

KPIT Technologies Ltd | BUY

Transient slowdown

KPIT reported a strong (4.7% cc QoQ; 20% cc YoY), albeit in-line, revenue growth in 2Q. EBITDA margins held up, despite wage hike and incremental ESOP cost. Deal wins remained steady (USD 207mn; book-to-bill: 1.2x). A sluggish 2H commentary however overshadowed 2Q performance. KPIT now expects FY25 growth to be towards the lower end of its 18-22% cc guided band. This implies c.1.5% CQGR for 2H, a sharp deceleration from recent trends. Management attributed this to cost pressures among US and EU OEMs driving higher offshoring. This will understandably unnerve investors, given the state of end-industry demand. The key question therefore, which investors need to base their investment thesis on, is whether this slowdown is transitory or a start of an elongated spends cut cycle. We think it is the former. Two factors underpin our conviction. One, OEMs' software ER&D budgets, unlike IT Services, can't stay low for long, especially given industry's immutable shift towards SDVs. Two, slowdown is led by higher offshoring to reduce cost for OEMs, rather than project cancellations. In fact, as we argued in our [initiation](#), such cost pressures could trigger a wave of offshoring that could outlast current software development cycle. KPIT, with its deep client relationships, automotive software expertise and offshore presence, is well placed to benefit. It is in fact already seeing a few mega deals in the pipeline around vendor consolidation, confirming the view. A weak FY25-exit however drive 3-4% cut to our FY26-27E EPS. We also lower our target multiple to 55x (from 60x) to reflect a near-term softness, driving down our TP to INR 2,040 (from INR 2,290). Any sharp pull back in the stock is an opportunity to accumulate. We retain BUY.

- **2QFY25 – In-line:** KPIT reported 4.7% cc QoQ growth, in-line with JMFc: 4.6%. Growth was led, again, by APAC (+23% QoQ USD terms) while EU (-0.6%) declined. EU likely declined even more in cc terms, likely due to offshoring of some work. EBITDA margins declined 60bps QoQ to 20.5%, in-line, despite absorbing full impact of wage hike and one month incremental impact of ESOP. Fixed price productivity and offshoring helped KPIT offset these headwinds. PAT, at INR 2bn, was aided by one-time benefit of INR 450mn (a 10 year old insurance claim).
- **Guidance and outlook:** KPIT reiterated its FY25 cc growth guidance of 18-22%. It however indicated that growth will now be at the lower-end of this band, implying 1.5% CQGR for 2H. It attributed this to higher offshoring demand by OEMs, delayed project starts etc. That will have a positive impact on the margins though. KPIT now expects its EBITDA margin to be 20-30bps above its earlier guidance of 20.5%. The company won USD 207mn deal TCv. Some of the large deals in 2Q were from US/EU. KPIT is also pursuing a few mega deals (USD 100mn+). These include cost takeout as well as development projects. KPIT's board approved a QIP of INR 28.8bn (USD 345mn), representing a 6% dilution. Proceeds will be utilised towards strategic acquisition(s).
- **EPS cut by 3 4%; stay put and BUY on dips:** We now build 18% YoY cc growth for FY25 (17% in 2H). Weak exit is flowing into our FY26E USD revenue growth (13.5% vs. 18%). These drive 3-4% cut to FY26-27E EPS. We lower target PER to 55x. Retain BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,040
Upside/(Downside)	24.8%
Previous Price Target	2,290
Change	-10.9%

Key Data – KPITTECH IN

Current Market Price	INR1,635
Market cap (bn)	INR448.1/US\$5.3
Free Float	58%
Shares in issue (mn)	270.8
Diluted share (mn)	271.4
3-mon avg daily val (mn)	INR1,567.8/US\$18.6
52-week range	1,929/1,091
Sensex/Nifty	80,082/24,436
INR/US\$	84.1

Price Performance

%	1M	6M	12M
Absolute	-3.4	19.0	41.9
Relative*	2.4	9.7	14.4

* To the BSE Sensex

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Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	33,650	48,715	58,558	66,422	78,495
Sales Growth (%)	38.3	44.8	20.2	13.4	18.2
EBITDA	6,204	9,852	12,179	14,262	16,718
EBITDA Margin (%)	18.4	20.2	20.8	21.5	21.3
Adjusted Net Profit	3,810	5,945	8,069	9,048	10,826
Diluted EPS (INR)	14.1	21.9	29.7	33.3	39.9
Diluted EPS Growth (%)	38.8	55.5	35.6	12.1	19.7
ROIC (%)	48.6	49.3	51.9	56.9	61.9
ROE (%)	25.7	31.3	33.7	30.4	29.6
P/E (x)	116.0	74.6	55.0	49.0	41.0
P/B (x)	27.1	20.8	16.9	13.5	11.2
EV/EBITDA (x)	70.5	44.1	35.5	29.8	25.2
Dividend Yield (%)	0.2	0.4	0.5	0.5	0.8

Source: Company data, JM Financial. Note: Valuations as of 23/Oct/2024

Key Highlights from the call

- **Demand:** Revenue for the company grew 20.1%/19.3% YoY in CC/USD terms, Revenue grew 5% QoQ in USD terms, marking 17 quarters of consecutive growth. Growth was driven by powertrain and middleware. Passenger car led among verticals and in geographies Asia led growth with management highlighting India, Japan and Korea. The company is seeing uncertainty in US, financial troubles for European OEMs but see good growth in Asia. They highlighted that the market has shifted towards cost reduction, time to market reduction, customer experience and compliance related deals. Inorganic initiatives being considered are also expected to address this shift.
- **Margin:** EBITDA margins were at 20.5% (-60 bps QoQ) after absorbing impact of wage hikes (c.270 bps impact) and ESOP costs. PAT had a one-time benefit of INR 293 Mn on account of a claim from insurance; the previous quarter also had a onetime benefit amounting to INR 327 Mn. The margin performance was attributed to fixed price projects where the company was able to leverage productivity gains and offshoring.
- **Outlook:** Management reiterated their revenue guidance for the year. They expect higher offshoring and cost reductions that they are passing on to customers to deflate revenues, therefore they expect the revenue to be on the lower end of the guidance at 20.5% with chances of 20-30 bps upside to that. However, because higher offshoring and higher fixed price engagements they expect profits to be on the higher side. In terms of furloughs, management commented that they have good deal wins, however based on the environment they are not sure when they would ramp up, therefore expect Q3 to be soft.
- **Fundraise:** The Company plans to raise capital through the QIP route acquire assets, with the intention to increase presence in markets or increased depth in services offered. They noted that they have done such acquisitions in the past successfully using internal accruals but currently they are eyeing bigger acquisitions which would need funds. They are planning to raise INR 28800 Mn, a dilution of c.6%. They reported that they are actively on the lookout for inorganic opportunities.
- **Acquisitions:** Management reported revenue generation by Qorix has begun but expect material impact to take some time, they noted that it is a product company which is in the investing phase currently. Additionally the company is in advanced discussions to add an important partner. KPIT announced increasing of their stake in N-Dream, an in-vehicle gaming company to 25%. With the fundraise, the company wants to consider acquisitions which will help them establish leadership globally in the field that the acquiree operates in. They noted that they want to make acquisitions that will align with their current key focus areas of cost reduction, adjacencies and compliance. They also noted that there are some significant consolidation and mega deal opportunities that will require investments in terms of infrastructure. Management noted that any acquisition they engage in will not be margin or EPS dilutive in a 12-18 month period and will focus on good cash conversion and return on capital, in addition to being critical for clients in terms of positioning and company's growth.
- **Geographies:** In terms of the demand environment, management noted that US has opportunities, though clients are displaying tentativeness. The company expects the banning of Chinese software to help them gain OEM clients. They also see opportunities in off-highway and CV, however noted that the environment is uncertain. In Europe, OEMs are struggling financially, and management expects consolidation in the region with KPIT benefitting from consolidation. In Asia, the company expects good growth, led by Japan, Korea and India. They noted that some OEMs are doing well in these countries while some are struggling. The company continues to engage with Chinese OEMs to learn from them and take those learnings to other clients. They are also helping Chinese OEMs enter international markets.
- **Auto Sector:** Management noted that Passenger segment is under pressure, they noted that European OEMs are under pressure because of exposure to China, US OEMs are better off due to tariffs, but are facing competition from other global players and they expect Asian OEMs to continue to invest for longer term. Due to these pressures OEMs

are taking longer to decide on deals and ramp ups. In the off-highway and CV segments management expect cyclicity to be bottoming out and expect growth to come back in 2026, they also noted that they are doubling down on CV segment and building expertise in the area. Management noted that the priorities of OEMs are reduction of cost of vehicle, reduction in time to market and figuring out their customer segments. Management highlighted that OEMs are pushing out EV programs but are revisiting hybrid programs and they expect alternate powertrain opportunities to come their way.

- **Bookings:** TCV for the quarter was USD 207 Mn. Management reported that the pipeline is strong, and continue to see opportunities across geographies. They noted that OEMs are extremely cautious and expect postponement of deal closures and ramp ups in the near future, however they expect growth to come back once OEMs reconfigure their priorities. Management also mentioned that pipeline is strong, and they are in serious conversations regarding mega engagements and opportunities. They expressed confidence in growing their current client relationships and see headroom to capture double the client spends.

Exhibit 1. 2QFY25 Result Summary

	2Q25 A	1Q25 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	85.05	82.70	2.8%	83.67	1.7%	83.67	1.7%	1.2%	1.2%
Revenue (USD mn)	173	165	4.8%	174	-0.5%	174	-0.4%	5.4%	5.3%
QoQ cc	4.7%	4.7%		4.6%					
Revenue (INR mn)	14,714	13,646	7.8%	14,549	1.1%	14,533	1.2%	6.6%	6.5%
EBIT (INR mn)	2,457	2,356	4.3%	2,450	0.3%	2,430	1.1%	4.0%	3.1%
EBIT margin	16.7%	17.3%	-57bp	16.8%	-14bp	16.7%	-3bp	-43bp	-55bp
PAT (INR mn)	2,037	2,042	-0.2%	1,820	11.9%	1,834	11.1%	-10.8%	-10.2%
EPS (INR)	7.51	7.54	-0.4%	6.72	11.7%	6.67	12.6%	-10.8%	-11.5%

Source: Company, JM Financial

Exhibit 2. Guidance Analysis – FY25

	FY25 revenue - implied			FY25 growth guidance	
	FY24A	Lower	Upper	Lower	Upper
Revenue (USD mn)	587	693	716	18%	22%
Implied QoQ growth - Lower end	1Q25A	2Q25A	3Q25E	4Q25E	FY25E
Revenue USD mn	165	174	176	178	693
Growth (q/q)	3.8%	5.9%	0.9%	0.9%	18%
Implied QoQ growth - Upper end	1Q25A	2Q25A	3Q25E	4Q25E	FY25E
Revenue USD mn	165	174	184	193	716
Growth (q/q)	3.8%	5.9%	5.3%	5.3%	22%

Note: CQGR calculation done of 18-21% range. Source: Company, JM Financial estimates

Exhibit 3. Recent commentary by select European Auto OEMs suggest SVD investments are still on track

BMW

We are continuing a very, **very big investment into technology**, new e-drivetrain, new electric **electronic architecture, software, etc**, for our next-generation electric vehicles and architectures. And as I mentioned, that really kicks off with the first vehicle being launched next year, the CLA.

The **technology race is on**, and we're in it, and we intend to be in the leading group of that technology race.

That's why we have redundancy in the sensor set and it also needs to look inside the cars, it knows what you're doing. Every single vehicle is going to have that. And then the missing piece is a **software** that knows what to do with it backed by cloud infrastructure, needless to say. That **significantly enhances the capability and the potential user experience** for every Mercedes customer going forward.

Volkswagen

We also took decisive steps in software. And that's my fifth point the global future electric architecture and **software strategy is now in place together with strong partners. This enables us to speed up the software development process and to develop cutting-edge products at lower costs.**

Volkswagen Group together with Xpeng, Mobileye, Horizon Robotics and others is a powerhouse of automotive software development. **We will continue to reshape our software company carried for us is and remains an important part of Volkswagen Group's software strategy.**

With our goals, we have taken decisive action, together with strong partners, enhance our technological competitiveness with a locally developed zonal electric and electronic architecture, local advanced driving assistance functions or sophisticated infotainment solutions in our smart cockpit.

Renault

As a traditional OEM, we used to buy parts and systems to Tier 1 suppliers. Now we go to Tier N, and we aim to develop when it makes sense, parts and system by ourselves. The best example is software. In the past, we used to buy software system within Black Box. Now **we want to develop partially by ourselves, to co-develop with Tier 1**, but also to co-develop directly with tech companies such as Google and Qualcomm.

Source: Earnings Transcript, JM Financial

2QFY25 result review

Exhibit 4. Key Financials

	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Revenue (USD mn)	123.8	133.9	145.2	149.0	159.0	165.0	173.2
QoQ cc growth	8.5%	7.1%	9.0%	4.3%	5.1%	4.7%	4.7%
Revenue (INR mn)	10,174	10,976	11,992	12,570	13,178	13,646	14,714
Employee benefit expenses	6,409	7,135	7,753	7,904	8,328	8,744	9,448
Other operating expenses	1,942	1,702	1,839	2,081	2,121	2,021	2,249
EBITDA	1,823	2,139	2,399	2,585	2,729	2,882	3,018
EBITDA Margin	17.9%	19.5%	20.0%	20.6%	20.7%	21.1%	20.5%
D&A expenses	422.1	450.4	480.9	499.6	527.0	525.1	560.8
EBIT	1,401	1,688	1,918	2,085	2,202	2,356	2,457
EBIT Margin	13.8%	15.4%	16.0%	16.6%	16.7%	17.3%	16.7%
Other income (Net)	-39	78	-41	30	48	417	417
Profit Before Tax	1,362	1,766	1,877	2,116	2,250	2,774	2,874
Income tax expense	246	422	463	548	591	725	794
Net income from operations	1,116	1,344	1,414	1,568	1,659	2,048	2,080
EPS	3.42	4.91	5.16	5.69	6.02	7.46	7.76
Growth	-3.3%	43.4%	5.1%	10.3%	5.8%	24.2%	4.0%

Source: Company, JM Financial

Exhibit 5. Deal wins

	2Q24	3Q24	4Q24	1Q25	2Q25
Deal TCV (USD mn)	156	189	261	202	207
Book-to-Bill (x)	1.1	1.3	1.6	1.2	1.2

Source: Company, JM Financial

Growth driven by Powertrain, middleware. Passenger vertical led the growth. Asia Pacific led growth in geographies

EBIT margin declined 60bps due to Wage hike impact (270 bps) offset by Fixed price projects and Offshoring.

Other income includes one-time benefit of an insurance related payout

Deamnd environment pivoted towards Cost reduction, reducing time to market, compliance related deals

Exhibit 6. Key Operating Metrics

	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Revenue mix							
By geography - (USD mn)							
USA	44.7	44.9	44.2	44.6	47.2	46.5	47.6
Europe	61.4	68.1	76.4	78.8	82.3	85.0	84.5
Rest of World	17.7	21.0	24.7	25.8	29.5	33.4	41.1
By verticals - (USD mn)							
Passenger cars	92.1	100.5	110.1	116.9	125.6	132.0	139.1
Commerical vehicles	30.8	28.8	29.1	25.9	27.8	27.9	28.7
By Practices - (USD mn)							
Feature Development & Integration	76.21	82.14	89.72	93.11	98.64	100.59	103.35
Architecture & Middleware Consulting	23.83	28.03	29.40	27.61	29.70	33.78	40.60
Cloud Based connected services	23.75	23.77	26.08	28.42	30.68	30.50	29.23
Employee Metrics							
Revenue per development employee (USD)	48,092	49,439	51,773	49,926	52,725	53,018	56,558
Employee							
Development	10,297	10,837	11,219	11,949	12,064	12,438	12,248
Enabling & Sales	716	734	752	778	792	815	839
Total	11,013	11,571	11,971	12,727	12,856	13,253	13,087

Source: Company, JM Financial

Maintain BUY, Revised TP of INR 2,040

KPIT reported in-line results in 2Q. It indicated that revenue will come in the lower end of the guidance due to slowdown in European OEMs. Clients are asking for more offshoring which will be a headwind for revenue but a tailwind for margins. Expect a sharp deceleration of growth rates in 2H. We believe the slowdown could last beyond 2HFY25 as well. We are therefore cutting out revenue estimates for FY25/FY27 by -1.6%/-4.8%. We increase our margin estimates for FY26/FY27 by 40bps/25bps with higher offshoring. PAT and EPS are cut by 4.5%/3.4% for FY26/FY27 due to the expected slowdown. We however remain constructive on the medium term trend of shift towards SDV and KPIT's role in it, mega deals in the pipeline if closed could give a positive surprise even for FY26 growth. We expect the uncertain demand outlook to weigh on the elevated multiples of the company, we therefore lower our target multiple from 60x to 55x. We maintain BUY with a revised TP of INR 2,040.

Exhibit 7. What has changed

	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Exchange rate (INR/USD)	83.53	83.84	83.84	83.87	83.84	83.84	0.4%	0.0%	0.0%
Consolidated revenue (USD mn)	710	839	984	698	792	936	-1.6%	-5.6%	-4.8%
CC Growth	19.9%	18.2%	17.2%	18.0%	13.5%	18.2%	-182bp	-478bp	97bp
Growth in USD revenues (YoY)	20.9%	18.2%	17.2%	18.9%	13.5%	18.2%	-196bp	-478bp	97bp
Consolidated revenue (INR mn)	59,289	70,365	82,472	58,558	66,422	78,495	-1.2%	-5.6%	-4.8%
EBITDA margin	20.8%	21.1%	21.0%	20.8%	21.5%	21.3%	-4bp	39bp	25bp
EBIT margin	17.3%	17.6%	17.3%	17.1%	17.8%	17.6%	-17bp	16bp	32bp
Adjusted PAT (INR mn)	7,990	9,473	11,209	8,069	9,048	10,826	1.0%	-4.5%	-3.4%
Adjusted EPS (INR)	29.4	34.9	41.3	29.7	33.3	39.9	1.0%	-4.5%	-3.4%

Source: JM Financial estimates

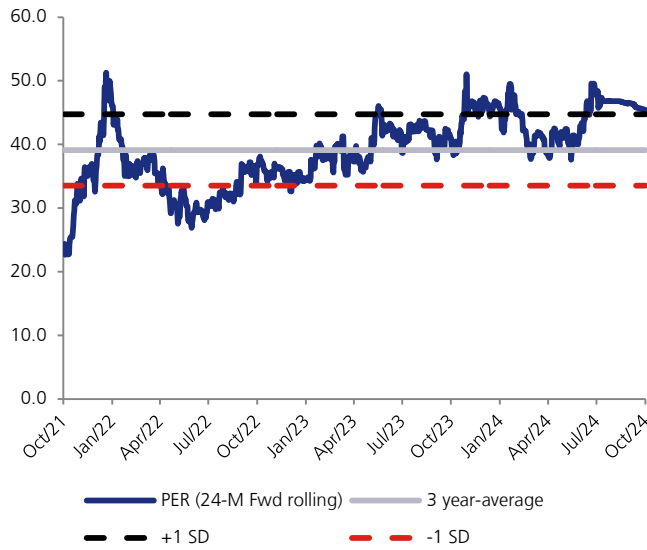
Exhibit 8. JMFe already significantly below street estimates

	Consensus estimates			JMFe			Difference		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales (USD mn)	704	840	990	710	839	984	0.9%	-0.1%	-0.7%
Sales (INR mn)	58,855	70,274	82,832	59,289	70,365	82,472	0.7%	0.1%	-0.4%
EBITDA (INR mn)	12,184	14,982	17,780	12,354	14,836	17,359	1.4%	-1.0%	-2.4%
EBITDA margin	20.7%	21.3%	21.5%	20.8%	21.1%	21.0%	13bp	-23bp	-42bp
EBIT (INR mn)	10,011	12,527	15,062	10,228	12,377	14,241	2.2%	-1.2%	-5.5%
EBIT margin	17.0%	17.8%	18.2%	17.3%	17.6%	17.3%	24bp	-24bp	-92bp
EPS (INR)	27.9	34.9	42.6	29	35	41	5.5%	0.1%	-2.9%

Note: Consensus estimates as of 24th Oct and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

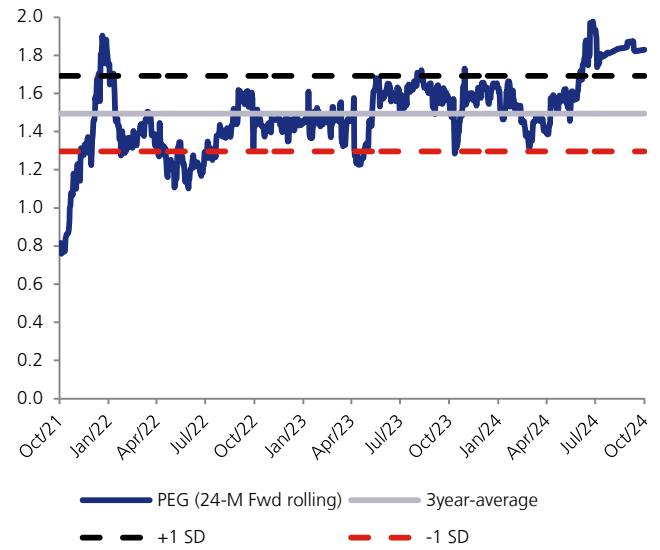
Valuation Table

Exhibit 9. KPIT PER – 24M Forward



Source: Company, JM Financial

Exhibit 10. KPIT PEG – 24M Forward



Source: Company, JM Financial

Exhibit 11. ERD – Valuation Comp

Company	CMP (LC)	Mcap (USD m)	P/E			PEG	EV/EBITDA			EV/Sales		
			FY25	FY26	FY27		FY25	FY26	FY27	FY25	FY26	FY27
India												
KPIT*	1,635	5,334	68.7x	61.3x	51.1x	2.5x	36.1x	30.8x	26.3x	7.5x	6.6x	5.6x
Tata Tech*	1,040	5,022	56.9x	47.5x	41.0x	3.2x	41.2	35.0x	29.9x	5.5x	5.3x	4.8x
Tata Elxsi	7,127	5,279	53.6x	45.6x	39.1x	2.7x	37.9x	32.3x	27.6x	11.0x	9.5x	8.2x
L&T TS	5,163	6,500	40.8x	34.8x	29.9x	2.1x	26.4x	22.6x	19.5x	4.9x	4.4x	3.9x
Cyient	1,709	2,255	25.8x	20.8x	18.1x	1.1x	15.1x	12.6x	11.1x	2.6x	2.2x	2.0x
Average			47.7x	40.2x	34.6x		32.x	27.2x	23.3x	6.8x	5.9x	5.1x
Global												
Alten	89	2,860	12.0x	11.1x	10.1x	1.2x	6.9x	6.6x	6.0x	0.8x	0.7x	0.7x
Bertrandt	21	199	-29.4x	8.1x	4.7x	0.1x	5.4x	4.1x	3.3x	0.3x	0.3x	0.3x
EDAG	8	188	10.0x	7.5x	5.9x	0.2x	5.2x	4.6x	4.0x	0.5x	0.5x	0.5x
Desay SV	124	63,148	32.8x	25.2x	19.9x	0.9x	25.6x	20.2x	16.6x	2.5x	2.0x	1.7x
Etteplan	11	256	17.9x	13.6x	11.7x	0.6x	8.6x	7.4x	6.5x	0.9x	0.9x	0.9x
Assytem	47	743	22.2x	16.7x	14.7x	0.7x	10.8x	10.0x	9.3x	1.0x	1.0x	0.9x
Ricardo	400	228	1020.4x	898.9x	772.2x	60.1x	5.7x	5.2x	4.8x	0.7x	0.7x	0.6x
Thundersoft	63	26,427	62.6x	44.4x	35.9x	1.4x	39.0x	28.9x	23.2x	4.3x	3.7x	3.1x
Arcsoft	34	12,480	87.4x	58.8x	49.6x	1.8x	70.8x	39.8x	43.8x	13.6x	11.2x	9.3x
Average			242.1x	206.5x	176.8x	12.9x	27.x	18.3x	17.5x	4.1x	3.5x	3.x

Note: JM Estimates for Tata Tech Ltd and KPIT Tech other Bloomberg estimates as on 22nd Oct. Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	33,650	48,715	58,558	66,422	78,495	
Sales Growth	38.3%	44.8%	20.2%	13.4%	18.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	33,650	48,715	58,558	66,422	78,495	
Cost of Goods Sold/Op. Exp	404	584	505	598	785	
Personnel Cost	21,553	31,120	37,524	42,804	50,003	
Other Expenses	5,489	7,160	8,350	8,758	10,989	
EBITDA	6,204	9,852	12,179	14,262	16,718	
EBITDA Margin	18.4%	20.2%	20.8%	21.5%	21.3%	
EBITDA Growth	41.5%	58.8%	23.6%	17.1%	17.2%	
Depn. & Amort.	1,464	1,958	2,176	2,471	2,914	
EBIT	4,740	7,894	10,004	11,791	13,804	
Other Income	551	664	1,276	573	618	
Finance Cost	323	548	432	407	20	
PBT before Excep. & Forex	4,968	8,010	10,848	11,958	14,402	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,968	8,010	10,848	11,958	14,402	
Taxes	1,099	2,025	2,819	2,989	3,600	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	59	40	-40	-80	-25	
Reported Net Profit	3,810	5,945	8,069	9,048	10,826	
Adjusted Net Profit	3,810	5,945	8,069	9,048	10,826	
Net Margin	11.3%	12.2%	13.8%	13.6%	13.8%	
Diluted Share Cap. (mn)	270.3	271.2	271.4	271.4	271.4	
Diluted EPS (INR)	14.1	21.9	29.7	33.3	39.9	
Diluted EPS Growth	38.8%	55.5%	35.6%	12.1%	19.7%	
Total Dividend + Tax	1,334	2,187	2,939	2,939	4,572	
Dividend Per Share (INR)	4.1	6.6	8.9	8.9	13.9	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	3,869	5,980	8,029	8,968	10,801	
Depn. & Amort.	1,464	1,958	2,176	2,471	2,914	
Net Interest Exp. / Inc. (-)	183	436	-844	-166	-598	
Inc (-) / Dec in WCap.	-1,769	871	-1,869	81	-470	
Others	768	119	0	0	0	
Taxes Paid	-989	-1,371	-2,819	-2,989	-3,600	
Operating Cash Flow	3,525	7,993	4,672	8,365	9,047	
Capex	-1,276	-1,549	-2,796	-2,845	-4,740	
Free Cash Flow	2,249	6,444	1,877	5,519	4,307	
Inc (-) / Dec in Investments	712	-455	0	0	0	
Others	-1,459	-3,634	1,276	573	618	
Investing Cash Flow	-2,023	-5,638	-1,519	-2,272	-4,122	
Inc / Dec (-) in Capital	0	0	-208	-80	-25	
Dividend + Tax thereon	-892	-1,287	-2,463	-2,463	-3,799	
Inc / Dec (-) in Loans	-19	-3	-44	0	-200	
Others	-921	-1,109	-226	-407	230	
Financing Cash Flow	-1,831	-2,400	-2,942	-2,950	-3,794	
Inc / Dec (-) in Cash	-329	-45	211	3,142	1,131	
Opening Cash Balance	2,009	2,009	2,009	2,009	2,009	
Closing Cash Balance	1,679	1,964	2,220	5,151	3,140	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	16,515	21,459	26,480	33,065	40,092	
Share Capital	2,703	2,712	2,715	2,715	2,715	
Reserves & Surplus	13,812	18,746	23,765	30,350	37,378	
Preference Share Capital	0	0	0	0	0	
Minority Interest	118	171	-40	-120	-145	
Total Loans	486	445	401	401	201	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
Total - Equity & Liab.	17,119	22,075	26,841	33,346	40,148	
Net Fixed Assets	17,170	19,734	20,354	20,729	22,554	
Gross Fixed Assets	2,144	2,395	2,788	3,163	3,489	
Intangible Assets	15,026	17,339	17,566	17,566	19,066	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	0	0	0	0	0	
Investments	0	0	0	0	0	
Current Assets	16,836	21,945	28,642	37,164	45,466	
Inventories	588	902	1,171	1,328	1,570	
Sundry Debtors	5,924	7,489	7,059	8,007	9,462	
Cash & Bank Balances	6,288	8,959	11,442	17,654	22,410	
Loans & Advances	0	0	0	0	0	
Other Current Assets	4,036	4,594	8,970	10,174	12,024	
Current Liab. & Prov.	16,887	19,604	22,155	24,546	27,872	
Current Liabilities	11,195	14,681	18,522	20,913	23,989	
Provisions & Others	5,692	4,923	3,633	3,633	3,883	
Net Current Assets	-51	2,341	6,487	12,617	17,594	
Total - Assets	17,119	22,075	26,841	33,346	40,148	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
Net Margin		11.3%	12.2%	13.8%	13.6%	13.8%
Asset Turnover (x)		1.3	1.4	1.5	1.4	1.4
Leverage Factor (x)		1.7	1.8	1.7	1.6	1.5
RoE		25.7%	31.3%	33.7%	30.4%	29.6%

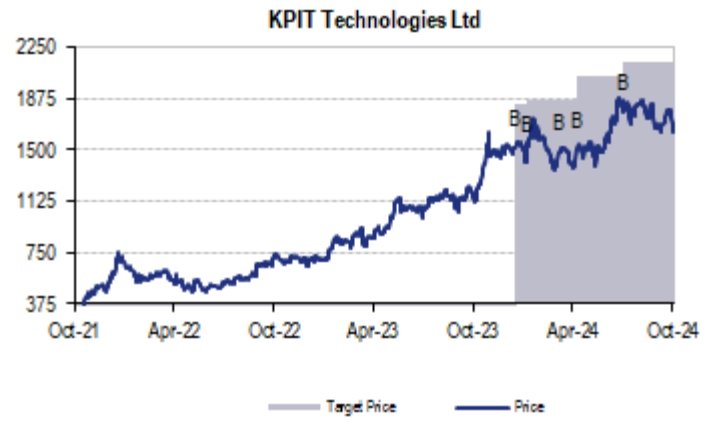
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
BV/Share (INR)		60.4	78.4	96.7	120.8	146.5
ROIC		48.6%	49.3%	51.9%	56.9%	61.9%
ROE		25.7%	31.3%	33.7%	30.4%	29.6%
Net Debt/Equity (x)		-0.4	-0.4	-0.4	-0.5	-0.6
P/E (x)		116.0	74.6	55.0	49.0	41.0
P/B (x)		27.1	20.8	16.9	13.5	11.2
EV/EBITDA (x)		70.5	44.1	35.5	29.8	25.2
EV/Sales (x)		13.0	8.9	7.4	6.4	5.4
Debtor days		64	56	44	44	44
Inventory days		6	7	7	7	7
Creditor days		22	23	28	28	24

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jan-24	Buy	1,830	
30-Jan-24	Buy	1,860	1.6
27-Mar-24	Buy	1,860	0.0
30-Apr-24	Buy	2,030	9.1
25-Jul-24	Buy	2,140	5.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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