



July 26, 2019

Investor Update Q1FY20



KPIT



Performance Overview

- Q1FY20

Q1FY20 Performance Overview



Q1FY20 Y-o-Y* CC growth of 19.3%, 16.5% in USD Terms



Q1FY20 Q-o-Q comparable growth of 5.03% in USD Terms



EBITDA for Q1FY20 at 14.6%



Net Cash as at Q1FY20 end stood at INR 1,810 Million

Management Quotes



Commenting on the performance of Q1 FY20, Ravi Pandit, Co-founder, Chairman and Group CEO, KPIT said,” Software growth in Automotive and Mobility will comprehensively outpace the vehicle sales growth in the coming years. The mobility world is embracing software faster than ever before and we believe, we have an exciting and larger role in the mobility ecosystem, in the coming years”.



Kishor Patil, Co-founder, CEO and MD, KPIT said,” We have started the new year on a positive note with industry leading revenue growth and improved profitability. We continue to sharpen the focus on our verticals and practices. We remain committed to growth and profitability improvement and are confident of maintaining the momentum for the remainder of the year”.



Sachin Tikekar, President and Whole-time Director, KPIT said,” We experienced greater traction in our strategic accounts with more than 90% of the growth driven by these accounts. We continue to invest in new technologies and Global Development Centers to address the numerous opportunities of growth in our focus areas of Automotive and Mobility”.

Q1FY20 Additional Fast Facts

1. **Q1FY20 Q-o-Q comparable growth of 5.03%. Reported revenue of USD 72.75 Million against comparable revenue of USD 69.27 Million last quarter. (Last quarter comparable revenue = Reported Revenue of USD 71.05 minus hardware product (ITS/VTs) revenue of USD 1.78 Million)**
2. **Q1FY20 INR/USD realized average rate 69.52 against last quarter rate of 70.55.**
3. **IND AS 116 positive impact of 1.4%, Rupee appreciation negative impact of 0.4%, on EBITDA**
4. **Reported EBITDA of 14.6% for Q1FY20 as against 12.8% reported for Q4FY19**
5. **Q1FY20 PAT stood at INR 307 Million as against INR 301 Million last quarter after absorbing a net negative impact of INR 75 Million due to exceptional items.**
6. **As at end of Q1FY20, Net Cash stood at INR 1,810 Million as compared to INR 900 Million as at the end of last quarter. Gross Cash stood at INR 3,338 Million**
7. **DSO as at the quarter-end came down to 82 days from 87 days last quarter**

Cash Flow – Major Movement

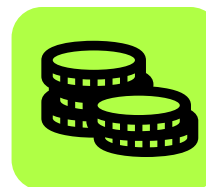


Cash Profit – 545

Decrease in Working Capital – 667

Capex – 230

Translation and other changes – 94



Q-o-Q Increase in Net Cash of INR 910 Million

NET CASH	Q1FY20	Q4FY19
Gross Cash	3,338	2,207
Long Term Debt	687	689
Short Term Debt	841	618
NET CASH	1,810	900

Cash and Cash Equivalents break-up	INR Mln.
India	544
US	962
Europe	1,370
Asia (excl. India)	462
TOTAL	3,338



FCF/EBITDA – 122%

Exceptional Items in Q1FY20

During the quarter we sold our existing hardware dominated business pertaining to ITS and AIS 140/VTS, to Minda Industries Ltd. The upfront consideration received for the same is INR 170 Million which is recorded as income under exceptional items.

During the quarter we paid USD 2.8 Million (INR 195 Million) to Birlasoft towards the settlement for Copart case. Sparta (a 100% subsidiary of Birlasoft) paid the amount to reach an out-of-the court settlement with Copart and the pending case is now dismissed by the court. This is reflected as expense under exceptional items. **There is no further exposure on Copart for KPIT and Birlasoft and there is no other customer-specific indemnity given by KPIT to Birlasoft**


The marked-to-market loss on the shares of Birlasoft held by the KPIT Employee Welfare Trust (which is consolidated into KPIT) stood at INR 46 Million (Q1FY20 end Market price of INR 86.30 vs Q4FY19 end Market price of INR 98.65)

IND AS 116 Impact

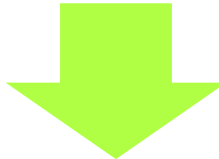


As required under the accounting standards, we adopted IND AS 116 during the quarter per which the operating leases are to be classified as financial leases. The adoption of the same resulted in the following:

PROFIT & LOSS IMPACT



Depreciation INR 51 Million
Finance Cost INR 22 Million




Rent (Other Expenses) INR 69 Million



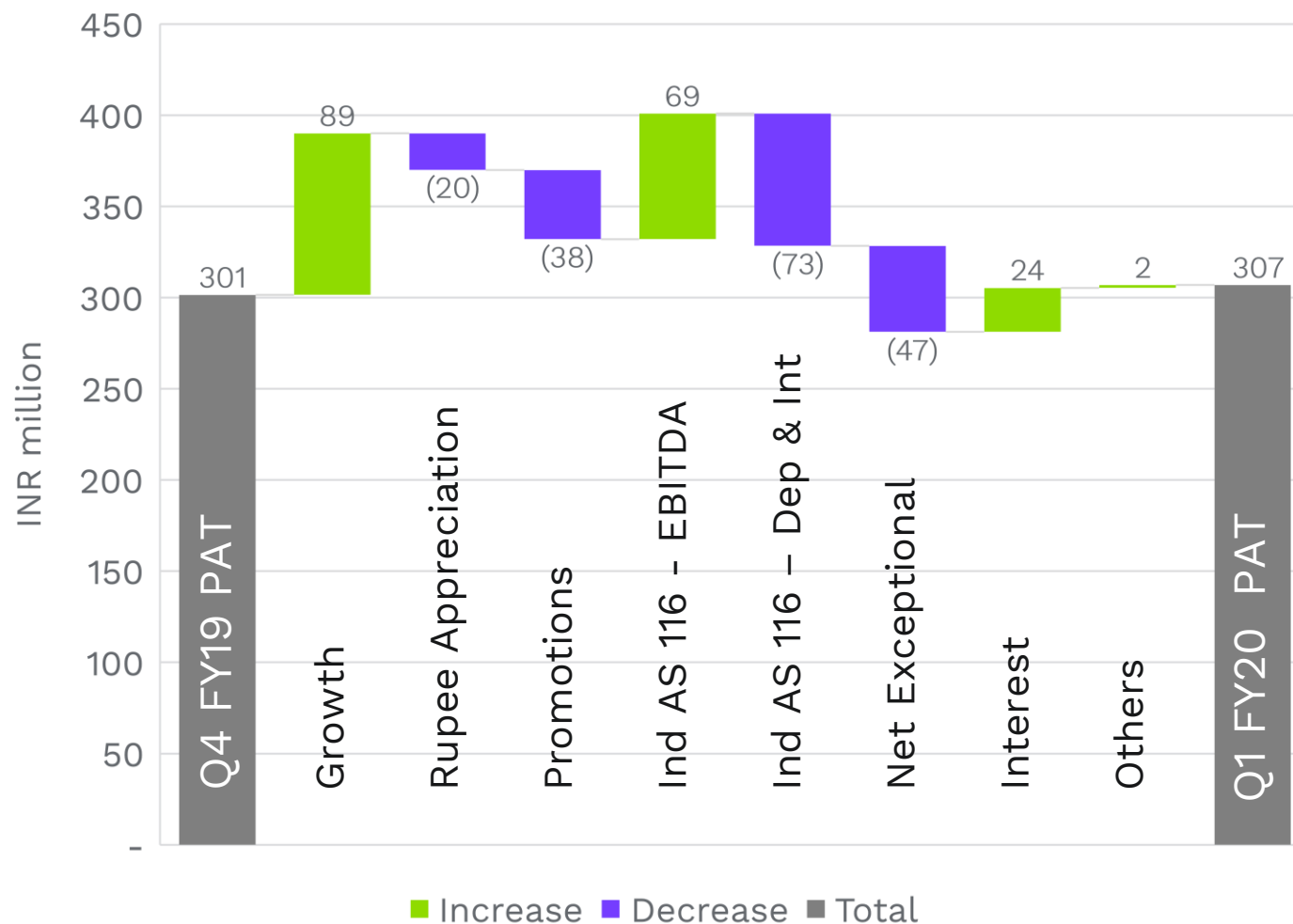
Net Impact of negative INR 4 Million on PAT

BALANCE SHEET IMPACT



Fixed Assets INR 847 Million
Lease Liabilities INR 1,063 Million

Movement in Profit – Q4FY19 to Q1FY20



Rupee appreciation negatively impacted EBITDA by 0.4%,

Operating lease Reclassification Ind AS 116 - resulting in EBITDA improvement by 1.4% & negative impact on PAT by INR 4 million

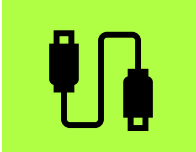
Exceptional items for the quarters

- Income on H/W business transfer to Minda INR 170 million
- Payment to Copart for settlement INR 195 million
- Net Loss on Investment in Birlasoft Shares INR 46 million (Jun 19 market price 86.30 against Mar 19 98.65 market price)

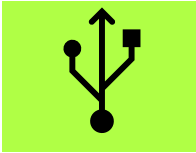
Major Deal Wins



A leading European Premier Car Manufacturer selected KPIT for a large multi year project in the powertrain domain



A leading American Tier I Supplier selected KPIT for a large multi year license plus services project in the diagnostics domain



A leading European Tier I Supplier selected KPIT for a large multi year project in the AUTOSAR domain



A leading American OEM selected KPIT for a multi year project in the Connected Vehicle Program



A leading European Commercial Vehicle manufacturer selected KPIT for a large project in Diagnostics consulting



Automotive and Mobility Industry Trends

The Mega Trends

C ONNECTED

A UTONOMOUS

S HARED MOBILITY

E LECTRIFICATION

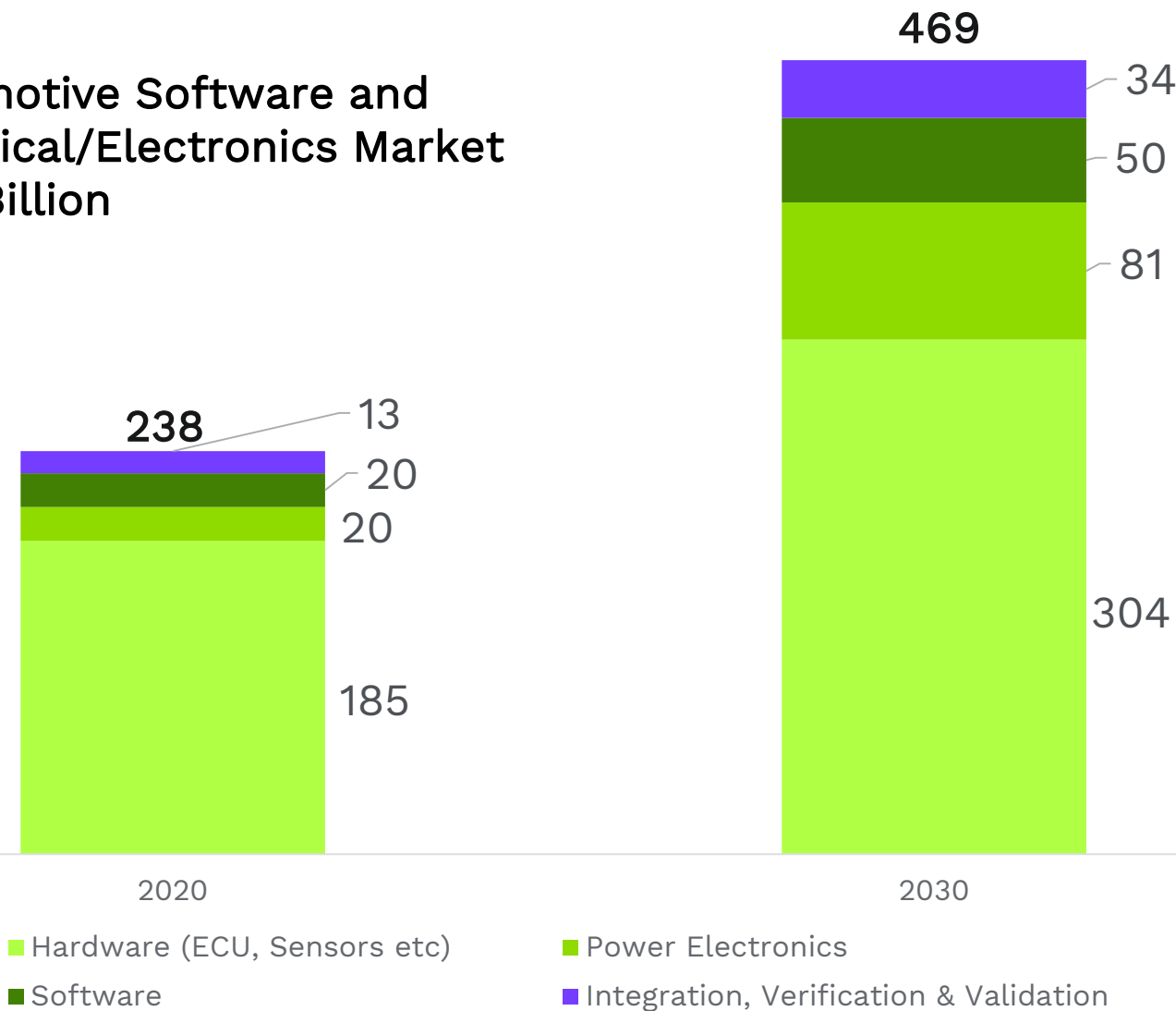


These 4 mega trends are not only disrupting the traditional automotive value chain but also are believed to be the biggest growth drivers for the Automotive Software Market between 2020 and 2030.

Driven by these trends, in the next decade, the automotive industry will experience change of a magnitude not witnessed in the last 100 years

Software and Electronics to outgrow the automotive sales

Automotive Software and Electrical/Electronics Market
USD Billion

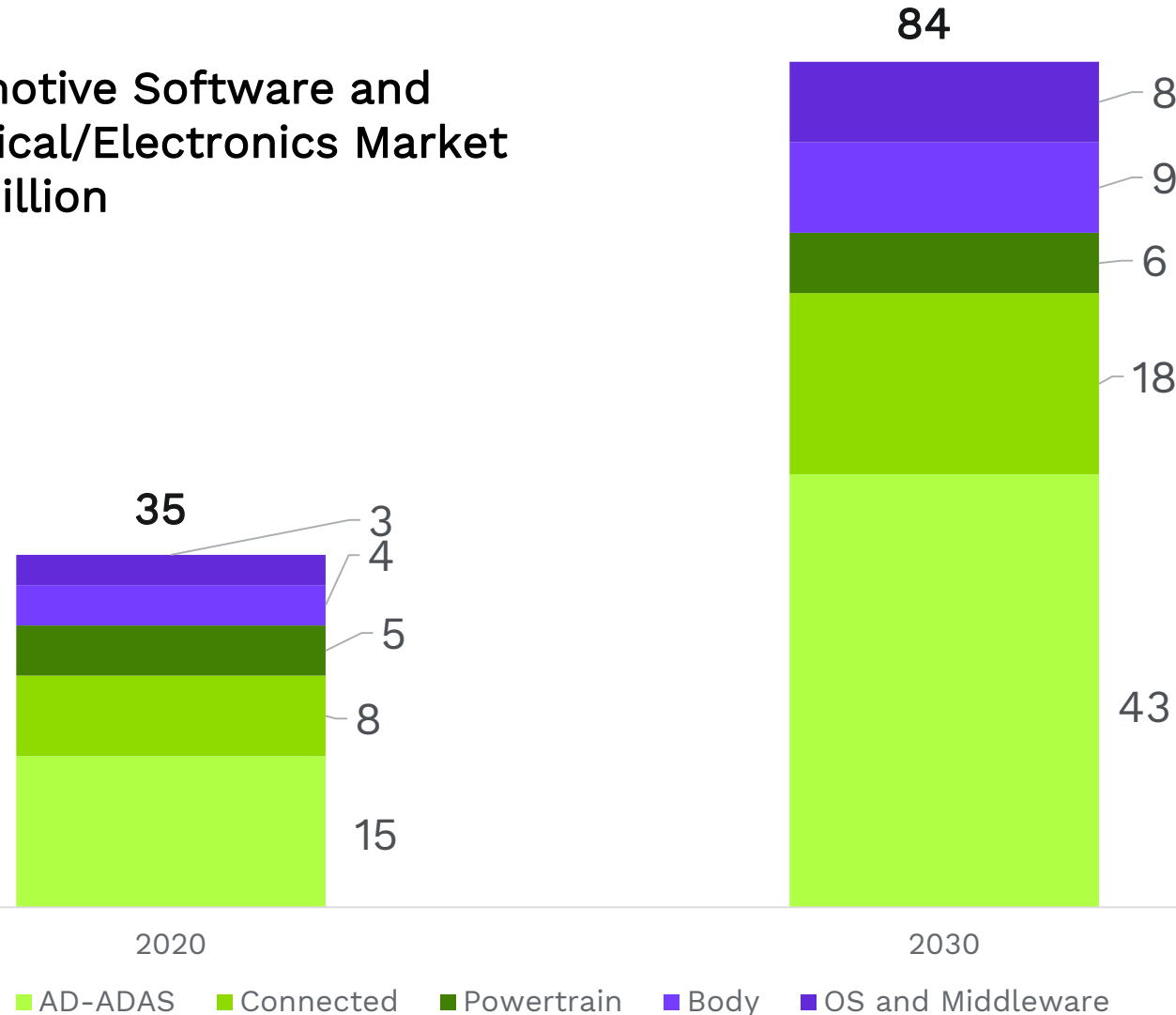


Components	CAGR (2020-30)
Power Electronics (excl. Battery Cells)	15%
Software (functions, OS, Middleware)	9%
Integration, Verification and Validation	10%
Hardware (ECUs/DCUs, Sensors, others)	5%

Automotive Sales (USD Billion)	
2020	2030
2,755	3,800
Auto Sales CAGR 2020-30 : 3%	
KPIT Relevant CAGR : 11.5%	

Software Growth to be driven by these domains

Automotive Software and Electrical/Electronics Market
USD Billion

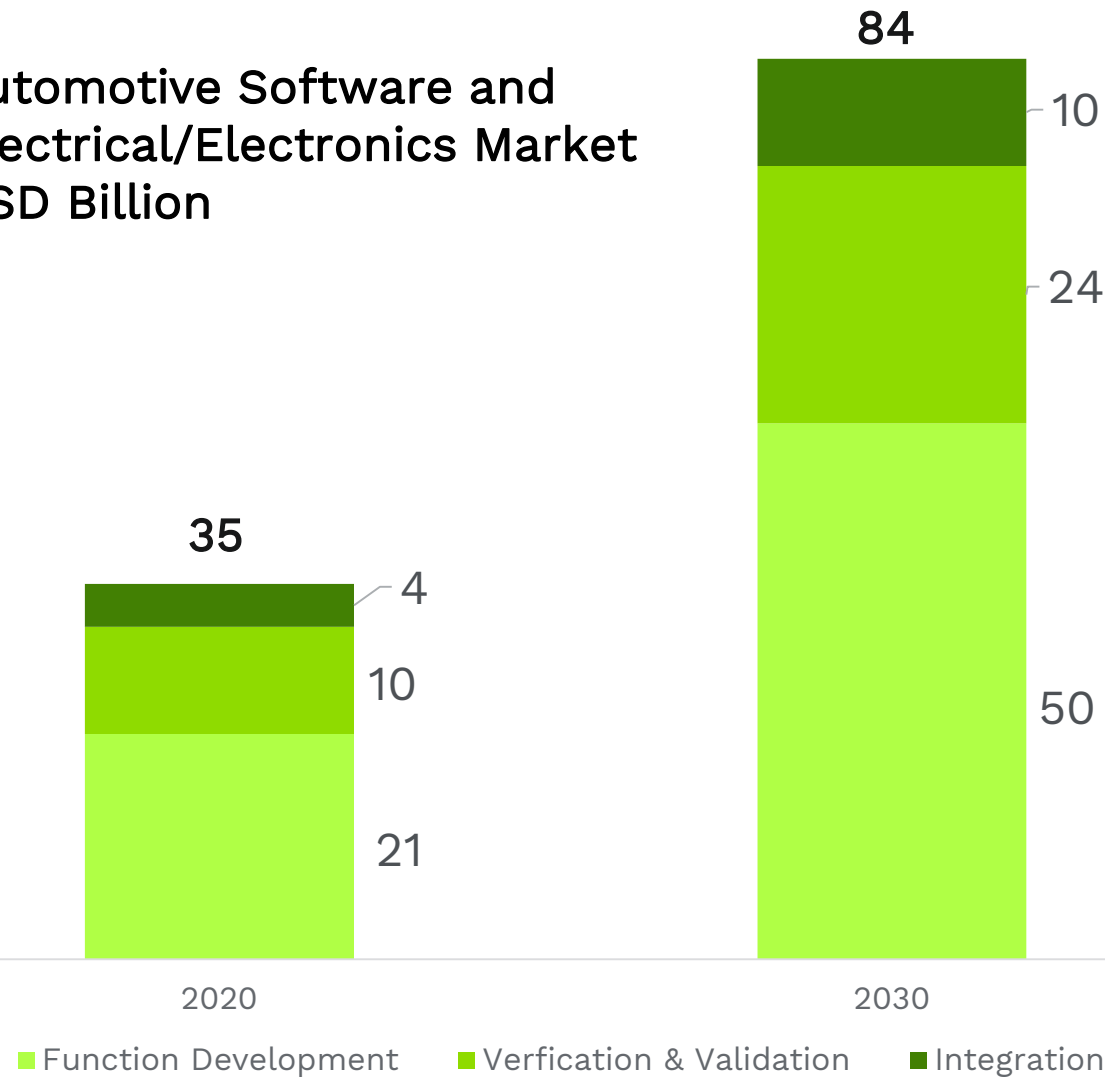


Components	CAGR (2020-30)
AD-ADAS	11%
Infotainment	9%
Powertrain*	1%
Body	10%
OS and Middleware	11%
TOTAL	9%

* This is the Net of Growth in Electric Powertrain and traditional powertrain

Software growth to be driven by these stages

Automotive Software and Electrical/Electronics Market
USD Billion



Components	CAGR (2020-30)
Function Development	10%
Verification & Validation	10%
Integration	9%
TOTAL	9%

3 major drivers for strong growth in S/w

- 1 Increase in S/w complexity driven by CASE trends
- 2 Customization effort for integrating functions in growing number of platforms
- 3 Increase in labor costs for S/w developers

These Disruptive Trends to impact Industry Value Chain

1

New Technologies are changing the equations between OEMs and traditional suppliers



S/w capabilities required now do not exist at sufficient levels in traditional sourcing. This creates huge opportunities for new entrants (s/w companies) with domain capabilities

2

Separation of Hardware and Software is leading to new sourcing models



Pure S/w players with the right domain expertise and proven delivery expertise are benefitting from this separation

3

New OEMs are entering the traditional playing field in automotive, expanding the scope



New Players are emerging, especially in the EV and AD domains



**KPIT is ready and
equipped to capture the
high software growth in
Automotive & Mobility**

- Quick Capability Overview

Reimagining mobility with you for creation of a cleaner, smarter & safer world

- — Sharp Focus on Automotive and Mobility
 - — More than 2 decades of work in embedded software for automotive
 - — Focused Investments in technology

Several Million

Vehicles use KPIT
software

300+

Vehicle production
Programs

12

Out of the top 15 Car OEMs
as customers

10+

Customers for more than
a decade

Reimagining mobility with sharper focus on verticals



Passenger
Cars



Commercial
Vehicles



New
Mobility

Reimagining software technology, driving the future of mobility



Autonomous Driving



Connected Vehicles



Powertrain (Electric+
Conventional)



AUTOSAR



Mechatronics



Vehicle Diagnostics

We are ready



6800+

Automobelievers



20+

Nationalities



20%

Masters & PHD holders



25

Innovation Awards



51

Global Patents



4% - 5%

of Revenue spent on R&D

KPIT





Other Updates

- Quick Overview

Geography Update

EUROPE	US	ASIA
<p>OEMs increasingly taking control of software</p> <p>Spend on Electric, Connectivity and Autonomous rising</p>	<p>New OEMs (EVs) & added Ecosystem Partnerships</p> <p>Spend on Connectivity, AD, Diagnostics & AUTOSAR rising</p>	<p>OEMs increasing spend on AD, Electric and AUTOSAR.</p> <p>OEMs investing in future technologies & platforms.</p>
<p>Investing in creating newer platforms & deepening expertise in AD</p> <p>Sales focus on joint OEM Programs and large programs</p> <p>Concentrating on Strategic Accounts and pursuing CV vertical in focus practice area</p>	<p>Positioned as solutions provider with scalability to leverage OEMs sourcing s/w independently</p> <p>Continue to focus on Strategic Accounts</p> <p>Increased hiring focus for specific skills and reduced H1B dependence with regional development centers</p>	<p>Investing in new hiring for Sales and Program Management</p> <p>Continue to concentrate on Strategic Accounts where the traction is very good.</p> <p>Strong focus on people development and domain specific training</p>

Technology Update



We filed 3 patents during the quarter, 2 with complete specifications in the AD-ADAS domains and 1 with provisional specifications in the Fuel Cell domain.



2 Patents were granted to us during the quarter, 1 in the ADAS domain and 1 in the Hybrid domain



As of end of the quarter, the total patents granted to us stood at 51 (a patent granted in 2 geographies is counted as 2 patents granted)

- Most OEMs are firming up plans for AD and making related announcements
- OEMs continuing to increase control over s/w components for vehicle infotainment and e-cockpit
- Initial interest and traction from commercial vehicles in autonomous driving and ADAS

KPIT has won 'Supplier of the Year – Engineering Partner' award for the year 2018 from a leading Tier-1.

KPIT was conferred with 'Excellent Partner' award from another Tier I for its commitment, technology solutions and contribution towards customer's vision of creating next generation infotainment products



Financial and Operational Data

- Snapshot

Profit & Loss Account Snapshot

INR MN

DETAILS	Q1FY20	Q4FY19
Revenue from Operations	5,057.51	5,012.68
Other Income	14.56	36.39
Change in FMV of Investments	-	319.01
Total Income	5,072.07	5,368.08
Operating Expenses	4,365.24	4,397.16
EBITDA	738.71	639.30
Depreciation	238.23	186.86
EBIT	500.48	452.44
Finance Costs	45.81	48.05
Profit Before Exceptional Items	422.79	736.01
Exceptional items	(24.66)	(342.91)
PBT	398.13	393.10
Tax	88.02	83.27
PAT	310.11	309.83
Profit Attributable to owners of company	306.89	301.49
Profit Attributable to non-controlling interest	3.22	8.34

This includes loss on account of change in FMV of Birlasoft Shares investment by KPIT Employee Welfare Trust of INR 46.44 Million which is excluded in EBITDA computation

This includes forex loss of INR 23.78 Million which is excluded in EBITDA computation

Balance Sheet Snapshot

INR MN

ASSETS	Q1FY20	Q4FY19
<u>NON-CURRENT ASSETS</u>		
Property, Plant & Equipment	2,200.53	2,568.33
Right-of-use Assets	1,234.94	-
Other Tangible Assets	22.00	1.00
Goodwill & Other Intangibles	1,635.80	1,629.44
Other Non-Current Assets	394.30	241.72
TOTAL NON-CURRENT	5,487.57	4,440.49
<u>CURRENT ASSETS</u>		
Inventories	174.95	179.94
Cash and Cash Equivalents	3,338.45	2,206.60
Trade Receivables	4,850.08	5,920.04
Other Current Assets	3,457.61	3,994.48
TOTAL CURRENT	11,821.09	12,301.06
TOTAL ASSETS	17,308.66	16,741.55

EQUITY & LIABILITIES	Q1FY20	Q4FY19
Equity Share Capital	2,685.02	2,685.02
Other Equity	6,975.77	6,910.55
Equity attributable to owners	9,660.79	9,595.57
Non-controlling interests	35.70	39.09
TOTAL EQUITY	9,696.49	9,634.66
<u>NON-CURRENT LIABILITIES</u>		
Borrowings	359.01	357.84
Lease Liabilities	865.83	-
Other Non-Current Liabilities	336.84	339.97
TOTAL NON-CURRENT	1,561.68	697.81
<u>CURRENT LIABILITIES</u>		
Borrowings	1,169.00	949.22
Trade Payables	1,243.04	1,123.09
Lease Liabilities	197.21	-
Others	3,441.24	4,336.77
TOTAL CURRENT	6,050.49	6,409.08
TOTAL EQUITY AND LIABILITIES	17,308.66	16,741.55

Revenue Break-up

USD MN

Geography	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
US	30.29	28.43	26.39	6.6%	14.8%
Europe	27.00	23.81	20.32	13.4%	32.9%
Asia	15.45	18.82	15.75	(17.9)%	(1.9)%
TOTAL	72.75	71.05	62.46	2.4%	16.5%

Verticals	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
Passenger Cars	52.89	52.64	45.8	0.47%	15.47%
Commercial Vehicles	17.63	16.17	14.42	9.04%	22.30%
New Mobility	0.53	0.93	0.79	(42.6)%	(32.5)%
Others	1.69	1.31	1.45	29.4%	17.2%
TOTAL	72.75	71.05	62.46	2.4%	16.5%

Practices	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
Powertrain	25.10	22.35	20.47	12.30%	22.64%
AD-ADAS	15.58	13.69	8.15	13.79%	91.19%
Connected Vehicle	10.91	10.60	14.12	2.92%	(22.74)%
Others	21.16	24.41	19.72	(13.30)%	7.31%

P&L Metrics

	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
Revenue by Contract Type					
Time & Material Basis	48.6%	52.0%	60.2%	(4.3)%	(6.0)%
Fixed Price Basis	51.4%	48.0%	39.8%	9.7%	50.4%
Customers					
Strategic T25 Customer Revenue	81.2%	76.4%	76.1%	8.9%	24.4%
Active Customers	60	60			
Revenue per Devp. Employee USD	45,575.6	45,090.5	-		
EBITDA Margin	14.6%	12.8%	-		
EBIT Margin	9.9%	9.0%	-		
PAT Margin	6.1%	6.0%	-		
Effective Tax Rate	22.1%	21.2%	-		
EPS (Basic)	1.14	1.12			
EPS (Diluted)	1.14	1.12	-		

Currency wise revenues, Hedging Details

Currency wise revenue	Q1FY20	Q4FY19	Q1FY19
USD	41.8%	43.1%	44.2%
EUR	29.2%	23.0%	20.9%
GBP	7.5%	9.4%	9.8%
JPY	12.0%	13.8%	14.6%
INR	6.5%	7.6%	7.8%
Others	2.9%	3.1%	2.7%

Hedge Details	Q1FY20
Hedge Rates	
USD/INR	70.78
EUR/INR	80.30
GBP/INR	91.39
Hedge Amounts(Mn)	
USD/INR	16.0
EUR/INR	4.6
GBP/INR	3.5

Headcount Data

Period End Headcount	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
Development	6,385	6,303	-	-	-
Enabling & Sales	506*	311	-	-	-
Total	6,891*	6,614	-	-	-

- Some people from enabling functions like Finance, HR, recruitment etc. are dedicated to practices and were included as development team earlier. They have been now re-classified as enabling functions' headcount.
- Post the merger and demerger the internal systems team was deployed to Birlasoft for a certain time frame and the same has now been transferred back to KPIT. These people are included in the enabling and sales team.

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 us

- Contact

Conference Call Details

Conference name	: KPIT Technologies Q1 FY2020 Post Earnings Conference Call
Date	: Monday July 29, 2019
Time	: 1600 Hrs.
Participants	: Mr. Kishor Patil, Co-founder, CEO & MD Mr. Sachin Tikekar, President & Board Member Mr. Vinit Teredesai, CFO Mr. Sunil Phansalkar, AVP & Head-IR

Dial-in Numbers for all participants

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About KPIT Technologies

KPIT (BSE: 542651; NSE: KPITTECH), is a global technology company providing software solutions that help mobility companies leapfrog towards autonomous, clean, smart and connected future. With 6800+ *Automobelievers* across the globe, specializing in embedded software, AI & Digital solutions, KPIT enables customers accelerate implementation of next generation mobility technologies. For more information, visit <http://www.kpit.com>

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Thank You