“KPIT Technologies Q4 FY2016 Post Results Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to KPIT Technologies Q4 FY2016 Post Results Earnings Conference Call, hosted by Reliance Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal for 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. Apurva Prasad from Reliance Securities. Thank you and over to you Sir!

Apurva Prasad: Thanks Zaid. On behalf of Reliance Securities, I welcome all the participants to KPIT Technologies Q4 FY 2016 Results Conference Call. Joining us on the call, we have the senior management, Mr. Ravi Pandit, Co-Founder, Chairman and Group CEO, Mr. Kishor Patil, Co-Founder CEO and MD, Mr. Sachin Tikekar, Board Member, President, Strategic Relation and Business Transformation, Mr. Anil Patwardhan, Senior VP and Head, Corporate Finance and Governance, Mr. Sunil Phansalkar, Head Investor Relations and AVP M&A. I would now hand over the call to Sunil. Over to you Sir!

Sunil Phansalkar: Thanks a lot Apurva. A warm welcome to everybody on the Q4 FY2016 and the annual earnings call of KPIT Technologies. I hope all of you have received the investor update, if you have not please write to us and we will be happy to send it to you. We have tried to detail as always the performance of the year and the areas of focus for us this year as well as the years going ahead. We will start the call today with opening remarks by Mr. Ravi Pandit on what has happened in the quarter and the year and then some talk on the direction for the next year. After the opening remarks, we would be happy to take any questions from you. Thank you once again for joining this call and now I will I hand it over to Mr. Pandit!

Ravi Pandit: Good afternoon. Thank you and welcome to this call. I would like to cover four areas in my remarks. First, I would like to talk about the last year essentially covering what we set out to do at the beginning of the year and where we stand
today. Then I would like to talk about the last quarter. Then before talking about the next year, I would like to talk about what is the kind of company that we are aspiring to build and in that context how do we see our next year. These are the things that I would like to cover in my initial remarks.

So you would recollect that last year’s fourth quarter was a bad quarter for us and we started the year stating that there are four areas on which we will work during the year. We identified the areas as profitability, predictability, people and growth and we said that these would be the sequence in which we will address the four issues.

Let me look at each of these four areas and how we look back at the year that has gone by. So from a mid single digit EBITDA margin in Q4 of last year we have now reached a little over 16%. We had planned that we should reach at least 15% by Q4 and so keeping this goal in mind we took many actions. Last year we worked on all the operating leverages such as our utilization, our pyramid or span of control, we looked at our complete client portfolio, we looked at our verticals portfolio, we looked at how many freshers we should bring in and what kind of structure that we should have within the organization. I am happy to say that these actions have yielded good results, as reflected in the EBITDA that we have reached in the Q4.

During the year, we could increase our profits by 19%. Our return of networth has gone up from 18% to 20%. Not only the profit has improved, but I believe our cash flow has also improved. We have been cash surplus throughout and now we have a net cash surplus of roughly 150 Crores in our balance sheet. Looking at the profitability and the liquidity picture, we have also increased our dividend. We have practically doubled our dividend and even then our dividend payout ratio is still a conservative 18%. So these have been our actions and the results on the profitability front.

The second goal that we took was the predictability. In terms of our ability to gauge how our business could be moving. We thought that was an essential thing
for us to have proper control on the recruitment so that we neither have any loss revenues because we do not have people with us nor do we have too many people and low utilization thereby affecting our profitability. So I think that through implementation of systems and processes we have been able to improve our predictability.

The third area that we decided that we will work on was, people and I must say that our team did good work in this area. We doubled our investment on training of people. We significantly improved the quality of our internal education. We streamlined our people processes. We also changed our organizational structure to make it more customer facing. I believe that we have done good bit of work on people but we still not done that what we want to do and there is enough work to do more than enough work to do during the current year and when I talk about the current year we will turn to that.

The last of the four areas was growth and as we said last year that our focus will be on profitability and liquidity. If you look at our performance during the year in rupee terms our growth has increased by about 8% or so, whereas in dollar terms it is constant, in constant currency it is about 3.5%, but if you were to go a little deeper you would find that our services revenue grew by about 5% in dollar terms and 7.5% in constant currency. Our products revenues took a hit and that was largely because of the revenues that we got in earlier year for our intelligent transport systems did not happen this year, because the government chose not to fund this area of activity.

We have now changed our strategy relating to this product so we will see traction during this year in different markets when I say different nondependent on the government within India and export markets so I think we will get the revenue back next year. So this is how the overall year was. Coming to the quarter, this quarter was flat in dollar terms whereas in rupee terms we had about 3%, 3.5% growth in the rupee term, although the quarter was flat in dollar terms, I think it is important that I point out that there was a change in the onsite offshore ratio, so more work
coming offshore. We had more revenues coming from products, and our engineering services also grew and apart from the fact that the rupee depreciated giving us a better rupee growth so this helped us in terms of our profitability.

Our employee expenses came down a little bit on account of multiple factors. The Q3 expenses included some provisions of one time nature, which we had not repeated. There has also been some regrouping of expenses between the employee benefits as well as in other expenses and there have been some onetime credit also in the Q4, so considering all these areas we have shown a 14% improvement in overall profitability.

The EBITDA has increased from 14.6% to about 16.1%. During this quarter also we have been able to bring down our DSO from 77 to 75. There are also some exceptional items. We had minority interest in a company based in Japan. That amount was written-off and that is about 11 Crores one time exceptional expense. We also have a tax benefits. You would notice that our tax provision has come down from 26 Crores to about 13 Crores it includes a credit that we have gotten on account of higher deduction 200% deduction on the R&D expenses that we incur. So there is a reduction of about 9.5 Crores, this relates to three years of the expenses that we have done. So there is an unusual income and there is an unusual expense more or less matching each other. So this is in relation to the last quarter.

Now before I turn to the next year and our goals of the next year, I think I would like to spend a few minutes to talk about what is it that we are aspiring to be and what we have done is that in our investor update this time, we have spent some effort in explaining to you what it is that what is a kind of company that we are aspiring to build. So we want to build a vertically focus technology company that cares. So there are really three aspects so this and I want to deal with each one of them because this is the context in which we will be taking our actions going forward.
First, we want to be a vertically focus company, and the verticals on which we are focusing has some common characteristics. These are largely from manufacturing on energy companies, then manufacturing is mostly with it. So typically our customers make products, which have intelligence in them.

Typically our customers make products, which have a common kind of a manufacturing process. So the three verticals in which we work are automotive and transportation, second manufacturing and I will come to it in a minute, energy and resources and utilities. So all these industries have products or service customers through products which have intelligence in them which gives us an opportunity to use our electronics know-how, and our engineering know-how in the services that we render and this time we have broken the manufacturing vertical down into industrial and consumer products, high-tech and life sciences and you would notice here again that in each of these areas there is intelligence or substantial engineering involved in the product. We believe that the strengths that we have gathered in engineering while working with the automotive industry can be used in the rest of the areas. We also believe that we have an ability to do some good work from an environmental perspective in each of these areas and that is why these areas of interest to us we are passionate about these areas.

The second component of our aspiration is that being a technology company and this is an area, which is very near to our heart. We are building technologies, which can make our customers products more intelligent, more connected, safer cleaner better and in these areas we have been making investments over the year and we believe that these investments are beginning to pay us rewards. In the update that we have given we have talked about each of the verticals we work with and what kind of technologies that we are bring into the fore.

As more and more products become more intelligent, I believe that there is a room for improvement of these products and I believe that there is significant potential for what can be broadly we called as Internet of things and these are the areas in which we have rendered solutions. We have render solutions to the automotive
industry, we have render solutions to the life sciences industry, we have rendered solutions to the utilities, to energy companies as well as to other manufacturing companies and some of the solutions that we have rendered have been highly regarded in the customer community and you will see the description of that in the investor update that we have given. We are also now beginning to see the technologies that we have delivered to reaching fruition and we are certain that during the coming years we will see revenues flowing from that.

The third part of our aspiration statement is care and this is also very dear to our heart. We would like to work with few customers for whom we can render services we care and we have been investing in the relationships we work on few technologies where we want to show our care and passion. We want to work with environment which on the environment which we hope we can make cleaner and better and lastly we want to work with our own employees with care and in this context the investments that we are doing in upgradation of our people, these are really in the light of what we want to do. So our guiding principles for the coming years are going to be essentially these.

Now when we look at the next year we have set for ourselves again four goals. The first goal that we have set for ourselves is growth through acquisition of accounts and mining of accounts, so we will continue to focus on our verticals, we will continue to focus on few of the customers, we believe that we would get good traction in our engineering domain, we believe we will get good traction in products, we will get traction on automotive, on life sciences in utilities, and digital transformation, we also think that we should be able to get traction in Asia as well as in the US. We however believe that we will need to make further investments in order to get these traction we expect the H1 to be moderate, it could be flat. H2 should bring us industry equivalent growth and as I said the areas of growth will be these verticals and these geographies, which I mentioned.

The second area of our focus is going to be our offering. We intend to continue our investments, which will be very focused and targeted to the customer needs in our
areas. These investments will not be just related to what our customer needs today but these investments should be related to what our customers will need tomorrow and a day after. We have been carrying out caring exercises whereby we map our long-term growth plans in terms of offerings and IT development with our customer’s requirement and we are getting good traction for these exercising.

The third area at our operations will be people we will continue to increase our investments in development of people and we believe that we will see better and better results coming out of it. The last area of our focus is going to be productivity and profitability we have started working in multiple areas of automation and when we talk about productivity we talked about the engineering productivity we see potential in the light of the new technologies, which are available. We see potential for improvement of our people’s productivity through automation and our investments in those areas have already begun.

While we continue to have focus on maintenance of our regular productivity and regular profitability these are the four areas in which we will continue to work. As I mentioned we will have moderate or low growth in the first half but we expect industry comparable growth in the second half. We believe that our EBITDA margins should be in the region of 15%, 16% of course depending on what the forex range of that, so this is how we look at the current year.

So these are my preliminary remarks and my team and me will be very happy to take any questions that you might have. Thank you very much for being on our call.

**Moderator:** Thank you very much members of the management. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Mohit Jain from Anand Rathi. Please proceed.

**Mohit Jain:** Two questions, one is on your guidance. First half you are saying is expected to be flattish to marginally positive whereas historically your third quarter is the weak quarter. So should we expect growth to be only in the fourth quarter given we will
miss the first half and second is related to ITS delivery, so is there any schedule that you have for next year?

**Kishor Patil:** I will first answer the question on ITS and then come to this. As we mentioned last year we still have the purchase orders; however the government funding did not come through, it has started coming in small bits and pieces, but more importantly what we have done is so we do believe that government uptake will be better than last year for sure. The second thing what we have done is we started effort last year itself in a foreign market and we are seeing some results of that. The third thing what we have done is we have gone into the corporate markets in a specialized way and that is where we are seeing some growth so we have diversified the market for this product and along with that we have integrated some of the other products we have to make it more attractive for the corporate flicks etc., so that is why we believe that to be done in this year. In terms of the second question, as we said it will be flattish to a bit moderate growth in the first half, we do believe that at the quarter three and quarter four we will see the growth, we have made lot of investments and we are working on these areas both in services and the products we believe some of these will get fructified into the late part of quarter two or early part of quarter three so we will see growth in quarter three and quarter four.

**Mohit Jain:** You are talking about sequential numbers right?

**Kishor Patil:** Yes.

**Mohit Jain:** Alright and lastly on your margin guidance, I saw a lot of hiring that has happened in this quarter after gap of three quarters, so is there any training program or any other hiring program that you have to replace existing resources, because the first half it is going to be flattish given your hiring, so do we expect a mismatch in the services expectation?

**Sunil Phansalkar:** Mohit as we have said we have the focus on hiring of freshers even during the quarter there was a big hiring of freshers for the whole year I think we have had an excess of about 1200 freshers. As we have said in the opening that there is on the
people from we have invested a lot even at a beginning of this year in our whole training infrastructure so obviously the fresh guys that have come in the system, we obviously want them to get trained and get absorbed into projects as soon as possible and I think that would be one of the important area that we want to focus to ensure that the fresh guys get into the billable projects and hence we get a positive thing on the utilization part.

Mohit Jain: So margins we actually trend up from here on?

Sunil Phansalkar: As we have been saying in Q1 there are wage hike, there are visa costs that will come in, we will make some investments further investments into strengthening our front-end and our account management team and yes with increase in utilization that will have a positive impact on the margins. So I think we have to take an overall view as to where we are investing and what are the levers on improvement in margins.

Mohit Jain: Lastly was there any one-time project revenue etc., in auto engineering for this particular quarter or the growth was completely spread out India so we should expect that momentum to come up?

Sunil Phansalkar: I think if you look at that the whole year itself partly the product engineering has done well. There has been growth there would be some additional revenue because of fixed milestones build in the year but there is apart from that there is nothing one time in PES in this quarter.

Mohit Jain: So it is fair to assume growth will continue to be led by auto engineering?

Sunil Phansalkar: We have been saying that engineering is one of the biggest growth levers for us in the coming years.

Mohit Jain: Thank you.

Moderator: Thank you. Our next question is from the line of Apurva Prasad from Reliance Securities. Please proceed.
Apurva Prasad: Thanks. Just wanted to understand what would be the outlook for top account the year ahead that is one and also if you can help us with the expected tax rate for next year?

Anil Patwardhan: The expected tax rate should be in the range of 25% to 26%, considering whatever benefits for SEZ revenue and R&D spend.

Ravi Pandit: So as we gone to see the outlook from our accounts we are now looking at our revenues coming from the various verticals and we believe that the income coming from the verticals would be reasonably spread across multiple customers so quite frankly we are not too much exposed to variations of revenues in some of the accounts, as that is not a matter of worry for us.

Apurva Prasad: Also if you can elaborate a bit more on our growth strategy on the product side?

Kishor Patil: On the product side our revenues have been in multiple products. We had the highest revenue a year before which was in ITS where we lock in closer to 20 million revenues in one year, but apart from that there are other software, revenues products we have and while those are highly profitable the revenues are relatively less. So we believe that many of these products portfolio, which we have, integrated we can come out with we will be in a position to come out with at least one or two new products during this year. On the electric and hybrid bus, last year as you may be aware that we presented the first bus to Parliament. We did a lot of field test in some of the public transport corporations so we are going through in all stage of I would say validating this product with multiple stakeholders and putting other things in line so we believe there will be some revenues coming out of this product. There would be one or two new products which we would also introduce during this year so that is why we believe that will be more revenues coming from products during this year.

Apurva Prasad: Thank you.
Moderator: Thank you. The next question is from the line of Nirav Dalal from May Bank. Please proceed.

Nirav Dalal: Thank you for the opportunity. I have couple of questions. One is on the products & platform if you were to exclude the ITS the revenues are slightly lower in FY2016 over FY2015 so an outlook on that what should be the base that one should look at in terms of SAP how do you see the revenues now moving. You saw a decline in this quarter growth it is project based so an outlook on that and finally IES business has flattened out this quarter so how do you see it moving?

Ravi Pandit: If you look at, as Kishor said we have multiple products in the areas of infotainment in AutoStar in the products area apart from ITS and there are some minor fluctuation so what we are saying is these products we will be coming up with a couple of probably one or two products next year which could be a combination of the existing products that we have plus the EVs that we are talking about. So those are the areas where we think we can look at growth apart from ITS and even for ITS we believe that there could be better revenues for ITS next year as compared to this year.

Nirav Dalal: But that also would be back ended?

Kishor Patil: It should start a little earlier, the growth.

Ravi Pandit: Now coming to your other question about SAP and IES. I think it is important for us to realize that we would be looking at growth by verticals rather than by the IFC. We believe that the verticals will contribute more to the growth than the IFC themselves considering the fact that a substantially higher proportion of expenses on IT will be done on the non-ERP platform. So looking at next year, we believe that let me first look at the last quarter. There has been reduction of income in the area of energy through the year because of the oil prices and etc., there has been some concern in that area. Utilities have grown substantially during the last year. In the last quarter, it was flat but that is project up and downs. Automotive has increased and so as the industrial and the consumer products. So looking at it from
the ISV perspective wherever there is a JDE involvement there has been a reduction, as far as SAP is concerned it is more or less flat in that context, so in reality going forward we will be looking at our incomes more driven from the verticals than by the SBUs.

Nirav Dalal: So you see manufacturing auto and utilities to drive the growth?

Ravi Pandit: Yes within manufacturing life sciences.

Nirav Dalal: Yes the couple of industry that you have spoken about?

Ravi Pandit: Yes, see in these areas in utilities in life sciences we have now brought out some very interesting IOT solutions. These have won customer. These have won us recognitions at various industry event and we see good traction coming now on this accounts. So it is a solution on IOT which may have some SAP component to it but the actual solution goes beyond just SAP it covers telemetics, it covers analytics, it covers diagnostics and it covers a bit of HANA up so it is a much broader, wider solution than just the usage of some SAP pieces.

Nirav Dalal: What would be the current contribution in those industries in the life sciences?

Ravi Pandit: So if you look at our update it gives by each industry what is the current contribution so for example utilities industry this year was only 5% but it grew 35% year-on-year. Manufacturing was 35%, but it grew by 11% in the year, if you look at automotive it was 37% it grew by more than 10% after considering the reduction in products.

Nirav Dalal: Then anything on the life sciences if there any bifurcation that you have on that, that will be within the manufacturing right?

Ravi Pandit: It is within the manufacturing yes.

Nirav Dalal: Thank you.
Moderator: Thank you. The next question is from the line of Shashi Bhushan from IDFC Securities. Please go ahead.

Shashi Bhushan: Thanks for taking my question. We have made some investments in account management so where we are in that journey? How much investments are still to be made and what are the new initiative in terms of processes that we have taken to improve the client mining apart from hiring account managers?

Ravi Pandit: Actually this year we went through an extensive certifications for our account managers. We are more than doubling the number of our account manager in the market. We have taken our own people into the market plus we have recruited people from other companies. We have also built frameworks for assessing and addressing client’s need and these are the areas in which we have made investments. We have framework for solutions as well as frameworks for industry needs and customer needs. So fair degree of forecast been done in that area. I think the unusual thing about us is the good strength in engineering and we believe that more and more of our customer accounts call for solutions which will be aggregation of engineering and IT and creation of these solutions are a part of our account focus activity.

Shashi Bhushan: When we should expect some of these things have start having impact on our growth trajectory?

Ravi Pandit: H2.

Shashi Bhushan: Second question on your margin and we have done a good job of improving our margin largely in line with our peers now do you think it is more prudent to invest in the business rather than push margin higher and what would be the comfortable range of margin for us?

Ravi Pandit: As I mentioned earlier we expect the margins to be in the current range 15%, 16% again depending on the forex but as I mentioned again we are making significant
investment in our front end as well as the investment in offerings so you are right our focus is on investment rather than on increasing margin at this point in time.

Shashi Bhushan: Thanks a lot and all the best for coming quarters.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please proceed.

Abhishek Shindadkar: Thanks for the opportunity. Sir there is a question on a top client could you comment about what is the growth trajectory that we are looking forward to?

Ravi Pandit: Yes, but we do not want to talk about an individual customer, if you do not mind we can talk about the aggregate numbers really we do not want to talk about an individual customer.

Abhishek Shindadkar: The second question is on the mining initiatives that you alluded to in the opening remarks could you help us understand you said that you would be investing on the sales front apart from that could you help us understand what is the penetration in terms of service lines or customer and what could be we looking at one year down the line. Thank you.

Ravi Pandit: I do not know what index I could use for that but we believe that so far in the case of many of our existing customers the customer enjoys the benefit of our service arising out of a single SBUs. We believe that there is a good potential for increasing our revenues from each customer or if you we can bring the full set of offerings of KPIT to our customer and that would be the real focus of account mining. I think that we have extremely good customer assets. These are the customers with whom we have been working over years. These are happy customers but they have been customers of only single offerings. We believe that if we bring our full scale or full spectrum of offerings to them we should be able to see much better mining and much better growth.

Abhishek Shindadkar: Thanks for taking my questions and best of luck for rest of the year.
Moderator: Thank you. The next question is from the line of Pratik Gandhi from GeeCee Investment. Please proceed.

Pratik Gandhi: I would like to understand more in terms of the margins on the SBU wise. I understand that this year I think SAP had a decline but I can say if I have to understand how the margin shaped up in each of the SBUs starting with say IES, PES, SAP and products?

Ravi Pandit: Actually you would recollect that our SAP as an SBU was loss making till last year and we turned that SBU around and our net contribution or net margins of that have increased have improved actually every quarter throughout the whole year and as regards the other SBUs are concerned the margins are stable, the engineering margins are better than other but that is the overall picture we do not actually discuss or disclose margins by each and every SBU. We have talked about SAP the whole because that was a drag on us and I believe that we have gone beyond that now and we have been able to turn that SBU around.

Pratik Gandhi: Sorry to drag you further in this case but I guess earlier we had an aspiration that to bring SAP margin is back to teens. Is it fair to assume that this year I think despite of drop in the revenue I think we are positive at least the margin level and hopefully next year I guess we should see at least high single digit kind of numbers?

Ravi Pandit: Pratik, just a correction SAP revenue decline only in Q4 if you look at for the whole year there was a growth in SAP revenues so just a marginal correction. The SAP revenue actually grew by 15% on a year-on-year basis and SAP margins also improved actually from a loss of last year to almost close to double digit now.

Pratik Gandhi: So SAP margins are double digit in that case and is it fair to assume products in this case this year I guess because of loss of revenue from ITS would be having us let it off time in terms of margins?

Ravi Pandit: Yes that is correct.
Pratik Gandhi: So going forward I guess our endeavor is to get a slight to higher revenue from products partially done by the initiative taken by you in terms of ITS and some of the other bundling offering should we assure that to also improve going forward?

Ravi Pandit: Yes.

Pratik Gandhi: What about IES how should one look at this segment in terms of growth and even in terms of profitability for next couple of years?

Ravi Pandit: As I mentioned to you the way we would like to look at our business would be on the basis of the verticals because that will be in our opinion the single most important driver for our growth and the composition of the customer solution how many of them will come from Oracle and how many will be come from SAP or how many of them will come from engineering or for that matter from digital transformation would depend on actually the nature of the customers problem. As I said the driver is going to be the vertical rather than the IES and I think that this is what we will see across the industry in the years to come.

Pratik Gandhi: Thank you so much. Wish you all the best.

Moderator: Thank you. Our next question is from the line of Karan Taurani from Dolat Capital. Please proceed.

Karan Taurani: Thanks for taking my question. My question was regarding the margin impact if you see the margin improvement this quarter had largely been because of rupee depreciation and the onetime credit gain which is there so when do you see margin improving structurally despite the one half and despite the rupee depreciation impact going ahead?

Ravi Pandit: I think we need to look at this again. The margin improvement across the industry has to a certain extent happened by the rupee depreciation but the rest of the margin improvement there is no one time credit in that.
Karan Taurani: Coming to the energy vertical the growth in that has been weak so which segment is that expose to?

Ravi Pandit: As you know there is a problem with the oil industry globally, the oil prices have come down and therefore the energy industry especially when it relates to the exploration has suffered globally and for most of the IT services companies.

Karan Taurani: Yes but within this vertical which is the segment, which are the highest exposure in terms of the SBUs basically.

Ravi Pandit: We work a lot in the energy vertical from IES. Karan for your earlier question just one addition is on a sustainable basis the margin is above 15%.

Karan Taurani: Thanks that is it from me.

Moderator: Thank you. The next question is from the line of Jagdish Bhanushali from Florin Tree Advisors. Please proceed.

Jagdish Bhanushali: What is the scope that I could see in the electric hybrid bus segment for us in FY2017?

Kishor Patil: Your question is what is the traction that we will see?

Jagdish Bhanushali: That is right.

Kishor Patil: This segment the way we are going for this is as follows. There are multiple initiatives we have taken - one is the government public transportation, there are a few places where they are ready to experiment with advance technology and want to adopt them quickly so we have progressed and talking to such institutions; Second, we have put proposals in smart cities and naturally we have prioritized that over the cities, which have their own funding, lined up in some way. The third thing we are talking to are corporates which is again more progressive and there are many companies which have shown interest in adopting clean transport. These are the primary areas, which we are looking forward to and with many cases we have
already started doing the field trial. So naturally this being a very different technology and it includes more operational complexities as compared to pure hybrids specifically electric vehicles it takes a bit more time to really see how operationally things will be managed and so we are working with these companies as well.

**Jagdish Bhanushali:** Is this the technology that needs to be tied up with the OEMs themselves?

**Kishor Patil:** Yes we are talking to multiple OEMs and we are in reasonable discussions with the current OEMs and some other adopters of this technology.

**Jagdish Bhanushali:** And what is our capex guidance for FY2017?

**Anil Patwardhan:** Next year we will have our normal usual maintenance capex of around 75, 80 Crores for the year. We also will be investing in creating our new facility in Hinjewadi, Pune and for that we have taken the estimated number is about 100 to 120 Crores in the next year.

**Jagdish Bhanushali:** Do we see the similar set of hiring to be happening in the coming year how it has happened in Q4?

**Ravi Pandit:** I think we will be not talk about any specific number right now about the hiring what we can say is that we intend to continue with the fresher hiring that we have been doing or we have done in this year.

**Jagdish Bhanushali:** Our target utilization to be achieve on the company level as we exit the FY2017 do we have anything?

**Sunil Phansalkar:** What we intent to do is that at least look at an exit rate so for offshore utilization which is about 3% higher than the current number so we are essentially looking at about 73% plus exit utilization for offshore.

**Jagdish Bhanushali:** Thank you. That is it from my side.
Moderator: Thank you. The next question is a follow up question from the line of Nirav Dalal from May Bank. Please go ahead.

Nirav Dalal: Thank you again for the opportunity. I just had a question of the top two to five clients they have seen a decline in revenue per quarter so just wanted to check whether there is anything to read in that?

Ravi Pandit: As we have said there is a decline in only one of the customers in the two to five customers. I think now as we have been saying we will be looking at a much broader base of customers around 50 plus strategic accounts that we want to mine and grow and the focus would be there, there could be some movements in the top customers but it is limited to a single customer.

Nirav Dalal: But has it bottomed out or you still looking it moving down, going down.

Ravi Pandit: I think it is difficult to talk about it right now.

Nirav Dalal: Then in terms of the addition capex for the new facility the capitalization would happen in the later years right?

Ravi Pandit: Yes, will take almost three quarters of this financial year to really set up the facility so it will come up sometime in the quarter.

Nirav Dalal: In fourth quarter.

Ravi Pandit: Yes.

Nirav Dalal: Then you will be funding it through debt as well?

Ravi Pandit: Yes, we have already raised the debt fund, which is already there in the results.

Nirav Dalal: Thank you.

Moderator: Thank you. Our next question is from the line of Atul Pandit from Vantage Securities. Please proceed.
Atul Pandit: Thanks for the opportunity. Actually I just wanted to ask that since H2 you are seeing it to be better than H1 and you are seeing traction in the US geography so which are the verticals where you are saying that are expected to grow faster than earlier in US especially?

Ravi Pandit: Now as I mentioned earlier we believe auto should grow, we believe life sciences should grow, we also think utilities will grow.

Atul Pandit: So these verticals will see traction in US especially for us?

Ravi Pandit: I believe so.

Atul Pandit: Thanks a lot.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Prasad for closing comments. Over to you!

Apurva Prasad: I would like to thank the management for giving us the opportunity to host the call and all the participants who are joining the call. Thank you and all the best.

Moderator: Thank you very much, Mr. Prasad and members of management. Ladies and gentlemen on behalf of Reliance Securities that concludes today’s conference call. Thank you all for joining us. You may now disconnect your lines.