



October 23, 2019

Investor Update Q2FY20



KPIT Technologies Ltd.

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



Performance Overview

- Q2FY20

Q2FY20 Performance Overview

KPIT continues the high growth trajectory with a CC Revenue growth of 17.0% Y-o-Y in Q2FY20



Q2FY20 Q-o-Q growth of 7.0% in CC terms, 6.2% in USD Terms



Q2FY20 Net Profit growth of 17% Q-o-Q



Q2FY20 Y-o-Y revenue growth of 15.2% in USD Terms



Net Cash as at Q2FY20 end stood at INR 2,041 Million post dividend payout of INR 244 Million during the quarter

Management Quotes



Kishor Patil, Co-founder, CEO and MD, KPIT said,” We continue to experience robust growth and have yet again delivered industry leading y-o-y growth of 17% in CC terms for Q2FY20. We continue to focus on high growth and profitability. We are building a technology company that is reimagining the world of mobility by building and integrating software platforms and solutions for a cleaner, safer and smarter world”.



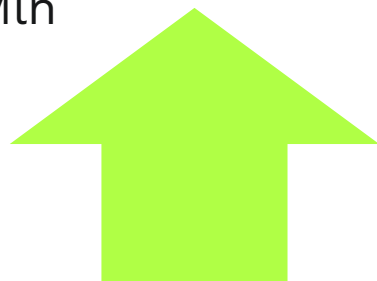
Sachin Tikekar, President and Whole-time Director, KPIT said,” Our Strategic Accounts continue to lead growth across geographies and registered a 10%+ sequential growth in Q2FY20. Our above average increments, coupled with deep employee engagement and hearty growth opportunities, have helped us reduce attrition significantly. We remain committed to continuous improvement in all operating parameters”.

Q2FY20 Additional Fast Facts

1. Q2FY20 reported revenue of USD 77.23 Million against USD 72.75 Million last quarter.
2. As at end of Q2FY20, Net Cash stood at INR 2,041 Million as compared to INR 1,810 Million last quarter. Gross Debt was down by INR 647 Million and stood at INR 881 Million from INR 1,528 Million last quarter.
3. DSO as at the quarter-end came down to 67 days from 82 days last quarter
4. Q2FY20 PAT stood at INR 359 Million as against INR 307 Million last quarter
5. Industry leading wage hikes effected during the quarter, gross impact of 3.1% on EBITDA margins
6. Reported EBITDA of 13.4% for Q2FY20 as against 14.6% reported for Q1FY20

Cash Flow – Major Movement

INR Mln



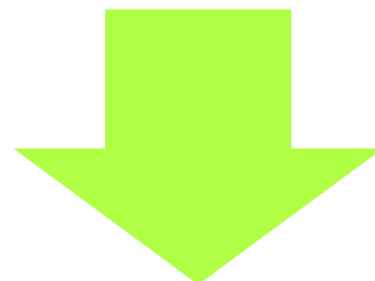
Cash Profit – 624

Decrease in Working Capital – 131

Capex – 277

Dividend – 244

Loans repaid – 647



Cash and Cash Equivalents
break-up

INR Mln

In Investment Accounts

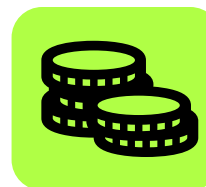
1,568

In Operating Accounts

1,354

TOTAL

2,922



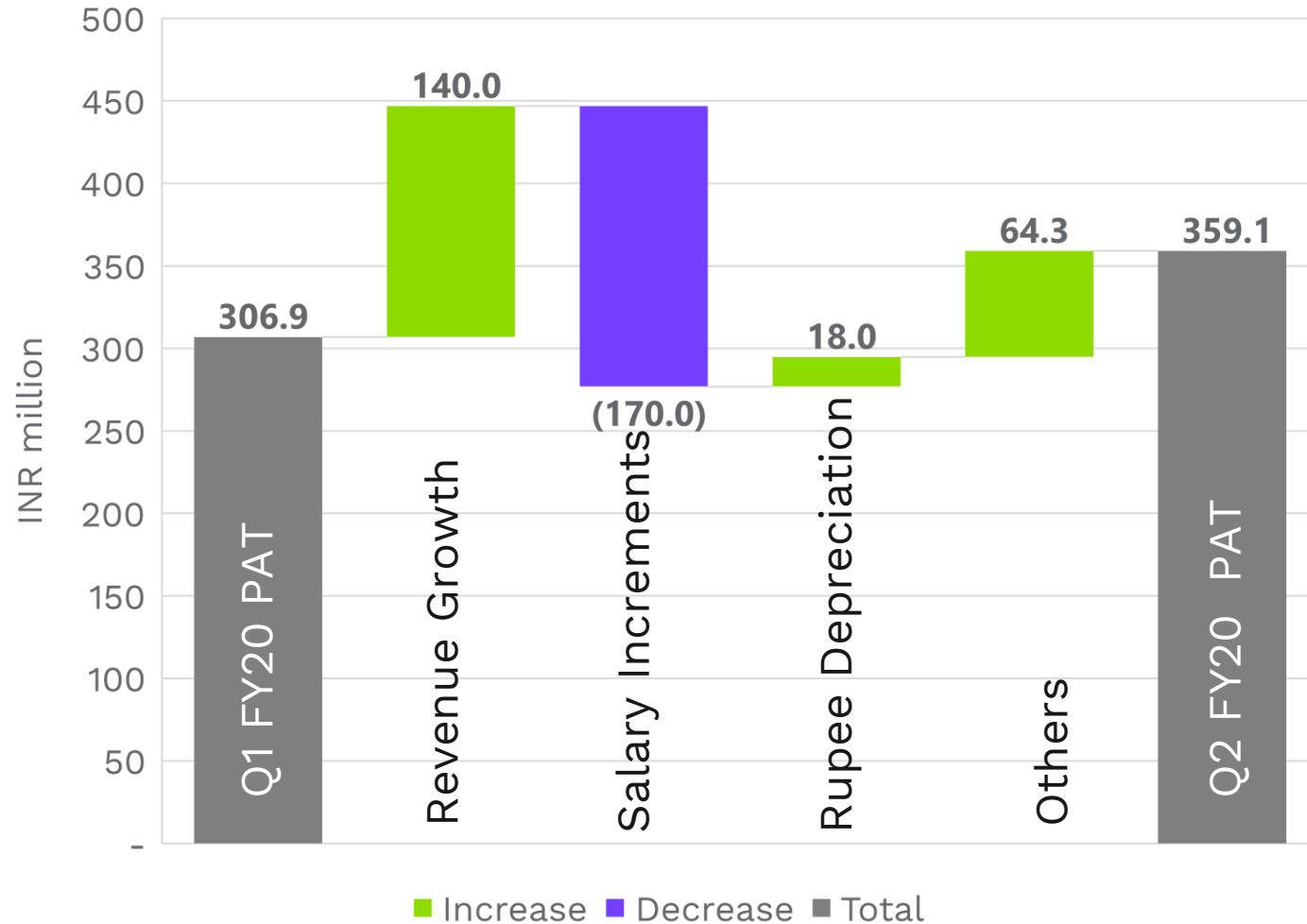
Q-o-Q Increase in Net Cash of INR 231 Million

NET CASH (INR Mln)	Q2FY20	Q1FY20
Gross Cash	2,922	3,338
Long Term Debt	528	687
Short Term Debt	353	841
NET CASH	2,041	1,810



FCF/EBITDA – 65%

Movement in Profit – Q1FY20 to Q2FY20



Rupee depreciation positively impacted EBITDA by 0.3%,

Wage hikes were effected during the quarter which had a gross negative impact of 3.1% on EBITDA

Strong revenue growth helped leverage fixed costs and improve operational efficiencies, thus improving the EBITDA by 1.6%

Exceptional items for the quarters

- Income on Defence related H/W business transfer (net of expenses) INR 38 million
- Net Loss on Investment in Birlasoft Shares INR 63.5 million (Sept 19 market price INR 69.25 & Jun 19 market price of INR 86.30)

Major Exceptional Items in Q2FY20

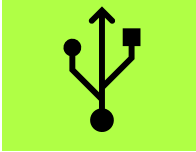
During the quarter we sold our existing hardware dominated business pertaining to Defense sector, to a large manufacturing conglomerate in India. The upfront consideration received for the same is INR 56 Million which is recorded as income under exceptional items.

The marked-to-market loss on shares of Birlasoft held by KPIT Employee Welfare Trust (which is consolidated into KPIT) stood at INR 63.53 Million (Q2FY20 end Market price of INR 69.25 vs Q1FY20 end price of INR 86.30)

Major Deal Wins



A leading European Premier Car Manufacturer selected KPIT for a project in the electric powertrain domain



A leading American Car Manufacturer selected KPIT for a project in the AUTOSAR domain



A leading American Tier I Supplier selected KPIT for a project in the Autonomous Driving domain



A leading Japanese Car Manufacturer selected KPIT for work in the connectivity and infotainment domain



A leading European Commercial Vehicle Manufacturer selected KPIT for a project in mechatronics domain



Market Updates

Elite Updates

VW approves KPIT AUTOSAR Stack



Volkswagen AG approved KPIT's AUTOSAR stack KSAR R4.2.1 for its Communication and Network Management Stack for CAN. KPIT's KSAR stack provides a robust approach for its customers to adapt the AUTOSAR standard across its products.

Eaton partners with KPIT on electric mobility



Eaton announced strategic partnership with KPIT to develop next-generation electrified mobility technologies. Eaton's collaboration with KPIT initially will focus on developing and deploying technologies, software solutions and platforms for several components in EV technologies.

Thought Leadership - Updates



Glimpse from KPIT's participation at SAE COMVEC 2019, Indianapolis, USA. The conference was focused on technology trends for Commercial Vehicles - KPIT showcased its latest solutions for electrification and vehicle diagnostics with commercial vehicle use cases.

Anup Sable, CTO, KPIT shared his perspective on the topic “Charging Systems for Electric Vehicles”.



Dr. Manaswini Rath was awarded as “Women leader of the organization” at The women Empowerment Summit and GIWL 2019

Geography Update

EUROPE	US	ASIA
<p>OEMs talking openly about joint platform development</p> <p>Spend on Electric, Connectivity and Autonomous rising</p>	<p>Vehicle sales pointing at approx. 17 million units a year</p> <p>Spend on Connectivity, AD, Diagnostics & AUTOSAR rising</p>	<p>OEMs increasingly looking at software Tier I capabilities and preferring value over cost</p> <p>AD, epowertrain & connectivity</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 build leadership, domain expertise and drive innovation in key focus areas of epowertrain, AD-ADAS, connectivity, diagnostics and AUTOSAR</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>Getting ready for foray into the commercial vehicles vertical, especially in Japan.</p>

Technology Update



We filed 1 patent during the quarter with complete specifications in the AD-ADAS domain



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



As of end of the quarter, the total patents granted to us stood at 54 (a patent granted in 2 geographies is counted as 2 patents granted)



Industry Updates and KPIT readiness

New Technology Investments – Major Mobility Players



JLR made **\$1.2 billion** investment to build electric cars in Britain

VW invested **\$1 billion** in Northvolt AB, Swedish battery cell producer in joint battery activities

BMW and Daimler will spend **over \$1 billion** on the future of transportation

DENSO made **\$1.6 billion** investment to strengthen development and production of automotive electrification

SoftBank and Toyota in talks to **invest \$1 billion+** into Uber Technologies Inc's self-driving vehicle unit

VW announced that most of its 2020 models will come standard with its **Car-Net Connectivity feature**

Daimler Trucks has started testing of highly automated heavy-duty trucks on Virginia Highways

Toyota will raise its stake in Subaru Corp to better compete in developing new technologies

Technology Investments are driving high growth and predictability for technology focused niche players like KPIT

We are well positioned for these Opportunities



July 2019 : KPIT features in report on “Automotive software and electronics 2030”

3.4 New partnerships and cooperation models are emerging – primarily for software- and electronics-related topics

closely together. One example would be the close collaboration of BMW, FCA, Intel, Magna, Aptiv, Continental, LiDAR supplier Innoviz, and SW specialists TTTech and **KPIT to jointly develop an AD platform.** Baidu is trying to build an open platform for AD with its OEM, tier-1 supplier, tier-2 supplier, and research institution partners, sharing source code and data.



April 2019 : Automotive Software Global Market Outlook report by Research and Markets

According to this research, the market accounted for \$15.53 billion in 2017 and is expected to reach **\$82.58 billion by 2026 growing at a CAGR of 20.4% during the forecast period.** Factors

Some of the key players profiled in the market include NXP, Aimotive, Airbiquity, Apple, Autone Mobile, Blackberry, Elektrobit, Google, Green Hills Software, **Kpit Technologies**, Luxoft Microsoft Corporation, NVIDIA, Renesas Electronics, Rightware, Robert Bosch, Saferide Technologies Ltd, Sigma Software Group, Vector Informatik and Wind River System.

KPIT is ready and vibrant

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



Financial and Operational Data

- Snapshot

Profit & Loss Account Snapshot

INR MN

DETAILS	Q2FY20	Q1FY20
Revenue from Operations	5,440.98	5,057.51
Other Income	90.03	14.56
Total Income	5,531.01	5,072.07
Operating Expenses	4,714.31	4,318.80
EBITDA	726.67	738.71
Depreciation	265.08	238.23
EBIT	461.59	500.48
Finance Costs	59.31	45.81
Change in FMV of Investments	(63.53)	(46.44)
Profit Before Exceptional Items	428.78	422.79
Exceptional items	24.92	(24.66)
PBT	453.70	398.13
Tax	86.40	88.02
PAT	367.30	310.11
Profit Attributable to owners of company	359.12	306.89
Profit Attributable to non-controlling interest	8.18	3.22

Balance Sheet Snapshot

INR MN

ASSETS	Q2FY20	Q1FY20
<u>NON-CURRENT ASSETS</u>		
Property, Plant & Equipment	2,202.17	2,200.53
Right-of-use Assets	1,387.28	1,234.94
Other Tangible Assets	13.50	22.00
Goodwill & Other Intangibles	1,636.51	1,635.80
Other Non-Current Assets	551.30	394.30
TOTAL NON-CURRENT	5,790.76	5,487.57
<u>CURRENT ASSETS</u>		
Inventories	170.64	174.95
Cash and Cash Equivalents	2,922.19	3,338.45
Trade Receivables	4,509.65	4,850.08
Other Current Assets	2,375.05	3,457.61
TOTAL CURRENT	9,977.53	11,821.09
TOTAL ASSETS	15,768.29	17,308.66

EQUITY & LIABILITIES	Q2FY20	Q1FY20
Equity Share Capital	2,685.02	2,685.02
Other Equity	7,103.72	6,975.77
Equity attributable to owners	9,788.74	9,660.79
Non-controlling interests	43.37	35.70
TOTAL EQUITY	9,832.11	9,696.49
<u>NON-CURRENT LIABILITIES</u>		
Borrowings	176.43	359.01
Lease Liabilities	979.37	865.83
Other Non-Current Liabilities	398.62	336.84
TOTAL NON-CURRENT	1,554.42	1,561.68
<u>CURRENT LIABILITIES</u>		
Borrowings	705.27	1,169.00
Trade Payables	1,046.38	1,243.04
Lease Liabilities	241.56	197.21
Others	2,388.55	3,441.24
TOTAL CURRENT	4,381.76	6,050.49
TOTAL EQUITY AND LIABILITIES	15,768.29	17,308.66

Revenue Break-up

USD MN

Geography	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y
US	34.19	30.29	27.69	12.9%	23.5%
Europe	27.55	27.00	25.53	2.0%	7.9%
Asia	15.49	15.45	13.84	0.2%	11.9%
TOTAL	77.23	72.75	67.06	6.2%	15.2%

Verticals	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y
Passenger Cars	58.58	52.89	51.99	10.8%	12.7%
Commercial Vehicles	17.16	17.63	12.87	(2.7)%	33.4%
New Mobility	0.78	0.53	0.41	47.4%	91.6%
Others	0.71	1.69	1.79	(58.2)%	(60.5)%
TOTAL	77.23	72.75	67.06	6.2%	15.2%

Practices	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y
Powertrain	28.64	25.10	18.07	14.1%	58.5%
AD-ADAS	15.29	15.58	14.22	(1.8)%	7.6%
Connected Vehicle	9.88	10.91	13.27	(9.4)%	(25.5)%
Others	23.42	21.16	21.50	10.7%	8.9%

P&L Metrics

	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y
Revenue by Contract Type					
Time & Material Basis	54.4%	48.6%	56.3%	18.8%	11.2%
Fixed Price Basis	45.6%	51.4%	43.7%	(5.8)%	20.3%
Customers					
Strategic T25 Customer Revenue	84.4%	81.2%	80.3%	10.2%	21.1%
Active Customers	55	60			
Revenue per Devp. Employee USD	45,647.13	45,575.6			
EBITDA Margin	13.4%	14.6%			
EBIT Margin	8.5%	9.9%			
PAT Margin	6.6%	6.1%			
Effective Tax Rate	19.0%	22.1%			
EPS (Basic)	1.34	1.14			
EPS (Diluted)	1.33	1.14			

Currency wise revenues, Hedging Details

Currency wise revenue	Q2FY20	Q1FY20	Q2FY19
USD	45.8%	41.8%	42.6%
EUR	28.1%	29.2%	24.8%
GBP	7.3%	7.5%	11.9%
JPY	11.0%	12.0%	12.5%
INR	5.1%	6.5%	5.6%
Others	2.9%	2.9%	2.6%

Realized Rate	Q2FY20	Q1FY20	Q2FY19
INR/USD	70.45	69.52	70.88

Hedge Details	Q2FY20
Hedge Rates	
USD/INR	71.36
EUR/INR	80.77
GBP/INR	89.31
Hedge Amounts(Mn)	
USD/INR	17.80
EUR/INR	3.6
GBP/INR	2.0

Headcount Data

Period End Headcount	Q2FY20	Q1FY20	Q2FY19	Q-o-Q	Y-o-Y
Development	6,768	6,385	-	-	-
Enabling & Sales	527	506	-	-	-
Total	7,295	6,891	-	-	-



Contact us

- Contact

Conference Call Details

Conference name : KPIT Technologies Q2 FY2020 Post Earnings Conference Call
Date : Thursday October 24, 2019
Time : 1630 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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Hongkong - 800 964 448

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 7,000+ *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