Sales Note
31st July 2026

KPIT Technologies Ltd

Near-Term Pain Priced In; H2 Recovery Thesis Intact

CMP: INR 586

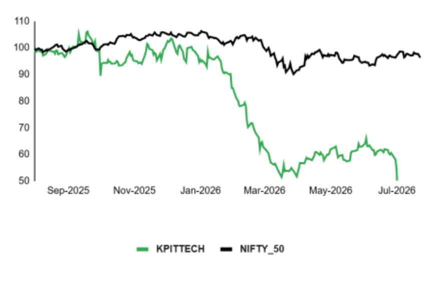
Rating: Buy

Stock Info	
BSE	542651
NSE	KPITTECH
Bloomberg	KPITTECH IN
Reuters	KPIE.NS
Sector	Computers - Software & Consulting
Face Value (INR)	10
Equity Capital (INR mn)	272
Mkt Cap (INR Bn)	163.68
52w H/L (INR)	608/576
Avg Yearly Vol (in 000')	5,440

Shareholding Pattern % *(As on June, 2026)*	
Promoters	38.60
FII	13.22
DII	23.6
Public & Others	24.57

Stock Performance (%)	1m	3m	12m
KPIT Tech	-10.55	-22.3	-51.02
Nifty 50	2.30	1.76	-1.43

KPIT Vs Nifty 50



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Executive Summary:

KPIT's Q1FY27 was a reset quarter. Revenue declined 0.6% year-on-year and 5% quarter-on-quarter in constant currency. EBITDA contracted to 17.2% and PAT fell to INR1.17 billion, weighed down by forex losses and losses from the Qorix joint venture.Despite the soft print, management reaffirmed a second-half-led recovery with growth returning by Q4FY27 and margins normalizing as revenue traction resumes. The company logged 257 million in deal wins across connected cars, autonomous systems, and after-sales transformation, while broadening its client base into off-highway, trucks, and new passenger OEMs. We view the weakness as a buying opportunity ahead of the H2 inflection.

Q1FY27:

The ResetRevenue came in at -0.6% YoY and -5% QoQ in CC terms. The primary drag was Europe, which saw a roughly 4% revenue impact as OEMs delayed projects amid China competition, tariff uncertainty, and supply chain resets. A Japan-based SDV program was cancelled at the last minute, creating a one-off hole in the quarter.EBITDA printed at 17.2%, well below the company's trend line, driven by operating deleverage and the Qorix loss. PAT was INR1.17 billion, additionally hit by a forex loss. On the positive side, deal wins totaled 257 million, with strong traction in connected cars, after-sales transformation, and autonomous driving.

The H2 Recovery Thesis: Five Reasons to Look Through Q1

Revenue Inflection by Q4, H2 Better Than H1

Management explicitly guided that H2 will outperform H1, with a return to growth by Q4. The drivers are new program ramp-ups in the US and SIMA (Southeast Asia, India, Middle East, Africa), accelerating off-highway and commercial vehicle momentum, and European cost-reduction programs beginning to convert into billable engagements.

257 Million Deal Wins Provide Pipeline Visibility

The win book was broad-based across geographies and verticals. Key highlights include connected cars, autonomous systems, and after-sales. The company also added new OEM logos in Korea, Japan, Europe, and the US. In off-highway and trucks, KPIT is now engaged with seven new OEMs. Leading off-highway players now command market caps exceeding many passenger OEMs, making this a structurally attractive vertical.

Product and Solutions as the Margin Lever

Management reaffirmed its 22–24% EBITDA aspiration by FY29. The path runs through the Beacon platform built with Microsoft, which now powers validation, iDART, and autonomous development. The N-Dream in-vehicle gaming platform is already live with Tata Motors. The Caresoft acquisition is being leveraged for OEM cost-reduction programs INRing 30–40% cost takeout. The shift toward fixed-price and outcome-based models, layered with AI-driven productivity, should structurally expand margins over *time.*

Europe: Temporary Reset, Not Structural Break

European OEMs are under undeniable pressure from Chinese competition and tariff headwinds. KPIT is pivoting its positioning from a pure development partner to a cost-reduction partner, which is a stickier and higher-value role. Client conversations have shifted toward reducing product cost by 30–40%, reducing production cost by 20–30%, and accelerating time-to-market. While this will take time to convert to revenue, it deepens the strategic relationship.

China: Optionality, Not Liability

The China auto market remains weak, but KPIT is engaging with two Chinese OEMs for meaningful programs and is seeing product and solutions traction in the region. The strategy remains patient but opportunistic, and the company views its China-plus-global footprint as a competitive advantage.

Margin Trajectory

Margins will improve incrementally rather than dramatically until revenue returns. Qorix losses are expected to persist for one to two more quarters. Revenue is the primary driver of margin recovery. As the product and solutions mix rises through Beacon, iDART, N-Dream, and autonomous offerings, operating leverage should restore EBITDA toward 20% and beyond.On wages, management delayed increments but will implement them in a staggered fashion, with junior grades receiving hikes first and senior leadership later. This sequencing minimizes margin shock in a soft revenue quarter.

Risks to Monitor

If European OEM restructuring delays deepen beyond Q2, the Q4 recovery could slip into FY28. The Qorix drag may also persist longer than guided. Additionally, INR-USD-EUR volatility remains a swing factor for reported profitability.

Bottom Line

Q1 was the trough. Management's credibility on guidance is high, having pre-announced the weakness in June. The 257 million win book provides tangible evidence that demand is not broken, merely delayed. The real story is the shift from engineering services to a products-plus-solutions-plus-platform model anchored by Beacon. That transition is accelerating and will define the margin profile for FY28 and FY29.For institutional clients, we believe the stock is pricing in near-term auto pessimism but is not pricing in the platform-led margin expansion and off-highway diversification that will drive the next leg of earnings. Use the Q1 dislocation to build positions ahead of the H2 earnings inflection. We are expecting EPS of INR 33.4 for FY28.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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