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**20**  
YEARS

# Initiating Coverage KPIT Technologies Ltd.

15-April-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 188	Buy at LTP & add more on dips to Rs 165-169 band	Rs. 203	Rs. 221	2 quarters

HDFC Scrip Code	KPITEC
BSE Code	542651
NSE Code	KPITTECH
Bloomberg	KPITTECHIN
CMP Apr 13, 2021	188
Equity Capital (Rs cr)	274.1
Face Value (Re)	10.0
Equity Share O/S (cr)	27.4
Market Cap (Rs crs)	5126.5
Book Value (Rs)	40.0
Avg. 52 Wk Volumes	1153220
52 Week High	207.3
52 Week Low	39.0

Share holding Pattern % (Mar, 2021)	
Promoters	40.2
Institutions	36.4
Non Institutions	23.4
Total	100.0

### Our Take:

KPIT Technologies Ltd (KPIT) expects significant improvement in revenue, led by new deal wins and increase in offshore billing. The company derives most of its revenue (~70%) from innovative technology areas such as Advanced Driver Assistant Systems (ADAS), EV, powertrain, and infotainment, where we believe the opportunity size is quite large. With huge innovation in electric vehicles and ADAS, we further believe the market opportunity is large enough for multiple vendors to coexist and grow. As per the management, its revenue growth and margin improvement will continue in Q4FY21 and beyond. The automotive and mobility industry is prioritizing investments in new age technologies and KPIT is at the forefront of these. Growth will be driven by electric powertrain and autonomous vehicles (AV) within Europe and Asia.

KPIT is confident of sustaining its profitable growth momentum, going forward. Higher utilization, pyramid rationalization, and cost optimization would help sustain strong revenue and profitability growth. Moreover, the company plans to launch more products, which would contribute to growth ahead. With efficiencies in revenue growth and operations, the company's operating and PAT margins are likely to improve further.

Mobility industry could be an important growth engine in the future. We could expect more demand for personal vehicles, safer vehicles, and smart connected vehicles. The US President Joe Biden's plans to replace the government vehicle fleet with electric vehicles will be one of more such opportunities in the US; we believe there is tremendous focus on electric vehicles, especially in the US and Europe. Over the past 15+ years, KPIT has invested in various technologies for automotive companies and it would continue to maintain its leadership position in these areas. The company is positioned well in developing platforms and software integration with regards to mobility. Also, the increased focus on electric vehicles, especially in the US and Europe, is creating new growth opportunities for the automotive sector as a whole.

### Valuations & Recommendation:

With its niche offerings, strong position in automobile engineering, and mobility solutions supported by established relationships with top global original equipment manufacturers (OEMs), KPIT plans to launch more products, which could contribute to growth, going forward. KPIT is well on its way to double-digit growth in FY22E and FY23E, led by favorable demand in the mobility space and stability in the IT business. Higher utilization, pyramid rationalization, and cost optimization could lead to strong profitability growth and better return ratios.

### Fundamental Research Analyst

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Further, the company's financial profile remains strong with healthy profitability. Liquidity is expected to remain robust, and long-term debt would reduce in the medium term. We feel that the discount in valuation of KPIT to its peer L&T Technology Services could narrow going forward. **We believe the base case fair value of the stock is Rs 203 (22.5x FY23E EPS) and the bull case fair value of the stock is Rs 221 (24.5x FY23E EPS) over the next two quarters. Investors can buy at LTP and add further on dips in the Rs 165-169 band (18.5x FY23E EPS). At the LTP of Rs 188, the stock is trading at 20.8x FY23E EPS.**

## Financial Summary (Consolidated)

Particulars (Rs Cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY20	FY21E	FY22E	FY23E
Total Operating Income	517.3	550.1	-6.0	485.5	6.5	2,156.2	2,024.4	2,292.5	2,583.9
EBITDA	82.9	70.6	17.5	69.7	19.1	280.2	298.6	369.3	432.8
Depreciation	33.8	28.3	19.2	35.5	-4.8	108.1	134.5	133.9	134.6
Other Income	8.6	10.7	-19.6	5.7	51.0	28.3	22.3	27.5	29.7
Interest Cost	4.0	4.8	-17.3	4.4	-8.9	19.8	17.6	15.7	14.1
Tax	10.9	7.2	49.9	8.4	29.6	33.8	34.6	46.6	58.8
APAT	40.4	44.7	-9.6	26.0	55.4	146.6	132.3	198.0	251.8
Diluted EPS (Rs)	1.5	1.6	-9.6	0.9	55.4	5.5	4.7	7.1	9.0
RoE-%						12.8	17.6	20.3	17.8
P/E (x)						36.7	40.3	26.6	20.8
EV/EBITDA						17.6	16.1	12.7	10.5

(Source: Company, HDFC sec)

## KPIT's Q3FY21 results key takeaway

- KPIT reported better-than-expected numbers in Q3FY21, a rise of 6.5% QoQ and 6.0%YoY in revenue to Rs 517.3cr, while in USD terms, the revenue was up by 6.7% QoQ and down by 7% YoY due to better execution. The company's PAT grew by 55.4% QoQ (down by 9.6% YoY) to Rs 40.4 cr in the quarter. Higher PAT growth was driven by cost rationalization on the back of headcount reduction to 6,152 employees - down 6.7% sequentially and down 15.8% YoY.
- Revenue increased by 14.3% from Europe, 4.7% from the US, and 6.1% from the Rest of the World (on QoQ basis) in Q3FY21. The company's Strategic Customers (T21) revenue stood at 85.3% in Q3FY21 vs. 86.1% in Q2FY21 and Q3FY20.



- Revenue from fixed price contacts increased by 19.5% QoQ, contributing 53.7% to overall revenues for the quarter. Vertical-wise CVs and new mobility grew by 12.5% and 69.5%, contributing 15.8% and 0.56% respectively.

## Recent Triggers

### **Securing large orders and opportunity in strategic partnerships to generate revenue**

On 11<sup>th</sup> Nov, 2020, KPIT received a significant strategic large order from the BMW Group. The order was for the next generation charging electronics program, which was spread over several years. The strategic collaboration included software development and integration. It also covered maintenance of the combined powertrain coordination units including charging control. Micro Fuzzy and KPIT together will execute this strategic software program representing the first step for the BMW Group in establishing strategic software development partners for automotive software.

On 28<sup>th</sup> Jan, 2021, KPIT announced a partnership with Triumph Motorcycles to bring 'Distraction Free Digital Connected Experience' to bikers. KPIT develops one of the earliest technology solutions for Turn-by-Turn navigation based on Google maps for Triumph's premium bikes. Its software platform enables 15+ models of Triumph with digital connected experience across the globe that is safe and distraction free through 'My Triumph Connectivity System' application. KPIT played a key role through its end-to-end capability of UX (User Experience), app development, embedded software development, integration, hosting and automated testing and validation.

Apart from this, the company has signed broad based deals across geographies with:

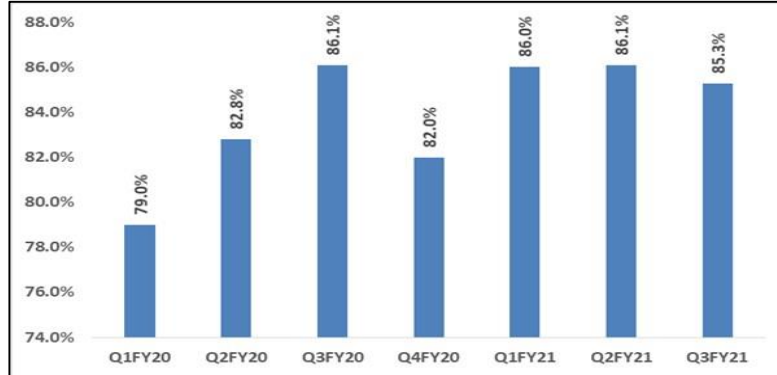
- a leading American car manufacturer, who selected KPIT for a program in the vehicle networking area
- A leading Asian car manufacturer, who selected KPIT for a program in the connected domain
- A leading European car manufacturer, who selected KPIT for a program in the vehicle diagnostics area
- A leading European car manufacturer, who selected KPIT for a program in the in vehicle networking area
- A leading Asian car manufacturer, who selected KPIT for a program in the autonomous domain

### **Focus on scaling T21 customers to maintain sustainable growth ahead**

Despite challenges, the company has managed to continue its deal momentum across geographies with new additions from T21 accounts across electric powertrain, AUTOSAR, Autonomous Driving and connected domain. KPIT aims to focus on scaling the Top 21 customers with focus on cross-selling to improve revenue per client. The Top 21 accounts contributed 85.3% to the company's total revenue in Q3FY21 and KPIT plans to cross-sell to drive growth in these accounts.



**Revenue Contribution from Strategic Customer Revenue (T21)**



**Key beneficiary of disruption in Automobile space:**

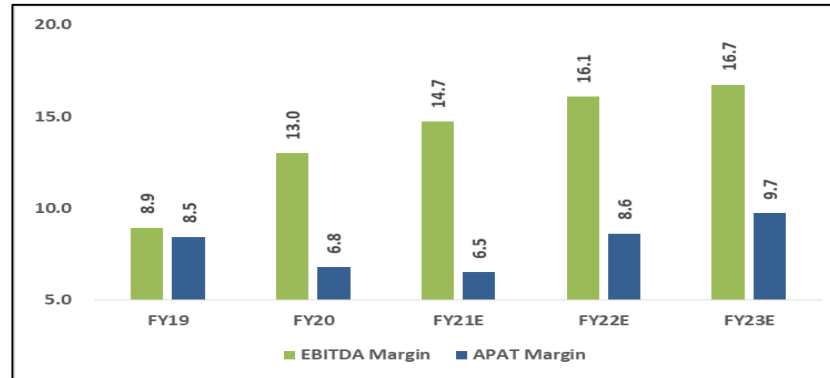
The global automotive industry is getting disrupted from digitization/automation/electrification and new business models led by new age automotive players like Tesla and technology companies like Google, Apple etc. venturing into digital mobility space. To keep pace with the disruptions, existing automotive companies have raised their R&D investments focusing on technologies of Autonomous, Electrification, Connected, etc. This offers a window of opportunity for players like KPIT who have built competencies in the space over years.

As per McKinsey’s analysis, while the global automotive market is set to grow by 3% CAGR over the next decade (2020-2030), software development and verification and validation services will see faster 9-10% CAGR, mainly due to increasing usage of software in vehicles driven by the development and adoption of autonomous driving (ADAS, Level 1-5 autonomy) connected cars (for infotainment, telematics, V2V, V2X), and electrification of powertrain (EVs).

**Offshoring, cost rationalization to maintain sustainable margins**

KPIT’s EBITDA margin ramped up by 250 bps QoQ and 240 bps YoY to 16% due to improved utilization, offshore revenues, and consolidation of facilities, post salary restoration in the quarter. In Q3FY21, employee costs declined by 7% YoY and increased by 7.9% QoQ. Higher operating margins, higher yields on cash, and lower depreciation led to robust PAT growth of 58.4% QoQ to Rs 43 cr. We expect the company to report higher margin, driven by improved utilization, better operating efficiencies, and sequentially lower depreciation in Q4FY21 as well.

Margins (Consolidated)-%



## Long-term Triggers

### **Niche offerings, prominent leadership, strong relationship with top global automotive OEMs and established suppliers**

KPIT is focused on auto engineering, termed as mobility instead of auto. The company is focused on passenger cars at present, apart from commercial vehicles, tractors and heavy equipment as well as shared mobility like OLA and UBER. It has a strategy to service five areas - electric power train, autonomous driving, infotainment, software architecture (termed it as AUTOSAR) and diagnostic and security. KPIT is focused entirely on the mobility industry with its niche offerings in the power train, autonomous and connectivity categories. Growth is expected to be driven by electric powertrain (~18% of rev), autonomous (20% of rev), battery management systems and development of IPs. KPIT has a team of 500 engineers in Germany with ~85-90% local staff. Shifting of work offshore and consolidation of centers would support margins.

Behind KPIT's success, there are two of its founders and leaders, Mr. Ravi Pandit, the Co-founder and Chairman, and Mr. Kishor Patil, THE Co-founder, Managing Director and CEO. The company has developed and benefitted tremendously from their leadership. Mr. Ravi Pandit holds a master's from Sloan School of Management, MIT, Cambridge, US, and is a fellow member of the Institute of Chartered Accountants of India. He has effectively created and built strong relationships with customers, partners and other stakeholder institutions. Kishor Patil is a Chartered Accountant, who started his career in Kirtane and Pandit Chartered Accountants in 1983. Under his leadership, the company has completed a long mile journey.



Further, KPIT enjoys an established client base with BMW, Eaton and other global OEMs and tier-I suppliers to whom it offers multiple services. Its niche offerings and strong relationships have driven healthy revenue growth over the years. The company helps customers go from design to production. Its offerings includes solutions, led by software design, development and validation.

### **Specialisation in Engineering, especially in Automotive vertical, to bring growth opportunities**

With ample growth opportunities in automotive industry, KPIT has revolved around connected, autonomous and green technologies. It has positioned itself as a solutions provider with domain expertise around infotainment systems and software integrator, electric and conventional powertrain, vehicle diagnostics, AUTOSAR (Automotive Open System Architecture) migration and integration, ADAS (Advanced Driver Assistance System) and infotainment global validation partner, mechatronics and diagnostics solutions.

The emerging autonomous vehicles (AV) ecosystem differs from the traditional automotive ecosystem in approach because it focuses on the technology stack—a concept used in the high technology and computing industries. The core elements of the technology stack include the sensors, the computing platform, software (including object detection and analysis as well as motion planning), system integration and validation, mapping, and location-based services (LBS). KPIT is focused on automotive engineering services, in which it has seen sustained growth over the past few years. Its leadership position in the segment and healthy growth potential in the foreseeable future further add strength to its overall performance. There is growing customer interest in strategic engagements; with creation of a strong pipeline in focused practices, KPIT's growth would pick up momentum in the future.

### **Focus on top customers and expansion of global delivery could help client acquisition**

Currently, KPIT has a presence and fair spread across geographies, with Europe being the largest (43.7% share), followed by the US at 41% and RoW at 15.3%, as of 31<sup>st</sup> Dec 2020. The company expended its presence in 13 countries with 25 locations. KPIT is focusing on global delivery with integrated teams located across India, Germany, US, China, Japan, Korea, and Thailand. It could continue to invest in Germany and US centers to strengthen its presence in these geographies. In the past few years, the company has invested heavily in Europe through acquisitions and partnerships with technology companies.

KPIT has started work with select top customers from the overall mobility ecosystem perspective. Its top 21 strategic accounts are its focused group of accounts. These could be accounts where KPIT has the highest level of relationship and the quality of engagement is superior to other peers. Its top 21 strategic accounts contributed 85.3% towards revenue in Q3FY21.



KPIT has initiated building of customer intimacy through practice and program management presence at key global locations, having teams with diversity. The global delivery model could ensure consistent customer experience across all locations. With a marquee client list comprising the likes of BMW, Veoneer, Toyota, Cummins, Denso, Hitachi, and Honda among others, KPIT is also aggressively localizing its workforce in the US and Europe in order to clinch large deals in the engineering services space. Its presence across a wide spectrum of OEMs is an advantage in a scenario of consolidation of R&D budgets and increase in R&D partnerships.

### **ADAS could emerge as catalyst for KPIT Tech**

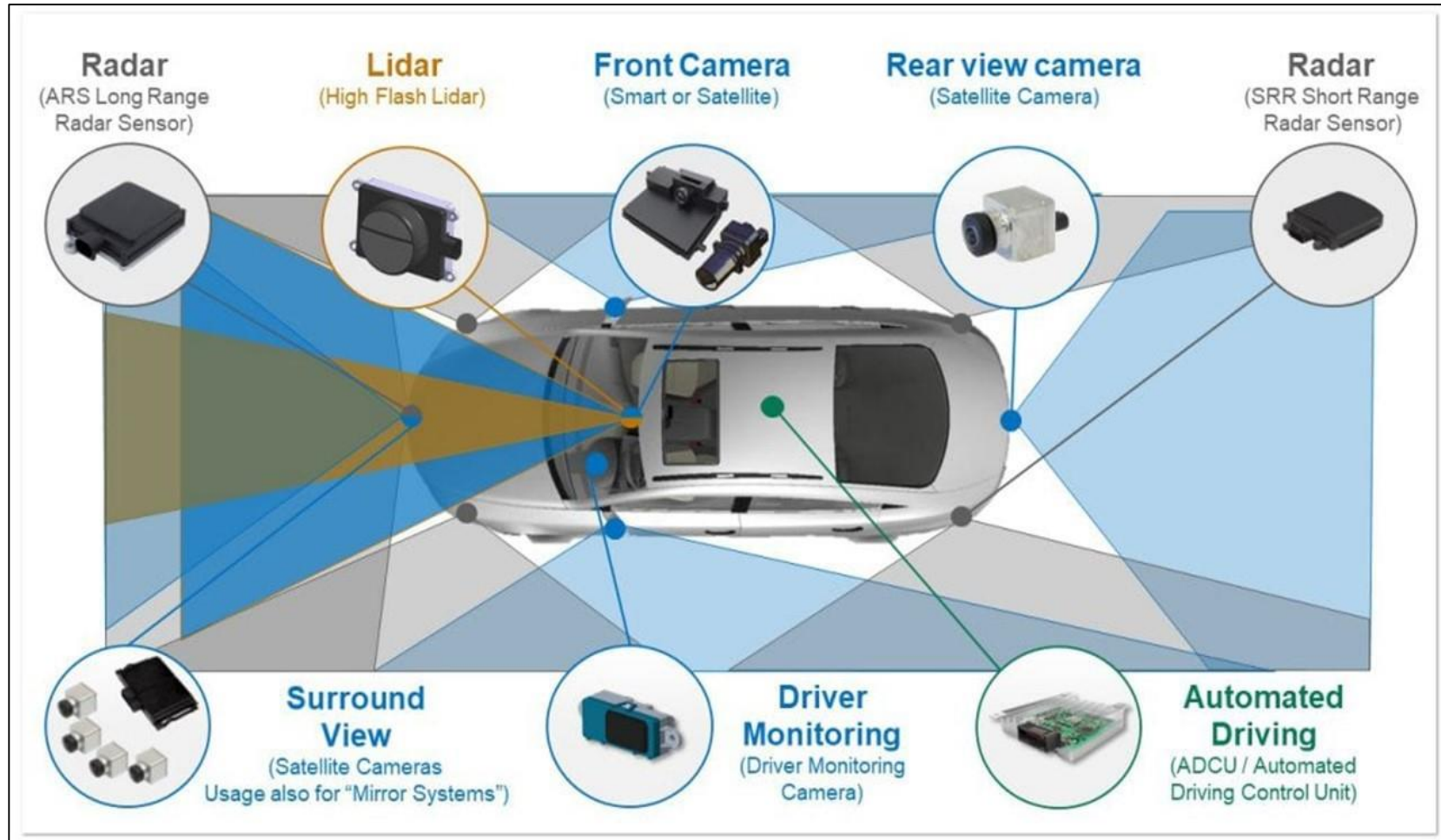
ADAS is a part of a big concept of autonomous driving (AD) and it is the most important technology for self-driving cars. ADAS is defined here as vehicle-based intelligent safety system, which could improve road safety in terms of crash avoidance, crash severity mitigation and protection and post-crash phases. It constantly keeps an eye on the road and alerts the driver in real-time of any impending danger.

### **Features of ADAS**

Further, ADAS is a combination of electric systems which are focused on automating and improving the entire vehicle's other systems to ensure better and safer driving. However, the increased use of complex automotive electronics systems requires that they should be designed for ultra-reliability because the failure of an automotive system could place the vehicle's passengers in a life-threatening situation.

ADAS is a mix of 12 technologies that primarily work with the help of three types of sensors i.e. RADAR, LiDAR and CAMERA. These technologies can be divided into three main groups based on their functionalities i.e. Sensing & Analyzing, Deciding, and Controlling. The Sensing & Analysing group includes high-tech products like multi-cameras, radars, and connectivity applications. The Deciding group covers cognitive systems (AI) and sensor fusion. Lastly, the Controlling group is related to everything around the automotive security gateway, including driving (powertrain), braking & chassis (safety), and steering (EPS).

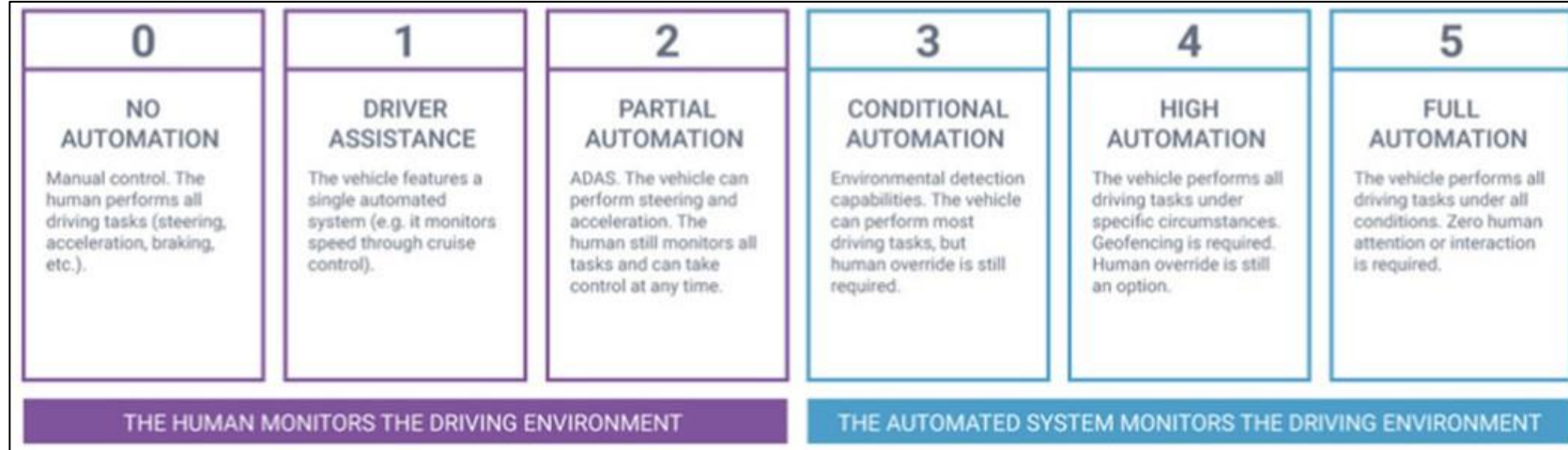




(Source: Conti-engineering services website, HDFC sec)



## Various stages in ADAS (L0-L5)



(Source: Synopsys website, HDFC sec)

### Strong fundamentals led by healthy debt protection metrics and liquidity

- FY20 was a good year for KPIT with annual revenue of USD 303.8 mn, registering an industry leading organic growth of 12.2%. The operating margin stood at around 13% for the year, a healthy growth in margins compared to previous year. The net profit (PAT) for the year was Rs 146.8cr. While there have been continuous challenges, the lead indicators of deal wins and pipeline continue to look strong. We expect consolidated revenue to grow by 13.2% and 12.7% in FY22E and FY23E, respectively.
- The company has low gearing of 0.2x as on 31st Dec, 2020, and interest coverage of 8.6x in 9MFY21. The cash and cash equivalent stood at Rs. 647cr as of 31st Dec, 2020, on a consolidated basis. The net cash position is expected to continue, though any large-scale debt-funded acquisition needs to be evaluated on a case-to-case basis.
- We expect the FCF to remain positive, going forward, even after factoring in annual capex. Because of cost rationalization efforts, KPIT could see growth in profitability as well as better return ratios in the future.
- Expectation of rise in net profit margin could help to report healthy return ratio. We expect RoCE at 14.5-16.5% and RoE in the 17.5-20% band in FY22E and FY23E, respectively.

- KPIT has maintained days of sales outstanding (DSO) at 78 on LTM basis vs. 78 days in FY20. The company could continue faster cash conversion and bring down the DSO, going forward.
- The company has maintained a lower dividend payout in the past, which stood at ~20% in FY20. We expect dividend per share at Re 1, Rs 1.5 and Rs 2 to shareholder in FY21E, FY22E and FY23E, respectively.



(Source: Company, HDFC sec)

## What could go wrong?

- INR appreciation against the USD, pricing pressure, retention of the skilled headcounts, and strict immigration norms are key concerns.
- KPIT's current revenues are generated from the automotive vertical and in particular the passenger car segment. Cyclical nature/ disruption in the automotive industry can impact growth and profitability.
- Overall, the automotive industry is becoming more and more competitive with strict regulations relating to vehicle safety and emissions all over the world. KPIT's customers face uncertainties in their production program and fast adoption of technologies, going forward. Delays may impact customer's production programs.
- KPIT's profitability is significantly influenced by customers' spending patterns, competitive pricing pressure and increasing employee and other operational costs. Lower profitability may impact sustainability and future investments.

- KPIT derived 85.3% of its revenues from its top 21 strategic clients in Q3FY21 and it has not added new clients over the past four quarters (number of clients stand at 55), exposing it to client concentration risks. However, this risk is partially mitigated by the strong and established relationship it has with existing clients.
- High promoter pledge- However the pledge percent has fallen from 18.1% in Dec 2020 to 4.5% in March 2021. Recently, there was also a stake sale (on March 10) by Mr. Kishor Parshuram Patil, the promoter of KPIT Technologies, who sold 6.05 million equity shares or 2.21% of the total equity capital of the company worth Rs 94cr via the open market on the NSE and BSE. On the positive side, as per the management, the stake sale intended to cut down promoter leverage and bring down the pledge levels.
- Any change in the contract's nitty gritty from large clients like non-renewal of contracts or higher discounts due to aggressive competition can impact sustainability and scalability from such clients.
- Any shift in customer preferences, priorities, and internal strategies can impact the company's outlook and operations adversely. KPIT has the benefit of being well entrenched with its customers.
- The next phase of COVID in India and abroad could disrupt its operations for the next few quarters.
- Any reputation loss on account of breach in compliance can impact the growth prospects and new order inflows.
- The company faces delivery and execution risk arising out of changing customer requirement, comprehension of those requirements, and timeliness of the response.
- Due to higher proportion of onshore work, KPIT's cost per employee and proportion of employee costs to sales is higher than its peers, impacting its margins.

## Company Profile:

KPIT Technologies Ltd is a global technology company, focused on automobile engineering and mobility solutions. It specializes in embedded software, AI and digital solutions, while it enables customers to accelerate implementation of next generation mobility technologies.

The company offers technology solutions to automobile OEMs under different practices such as power trains (conventional and electrical), connectivity, autonomous (vision and control systems) and diagnostics. Each of its practice areas offer software IP, software integration, feature development, and verification and validation services.

KPIT Technology got listed on 24th April, 2019, at BSE and NSE, post the merger of CK Birla Group-owned, Birlasoft and KPIT Technologies, and demerger of engineering business (KPIT Tech) and IT Services (Birla Soft). As of 31<sup>st</sup> Dec 2020, the company has 5,639 employees spread



across the world to cater services to 55 clients. KPIT has got certified on European Automotive Industry’s ENX TISAX Assessment Level 3 for delivery centers in Pune, Bangalore and Munich. With development centers in Europe, Americas, Japan, China, Thailand and India – the company works with leaders in mobility and is present where the ecosystem is transforming.

## Business Overview

KPIT is engaged in engineering with software solutions which will help mobility space move towards autonomous, clean, smart and connected future. The company provides embedded software, AI and digital solutions for its clients in the areas of electric and conventional powertrain, autonomous driving, connected vehicles, vehicle networks, vehicle diagnostics and mechatronics.

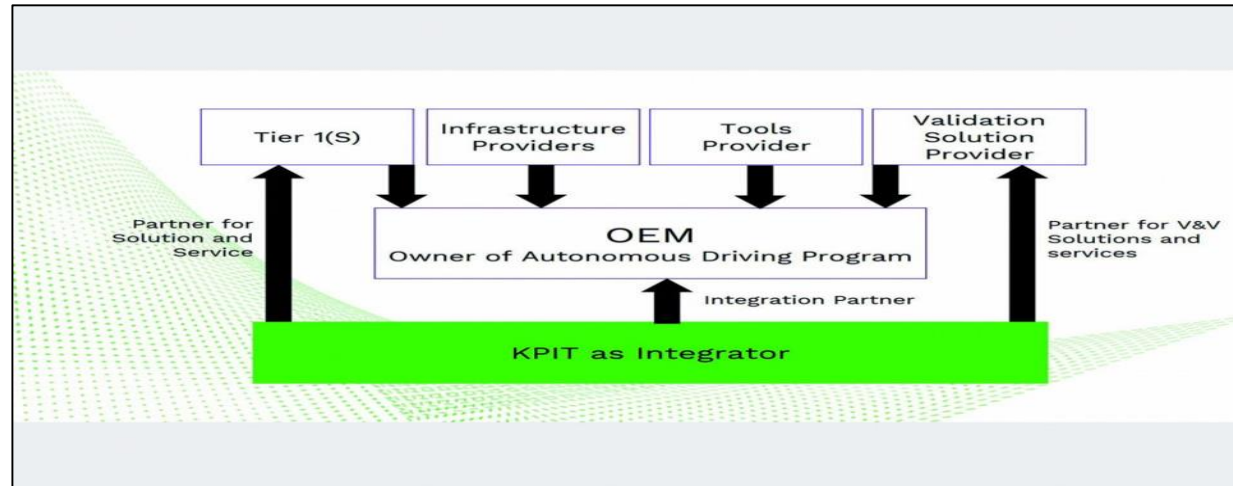
## **Solutions**

### **Autonomous Driving & ADAS**

The automotive industry is undergoing a paradigm shift as OEMs are starting to develop inhouse software for autonomous driving. KPIT plays a key role as a system integrator in the ecosystem partnership. It brings to the table engineering services with scale and developed software components to accelerate development. The service offerings such as software refactoring, unit testing, tools and methodology for software quality assurance, integrated verification and validation solutions through simulation, software integration, and embedded optimization provide the scale of expertise to reduce complexity and risk.

- KPIT further brings years of experience in system engineering, safety, and security to lend end-to-end value to production programs, starting from concept to production.
- The company is also among the leaders in virtual simulation and big data. Several unique tools with higher levels of automation ensure huge virtual simulation and overall validation capacity. These tools ensure more than 30% improvement in productivity and improve speed and agility to complete validation by more than 40%.
- KPIT also brings partners to provide end to end validation solutions.

## Factors contributing to complexity in production.



(Source: Company, HDFC sec)

### Electric and conventional powertrain

KPIT provides a complete suite of engineering services in the electrification space. 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.

In addition, it provides engineering services in systems engineering, system architecture development, hardware development, software development, V&V and calibration for components like Vehicle Electronics Control Unit, Inverter, DC-DC On board / Off board charger, and BMS.

### Connected Vehicles

At present, India is carrying out extensive work in the areas of electric and hybrid cars, hydrogen fuel cells, multiple battery technologies, and finding new ways of generating CNG to mitigate CO2 emissions. CNG, as an alternative source of fuel for transportation, has already gained mass acceptance. This provides opportunities for engineering solutions in the field of alternate powertrains.



As more automobiles connect, software competency will provide an edge and open further opportunities for the service providers. The huge increase of vehicular traffic in cities is a big contributor to toxic air, which these new technologies and innovations would help reduce.

## **Vehicle Diagnostics**

KGRIP is KPIT's model-based diagnostics solution. Its ground-up scalable architecture, combined with state-of-the-art reasoning engine make it the ideal solution. To summarize, the ever-increasing diagnostic needs of modern vehicles will drive innovation in many areas. KPIT has products and services that meet and exceed the demands of the increasingly complex diagnosis.

## **Automotive Open System Architecture (AUTOSAR)**

KPIT has developed some use cases for KSAR – its adaptive platform. This leverages SOME/IP, Software Updates capabilities and Adaptive Diagnostics test frameworks all of which are ready. Many projects are Gateway projects where 20-30 Classic outcomes need to be consolidated into 1 platform and this is under development. KPIT is developing its own Classic AUTOSAR platform along with its own OS.

This is characterized by:

- ARA Middleware for Platform Foundation & Services
- Supported on POSIX OS like Yocto Linux and QNX
- QEMU based Virtualization for Parallel Development
- Ready port available on popular SoC platforms such as TI TDAX, Qualcomm, Xilinx Ultrascale and Renesas R-CAR
- C4K Adaptive tooling supported on Windows and Linux
- Easy to use C4K Adaptive
- Configuration Editor

## **Communication and Diagnostics**

Some examples of SoC are — Bluetooth, DHCP, Bonjour (Apple) etc. KPIT advocates the Scalable Service Oriented Middleware over IP which includes: Serialisation, Remote Procedure Call, Service Directory, Publish/Subscribe and Segmentation of UDP Messages.

## **Vehicle Engineering and Design activities**







## Subsidiaries

Company	Year End	Holding -%	Country	Sales Turnover	Profit After Tax
KPIT Technologies GK	202003	100	Japan	61	0.2
KPIT Technologies Inc	202003	100	U.S.	345.15	12.89
KPIT Technologies Pte Limited	202003	100	Singapore	0.98	-0.69
KPIT Technologies (UK) Limited	202003	100	U.K.	53.04	-3.93
KPIT Technologies GmbH, Germany	202003	100	Germany	65.04	-11.38
KPIT Technologies Holdingsa Inc	202003	100	U.S.	0	0
KPIT Technologies Netherlands B.V	202003	100	Netherland	7.64	0.09
KPIT (Shanghai) Software Technology Co Limited, China	202003	100	China	12.41	-1.25
Microfuzzy KPIT Technologia LTDA ,Brazil	202003	100	Brazil	0	-0.16
Microfuzzy Industires Elektronik GmbH, Germany	202003	87.5	Germany	61.42	6.68
Impact Automotive Solutions Ltd	202003	100	India	19.7	-39.39

## Operating Metrics

### Quarterly Revenue in USD and Growth (QoQ)-%

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue in USD	70.3	71.1	72.8	77.2	76.9	76.9	65.3	65.3	69.7
Growth (QoQ)-%		1.1	2.4	6.2	-0.5	0.1	-15.2	0.1	6.7

### Revenue Spread – Geography-%

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
USA	40.1	40.0	41.6	44.3	40.0	39.5	42.1	41.8	41.0
Europe	42.4	33.5	37.1	35.7	40.9	41.5	39.4	40.8	43.7
RoW	17.4	26.5	21.2	20.1	19.1	19.0	18.5	17.4	15.3



## Verticals-%

Particulars	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Passenger Car Vehicles	72.4	72.7	75.9	75.8	75.8	77.8	77.5	75.9
Commercial Vehicles	22.2	24.2	22.2	22.8	21.7	20.8	21.5	22.7
New Mobility	1.3	0.7	1.0	0.8	1.1	0.9	0.5	0.8
Others	1.8	2.3	0.9	0.6	1.4	0.5	0.5	0.6

## Practices-%

Particulars	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Powertrain	31.5	34.5	37.1	32.5	32.5	36.4	37.0	43.0
AD-ADAS	19.3	21.4	19.8	24.7	25.8	21.9	25.1	19.1
Connected Vehicles	14.9	15.0	12.8	12.9	10.5	13.3	11.2	9.7
Others	34.4	29.1	30.3	29.8	31.2	28.5	26.7	28.1

## Customers

Particulars	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
No. of Active Customers (Nos)	60	60	55	55	58	55	55	55
Strategic Customer Revenue (T21) --%	-	79	82.8	86.1	82	86	86.1	85.3
Debtors Sales Outstanding (Days)	87	82	67	64	66	72	59	58

## Revenue by Contract Type -%

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Time and Material Basis	51.5	52.0	48.6	54.4	45.6	48.6	48.2	52.0	46.3
Fixed Price / Time Basis	47.8	43.9	51.4	45.6	54.4	51.4	51.8	48.0	53.7



## Human Resource -Nos

Particulars	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Development Team	6303	6385	6768	6773	6594	6305	6133	5639
Enabling and Sales	311	506	527	530	531	501	497	513
<b>Total Headcount</b>	<b>6614</b>	<b>6891</b>	<b>7295</b>	<b>7303</b>	<b>7125</b>	<b>6806</b>	<b>6630</b>	<b>6152</b>

## Peer Comparison (Consolidated)

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>KPIT Tech</b>	<b>5153.9</b>	<b>2024.4</b>	<b>2292.5</b>	<b>2583.9</b>	<b>298.6</b>	<b>369.3</b>	<b>432.8</b>	<b>127.9</b>	<b>193.6</b>	<b>247.4</b>	<b>17.6</b>	<b>20.3</b>	<b>17.8</b>	<b>40.3</b>	<b>26.6</b>	<b>20.8</b>
Tata Elxsi	17605.6	1810.0	2296.0	2745.0	504.0	653.0	755.0	375.0	498.0	576.0	31.2	34.0	32.5	47.0	35.3	30.6
L&T Tech	28246.1	5477.4	6506.4	7521.4	1009.5	1301.3	1532.9	613.9	899.8	1066.1	20.7	25.8	25.3	46.0	31.4	26.5

## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>641.3</b>	<b>2,156.2</b>	<b>2,024.4</b>	<b>2,292.5</b>	<b>2,583.9</b>
Growth (%)		<b>236.2</b>	<b>-6.1</b>	<b>13.2</b>	<b>12.7</b>
Operating Expenses	583.9	1876.0	1725.9	1923.2	2151.2
<b>EBITDA</b>	<b>57.4</b>	<b>280.2</b>	<b>298.6</b>	<b>369.3</b>	<b>432.8</b>
<b>Growth (%)</b>		<b>388.3</b>	<b>6.6</b>	<b>23.7</b>	<b>17.2</b>
<b>EBITDA Margin (%)</b>	<b>8.9</b>	<b>13.0</b>	<b>14.7</b>	<b>16.1</b>	<b>16.7</b>
Depreciation	18.8	108.1	134.5	133.9	134.6
<b>EBIT</b>	<b>38.6</b>	<b>172.1</b>	<b>164.1</b>	<b>235.4</b>	<b>298.2</b>
Other Income	35.5	28.3	22.3	27.5	29.7
Interest expenses	6.9	19.8	17.6	15.7	14.1
<b>PBT</b>	<b>67.2</b>	<b>180.6</b>	<b>168.7</b>	<b>247.2</b>	<b>313.8</b>
Tax	12.2	33.8	34.6	46.6	58.8
<b>RPAT</b>	<b>54.2</b>	<b>146.6</b>	<b>132.3</b>	<b>198.0</b>	<b>251.8</b>
Growth (%)		<b>170.5</b>	<b>-9.7</b>	<b>49.6</b>	<b>27.1</b>
EPS	<b>1.9</b>	<b>5.5</b>	<b>4.7</b>	<b>7.1</b>	<b>9.0</b>

### Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	268.5	268.9	274.1	274.1	274.1
Reserves	691.1	778.1	873.1	1017.4	1207.2
<b>Shareholders' Funds</b>	<b>959.6</b>	<b>1,047.0</b>	<b>1,147.3</b>	<b>1,291.5</b>	<b>1,481.4</b>
Long Term Debt	37.1	117.4	220.3	195.8	175.7
Net Deferred Taxes	-4.4	-38.7	-40.7	-42.7	-44.8
Long Term Provisions & Others	32.7	12.1	12.7	13.3	14.0
<b>Minority Interest</b>	<b>3.9</b>	<b>3.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Source of Funds</b>	<b>1,028.9</b>	<b>1,141.3</b>	<b>1,339.6</b>	<b>1,458.0</b>	<b>1,626.2</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	420.3	531.6	582.1	598.2	593.6
Other Non-Current Assets	19.4	51.5	54.0	56.7	59.5
<b>Total Non Current Assets</b>	<b>439.6</b>	<b>583.1</b>	<b>636.1</b>	<b>654.9</b>	<b>653.1</b>
Inventories	18.1	11.5	11.1	12.6	14.2
Trade Receivables	592.0	448.7	388.2	427.1	481.4
Cash & Equivalents	269.4	389.3	607.8	678.7	792.0
Other Current Assets	350.8	163.7	141.5	149.5	168.0
<b>Total Current Assets</b>	<b>1,230.2</b>	<b>1,013.2</b>	<b>1,148.7</b>	<b>1,267.9</b>	<b>1,455.5</b>
Short-Term Borrowings	60.0	48.0	18.0	13.5	8.3
Trade Payables	102.7	84.7	88.7	94.2	99.1
Other Current Liab & Provisions	478.2	322.4	338.6	357.1	375.0
<b>Total Current Liabilities</b>	<b>640.9</b>	<b>455.1</b>	<b>445.3</b>	<b>464.8</b>	<b>482.4</b>
Net Current Assets	589.3	558.1	703.5	803.1	973.1
<b>Total Application of Funds</b>	<b>1,028.9</b>	<b>1,141.3</b>	<b>1,339.6</b>	<b>1,458.0</b>	<b>1,626.2</b>

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	55.0	146.8	168.7	247.2	313.8
Non-operating & EO items	7.1	69.6	87.1	-21.0	-22.3
Interest Expenses	6.9	16.9	17.6	15.7	14.1
Depreciation	18.8	108.0	134.5	133.9	134.6
Working Capital Change	81.5	130.0	97.3	-30.4	-58.3
Tax Paid	-18.3	-82.5	-34.6	-46.6	-58.8
<b>OPERATING CASH FLOW ( a )</b>	<b>151.1</b>	<b>388.7</b>	<b>470.7</b>	<b>298.8</b>	<b>323.0</b>
Capex	-82.3	-90.7	-182.5	-147.5	-127.5
Free Cash Flow	68.8	298.1	288.2	151.3	195.5
Investments	-5.4	-51.1	-2.1	-2.1	-2.5
Non-operating income	0.8	3.5	4.5	4.5	4.5
<b>INVESTING CASH FLOW ( b )</b>	<b>-87.0</b>	<b>-138.3</b>	<b>-180.1</b>	<b>-145.1</b>	<b>-125.5</b>
Debt Issuance / (Repaid)	42.7	-114.6	85.0	-20.0	-15.0
Interest Expenses	-6.9	-16.9	-17.6	-15.7	-14.1
FCFE	104.5	166.6	355.6	115.7	166.5
Share Capital Issuance	-1.4	1.4	0.0	0.0	0.0
Dividend	-0.6	-47.3	-32.9	-49.3	-57.6
<b>FINANCING CASH FLOW ( c )</b>	<b>33.8</b>	<b>-177.4</b>	<b>34.5</b>	<b>-85.0</b>	<b>-86.6</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>97.9</b>	<b>73.1</b>	<b>325.1</b>	<b>68.8</b>	<b>110.9</b>

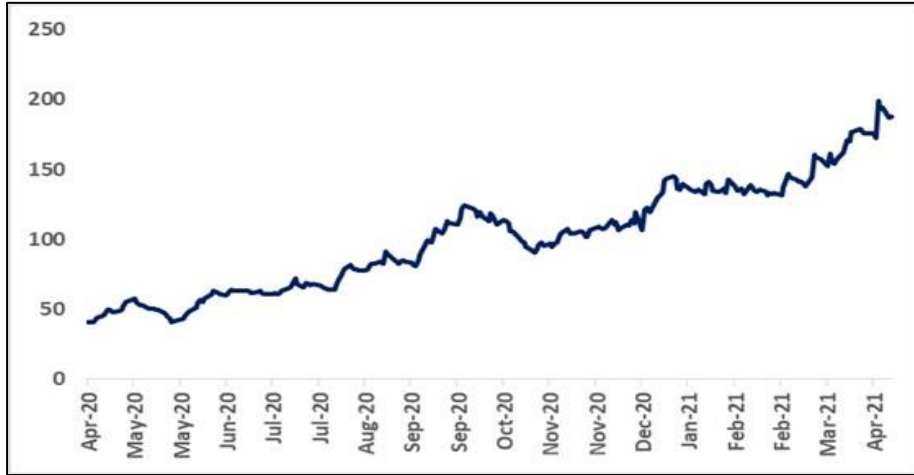
## Key Ratios

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Profitability Ratio (%)</b>					
EBITDA Margin	8.9	13.0	14.7	16.1	16.7
EBIT Margin	6.0	8.0	8.1	10.3	11.5
APAT Margin	8.5	6.8	6.5	8.6	9.7
RoE	29.2	12.8	17.6	20.3	17.8
RoCE	11.3	14.3	11.3	14.6	16.6
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	1.7	0.6	0.8	0.6	0.4
Net D/E	0.1	0.2	0.2	0.2	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	1.9	5.5	4.7	7.1	9.0
CEPS	2.6	9.1	9.6	11.9	13.9
BV	35.0	38.2	41.8	47.1	54.0
Dividend	0.8	1.0	1.0	1.5	1.8
<b>Turnover Ratios (days)</b>					
Debtor days	337.0	76.0	70.0	68.0	68.0
Inventory days	10.2	2.0	2.0	2.0	2.0
Creditors days	58.5	14.3	16.0	15.0	14.0
<b>VALUATION (x)</b>					
P/E	98.3	36.7	40.3	26.6	20.8
P/BV	5.4	4.9	4.5	4.0	3.5
EV/EBITDA	87.7	17.6	16.1	12.7	10.5
EV / Revenues	7.8	2.3	2.4	2.0	1.8
Dividend Yield (%)	0.4	0.5	0.5	0.8	0.9
Dividend Payout (%)	39.2	19.5	21.4	21.2	19.4

(Source: Company, HDFC sec)



One Year Stock Price Chart



(Source: Company, HDFC sec)



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