



**KPIT CUMMINS INFOSYSTEMS LTD**

**INVESTOR UPDATE**

**FOR THE QUARTER ENDED MARCH 31, 2005**

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## Key Highlights

- Consolidated net profit guidance of Rs 240-260 million for FY05, later raised to Rs 270 million, surpassed with consolidated net profit growing by 94.69% to Rs 280.80 million compared to a net profit of Rs 144.23 million in FY04
- Consolidated revenue guidance of Rs 2350 million for FY05, later raised to Rs 2450 million, surpassed, revenues up 98.79% to Rs 2524.53 million compared to revenues of Rs 1269.95 million in FY04.
- On a standalone basis, revenues grew 56.50% to Rs 1948.68 million while net profit grew 77.47% to Rs 223.62 million.
- 15 new clients added during the year taking the total number of Active clients to 24. Of these, 22 customers are organizations having revenues of over US\$ 1 billion.
- 567 employees added during FY05, taking the total employee strength to 1481 as on March 31, 2005.
- Global Debtors Days reduced to 70 from 80 days in FY04.
- Consolidated revenue guidance for FY06 at Rs 3300 million indicating 31% growth over FY05
- Net profit guidance for FY06 stands in the range of Rs 370 million to Rs 395 million indicating a growth of 33% to 40% over FY05
- 1000 employees to be added at various levels during the year
- Phase II of the Software Development Centre at Hinjewadi to kick start from May '05 and to be completed in the next 12 months. It will be funded through internal accruals, long term debt and equity.

## **Q4FY05 PERFORMANCE**

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## Revenues – Q4FY05

- The consolidated revenues y-o-y (including Panex) grew by 77.13% at Rs 672.71 million compared to Rs 379.78 million in corresponding quarter last year. On a sequential basis, consolidated revenues (including Panex) grew by 7.50% from Rs 625.75 million in Q3FY05.
- The consolidated revenues y-o-y (excluding Panex) grew by 41.24% at Rs 536.39 million. On a sequential basis, consolidated revenues (excluding Panex) grew by 6.27% from Rs 502.73 million in Q3FY05.
- The top ten clients including Cummins contributed 89.35% of the revenues (inclusive of Panex) during the quarter (Q3FY05 91.90%)
- Manufacturing vertical contributed 76.13% of consolidated revenues (Q3FY05 72.49%), while BFSI 21.67% (Q3FY05 25.62%)
- For the quarter, Cummins business revenues touched 35.84% of total revenues (including Panex) compared to 37.07% in Q3FY05.
- The Star customers excluding Cummins contributed 44.75% (including Panex) compared to 48.19% in Q3FY05.
- On-site revenues stood at 55.91% (excluding Panex) compared to 61.10% in Q3FY05.
- Offshore contributed 44.09% (Q3FY05 38.9%) of the revenues excluding Panex and 34.86% (Q3FY05 31.1%) including Panex.
- Consolidated revenues from dollar denominated US markets stood at 61.80% as compared to 59.37% in Q3FY05. While revenues from Europe stood at 34.59% against 37.78% during the same period.

## **Profitability – Q4FY05**

- Consolidated net profit y-o-y (including Panex) grew by 72.13% at Rs 75.13 million compared to Rs 46.37 million in corresponding quarter last year. On a sequential basis, consolidated net profit (including Panex) grew by 1.40% from Rs 74.09 million in Q3FY05 primarily on account of additional facility creation.
- Return on sales (excluding Panex) moved to 12.85% in Q4FY05 from 12.21% in corresponding quarter last year.
- The sales and general administration expenses for the quarter rose to 21.56% of sales (19.86% in Q3FY05) on account expenditure related to the Hinjawadi facility.
- Earnings per share (basic) for the quarter works out to Rs 5.87
- Global debtors stood at 70 days.

## **Infrastructure – Q4FY05**

- Phase I of the Software Development Centre at Hinjewadi was ceremoniously inaugurated.

## **Human Resources – Q4FY05**

- 114 employees were added at various levels and the current head count stands at 1481 as on 31 March 05.

## **FULL YEAR FY05 PERFORMANCE**

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## **Revenues – Full Year FY05**

- Consolidated revenue guidance of Rs 2350 million for FY05, later raised to Rs 2450 million, surpassed, revenues up 98.79% to Rs 2524.53 million compared to revenues of Rs 1269.95 million (excluding Panex) in FY04.
- Consolidated revenues y-o-y (excluding Panex) grew by 55.00% at Rs 1963.76 million.
- The top ten clients including Cummins contributed 89.35% of the revenues (inclusive of Panex) during the quarter (FY04 92%)
- Manufacturing vertical contributed 75.4 % of consolidated revenues (FY04 68%), while BFSI 23% (FY04 26%)
- For the year, Cummins business revenues touched 35% of total revenues (including Panex) compared to 50% in FY04.
- The Star customers excluding Cummins contributed 49% (including Panex) compared to 36% in FY04.
- Consolidated revenues from dollar denominated US markets stood at 62% as compared to 55% in FY04. While revenues from Europe stood at 35% against 41% during the same period.



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## **Profitability – Full Year FY05**

- Consolidated net profit guidance of Rs 240-260 million for FY05, later raised to Rs 270 million, surpassed with consolidated net profit growing by 94.69% to Rs 280.80 million compared to a net profit of Rs 144.23 million in FY04.
- Consolidated net profit y-o-y (excluding Panex) grew by 81.68% at Rs 262.05 million.
- Return on sales (RoS) (excluding Panex) moves to 13.31% from 11.36% in FY04
- The sales and general administration expenses for the year stood at 20.82% of sales (22.26% in FY04).
- Earnings per share (basic) for the full year works out to Rs 22.14
- Global debtors days reduced to 70 days.

## **Customers added – Full Year FY05**

- The Company added 15 customers in FY05, taking the total number of active customers to 24. The Company has 22 customers who have revenues of over a billion dollars.

## **Lines of Businesses added – Full Year FY05**

- The Company created three lines of business with their own sales and marketing team for the SAP practice, Risk management & compliance practice and Advanced Technology Solutions practice consisting of VLSI, Embedded & Tools and R&D Services.
- The Company sharpened its focus on Advance Technology Solutions practice which consists of VLSI, Embedded & Tools and R & D Services. This practice grew during the year from Rs. 24.77 crore to Rs. 39.43 crore, showing a growth of 59 %. This Line of Business now contributes 16 % of the total business of the Company (on global revenues),

## **Infrastructure – Full Year FY05**

- State of the art facility spread across 24,000 square feet in Bangalore will be operational by Q1FY06
- Phase I of the Software Development Centre at Hinjewadi was ceremoniously inaugurated in January 2005.
- Phase II of Software Development Centre at Hinjewadi will commence by May 2005. Spread over 10 acres, the new centre will cost US\$13.5 million and will be funded through internal accruals, long term debt and equity.

## **Share Capital & Shareholding – Full Year FY05**

- During the year the Company split its share of Rs.10 to two shares of Rs.5 each.
- LB I Group Inc., an affiliate of Lehman Brothers has picked up a 8% stake in the Company.
- Institutional holding in the Company up from 14.50% to 23.71% (excluding Lehman Brothers) on an expanded capital base of Rs 70.45 million

## **Human Resources – Full Year FY05**

- 567 employees were added at various levels and the current head count stands at 1481 as of 31<sup>st</sup> March,05.
- Senior management team strengthened with the joining in of senior executives. Girish Wardadkar has joined as President & Executive Director. Pawan Sharma has joined as President GBS (Global Business Solutions). Hemant Gandhi has joined as Executive Vice President (US West Coast Operations and Line of Business Manager for Risk Management & Compliance.
- Reinforced domain expertise with lateral recruits from customer industries (manufacturing, auto and accounting).

## **Sales & Marketing – Full Year FY05**

- Strengthened the sales & marketing operations by doubling the sales team in across US, Germany and Japan
- New marketing offices set up in West Coast in the US, Japan, Germany

## **Merger & Acquisition – Full Year FY05**

- Completed formalities of acquiring Panex Consulting Inc., a Houston based SAP consulting firm.
- Panex became a subsidiary w.e.f April 04 and its financials were consolidated with KPIT Cummins
- One of the synergies of the acquisition was that KPIT Cummins can offer SAP services to its existing customers while off-shoring option was availed at existing Panex customers

## **People Initiatives – Full Year FY05**

- Four new people initiatives were launched to increase 'Employee Touch' by the Company and to create the right conditions to attract and retain professionals who are capable of supporting our vision and mission.
- Top few people identified from multiple roles/departments under Program TAKE OFF-- *Leadership*
- Reward and recognition program for employees and teams called CHEERS!
- 500 members in six clubs organizing 20 plus events in a year under *SENSE OF BELONGING* program
- Consolidated training program to address the need of the entire organization called LEARNING ORGANIZATION

## **Process Initiatives – Full Year FY05**

- Three new process initiatives were launched by the Company — ATLAS (Global Project Management System), Six Sigma Process and BS7799 Certification.

## **THE YEAR AHEAD – FY06 PERFORMANCE**

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## **Guidance – Financial Year 06**

- Consolidated net profit is expected to be in the range of Rs 370 to Rs 395 million, a y-o-y rise between 33 to 40 per cent.
- Consolidated revenues to grow by 31% y-o-y in FY06 to Rs 3300 million.
- The Company plans to increase the head count of sales and marketing team by 50% in FY06.
- 1000 employees to be added at various levels during the year.
- Phase II of the Software Development Centre at Hinjewadi to kick start from May '05 and to be completed in the next 12 months. It will be funded through internal accruals, long term debt and equity.
- A new 24,000-sqft facility will be operation in Bangalore in Q1FY06. The existing VLSI center staff will also be moved to the new state of the art facility.
- The Company will invest in consolidating the processes related to Human Resources, Process Excellence Group, Learning Organisation and IT Services.
- Besides verticals like Manufacturing and BFSI, three lines of business like ATS (Advanced Technology Solutions), Risk Management and Compliance and SAP shall be in focus.

## **Safe harbour**

*Some of the statements in this update that are not historical facts are forward-looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.*

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