

KPIT

INITIATING COVERAGE

KPIT Technologies Ltd. (KPIT)
Market Cap.

Rs. 17,706 cr.

52 Week H/L

Rs. 800/300

CMP

Rs. 646

Target Price

Rs. 788

Information Technology
STOCK DATA

Recommendation	BUY	
Reuters Code	KPIE.BO	
Bloomberg Code	KPITTECH IN	
BSE Code	542651	
NSE Symbol	KPITTECH	
Face Value	Rs.10	
Shares Outstanding	27.4 Crs.	
Avg. Daily Volume (6m)	1,662,272 Sh.	
Price Performance (%)		
1M	3M	6M
15	29	10

200 Days EMA Rs. 518

SHARE HOLDING (%)

Promoters	40.1
FII	16.0
FI/Bank	9.0
Body Corporate	1.7
Public & Others	33.2

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Mobility industry to be an important growth engine for the future

The automotive and mobility industry has undergone a prodigious transformation toward Software Defined Vehicles (SDV). KPIT has contributed to this transformation, as it is a leading software development and integration partner, thereby, accelerating the transition to a clean and smart future.

Uniquely positioned as a 100% software integrator for OEM's in CASE related platforms

CASE is an acronym that refers to Connected, Autonomous, Shared, and Electric. It is a guiding principle for the future of mobility. Engineering Spends by OEM's in CASE areas have gone up by 25% in the last 12 months, and is expected to increase 3-fold in the next few years. Technological advances in these areas are completely changing the concept of automobiles, thereby, placing KPIT in pole position to accentuate their business.

Focus on niche segment of Automotive sector

KPIT commands a higher valuation due to its niche focus on solely the automotive sector, as compared to large IT companies that focus more on scalability. KPIT on the other hand focuses on capability in the niche automotive sector, thereby, making the company a formidable player in the future of mobility. Its revenues are derived from 6 software solutions namely – Autonomous Driving & ADAS (Advanced Driver Assistant System), Powertrain, Diagnostics, Connected Vehicles, AUTOSAR (Automatic Open System Architecture), and Vehicle Engineering.

OUTLOOK & VALUATION

With the world poised for a shift towards Electric Vehicles (EV), KPIT has set itself in a strong position for the coming years. We have forecasted a revenue growth of 19.5% CAGR until FY24E where we expect revenue at Rs. 3534.2 cr, EBITDA at Rs. 807.6 cr at an EBITDA margin of 22.9%, and Adjusted PAT of Rs. 490.9 cr. Given the strong revenue and earnings outlook, we estimate FY24E EPS at Rs. 17.9, and assign a PE multiple of 44x to arrive at a target price of Rs. 788, which is an upside of ~22.0% from its last closing price of Rs. 646. We initiate coverage on KPIT Technologies Ltd. with a BUY rating, over an investment horizon of 18-24 months.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	EV/ EBITDA (x)	P/B (x)
FY21	2,051.5	322.9	15.7%	147.1	7.2%	5.6	116.3	52.1	14.7
FY22	2,477.2	483.4	19.5%	276.1	11.1%	10.1	64.1	34.8	13.5
FY23 E	2,969.9	664.0	22.4%	426.2	14.4%	15.5	41.5	25.3	10.8
FY24 E	3,534.2	807.6	22.9%	490.9	13.9%	17.9	36.1	20.8	8.9

COMPANY OVERVIEW



KPIT Technologies is an independent global partner to the automotive and mobility ecosystem for making software-defined vehicles a reality. The company helps customers speed the adoption of next-generation mobility technologies while focusing on embedded software, AI, and digital solutions. KPIT offers a wide range of technology solutions to automobile OEM's and suppliers, which include powertrains, autonomous and diagnostics, AUTOSAR, vehicle design, and connected vehicle solutions. Each of its practice areas offer software IP, software integration, feature development, and verification and validation services.

KPIT has a worldwide footprint with direct presence in USA, Germany, Japan, Korea, China, and India. Almost 80% of the company's revenues over the years were derived from USA and Europe. KPIT deals in passenger cars, commercial vehicles, and new mobility. The company focuses solely on the auto industry, with an objective of completely aligning itself to a transformation towards Software Defined Vehicles (SDV).

Until 2019, KPIT Technologies Ltd. was a well-established company with an expertise in Automotive Engineering and Mobility solutions, as well as Business IT. In January 2019, KPIT merged its businesses with IT company, Birlasoft. However, soon after, it demerged into two separate companies. One company would focus solely on Automotive and Mobility solutions and be called KPIT Technologies Ltd., and the other would focus on IT solutions as Birlasoft. The newly formed KPIT Technologies Ltd then announced its listing on the BSE and NSE on 22nd April, 2019.

KPIT provides solutions to CASE (Connected, Autonomous, Shared, and Electric) vehicles, which are believed to be the guiding principles for future mobility. The company has 10 of the top 15 OEM's (Original Equipment Manufacturers) as their clients in this space. In recent years, engineering spends by large OEM's in CASE areas have gone up by more than 25%, thereby, creating a behemoth opportunity for KPIT to further leverage.

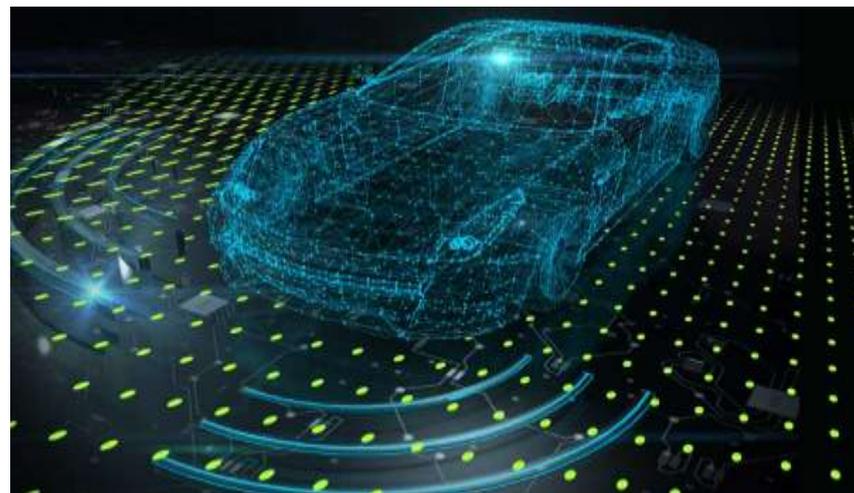
For FY22, the company recorded a top-line of Rs.2477.2 cr. Additionally, the Q1FY23 growth surpassed expectations, and with the guidance given for FY23, margins are expected to grow incrementally for the remaining quarters. The management has stressed on higher penetration in the commercial vehicle segment as compared to the previous years, in order to deliver growth similar to that of passenger vehicles. Despite supply-side challenges at the start of the current year, the company yet delivered on margins due to effective cost optimization and pyramid rationalization strategies.

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (1/6)

AUTONOMOUS DRIVING & ADAS (ADVANCED DRIVER ASSISTANCE SYSTEM)

Smarter Cars Fewer Collisions

- KPIT serves as a software integration partner to OEMs and their suppliers in order to develop their Autonomous Driving and ADAS. The automobile sector is presently going through a revolutionary shift as global automobile manufacturing companies have started to develop their own in-house software to facilitate autonomous driving.
- In order to increase safety, ADAS technology enables automobiles to function like a driver would - sensing weather conditions, identifying objects on the road, and making judgments in real time. Automatic emergency braking, front collision warning, driver monitoring, and adaptive cruise control are some examples of ADAS capabilities. All these features would have been premium add-ons a decade ago, however, they are now becoming common and requisite due to ADAS technology making it affordable and simplistic to implement in vehicles.
- KPIT carries years of experience in system engineering, safety, and security to provide end-to-end value from concept to production. The Commercial Vehicles industry is targeting models with features like Hub to Hub driving, Highway pilot with level 2 (partial automation) followed by level 4 (high automation) capabilities in the next 5 years.



Source: Company, Sushil Finance Research

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (2/6)

CONVENTIONAL AND ELECTRIC POWERTRAIN

Enabling OEM's reduce 'Time to Market'

- A powertrain is an assembly of every component that pushes your vehicle forward. A car's powertrain creates power from the engine and delivers it to the wheels on the ground. It has ready accelerators for certain xEV (Electric vehicle) components such as Battery Management System (BMS), Vehicle to Grid (V2G) stack, Inverter platform, which can be used by OEMs/Tier1s to reduce the overall development time and cost of xEV components.
- The powertrain segment is the largest segment for KPIT. The company is involved in both conventional and electric powertrain, which contributed 39% of the company's revenues in FY22.
- KPIT provides a complete suite of engineering services in the electrification space. It also has ready-to-use AUTOSAR compliant software platforms for electric vehicle components.
- KPIT also provides a safety and security compliant BMS accelerator, proven ML/AI based hybrid algorithm for SOC (Security Operations Centre), and efficient software integration for production readiness. Therefore, the powertrain segment will be a major growth driver for KPIT in the coming years.



Source: Company, Sushil Finance Research

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (3/6)

VEHICLE DIAGNOSTICS

Superior Diagnosis

- The mechanics involved in locating and evaluating issues that could adversely impact a vehicle's regular operation is known as vehicle diagnostics. Effective diagnostics are essential to successful repairs and the smooth operation of any vehicle due to the frequently occult nature of mechanical issues.
- Diagnostic tests can reveal problems within a car's engine, transmission, exhaust system, brakes, and other major components, as well as performance issues with the fuel injector, air flow and coolant, ignition coils, and throttle.
- KPIT commands superior expertise in vehicle diagnostics with experts located all over the globe, serving their vast customer base. The engineering and after-sales service domains offer a wide range of diagnostics tools, solutions, and services for applications and use-cases linked to on-board, off-board, and connected diagnostics.
- KPIT's business integration system connects the dots between processes and tools, and thereby, provides an imperative support for content delivery and maintaining a centralized diagnostic data authoring.



Source: Company, Sushil Finance Research

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (4/6)

CONNECTED VEHICLES

Smart safety via communication

- A connected vehicle is one that is capable of connecting over wireless networks to nearby devices. For the purpose of triggering crucial communications and events, connected vehicles connect to a network to permit bidirectional communications between vehicles (cars, trucks, buses, and trains), mobile devices, and infrastructure.
- Connected Vehicles is an IoT (Internet of Things) technology with broad implications that is part of the Intelligent Transportation Systems government initiative.
- Smart safety is one of the primary benefits of connected vehicles. This is facilitated via rapid vehicle-to-vehicle and vehicle-to-roadside unit communications, known as V2X. The basic idea is to enable cars, trucks, buses, and other vehicles to “communicate” with each other with in-vehicle devices that continuously and consistently share crucial information with each other regarding safety and mobility.
- For example, automotive IoT enables high-speed vehicle-to-vehicle and vehicle-to-infrastructure communications to trigger the following results: Traffic redirected away from congestion, automatic vehicle braking in order to avoid collisions, automatic route planning (GPS), etc.
- KPIT generates 11% of its revenues from this segment due to its continuous focus on innovation and progression.



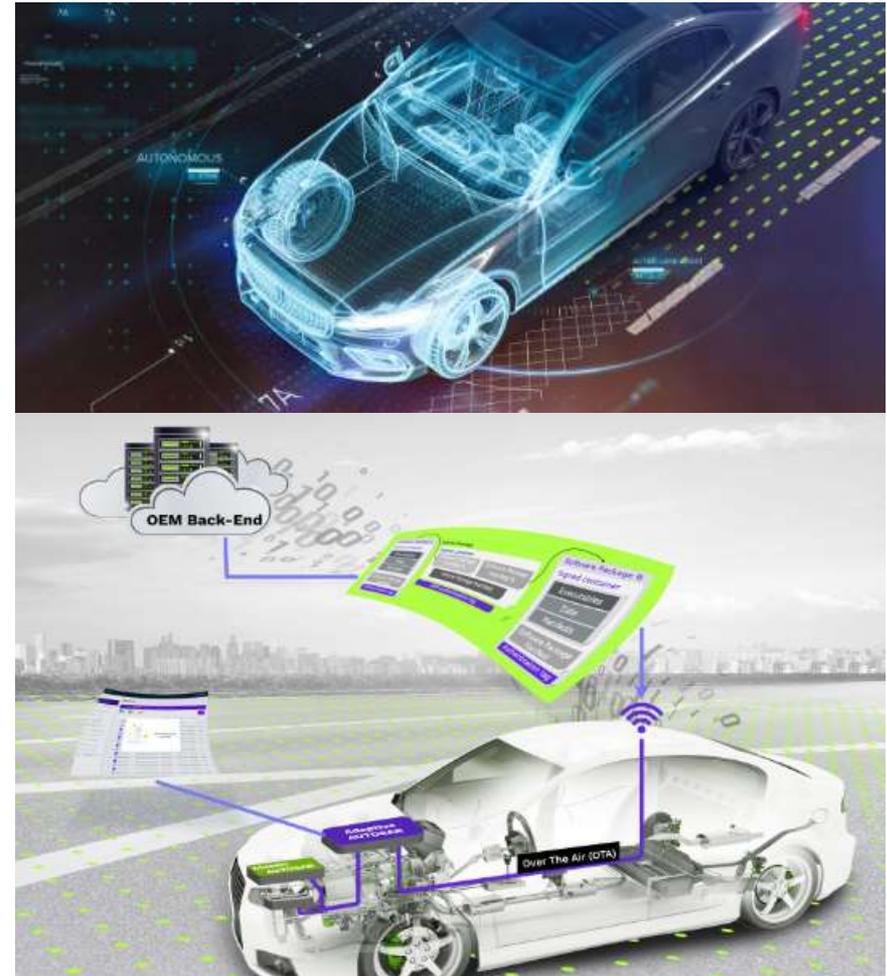
Source: Company, Sushil Finance Research

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (5/6)

AUTOSAR

Software on wheels

- “AUTOMATIC Open System ARchitecture” is a standard set in order to enable hardware-software development and enhance hardware-software compatibility. Functions that are now basic to vehicles, such as error detection and communication are now separately developed as a part of basic software.
- KPIT provides more than 15 years of experience in the AUTOSAR domain, offering base software solutions across Electric Architecture such as real-time critical ECUs, Sensors, and high-performance compute platforms.
- For its adaptive platform, KSAR, KPIT has created certain use cases. This makes use of ready Adaptive Diagnostics test frameworks, and Software Update capabilities.
- Volkswagen AG’s approval of KPIT’s KSAR for its communication and network management in 2019, was a pivotal development for the company.
- Another crucial tool developed by KPIT is its KSAR OS, which is an extremely robust operating system that facilitates enhanced in-vehicle networking requirements.



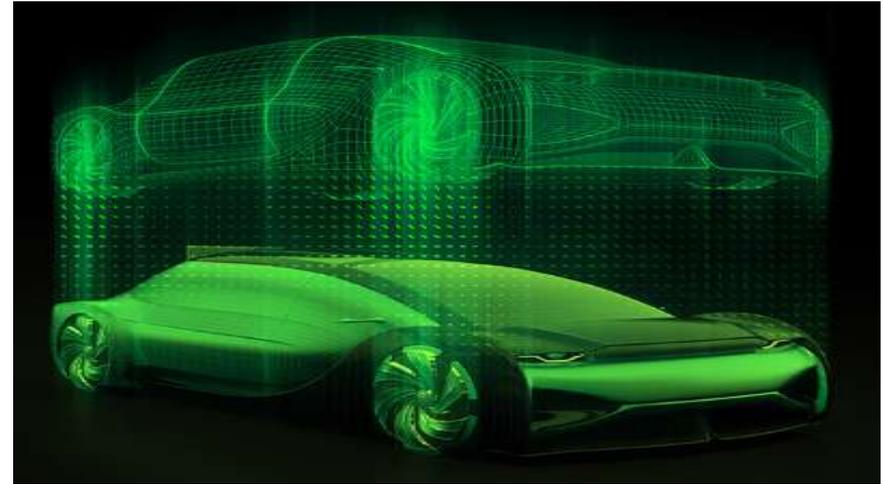
Source: Company, Sushil Finance Research

BUSINESS OVERVIEW - SOFTWARE SOLUTIONS (6/6)

VEHICLE ENGINEERING & DESIGN

Digital Twin

- Automotive design refers to the process of creating and defining the physical appearance of the vehicle, both interior and exterior.
- KPIT offers various types of engineering as well as design solutions:
 - a) Integrated Electrification Solutions (Thermal Management System, Powertrain System, Battery & Charger System, Auxiliary System, Electrical Distribution System, Chassis System)
 - b) Knowledge Based Engineering (KBE) - Knowledge based engineering being one of the key solutions of KPIT, it helps all the industries product development program meet their goals by effectively automating the design process and providing a certified platform for capturing knowledge. Through KBE, KPIT offers an advantage to customers in recognizing their strategies and knowledge capture.
 - c) Digital twin is another extremely unique as well as futuristic service implemented by KPIT. A digital twin is a virtual representation of a system that has the same life cycle, and is updated from real-time data. It effectively uses machine learning coupled with simulation and reasoning to facilitate improved decision making each time.
- These solutions aid in increasing scalability by automating the rules, applications and more importantly by reducing the iterating work for the designers in order to bring increased product innovation.



INDUSTRY OVERVIEW



In the Automobile market in India, two-wheelers and passenger cars account for 76% and 17.4% market share respectively. The Automobile sector contributes 49% to India's manufacturing GDP and 7.1% to India's GDP. India agreed to cut its gross domestic product's emission intensity (the amount of greenhouse gases the country emits per unit of GDP) by 33% to 35% levels by 2030, as part of the Paris Agreement in 2015. The government is eager to reduce the negative effects of automobiles with respect to air pollution and oil import costs, and therefore, is keen to shift the narrative to electric vehicles. Total EV charging stations in India have increased enormously by 285% YoY in FY22.

Manufacturers and suppliers of vehicles are making significant investments to create the SDVs (Software Defined Vehicles) of the future. By 2025, it is expected that the market for vehicle software would be worth \$35 billion, increasing at a CAGR of 9%, due to the growing convergence of technology and mobility. EV's have become more and more favourable as battery costs keep declining faster. A digital push among leading OEMs and a sharp increase in their spending is predicted to drive the vehicle software market's overall growth to nearly double by 2030.

However, as the importance of software and data increases, so does its complexity, necessitating the development of deep software competency in the automotive industry. KPIT has the required expertise and experience, and has concentrated its efforts and investments in areas of software development integration over the past 15 years.

INVESTMENT RATIONALE

“Core business set to accelerate due to the revolutionary shift to EV”

Presently, the automotive and mobility is undergoing a revolutionary shift to Electric Vehicles and Software Defined Vehicles (SDV). The goal of the mobility industry is to attain sustainability, and KPIT has been a contributing factor to this revolution. The mobility industry is going to be an imperative growth engine in the future, as the demand for smart and safe vehicles is only going to increase. This revolutionary transformation will take place more in USA and Europe, where there is already tremendous growth and focus on Electric Vehicles. This would be highly beneficial for KPIT as almost 80% of their revenues are derived from USA and Europe.

We believe the following factors are the major tailwinds for the sector:

Niche offering to bring growth opportunities

- KPIT, unlike most other major IT companies, has an extremely niche offering. The company is a pure-play focus on the automobile and mobility sector. The business of KPIT has high growth and earnings potential as Electric Vehicles, connectivity, and IoT is the future, as all major OEM’s are channeling their focus towards it.
- Over the past 15 years KPIT has invested in various technologies for automotive companies, and the focus of the company is to continue to maintain a leadership position in these areas. The company is positioned well in developing platforms and software integration with regards to mobility.
- The increased focus on electric vehicles, especially in the US and Europe, is creating new growth opportunities for the automotive sector as a whole.

CASE becoming mainstream

- CASE refers to Connected, Autonomous, Shared, & Electric. CASE vehicles do not require human operators to drive, they have high speed internet with reliable uptime, and do not require gasoline to function.
- These attributes and trends represent the technological shift and advancements taking place rapidly in the world today.
- KPIT is a major beneficiary of this revolutionary shift to CASE vehicles by OEMs. This is because 10 of the top 15 OEMs (BMW, Honda, GM, Ford, etc) are already their existing clients.
- R&D spend on CASE by top automobile makers is set to triple over the next 5 years, thereby, presenting a momentous opportunity for KPIT to leverage in the coming years.

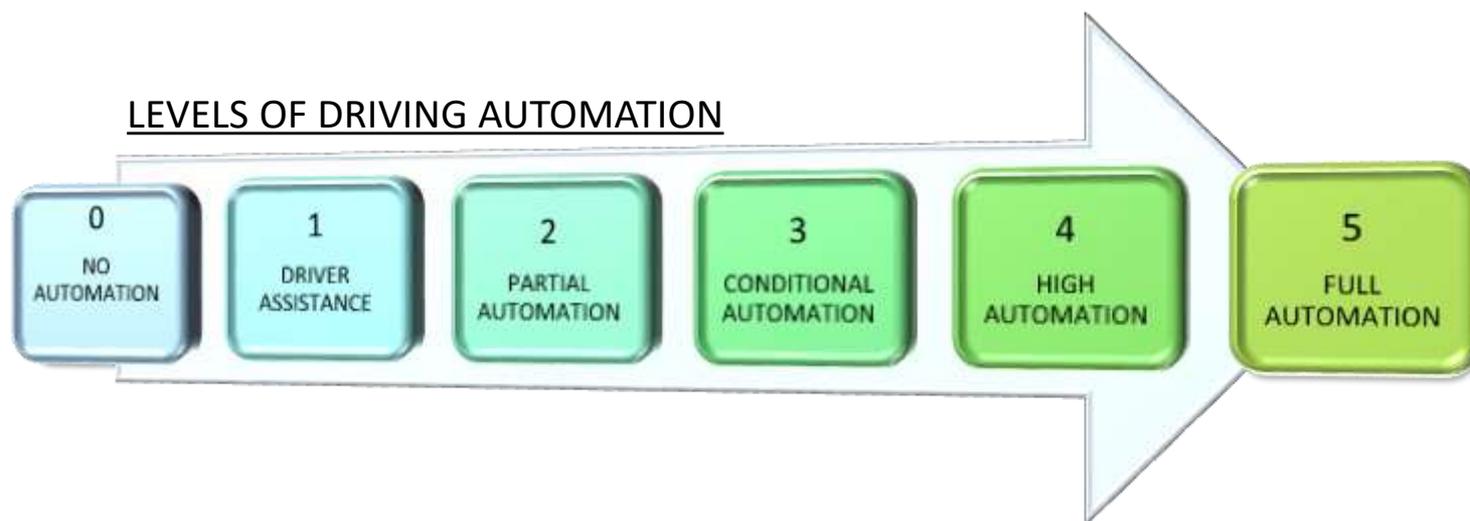
T-25 Client Strategy

- In recent years, KPIT has invested heavily in Europe through strategic acquisitions of technology companies. For instance, its most recently announced acquisition in September 2022 of Technica Group in Germany and Spain for a consideration of Rs.640 Cr.
- KPIT has its highest level of relationship and quality of engagement with its top 25 clients, as they provide more than 80% of the revenues of the company.
- KPIT has stressed on customer intimacy at key global locations by hiring teams with diversity. This model would help ensure consistent customer experience across all key locations.
- In a climate of budget consolidation, as well as the growing importance of R&D partnerships, KPIT has maintained its presence across a broad spectrum of OEMs.

INVESTMENT RATIONALE

High Entry Barrier:

KPIT operates in an area which is extremely complex and disruptive, therefore, the entry into such a segment is extremely difficult for new players. KPIT specializes in shared mobility, connectivity, level 2 to level 5 autonomous mobility, and superior vehicle engineering. These areas have extremely high barriers to entry due to its complexity, and thereby, high margin potential. KPIT's relationships with the top global OEM clients have allowed them to become involved in numerous complicated production processes, allowing them to work on future software integration projects. In order to acquire widespread acceptance, KPIT is also making substantial progress with hybrid vehicles, hydrogen fuel cells, several battery technologies, and other alternative fuels.



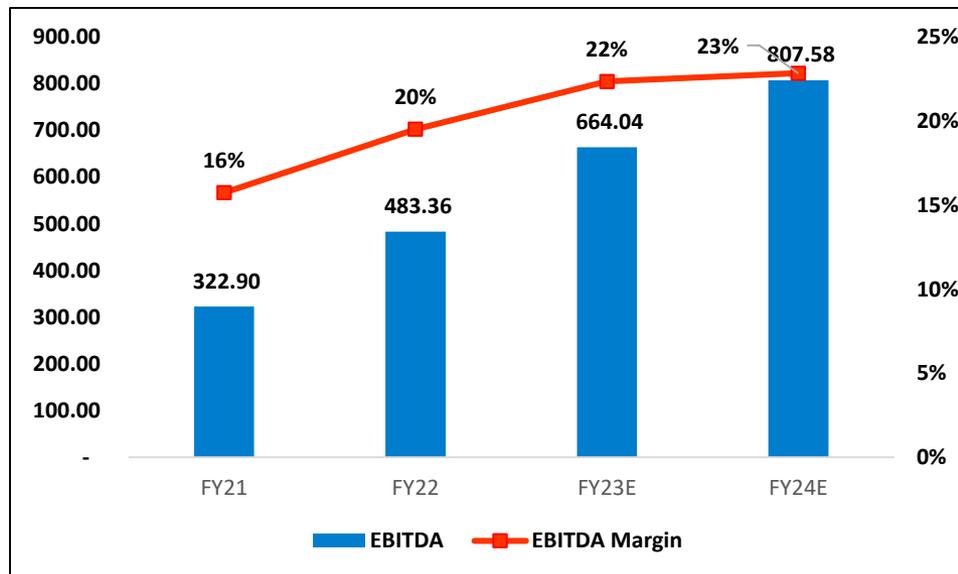
Robust Margins:

KPIT's revenues are forecasted to grow by at least 20% CAGR over the next 5 years. Higher operating margins, and consistently increasing EBITDA margins has led to a strong growth in PAT of 81.5% YoY for FY22. The company is expected to report stronger margins in the next 3 years driven by enhanced operating efficiencies, and improved utilization. Some key tailwinds to add to the business of KPIT are that R&D spend in CASE by top OEM's is expected to triple over the next 5 years, and the Vehicle software market is expected to grow at a CAGR of 9% till 2025. The management is extremely bullish on the future of KPIT, especially due to its high cash levels and low debt levels, which could enable them to pursue strategic acquisitions that will fuel the competitive position of the company. The management stated that higher utilization, pyramid rationalization, and cost optimization would lead to strong

Source: Company, Sushil Finance Research

INVESTMENT RATIONALE

profitability growth and improved return ratios in the coming years. Mr.Kishore Patil, MD and CEO of KPIT also stated “KPIT Tech understands software better than auto companies, and understands the auto industry better than software companies”, reinstating his confidence in KPIT’s future.

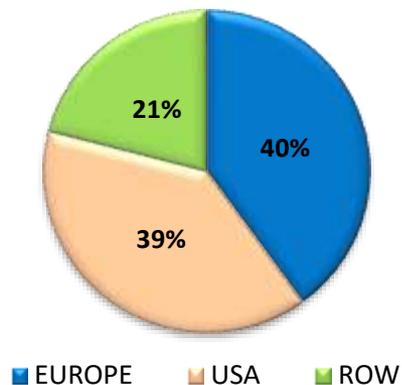


Recent Acquisitions:

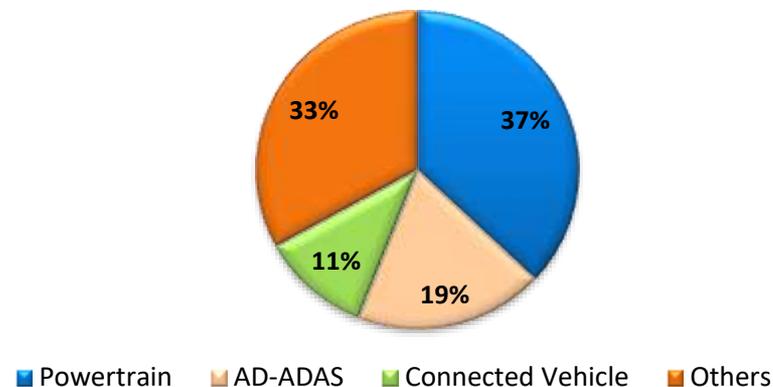
KPIT board announced the approval of acquisition of four Technica Group companies, that is expected to close in October 2022, for a consideration of Rs.640 crores to be paid over 6 months. Technica Engineering GmbH, Germany, Technica Electronics Barcelona S.L., Spain and Technica Engineering Spain S.L., have been acquired by KPIT Technologies GmbH, a wholly owned subsidiary of the company. The Technica Group companies have a leadership in automotive and production-ready system prototyping, and tools for validation. The top 2 clients of Technica are among the top 25 OEM’s, and are notable disruptors. Technica’s key clients are Volkswagen, Audi, BMW, Volvo, Renault, and Hyundai among others in this space. The groups companies have a strong presence in Europe, which could be highly beneficial to KPIT going forward. The objective of the acquisition is to create a one-stop shop for the industry in its transformation towards Software Defined Vehicles (SDV).

REVENUE SEGREGATION

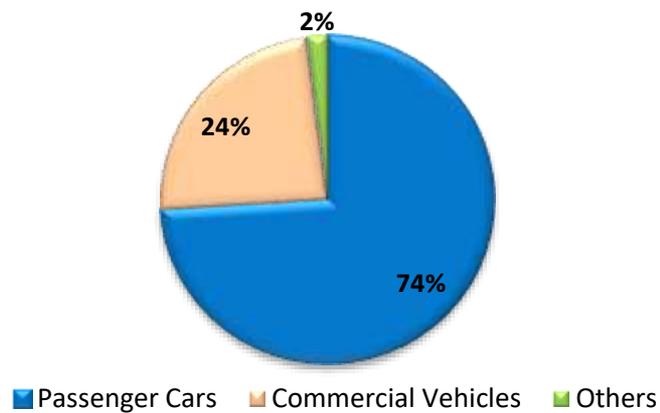
Revenue by Geography



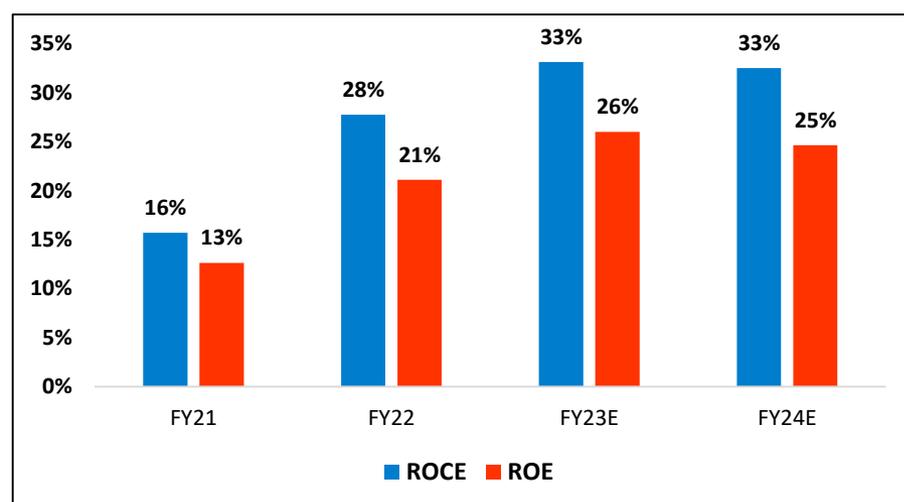
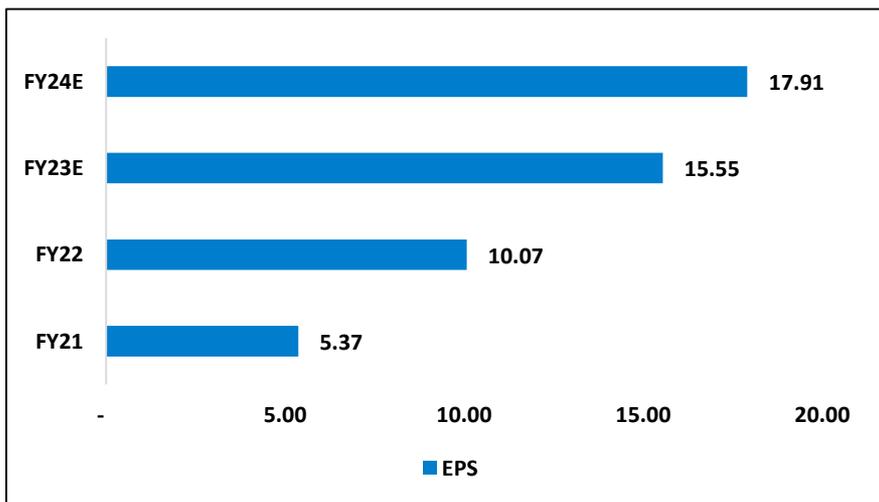
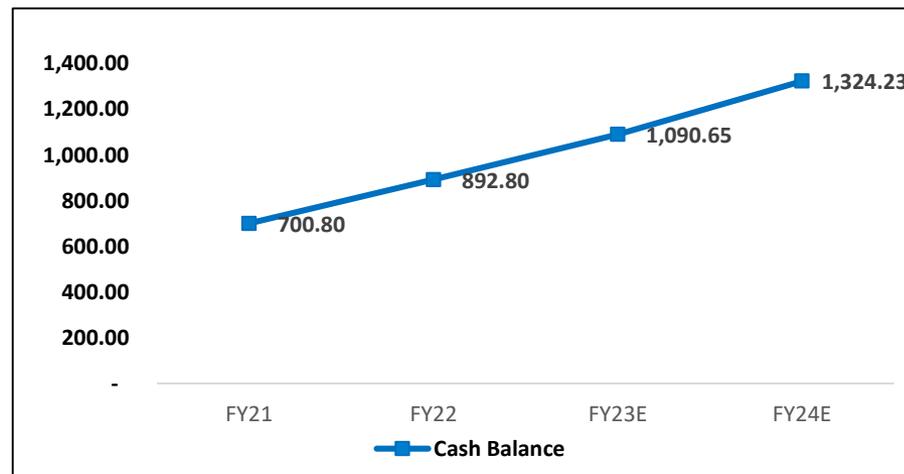
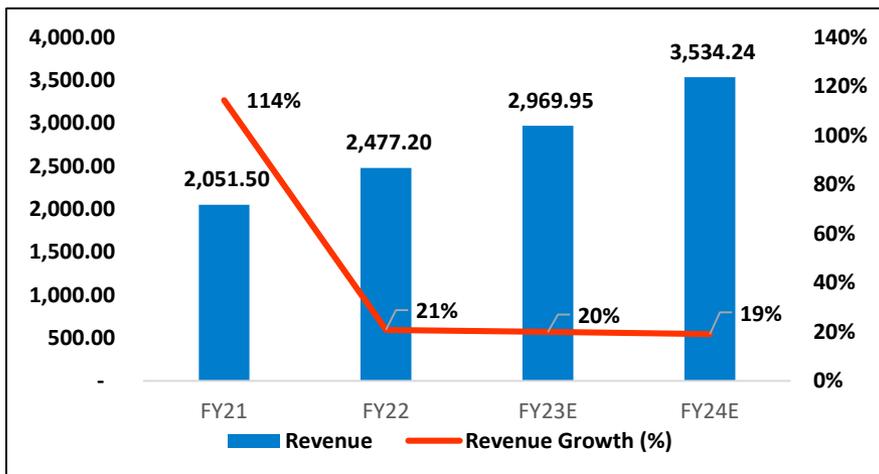
Revenue by Solutions



Revenue by Verticals



BUSINESS OVERVIEW: Financials



Source: Company, Sushil Finance Research

Income Statement		(Rs. Cr.)		
Y/E Mar.	FY21	FY22	FY23E	FY24E
Revenue	2,052	2,477	2,970	3,534
Employee Cost	1341	1611	1897	2258
Other Expenses	387	383	409	469
EBITDA	323	483	664	808
<i>EBITDA Margin (%)</i>	<i>15.7%</i>	<i>19.5%</i>	<i>22.4%</i>	<i>22.9%</i>
Depreciation	133	120	118	153
EBIT	190	364	546	655
<i>EBIT Margin (%)</i>	<i>9.2%</i>	<i>14.7%</i>	<i>18.4%</i>	<i>18.5%</i>
Finance Costs	17	19	13	41
Other Income	0	0	0	0
Profit before Tax	178	344	533	614
Tax Expense	31	68	107	123
Adjusted PAT	152	276	426	491
<i>Net Margin (%)</i>	<i>7.4%</i>	<i>11.1%</i>	<i>14.4%</i>	<i>13.9%</i>
Adjusted EPS	5.6	10.1	15.5	17.9

Balance Sheet		(Rs. Cr.)		
Y/E Mar.	FY21	FY22	FY23E	FY24E
PP&E (incl. CWIP)	209	194	251	306
Right of Use Assets	251	250	250	250
Other Non-Current	111	210	210	210
Goodwill	101	168	168	168
Trade Receivables	378	441	512	590
Cash and Bank Balances	701	893	1,091	1,324
Other Current Assets	217	180	223	240
Total Assets	1,968	2,336	2,704	3,088
Equity Share Capital	269	270	270	270
Reserves & Surplus	938	1,040	1,370	1,724
Non-Controlling Interests	3	16	16	16
Borrowings	2	2	3	6
Other Non-Current Liabilities	228	302	317	303
Trade Payables	135	137	160	190
Other Financial Liabilities	123	231	219	226
Current Borrowings	1	1	6	14
Other Current Tax Liab & Provisions	269	339	345	340
Total Liabilities	1,968	2,336	2,704	3,088

Source: Company, Sushil Finance Research

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY21	FY22	FY23E	FY24E
PBT	178	344	533	614
Depreciation	133	120	118	153
Interest	17	19	13	41
CFO before Working Cap chg	328	483	664	808
Chg in Inventories	12	-	-	-
Chg in Trade Receivables	71	(63)	(71)	(78)
Chg in Trade Payables	51	2	23	30
Cash Flow from Operations	461	422	616	760
Interest Paid	(17)	(19)	(13)	(41)
Dividend Paid	(41)	(36)	(96)	(137)
Income Taxes Paid	(31)	(68)	(107)	(123)
Other Adjustments	44	210	(28)	(17)
Cash Flow from Financing	(45)	87	(243)	(318)
Capital Expenditure	(124)	(105)	(175)	(208)
Other Adjustments	27	(212)	-	-
Cash Flow from Investing	(97)	(317)	(175)	(208)
Opening Cash	381	701	893	1,091
Total Cash Flow	320	192	198	234
Closing Cash	701	893	1,091	1,324

Financial Ratio Statement

Y/E Mar.	FY21	FY22	FY23E	FY24E
Growth (%)				
Revenue	114.4%	20.8%	19.9%	19.0%
EBITDA	-45.6%	49.7%	37.4%	21.6%
Net Profit	-53.2%	81.3%	54.4%	15.2%
Profitability (%)				
EBITDA Margin	15.7%	19.5%	22.4%	22.9%
Net Profit Margin	7.4%	11.1%	14.4%	13.9%
ROCE	15.7%	27.7%	33.1%	32.5%
ROE	12.6%	21.1%	26.0%	24.6%
Per Share Data (Rs.)				
EPS	5.6	10.1	15.5	17.9
BVPS	44.0	47.8	59.8	72.7
DPS	1.5	1.3	3.5	5.0
CEPS	10.4	14.4	19.9	23.5
Valuation (x)				
P/E	116.3	64.1	41.5	36.1
P/BV	14.7	13.5	10.8	8.9
EV/EBITDA	52.1	34.8	25.3	20.8
P/Sales	8.6	7.1	6.0	5.0
Gearing (x)				
Debt/Eq.	0.0	0.0	0.0	0.0

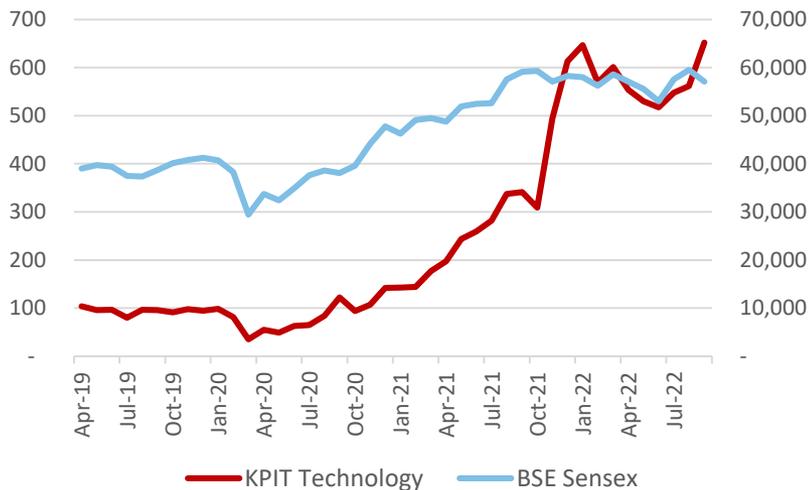
Source: Company, Sushil Finance Research

MARKET INFORMATION

Price to Earning



EV to PBIDT



Source: Company, Sushil Finance Research

OUTLOOK & VALUATION

KPIT is a global partner in the automotive and mobility industry that focuses on the development of Software Defined Vehicles (SDVs). It specializes in artificial intelligence, machine learning, and digital software solutions that enables customers to implement next generation, futuristic automobile technology. It is the company's mission to know the software industry better than any automotive company in the world and to know the automotive industry better than any software company in the world.

The company has been investing in AD-ADAS space for a over a decade, and possesses superior expertise in the domain. ADAS system will go hand-in-hand with EV's, therefore, creating good earnings visibility. It also focuses largely on Electric powertrains, which contribute more than a third of their revenue.

KPIT also stands to benefit from the recently announced acquisition of the four Technica Group Companies, as the acquisition will help KPIT create a unique one-stop shop for the automotive industry in its transformation towards Software Defined Vehicles (SDVs). The management believes this acquisition will give the company an additional 10% incremental revenue in FY24. Due to high cash levels, KPIT could be seen entering into more strategic acquisitions and investments in the coming years. We believe that KPIT's long term strategy in developing CASE platforms with the Top OEMs will enhance margin expansion and profitability.

With the world poised for a shift towards Electric Vehicles (EV), KPIT has set itself in a strong position for the coming years. We have forecasted a revenue growth of 19.5% CAGR until FY24E where we expect revenue at Rs.3534 cr, EBITDA at Rs.807.6 cr at an EBITDA margin of 22.9% and Adjusted PAT of Rs.490.9 cr. Given the strong revenue and earnings outlook, we estimate FY24E EPS at Rs.17.9, and assign a PE multiple of 44x to arrive at a target price of Rs.788, which is an upside of ~22.0% from its last closing price of Rs.646. We initiate coverage on KPIT Technologies Ltd. with a BUY rating, over an investment horizon of 18-24 months.

Risks & Concerns

- No diversification unlike companies like Tata Elxsi, which forays into auto, media, as well as healthcare. KPIT is highly dependent on solely the automotive sector. While a niche focus and a pure-play on automotive software could be advantageous, however, it contains an element of risk.
- Technology sector is extremely disruptive potential. Therefore, KPIT needs to be abreast with the constant changes occurring on a yearly basis.

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No