# KPIT

## 28th April 2025 - KPIT Technologies intrinsic value and Q4FY25 earnings overview.

**FY25 earnings overview: (all comparisons YoY)**

1. CC revenue grew 18.7% *led by SDV (software defined vehicle), Asia and Passenger Cars.*
2. EBITDA grew 24%, EBITDA margin at 21% *meeting increased guidance.*
3. Net profit grew 41.2%, PAT margin at 14.4%.
4. Closing cash balance at ₹1,585 crore. Final dividend at ₹6.00 per share.
5. Deal pipeline growth continues. $280 mn (around ₹2,380 crores) worth of deals closed in Q4FY25.
6. Long term debt stands NIL. Short term debt stands at only ₹15 mn (₹1.5 crore).

**Q4FY25 earnings overview: (all comparisons YoY)**

1. Revenue grew 48.9%, boosted by INR depreciating against Euro, GBP and Yen (~68% of revenue) and flattish against USD (~28% of revenue). *19 consecutive quarters of steady revenue growth.* Helped by a one time gain.
2. EBITDA grew 18.4%, EBITDA margins at 21.1%. *19 consecutive quarters of steady EBITDA growth.*
3. Net profit grew 34.9%.

**Key insights from management commentary:**

1. Consistent leadership position in PV OEMs and improving relationship with CV OEMs.
2. Mobility industry will undergo fundamental changes. Players who will be able to innovate at scale and lower costs will do well. KPIT's focus is to be a trusted partner to the ecosystem.
3. Confident about the medium term growth trajectory with investments in key strategic capabilities.

**Intrinsic Value (as on 28th April 2025)**

Even though the KPIT management hasn't given any future guidance citing the ultra-dynamic environment, it has been able to deliver a solid growth in both full year FY25 and more importantly in Q4FY25. Also, without the one time gain in Q4, the company has delivered a solid growth in revenue. Deal traction has been good for the company.

Almost 50% of KPIT business comes from Europe. The company doesn't face any unique headwinds. It's just the industry headwinds - a) There's a slowdown in Europe's automobile sector due to a significant competition from China's innovation led automotive technology. b) American automobile manufacturers await policy stability (particularly on tariffs) to manage their investment and capex budgets.

However KPIT's performance has been quite impressive because the western economic slowdown issues aren't fresh. They have been around the corner troubling investors and businesses for quite some time now. Though this resilience is commendable, it may not last for many quarters if the western economies fail to stabilize and grow.

I now finally come to a possible intrinsic value for KPIT. The company has consistently reported a double digit growth rate, even in dynamic times. The EBITDA margin expansion is also a thing for investors to cheer about.

**At 50x Current TTM EPS, a possible intrinsic value for KPIT stands at ₹1,530 per share.** This value accounts for the dynamic environment as the headwind, and the positive deal momentum and margin expansion as a tailwind for the company.

Investors have chosen to remain in content with the company's earnings following a relatively calmer intraday movement of the share price on 28th April 2025.

I hope you found this research report interesting. Please remember this is just for educational purposes. Please do your own research before taking any investment decision.

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**Addition after a discussion of KPIT's co-founder and CEO and CBNV TV18:**
The market environment is dynamic and needs to be assessed before giving a confident guidance for the business. The management expects a soft H1FY26 and a recovery in H2FY26.
As per a rough idea, the management has guided for 18-20% growth excluding any deviations led by tariffs and slowdown issues in the western economies. The actual guidance considering the impact of the headwinds will come out after 3-4 months.

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