KPIT CUMMINS INFOSYSTEMS LTD

INVESTOR UPDATE

FOR THE QUARTER ENDED SEPTEMBER 30, 2004
## Index

<table>
<thead>
<tr>
<th>Category</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Highlight</td>
<td>2</td>
</tr>
<tr>
<td>Revenues</td>
<td>3</td>
</tr>
<tr>
<td>Profitability</td>
<td>4</td>
</tr>
<tr>
<td>Verticals / Clients</td>
<td>5</td>
</tr>
<tr>
<td>Practices</td>
<td>6</td>
</tr>
<tr>
<td>Human Resources</td>
<td>7</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7</td>
</tr>
<tr>
<td>Future Outlook</td>
<td>8</td>
</tr>
<tr>
<td>Contact details</td>
<td>9</td>
</tr>
</tbody>
</table>
Key Highlights - Q2FY05

- Upward revision of guidance for revenues and net profit for FY05
- Risk Management added as a new practice area
- Consolidated revenues year-on-year (y-o-y) (including Panex) grew by 107.57% and net profit (including Panex) grew by 125.35%. On a sequential basis the growth was 1.45% and 14.39% respectively
- Consolidated revenues y-o-y (excluding Panex) grew by 62.47% and net profit (excluding Panex) grew by 114.91% y-o-y. On a sequential basis the growth was 8.37% and 19.95% respectively
- Four new customers added in Embedded and Risk Management practices
- Return on sales (excluding Panex) moves up from 12.52% in Q1FY05 to 13.85% in Q2FY05
Revenues

- The consolidated revenues y-o-y (including Panex) grew by 107.57% at Rs 617.45 million compared to Rs 297.46 million in corresponding quarter last year. On a sequential basis, consolidated revenues (including Panex) grew by 1.45% from Rs 608.61 million in Q1FY05.

- The consolidated revenues y-o-y (excluding Panex) grew by 62.47% at Rs 483.29 million. On a sequential basis, consolidated revenues (excluding Panex) grew by 8.37% from Rs 445.60 million in Q1FY05.

- Revenues from Panex for Q2FY05 stood at USD 3 million as against USD 4 million in the last quarter. These revenues are inline with the guidance of USD 13 million for the year ending December 31, 2004 as stated earlier. Discontinuation of one-time projects and offshoring of existing work to KPIT Cummins has resulted in a decline in revenues.

- The top ten clients including Cummins contributed 88% of the revenues (inclusive of Panex) during the quarter.

- For the quarter, Cummins business revenues touched 38% of total revenues (including Panex) compared to 31% in Q1FY05. Revenues from Cummins business grew by 26%.

- The Star customers excluding Cummins contributed 48% (including Panex) compared to 53% in Q1FY05, due to the cyclic nature of billing.

- On-site revenues increased to 61% (excluding Panex) compared to 57% in Q1FY05 on account of a new project from an existing customer and work from new customers; which are currently in the initial phase of project development.

- Offshore contributed 39% of the revenues excluding Panex and 30% including Panex. Onsite contributed 61% without Panex and 70% with Panex.
Profitability

- Consolidated net profit y-o-y (including Panex) grew by 125.35% at Rs 70.21 million compared to Rs 31.16 million in corresponding quarter last year. On a sequential basis, consolidated net profit (including Panex) grew by 14.39% from Rs 61.37 million in Q1FY05.

- Consolidated net profit y-o-y (excluding Panex) grew by 114.91% at Rs 66.96 million. On a sequential basis, consolidated net profit (excluding Panex) grew by 19.95% from Rs 55.82 million in Q1FY05.

- Return on sales (excluding Panex) moved up from 10.47% in corresponding quarter last year to 13.85% during this quarter. ROS during preceding quarter was 12.52%. Including Panex the ROS has moved up from 10.08% in Q1FY05 to 11.37% in Q2FY05.

- The contribution inclusive of Panex (gross profit after deducting software development expenses) stood at 34.19% for the second quarter.

- Consolidated operating margins (including Panex) increased to 13.81% in Q2FY05 from 11.79% on a sequential basis in Q1FY05.

- The sales and general administration expenses for the quarter were to the tune of 20.38% (21.44% in Q1FY05).

- During the quarter significant steps were taken to gear up the marketing operations in new geographies (Japan, California and Germany). These initiatives saw a rise in marketing expenses to Rs 23.79 million from Rs 10.67 million in the corresponding quarter last year.

- PBT margin, on a consolidated basis (including Panex) increased to 12.34% for Q2FY05 from 10.60% on a sequential basis in Q1FY05 and 11.01% in Q2FY04.

- The basic earnings per share for the quarter works out to Rs 10.97 as against Rs 5.31 for the corresponding quarter last year.

- More than 90% of the global debtors stood at less than 90 days.
Verticals / Clients

- Four new customers in manufacturing vertical added during the quarter. Of these, two are in auto embedded practice and two in risk management practice.

- KPIT Cummins is now offering offshoring option to Panex customers and SAP services to its existing customers.

- KPIT Cummins continues to focus mainly on two verticals, Manufacturing and Banking/finance/insurance. The manufacturing vertical contributed 70% excluding Panex (77% including Panex) of the total revenues, registering a growth of 69% over corresponding quarter last year and 19% sequentially over Q1FY05. The BFSI contributed 27% excluding Panex (21% including Panex) registering a growth of 77% over corresponding quarter last year and 6% sequentially over Q1FY05.
Practices

- Risk Management Practice - In view of the requirements of Sarbanes Oxley and BASEL II and greater security concerns of all the customers there is a growing demand for compliance and risk management services. KPIT Cummins has added strengths in the compliance and risk management areas with its accounting lineage. Capitalizing on this KPIT Cummins has built a practice in this area and which is expected to grow in the years to come

- The company is delivering Risk Management services to two of the newly acquired clients

- During the quarter, the company experienced significant growth of 104% y-o-y in its services relating to embedded software

- In VLSI practice the company has started delivering services to two clients from its Bangalore development centre
Human resources
- 127 employees were added during the quarter taking the total staff strength (excluding Panex) to 1167 and 1247 inclusive of Panex

Infrastructure
- The phase I, which will cover 1500 people at the new facility at Hinjawadi, will be operational by December 2004
- Investment in phase 1 is close to USD 7 million. Of which USD 4 million is funded through foreign currency borrowing and balance through internal accruals
Future outlook

- Business outlook continues to remain optimistic, despite a drop in sequential growth on account of change in billing cycle in one Star customer

- Germany is emerging as a new market with two of the new customers already being added from the region

- Billing rates continue to remain stable for both onsite and offshore

- Consolidated revenues guidance revised to Rs 2450 million against the earlier guidance range of Rs 2300 million to Rs 2350 million and the consolidated net profit to be Rs 270 million against a guidance range of Rs 240 million to Rs 260 million earlier

- For Panex the topline is to be USD 13 million for the year ending 31st December, 2004 and net profit is to be in the region of USD 250,000 as stated earlier
For further details contact:

Anil Patwardhan  
General Manager - Finance  
KPIT Cummins Infosystems Ltd  
Pune  
Tel: 020-25382358  
Email: anilp@kpitcummins.com

Rakesh Sharma / Vivek Kumar  
Adfactors PR  
Mumbai  
Tel: 022-22813565  
Email: rakesh@adfactorspr.com / vivek@adfactorspr.com