

## KPIT Technologies- Share Price Performance and SWOT Analysis

### Introduction

KPIT Technologies, one of the fastest growing global technology consulting and product engineering partners, is focused on co-innovating domain intensive technology solutions for corporations, specializing in automotive & transportation, manufacturing, and energy & utilities. KPIT currently partners with 200+ global corporations including OEMs and Tier 1 companies.

### Share price performance relative to peers

In the past three months, shares of KPIT Technologies (NSE & BSE: [KPIT](#)) have recovered nearly 43% of its market value. The stock was underperforming last year relative to its peers but it has bounced back strongly with its fundamentals improving significantly. Let us have a look.

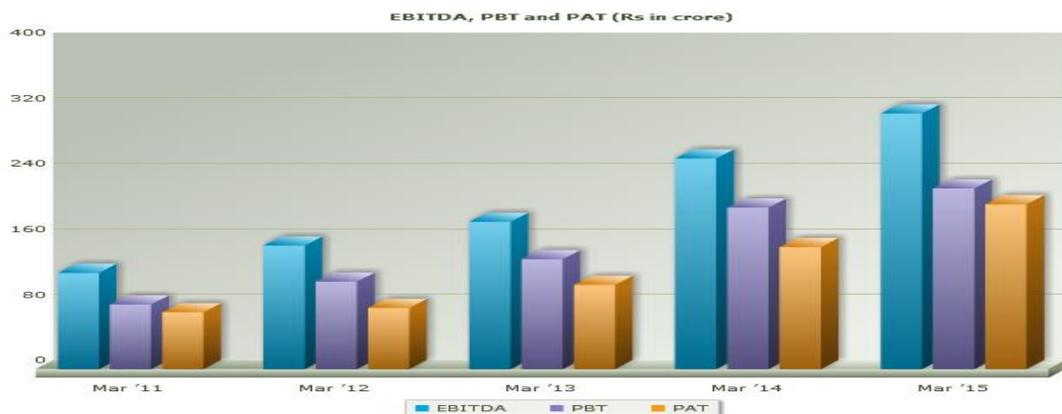
KPIT's stock was trading at Rs.159.90 on January 9, 2016, significantly up from Rs. 111.70 on October 8, 2015. In fact, the stock has appreciated approximately 70.59% in the last six months. This share price performance has been better than its peers such as eClerx Services (NSE: [ECLRX](#)), Vakrangee (NSE: [VAKRANGEE](#)) and Take Solutions (NSE: [TAKE](#)) in the past three months.

Moreover, the earnings momentum for KPIT technology is expected to continue that should further drive its share price performance. The analysts at yahoo finance estimate the forward P/E for stock to be at 10.53 for year ending 2017. This compares to its trailing P/E multiple of 13.56 for the last twelve months. The lower forward P/E ratio indicates that its earnings are expected to grow in the future.

### SWOT ANALYSIS

#### Strengths

1. **Continued growth in EBITDA margins and profit after tax-** KPIT Technologies remains strong on its [core fundamental](#) as seen in its latest quarterly report. For instance, its revenue in the last reported quarter grew 5.3% quarter on quarter, while its EBITDA margin improved by 441 bps to 14% and PAT grew by 69% quarter over quarter. The [chart](#) below shows its continued growth in EBITDA, PBT and PAT.



2. **Reduction in Expenses** – KPIT Technologies is consistently reducing its costs of material consumed. Its costs of material consumed during the quarter came in at Rs.39.82 million, a slump of approximately 86.31% as compared to Rs. 290.93 million in the same quarter last year. In fact, the company recorded 25.09% decrease in the costs of material consumed sequentially as seen in the [table](#) below.

| ₹ million                            | Q2 FY16         | Q1 FY16         | Q-o-Q Growth    | Q2 FY15         | Y-o-Y Growth    |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Sales</b>                         | <b>8,122.52</b> | <b>7,583.24</b> | <b>7.11%</b>    | <b>7,574.10</b> | <b>7.24%</b>    |
| Employee Benefit Expenses            | 4,845.61        | 4,782.46        | 1.32%           | 4,134.27        | 17.21%          |
| <b>Cost of materials consumed</b>    | <b>39.82</b>    | <b>53.15</b>    | <b>(25.09%)</b> | <b>290.93</b>   | <b>(86.31%)</b> |
| Depreciation & Amortization Expenses | 167.33          | 163.9           | 2.09%           | 244.54          | (31.57%)        |
| Other Expenses                       | 1,186.07        | 1,082.43        | 9.57%           | 1,075.27        | 10.30%          |
| Professional fees Subcontractor      | 918.54          | 944.44          | (2.74%)         | 1,070.28        | (14.18%)        |
| <b>Total Expenses</b>                | <b>7,157.37</b> | <b>7,026.38</b> | <b>1.86%</b>    | <b>6,815.29</b> | <b>5.02%</b>    |

3. **Expanding its global footprint-** KPIT Technologies during the financial year 2015 entered into a strategic alliance with [SynerTrade Partners](#), one of the leading providers for purchasing technologies in Europe. This partnership will certainly help the company to improve its global presence going forward.

More importantly, both this companies are planning to create an eXperience Center in India. With this investment KPIT & SynerTrade will be in a better position to enhance its strength at the local level and also rapidly gather new references; increase its sales, deployment, user support and auction management capacities, leveraging KPIT consultants' expertise and knowledge of SynerTrade solutions.

4. **Strong Balance Sheet-** KPIT Technologies has strong balance sheet. It has total cash and cash equivalent of Rs 4.26 billion, which is quite enough to cover its total debt of Rs. 4.15 billion as of quarter ended on September 31, 2015.

## Weakness

1. **Uneven large customer revenue growth-** KPIT Technologies is seeing [uneven](#) growth for its large revenue generating customers. In the fourth and third quarter of last year, the company saw decline of 0.8% and 1.1% respectively in the top five revenue generating customers after registering a 1.9% growth in the second-quarter of 2015. In fact, for the full year its revenue from the top 5 customers declined 0.6% year-on-year. However, the company is expanding its base for small customers that are more than offsetting the decline in the revenue from the top customers.

## Opportunities

1. **Bullish technology market-** Big data analytics, cloud computing, and the rapidly growing Internet of Things (IoT) are transforming businesses around the globe—including those outside the technology sector. These platforms will create tremendous amount of opportunity for KPIT to improve its top line performance in the future, For example, KPIT has recently been [awarded](#) with a project by from the central institution of Road Transport (CIRT) supported by Ministry of Road Transport and Highways (MoRTH to create indigenous technology for Smart Electric Bus to develop indigenous, innovative and pollution free public transport for India.

In addition, KPIT in September 2015 has been selected by the Upper Peninsula Power company (UPPCO) of Michigan to implement a new suite of SAP software applications to help simplify and transform customer engagement, while enabling operational excellence and sustainable growth.

2. **New Acquisition-** Partnering strategies are another way for KPIT Technologies to grow by providing more opportunity for development of new business models, top-line acceleration, and faster adoption of offerings in the marketplace. The company is open for new acquisition and has made several [acquisitions](#) since it started its business in 2002.
3. **Investing in Growth Platforms-** KPIT Technologies is continuously investing in growth platforms. In fact, it has recently made [investment](#) into an affordable & Innovative Plug-in Hybrid Electric Vehicle Technology and the same is branded as “Revolu” to take it to the market place. Revolu is a technology that can be incorporated in existing vehicle to convert it to a plug-in hybrid electric vehicle and also as an original equipment fitment. The technology increases fuel efficiency by around 35% and reduces CO2 emission by around 30%.

## Threats

KPIT cannot escape from threats arising in the industry. The market in which it operates is highly competitive. There are significant amount of good players in the industry that are equally tapping the growth markets across the world.

However, the company has recently implemented [Enterprise Risk Management](#) (ERM) Framework that support the Company in its pursuit of its mission, a comprehensive process to identify, measure, mitigate and monitor the risks has been implemented by the Company.

## Conclusion

KPIT Technologies is making substantial progress in every department of its business that should allow the company to improve its top and bottom line performance. The analysts have predicted its earnings to grow 10.60% this year and approximately 15.70% by the end of next year.