



“KPIT Technologies Limited  
Q1 FY2019 Earnings Conference Call”

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**ANALYST:**

**MR. RAHUL JAIN - EMKAY GLOBAL FINANCIAL SERVICES**

**MANAGEMENT:**

**MR. KISHOR PATIL - CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR - KPIT TECHNOLOGIES  
MR. SACHIN TIKEKAR - PRESIDENT & BOARD MEMBER - KPIT TECHNOLOGIES LIMITED  
MR. VINIT TEREDesai – CHIEF FINANCIAL OFFICER - KPIT TECHNOLOGIES LIMITED  
MR. SUNIL PHANSALKAR - HEAD INVESTOR RELATIONS AND AVP M&A - KPIT TECHNOLOGIES LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the KPIT Technologies Q1 FY2019 earnings conference call hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jain from Emkay Global. Thank you and over to you Sir!

**Rahul Jain:** Good evening everyone. I would like to welcome the KPIT Management and thank them for giving us this opportunity. I would now hand over the call to Mr. Sunil Phansalkar for opening remarks. Over to you Sir!

**Sunil Phansalkar:** Thanks Rahul. A very warm welcome to everybody on this Q1 FY2019 earnings call of KPIT Technologies. Today on the call we have Mr. Kishor Patil, CEO and MD, Mr. Sachin Tikekar, President and Board Member, Mr. Vinit Teredesai, CFO and Sunil from Investor Relations Function. As always, we will have the call starting by opening remarks by Mr. Kishor Patil on the performance during the quarter and how we look at the remainder of the year and then we will have the floor open for your questions. So once again a very warm welcome to all of you and I will now hand this over to Mr. Kishor Patil.

**Kishor Patil:** Good afternoon. Overall this quarter has been inline with our expectation and what we mentioned to you last quarter. If you look at last six quarters, our margin has gone up overall quarter-on-quarter, so from 9.1% for Q1, we are at 13.2% over last five quarters. While we have made this improvement, it is post some of the excess expenses we have been incurring, one was in the Copart legal expenses, the second is the product for the investments which we are making. We have started three local centres during this time in US, Germany, large centres, Raleigh, so all these centers are there and also considering the fact that our growth has been more than double digit. So in spite of this, I think we have been in a position to increase our profitability in five quarters from 9.1% to 13.2%.

This is reflected in the net cash position despite incentive payment during the quarter. Our cash balances have increased during the quarter. If you come to the growth, first this quarter crosses Rs.1,000 Crores quarterly revenue which is a milestone, but again as I mentioned last six quarters if you look at it there has been a growth quarter over quarter. So we moved from 123 million in the Q2FY17 to \$150+ million this quarter and if you look at yearly growth for this quarter, it is 12% year-on-year in terms of dollar revenue and 17% in rupee terms. I want to go little bit more in terms of growth because prima facie it looks marginal growth, but the quality of the growth is very important.

PES which is the Product Engineering or Automotive Embedded System Group has grown 6.9% quarter-on-quarter on a constant currency basis. I just want to bring out the consistency of growth in this sector. Last year we grew more than 30% and this year and even in the first quarter, we have grown 6.9%. So we continue to see a tremendous traction as well as the growth in this. We mainly work in some of the most exciting areas in automotive sector which are in terms of autonomous vehicle, electrification, connected cars and many standards which are coming up. So I think this growth has been completely based on the new offerings which we have, which are going to change the automotive industry for many years to time.

Overall in the services part we grew by 3.5% in constant currency. The DT has grown by 3.3%, IS has grown by 2.7%. So in our key growth drivers, we have made a significant growth. There are two areas where we had a degrowth. One is SAP and the other is products. In SAP, we have made some organizational changes to change the momentum. We so far changed certain strategy in terms of focusing only on the larger deals again more on the digital side of SAP. We are confident that we will turn this around in a quarter or so. On the product side, we have a tremendous pipeline; however, the standards on AIS140 were moved by government which was due from April 1, 2018 by a year. They may probably start earlier, but as of now they have moved it by a year. That is why despite the orders, we are not in a position to really book the revenues.

However in the products, we are coming out with a different strategy where we want to move in a direction, where we want to bring in focus on software part of the products and the integration with the hardware and bringing a hardware partner, which will allow us to really focus on all our strength and bring us partner which is stronger on other side which will also allow us to really have a stronger go-to-market and improve overall profitability and reduce some of these fluctuations we have in the products. We believe this transition will happen in the next two to three quarters.

Overall in this growth, another very important qualitative factor is T40 accounts and in these T40 accounts we have grown more than 5.5% in constant currency in this quarter. As I mentioned to you we are very, very focused only on two factors. One is the T40 accounts, which has consistently shown the growth as we have grown as a company. The second is the focus on offerings, which are largely digital or the futuristic offering if I have to say to for the customers, which are going to be relevant for many years to come and I think both these strategies are really giving us good results.

Overall in terms of geography, USA has led the growth, Europe and particularly Germany has been a great growth driver for last many quarters, so it is a more flattish this year again some parts of the business have grown and some have not, but overall we see a tremendous strong pipeline in the Europe and the same thing is in the Asia. Overall the services business has grown, but the product side business has degrown. So that is why it shows a bit of degrowth in the Asia, but across the geographies we see a good traction for our services and underlying strong growth for our T40 accounts.

So overall for this year, we are on track both for revenues and profit. We are very, very focused on profitability as much we are focused on the quality of growth. So we are confident that we are on track for both. In terms of transaction update we had a CCI approval we mentioned. We also have applied for NCLT. NCLT has given a direction in terms of holding a shareholders' meeting soon. I really would like to

request all of you who are the shareholders to really support the transaction. As we know that this has been the...last year or so you have seen a good value creation for the investors, basis the performance of the company, but we believe that the focus on both IT and engineering specifically with a strong management bandwidth will drive this value creation more. So that is what I have to say today. We will be open for the question.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

**Mohit Jain:** One is on your utilization like last time when we spoke you were looking at increasing it by 6%, 7% point, but this time it has dropped, so any specific number that you are looking for by Q4 FY2019 where this could be?

**Kishor Patil:** Actually, we had increase in the headcount as compared to what would be in line with the revenues exactly, but I think one thing I wanted to say that the services revenue has grown, and the products revenue has degrown. So from that perspective there is still a growth, but more importantly I think from the next quarter in anticipation of the growth we look at and also from the factor that this is the time we start hiring the freshers. I think from that perspective this headcount has come.

**Mohit Jain:** So we are at 71% for offshore this quarter, do you still see if group of this is going towards 75%, 76% or this is like last four quarters I think we are in the 70%, 71%.

**Kishor Patil:** Certainly we can increase this, but at that time specifically in the engineering area the kind of growth we had and it is in the new technology area so getting the people and making them ready takes a bit more time than the normal practices. So naturally there is a scope for efficiency as soon as we bring in I think this utilization can go up by 2%, 3% at least if not 4%.

**Mohit Jain:** Okay and Sir, second is on the margin outlook for the years, now given that depreciation benefits have come in and earlier we are looking to exit at a very high margin so is there any thought on improving the margin outlook or you would prefer to invest more in LK and AL, what should we build in the new currency level?

**Kishor Patil:** We are very well in position to exceed the numbers we have mentioned but as a company, we revise guidance only in the Q3, so we will take that part and we will look at what happens in between and also on the currency side, I have to say that we have a very strong business in Europe and that is a very strong growth market for us. So there are also currency headwinds in the European currency, so we would wait and take a view after few quarters.

**Mohit Jain:** There are no incremental expenses plan what we discussed in the end of last year?

**Kishor Patil:** No, there is nothing yet.

**Mohit Jain:** Last year Sir this income from associate is there is loss number coming in from minority and income from associates, so what should we expect on that line?

**Kishor Patil:** As I mentioned to you specifically these are areas in the product side where we would take certain view, we are moving, we are changing the model and during this process there will be some expenses which we may incur, but I think by the end of this year we expect this to be neutral if not positive.

**Mohit Jain:** This Rs.4 Crores, is this the investment like in which area, can you elaborate a little bit on this Rs.4 Crores quarterly number that you are looking at?

**Kishor Patil:** I cannot go into product wise details for some of this, but these are numbers as of now and sometimes in the subsidiary area, sometimes the expense is happening in the main company, sometimes in this subsidiary company, so at a point of time I would look at this... you can take this for the rest of the year.

**Mohit Jain:** This quarterly run rate is what will stay for the rest of the year?

**Kishor Patil:** Yes.

**Mohit Jain:** Okay Sir. Thank you. All the best.

**Sunil Phansalkar:** Thanks Mohit.

**Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Thanks for taking my question. Just wanted your thoughts on the IES business. Seems to have done well for the past couple of quarters and do you think this run rate will be stable and grow from here, or do we expect some volatility there? So that was the first one and the second one was from the SAP perspective, if you can give some sense whether current rate can continue or there is a downside to that?

**Kishor Patil:** I think in both these businesses, the business is stable more or less I mean, we do not see any downside to our any IT business. We are looking at growth specifically driven by digital in all these areas whether it is ERP or non-ERP. We are looking at improving the margins in this area as well. So I would just say this is how we see it even in SAP right now it is a degrowth. We are not looking at any downside beyond it. We look forward to increasing the revenue as I said maybe it may take one more quarter, but we will see some growth.

**Nitin Padmanabhan:** Fair enough and just finally, for both these businesses, if you compare the same time last year, are we - is the pipeline and the deals that we have in the back, any sense that you could give how it looks versus same time last year?

**Kishor Patil:** It is quite comparable. It is not significantly higher or anything right now, but I think we have a very strong pipeline on the digital part of the business specifically non-ERP digital part business is pretty strong. On the ERP, I think we have a similar pipeline as we had last year.

**Nitin Padmanabhan:** Sure. Great. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Abhishek S from Equirus Securities. Please go ahead.

**Abhishek S:** Thanks for the opportunity. We have heard from the larger peers about ERP modernization cycle, we have a large portfolio there. Anything you see on the ground which makes you believe or you have any comments related to same?

**Kishor Patil:** Yes, in our T40 accounts we do see those opportunities and we are absolutely pursuing this opportunity, so as I said ERP is no more an area where we see any softness in demand, so most of this is driven by modernization as well as the digital part of the ERP transformation.

**Abhishek S:** Okay that is helpful and second I wanted to understand, we see a good 400 plus addition on a quarter-on-quarter basis and almost closer to 90, 100 on onsite, so if you can help us understand where are we adding these people and which are the type of services where we are seeing demand that can be helpful. Thank you.

**Kishor Patil:** As we mentioned that we have factored local centres, development centres both in Germany and in US, so most of the addition you are saying is in our centres, so that is to service our customers in the local markets and globally. Offshore is naturally for overall business. Now in both these cases, I think we see most of the demand driven by PES as well as digital I think these are the two SBUs which are driving the demand. Onsite demand is also driven to some extent by IES and ePLM.

**Abhishek S:** Thank you for taking my question Sir.

**Moderator:** Thank you. The next question is from the line of Nirav Dalal from Maybank. Please go ahead.

**Nirav Dalal:** Thank you for the opportunity, I have a few questions. One, what is your subcontracting cost for the quarter?

**Sunil Phansalkar:** It was around Rs.938 million.

**Nirav Dalal:** Okay and regarding wage hikes, whether the wage hike cycle was taken this quarter, or when are you expecting to take the wage hikes?

**Kishor Patil:** So we have our wage hikes next quarter. We had a good performance for the last year, so we are expecting a little higher than industry wage hikes effective next quarter, but we will be also in a position to neutralize it to some extent in a bid to growth and improving the profitability.

**Nirav Dalal:** Most of the on-site hiring would be happening for your centres in U.S. and Germany right?

**Kishor Patil:** Yes, that is correct.

**Nirav Dalal:** Got it. And lastly, there is this other item, which has shown a large decline in this quarter in terms of the industry. So just wanted to know what the decline is, and what would be the general run rate for that side of the business?

**Sunil Phansalkar:** So this is in terms of industry vertical you are saying?

**Nirav Dalal:** Correct, others.

**Sunil Phansalkar:** As we have been saying that focus for us are the three verticals which is automotive, manufacturing, and E&U, so the business in others is where we do not have the strategic customers and full focus for us is on the three verticals, so that business will keep on moving up and down and the main focus that we have is on the three focussed verticals and the top 40 strategic accounts that we have.

**Nirav Dalal:** Correct, but was there something specific to this quarter that led to this big decline? Or so from here on, would you see this Rs.8 million revenues per quarter, or...?

**Sunil Phansalkar:** If you really look at it the quantum is so small that even a couple of small projects getting over looks big in terms of percentage number, so that is what I said it will keep happening that way going ahead.

- Nirav Dalal:** Okay and just finally, in terms of the Products and Platforms, some outlook on how would quarterly revenues look like this year vis-à-vis last year. Is there any seasonality that we would see?
- Sachin Tikekar:** On the product side actually there has been... as Kishor Patil mentioned there is in a big set back in terms of government regulation getting pushed out by a year, so that is going to affect our pipeline and our revenues for the rest of the year and it affected in the first quarter, so the effect will continue till the rest of the year, so we will not see much of growth coming from products for the rest of the year and as and when the regulation comes into effect I think we have all the orders in the pipeline, we have a tremendous pipeline dominating market share. As and when it comes by, I think we will be able to capitalize on it.
- Nirav Dalal:** Right. So if I were to just see the run rate, would we be at this \$5 million, \$6 million a quarter run rate from here on to the end of the year?
- Sachin Tikekar:** I think the run rate will continue but so earlier, the current run rate will continue for the rest of the year.
- Nirav Dalal:** Thanks a lot. Thank you for the opportunity.
- Moderator:** Thank you. the next question is from the line of Ayush Surana from Borgia Capital. Please go ahead.
- Ayush Surana:** Just wanted to get some carry on the total outstanding hedges for the quarter ended and for the next quarter, could you give some guidance on the same?
- Sunil Phansalkar:** So if you look at the hedging policy that we had this on a two-quarter rolling basis, we hedge 75% of our net exposure on a two quarter rolling basis, so at the end of the quarter if you look the total outstanding hedges are about \$45.8 million and the average rate for these hedges is 67.34/\$.
- Ayush Surana:** And 75% of the hedges are covered through forward contracts for the next two quarters?

**Sunil Phansalkar:** What I am saying is we cover 75% of our net exposure on a two-quarter rolling basis and all of the exposure is covered by simple forward contracts.

**Ayush Surana:** Okay and majority of the hedges are in USD or GBP or Euro?

**Vinit Teredesai:** It is a combination of all the three, but majority of them will be in USD.

**Ayush Surana:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vinesh Vala from Dolat Capital. Please go ahead.

**Vinesh Vala:** Thanks for the opportunity. Just last quarter, we had given a revenue guidance of 8% to 10% and margin of around guided of 11.5% to 12.5% on EBITDA front. So post the wage hike in Q2, do we stick to the guidance?

**Sunil Phansalkar:** As we said in the opening comments, we have actually good profitability improvement over the last five quarters, we believe we will continue doing that, so we currently are saying we will definitely stick to the guidance and we will have a look at it in the third quarter, but right now yes, the guidance remains.

**Vinesh Vala:** And another one on our tax rate ETR which is normalized during this quarter, so can we assume that same to be for the full year?

**Sunil Phansalkar:** Yes, so another 22%, 23% is the level for the effective tax rate.

**Vinesh Vala:** Okay Sir. Our top client Cummins, during this quarter how much on the contribution from the top client?

**Sunil Phansalkar:** Right now I think it is better to look at the contribution from the top 20 and top 40 strategy customer, because that is our focus and that is what we have been looking at, so I think we should look at those two numbers, where top 20 customers have contributed for about 52.5% of the revenues and top 40 have contributed about 65% of the revenues.

- Vinesh Vala:** Okay Sir. Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Shashi Bhushan from Axis Capital. Please go ahead.
- Shashi Bhushan:** Thanks for taking my question. Generally we have said that onsite hiring is led by demand; however, due to restrictive visa policy most of our peers have to strengthen their onsite hiring and in our increase in staff at the onsite basically in Germany and US, is it demand led or improving revenue visibility or is it because of the protectionist measure?
- Kishor Patil:** It is a combination of both. We have seen in Germany is clearly demand led where we see lot of growth coming in and in the US it is a mixed bag, there is some increase in demand, at the same time we are just making sure that we have the right balance of between the visa and the citizens right, so there is any issue later on, we are in a good position to manage our business.
- Shashi Bhushan:** Thanks that is all from my side Sir.
- Moderator:** Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.
- Apurva Prasad:** Thanks for taking my question. So my question pertains to the digital revenue, the 31% which you have stated that is of Business IT revenues, if you can talk about how that has grown in the last few quarters and what sort of growth rates or targets do you have within that?
- Sachin Tikekar:** If you really look at the trend over for the last five, six quarters and we actually started to monitor growth very closely, we have seen quarter-on-quarter growth, in some quarters, it has been higher than the other but the trend is generally growth consistently across the last five, six quarters and we believe that trend will continue for the rest of the year.

**Apurva Prasad:** So are you confident of a 20% plus growth in that segment I mean has that been the run rate so far?

**Sachin Tikekar:** Yes, I think it is in ballpark.

**Apurva Prasad:** Okay and what about the PES business, what is your growth outlook in that?

**Sachin Tikekar:** As you know we had more than 30% growth year-on-year and this quarter also we had really good growth and I think we are on the same path of last year. We will see much higher growth in PES this year and in the coming years as compared to industry growth

**Apurva Prasad:** Right and lastly on the ETR how much should I model going forward?

**Sunil Phansalkar:** 22% to 23%.

**Apurva Prasad:** Okay. Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities Ltd. Please go ahead.

**Ashish Chopra:** Thanks for the opportunity. I just wanted to clarification on the margin's guidance if you could. So there is an impact of around 100 basis points or slightly less than that between after factoring the merger-demerger transaction expenses, so the guidance that we currently have, is it including this line item or are we talking about the operational EBITDA guidance?

**Sunil Phansalkar:** No, the guidance that we have given was for the operational EBITDA guidance.

**Ashish Chopra:** So against the operational we are actually tracking at 13.2% at the moment?

**Sunil Phansalkar:** That is true. That is correct.

**Ashish Chopra:** Okay and Sunil what would be the –given that the wage hikes this quarter would be maybe slightly above the industries so what could be the impact on the margin as a consequence?

**Sunil Phansalkar:** So the gross impact we anticipate to be around 220-bps to 230-bps, but as we said in the opening remarks we should be able to look at recouping that with the help of growth and operational efficiencies to a large extent.

**Ashish Chopra:** So you are talking about recouping it is like instantly or gradually through the course of the year and also would the wage hikes all come in entirely in Q2?

**Sunil Phansalkar:** Yes, the wage hikes will come entirely in Q2.

**Ashish Chopra:** Okay and just one more question Sir. Should we expect any more impact from the transaction expenses of the merger or those would largely be behind?

**Kishor Patil:** I think two things I just want to confirm. One is the wage hikes we will be in a position to neutralize maybe 1% or a little more during the quarter and over the course of the year, we will absolutely more than recoup it, that is point number one. The transaction expenses will continue as much the transaction timings. So right now most of the expenses will happen by Q3 and even in Q4 there could be some expenses, some part of the expenses will continue throughout the year.

**Ashish Chopra:** Okay that is helpful. That is it from my side. Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Emkay Global Financial Services. Please go ahead.

**Rahul Jain:** My question is pertaining to the engineering services, we have seen relatively acceleration then historical growth, so can we attribute it to any specific factor or we are seeing that the spend in the area has increased significantly or the area where we have invested are now fructifying much better than what has been the case in the past so any flavour on that front would help?

**Sachin Tikekar:** I think you covered both the aspects. One is that is an area that we have been passionate about. For the last several years, we have been making proactive investments. We knew the electrification was going to become main scheme. We knew autonomous was going to come into effect. I think more and more OEMs across the globes are spending more money making more investments in these areas and we are one of the leaders globally in these three areas that Sunil talked about earlier on whether it is automated powertrain, it is autonomous drive or connected vehicles plan, so that it is so perfect storm brewing from both sides. So we believe that it is a good time to be in this business and we do have the capabilities to meet the expectations of our customers who are OEMs.

**Kishor Patil:** Just to add, I think two things we believe we have established a very strong presence with the leading automakers in Europe who are always at the front of the technology adoption. We ourselves have invested significantly in this year. So absolutely we would say we are one of the best in the industry on these new technologies, also the fact that we are working with some of the best companies in the Europe is really helping us working with both customers in USA as well as in Asia who are looking to really adopt and accelerate their adoption in the new areas.

**Rahul Jain:** Our client's relationship has been very old and we have been working with most of the OEM for a very long period of time. So would you attribute this sudden acceleration to incremental outsourcing part of it incremental reliance on the third party or what to say engineering partners or you would say this is just that the space itself is taking off now versus in the past?

**Kishor Patil:** There are two, three factors in this. One significant part where we are working in some of this area is coping up fast in the new technology areas with many people left behind, they know that if they do not adopt some of this technology or spend in these areas, they will be left behind and there are not many companies with core expertise in some of the key areas and we are fortunately as I said we are one of the leaders in this area that is why we are getting the momentum – these are more strategic long-term relationship which are not only with the existing customers, but

we are saying that significantly more also many customers approaching us on account of this. We are actually very selective in terms of the companies we work with and operate with. So that is really the main part. In some of the other areas they have some relevance in terms of testing validation, there are some other services where a few other companies are also having some traction and naturally we also have an advantage if you are working in the main development area in that function.

**Rahul Jain:** Okay. Have we identified a size which is directly relevant to vendor like us and is there any significant growth uptake in this number. Second we are seeing this uptake of growth across this category irrespective of the auto sector, so is it that given early mover advantage in this space and existing client relationship, we would continue to deliver much higher growth rate than what this relatively newer set of vehicle are delivering.

**Kishor Patil:** I could not hear your first question clearly, so if you could repeat it?

**Rahul Jain:** The first question was that have we tried and identify the spend value of the area that we cover under this service line and has that number gone up recently?

**Kishor Patil:** There is significant growth and I am sure you are tracking the auto industry. I think there are very significant investment in autonomous electrical and connected part. All the companies want for the next four to five years getting significant adoption of their vehicle programs in this area and so it is a pretty significant number, so we see a reasonable growth if I could say going forward. I think the challenge in this really you need these are very critical to automotive companies and this is a very deep domain in the areas in which we work, so our ability to really develop talent, build talent, not only in India, but globally and ability to execute will be really the key factors in delivering the growth, but the market demand is strong and we are in a very good position.

**Rahul Jain:** Let me ask my second part of the question in a different way, NASCOM expect this segment to grow at 15% and given our differentiated positioning in this space, do

we see that number as a right benchmark and we should aspire to do better than this number on an ongoing basis?

**Kishor Patil:** We expect to do better than that number, but I am really focusing only on automotive industry. We are not working in other industries.

**Rahul Jain:** What we also understand is auto within that which faster than the rest of the piece?

**Kishor Patil:** I do not know that we are just saying the growth which is higher than 15%.

**Rahul Jain:** Right, thank you. Just one more if I may. The question is for the product and platform business, we have a couple of product out there and we have seen a good acceptance for many of them in the last couple of quarters; however, if you look at the annualized run rate or maybe the continuity of a size in the business, we have not scaled up significantly. If you could share in terms of where we are on different product, what are the next level of revenue that we can expect in this business or any thought that you could share on that?

**Kishor Patil:** Really we are moving our most of the business to software platforms. Our traditional PES business if you think it also has IPs and platforms and it is driven by this into services. So actually even as we call right now P&P business that is what I mentioned in the opening remarks also, we are trying to move it to the same way where would own the software, we own the software platform, we own the hardware integration and we bring in the hardware partner to do that, so I think overall we have seen a good traction for the PES business has grown also, because we have products in almost all the service areas, products either platforms or IPs in all these areas and that has really helped us and that is exactly what we want to adopt. So overall all of our business will be driven by software products and platform-led services and that is where we are going and by the end of the year, we would change even the P&P model to the same thing, so we would have basically all the business which is driven by software platform based services.

**Rahul Jain:** Okay Sir that is how when should need to see it. Fair enough. That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Alroy Lobo from Kotak Investment. Please go ahead.

**Alroy Lobo:** Thanks for taking my question. I just wanted to understand the initiatives taken by the company in augmenting its sales and presales infrastructure both in Germany and US, can you just throw some light on that?

**Kishor Patil:** Absolutely we are building it as a global company. As I mentioned to you in this area, we do believe that we are one of the really a global leading player in automotive industry without a doubt. There are areas where we have a clear leadership, in some other areas, we are getting there. So we cannot be only India-based company and that is where exactly we are investing and building our capabilities. So against a pure approach of just having some people onsite which will work at client site or just deliver the projects, we are building the full infrastructure as it is globally. So there are many practices who are headquartered out of Germany I think some of the key new practices are driven by leadership which is in Germany, there are few in which it is in USA and there are a few which is in India. So overall our approach is to really build global excellence centre because many of this new areas we cannot really find people in India in terms of leadership as well as the technology and the core competence. So our goal is to really build the best where we can and deliver globally.

**Alroy Lobo:** How many people you would be having in sales and presales in these geographies, just to get an idea?

**Kishor Patil:** Similar to what we have, it is not that we are increasing it as I said it is only they will be set up somewhere else sometimes, so like it is not a very different percentage than what it is today.

**Alroy Lobo:** Okay. Thanks.

**Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for their closing comments.

**Sunil Phansalkar:** Thank you for attending the call and I hope we were able to answer all your questions. If you still have anything or you get a question later please feel free to write to me. Thanks once again and have a great evening. Bye.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.