

## **Investor Update**

### **KPIT Cummins Infosystems Ltd**

#### **INVESTOR UPDATE FOR THE QUARTER ENDED JUNE 30, 2003**

#### **FINANCIAL HIGHLIGHTS**

- Q-on-Q corresponding period revenues up by 62% to Rs 24.83 crore, as against Rs 15.35 crore compared to same quarter last year. Profit After Tax leaps by 196% at Rs 2.76 crore from Rs 0.93 crore. The consolidated profit after tax is Rs 2.86 crore.
- The contribution (gross profit after deducting software development expenses) was to the tune of 42% (33 % same quarter last year). The increase in contribution was the result of higher capacity utilization and greater contribution of offshore revenues.
- Sequential Quarter revenues higher by 16%, Profit after Tax up by 30%.

#### **BUSINESS HIGHLIGHTS**

- The top ten clients including Cummins contributed to 88 % of the revenues in the first quarter ( 82 % last year ) of the revenues.
- For the quarter, excluding Cummins, other top five customers contributed 31 % of the revenue. None of these customers contributed to more than 11% of the revenue individually.
- Cummins business revenues touched 48 % of total revenue for the first quarter. Ramping up of Cummins operations in full swing.
- Out of the total revenues of the quarter, exports contributed over 97 %, offshore contributed 47 % (33 % same quarter last year)
- During the quarter the Company experienced significant growth in its services relating to Business Intelligence, Embedded software as well as ERP Implementation.
- Regionwise US contributed 54%, Europe 40 % and Rest of the world 6% in Q1FY04 as compared to Q1FY03 contribution from US was 47%, Europe 44% and Rest of the world 9%.
- Vertical wise – Manufacturing segment contributed 65 % while BFSI 26% for the current year while Q1FY03 Manufacturing contributed 43% and BFSI 40%.

## **OPERATIONAL HIGHLIGHTS**

- The Company presently employs a total staff of 650 people, which includes 587 software professionals, and 63 support staff including staff at foreign subsidiaries. Out of its total staff, roughly 445 work out of the three locations of the Company in Pune. Human resource strength continues, added 100 employees during the quarter.
- The Company focuses mainly on two verticals namely, Manufacturing and Banking/Finance/Insurance. The Manufacturing vertical contributed to 65% of the total revenue during the quarter. The Banking/Finance/Insurance vertical contributed to 26% of the total revenues in the quarter.
- For the quarter, the expenditure on administration facilities and HR were to the tune of 14.6 % (11.90 % same quarter last year) largely because of the additions made for ramping up of operations. The marketing expense during this quarter amounted to 12.1% as compared with 10% last year same quarter. The operating margin was 15 % as compared to 11% same quarter last year. The profit margin before tax on a consolidated basis was 11.50 % of the total sales. The profit margin after tax on a consolidated basis was 11 % of the total sales, as compared to 2% during the same quarter last year.
- The contribution (gross profit after deducting software development expenses) was to the tune of 42% (33 % last year). The increase in contribution was the result of higher capacity utilization and greater contribution of offshore revenues.
- The company could sustain the billing rates for both onsite and offshore operations.
- The utilization levels were in the region of 70 %.

## **Quarter Review – 30<sup>th</sup> June, 2003**

On the basis of annual analysis Cummins grew by 45 % during the second half over the first half in FY03, while other Star customers grew by 35 % during the same period.

On the basis of sequential analysis Cummins has grown by 33 % during the Q1FY04 as compared to Q4FY03 while other Star customers have grown 27 % during the same period.

The figures reflect KPIT Cummins relationships growing with a blend of consolidation.