KPIT Second quarter Results FY 2014

Investor Release BSE: 532400 | NSE: KPIT

KPIT registers 44.7% Y-o-Y growth in Net Profit,
Net Profit for the Quarter at INR 667.35 Mn., a Q-o-Q growth of 11%
USD Revenue for the Quarter at USD 112.24 Mn, a Q-o-Q growth of 3.14%

Pune, October 22, 2013: KPIT (BSE: 532400; NSE: KPIT), one of the fastest growing IT consulting and product engineering solutions and services providers to automotive & transportation, manufacturing and energy & utilities corporations, today reported its consolidated financial results for the second quarter and half year ended September 30, 2013.

Highlights for the quarter ended September 30, 2013

- Q2 FY14 INR Revenue at INR 7.03 Bn, Q-o-Q growth of 14.60%, Y-o-Y growth of 23.90%
- 360 net employee additions during the quarter
- Robust large deal pipeline, a couple of USD 10+ Mn deals closed during the quarter
- 50 patents filed, as of end Q2 FY14.

Management comments

Commenting on the performance of Q2 FY14, Kishor Patil, Managing Director & CEO, KPIT said, "We closed two large deals in excess of USD 10 million during the quarter and have created a robust pipeline of larger deals. This positions us well for stronger H2 performance. To support higher growth and volumes in H2, we are making investments in hiring of senior level industry specialists and on the training & development of the leadership team. We added 350+ people to our team this quarter." He added, "We registered stable profitability on the back of higher currency realization and increased strategic investments, however we see further opportunities for EBITDA improvement in H2."

Sachin Tikekar, Board Member, President - Strategic Relationships and Business Transformation, KPIT said, "During the quarter both engineering and IT businesses performed well in the APAC region and we are seeing demand traction picking up in Europe. Disciplined focus on verticals and delivering higher value solutions to meet clients' business agenda, is helping us partner better with our clients." He added, "In Q2 FY14 we adopted a new brand that signifies our transformation into a product and technology provider. Toward reaching the USD 1 billion revenue milestone by 2017, our focus will be on productized solutions, verticalization of go-to-market and deeper penetration into strategic accounts."

Corporate Update

During the quarter we changed the company name to KPIT Technologies Ltd. and unveiled our new brand and visual identity, echoing our position as a technology solutions provider rather than just a service provider. This transition signifies our evolution as a globally recognized technology company, delivering strong business solutions and services to focus key industries. The new look is not only a change in visual identity but it also sets a platform for the many new initiatives to differentiate us, create continuous value for our customers and thus achieve our goal of reaching USD 1 billion in revenues by 2017, elegantly. It positions us distinctly and strongly as a partner of choice to customers for transformational engagements and highlights our ongoing technology investments. It emphasizes how we work at the forefront of technologies and processes to help global corporations become efficient, integrated and innovative enterprises. We are steadily progressing with the new identity, industry specific go-to-market strategy and focus on talent development and engagement initiatives.

We have witnessed stable growth during the first half of the year. We are expecting comparatively higher growth in the second half, backed by a strong pipeline and signing of large deals in the early part of Q3. We are working toward achieving our strategic goals of improving the quality of growth from key customer accounts, increasing annuity business, achieving more IP based revenues and winning large enterprise deals.

INDUSTRY UPDATE

The US automotive market growth has sustained fairly with a 17% surge in auto sales during August 2013 in the US. This has pushed the annual sales run-rate to a pre-recession, boom-time level. Sales totalled 1.5 million units in August, the most in one month since May 2007. The industry crossed an important milestone as the annual selling rate reached 16.1 million, the fastest since October 2007. Customers are willing to pay higher prices for new car models that come equipped with advanced technological features and run farther distance per gallon of gas. Globally the automotive industry has been capitalizing on moderate but steady economic growth, sustained job creation, low interest rates and easy credit availability. As per records of the Society of Motor Manufacturers and Traders (SMMT), sales of new cars in the UK rose in September 2013, with new registrations hitting 403,136. September 2013 was the best performing month since March 2008 and the market reached its highest volume in 66 months.

The medium term outlook for global automotive market remains good throughout the BRIC countries with China expected to lead the growth. As per analysts' estimates the sale of new cars in China is expected to double between 2012 and 2019. This makes its auto market almost equivalent to European and US markets combined. However there is an increasing focus of automakers on the fast rising economies of MIST countries that includes Mexico, Indonesia, South Korea and Turkey. As per estimates, Indonesia will add 540,000 units of annual production, equivalent to two assembly plants, by 2019. Mexico is forecasted to add 1,100,000 units of production (equal to five new assembly plants) during the same period, putting it ahead of the U.S. and just slightly behind Brazil's production growth.

Overall there will be fewer vehicle platforms and more collaboration among auto makers in the development of new engines and transmissions by 2019. The global automotive electronics market is expected to cross USD 191.29 billion in 2013 and forecasted to register a 7.3% CAGR during 2013- 2020 to reach USD 314.4 billion by end 2020. The market growth is likely to be spurred by factors such as favorable government regulations, growing demand for automotive safety features and an increase in the use of networking technologies in a variety of automotive applications.

Similar to automotive, there has been a lot of activity in the utilities market. As per estimates, the Global Smart Grid Managed Services market is expected to grow at a CAGR of 51.29% over the period 2012-2016. A key factor contributing to this market growth is the emergence of smart grids. The Global Smart Grid Managed Services market has also been witnessing an increasing support for the Smart Grid industry from numerous governments. The North America smart grid market is mainly lead by US and Canada as the two countries have well developed plans and policies to guide the smart grid technology implementation in North America. Western Europe and East Asia have

been the other two regions sharply focused on smart grid activity but since last year many countries in Rest of World are positioning themselves to quickly catch up.

The smart equipment investment will increase by almost 400% from USD 27 billion in 2011 to USD 125 billion by 2017. This includes a range of investment from advanced metering and grid automation to high voltage cabling and demand response. It is very crucial for ICT vendors to understand the potential investment areas of Energy & Utilities companies to determine their range of products and services to meet the technology requirements.
Source: Industry Reports

Technology Update

The name change reiterates our established expertise in creating a technological edge through the vast portfolio of solutions and services. By the end of Q2 FY14 the number of patents filed by KPIT stands at 50, with 8 patents been granted, of which 3 have been published as well. The details of published patents are as given below:

Patent Number	Patent Title	Country	Domain
US 8,390,356	Method and System for Open Loop Compensation of Delay Variations in a Delay Line	US	VLSI
US 8,423,214	Motor assistance for a hybrid vehicle	US	Hybrid
US 8,560,156 13/496,161	A Power Assisting System (REVOLO Solution)	US	Hybrid

PATENT DETAILS

We will be running a series on the details of the patents granted to us in every quarter's Investor update. The idea here is to provide a better understanding of our technology focus and domain expertise. In the below mentioned para, we have explained in brief about our patent "Motor assistance for a hybrid vehicle".

With rising fuel prices and the need for controlling emissions for a less polluted world, there is a dire need for fuel economy improvement and emission reduction solutions. A Hybrid vehicle and/ or a hybrid drive system for a vehicle that balances the independent operation of the primary components of the vehicle is an ideal solution for this. This provides the consumer with an economical solution in terms of fuel efficiency as well as contributes to emission reduction.

To facilitate proper functioning of the hybrid system, we have invented the motor assistance technology. This technology monitors the operating conditions of engine and other components of the hybrid system as well as the state of the vehicle and determines the assistance to be provided based on operating conditions. It generates signals for controlling the motor based on determined assistance. The added beauty of this innovative solution is the cost point at which it can be sold to the end consumer, typically at under 25% of the price of the current available solutions.

Research & Development (R&D) PROJECTS

Our core R&D team, CREST has been working on different projects in engineering with the objective to use frugal engineering for innovative solutions. The aim is to deliver solutions that will help our customers to add technological edge to their products. We are currently working on a project in the automotive domain wherein we are trying to replace the existing laser based device (LiDAR-based solutions) for measuring distances, with a rotating camera. This device is mostly used in autonomous cars and provides a three dimensional (3D) image of the surroundings, the only challenge being, it is very time consuming and expensive. We are developing a cost-effective solution that will have application in defense, biometrics, robotic vision and autonomous vehicles.

We are also doing R&D work in the Business IT space wherein we had selected six specific areas of research. One such project is related to cloud technologies. Customers are struggling to find out how to deal with cloud computing as an opportunity and at the same time manage the risks of uncertainty about the technology, which we will address through our solution. The other areas of R&D in Business IT are focused on creating vertical specific solutions in IT for business value add to the customers.

NON LINEAR INITIATIVES

In terms of existing non-linear initiatives currently we have our AUTOSAR and In-vehicle networking networks and diagnostics related software products available in the market. There is an increased focus on AUTOSAR with more emphasis on Ethernet and functional safety. With the latest features support in basic software (BSW) Stack and an ARTOP based new tool (AUTOSAR tools), we are working as trusted success partner with the automotive players for development & execution of their AUTOSAR Strategy. Similarly in diagnostics area we have established a product range called "In2Soft Diagnostic Tools" which is being largely used by German and other global OEMs. The increasing complexity, model variants and costs along with the requirement for a standardized approach is facilitating the need for such products in the automotive market.

We are working on a number of initiatives for non-linear solutions, especially for the automotive vertical. Watch this space in the coming quarters for more exciting opportunities.

OTHER TECHNOLOGY HIGHLIGHTS

We became the first publicly listed company to receive the prestigious Verafirm-Certified from BSA | The Software Alliance. This certification recognizes the best practices implemented by the company in Software Asset Management (SAM) through the entire life cycle from procurement, inventory management, deployment, license compliance and usage monitoring.
Verafirm-Certified is a universally applicable benchmark for organizations to follow when developing and implementing a SAM program. This is the first and only enterprise-level SAM certification, aligned to ISO SAM standards. The certification status will enable us to:

- More closely align the software assets with operational needs
- Maintain and easily demonstrate license compliance
- Accrue software cost efficiencies and improved business performance

An abstract of technical paper titled "**ISO 26262 – Methodical approach of implementing Functional Safety in the software design life cycle (SDLC)**" was selected for a full paper presentation at the CTI Conference ISO 26262 in Tokyo.

PEOPLE INITIATIVES

In August we organized our leadership development program at Stanford University, US for the first time. KPIT management along with Stanford University professors had developed a customized training program for KPIT. We had excellent sessions conducted in the areas of Strategy, Innovation, Globalization and Organizational Leadership Development. Our investment and efforts for people development were well appreciated by the faculty members of the university.

During the quarter we added 20 senior people with domain expertise (SMEs) across the organization globally. As part of our overall growth strategy and vision, people related investments have always been a key focus area for the company and we will continue making these investments going forward. Over the next few quarters we will introduce multiple initiatives to develop individuals to take on more responsibilities in future.
As we make the transition from a services to a technology provider focussed on specific industry verticals, we will increasingly have to offer our customers solutions which combine our strengths in both IT as well as engineering and our solutions will have to be underpinned by our domain expertise in these verticals. In order to do so, we will build a consulting layer in our organisation onsite and also develop the capability to propose value creation and harvesting models to win business. With this view, we are adding senior people from the industry domain to head the verticals and create industry specific offerings.

Frederic Ramioulle, who joined us recently, has considerable experience and proven expertise with internationally renowned consulting, engineering as well as IT organisations to partner with customers in the Automotive and Industrial verticals for transformational work and also large business level engagements. He was partner at McKenzie for Automotive and he has successfully built global businesses of over USD 500 million in his previous organisations which have delivered industry focussed solutions combing both IT and engineering capability.
In our organisation, Frederic will lead and grow the Automotive and Transportation vertical in the US and Europe. He will lead our effort to partner with our customers in this vertical to consult, develop and deliver business solutions

leveraging our strengths in IT and engineering. He will lead a team which will include account management, sales, onsite programme management and consulting.

During the quarter, David Riemenschneider joined KPIT as Global Leader connected vehicle, Warranty and After Sales. He has spent more than 25 years in the automotive industry, initially with Ford in the US and Europe and then for the last 7 years as CEO of Clifford Thames, a company focused on dealer solutions for the Automotive and Transportation vertical. We welcome David's diverse background, Aftersales knowledge and experience and look forward to significant contributions from the Connected Vehicle team to help us achieve our goal of $1bn revenue.

REVENUE UPDATE

In USD terms the revenue for the quarter stood at USD 112.24 Million, a Q-o-Q growth of 3.1% and Y-o-Y growth of 8.5%. Our INR revenue grew by 14.6% Q-o-Q and 23.9% Y-o-Y to INR 7,027.65 Million.

On a Q-o-Q basis, APAC has been the leading growth market for us with 38.2% followed by Europe's growth of 20.2%. During the quarter US had a marginal de-growth in USD terms due to quarterly fluctuations in billing. We expect US to return to growth in the next quarter and contribute stable growth for the year. In INR terms US grew by 9.9%. During the quarter we saw balanced growth across the SBUs as A&E grew by 17.4% while IES, SAP and BTU grew by 14.4%, 11.7% and 16.2% respectively.

Amongst the top customer accounts, Cummins has grown by 12.9% on a Q-o-Q basis with revenue share at 16.5% during the quarter. The top 5 and top 10 customers had Q-o-Q growth of 12.9% and 12.2% respectively.

We are witnessing good traction in our 'Strategic Accounts' and the pipeline in these is also building up at a good pace. Our focus is to penetrate deeper into these accounts by concentrating on collaborative sales and vertical focus business solutions.

We have closed a couple of $ 10+ Million deals during the quarter, one in Europe and one in the US. Out of the large deals that we had talked in the last quarter investor update, we have started work on 2 large deals. Both these deals are in excess of $ 25+ Million each. Though we have not formally signed the definitive contracts, we have started the initial work. This gives us the confidence of a better growth in H2 as compared with H1.

PROFITABILITY

Net Profit for the Quarter grew by 11% sequentially. The EBITDA margins were 15.49% as compared to 15.86% last quarter.

The rupee depreciation continued during the quarter and as a result the realized rate stood at INR 62.61/ USD as compared to INR 56.35/ USD last quarter, a depreciation of 11.1%. Arithmetically this depreciation should have added around 250 bps to the EBITDA.
We believe it is imperative to invest into the business to continue growing at a fast pace and this rupee depreciation has provided us an additional opportunity to invest in the right areas.

As stated earlier, during the quarter we had 40 members of our overall 100 people leadership team undergo KPIT customized leadership training program at Stanford. We believe this is an important base for leadership development within KPIT. The total expenses on account of the Stanford training were around INR 50 Million during the quarter.
We also participated in a key annual industry partner event. INR 30 Million was the total debit to the Profit & Loss Account for this event during the quarter.
We had strong hiring during the quarter with net additions of 360 people with a total additional cost impact of INR 35 Million during the quarter.

During the quarter, we have provided for a non-recurring provision of INR 120 Million on account of additional cost estimated to be borne on account of a delayed ERP implementation project. We believe we are in a position to recover a substantial amount out of this provision from the customer (change management) in the next 2-3 quarters, but still as a conservative step, we have made a cost provision in the books.

The other income during the quarter stood at INR 23.14 million as against INR 58.84 million in Q1. Other income included forex loss of INR 14.03 Million against a loss of INR 122 Million in Q1FY14. This loss was lower than our expectations, mainly due to, 1. The actual closing rate was INR 62.36/USD as against the estimated rate of INR 65/USD, 2. Majority of the collections during the quarter were converted at an actual rate of ~ INR 67/USD resulting in additional gains and 3. Loan repayments reduced the translation losses on the USD denominated loans.

CASH FLOW

We have been focusing on increasing the cash flow from operations for the company. We closely monitor the DSO days and also the commitments on fixed assets additions. A cash flow synopsis of the Q2FY14 Cash Flow is as under:

Details	INR Million
Cash Profit for Q2FY14	**815.74**
Working Capital Adjustments	(80.06)
Cash Generated from Operations	**735.68**
Fixed Assets + Dividend + ESOPs	(176.08)
Balance Cash Flow	**559.60**
M&A Investments (IKV)	(11.32)
Equity Investment in Impact	(50.00)
Debt Repayment	(273.00)
Total Surplus for the Quarter	**225.28**

SBU Update

INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU

We continue to see traction for our solution Ontrack- the Vehicle Tracking Systems (VTS), Oracle fusion middleware and ERP testing with new deal wins in these respective areas. In Brazil we have been witnessing momentum in Oracle Edge and CRM related opportunities. A key growth factor over the next few months would be the end of Oracle's support to 11i version by May 2014 which will require the clients to upgrade to R12 version by the starting of the next fiscal year. There is a strong market for Remote Infrastructure Management Services (IMS) mainly in US.

Oracle Practice has developed CASSH – Centralized Accounting Shared Services Hub, a solution framework built on Oracle E-Business Suite that helps businesses to seamlessly adapt to the Shared Services Center (SSC) model. CASSH aims at achieving high operational efficiency by implementing standard processes (based on Industry best practices) for transformation and transition of transactional business process to a SSC model. CASSH supports business in process re-engineering and optimization.

KPIT Accelerate Solution for Auto Ancillary (KASAA) was taken to market jointly with Oracle India and the JDE adaptor for Oracle WebCenter with JD Edward's 9.1 is approved by Oracle.

THOUGHT LEADERSHIP

- KPIT customers won prestigious 2013 Oracle Excellence award for Supply Chain Management. Mr. Mike Johnston of Cummins Turbo Technologies and Mr. Tom Crowe of PL Developments were recognized for their impactful leadership in transformational Supply Chain IT projects.
- KPIT joined the Infor Partner Network (IPN) to re-sell and service Infor's leading business application software. Infor will leverage KPIT's capabilities in enterprise consulting to enhance sales and strengthen services around its product suites in India, Sri Lanka and Bangladesh.
- KPIT participated in Oracle Open World in September 2013 with 8 presentation sessions on a wide range of topics including Supply Chain, JD Edwards, Big Data among others.
- KPIT hosted an event for key JD Edwards (JDE) Customers in Australia with senior leadership members from Oracle addressing the audience. The customers leveraged KPIT's Oracle JD Edwards expertise showcase to develop their Upgrade plans and future growth strategy for JDE ERP.
- KPIT was featured in the August 2013 – JD Edwards special edition of Oracle Profit magazine.

CUSTOMER HIGHLIGHTS

- A large industrial manufacturer in the MENA region selected KPIT as consulting and system integration partner in the Oracle applications space.
- KPIT was selected as a partner in a major Oracle Exadata engagement on JDE for a large APAC based manufacturer.
- KPIT was chosen by one of the largest chemical manufacturers in APAC, as a partner for a comprehensive consulting engagement covering enterprise applications and supply chain management.

AUTOMOTIVE & ALLIED ENGINEERING (A&E) SBU

During the quarter there was good traction in powertrain, AUTOSAR, body electronics and instrument clusters. We saw an increased activity in Intelligent Transportation systems and we are also working on important opportunities to provide full range of telematics solutions to key commercial vehicle makers.

We commissioned our System Integration (SI) and end-of-line (EOL) testing facility in phase III of Hinjewadi Pune. This facility will help us engage strategically with customers, especially in India and provide end-to-end solutions in our areas of operations through innovation, localization and frugal engineering suited for India market specifically and globally in general.

We have aligned and partnered with 3DCS (3DCS Dimensional Control Systems) to improve our onshore and offshore quality of GD&T layouts and tolerance stacks. Working in conjunction to offer our customers an added level of quality to improve cost and part quality, this partnership will increase the Mechanical Engineering & Design Services (MEDS) group offerings to customers.

We also partnered with A2Mac1 (A2Mac1 has been dedicated to the advancement of the automotive industry worldwide, providing essential teardown services and increasing intra-market communication). This will increase the offerings of MEDS group to their customers to offer high level bench mark studies and showcase current trends in automotive engineering. Along with a2mac1, we will be able to foray into new business in a variety of teardown analytics and supply comprehensive reports to our customers.

THOUGHT LEADERSHIP

- KPIT was a contributing member at the Infotainment Special Interest Group founded by NASSCOM. The thought leadership was recognized at the last SIG meeting held at an OEM research center in Bangalore. The company is working with leading players in automotive ecosystem to look at emerging technologies in Infotainment and Connected Vehicles space.

- KPIT participated at this year's edition of The Functional Safety Forum at Munich, Germany. It was an expert conference with main focus on Functional Safety for Automotive. The broad showcase of AUTOSAR and Functional Safety (with ikv++ technologies ad - A member of KPIT family) capabilities further strengthened the company's position as a key player in space of Functional Safety.
- KPIT participated at the NASSCOM forum on Heavy and Construction Equipment by showcasing its technical expertise in Advanced Driver Assist Systems and their application in the Industrial and Farm equipment field.
- KPIT showcased its technology solutions at this year's edition of Automotive Testing Expo Shanghai which was held between 10th and 12th of Sep 2013. With demos being conducted for capabilities across Clusters, Functional Safety and Diagnostics, this Expo also enabled to enhance the business visibility in China.
- KPIT participated as a speaker at the Linux Plumbers Conference in New Orleans, Louisiana held on September 19, 2013 as the company shared views on the topic of efficient Device Management in in-vehicle infotainment with consideration for smart devices connectivity.

CUSTOMER HIGHLIGHTS

- A Japanese Tier 1 supplier selected KPIT as the partner for an important development and engineering engagement in the Body electronics space.
- A European automotive OEM partnered with KPIT for a research and co-innovation project in the area of "Sensor Optimization".

REVOLO update

- There is continued progress in the government process of declaration of homologation rules for hybrid vehicle conversions. We are confident our product will comply the same, based on the draft rules shared so far.
- The volunteer vehicle trials are continuing with satisfactory results.
- We have been noticing favorable initial interest while exploring the international markets for Revolo.

SAP SBU

SAP has emphatically committed to Cloud, HANA, and BI strategy and creating significant differentiators in these areas. Our capabilities and strategic focus in these emerging technologies have helped us in winning significant HANA and SuccessFactors (SF) deals. We are also implementing these technologies in many of our key existing accounts. We won our first Suite on HANA (SoH) deal which is one of the top 10 deals globally for implementing suite on HANA. The integration of Learn2Perform team has also helped us in acquiring marquee customers where we are implementing SF and other cloud solutions.

The SAP Cloud Practice has introduced integration services across SAP Cloud apps including Human Capital Management (SuccessFactors), Customer Relationship Management (Cloud for Customer), Finance (Finance OnDemand), Travel (Travel OnDemand) and Supply Chain Management (Ariba). We have seen good traction with prospects for these apps and services. Our BPC Migration RDS solution (from 7.5 to 10.x on HANA) was successfully certified by SAP.

AMS services is another area where we have witnessed momentum in terms of deal activity as we have bagged 7 multi-year multi-million dollar deals to support SAP and other technologies for large customers.

Amongst the markets, we are experiencing growing interest in Europe, besides the growth markets of US & APAC.

THOUGHT LEADERSHIP

- KPIT's client, Metropolitan Utilities District of Omaha won the **SAP Best-Run Utility 2013 award** for the Project of the Year, US—Mid-Size Enterprise, for successful implementation of the SAP Customer Relationship and Billing project.
- KPIT presented in the SAP Forum, for Public Services, New Delhi, INDIA.

- KPIT showcased its "Connected Car" concept in SAP Forum, UKI. These platforms have helped in creating awareness for its CRM, Cloud and BI expertise.
- Won the development WAR competition against four other top BI players in the **ASUG Developer Wars** in this year's ASUG User Conference.

CUSTOMER HIGHLIGHTS

- A North American offshore drilling corporation and a large North American water utility selected KPIT for multi-million multi-year ERP implementation and support engagements.
- A North American manufacturer of microsurgical instruments selected KPIT as the SAP Partner for their CRM implementation and support initiatives.

BUSINESS TRANSFORMATION UNIT (BTU) SBU

During the quarter BTU had been working towards delivering high-end consulting services. IT Service Management (ITSM) is one of the key focus areas for large enterprises and we are building ITSM as a niche consulting service offering. We signed a strategic partnership with a leading SaaS solution provider, ServiceNow.

We recently partnered with ICERTIS, the provider of Enterprise solutions in the Microsoft cloud to jointly deliver high quality ERP surround solutions on the cloud, to customers. This integration will deliver the first end-to-end Windows Azure-based Transportation Management solution in the marketplace. We will closely work with ICERTIS to develop IPs to integrate KPIT's various automotive solutions with ICERTIS'. This will enable us to offer end-to-end solutions for transportation and logistics customers. ICERTIS also offers Contract Management Solution as a horizontal solution for all industry verticals.

We also formed a strategic alliance with Panviva the leading provider of Business Process Guidance solutions and the developer of SupportPoint, the world's leading Business Process Guidance system. This strategic alliance will provide customers with a unique combination of leading solutions and consulting services, enabling them to maximize business results.

CUSTOMER HIGHLIGHTS

- KPIT was selected for a consulting assignment by a leading UK based manufacturer to reengineer its supply chain and inventory management process/governance.
- KPIT's tool tracking solution continued to gain good traction with a large North American automotive corporation adopting KPIT's solution in this quarter.

Recognition

- **Mr. Shrikant Kulkarni received the prestigious CIO100 award** during the 8th Annual CIO100 Symposium & Awards Ceremony, which was hosted at JW Marriott, Pune, on September 5 & 6, 2013. This award is in recognition of efforts of Technical Infrastructure Management Services (TIMS) function under the leadership of Mr. Kulkarni in deploying advance technologies for KPIT.
- Received the **Cloud Advantage 2013 Award** in the category - **the Best Cloud DR Implementation Award for 2013** - National Level at the Cloud Connect India event.
- Won multiple awards at **Cummins CMD Awards 2012**- '**Best Entity'** division based on the overall business performance, awarded in the **'CSR'** category for **Chhote Scientist** initiative, another project titled, BRDM, won the Award under **'Innovation'** category.

Income statement for quarter ended September 30th, 2013 (Revised Format)

INR million	Q2 FY14	Q1 FY14	Q-o-Q Growth	Q2 FY13	Y-o-Y Growth
Sales	**7,027.65**	**6,132.11**	**14.60%**	**5,672.05**	**23.90%**
Employee Benefit Expenses	3,429.94	3,285.55	4.39%	2,902.60	18.17%
Depreciation & Amortization Expenses	148.39	121.68	21.95%	114.38	29.73%
Other Expenses	1,233.95	789.26	56.34%	712.47	73.19%
Professional fees Subcontractor	1,283.09	1,091.32	17.57%	1,114.17	15.16%
Total Expenses	**6,095.38**	**5,287.81**	**15.27%**	**4,843.62**	**25.84%**
Profit before Other Income, Finance costs & Exceptional Item	**932.28**	**844.29**	**10.42%**	**828.43**	**12.54%**
Other Income	23.14	58.84	(60.67%)	(190.98)	(112.12%)
Profit before Finance costs & exceptional Items	**955.42**	**903.13**	**5.79%**	**637.45**	**49.88%**
Finance costs	66.25	56.26	17.76%	32.21	105.67%
Profit after Finance costs & exceptional Items	**889.17**	**846.88**	**4.99%**	**605.24**	**46.91%**
Exceptional Items	-	-	-	54.70	-
Profit Before Tax	**889.17**	**846.88**	**4.99%**	**659.94**	**34.74%**
Tax Expenses	221.82	245.50	(9.64%)	191.48	15.85%
Net Profit from ordinary activities after Tax	**667.35**	**601.38**	**10.97%**	**468.46**	**42.46%**
Extraordinary Items	-	-	-	-	-
Net Profit for the Period	**667.35**	**601.38**	**10.97%**	**468.46**	**42.46%**
Share of profit from associate	-	-	-	5.00	-
Minority Interest	-	-	-	12.23	-
PAT	**667.35**	**601.38**	**10.97%**	**461.23**	**44.69%**
Paid up Capital	368.70	386.17	-	356.80	-
EPS (INR 2/-Face Value each)					
- Basic	3.62	3.11	16.40%	2.59	40.02%
- Fully Diluted	3.37	3.04	10.86%	2.50	34.54%
Common Size Analysis:					
EBITDA Margin	15.49%	15.86%	(0.37%)	16.66%	(1.18%)
Net Profit Margin	9.50%	9.81%	(0.31%)	8.13%	1.36%

- Q-o-Q or 'sequential' growth refers to growth during the quarter 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.

Income statement for half year ended September 30th, 2013 (Revised Format)

INR million	SEP- 13	SEP- 12	Y-o-Y Growth
Sales	**13,159.76**	**11,054.70**	**19.04%**
Employee Benefit Expenses	6,715.49	5,627.03	19.34%
Depreciation & Amortization Expenses	270.08	227.84	18.54%
Other Expenses	2,023.21	1,677.50	20.61%
Professional Fees Subcontractor	2,374.41	2,000.89	18.67%
Total Expenses	**11,383.19**	**9,533.26**	**19.41%**
Profit before Other Income, Finance costs & Exceptional Item	**1,776.57**	**1,521.44**	**16.77%**
Other Income	81.98	(160.68)	(151.02%)
Profit before Finance costs & exceptional Items	**1,858.55**	**1,360.76**	**36.58%**
Finance costs	122.50	61.97	97.68%
Profit after Finance costs & exceptional Items	**1,736.05**	**1,298.79**	**33.67%**
Exceptional Items	-	81.43	-
Profit Before Tax	**1,736.05**	**1,380.22**	**25.78%**
Tax Expenses	467.31	376.24	24.20%
Net Profit from ordinary activities after Tax	**1,268.74**	**1,003.98**	**26.37%**
Extraordinary Items	-	-	-
Net Profit for the Period	**1,268.74**	**1,003.98**	**26.37%**
Share of profit from associate	-	(5.43)	-
Minority Interest	-	24.51	-
PAT	**1,268.74**	**974.03**	**30.26%**
Paid up Capital	368.70	356.80	-
EPS (INR 2/-Face Value each)			
- Basic	6.72	5.46	23.08%
- Fully Diluted	6.41	5.32	20.49%
Common Size Analysis:			
EBITDA Margin	15.66%	15.90%	(0.24%)
Net Profit Margin	9.64%	8.81%	0.83%

Income statement for quarter ended September 30th, 2013 (Old Format)

INR million	Q2 FY14	Q1 FY14	Q-o-Q Growth	Q2 FY13	Y-o-Y Growth
Sales	**7,027.65**	**6,132.11**	**14.60%**	**5,672.05**	**23.90%**
Software Development Expenses	4,665.04	4,199.50	11.09%	3,702.52	26.00%
Gross Profit	**2,362.61**	**1,932.61**	**22.25%**	**1,969.53**	**19.96%**
Selling & Marketing Expenses	437.42	387.27	12.95%	390.74	11.94%
General & Admin Expenses	836.98	573.06	46.06%	633.75	32.07%
EBITDA	**1,088.21**	**972.29**	**11.92%**	**945.04**	**15.15%**
Interest	73.79	62.56	17.93%	34.44	114.26%
Depreciation	148.39	121.68	21.95%	114.38	29.73%
Profit After Depn. & Interest	**866.03**	**788.04**	**9.90%**	**796.22**	**8.77%**
Other Income	23.14	58.84	(60.67%)	(190.98)	(112.12%)
Exceptional Item	-	-	-	54.70	**-**
Profit Before Tax	**889.17**	**846.88**	**4.99%**	**659.94**	**34.74%**
Provision for Taxation	221.82	245.50	(9.64%)	191.48	15.85%
Profit After Tax	**667.35**	**601.38**	**10.97%**	**468.46**	**42.46%**
Minority Interest	-	-	-	12.23	-
Share of profit from associate	-	-	-	5.00	-
Net Profit for the period	**667.35**	**601.38**	**10.97%**	**461.23**	**44.69%**
Paid up Capital	368.70	386.17	-	356.80	-
EPS (INR 2/-Face Value each)					
- Basic	3.62	3.11	16.40%	2.59	40.02%
- Fully Diluted	3.37	3.04	10.86%	2.50	34.54%
Common Size Analysis:					
Gross Profit Margin	33.62%	31.52%	2.10%	34.72%	(1.10%)
Sales & Marketing Exp/ Revenue	6.22%	6.32%	(0.09%)	6.89%	(0.66%)
General & Admin Exp/ Revenue	11.91%	9.35%	2.56%	11.17%	0.74%
EBITDA Margin	15.48%	15.86%	(0.37%)	16.66%	(1.18%)
Net Profit Margin	9.50%	9.81%	(0.31%)	8.13%	1.36%

- Q-o-Q or 'sequential' growth refers to growth during the quarter 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.

Performance Metrics for quarter ended September 30th, 2013

	Q2 FY14	Q1 FY14	Q-o-Q Growth	Q2 FY13	Y-o-Y Growth
Revenue Spread – Geography					
USA	71.87%	74.97%	9.87%	76.56%	16.31%
Europe	13.76%	13.12%	20.21%	12.58%	35.52%
Rest of World	14.37%	11.91%	38.24%	10.86%	63.96%
Revenue Spread – Verticals					
Automotive & Transportation	36.08%	35.51%	16.45%	38.80%	15.21%
Manufacturing	39.65%	39.59%	14.76%	32.44%	51.45%
Energy & Utilities	13.60%	14.12%	10.44%	15.31%	10.08%
Others	10.66%	10.78%	13.40%	13.45%	(1.75%)
Revenue Spread – by SBU*					
Integrated Enterprise Solutions	39.46%	39.54%	14.38%	34.32%	42.45%
Auto & Engineering	24.20%	23.62%	17.41%	24.38%	22.98%
SAP	25.35%	26.00%	11.74%	30.98%	1.37%
Business Transformation Unit	11.00%	10.84%	16.20%	10.32%	32.02%
Customer details					
No. of Customers Added	3	6	-	4	-
No. of Active Customers	192	189	-	176	-
Customers with run rate of >$1Mn	78	78	-	69	-
Top Client – Cummins	16.50%	16.75%	12.95%	19.70%	3.82%
Top 5 Clients	38.00%	38.57%	12.92%	35.21%	33.73%
Top 10 Clients	46.31%	47.31%	12.16%	43.69%	31.32%
Onsite / Offshore Split					
Onsite Revenues	54.64%	54.16%	15.60%	53.83%	25.74%
Offshore Revenue	45.36%	45.84%	13.43%	46.17%	21.75%
Revenue by Contract Type					
Time and Material Basis	76.36%	76.85%	13.87%	72.68%	30.16%
Fixed Price / Time Basis	23.64%	23.15%	17.04%	27.32%	7.23%
Debtors (days)	75	77	-	75	-

- The SBU revenues have been re-classified based on organizational changes and previous period figures have been restated for comparison.

Human Resources – Details	Q2 FY14	Q1 FY14	Q-o-Q Growth	Q2 FY13	Y-o-Y Growth
Development Team – Onsite (Avg)	1,243	1,176	-	1,126	-
Development Team - Offshore(Avg)	6,708	6,553	-	6,207	-
Onsite FTE	1,148	1,107	3.70%	1,064	7.94%
Offshore FTE	4,888	4,809	1.65%	4,638	5.38%
Total FTE	6,036	5,916	2.04%	5,702	5.86%
Development (at Quarter end)	8,122	7,771	-	7,447	-
Gen Management / Support (at Quarter end)	548	545	-	536	-
Marketing (Subsidiaries) (at Quarter end)	146	140	-	128	-
Total (at Quarter end)	8,816	8,456	-	8,111	-
Onsite utilization	92.37%	94.15%	-	94.47%	-
Offshore utilization	72.87%	73.38%	-	74.73%	-

Hedging details

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 cover 75% of the net exposure through forward contracts for the next two quarters.

Total Outstanding Hedges:

- Total amount of USD hedges as on 30th September 2013 : $ 37.87 million
  These hedges are maturing in FY14 and average rate for these hedges is INR 52.68.

Balance sheet details

- The Cash Balance as at September 30, 2013 stood at INR 4,525.65 Million as compared to INR 4,300.37 Million as on June 30, 2013.
- Capital expenditure for the quarter stood at INR 5.49 Million including CWIP.
- As on September 30, 2013 our total debt was INR 4,950.34 Million (INR 4,980 Million as of June 30, 2013) comprising of INR 1,964.19 Million of Term Loan, INR 2,927.57 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, 2013 these Hedging Reserves were INR 263.15 Million as compared to INR 353.89 Million as of Q1 FY14 end.

Balance Sheet Summary: As at (INR Million)	Sep 30, 2013	Jun 30, 2013
Equity & Liabilities:		
Shareholders' Funds	11,292.53	11,081.93
Share Application Money pending allotment	4.90	1.72
Minority Interest	-	-
Non-Current Liabilities:	1,825.28	1,599.78
Long Term Borrowings	1,615.76	1,456.71
Deferred Tax Liabilities	-	-
Other Long Term Liabilities	-	0.82
Long Term Provisions	209.53	142.25
Current Liabilities:	6,845.98	7165.31
Short term borrowings	2,919.15	2,996.44
Trade Payables	1,152.80	1,848.84
Other Current Liabilities	2,774.03	2,320.03
Total Equity & Liabilities	**19,968.69**	**19,848.74**
Assets:		
Non-Current Assets:	8,920.20	9,340.71
Fixed Assets	2,163.51	2,158.02
Goodwill on consolidation	5,735.77	5,754.46
Other Non-Current Assets	1,020.92	1,428.24
Current Assets:	11,048.48	10,508.02
Current Investments	1,849.40	1,927.84
Trade Receivables	4,965.98	4,813.69
Cash & Cash equivalents	2,663.70	2,342.94
Other Current Assets	1,569.40	1,423.55
Total Assets	**19,968.69**	**19,848.74**

Conference Call Details

Conference name	:	KPIT Q2 FY2014 Conference Call
Date	:	October 23, 2013
Time	:	1600 Hours (IST)

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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.

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