

Transcript

Conference Call of KPIT Cummins Infosystems Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the conference call of KPIT Cummins Infosystems Limited. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I now would like to hand over the conference to Mr. Sunil Phansalkar.

Sunil Phansalkar: Thanks Shirley, and a warm welcome to everybody for this post earnings call of KPIT Cummins. I am Sunil Phansalkar from the IR team. I have taken over recently from Sanjay Sinha and I have met some of you and I will meet some of you in the ongoing months. So we have here Mr. Ravi Pandit, the Group CEO and Chairman, Mr. Kishore Patil, the CEO and Managing Director, Mr. Girish Wardadkar, the President and Executive Director, Mr. Anil Patwardhan, Vice President Finance and Sunil Phansalkar and Litika from the IR team. So, now I would like to hand over this to Mr. Ravi Pandit for the opening remarks, which will be then followed by the question and answer session. Once again a very warm welcome to everybody.

Ravi Pandit: Good afternoon to all of you. I trust you have with you our investor update, which gives fairly detailed information regarding the performance. What I would like to do is, to touch upon some of the highlights of the performance of this quarter and after that I would like to talk about how do we see the year and we would then take questions at the end of this.

Looking at the current quarter, one could look at it from a revenue perspective as well as from a profit perspective. On a year-on-year basis, our sales have remained almost stable with a marginal decline of 1.8% whereas on a quarter-on-quarter basis, there has been a decline of close to 17-1/2%. The profit after tax, however, has increased

74% on a year-on-year basis, whereas on a quarter-on-quarter basis it has increased by about 16-1/2%. Looking at sales in particular, I would like to give some color to the sales. From last quarter to this quarter, there has been a reduction in the revenue of roughly about 7 million dollars. The rupee reduction is also impacted by the change in the rupee-dollar rates. If I were to go a little deeper into this reduction of dollar revenue of 7 million, there are 3, 4 factors, which come out. First is that, there is a certain amount of revenue, which are the quarterly milestone based, which have got deferred as a part of the normal milestones that we have. The second factor is that during this quarter, our offshore percentage has gone up from 56-1/2 in the last quarter to about 58 this quarter and this has also contributed to a slight reduction in the revenues. There has also been some reduction of revenues on account of the non-recurrence of license sale, which is essentially a low margin sale. And then there has been reduction in both, our main customer Cummins as well as in some of the other customers. These four factors have contributed to the reduction in the revenues of 7 million dollars.

I would like to take a deeper look at the Cummins revenues. You would notice that for the last two quarters there has been reduction in the revenue of Cummins. As we had mentioned in our earlier call, Cummins, like the rest of the manufacturing industry, has been going through tough times and that has impacted their total IT expense. There have been parts of their expenses, IT investments, which they have deferred. They have also started doing on a more extensive basis, the offshoring, and they have also done reallocation of their total portfolio between the various vendors. The result that we see in this quarter and last quarter is the net impact of all these four factors, the details of which have been supplied by us in our update. Looking at the overall scenario of the manufacturing industry, we have taken quite a few steps to ensure that our revenues remain strong. And our update also talks about the major highlights during this quarter.

During this quarter, we have won some projects from the AUTOSAR consortium. We have won projects from various European tier 1; we have also won projects in the IT space from various manufacturing companies, etc. During this quarter also we have started greater focus on both India as well as in Australia and South Africa and we are beginning to see some traction.

As far as the items below the sales line are concerned, you would notice that our profits have improved both on a quarter-on-quarter as well as year-on-year basis. As we have mentioned in our last call, in the last three, four quarters, our focus has been very strongly on ensuring that we retain good profitability and we have good liquidity. So during this quarter, we have improved on the profits and that is on account of both the factors, namely, our efforts of productivity improvement as well as our efforts on cost reduction. Both these have jointly contributed to the higher level of profitability. The higher level of profitability has also resulted in higher level of liquidity and you would notice that we have improved our cash position after repayment of loans and some investment in the fixed assets. So on the profitability as well as liquidity side, we are working on the goals that we had laid down for ourselves and we are seeing good results from that. That is as far as the operations of this quarter are concerned.

At the end of last quarter we had talked about how do we look at the rest of the year. And we had mentioned that considering the volatile conditions in the market, we would be unable to give guidance for the rest of the year. We have continued with the same status during this quarter also. So we believe that the next two quarters will continue to be a little uncertain. While we do see some traction from our customers, in terms of additional enquiries and more proposals from us, we believe that it is too early to look at an uptake in the immediate future. On the other hand, we have focused on profitability and we believe that we should be able to maintain, as a matter of fact, slightly improve our profit after tax. So this is an overview of the quarter and how we see the rest of the year. With these initial statements, we would like to open the floor for your questions. Thank you.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key. I request the participants to press * and 1 for your questions.

First question comes from Ms. Shradha Agarwal of BNK Securities.

- Shradha Agarwal:** Hi sir, good evening. Could you give us a break up of the revenue declared in terms of what was contributed by volume and what was due to pricing?
- Management:** So, overall 8 to 9% is the drop in the volume. Other heads come based on either license sales or reduction in the movement from onsite to offshore. So 8 to 9% is the drop in the volumes.
- Shradha Agarwal:** And due to pricing, what has been the change in pricing in this quarter versus the last?
- Management:** It is a part of this. I don't think a major part is because of the pricing. There would be some marginal impact of that, but not very significant.
- Shradha Agarwal:** Okay, and this volume decline of 8 to 9%, did this come as a surprise to you during the quarter or was this already anticipated in the last quarter when you talked about an uncertain environment.
- Management:** I think it is an uncertain environment and many customers are doing it on ongoing basis. Their decisions are happening little more, I won't say they are not becoming in more unplanned way than more planned way. So we were looking at some drop in the volume, I think, so I don't think it has come as a big surprise. Certainly it has two, three factors have come together in the same quarter.
- Shradha Agarwal:** And what do you get to hear from Cummins now, since Cummins is the largest customer for KPIT. So what kind of indication on the business pipeline do you have from Cummins?
- Management:** From the Cummins perspective, I think, they have basically cutting down on the total IT budget and the IT spend. Basically due to the uncertain conditions, I think, that is one of the discretionary expenses they are trying to reduce. And from the other perspective, as Mr. Pandit mentioned, they have given the, allocated works to the current vendors for this year and based on that basically what we feel is, 90% of the drop, which we see, as we have said, is basically because of either the budget cut or moving work from onsite to offshore.
- Shradha Agarwal:** And sir, have you lost the business from Cummins to a large IT vendor or is that again a mid-sized IT domestic vendor to whom you have lost Cummins business?

- Management:** As we said that 90% of the drop in our business is basically because of the reduction of IT budget and moving work from onsite to offshore. So what it means is, that about 10% of the work got reallocated based on the nature of business. So Cummins has gone through a process by which there was a reallocation of business to different vendor in a different way than they were operating earlier. So that impact is less than 10% for us.
- Shradha Agarwal:** Sure. And one more clarification sir, when you say you plan to maintain your PAT guidance for FY10 in absolute terms, in the same range as FY09, do you mean the absolute number adjusted for the one-time amortization you had paid for this deal in the last year?
- Ravi Pandit:** I think it is important for me to clarify a couple of things. As we have stated in our last update, neither that time nor this time we are giving a definitive guidance. What we had said last time as well as we are saying this time is, really record outlook for the rest of the year. In the earlier years, we have given guidance when the conditions were predictable and we have kept by that guidance. At this point in time, we believe that our customers are really in a very uncertain situation, so we can also not give guidance. Now, our outlook that we are talking about, is the profit after tax. So this is post all the unusual items, which have been charged off in the last year.
- Shradha Agarwal:** Sure, thank you sir.
- Management:** Thank you.
- Moderator:** Next question comes from Mr. Ashish Agarwal of Mangal Keshav.
- Ashish Agarwal:** Sir, I just had one question regarding your outlook for the employee addition. What sort of employee addition you are looking for the full year?
- Girish Wardadkar:** Hi, this is Girish here. We are not looking at a positive net addition; instead we would kind of maintain the figures at the present level, which is approximately 4000 employees. The mix however may change as we kind of go through the year in terms of addition of people from campuses, high profile, such as postgraduates or doctoral, versus, the rest of the routine additions that we have been doing over the years.
- Ashish Agarwal:** Okay. And sir what was the gross addition this quarter?

- Girish Wardadkar:** Just give us a second. We are just looking at the chart. I think if you look at the reference, it is actually a net reduction of approximately 190 employees.
- Ashish Agarwal:** Right. So there was no major gross addition for the quarter.
- Girish Wardadkar:** That is correct.
- Ashish Agarwal:** Okay, sir, just going back to your guidance, now we have guided for almost a flat profitability, we will maintain our profitability at net profit levels. We had a FOREX loss last year of around 55 to 60 odd crores, so that means we are looking at a lower EBITDA for the year. Just wanted to understand is this expectation of lower EBITDA mainly on account of expectation of lower revenues in FY10?
- Ravi Pandit:** Let me state the other way around. Again, as I said we have not given a guidance. What we had stated is based on the work that we have done over the last four, five quarters on productivity as well as cost reduction. We believe we will be able to maintain the profits or maybe improve the profits. Actually current conditions are not such where we can make a commitment saying that the profit will be in this range or that range. So, its like saying that based on the work that we have done so far, we should be able to retain the profits that we had last year.
- Ashish Agarwal:** Okay sir, thanks.
- Ravi Pandit:** Thank you.
- Moderator:** Next question comes from Mr. Madhu Babu of Systematic Shares.
- Madhu Babu:** Yes sir. Sir, you had talked of expansion and growth in India and South Africa and Australia. What is the kind of work we do and what are the clients in these regions?
- Management:** We are looking at the same verticals where we are, in the manufacturing domain as well as we are looking at extending some of the practices, which we have to a set of customers, which are very close to our current set of customers. And third, we are looking at extending it to again some public sector undertaking, under government undertakings, which use similar technology. So these are the three set of customers we are targeting.
- Madhu Babu:** Okay sir. And we have added five new clients during this quarter. Can you just throw some light on the nature of the

deals and the kind of work we are doing with them and the scalability also.

Management: Yes, these are good quality customers; these are some of the well known OEM and the tier 1 in the automotive sectors largely. These are all engagements, which we have got afresh, which are at a high-end of great technology or in couple of cases, against the current incumbent and the competition. So these are all large scale players in the automotive and manufacturing sectors.

Madhu Babu: Okay. And our utilization rate is around 67%, so would we further look at any cost cutting initiative in the near term?

Girish Wardadkar: Hi, this is Girish here. The present cost cutting measures in terms of our operating efficiencies, improvement through better re worked reduction, the engineering productivity initiatives continue. As I mentioned in terms of net additions, we would kind of be at the same numbers as around 4000 engineers. So in terms of direct costs, we don't see much of changes in the next quarter or short term.

Madhu Babu: Okay thanks.

Moderator: Next question comes from Mr. Vihang Naik of Motilal Oswal Securities.

Vihang Naik: Yeah, hi. Just wanted to get your outlook on the manufacturing vertical as such, I mean, when are you kind of seeing some recovery in there and are any subsectors in that mode affected, than others?

Ravi Pandit: Let me first just talk about the nature of industry that we work with, and what do we see as the major trends in those industries and where do we see opportunities going forward. We work largely with discreet manufacturing industries, which includes automotive, industrials, and we also work with high-tech, which his really chip manufacturing, semi-conductor chip manufacturing companies. We work with them globally. As you know, the auto industry has been hurt all over the world and currently only the small car manufacturers are doing well, actually their revenues have actually gone up both in Europe as well as in the US. As far as chip manufacturers are concerned, wherever they are working in the area of automotive, obviously they have been currently affected. There are a couple of trends in these industries, which we find extremely encouraging and those are the areas where we as a company have really specialized. We have

specialized in the area of embedded software that goes into automotive. So any movement which may make ghost starts making the car more fuel efficient or environmentally friendly, or more safe, really calls for more embedded software and that is the area in which we have been seeing traction. We believe that whereas the auto industry as a whole may not have seen the bottom of their production, we believe that the trends that we are talking about in terms of need for embedded software, will continue to be influential. So that is really current view that we have of the industry.

Vihang Naik:

Okay. Right, thanks for that. And secondly in terms of your, if I look at your non top 10 client billing, I think even that has declined significantly quarter-on-quarter, so any specific reasons for that?

Ravi Pandit:

As we mentioned earlier, the overall industry is actually suffering. And so a part of that impact is there. And if you were to look at global manufacturing industry, there have been deferrals of IT projects and that is something, which has hurt everyone.

Management:

At the same time we would like to say that we see a good pipeline of proposals; we have not lost any customers. We have acquired very murky customer in the segment, so we believe that this is kind of reflection of the current state of industry in the short term.

Vihang Naik:

Okay, thanks.

Moderator:

Thank you sir. I request the participants to press * and 1 for your questions. Dear participants please press * and 1 for your questions. Next question comes from Mr. Neerav Dalal of Capital Market.

Neerav Dalal:

Good evening sir. Sir, I wanted your take on the onsite offshore mix, how high can offshore go?

Ravi Pandit:

We believe there is still a potential to increase the offshore percentage by 3 to 4%. We are not sure in what period we will reach there, but still there is a potential to increase it by 3, 4%...

Neerav Dalal:

Okay and your onsite utilizations have come off, any take on that?

Ravi Pandit:

Sorry, can you repeat that question, please?

Neerav Dalal:

The onsite utilizations have come down...

- Male voice:** Yes, in fact as you saw in the earlier comment made by Mr. Pandit, the movement of revenues from onsite to offshore, so always during the transition period we would have some of the members, our engineers who are still onsite, who are kind of in the mode of moving back to India, so some of those would reflect as not utilized.
- Neerav Dalal:** Okay, thank you.
- Moderator:** Next question comes from Mr. Sanjeev of Reliance Securities.
- Sanjeev:** Yeah, hi. I have a couple of questions, firstly on the revenue part you spoke about some milestone revenue got deferred, so what is the percentage of revenue it is in the milestone and when it is going to kick in?
- Ravi Pandit:** If you were to look at our total composition, in the last quarter little over 22% of our total revenues were fixed price basis, typically these are the revenues which have specific milestones.
- Sanjeev:** Okay and when do you see this going to be coming back?
- Ravi Pandit:** If you were to see last quarter we had about 25% of our revenues from fixed price basis, a little over 25 almost 26%, so we expect it to be also in the same region.
- Sanjeev:** Okay and my second question pertains to, like most of the industry guys are talking about a mid 2010 recovery, so where do you see the recovery coming in, in the year vertical like automotive and manufacturing?
- Ravi Pandit:** It is very difficult to make a statement on that because as you know different people are talking about different time frames of recover as well as the shape of that recovery, so I wouldn't make a comment on that, but I could certainly say that we are seeing more traction or more customer interest in the last couple of months as compared to may be three or four months ago. That is not to say that it will convert into revenues immediately, but it could be an indicative fact of people seeing that...
- Sanjeev:** No, at least we can see what is behind us and we are not seeing any kind of more pricing pressure or volume decline is the worst is there already?
- Ravi Pandit:** It is difficult to say whether on a global basis the volume decline will necessarily stop, but the indications seem that

people are more interested in looking at new work and new technologies and that is the only indication that one can really go by at this point in time and we do see that.

Sanjeev: Okay and some book keeping question, can you give us the breakup of the other income like the hedging losses and all?

Ravi Pandit: The other income is 1.8 crores.

Sanjeev: What is the breakup of that?

Ravi Pandit: Basically the other income which is negative 17.8 million during the quarter, that mainly represents the hedging loss captured during the quarter.

Sanjeev: What about the OCIs transferred to the P&L in this quarter?

Ravi Pandit: Can you repeat your question?

Sanjeev: What about the OCIs transferred to P&L in this quarter and how it is going to pan out in next couple of quarters?

Ravi Pandit: See, if you look at the OCIs, because the last quarter the figure was about 163 crores and this quarter it has come to roughly around less than 90 crores, so if you look at this, I mean, all of this movement is not that this has all come to P&L, it is the spot movement which affects this value and the OCI which is right now roughly let us say 786 crores appearing in the balance sheet comprises of two portions, one is the differential in the spot and the average book rate and some premium which is applied by the bank for this, so as the movement of the spot rate changes this amount will change. Whatever is appearing in the P&L statement is the MTM loss for the contracts maturing in the next three months.

Sanjeev: Okay, so there will be no OCI impact in this year, you are talking about?

Ravi Pandit: Just to clarify, the 90 days exchange loss in fact is already transferred in quarter one results and that is how we have been doing quarter on quarter, so the ageing reserve which is reported in the balance sheet is for contracts maturing beyond 90 days.

Sanjeev: Okay and what is the yield you are getting on your cash, interest and special charges are net interest?

- Ravi Pandit:** Yes, the interest expenses what we have reported is net of income generated on the...
- Sanjeev:** Sir, what is the interest earned and interest expenses, could you give us?
- Ravi Pandit:** Roughly the cost to the company is around 1 to 1.5% on the net basis.
- Sanjeev:** And what is the yield you are getting on your cash?
- Ravi Pandit:** We are getting average yield of say 6%.
- Sanjeev:** Okay and what is the reason of the lower working capital requirement in this quarter and how it is going to be there in the next couple of quarters?
- Ravi Pandit:** I see the working capital utilization would remain in the same range because we are generating cash from the operations quarter on quarter and we will continue to do that.
- Sanjeev:** Okay and what is the tax rate you are seeing in FY10 and FY11?
- Ravi Pandit:** FY10 if I have to take a annual view PBT to PAT would remain between 15.5 to 16% and FY11, I believe since the STPI scheme has got extended by one more year, the overall PBT PAT ratio would remain in the same range may go up by say a percentage point.
- Sanjeev:** Okay, you are talking about 17% odd?
- Ravi Pandit:** Yeah, between 17 and 18%.
- Sanjeev:** Okay, that's all from my side, thanks a lot.
- Ravi Pandit:** Thank you.
- Moderator:** Next question comes from Mr. Atul Bhola of Tata Mutual Fund.
- Atul Bhola:** Hello sir, my question is relating to pricing, you mentioned that pricing is, I mean, marginally down and volume is 8 to 9% down, while some of the work is going to other vendors, so are we not flexible on pricing and we are losing because of pricing pressures?
- Ravi Pandit:** As we mentioned first is that what we have lost is basically less than 10% and it is not lost to somebody else, but it is

the rationalization the way the customer has done of different technology, so the customer always had three vendors, he continues to have three vendors. He had just reallocated the business between three vendors differently and so it is not given on prices, it is based on certain technologies.

Atul Bhola: Okay and second question is are you aware of any of the customer in your auto electronic or semi-conductor solutions vertical in some kind of distress risk going to be a big problem?

Ravi Pandit: There are many companies, but fortunately we are working with many of the good companies, but certainly there are certain customers who are hurting, there are many customers who are, but for example, some of the customers in US, but you can see that their liquidity is there today after reorganization, so we actually see the payment terms being improved from them and they have more funds for the project which would come.

Atul Bhola: Okay, that's from my side, thank you sir.

Ravi Pandit: Thank you.

Moderator: I request the participants to press * and 1 for your questions. First follow up question comes from Ms. Shraddha Agarwal of BNK Securities.

Shraddha Agarwal: Hi sir, just wanted to know the rational behind keeping so much of cash in current accounts where probably we would be losing on yield?

Ravi Pandit: See it is like this Shraddha, we have overall cash reserves maintained in different bank accounts. There are few bank accounts, which are maintained overseas through our subsidiaries as well, so the application of these funds is for certain specific pay outs in the respective locations, so the remaining surplus is available in EFC accounts to be delivered against the forward contracts which we have already done and then surplus is being invested in deposit accounts. So, there will be always a float, which we will be in current account in accounts maintained overseas.

Shraddha Agarwal: Okay and what is the majority time for the term loan, when do we have to repay the term loan?

Ravi Pandit: Term loans, we are going as per schedule, the existing term loans of lets say 16, 16-1/2 million dollars has to be

repaid over the next three to three and a half years period as per the schedule.

Shraddha Agarwal:

And sir coming back to the earlier question, pricing, just wanted to get a sense on what percentage of your client would have already taken a pricing re-negotiation with you and what is your general sense on pricing as to many of the large cap companies are now talking about holding the pricing decline in the range of low single digits, so wanted to know your comment on the same?

Ravi Pandit:

We are moving to more and more fixed price projects. I think when the customers are coming back with these kind of requirements we are also going for more flexibility in terms of delivery models, so that has been our basic effort, so in most of these cases we have been in a position to go back, get a fixed price project and leverage onsite offshore ratio, improve the productivity, that is what we have been trying to do. So, if I look at it in terms of pure pricing pressure we mentioned that in some customers on an average the pricing could have been affected by 3 to 4%, we mentioned that a quarter before. I think the same thing is there, we haven't seen any increased pressure on the pricing.

Shraddha Agarwal:

Sir, right. You mentioned you intend to bring more projects on fixed price basis, but if I look at this quarter's number, the fixed price contribution has moved to 22% from 26% earlier, so how do we read this aberration here?

Ravi Pandit:

You could see that improving in future as we mentioned there are some of the projects, you know fixed price projects are also milestone based and at this stage some of those aberrations are on account of that, but you would see that there is a significant change in that composition in next few quarters.

Shraddha Agarwal:

Sure sir, thank you.

Moderator:

I request the participants to press * and 1 for your questions. Next follow up question comes from Mr. Badhababu of Systematic Shares.

Badhababu:

Yes sir, could you explain the cyclicity in the automobile industry, I mean, would it lag the economic recovery or would it be a lead in the economic recovery?

Ravi Pandit:

It is a tough question to ask, but if you were to see that a typically manufacturing industry gets hit later and it makes up later, and on the other hand there might be some

industries, see if you were to look at currently what is most likely to happen is that the infrastructure and energy are the ones which would be immediate, but you would also see that the governmental interventions in giving subsidies for new and more fuel efficient automotives is also making a difference in the auto industry, so it is a multiple set of factors which are making an impact on the industry.

Badhababu: I guess sir, all the vendors are commenting of significant weakness in the manufacturing vertical in specific, so would it be right to assume that our recovery might be posted beyond Q1 FY11 or it will take more time than that?

Ravi Pandit: Beyond which level you said?

Badhababu: Beyond Q1 FY11.

Ravi Pandit: I really wouldn't think so.

Badhababu: Okay, thanks.

Moderator: Dear participants please press * and 1 for your questions. I request the participants to press * and 1 for your questions. Next question comes from Mr. Vipin Shah of Kotak Securities.

Vipin Shah: Hi, Ravi.

Ravi Pandit: Hi.

Vipin Shah: Ravi, I had just one question, some of the questions have been answered, just looking at the guidance which you have given, if I look at the first quarter and may be the guidance then we are talking about marginal increment over previous year which indicates a profit which could be about 65 to 70 crores, suggesting the next three quarters could be a significant de-growth in terms of profit, so if you can just throw some more light on that?

Ravi Pandit: Vipin, as we had mentioned earlier I am not saying that we will make the same profit as last year. What we are saying is that no matter what happens in the overall industry, we should be able to retain that level of profit and again typically when you give a guidance you will talk about a range in a guidance, we are not giving a guidance what we are really saying despite the volatility in the market which could continue for the next few quarters, even at a bottom line we will be able to retain the profits that we had earlier. We are not saying that, that is the only profit that we will do.

Vipin Shah:

As far as the top client is concerned can you throw some color as to whether the scale down has already been completed, or you think there is something more in the pipeline and what actually can we expect?

Ravi Pandit:

Yeah, whether we talk about Cummins or other companies, the reality of the situation is that no company is looking at any time beyond a couple of months in deciding what kind of projects that they will do. They are hurting and they are really not making any long-term plans. So, it is difficult for them to make a commitment regarding their IT spend and therefore difficult for us to make a commitment regarding what kind of revenues we will get from them. At this point in time as I had mentioned earlier the leverage that we have on our hand is our productivity and our cost and looking at the way that we have worked on it over the last four to six quarters we believe that whatever could be the conditions we will be able to meet the same bottom line as last year. We do hope as much as you do that we will do much better than that.

Vipin Shah:

And just finally like what are the levers for margin containment, which we still have?

Ravi Pandit:

We have worked on quite a few areas and I am going to request my colleague, Girish to talk a little bit about the work that we have done on productivity, because I must say that we have done really extremely good work in that area.

Girish:

There are a few opportunities that we are continuing to work on, one of the opportunity of course is how do we improve the offshore utilization as you would kind of notice from the lower end of 70s to may be mid end of 70s at least, so that is a good opportunity. The other are more in the areas of improving engineering productivity such as building up on asset based development, improving re-use using a kind of rework. As Kishore mentioned, how do we garner more fixed price projects, which are less sensitive to the people that are part of this project. So, some of these opportunities we have already seen a good impact in the past couple of quarters and we are kind of hoping to continue this to reap in more benefits. The other areas we have also looked at is how do we deploy greater amount of freeware or open source software especially when it comes to different tooling while we deliver projects to a customer. That area also we have seen as adding good amount of opportunity for us to improve our IT infrastructure investments.

Vipin Shah: Okay and just lastly the milestone payments, which have been deferred in fixed price projects, do we expect the milestones to be reached in the current quarter?

Ravi Pandit: Yeah.

Vipin Shah: Okay, thanks very much Ravi and all the very best.

Ravi Pandit: Thank you

Moderator: Dear participants please press * and 1 for your questions. There are no further questions. Now I hand over the floor to Mr. Ravi Pandit for closing comments.

Ravi Pandit: Thank you very much for being present on our investor call. I would like to reiterate that our focus on the profitability and on liquidity continues and we believe that we will see ourselves through in a good situation through the current uncertain times and we appreciate the interest that you continue to have in KPIT Cummins.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.