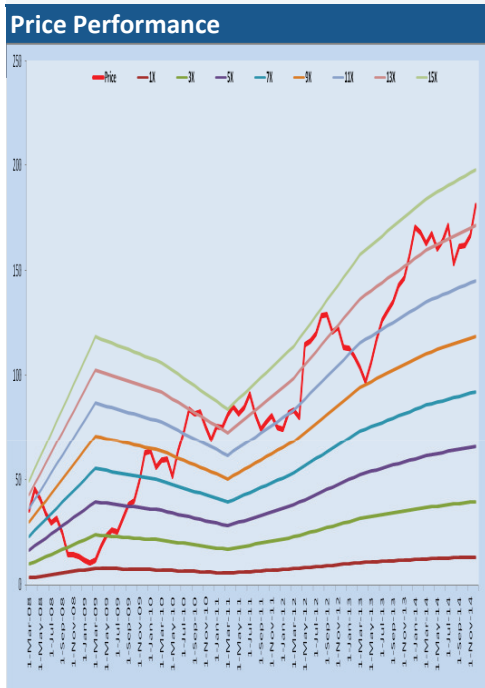


Result update	Buy
CMP	209
Target Price	235
Previous Target Price	200
Upside	12%
Change from Previous	18%

Market Data	
BSE Code	532400
NSE Symbol	KPIT
52wk Range H/L	233/140
Mkt Capital (Rs Crores)	4096
Average Daily Volume	144511
Nifty	8911

Stock Performance	1M	1yr	YTD
Absolute	4.1	12.7	38.3
Rel. to Nifty	3.4	-19	2

Share Holding Pattern-%	Current	2QFY15	1QFY14
Promoters	21.78	22.22	22.2
FII	33.61	45.81	37.67
DII	8.93	8.02	7.7
Others	35.68	23.95	32.43



KPIT reported inline set of numbers, clear visibility on sustainable growth ahead; KPIT reported inline set of numbers than street expectation with 1.1%(QoQ) revenue growth in USD term, 2.05%(QoQ) in Cross currency term and 3%(QoQ) in INR term led by healthy growth from Manufacturing and Energy verticals in 3QFY15. The 3Q growth was impacted to the extent of at least \$2.5mn by the lower delivery schedule in the ITS (Intelligent Transportation System) product.

On account of higher tax burden (at normal size) and lower other income PAT de grew by 4.6%(QoQ), on previous quarter, there was some onetime tax credit.

With better show in order book growth, we expect to see revenue growth at a range of 11-12% (USD) in FY15E. Considering management's more focus on execution, we believe that the growth momentum will continue by next quarter. We are expecting more significant opportunities in the focus areas by KPIT.

Margin inching up; During the quarter, EBITDA Margin improved by 60bps(QoQ) to 13.8% affected by improvement in SAP margins to 8% and 1.8% INR depreciation. EBITDA margin was partly off set by 140bps(QoQ) decline in offshore utilization and shifting of offsite revenue to onsite by 240bps. Management expects to see visibility on margin growth by 4Q and expects to improve the margins in SAP SBU.

On SBU; SAP reported strong growth: SAP grew by 6.3%(QoQ). KPIT has re-structured this SBU over the past several quarters. Management continues to focus on the SAP SBU and confident of further improvement in operational profitability in the SBU going forward.

Healthy growth traction on Auto & Engineering Verticals: The growth was led by the Auto & Engineering SBU. Excluding ITS, the business reported a 5.4% QoQ growth. A&E practice is benefiting from the major traction of product engineering solutions such as AUTOSAR, Body & Chassis and Mechanical.

Growth across US and Europe: During the quarter, Europe grew by sharp 16.43% QoQ, while US grew by 4.35% QoQ in INR term. However, RoW saw de-growth on a sequential basis largely due to the lower delivery schedule in ITS.

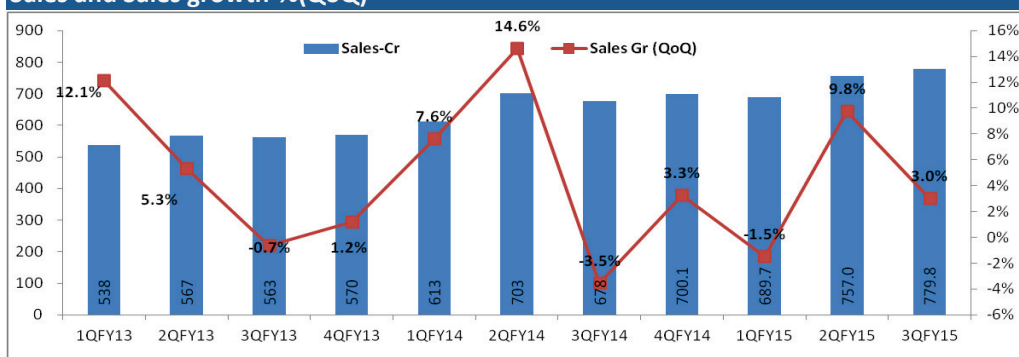
Deal Momentum: There has been good pipeline build-up in E-Business Suite (EBS) and JDE practice with respect to new deals and closures during the quarter. The major areas of traction for SAP SBU continue to be Success factors and HANA.

View and Valuation: Impressive organic growth despite inorganic thrust (acquired 10 companies in the last 10 yrs). KPIT has targeted to reach \$1bn sales by 2017. We expect to clock revenues of \$500+mn for the full year. Its differentiated positioning and competitive edge in its focus areas, imperatives to the success of smaller-sized IT vendors impress to investors. We retained "Buy" view with a target of Rs 235 (revised from Rs200). At a CMP of Rs 165, stock trades at 11.6x FY16E EPS.

Financials	Rs, Crore				
	3QFY15	2QFY15	(QoQ)-%	2QFY14	(YoY)-%
Revenue	779.81	757.41	3.0	677.93	15.0
EBITDA	107.9	100.2	7.7	103.5	4.3
PAT	65.3	68.5	(4.7)	60.8	7.4
EBITDA Margin	13.8%	13.2%	60bps	15.3%	(150bps)
PAT Margin	8.4%	9.0%	(60bps)	9.0%	(60bps)

KPIT Tech

Sales and Sales growth-%(QoQ)



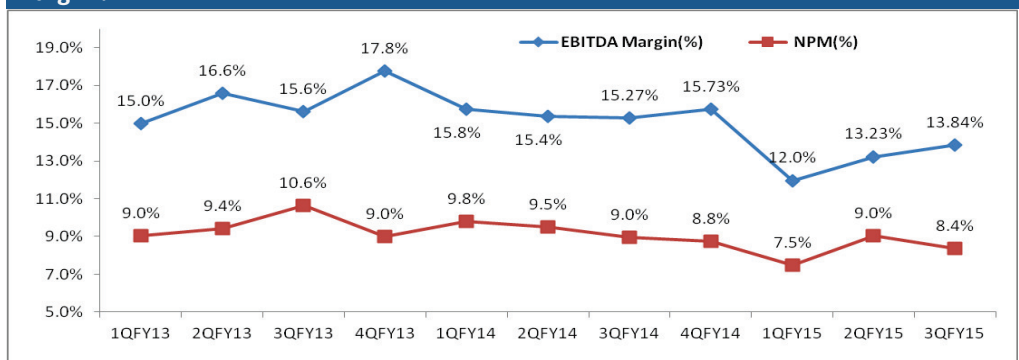
(Source: Company/Eastwind)

Revenue growth profile of the company has been volatile over the past few quarters because of client specific issues. overall growth for the company to be a lot better in Q4FY15 as compared to Q3FY15.

Sales Mix

	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15
Sales Mix (% of Sales) - Geography											
USA	76.2%	76.4%	74.7%	76.3%	75.0%	71.9%	72.6%	69.8%	69.1%	66.5%	67.3%
UK & Europe	14.6%	12.1%	13.9%	11.3%	13.1%	13.8%	15.4%	14.5%	15.8%	13.7%	15.5%
RoW	9.2%	11.6%	11.4%	12.3%	11.9%	14.4%	12.0%	15.8%	15.1%	19.8%	17.2%
Sales Mix (% of Sales) - Vertices											
Automotive & Transportation	39.6%	38.8%	40.3%	38.5%	35.5%	36.1%	36.4%	33.1%	32.7%	37.1%	36.0%
Manufacturing	32.9%	32.4%	34.0%	35.4%	39.6%	39.7%	38.9%	39.2%	40.9%	31.6%	32.8%
Energy & Utilities	13.7%	15.3%	14.2%	13.5%	14.1%	13.6%	15.1%	18.0%	17.8%	21.7%	21.8%
Others	13.8%	13.5%	11.5%	12.7%	10.8%	10.7%	9.7%	9.7%	8.6%	9.6%	9.5%

Margin-%



(Source: Company/Eastwind)

Revolvo: It submitted REVOLO fitted vehicle as per the requirement of AIS-123, notified under BIS Act, 1986 and hope to receive the certification shortly. The progress outside India on REVOLO is progressing satisfactory. It remains positive on the prospects for REVOLO.

Client Metrics: The largest customer Cummins declined by 1% QoQ with revenue share at 14.6% while the Top 5 degrew by 2.4% QoQ and and growth from Top 10 customers was flat (QoQ) respectively. During the quarter, there was a decline in the top 5 and top 10 customers. KPIT has one large customer where there is a decline. The Company is expecting more growth from top-10 customers in 4Q.

Headcounts Metrics: During the quarter, adding around 350+ people during the quarter. Over the next few quarters, we expect, company will introduce multiple initiatives to develop individuals to take on more responsibilities in future.