

Top Sector Ideas: IT services

Stock	Reco.	TP/CMP*	Recommendation Rationale
 KPIT Tech Ltd.	BUY	Rs 2,150 (CMP Rs 1,835)	<ul style="list-style-type: none"> ✓ Accelerating Demand for Digital ER&D Services: Digital engineering spends are accelerating across industries as companies shift from traditional to digital engineering. Major sectors such as Manufacturing, BFSI, Media & Technology, Retail, Healthcare, and Travel & Hospitality are developing new products and services to differentiate themselves, thereby creating significant opportunities for the company. ✓ Broad-Based Vertical Growth: The Passenger Car vertical demonstrated robust execution with 5.2% QoQ growth. Management remains confident in sustaining this growth momentum in the near term. Strategic revenue from key clients grew by 3.8% QoQ, with client concentration increasing from 85% in Q1FY25 to 86% in Q4FY24. ✓ Robust Services Mix: Feature development and integration services, accounting for 60% of revenue, posted 2% QoQ growth. Cloud-based connected services, contributing 26% of revenue, continued strong growth with a 0.6% QoQ increase. Meanwhile, Architecture and Middleware consulting, comprising 19% of revenue, recorded impressive 13.7% QoQ growth. ✓ Given the company's strong growth potential, backed by solid deal-making and excellent execution capabilities, a 58x P/E multiple is assigned to its FY26E earnings of Rs 37.1/share, resulting in a TP of Rs 2,150/share, implying a 17% upside from the CMP. Therefore, we recommend a BUY rating on the stock.

•Note: Target Price is based on our Q1FY25 Result Update Report
 •CMP as on 19th August 2024