KPIT Third quarter Results FY 2014

Investor Release BSE: 532400 | NSE: KPIT

KPIT registers 6% Y-o-Y growth in USD Revenues, INR revenues grow 20.35% Y-o-Y
Net Profit for the Quarter at INR 607.79 million, a Y-o-Y growth of 20.51%
Y-o-Y growth for the 9 months ended Dec 31, 2013 at 8.5% in USD terms

Pune, January 22, 2014: 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 third quarter and nine months ended December 31, 2013.

Highlights for the quarter ended December 31, 2013

- New deals worth USD 70+ Million closed in Q3FY14, to be delivered over the next 24 months
- 6% Y-o-Y growth in USD Revenues, INR revenues grow 20.35% Y-o-Y
- USD Revenue for Q3FY14 at USD 109.66 million, a Q-o-Q decline of 2.30%
- Net Profit for the quarter stood at INR 607.79 million, Y-o-Y growth of 20.51%, Q-o-Q decline of 8.92%
- 300+ net employee additions during the quarter

Management comments

Commenting on the performance of Q3 FY14, Kishor Patil, Managing Director & CEO, KPIT Technologies said, "We have closed large deals in excess of USD 70 million during the quarter which provides a sound platform, going into FY15. However due to the delay in the closure of the new deals, a couple of deals will start in Q4 and some later. We also experienced extended furloughs in some of our customer accounts during Q3FY14, resulting in two additional days of lost onsite billing, than expected. Thus due to the delay in project kick-off and additional loss of billing days in Q3FY14, we will be short of our annual topline guidance. The shortfall in the revenue is entirely on account of deficit in SAP SBU revenue for FY14. However on the profit number we will exceed the higher end of the guidance despite the challenges faced on SAP SBU profitability". He added," In order to get ready for the ramp-ups on these deals, we have had another quarter of strong hiring, adding around 300+ people during the quarter".

Sachin Tikekar, Board Member & President, KPIT Technologies said, "During the quarter we experienced around 6 days of lost billing in SAP business leading to a sharp decline in revenues sequentially. We have closed orders worth USD 40+ million and have built a healthy pipeline in SAP and are gearing up for the ramp-ups in the coming quarters. We are relentlessly focusing on our strategic accounts and on the verticalization strategy to enable us enhance our share of wallet of the technology spending with innovative combinations of engineering and IT solutions." He added, "The overall macroeconomic environment is improving with steady spending anticipated in US and APAC while Europe is looking up noticeably. We are excited about FY15 due to improved order book and our ability to considerably improve margins in FY15.

Corporate Update

We are in the midst of a transformation to get ready for the next level of growth at an increased scale. We are working towards a more resilient organization structure as we make progress toward our vision of being a USD 1 Billion revenue company by 2017. The new organization structure will assist us in building vertical specific solutions with deeper domain and technology focus. With higher focus on mining and growing our strategic accounts, the new structure will provide us the necessary platform to grow into these accounts. This new structure will be fully implemented by the end of the current financial year.

There has been good momentum during Q3 across the business lines in terms of deal closure and pipeline building. Though in three large deals there has been almost a quarter's delay in closure, two in SAP and one in A&E, that got closed during Q3. As a result of this delay, the ramp-up on these deals will be majorly in Q1FY15 instead of Q4FY14. We will commence revenues from some of these deals in Q4FY14 and some later in Q1FY15.

The emphasis continues to improve the quality of growth from key customer accounts, annuity business, IP based revenues and large enterprise deals. We are moving ahead with the changed identity and positioning, verticalised go-to-market strategy and focus on people initiatives and development.

INDUSTRY UPDATE

The global Automotive Industry has shown a strong revival. US industry sales in 2013 finished at 15.6 million vehicles, up 7.6 percent from 2012, while December results inched up 0.3 percent. For all of 2013, industry sales were 50 percent higher than 2009 when they slumped to 10.4 million vehicles during the height of the recession. Economists and analysts expect 2014 sales to rise to between 16 million and 16.5 million vehicles.
China became the first country in which more than 20-million vehicles were sold in any given year. With Global economic revival led by US and positive data coming from the Eurozone, year 2014 would be a year of accelerated consumer demand, leading to higher automotive vehicle sales. Global vehicle sales touched 82.8 million in 2013. IHS Automotive predicts global sales to touch 85 million in 2014 and could steadily increase to 100 million in 2018 with china contributing to as much as 30 MN vehicles.
With electric car sales in US almost doubling and electronics within the car continuing its uptrend as a percentage of vehicle cost, technologies surrounding the end customer such as in-vehicle infotainment, driver assistance systems, connected cars and the internet of things would continue to drive demand for technology in cars. Global OEM's are continuing their investments on launching a number of new vehicle models in global markets. The need for lean platforms that can be used to customize the vehicles as per the market needs is thus felt bigger than ever before. Connected cars will amplify OEM's business strategies from a product to a customer centric value proposition. The trend from a connected vehicle to a connected driver to a connected consumer, will push for more technology in cars thus laying the foundation for capturing big insights through big data analytics that would help business effectively target their products and services to the connected consumer.

The manufacturing industry too saw an uptick in 2013, signaling the continuing uptrend in factory output. The US fed's decision to keep interest rates low for a continued period would help bolster investments. With US consumer confidence indexes at pre-recession levels of 2007 and decreased jobless claims, consumer demand would expand in 2014. This would lead to increased demand for goods and services. The Institute for Supply Management (ISM) said its index of national factory activity in US stood at 57.0 last month. That was in line with economists' forecasts but a touch below November's 2½-year high of 57.3. Readings above 50 indicate expansion. The forward-looking new orders index, at 64.2, checked in at its highest level since April 2010, suggesting momentum in the sector could quicken in 2014. It stood at 63.6 in November. Manufacturing output in the euro zone posted its strongest growth since May 2011 in December. Euro zone manufacturing purchasing managers' index (PMI) rose to 52.7 in December, up from 51.6 in November, according to data from analysis firm Markit. Germany, the euro zone's largest economy, saw its manufacturing PMI rise to 54.3 in December from 52.7 in November. The manufacturing industry is expected to drive operational efficiency through investments in technology that will help drive up their profitability. As manufacturers continue to be globally competitive, technology investments through the on-premise ERP integrated with cloud implementation will help reduce total cost of ownership thus making hybrid ERP an attractive value proposition for technology investments. Megatrends brought by the internet of things will lead in increased investments in Machine to Machine Communication (M2M). This will lead to real time asset management and drive mobility applications among the workforce. The use of analytics for actionable areas will be the aim, to make these investments more efficient.

The Energy & Utilities industry continuous to focus on the smart grid implementation. The integration of distribution automation systems and applications with previously deployed or planned advanced metering infrastructure systems will be key to successful utility smart grid deployments in the coming years. The integration of advanced metering infrastructure and distribution automation will help utilities bring further financial benefits out of past investments. The industry is expected to invest in technologies that would help achieve the above objectives. Utility spending on information technology (IT) systems for the smart grid will grow from $8.5 billion in 2013 to $19.7 billion in 2022, according to a report from Navigant Research.
According to BCC Research the U.S. market for smart grid technologies was valued at $41.6 billion and the research firm expects the market to nearly $68.7 billion by 2018, and register a five-year compound annual growth rate (CAGR) of 14.2%. The E&U Industry is a front runner on the use of Big Data analytics in the current market scenario. GTM Research has pegged the value of the global utility data analytics market at a cumulative $20 billion between 2013 and 2020, growing from an annual spend of $1.1 billion this year to nearly $4 billion by decade’s end.

REVENUE UPDATE

In USD terms revenue stood at USD 109.66 Million, a Q-o-Q decline of 2.3% and Y-o-Y growth of 6.1%. Our INR revenue declined by 3.53% Q-o-Q and grew by 20.35% Y-o-Y to INR 6,779.37 Million.

The third quarter of the financial year is always marred by loss in billing days due to holidays. During Q3FY14 we had anticipated around three days of lost billing at the organization level. However due to extended furloughs at some of our larger customers, we lost two additional days of onsite billing resulting in unanticipated revenue loss of ~ USD 2 million. During the quarter our offshore revenues grew marginally but there was volume growth of around 2% in offshore, whereas a volume decline of 2% in onsite business. Overall for the quarter the volume growth was 1.2%.

Out of the total deals of USD 70+ million closed during the quarter, three large deals with cumulative size of USD 60+ million were closed late December 2013. We had expected these deals to close during the early part of the quarter and thus had considered revenue flow from these deals during Q3 and ramp-up in Q4. With the delay in closure, there were no revenues in Q3FY14 from these deals and the ramp-ups will now be pushed into FY15. New revenues for FY14 have been affected to a large extent due to this delay in closure.

In constant currency terms, our YTD USD revenue is USD 336 million as against the reported USD 330.72 million.

The delays in large deal closures and the loss of additional billing days in Q3FY14, will impact our ability to reach the annual USD revenue guidance and we anticipate a deficit in the actual revenue for FY14 in constant currency terms as compared to the annual guidance given at the beginning of the year.

On the other hand we expect to exceed the higher end of the profit guidance as we close FY14, irrespective of the fact that SAP SBU profitability will be much lower than anticipated. IES and A&E SBU have shown steady increase in margins along with steady growth.

In terms of the YTD performance by SBU, till Q3FY14, IES SBU has shown a growth of 20%+ and A&E SBU has grown by over 14%+. As we close this financial year we expect IES to post annual growth over 20% and A&E over 15%.

In all during FY14 we have faced challenge for growth in the SAP SBU, where on YTD basis there has been a decline of around 14%. This has not only affected the overall growth rate of the company but has also dented the profitability of the SBU as well as of the company as a whole. Looking forward, with a healthy order book and operational efficiency measures already in place for SAP SBU, we expect to get back to growth and positive operating margins in FY15 for SAP.

Amongst the top customer accounts, Cummins has grown by 4.68% on a Q-o-Q basis with revenue share at 17.91% during the quarter.

PROFITABILITY

Net Profit for the Quarter declined by 8.92% sequentially. The EBITDA margins were 15.37% as compared to 15.49% last quarter.

The rupee was comparatively steady during the quarter. The realized rate stood at INR 61.82/ USD as compared to INR 62.61/ USD last quarter.

SAP SBU had the biggest impact on revenues due to loss in billing days in Q3FY14. As a result the revenues declined sequentially and this had a negative impact on the SBU margins. SAP SBU continued to be in red at the operating margin level in Q3FY14. Even with this impact, the overall company level margins marginally increased due to higher operational efficiency in A&E and IES and also due to the change in the overall revenue mix for the quarter.

With growth coming back in Q4FY14, we expect SAP SBU margins to improve from the current level. This coupled with growth at the organisation level, will help us post better margins in Q4FY14 at the company level.

The other income during the quarter stood at INR 17.50 million as against INR 23.14 million in Q2.

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 Q3FY14 Cash Flow is as under:

Details	INR Million
Cash Profit for Q3FY14	**742.34**
Working Capital Adjustments	-577.39
Cash Generated from Operations	**164.95**
Fixed Assets + Dividend + ESOPs	-106.8
Balance Cash Flow	**58.15**
M&A Investments (CPG)	-269.7
Working capital availed	154.83
Debt Repayment	-10
Total Surplus / (Deficit) for the Quarter	**-66.72**

Technology Update

With the recent change in our brand and visual identity we have added the word “Technologies” to our company name. This reiterates our established expertise in creating a technological edge through the vast portfolio of solutions and services. Our filed patent count as on quarter end stands at 50. Till date we have been granted 8 patents.

PATENT DETAILS

In the last quarter update, we had explained in brief about our patent “Motor assistance for a hybrid vehicle”. Continuing the quarterly series on the details of the patents granted to us, this quarter we will look into the patent titled **'Motor Assistance for a Hybrid Vehicle Based on Predicted Driving Range'.** The idea of starting this series is to provide a better understanding of our technology focus and domain expertise.

'Motor Assistance for a Hybrid Vehicle Based on Predicted Driving Range'. This method comprises predicting a driving range based on historical driving range data. The historical driving range data includes one or more distances that the vehicle was driven during one or more previous driving cycles. The method further comprises selectively operating the motor to provide assistance to the engine at predetermined operating conditions of the engine. The assistance provided to the engine at one or more of the predetermined operating conditions is determined based at least in part on the predicted driving range.

R&D PROJECTS

Our core R&D team, CREST has been working on different projects in engineering with the objective to use cutting edge technology and engineering practices to develop 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 couple of projects to optimize the electronic components cost within a vehicle. Few approaches have been shortlisted and the cost reduction analysis after implementing these approaches is currently in progress.

NON LINEAR INITIATIVES

We are working on a number of initiatives for non-linear solutions, especially for the automotive vertical. AUTOSAR, Vehicle Diagnostics, Infotainment, Safety and Telematics are the current focus areas for IP based non-linear revenues. We are witnessing good traction in these areas with Auto OEM's as well as Tier I suppliers. In next couple of years we believe these areas to contribute a sizable chunk of our A&E SBU revenue.

SBU Update

INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU

We are seeing good traction in the infrastructure based annuity deals, as well as in the Medical Devices, Process Manufacturing and Government/ Public Sector business.

THOUGHT LEADERSHIP

- KPIT achieved the Oracle Validated Integration between Oracle's JD Edwards EnterpriseOne 9.1 and Oracle WebCenter 11g Release 1. The KPIT JD Edwards Adaptor for Oracle WebCenter can optimize Oracle's JD Edwards EnterpriseOne Financial Management automation by coupling document capture and imaging technology with advanced workflow capabilities to accelerate document and image-intensive business processes, such as accounts payable and claims processing.
- KPIT showcased its Remote Service Delivery Platform Solution at the UKOUG conference which was well received by the customers and prospects.
- KPIT also participated in Oracle APAC Applications Top Partner summit, and was among top performers in Industry Partner of the Year & Edge Partner of the year categories.
- KPIT showcased Business Intelligence (BI) Analytics and Exalytics Solutions that are being offered through its Exalytics Center of Excellence (CoE) at an exclusive event, as well as jointly conducted an event with Oracle for "Leveraging BI & Analytics for Business Empowerment" demonstrating the Exalytics and Big Data solutions of KPIT.

CUSTOMER HIGHLIGHTS

- For a strategic JDE project on UDI (Unique device Identification) initiative, a fortune 500 medical technologies firm selected KPIT as the consulting and system integration partner.

- Traction in the Indian PSU and Defence sectors continued to grow as KPIT's telematics based Vehicle Tracking systems (VTS) solution was chosen for four key implementations.
- KPIT was selected by a large European energy technology corporation for large multi-year support in the NOC (Network Operations Centre) and FMW (Fusion Middleware) areas.

AUTOMOTIVE & ALLIED ENGINEERING (A&E) SBU

We continue to see increased traction for Autosar & In Vehicle Electronics, Powertrain, Diagnostics, Body Electronics and Instrument Clusters practices.

We are in the process of delivering one of the largest end-to-end productized solutions (about 40M USD TCV) in the area of Telematics. This reiterates the opportunity and the strategy for non-linear revenues

THOUGHT LEADERSHIP

- A paper titled "Ant-Pheromones Based Traffic Congestion Avoidance Strategy" was presented at the 20th ITS World Congress, Tokyo 2013. The ITS World Congress is one of the most reputed conferences and had 20,000 participants including major automotive OEMs and Tier-1 suppliers.
- KPIT participated in the AUTOSAR Day India event held at Pune and presented a paper on "Efficient exchange of safety artefacts in the supply chain of AUTOSAR-based development". We also showcased our AUTOSAR tool which was very well received by the audience.
- KPIT's AUTOSAR solutions were showcased at the 6th AUTOSAR Open Conference held in Munich Germany.
- KPIT presented its latest KIVI platform, Apps-to-Go & K-Connect solutions at the GENIVI All Members Meeting at San Diego. Strengthened Livio partnership by bringing GENIVI SmartDeviceLink into our In-vehicle Infotainment Platform - KIVI to enable smartphone apps to be accessed through a vehicle's voice and touch controls in a safe and non-distracting manner.
- KPIT showcased its On-Bus Intelligent Transportation System at Urban Mobility India Conference and Expo 2013 New Delhi. We launched India's first JnNURM II Complaint, ARAI Certified solution Intelligent Transport System (ITS) at the event.
- KPIT's Diagnostics practice participated in the "VDI - Electronic Systems for Motor Vehicles" conference at BadenBaden, Germany. Our presence at the event served as a good opportunity to understand and validate latest trends in diagnostics area to further our product strategy and expand business relationships.

CUSTOMER HIGHLIGHTS

- A leading Asian Automotive Tier 1 supplier selected KPIT as the partner for an important development and engineering engagement in the AUTOSAR & In Vehicle Networking spaces.
- A North American Automotive Tier 1 supplier selected KPIT as the partner for its key Instrument Clusters program.
- Another Asian Automotive Tier 1 has selected KPIT as the partner for development and engineering engagements in the area of Powertrain

REVOLO update

- We continue to carry out volunteer vehicle trials in India while await the release of government's final declaration of homologation rules.
- We have witnessed positive response in markets outside India, especially South-East Asia for REVOLO and are currently engaging in preliminary discussions for multiple potential opportunities.

SAP SBU

We are seeing good opportunities in the Utilities vertical. During the quarter we bagged 4 major AMS deals in North America to support SAP and other technologies for large customers. SuccessFactors (SF) and Cloud is major area of traction for us. We have closed new SF customers across US and APAC and are implementing SF in many of our key existing accounts. Leveraging our SF presence and certifications, we have become go-to SAP partner for social media analytics and, cloud for customer (sales/service/social) and cloud for finance. There are many in-flight deals, though smaller, these are strategic wedge into larger opportunities

KPIT is one of the only two approved national resellers for SAP Social Media Analytics (key product for broad Customer Intelligence solution packaging)

We have received good mentions in a recent report on selecting SAP Services Partner in by a third party industry analyst firm. The most important areas in which KPIT has been recognized are:

- A preferred MNC service provider for large enterprises
- Recognition as a strong player in the Cloud, Analytics, Mobile, and Social space and as one of the oldest SuccessFactors partners. The report acknowledges that KPIT has invested significantly in new SAP areas and has developed strong solutions such as RDS for HANA and RDS for Mobility
- Recognized as the strongest player in the Utilities space – ahead of several global players as well as Tier 1 SAP service providers.

SAP has emphatically committed to Cloud, HANA, and BI strategy and toward creating significant differentiators in these areas. SAP is growing significantly in the Cloud space in terms of opportunities and number of licenses sold. SAP is expanding its offerings through acquisitions and is looking to make Cloud the cornerstone of its success. At the same time SAP's large competitors are also investing significantly with large acquisitions in the Cloud space

We are seeing a growing influence of business leaders (such as CMOs) in technology investment decisions. In the given economic environment, customers are demanding more for less making customer intimacy and demonstrating ROI key to success. Disruptive opportunities are arising from a combination of IT & Engineering.

We have been awarded two long term AMS contracts. One of the contracts includes complete outsourcing of clients SAP Application Support and Help Desk. The team edged out several large IT services companies to win this opportunity. Our thought leadership, technology expertise and innovative solutions for the Auto Industry set us apart from competition and helped us win a project in SAP BI area. Another win was in Medical devices area in ECC on HANA that helped us get major visibility in the industry and within SAP. We have won our first Suite on HANA (SoH) deal which is one of the first few SoH deals across the world. Our expertise in building credibility with the client based on our understanding and leadership on SoH, helped us win the deal.

CUSTOMER HIGHLIGHTS

We closed CY2013 on a positive note by signing major deals in APAC, Middle East, and North America.

- KPIT leadership's strategy, technology expertise, the innovative options showcased in the Utilities Industry helped us win a strategic deal with leading government Utilities Company. Edging out several large IT services companies, this deal is our biggest win in Middle East region.
- KPIT signed a multimillion dollar deal with a global leader in stored energy solutions, to provide SAP implementation at their North American locations.
- Successfully completed several SuccessFactors implementations and continued to win new deals with large companies globally. Recently, closed a 2.5 million dollar project with the government electricity company in Saudi Arabia.
- Implemented SAP Business Suite on HANA (SoH) at a leading Asian power equipment manufacturer. KPIT is one of the very early implementers of SAP ERP, CRM and Analytics using SAP HANA in India.

BUSINESS TRANSFORMATION UNIT (BTU) SBU

KPIT launched a focused sales campaign for its CEMIX (Cement industry excellence model) performance management solution for the India market. CEMIX is our accelerator built on IBM Cognos TM1 10.1 and BI 10.2 based on our deep experience in the cement industry. CEMIX enables cement companies to do their Budgeting, Planning & Forecasting activities in an efficient manner. This campaign is run in partnership with IBM and CII.

KPIT and RAMCO Systems, have tied up to leverage on each-other's strengths in key geographies globally, offering products in the Human Capital Management (HCM),Enterprise Asset Management (EAM), MRO and others in their ERP Suite, bolstering the same with an impressive Analytics Suite. KPIT's partnership with Ramco will further strengthen its capabilities in delivering cloud enabled solutions to its clients in the Manufacturing and Utilities verticals.

CUSTOMER HIGHLIGHTS

- KPIT expanded its engagement with an Asian manufacturer for the modernization of its Manufacturing Execution Systems.
- KPIT was selected by a large North American hi-tech equipment manufacturer as its business process redesign and engineering partner,

OTHER DETAILS

Recognition

- Shrikant Kulkarni, CIO KPIT, was awarded the Dataquest Editors Choice CIO Excellence Award 2013, in recognition of his significant contribution in leading the high end technology initiatives at KPIT and bringing in profound changes in the IT infrastructure, thereby providing competitive advantage to KPIT business.
- KPIT was awarded the Microsoft customer spotlight recognition award for Reimaging cloud
- VMware awarded the renowned IT excellence - Best Implementation Award to KPIT under Desktop Virtualization category.
- EMC transformers Award 2013, awarded to KPIT technologies at the EMC forum event in Mumbai, for deploying cutting edge technologies and achieving substantial business benefits with high end technology implementation.

Income statement for quarter ended December 31st, 2013 (Revised Format)

INR million	Q3 FY14	Q2 FY14	Q-o-Q Growth	Q3 FY13	Y-o-Y Growth
Sales	**6,779.37**	**7,027.65**	**(3.53%)**	**5,632.97**	**20.35%**
Employee Benefit Expenses	3,470.36	3,429.94	1.18%	2,911.84	19.18%
Depreciation & Amortization Expenses	134.57	148.39	(9.31%)	117.67	14.36%
Other Expenses	1,103.98	1,233.95	(10.53%)	887.88	24.34%
Professional fees Subcontractor	1,170.11	1,283.09	(8.81%)	954.00	22.65%
Total Expenses	**5,879.02**	**6,095.38**	**(3.55%)**	**4,871.38**	**20.68%**
Profit before Other Income, Finance costs & Exceptional Item	**900.35**	**932.28**	**(3.43%)**	**761.59**	**18.22%**
Other Income	17.50	23.14	(24.37%)	76.72	(77.19%)
Profit before Finance costs & exceptional Items	**917.85**	**955.42**	**(3.93%)**	**838.31**	**9.49%**
Finance costs	71.71	66.25	8.25%	38.65	85.55%
Profit after Finance costs & exceptional Items	**846.14**	**889.17**	**(4.84%)**	**799.66**	**5.81%**
Exceptional Items	-	-	-	(94.48)	**-**
Profit Before Tax	**846.14**	**889.17**	**(4.84%)**	**705.18**	**19.99%**
Tax Expenses	238.35	221.82	7.45%	182.59	30.54%
Net Profit from ordinary activities after Tax	**607.79**	**667.35**	**(8.92%)**	**522.59**	**16.30%**
Extraordinary Items	-	-	-	-	-
Net Profit for the Period	**607.79**	**667.35**	**(8.92%)**	**522.59**	**16.30%**
Share of profit from associate	-	-	-	-	-
Minority Interest	-	-	-	18.25	-
PAT	**607.79**	**667.35**	**(8.92%)**	**504.35**	**20.51%**
Paid up Capital	369.81	368.70	0.30%	384.47	(3.81%)
EPS (INR 2/-Face Value each)					
- Basic	3.30	3.62	(8.84%)	2.75	20%
- Fully Diluted	3.06	3.37	(9.19%)	2.66	15.04
Common Size Analysis:					
EBITDA Margin	15.37%	15.49%	(0.12%)	15.66%	(0.29%)
Net Profit Margin	8.97%	9.50%	(0.53%)	8.95%	0.02%

- 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 nine months ended December 31st, 2013 (Revised Format)

INR million	DEC- 13	DEC- 12	Y-o-Y Growth
Sales	**19,939.13**	**16,687.67**	**19.48%**
Employee Benefit Expenses	10,185.85	8,538.87	19.29%
Depreciation & Amortization Expenses	404.65	345.51	17.12%
Other Expenses	3,127.19	2,565.37	21.90%
Professional fees subcontractor	3,544.52	2,954.89	19.95%
Total Expenses	**17,262.22**	**14,404.64**	**19.84%**
Profit before Other Income, Finance costs & Exceptional Item	**2,676.91**	**2,283.03**	**17.25%**
Other Income	99.48	(83.96)	(218.49%)
Profit before Finance costs & exceptional Items	**2,776.39**	**2,199.07**	**26.25%**
Finance costs	194.21	100.62	93.02%
Profit after Finance costs & exceptional Items	**2,582.18**	**2,098.46**	**23.05%**
Exceptional Items	-	(13.05)	-
Profit Before Tax	**2,582.18**	**2,085.41**	**23.82%**
Tax Expenses	705.66	558.83	26.27%
Net Profit from ordinary activities after Tax	**1,876.52**	**1,526.57**	**22.92%**
Extraordinary Items	-	-	-
Net Profit for the Period	**1,876.52**	**1,526.57**	**22.92%**
Share of profit from associate	-	(5.43)	-
Minority Interest	-	42.76	-
PAT	**1,876.52**	**1,478.38**	**26.93%**
Paid up Capital	369.81	384.47	(3.81%)
EPS (INR 2/-Face Value each)	-		
- Basic	10.03	8.21	22.17%
- Fully Diluted	9.47	7.98	18.67%
Common Size Analysis:			
EBITDA Margin	15.56%	15.82%	(0.26%)
Net Profit Margin	9.41%	8.86%	0.55%

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Income statement for quarter ended December 31st, 2013 (Old Format)

INR million	Q3 FY14	Q2 FY14	Q-o-Q Growth	Q3 FY13	Y-o-Y Growth
Sales	**6,779.37**	**7,027.65**	**(3.53%)**	**5,632.97**	**20.35%**
Software Development Expenses	4,554.58	4,665.04	(2.37%)	3,706.30	22.89%
Gross Profit	**2,224.79**	**2,362.61**	**(5.83%)**	**1,926.67**	**15.47%**
Selling & Marketing Expenses	594.42	437.42	35.89%	419.13	41.82%
General & Admin Expenses	588.16	836.90	(29.72%)	625.39	(5.95%)
EBITDA	**1,042.21**	**1,088.29**	**(4.23%)**	**882.16**	**18.14%**
Interest	79.01	73.78	7.09%	41.54	90.20%
Depreciation	134.57	148.39	(9.31%)	117.67	14.36%
Profit After Depn. & Interest	**828.63**	**866.11**	**(4.33%)**	**722.95**	**14.62%**
Other Income	17.50	23.14	(24.37%)	76.72	(77.19%)
Exceptional Item	-	-	-	(94.48)	**-**
Profit Before Tax	**846.13**	**889.17**	**(4.84%)**	**705.19**	**19.99%**
Provision for Taxation	238.35	221.82	7.45%	182.59	30.54%
Profit After Tax	**607.78**	**667.35**	**(8.92%)**	**522.60**	**16.30%**
Minority Interest	-	-	-	18.25	-
Share of profit from associate	-	-	-	-	-
Net Profit for the period	**607.78**	**667.35**	**(8.92%)**	**504.35**	**20.51%**
Paid up Capital	369.81	368.70	0.30%	384.47	(3.81%)
EPS (INR 2/-Face Value each)					
- Basic	3.30	3.62	(8.84%)	2.75	20.00%
- Fully Diluted	3.06	3.37	(9.19%)	2.66	15.04%
Common Size Analysis:					
Gross Profit Margin	32.82%	33.62%	(0.80%)	34.20%	(1.39%)
Sales & Marketing Exp/ Revenue	8.77%	6.22%	2.54%	7.44%	1.33%
General & Admin Exp/ Revenue	8.68%	11.91%	(3.23%)	11.10%	(2.43%)
EBITDA Margin	15.37%	15.49%	(0.11%)	15.66%	(0.29%)
Net Profit Margin	8.97%	9.50%	(0.53%)	8.95%	0.01%

- 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 December 31st, 2013

	Q3 FY14	Q2 FY14	Q-o-Q Growth	Q3 FY13	Y-o-Y Growth
Revenue Spread – Geography					
USA	72.64%	71.87%	(2.50%)	75.05%	16.51%
Europe	15.36%	13.76%	7.70%	13.63%	35.68%
Rest of World	12.00%	14.37%	(19.44%)	11.33%	27.49%
Revenue Spread – Verticals					
Automotive & Transportation	36.37%	36.08%	(2.77%)	40.25%	8.74%
Manufacturing	38.91%	39.65%	(5.33%)	33.88%	38.21%
Energy & Utilities	15.05%	13.60%	6.75%	14.22%	27.45%
Others	9.67%	10.66%	(12.49%)	11.65%	(0.01%)
Revenue Spread – by SBU*					
Integrated Enterprise Solutions	40.45%	39.46%	(1.11%)	35.59%	36.79%
Auto & Engineering	25.28%	24.20%	0.81%	23.37%	30.24%
SAP	23.67%	25.35%	(9.92%)	29.16%	(2.29%)
Business Transformation Unit	10.60%	11.00%	(7.02%)	11.88%	7.36%
Customer details					
No. of Customers Added	3	3	-	2	-
No. of Active Customers	195	192	-	178	-
Customers with run rate of >$1Mn	78	78	-	72	-
Top Client – Cummins	17.91%	16.50%	4.68%	19.11%	12.79%
Top 5 Clients	38.15%	38.00%	(3.14%)	36.82%	24.72%
Top 10 Clients	47.59%	46.31%	(0.85%)	45.30%	26.46%
Onsite / Offshore Split					
Onsite Revenues	52.81%	54.64%	-6.75%	54.70%	16.20%
Offshore Revenue	47.19%	45.36%	0.34%	45.30%	25.36%
Revenue by Contract Type					
Time and Material Basis	75.62%	76.36%	(4.46%)	70.10%	29.85%
Fixed Price / Time Basis	24.38%	23.64%	(0.52%)	29.90%	(1.87%)
Debtors (days)	76	75		70	

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

Human Resources – Details	Q3 FY14	Q2 FY14	Q-o-Q Growth	Q3 FY13	Y-o-Y Growth
Development Team – Onsite (Avg)	1,274	1,243	-	1,148	-
Development Team - Offshore(Avg)	6,987	6,708	-	6,364	-
Onsite FTE	1,123	1,148	-2.22%	1,066	5.34%
Offshore FTE	4,985	4,888	1.97%	4,637	7.48%
Total FTE	6,107	6,036	1.17%	5,703	7.08%
Development (at Quarter end)	8,430	8,122	-	7,616	-
Gen Management / Support (at Quarter end)	554	548	-	538	-
Marketing (Subsidiaries) (at Quarter end)	152	146	-	132	-
Total (at Quarter end)	9,136	8,816	-	8,286	-
Onsite utilization	88.12%	92.37%	-	92.83%	-
Offshore utilization	71.34%	72.87%	-	72.87%	-

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.

Forex Hedging instruments 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 Q2 FY14 end.

Total Outstanding Hedges:

- Total amount of USD hedges as on 31st December 2013: $ 19.55 million
  These hedges are maturing in FY14 and average rate for these hedges is INR 53.45

Balance sheet details

- The Cash Balance as at December 31, 2013 stood at INR 4,458.94 Million as compared to INR 4,525.65 Million as on Sept 30, 2013.
- Capital expenditure for the quarter stood at INR 126.45 Million including CWIP.
- During the quarter the last payment for CPG was done amounting to INR 269.7 Million
- As on December 31, 2013 our total debt was INR 5,119.83 Million (INR 4,950 Million as of Sept 30, 2013) comprising of INR 2,009.69 Million of Term Loan, INR 3,110.14 Million of Working Capital Loan.

Balance Sheet Summary: As at (INR million)	Dec 31, 2013	Sep 30, 2013
Equity & Liabilities:		
Shareholders' Funds	12,002.59	11,292.53
Share Application Money pending allotment	-	4.90
Minority Interest	-	-
Non-Current Liabilities:	1,556.32	1,825.28
Long Term Borrowings	1,347.99	1,615.76
Deferred Tax Liabilities	-	-
Other Long Term Liabilities	142.45	-
Long Term Provisions	208.33	209.53
Current Liabilities:	6,704.00	6,845.98
Short term borrowings	2,952.86	2,919.15
Trade Payables	1,020.64	1,152.80
Other Current Liabilities	2,730.50	2,774.03
Total Equity & Liabilities	**20,262.91**	**19,968.69**
Assets:		
Non-Current Assets:	9,267.47	8,920.20
Fixed Assets	2,155.40	2,163.51
Goodwill on consolidation	5,983.73	5,735.77
Other Non-Current Assets	1128.34	1,020.92
Current Assets:	10,995.44	11,048.48
Current Investments	1,772.15	1,849.40
Trade Receivables	5,064.59	4,965.98
Cash & Cash equivalents	2,531.95	2,663.70
Other Current Assets	1,626.75	1,569.40
Total Assets	**20,262.91**	**19,968.69**

Conference Call Details

Conference name	:	KPIT Cummins Q3 FY2014 Conference Call
Date	:	January 23, 2014
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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