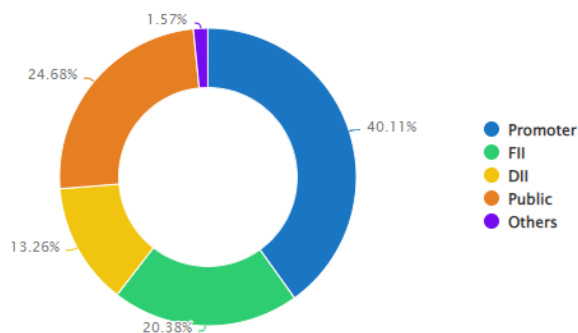


VALUE PARAMETERS

Face Value (Rs.)	10.00
EPS (TTM)	8.83
52-Week High/Low	801/145
M.Cap (Rs. in Cr.)	16,445.89
Enterprise value	15,251.47
P/E Ratio (TTM)	67.93
Sector P/E	34.38
P/B Ratio (calc at CMP)	11.80
Dividend Yield (%)	0.25
Book value/share	50.84

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. m)	2035	2470	2950
EBITDA (Rs. m)	307.14	444	537
EBITDA margin	15.08	18	18.2
PAT (Rs. m)	141.4	276	341
EPS (Rs)	5.43	10.1	12.4
ROE	13.15	20.4	20.6
ROCE	16.82	15	15.4
DPS	1.5	1.25	1.5

Our Recommendation: As per the present scenario of KPIT’s niche offering, strong position in automobile engineering software segment, established relationship with top global original equipment manufacturers (OEMs) and planned launch of more products, we estimate the company will outperform in coming quarters. We recommend BUY in price range Rs. 575-600 with target price 750 (Upside 25%).

Investment Rationale:

- KPIT is a leading independent software development and integration company that provides software solutions to the automotive companies. The company specializes in embedded software, AI and digital solutions. The company enables customers to accelerate implementation of next generation mobility technologies. The company has its centers in Europe, USA, Japan, China, Thailand, and India. KPIT works with leaders in automotive and mobility segment and is present where the ecosystem is transforming.
- **KPIT’s Clients Worldwide:** The company’s clients are BMW, Cummins, Denso, Fiat, GM, Hitachi, Honda, Continentals and MAGNA. KPIT is localizing its workforce in USA and Europe to grab large engineering contracts. The company has 6500 engineers worldwide.
- **High Entry Barrier Area:** KPIT has expertise in high entry barrier areas like Level 3 and Level 5 autonomous driving, digital clusters, battery management system enhancement, and vehicle to anywhere connectivity.
- **R&D in Auto Industry:** Auto industry is shifting its focus towards electric powertrains and R&D expenditure on CASE (connected, autonomous, shared, electric) technologies at top 10 global auto R&D spenders is going to triple over FY21-FY26 to \$60 billion. Europe’s CY35 ban on ICE vehicle sales has given an impetus to this shift. Since KPIT is 100 per cent automotive software integrator and has expertise in high-entry barrier segment like L3-L5 autonomous driving, KPIT is well positioned to get a big chunk in this R&D arena.
- **Strategic Approach/Acquisition:** Currently, KPIT’s revenue comes from Powertrain, Connected Vehicle and ADAS. To improve the capacity and to enhance its reach in the software integration, KPIT acquired 100% stake in “Path Partner” which deals in technology of Automotive, camera, radar and multimedia device. KPIT also acquired 25% stake in Germany’s “Future Mobility Solution”, which is engaged in ADAS, vehicle safety, integration and validation.
- **Q3 FY22 Performance Overview:**
 - Net Sales rose to Rs 622.37 crore in December 2021 up 20.32% from Rs. 517.25 crore in December 2020.
 - Quarterly Net Profit stood at Rs. 70.01 crore in December 2021 up 67.6% from Rs. 41.77 crore in December 2020.
 - EBITDA stood at Rs. 123.53 crore in December 2021 up 37.82% from Rs. 89.63 crore in December 2020.
 - EPS increased to Rs. 2.60 in December 2021 from Rs. 1.55 in December 2020.
- **Key Risks:**
 - INR gain against the USD, pricing pressure.
 - Retention problem of skilled headcount.
 - Disruption in automobile industry, strict regulations.
 - Delivery and execution risk.

Financials and Valuations

Income Statement (Rs. Cr)

	FY19	FY20	FY21
Net Sales	641.26	2,156.17	2,035.74
Change (%)		236.2	-5.58
Expenditure	549.60	1,866.50	1728.6
EBITDA	91.66	289.67	307.14
EBITDA Margin (%)	14.29	13.43	15.08
Depreciation	18.77	108.05	133.17
EBIT	72.89	181.62	173.97
Interest. and Finance Expenses	6.94	19.82	17.25
Other Income	35.54	28.3	15.76
PBT before exception items	101.49	190.1	172.48
exception items	-34.29	-9.51	5.15
PBT after exception items	67.2	180.6	177.63
Current Tax	12.18	33.83	36.23
Tax Rate (%)	18.12	18.73	20.39
PAT	55.02	146.77	141.4
Minority int	-0.83	-0.19	-0.97
Net Profit	54.19	146.58	140.43

Balance Sheet (Rs. Cr)

	FY19	FY20	FY21
Shareholder's Fund	960	1,049	1,207
Share capital	269	269	269
Share warrants		5	14
Reserve	691	775	924
Non-Current Liabilities	65	87	175
Long-term borrowings	37	3	2
Deferred Tax Liabilities	-4	-43	-55
Other long-term liabilities	4	114	218
Long-term provisions	29	12	10
Current Liabilities	641	455	528
Short-term borrowings	60	17	
Short-term trade Pay	103	85	135
Other short-term liabilities	440	307	334
Short-term provisions	38	47	58
Minority Int	4	4	3
Equity & Liabilities	1,670	1,595	1,912
Non-Current Assets	440	581	616
Fixed Assets	420	532	589
Long-term investments	1	1	1
Long-term loans % advances	15	47	25
Other Long-term Assets	4	2	2
Current Assets	1230	1,013	1,296
Short-term investments	49	8	126
Inventories	18	12	
Sundry debtors	592	449	308
Cash & Bank	221	381	701
Others	351	164	160
Total Assets	1670	1,595	1912

Ratios

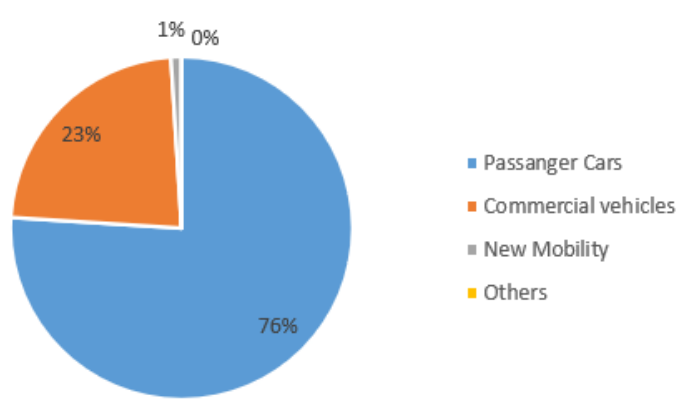
	FY19	FY20	FY21
Basic (INR)			
Efficiency Ratios			
EPS	2.02	5.49	5.43
BV/Share	35.74	38.84	44.33
DPS	1	1	1.5
Payout (%)	37.16	18.22	27.62
EBITDA margin	14.29	13.43	15.08
Valuation (x)			
P/E		6.44	32.59
P/BV		0.91	3.99
EV/EBITDA	-0.95	2.03	12.39
Return Ratios (%)			
RoE	11.47	14.75	13.15
RoCE	13.58	18.23	16.82
Working Capital Ratios			
Asset Turnover (x)	0.77	1.32	1.16
Inventory (Days)	10.24	2.50	2.3
Debtor (Days)	337	76	55
Leverage Ratio (x)			
Debt/Equity ratio	0.14	0.06	0
Interest Coverage ratio	10.69	10.11	11.30
Current Ratio	1.93	2.22	2.46
Quick Ratio	1.89	2.20	2.46

Cash Flow Statement (Rs Cr)

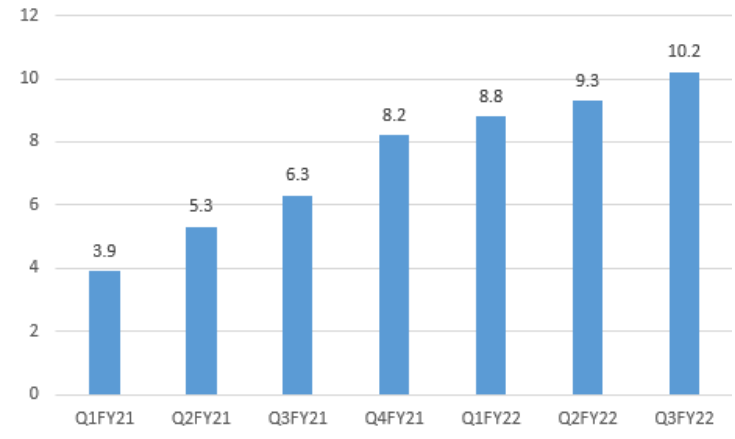
	FY19	FY20	FY21
Cash from Operations	151	389	628
PBT	67	181	178
Adjustment for expenses	21	161	175
Other adjustment	82	130	308
CF after WC	169	471	660
Tax	-18	-83	-33
Cash From Investment	-87	-138	-501
Cash From Finance	34	-177	-115
Net Change	98	73	12
Cash & Cash Equivalent	201	276	286
Opening cash	0	201	276
Net change	98	73	12
Forex	0	0	0
Others	103	2	-2

Financial story in charts

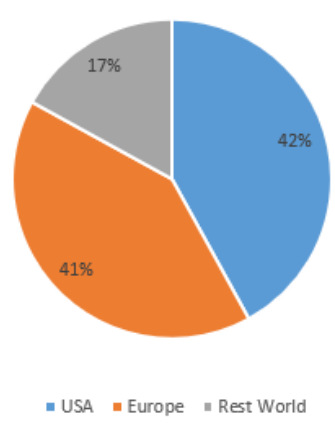
Revenue break-up (Q3 FY21)



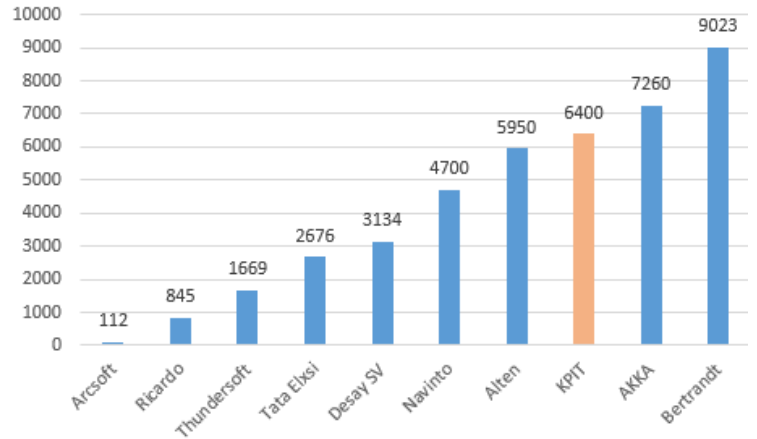
Quarter End Net Cash Rs. Bn



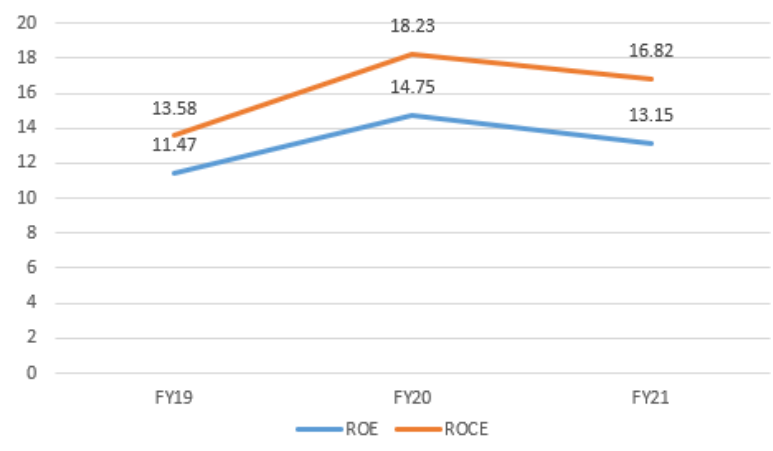
Revenue by Regions FY21



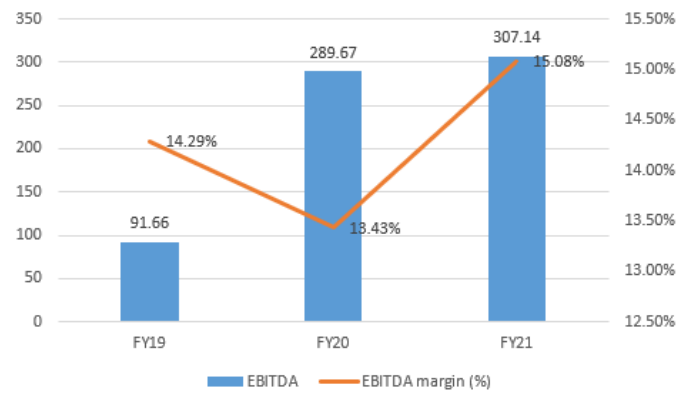
Global headcount in Auto Tech Industry



ROE & ROCE (%)



EBITDA and EBITDA margin (YoY)



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Disclosure:

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