by multiples, but also materially increases integration complexity, making KPIT's validation, observability and system-integration capabilities increasingly critical.
- Dividend:** The company's board announced a final dividend of ₹5.25 per equity share.

Exhibit 1: Quarter Performance

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY (%)
Revenue (₹ crore)	1,711	1,528	12.0	1,617	5.8	In CC terms, revenue was up 1.8% QoQ.	6,454.9	5,842.3	10.5
Employee expenses	1,046	955	9.6	996	5.0		3,996.1	3,699.3	8.0
Gross Margin	665	573	15.9	621	7.0		2,458.9	2,143.1	14.7
Gross margin (%)	38.8	37.5	132 bps	38.4	43 bps		38.1	36.7	141 bps
Other expenses	342	250	36.8	306	11.9		1,201.0	918.0	30.8
EBITDA	322	323	-0.3	315	2.2		1,257.8	1,225.1	2.7
EBITDA Margin (%)	18.8	21.1	-231 bps	19.5	-66 bps	EBITDA margin guidance of 20.5-21.2% despite investments in AI and products and solutions with a midterm target of 22% to 24%,	19.5%	21%	-1 bps
Depreciation & amortisation	82	58	41.5	81	1.2		300.6	225.0	33.6
EBIT	240	265	-9.4	234	2.5		957.3	1,000.2	-4.3
EBIT Margin (%)	14.0	17.3	-331 bps	14.5	-44 bps		14.8	17.1	-229 bps
Other income	-10	37	-127.0	11	-192.5		12.1	129.6	-90.7
PBT	230	302	-23.8	245	-6.0		969.3	1,129.7	-14.2
Tax paid	62	71	-13.7	48	29.5		234.7	292.9	-19.9
Share of profit/(loss) of JV and associate	-5.5	14.1	-139.0	-4.2	30.6		-37.6	2.8	-1,440.8
PAT	163	245	-33.4	133	22.2		637.4	754.5	-15.5

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	807	784	-2.9	906	879	-3.0
Revenue	7,225	7,248	0.3	8,157	8,085	-0.9
EBITDA	1,537	1,545	0.5	1,751	1,754	0.2
EBITDA Margin (%)	21.3	21.3	4 bps	21.5	21.7	23 bps
PAT	942	902	-4.2	1,134	1,080	-4.7
Diluted EPS (₹)	34.6	33.1	-4.2	41.7	39.7	-4.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement			
	₹ crore		
(Year-end March)	FY26	FY27E	FY28E
Total Revenues	6,455	7,248	8,085
Growth (%)	10.5	12.3	11.5
Employee Benefit Expense	3,996.1	4,449.3	5,029.3
Other Expenses	1,201.0	1,254.0	1,301.7
EBITDA	1,258	1,545	1,754
Growth (%)	2.7	22.8	13.5
Depreciation	300.6	347.9	371.9
Other Income	85.7	75.7	99.7
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	1,217	1,458
Growth (%)	-17.7	30.6	19.8
Tax	234.7	315.2	377.6
PAT before Exceptional Items	697	902	1,080
Minority interest	0	-0	-0
Exceptional items	60	-	-
PAT after exceptional items	637	902	1,080
Growth (%)	-15.5	41.5	19.8
Diluted EPS	23.3	33.1	39.7
EPS (Growth %)	-24.1	42.3	19.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement			
	₹ crore		
(₹ Crore)	FY26E	FY27E	FY28E
Profit after tax	637.3	901.8	1,080.2
Finance cost	73.7	56.0	40.0
Depreciation	300.6	347.9	371.9
Others	(85.7)	(75.7)	(99.7)
Change in working capital	692.2	66.3	69.9
CF from operations	1,618.0	1,296.2	1,462.2
Other Investments	368.6	75.7	99.7
(Purchase)/Sale of FA	(324.1)	(217.5)	(242.5)
Intangible Assets and goodwill	(1,986.5)	-	-
CF from investing Activities	(1,941.9)	(141.7)	(142.8)
Inc / (Dec) in Equity Capital	223.8	0.0	(0.0)
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	771.8	789.4
Opening cash	1,223.2	1,318.4	2,090.3
Closing cash	1,318.4	2,090.3	2,879.7

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	3,844	4,434
Networth	3,541	4,116	4,706
Total debt	462.17	462.17	462.17
Minority Interest	8	8	8
Other liabilities	861	861	861
Source of funds	4,873	5,448	6,038
Fixed assets	626	565	510
CWIP	0	0	0
Intangible assets	566	496	422
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	2,113	2,902
Inventories	88	99	110
Debtors	928	1,042	1,162
Other current assets	490	550	614
Trade payables	261	293	327
Other Current liabilities	2,123	2,342	2,573
Application of funds	4,873	5,448	6,038

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios			
(Year-end March)	FY26E	FY27E	FY28E
Per share data (₹)			
Diluted EPS	23.4	32.5	39.7
BV	130.1	150.6	172.3
DPS	7.5	12.0	18.0
Cash Per Share	48.5	76.2	105.2
Operating Ratios (%)			
EBITDA Margin	19.5	21.0	21.7
PAT Margin	9.9	12.2	13.4
Debtor days	52	52	52
Creditor days	15	15	15
Return Ratios (%)			
RoE	18.0	21.6	23.0
RoCE	21.4	23.0	24.6
RoIC	27.5	35.7	44.8
Valuation Ratios (x)			
P/E	30.7	22.1	18.1
EV / EBITDA	14.8	11.8	9.8
Market Cap / Sales	3.0	2.7	2.4
Price to Book Value	5.5	4.8	4.2
Solvency Ratios			
Net Debt/Equity	(0.3)	(0.4)	(0.5)
Debt / EBITDA	0.4	0.3	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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