



Good quarter... Outlook positive

CMP: Rs.154
Target Price: Rs.174
Recommendation: ACCUMULATE

Stock Info

BSE Group	A
BSE Code	532400
NSE Symbol	KPIT
Bloomberg	KPIT.IN
Reuters	KPIT.BO
BSE Sensex	25,702
NSE Nifty	7,878

Market Info

Market Capital	Rs. 3,042 cr
Equity Capital	Rs.37 cr
Avg. Trading Vol.	9,22,070
52 Wk High/ Low	175/85
Face Value	Rs.2

Shareholding Pattern (%) (Mar 2016)	
Promoters	16.8
Domestic Institutions	4.9
Foreign Institutions	22.4
Public & Others	55.9

Price Vs Sensex Chart



28 April, 2016

Performance was in line with expectation:

KPIT performance during the quarter was in line with our expectations. KPIT has delivered a good set of numbers with an improvement of 0.7% qoq to \$124.15 mn. Rupee revenues rose by 3.4% qoq to Rs. 841 cr. After absorbing wage hike EBIDTA margin improved by 118 bps to 15.7% led by expansion in gross margins and also aided by the rupee depreciation. This is in line with our expectation. PAT was Rs 89 cr, a QoQ increase by 20% and YoY growth of 76%. Overall utilization level is at 73.6% (Onsite utilization level is 90.4% and offshore utilization level is 70.2%). Total headcount brings up to 10,910. Net addition during the quarter was 351 in the total headcount. No. of US\$1 million+ Client increased by 3.

Geographical growth:

In terms of geography, US declined by 0.2% while Europe and APAC increased by 4% and 1.5% respectively. The increase in APAC revenue was mostly through products & platforms SBU and ITS. Management expects better pick-up in ITS revenue during Q1FY17.

Revenue spread verticals:

On a Q-o-Q basis, amongst the SBUs, Products & Platforms (P&P) increased by 38.9% and it contributes (43Cr) 5.1% to the revenue which is positive sign for KPIT. During the quarter SAP contributed to 22.5% of the revenue is declined by 10.1% and Product Engineering Services, and IES increased by 12.7%, and 2.6% respectively. In the products domain company had done pilot implementations of ITS in South America, South East Asia and South Africa. Its clear indicates that there will be huge potential for ITS in these markets.

Operating profits improved by 3.6%:

Company has recorded an operating profit of Rs 132 cr, up by 11.8 % QoQ, PAT reported during the quarter was Rs. 89cr. Management's focus on 2 stated areas especially in profitability and predictability. Also company continues to invest in growth areas, specifically in verticals led front end, domain expertise and newer technologies and building a healthy pipeline in newer technology areas like Digital Technology and decent growth areas like engineering.

Concall Update:

- Company expects growth would be modest for next 2 quarters and it will pick up from Q2 FY17 and the overall growth for the company to be a lot better in FY17 as compared to FY16.
- Company expects the EBIDTA margins for this year would be 15% on the back of improvement in margins in SAP SBU.
- Management believe, industry vertical / domain / technology with these new offerings, improving profitability and predictability, changed organization structure coupled with the right leadership at various levels, management is confident of reaching industry growth levels in a couple of quarters.

Outlook:

Management focuses more on growth and investing in right areas for increasing in the pace of growth. We believe most of these actions will be sustainable completed within next couple of years. We have valued stock at P/E(x) of 11x to its FY17E earnings and have arrived at fair value of Rs 174 per share. At CMP Rs 154 stock trades at 9.8 (x) its FY17E earnings. We have 'Accumulate' rating on the stock.

Financials:

Y/E March (Rs. In Crore)	FY14	FY15	FY16	FY17E
Net Revenue	2694	2990	3224	3697
Growth %	20	11	8	15
EBIDTA	423	325	435	512
EBIDTA Margin	16%	11%	14%	14%
Net Profit	249	237	282	311
Growth %	25%	-5%	19%	11%
EPS	13.3	12.5	14.7	15.8
P/E	12.1	15.1	10.0	9.8

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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%

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