April 08, 2025

KPIT Technologies Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount	Current rated amount	Rating action
Long-term/Short-term–Fund based/Non-fund Based–Working Capital Facilities	Rs. 265.00 crore	Rs. 265.00 crore	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Long term-Unallocated Limits	$7.5 million	$7.5 million	[ICRA]AA (Stable); reaffirmed
Total	**Rs. 265.00 crore and $7.5 million**	**Rs. 265.00 crore and $7.5 million**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation for KPIT Technologies Limited (KPIT) factors in its established business profile with niche offerings and strong position in the automobile engineering and technology solutions space, supported by its established relationships with top global automotive players. KPIT reported healthy revenue growth (in rupee terms) of 45% and 21% in FY2024 and 9M FY2025, respectively, supported by steady growth across the three segments (Feature Development & Integration, Architecture & Middleware Consulting and Cloud-Based Connected Services) and inorganic growth. Geographically, the revenue growth was also led by increasing share in the Asian market. KPIT has achieved healthy synergies from the acquisition of the Technica Group (Technica) in October 2022, towards becoming an end-to-end player for software-defined vehicles (SDVs). Further, the entry of Qualcomm Ventures LLC (Qualcomm) as a strategic minority shareholder in KPIT's joint venture (JV) with the ZF Group (a leading technology provider) is expected to strengthen its plans in providing scalable automotive middleware platforms and solutions for the mobility ecosystem.

KPIT's operating profit margin (OPM) improved to 21.0% in 9M FY2025 from 20.4% in FY2024 and 18.9% in FY2023, on the back of fixed cost leverage, improvement in productivity and revenue mix. KPIT also continues to book healthy order wins with total contract value (TCV) of $236 million as of December 31, 2024, focused largely on SDVs for the mobility space. Steady demand from the electric vehicle (EV) segment, along with emerging technologies such as autonomous driving, and connected and shared mobility, are expected to support its revenue growth over the near-to-medium term. In addition, its multi-year engagements for SDV with a couple of original equipment manufacturers (OEMs) provide revenue visibility for the long term. Further, the ratings continue to factor in KPIT's strong financial profile, supported by healthy internal accrual generation, sizeable net worth and strong liquidity position. Also, the company remains net debt free, which coupled with healthy internal accrual generation, continued to result in strong debt protection metrics.

The ratings, however, remain constrained by KPIT's revenue concentration among a few clients and a single vertical (automobiles). The company generates ~80% of its revenue from its top 25 clients, exposing it to the client concentration risk to an extent, as the revenue loss from its top clients may impact its revenue and profitability. However, ICRA notes that KPIT has niche offerings and is focused on entrenched relationships with top global automobile players. Additionally, industry participants, including KPIT, are exposed to challenges in the form of wage inflation, foreign exchange (forex) fluctuations, talent acquisition and retention. ICRA also notes that the company will continue to look for opportunities to support its inorganic growth initiatives. While its healthy available cash surplus can be utilised for the same, any sizeable debt-funded acquisition and its impact on KPIT's financial risk profile will be evaluated on a case-to-case basis.

The Stable outlook on the long-term rating reflects ICRA's opinion that KPIT will maintain its strong credit profile and liquidity position, supported by healthy internal accrual generation and continued net-debt free status.

Key rating drivers and their description

Credit strengths

Healthy operational profile driven by niche offerings and strong relationships with top global automotive OEMs and Tier-I suppliers – KPIT's business is focused entirely on the mobility industry with its niche offerings in power trains, autonomous and connectivity categories. The company offers software IP, software integration, feature development, and verification and validation services to global OEMs and Tier-I suppliers across its key practices. KPIT has deep-domain technical capabilities across its key practices. Further, it has an established client base, which includes most of the top 20 global OEMs, to which it offers multiple services. KPIT's niche offerings and strong relationships have driven healthy revenue growth over the years.

Strong financial profile with stable earnings, net debt free status and strong cash reserves — KPIT's financial performance has remained strong with a top line growth (in rupee terms) of 45% and 21% in FY2024 and 9M FY2025, respectively, supported by a steady revenue growth across passenger vehicles (PV) and commercial vehicles (CV) segments, increasing share from Asian markets and successful integration of Technica acquired in October 2022, with achievement of operational synergies. The OPM also improved to 21.0% in 9M FY2025 (20.4% in FY2024) and is likely to be largely sustained at similar levels over the near term. The company's financial profile continues to remain strong, aided by strong accrual generation, a comfortable capital structure with sizeable net worth of Rs. 2,500.4 crore and net debt free status as on September 30, 2024. These factors have continued to result in robust debt protection metrics, which are expected to sustain over the near term, aided by strong accrual generation and no major increase in debt levels.

Increased R&D expense by global auto companies provides growth opportunities – Global EV demand is increasing owing to high carbon emission by conventional vehicles, with the Governments across countries offering incentives in electrical mobility. Moreover, the SDV concept is becoming increasingly popular in the automotive industry. This led to an increase in R&D expenses from OEMs and Tier-I suppliers on emerging technologies such as autonomous vehicles and EVs, addition of new features and functionality in vehicles to stay competitive in the industry. Thus, all these factors provide healthy revenue visibility for KPIT over the near-to-medium term.

Credit challenges

Client and segment concentration risks — KPIT derives its entire revenue from the auto sector with its top 25 clients generating ~86% of its revenues, thus exposing it to concentration risks. Consequently, any slowdown in the auto segment or decrease in technology spend by its top clients can have an adverse impact on the company's performance. However, the risk is mitigated to an extent by KPIT's established relationships with its top global auto OEM clients and its niche offerings/ technological capabilities in mobility solutions. The company's strategy to focus on its top automobile clients (OEMs and Tier-I suppliers) is in line with the concentrated nature of the industry to drive revenues by offering multiple services.

Margins vulnerable to wage inflation and forex fluctuations – KPIT's profit margins are exposed to wage cost inflation as it operates in a highly labour-intensive business. Nonetheless, in line with its industry peers, the company's attrition rate has tapered in the recent quarters and is expected to remain at similar level over the near term. Also, KPIT is exposed to macro-economic uncertainties and any adverse regulatory/ legislative change in its key operating markets of the US and Europe, which generated 70-80% of its revenue in FY2024. Additionally, it remains exposed to hiring norms of its operational countries. Further, with most of its revenues generated by global clients in foreign currencies, the company is exposed to the forex risk. However, KPIT's hedging mechanism mitigates this risk to an extent.

Environmental and social risks

Environmental considerations: Given the service-oriented business, KPIT's direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

Social considerations: Like other Indian IT services companies, KPIT faces the risk of data breaches and cyberattacks that could affect the large volumes of customer data that it manages. Any material lapse on this front could result in substantial liabilities, fines, or penalties and reputational impact. Also, the company remains exposed to the risk of changes in immigration laws in the key developed markets, where it provides its services. While those changes would be influenced by such nations' own social and political considerations, they could intensify competition among IT players for skilled workforce, leading to higher attrition rates and may have an adverse impact on the profitability. Managing various facets of human capital, including skills, compensation, and training, are key differentiating factors among IT companies

Liquidity position: Strong

KPIT's liquidity is **strong,** supported by healthy internal accrual generation, sizeable cash and investments of ~Rs. 1,428.6 crore and a substantial buffer of Rs. 265 crore in its working capital limits, as on December 31, 2024. It has no external debt repayment liability. The company has contingent consideration of ~Rs. 264 crore (as on March 31, 2024), which is payable over the next two years. Despite this, its liquidity position is expected to remain strong, supported by healthy accrual generation.

Rating sensitivities

Positive factors – ICRA could upgrade KPIT's ratings, if there is a sustained scale-up in revenues along with improvement in the margin, while maintaining its sizeable liquidity.

Negative factors – Pressure on KPIT's ratings could arise due to any impact on its revenue and profitability from the loss of any of its key clients, or due to demand moderation in the auto industry. A specific credit metric for a downgrade is the Total Debt/OPBDITA of more than 1.5 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KPIT. The consolidated entities are all enlisted in Annexure-II.

About the company

KPIT is a technological company focused on automobile engineering and mobility solutions. 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 offers software IP, software integration, feature development, and verification and validation services. KPIT is globally present in 14 countries across the US, Europe and APAC.

Key financial indicators (audited)

KPIT – Consolidated	FY2023	FY2024	9M FY2025*
Operating income	3,365.0	4,871.5	4,314.0
PAT	384.5	599.1	606.2
OPBDIT/OI	18.9%	20.4%	21.0%
PAT/OI	11.4%	12.3%	14.1%
Total outside liabilities/Tangible net worth (times)	1.0	0.9	-
Total debt/OPBDIT (times)	0.5	0.3	-

Interest coverage (times)	19.7	18.1	27.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 08, 2025	Date	Rating	Date	Rating	Date	Rating
Working Capital Facilities	Long term and short term	Rs. 265.00 crore	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	Feb-05-24	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
			-	-	-	Apr-06-23	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Unallocated Limits	Long term	US$7.5 Million	[ICRA]AA (Stable)	-	-	Feb-05-24	[ICRA]AA (Stable)	-	-
			-	-	-	Apr-06-23	[ICRA]AA (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/Short Term - Fund based/Non-Fund Based-Working Capital Facilities	Simple
Long term-Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long Term/Short Term - Fund based/Non-Fund Based- Working Capital Facilities	NA	NA	NA	Rs. 265.00 crore	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Long term-Unallocated Limits	NA	NA	NA	US$7.5 Million	[ICRA]AA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	KPIT ownership	Consolidation approach
KPIT Technologies (UK) Limited	100%	Full Consolidation
KPIT (Shanghai) Software Technology Co. Limited	100%	Full Consolidation
KPIT Technologies Netherlands B.V.	100%	Full Consolidation
KPIT Technologies GmbH	100%	Full Consolidation
KPIT Technologias LTDA	100%	Full Consolidation
Microfuzzy Industry – Elektronic GmbH	100%	Full Consolidation
KPIT Technologies GK	100%	Full Consolidation
KPIT Technologies Inc.	100%	Full Consolidation
KPIT Technologies Holding Inc.	100%	Full Consolidation
KPIT Tech (Thailand) Co. Limited	100%	Full Consolidation
PathPartner Technology Private Limited	80%	Full Consolidation
PathPartner Technology Inc	80%	Full Consolidation
PathPartner Technology GmbH	80%	Full Consolidation
Somit Solutions Limited	100%	Full Consolidation
Somit Solutions Inc	100%	Full Consolidation
KPIT Technologies SAS	100%	Full Consolidation
Technica Engineering GmbH	100%	Full Consolidation
Technica Electronics Barcelona S.L	100%	Full Consolidation
Technica Engineering Spain S.L	100%	Full Consolidation
Technica Engineering Inc	100%	Full Consolidation
FMS Future Mobility Solutions GmbH	100%	Full Consolidation
Qorix GmbH	100%	Full Consolidation

Source: Company Annual Report FY2024

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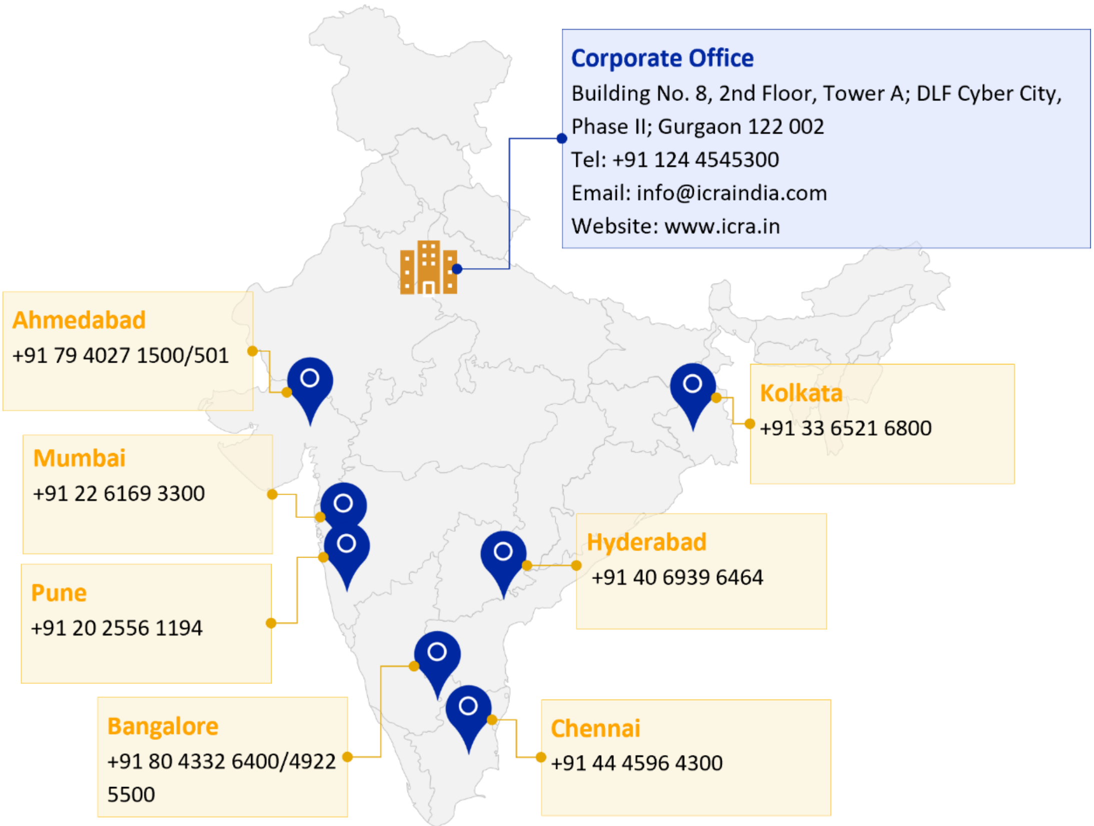

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