



## KPIT Cummins Q2 FY12 USD revenue up 45% Y-o-Y

Net profits grow 54% Y-o-Y to INR 364.78 million  
Signed three large deals together worth USD 100 million

### Key highlights

- PAT for the quarter stood at INR 364.78 Mn, a Q-o-Q growth of 51%.
- INR Revenue for the quarter stood at INR 3,250.19 Mn, a like-for-like Q-o-Q growth of 7.1%.
- USD Revenue grew 45% Y-o-Y to 70.38 Mn on reported basis, like-for-like increase of 4.6% Q-o-Q.
- Milestone achieved - acquired strategic customers with consolidated deal value of USD 100 Million.
- Divestiture of Diversified Financial Services business to Infracore Technologies.
- 3 new patents were filed during the quarter, taking the total number of patents to 39.

### Management comments

Ravi Pandit, Chairman & Group CEO, said, “We are consolidating on our vertical focus and are being increasingly recognized as a strong niche player, the divesting of Diversified Financial Services is a part of the same strategy. In the current economic environment customers are looking at partners that add special value and our vertical focus enables that. Our revenue and profit growth this quarter are a result of our sharp focus.”

Kishor Patil, Managing Director and CEO, said, “We are happy with our strong pipeline across verticals and business units, especially the three large deals together worth USD 100 million, place us very well. Our profitability has improved in line with our expectations and our long term currency hedges are expected to bring in more predictability on this front over the next two years. Our performance in this quarter is yet again amongst the best in the industry and we are entering H2 FY12 on a positive note.”

### Addition to the Board

Sachin Tikekar, Chief of People Operations (CPO) and Executive Sponsor for Cummins engagement, has been inducted into the Board of Directors of KPIT Cummins.

Sachin is a founding member of KPIT Cummins and has played various leadership roles over the years. Prior to assuming the role of CPO, Sachin was the Chief Operating Officer of the US operations of KPIT Cummins, and was instrumental in building the Company's sales presence across US, Asia and Europe. Sachin has a Masters in Strategic Management and International Finance from Temple University's Fox School of Business and Management, Pennsylvania.



**1. CORPORATE UPDATE**

**1.1 STRATEGY:**

- In line with our organizational strategy to develop and grow the focused business verticals, we had decided to transition out the Diversified Financial Services (DFS) business and this transaction was completed during the quarter. A detailed update on the deal has been covered under our IES SBU section.
- Our strategy is to be first partner of choice for the focused industries and our actions are directed towards attaining & strengthening that position.

**1.1.1 INDUSTRY UPDATE**

**Automotive, Transportation and Manufacturing (ATM)**

Globally, automotive consumer demand is on a rising trend. During first half of the year, demand was driven by growth in Emerging markets and pent-up demand in developed economies like US. With US credit downgrade and continuing problems in the European market, global economic environment has been unstable over the last few months. There is a rising need for the automotive companies to reset their strategies and to bring in more flexibility in their organizations to adjust with the macro economic factors. The objective is to develop a base for agile organizations and align it with the future trends that will impact the structure of automotive industry- advanced technologies for powertrain, infotainment and safety applications; new mobility concepts; new demand centers- emerging markets; sustainability demands and connected network for the vehicle and consumer. Technology would be a critical factor for developing agility, bringing in process innovation and establishing product differentiation in the automotive industry. Most of the OEMs have recently announced aggressive New Product Launches coupled with capacity expansions, especially in low cost countries like India and China. The Auto OEMs are also now more open for Technology Partnerships since innovation is the major tool for product differentiation. Small car popularity is globally fast catching up and the government regulations across nations are becoming stricter with respect to emissions, safety and efficiency. All these trends provide tremendous opportunities for technology focused players like KPIT Cummins, which we are experiencing in our proposal and pipeline building speed.

**Energy & Utilities (E&U)**

The major growth drivers for the E&U Industry are environmental concerns, government incentives related to stimulus spending & climate change and increased investments in new infrastructure & sustainable energy resources. Energy & Utility companies have understood the need to replace their traditional enterprise architectures with the current information (IT) and operations (OT) technologies to offer the latest smart grid applications to their internal teams and also to the end users. Customer Information Systems and Business Analytics are two of the major growth areas from the business IT angle. With our Industry Specific solutions for the Energy & Utilities vertical, we are witnessing increasing traction in this vertical, especially in SAP.



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### **Defense & Government (D&G)**

In the Defense and Government vertical we are more focused on India. Our offerings to Defense are more of an extension of our Auto Embedded Offerings. In Business IT we will be focusing more on vehicle tracking solutions, offset clauses and the thrust on upgrading of the current obsolete systems. We will also focus more on non linear revenues in this vertical so as to maintain high profitability in the business done in this vertical.

### **1.1.2 GEOGRAPHY UPDATE**

We have become member of Society of Automotive Engineers of China (SAE) and this association will facilitate better integration with the local Chinese automotive industry and brings us closer to the local OEMs and Tier1s in China. Considering the growth potential in the Brazilian market, we have decided to expand our presence in this market and we will make more investments in the region. Our largest customer is increasing their business in Brazil and it will provide a good business opportunity for us. The strategic investment in SYSTIME has further strengthened our presence in Brazil and we are actively discussing some new deals with our Oracle & SAP customers.

### **1.1.3 R&D AND INNOVATION**

We have filed three new patents in the area of Battery management system and semiconductor applications. The total number of patents filed till date is 39.

### **1.1.4 SIGNIFICANT DEVELOPMENT**

PACCAR, a global technology leader in the design, manufacture and customer support of light, medium and heavy duty trucks launched its first technical center in Pune in partnership with KPIT Cummins. This partnership is a significant achievement as it is one of the largest deals in our business history and it is spread across different business units. The technical center will focus on engineering, IT and component sourcing for worldwide production and aftermarket operations. The center will employ approximately 200 people.

## **1.2 REVENUES:**

- Excluding the DFS business, on a like-for-like basis USD revenue growth for the quarter was 4.58%. Reported revenue grew by 0.4% QoQ and 45.23% YoY to USD 70.38 Million.
- On a like-for-like basis, INR revenue has increased by 7.09% QoQ. In INR terms, reported revenues stood at Rs. 3,250.19 Million, a QoQ growth of 2.81% and YoY growth of 44.80%.

	<b>Q2FY12</b>	<b>Q1 FY12</b>	<b>QoQ Growth</b>
Revenue (USD Mn)	70.38	70.09	0.40%
Adjustment for DFS (USD Mn)	0.22	3.01	-
Adjusted Revenue (USD Mn)	70.16	67.08	4.58%



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	Q2FY12	Q1 FY12	QoQ Growth
Revenue (INR Mn)	3,250.19	3,161.30	2.81%
Adjustment for DFS (INR Mn)	10.16	135.75	-
Adjusted Revenue (INR Mn)	3,240.03	3,025.54	7.09%

- Geography-wise, US has increased by 9.18% QoQ, however Europe & Rest of World (ROW) have de-grown by 1.68% and 18.42% respectively. US, in spite of the current macro environment continues to be a good market for us because of our vertical focus and as explained earlier technology is driving business in two of our major three verticals. The decline in revenues in RoW is largely due to the variation in fixed price revenues and hence not an area of major concern. Growth in Europe will continue to be soft.
- During this quarter, we have added 4 new customers, in USA, and APAC taking the total number of active customers to 163.
- Cummins has grown significantly i.e. 12.46% QoQ and 36.08% YoY with revenue share at 22.58% for the quarter. Their outlook continues to be very bullish especially on the emerging markets. As a technology and IT partner to Cummins, we will continue to see growth momentum, both in IT as well as in engineering business.
- The macro-economic environment in US and Europe has led to uncertain economic conditions globally. However we have won a few large value deals during this quarter and the overall sales pipeline looks strong across businesses. The strategy is to build a more qualified pipeline in terms of focused verticals, micro-verticals and demonstrating our capabilities as a strong differentiator in Value Propositions to the customers.

### 1.3 PROFITABILITY:

- For the quarter, our Net Profit has grown by 51.41% QoQ & 53.60% YoY to Rs. 364.78 Million. EBITDA for the quarter stood at Rs.443.61 Million, a QoQ growth of 11.70%, while on a YoY basis it has improved by 21.80%. EBITDA margin expanded by 109 bps to 13.65%
- In terms of SBU profitability, SAP SBU continues to be lower in terms of profitability mainly due to the investments towards the SME business, investments in the development of industry specific solutions for E&U vertical and high concentration of implementation business. Having said that, during the quarter the EBITDA margins in SAP have improved as compared to last quarter and we currently are at around 5% EBITDA in SAP SBU.
- In G&A, we have considered some conservative provisions against reserve for doubtful debts and there was also an increase in the integration expenses as well as consulting fees for the transactions done during the quarter.
- During the quarter we have fully amortized some of the earlier capitalization done which has led to a one time increase in depreciation.
- The realized rate for the quarter was Rs.46.18/\$ against Rs.45.10/\$, a growth of 2.38%.
- Other Income has gone up from Rs. 22.45 Million to Rs.110.03 Million during the quarter. On Forex, we had a gain of Rs.77.43 Million against a loss of Rs.1.8 Million in the last quarter. The increase in forex gain in other



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income was due to the closing rate being around Rs. 49/\$. The net impact of translation of foreign currency denominated assets and liabilities resulted in the increased gain on forex, this quarter.

- Other income also contains net income (gross income - related expenses) for the quarter, to the tune of Rs.23 Mn arising out of DFS Business transfer.
- Thus the increase in profit to the tune of Rs. 80 Million is due to the increase in other income (forex+DFS income), which may be sort of one time profit increase.
- The effective Tax Rate during the Quarter has been lower at 20.63% against 22.53% in Q1FY12
- We have also added the share in SYSTIME Profit to the Profit & Loss Account during the qtr. This share was Rs. 28.44 Million during the quarter.

### **2. SBU UPDATE**

#### **2.1 INTEGRATED ENTERPRISE SOLUTION (IES) SBU:**

As DFS was part of IES SBU, on a like-for-like basis, there is a growth of 4.49% QoQ in IES. The USD revenue was USD 27.09 Million and INR revenue of INR 1,250.98 Million. The major focus of activities is to gain strength in our related industry verticals and therefore we have worked towards developing the expertise in consulting practice, JD Edwards (JDE), Oracle implementations and Supply Chain Management (SCM) catering to these verticals. We have won several ERP (Oracle) engagements in the US geography mainly from manufacturing companies and Oracle Transportation Management (OTM) & other Supply Chain Management (SCM) consulting assignments. There have been a few strategic and critical deal wins in the Government sector and also in Asset Tracking & Management. We have been successful in cross selling our IT offerings to some of our existing automotive customers in US & Europe.

Pursuant to our strategy to focus on select verticals, namely automotive & manufacturing, energy & utilities and defense & government, we have entered into a definitive agreement with Infracsoft technologies ([www.infracsofttech.com](http://www.infracsofttech.com)) to transfer KPIT Cummins' diversified financial services (DFS) business to Infracsoft Technologies. The transaction is based on milestones spread over the next four to five quarters, the transaction size is not disclosed. We will transfer majority of the existing DFS customer contracts along with corresponding account management and delivery teams to Infracsoft Technologies over the next four quarters. This doesn't include transfer of any key management members, significant assets or accounts receivable/ debtors.

We are the third largest partner to Oracle in North America in Industrial Manufacturing and the eighth largest partner across industries. We continue to see strong demand for our EBS (E-Business Suite) and JD Edwards offerings in the US market. There has been increased traction from our existing SAP / Oracle clients for our mobility, Manufacturing Execution Systems (MES), Enterprise Application Integration (EAI) and testing services.

#### **SYSTIME Integration**

We have completed the integration of Functional and practice teams, operational processes have been streamlined and best practices have been replicated across the organization. Currently we are working together on proposals for



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large deals while cross-selling opportunities are being explored in the existing accounts and we have closed a few of them in this quarter. Our efforts to bring in revenue growth and profitability improvement are on track.

### **2.2 AUTOMOTIVE & ENGINEERING (A&E) SBU:**

The Q-o-Q growth for Automotive & Engineering (A&E) SBU was 6.83%. The revenue stood at USD 19.40 Million and INR 896.01 Million for the quarter. Most of the automotive companies are putting in significant investments in new models development where emphasis on electronics is higher and this has resulted into higher business growth for the SBU. We have started work on new projects in Mechanical Engineering & Design Services (MEDS), AUTOSAR and safety systems. Geography wise, there is good traction in China while Japan market is gradually recovering post the natural disaster and business is coming back to normal.

As part of our efforts to increase non-linear revenues, there is a positive development as we have entered into an engagement with a Japanese Tier I for AUTOSAR license sale for their new vehicle program. We would be extending our license coverage to support the other vehicle programs of this customer. R&D Investments are happening mostly in A&E SBU and we will keep on exploring opportunities to flow in more non-linear revenues and increase their share as percentage of total revenues.

### **2.3 SAP SBU:**

The revenue for the quarter was USD 21.54 Million and INR 994.86 Million. There is a Q-o-Q revenue growth of 7.94%. Utilities are one of the key focus areas as we have secured a few deals during the quarter. The new business acquired during the quarter is spread across different industry verticals as we have won some large value deals (USD 10 Mn+) in the manufacturing & automotive industry and also a few small size/ mid size deals (USD 1 Mn+) for Energy & Utility companies.

We continue to see good traction across core ERP, Business Intelligence (BI), Customer Relationship Management (CRM), Human Capital Management (HCM) and Application Maintenance & Support (AMS) projects as most deals have been closed across these offerings. In the Small & Medium Enterprises (SME) space, we have already started our engagement with the first customer, while we have signed the second deal in this quarter.

We had created various templated solutions focusing on utilities market. These R&D investments and our Go-to-Market Strategy have started to show results as we have signed new customers for SUNAS, which is an out of box solution mainly for North American Utilities.

We are working very closely with our customers and do not foresee any major concerns from the US customers. The future pipeline looks strong for Utilities and it would be one of the growth drivers for next quarter also.

### **2.4 SEMICONDUCTOR SOLUTIONS GROUP (SSG) SBU:**

In SSG SBU, the QoQ Revenue growth was 39.48%. The revenue for the quarter was USD 2.35 Million and INR 108.34 Million. Our work is primarily focused on semiconductor applications for the automotive industry. The growing practices in terms of pipeline are System on Chip (SoC) and Semiconductor Multimarket Embedded Solutions (SMES) while we continue to see steady demand for Analog Mixed Signal (AMS).



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Amongst geographies, India continues to be the main market for semiconductor customers and in the defense sector while we have gained momentum in European geography during this quarter. Majority of the business growth is being driven by existing clients, but we have also won opportunities with new customers in onsite consulting. The efforts have been directed to grow the non-linear revenue share for this SBU, where we have been working on developing productized solutions and offering them to existing customers.

### **3. DEAL WINS**

- A leading Chinese automotive OEM has selected KPIT Cummins for strategic solution development in the Powertrain software space.
- A large European leader in automotive safety products and applications has selected KPIT Cummins for a design and engineering engagement in the safety domain.
- A large North American automotive component manufacturer has selected KPIT Cummins to streamline its business systems across its operation and entities.
- A leading North American automotive aftermarket player has selected KPIT Cummins for a multi-million dollar engagement to transform and support its entire application portfolio.
- A North American producer of renewable energy, a diversified energy company and three large global high-tech companies have selected KPIT Cummins to reengineer and support their applications across ERP, CRM, Business Intelligence and HCM.
- A large North American multi-brand manufacturer engaged KPIT Cummins to transform and manage its enterprise technology applications.

### **4. RECOGNITION AND THOUGHTLEADERSHIP**

- Selected for the **Maharashtra State IT R&D Innovation Award 2011**.
- **KPIT Cummins & CPG have achieved Platinum Partner status in Oracle Partner Network**. We can leverage this association to expand customer sales by differentiating ourselves in the Oracle solutions and services offerings.
- Profiled amongst '**Trailblazers, Shapers and Innovators**' by the World Economic Forum.
- We have presented 4 research papers in International conferences and 4 other papers have been accepted for publication in international journals. These papers were in the areas of In vehicle network, image processing and safety systems.

### **5. REVOLO UPDATE**

#### **Solution Update**

We have been running trials for the last 6 months on multiple cars of different models. Till date we have completed more than 800 trials (one trial is either a 40Kms run or a 100Kms run) covering around 50,000 kms and the results (for fuel efficiency, emission and product reliability-durability-safety) out of these trials have been consistent and as per our expectations. The Engineering work, Tests & Trials of the entire solution is complete and the solution is ready to be handed over to the Production Team.



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The solution has cleared all the relevant tests undertaken at appropriate certifying bodies while a few tests are scheduled for the month of November. We are confident that by December all the appropriate tests will be completed. We have also developed an in-house Hybrid ECU (hardware + software) on which our proprietary algorithm resides. This has benefits in terms of higher security and lower costs.

During our trials, we have noticed that further work needs to be done in enhancing battery life. With this in mind, we have expanded our working with multiple manufacturers of lead acid and lithium ion batteries both in India and abroad. We have also internally developed battery testing equipments to optimize on battery usage and battery life. With an improved battery life, we believe we would be in a position to deliver a more cost effective solution.

### **OEM Update**

We are currently in conversation with 5 OEMs/ Tier Is along with committed assignments with 2 OEMs. We expect these assignments to continue at least for the next 2-3 quarters. One of these programs is targeting the China market.

### **Government Regulations and Incentives**

We are in conversation with the government in relation to permission for putting larger number of vehicles on road fitted with REVOLLO. We are also working with government bodies for defining appropriate vehicle regulations. Over the last two quarters, we have also worked with the mission for Electric Mobility launched by Government of India to evolve the incentive structure for the electric/hybrid vehicles. The recent months have seen greater increase in government attention and focus on hybrid and electric technologies for vehicles. We believe this will create the much needed regulatory push in this area.





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**INCOME STATEMENT FOR THE QUARTER ENDED 30<sup>th</sup> SEPTEMBER 2011**

Rs. Mn	Q2 FY12	Q1 FY12	Q-o-Q Growth	Q2 FY11	Y-o-Y Growth
<b>Adjusted Sales</b>	<b>3,240.03</b>	<b>3,025.54</b>	<b>7.09%</b>	<b>2,171.37</b>	<b>49.22%</b>
Sales	3,250.19	3,161.30	2.81%	2,245.45	44.80%
Software Development Expenses	2,132.22	2,123.99	0.39%	1,409.28	51.30%
<b>Gross Profit</b>	<b>1,117.98</b>	<b>1,037.31</b>	<b>7.78%</b>	<b>836.17</b>	<b>33.70%</b>
Selling and Marketing Expenses	255.80	259.24	(1.33%)	193.11	32.46%
General and Admin Expenses	418.57	380.92	9.88%	278.85	50.10%
<b>EBITDA</b>	<b>443.61</b>	<b>397.15</b>	<b>11.70%</b>	<b>364.21</b>	<b>21.80%</b>
Interest	12.85	10.35	24.19%	8.75	46.91%
Depreciation	115.54	94.37	22.44%	83.60	38.21%
<b>Profit After Depn. &amp; Int.</b>	<b>315.22</b>	<b>292.43</b>	<b>7.79%</b>	<b>271.87</b>	<b>15.95%</b>
Other Income	110.03	22.45	390.12%	(0.22)	-
<b>Profit Before Tax</b>	<b>425.25</b>	<b>314.88</b>	<b>35.05%</b>	<b>271.64</b>	<b>56.55%</b>
Provision for Taxation	87.73	70.94	23.66%	34.16	156.86%
<b>Profit After Tax</b>	<b>337.52</b>	<b>243.94</b>	<b>38.36%</b>	<b>237.49</b>	<b>42.12%</b>
Minority Interest	1.18	3.03	(60.91%)	-	-
<b>Profit after Minority Interest</b>	<b>336.34</b>	<b>240.91</b>	<b>39.61%</b>	<b>237.49</b>	<b>41.62%</b>
Share of profit from associate	28.44	-	-	-	-
<b>Net Profit for the period</b>	<b>364.78</b>	<b>240.91</b>	<b>51.41%</b>	<b>237.49</b>	<b>53.60%</b>
Paid up Capital	176.93	176.10	-	158.09	-
Free Reserves	6,390.46	6,153.11	-	4,173.07	-
EPS (Rs. 2/-Face Value each)					
- Basic	4.14	2.74	51.09%	3.01	37.54%
- Fully Diluted	4.02	2.66	51.13%	2.91	38.14%
<b>Common Size Analysis:</b>					
Gross Profit Margin	34.40%	32.81%	1.58%	37.24%	(2.84%)
Sales & Marketing Exp / Revenue	7.87%	8.20%	(0.33%)	8.60%	(0.73%)
General & Admin Exp / Revenue	12.88%	12.05%	0.83%	12.42%	0.46%
EBITDA Margin	13.65%	12.56%	1.09%	16.22%	(2.57%)
Net Profit Margin	11.22%	7.62%	3.60%	10.58%	0.65%

- q-o-q' or 'sequential' growth refers to growth during the qtr compared to the immediately preceding quarter
- 'y-o-y' growth refers to the growth during the quarter as compared to the corresponding quarter of the previous year



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**INCOME STATEMENT FOR THE HALF YEAR ENDED 30<sup>th</sup> SEPTEMBER 2011**

Rs. Mn	SEP-11	SEP-10	Y-o-Y Growth
<b>Adjusted Sales</b>	<b>6,265.57</b>	<b>4,092.44</b>	<b>53.10%</b>
Sales	6,411.49	4,251.44	50.81%
Software Development Expenses	4,256.20	2,660.11	60.00%
<b>Gross Profit</b>	<b>2,155.28</b>	<b>1,591.33</b>	<b>35.44%</b>
Selling and Marketing Expenses	515.04	350.92	46.77%
General and Admin Expenses	799.49	536.91	48.91%
<b>EBITDA</b>	<b>840.76</b>	<b>703.51</b>	<b>19.51%</b>
Interest	23.20	23.13	0.31%
Depreciation	209.91	164.13	27.89%
<b>Profit After Depn. &amp; Int.</b>	<b>607.65</b>	<b>516.25</b>	<b>17.70%</b>
Other Income	132.48	(21.91)	(704.62%)
<b>Profit Before Tax</b>	<b>740.13</b>	<b>494.34</b>	<b>49.72%</b>
Provision for Taxation	158.67	63.22	151.00%
<b>Profit After Tax</b>	<b>581.46</b>	<b>431.12</b>	<b>34.87%</b>
Minority Interest	4.21	-	-
<b>Profit after Minority Interest</b>	<b>577.25</b>	<b>431.12</b>	<b>33.89%</b>
Share of profit from associate	28.44	-	-
<b>Net Profit for the period</b>	<b>605.69</b>	<b>431.12</b>	<b>40.49%</b>
Paid up Capital	176.93	158.09	-
Free Reserves	6,390.46	4,173.07	-
EPS (Rs. 2/-Face Value each)			
- Basic	6.55	5.47	19.74%
- Fully Diluted	6.36	5.29	20.23%
<b>Common Size Analysis:</b>			
Gross Profit Margin	33.62%	37.43%	(3.81%)
Sales & Marketing Exp / Revenue	8.03%	8.25%	(0.22%)
General & Admin Exp / Revenue	12.47%	12.63%	(0.16%)
EBITDA Margin	13.11%	16.55%	(3.43%)
Net Profit Margin	9.45%	10.14%	(1.14%)



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**PERFORMANCE METRICS (QUARTER ENDED 30<sup>th</sup> SEPTEMBER 2011)**

	Q2 FY12	Q1 FY12	Q-o-Q Growth	Q2 FY11	Y-o-Y Growth
<b>Revenue Spread - Geography</b>					
USA	68.14%	64.16%	9.18%	66.62%	48.04%
Europe	20.12%	21.04%	(1.68%)	20.47%	42.23%
Rest of World	11.75%	14.80%	(18.42%)	12.91%	31.73%
<b>Revenue Spread - Verticals</b>					
Automotive, Transportation & Manufacturing	66.36%	62.54%	9.09%	68.58%	40.07%
Energy & Utilities	9.98%	11.97%	(14.30%)	10.25%	40.88%
Defense & Government	2.23%	2.15%	6.50%	0.41%	693.28%
Others	21.43%	23.33%	(5.57%)	20.78%	49.26%
<b>Revenue Spread - by SBU</b>					
Integrated Enterprise Solutions	38.49%	41.86%	(5.46%)	36.13%	54.21%
Auto & Engineering	27.57%	26.53%	6.83%	26.07%	53.05%
SAP	30.61%	29.16%	7.94%	32.36%	36.91%
Semiconductor Solutions Group	3.33%	2.46%	39.48%	5.46%	(11.63%)
<b>Customer details</b>					
No. of Customers Added	4	4	-	3	-
No. of Active Customers	163	159	-	147	-
Customers with run rate of >\$1Mn	51	48	-	39	-
Top Client - Cummins	22.58%	20.65%	12.46%	24.02%	36.08%
Top 5 Clients	38.86%	38.04%	5.03%	45.89%	22.58%
Top 10 Clients	48.11%	49.25%	0.43%	54.92%	26.78%
Repeat Business	90%+	90%+	-	90%+	-
<b>Onsite / Offshore Split</b>					
Onsite Revenues	46.95%	44.15%	9.34%	39.04%	74.06%
Offshore Revenue	53.05%	55.85%	(2.35%)	60.96%	25.93%
<b>Revenue by Contract Type</b>					
Time and Material Basis	71.72%	68.42%	7.77%	70.84%	46.51%
Fixed Price / Time Basis	28.28%	31.58%	(7.93%)	29.16%	40.36%
Debtors (days)	66	71	-	68	-

#There has been a re-classification in the Industry verticals as we have moved Energy Equipment manufacturers from Automotive, Transportation and Manufacturing to Energy & Utilities.



## Investor Update for Quarter Ended 30<sup>th</sup> September 2011 (NSE: KPIT, BSE: 532400) **KPIT Cummins**

Human Resources - Details	Q2 FY12	Q1 FY12	Q-o-Q Growth	Q2 FY11	Y-o-Y Growth
Development Team - Onsite (Avg)	757	729	-	562	-
Development Team - Offshore(Avg)	5,297	5,326	-	4,627	-
Onsite FTE	691	661	4.54%	501	37.92%
Offshore FTE	3,857	3,794	1.66%	3,140	22.83%
Total FTE	4,548	4,455	2.09%	3,641	24.91%
Development (at Qtr end)	6,018	6,063	-	5,474	-
Gen Mgmt / Support (at Qtr end)	418	416	-	401	-
Marketing (Subsidiaries) (at Qtr end)	108	105	-	78	-
Total (at Qtr end)	6,544	6,584	-	5,953	-
Onsite utilization	91.26%	90.72%	-	89.23%	-
Offshore utilization	72.81%	71.23%	-	67.87%	-

### **FOREX INSTRUMENTS**

The currency market has been extremely volatile in the recent period and the company has major exposure in 3 currencies- USD, Euro and GBP. As per our hedging policy, we used to cover 75% of the net exposure through forward contracts for the next two quarters. Considering this recent volatility, we have revised our hedging policy and we have entered into new contracts to hedge 75% of our net exposure over the next 2 years. These hedges have been taken for all the three currencies.

#### **Total Outstanding Hedges:**

- Total amount of USD hedges as on 30<sup>th</sup> September 2011 : \$ 92.35 Mn
- Maturing in FY2012 : \$ 23.35 Mn
- Maturing in FY2013 : \$ 45 Mn
- Maturing in FY2014 : \$ 24 Mn

The average rate for these hedges are 45.05 (FY12); 47.15 (FY13) and 50.71 (FY14).

#### **• Balance Sheet details:**

- The Cash Balance as at September 30, 2011 stood at Rs.1,742.29 Million as compared to Rs.1,319.90 Million as on June 30, 2011.
- Capital expenditure for the quarter stood at Rs.103.51 Million including CWIP.
- As on September 30, 2011 our total debt was Rs.1,568.22 Million (Rs. 1,071.33 Million as of June 30, 2011) comprising of Rs.489.30 Million of Term Loan, Rs.1,078.92 Million of Working Capital Loan.
- Forex Hedging instruments with maturity of more than 3 months and considered effective hedges in accounting terms are provided for as adjustment to the Reserves and Surplus in the Balance Sheet (OCI). As on September 30, 2011 these Hedging Reserves were Rs.223.11 Million as compared to Rs. 94.83 Million as of



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Q1FY12 end. As a result of rupee depreciation there was an increase in the hedging reserve during this quarter.

<b>Balance Sheet Summary: As at (Rs. Mn)</b>	<b>Sep 30, 2011</b>	<b>Jun 30, 2011</b>
Shareholders' Equity	6,601.40	6,334.07
Total Debt	1,568.22	1,071.33
Minority Interest & Deferred Tax Liability	41.12	38.76
<b>Total</b>	<b>8,210.74</b>	<b>7,444.16</b>
Fixed Assets	1,645.02	1,600.34
Investments	1,573.48	1,530.07
Goodwill on Consolidation	1,656.69	1,303.08
Total Current Assets	5,355.65	4,749.93
Cash Balance	1,249.13	834.93
Receivables	2,854.74	2,795.46
Loans & Advances	1,251.78	1,119.53
Current Liabilities	2,020.10	1,739.26
<b>Total Net Assets</b>	<b>8,210.74</b>	<b>7,444.16</b>

\* Investments include investment of surplus cash in Liquid Funds.

### CONFERENCE CALL DETAILS

Conference name : KPIT Cummins Q2 FY2012 Conference Call

Date : Friday, 21<sup>st</sup> October, 2011

Time : 1200 Hrs (IST)

#### Dial-in Numbers

Primary number : +91 22 6629 5850

Secondary number : +91 22 3065 2503

Local access : 6000 1221

*Available in - Delhi, Bangalore, Chennai, Hyderabad, Kolkata*

*Accessible from all major carriers except BSNL/MTNL.*

*: 3940 3977*

*Available in - Gurgaon (NCR), Bangalore, Kolkata, Cochin, Pune, Lucknow, Ahmedabad, Chandigarh*

*Accessible from all carriers.*

The playback of the conference call would be available until October 26, 2011 at:

India : +91 22 3065 1212

Playback ID : 6637342



## **Investor Update for Quarter Ended 30<sup>th</sup> September 2011 (NSE: KPIT, BSE: 532400) KPIT Cummins** **About KPIT Cummins Infosystems Ltd.**

KPIT Cummins Infosystems Limited (BSE: 532400; NSE: KPIT), a trusted global IT Consulting and product engineering partner, is focused on co-innovating domain intensive technology solutions for Manufacturing corporations (with special focus on Automotive, Hi-Tech & Industrials verticals) to help its customers become efficient, integrated and innovative enterprises.

A leader in technology solutions and services, KPIT Cummins currently partners with 100+ global Manufacturing corporations including 50+ Original Equipment Manufacturers (OEMs), semiconductor companies and Tier 1s, helping them globalize efficiently & bring complex technology products/ systems faster to their global markets. Please visit [www.kpitcummins.com](http://www.kpitcummins.com) for more information.

### **Forward Looking Statements**

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

## **CONTACT DETAILS**

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