



“KPIT Q4 FY 2015 Post Earnings Conference Call”

April 29, 2015



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Moderator: Ladies and gentlemen good day and welcome to the KPIT Technologies Limited Q4 FY 2015 Post Earnings Conference Call, hosted by Reliance Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Apurva Prasad from Reliance Securities. Thank you and over to you Sir!

Apurva Prasad: Thanks Mallika. On behalf of Reliance Securities, I welcome all the participants to KPIT Technologies Q4 FY 2015 Results Conference Call. Today on the conference call, we have Mr. Ravi Pandit, Co-Founder, Chairman and Group CEO, Mr. Kishor Patil, Co-Founder MD and CEO, Mr. Sachin Tikekar, Board Member, President, Strategic Relations and Business Transformation, Mr. Anil Patwardhan, Senior VP and Head, Corporate Finance and Governance, Mr. Sunil Phansalkar, Head Investor Relations and AVP M&A. We would like to thank the management for giving us an opportunity to host this conference call. I would now hand over the call to Mr. Sunil. Over to you Sir!

Sunil Phansalkar: Thank you. A very warm welcome to everybody on the Q4 FY 2015 and FY 2015 earnings conference call of KPIT. I hope all of you have received our investor update where we have tried to detail the performance for the quarter and tried to explain the happenings during the quarter.

During the call, we will start the call with the opening remarks by Mr. Ravi Pandit. He will run us through the quarter and the way forward and then we will throw open the floor for questions. I would request you to please limit your questions to one or two questions each, so that more participants get an opportunity to ask the questions. Thank you very much for joining the call. Welcome once again. I will now hand it over to Mr. Pandit.



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Ravi Pandit:

Good evening and welcome to all of you for the KPIT call. Last quarter was certainly a very unpleasant surprise to you as well as to us and I know that you have been strong supporters for KPIT and I believe that you would be feeling let down by the performance that we had in the last quarter.

I would say that the last quarter was also the worst quarter that we have had in the last 15 years. What I would like to do in my initial remarks is to talk about what happened in Q4. I would also like to talk about why did we not know the full impact of this picture when we gave intimations to the stock market in March. I would then like to talk about the actions that we are taking and how do we see the picture going forward.

You have the investor update that we have given and it will provide answer for some questions, but after the reading of the investor update and as well as after my comments if you have any further questions, please do feel free to ask.

During Q4, we suffered a drop in revenues. There are three or four things that I want to talk about in Q4 and in my opinion the salient issues were the drop in revenues, and the consequent drop in EBITDA, the unusual write off, and one time credit for tax. So these are I believe the core four issues that we need to address, if we have to look at our Q4.

Turning first to the drop in revenues, you would see that our Q4 was made up of increase in revenues on our product front and increase in revenues on our product engineering services, but there was a drop in our ERP business, and I want to talk about the two major components of the business IT, the ERP business to help you understand what happened.

The biggest drop that we had was in our SAP business. On an average our SAP revenues for quarter have been in the region of 25 to 26 million per quarter. Q3 we did about 29.5 million and that was also on account of some major project closures



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for two major customers. So as against the average of \$25 to \$26 million per quarter revenue of SAP our revenues in this quarter were little over \$21 million.

Two or three things accounted for this. First of course were certain projects deferrals especially coming on in the wake of major project closures that we did. More importantly it was also the result of not accounting revenue on some of our customers and I will come to that a little bit later. Additionally for some customers for whom we did a lot of work in the previous quarter we had to pass on some high volume discounts to them for the work that we had done. All these contributed to a drop of about \$4.5 million in the quarterly revenues bringing them down from about 25 to 26 to about 21.26 or so on an evenised basis. Since the costs of the department were more or less fixed, unfortunately this drop of revenues hit us directly when it came to the profits.

I referred a minute earlier to about a specific client whose income that we did not account so this was a client where we not only did not account for the revenues in this quarter but we also preferred to make a provision for this client. Of the total one time expenses that we have accounted for of roughly Rs. 30 Crores majority of them belong to the single client. So taking into account the write off plus the credit not taken in the last quarter plus the expenses that we incurred. This was a major hit. We had some murmurs coming on this client account during the quarter but we did not think that the conditions would become so serious that we need to think through the account completely. We were not aware of this at the time when we made the announcement to the stock exchange and rather than carrying forward any assets in the balance sheet, we thought that it would be prudent on our part to provide for the entire amount. This is a one time hit. I am sure that this would not haunt us and our profits in the years to come.

Over the next two to three quarters, we shall certainly see some growth in the subsequent quarters and at least it should be on the same lines as the first three quarters of this year. Questions have been asked to us quite often about our whole



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SAP business and I thought I might spend a few minutes talking about what is happening in our SAP business.

A large chunk of the work that we have been doing in the SAP area is of a transformative nature, its implementation of ERP systems, only about 25% to 30% of the work that we do is on the application maintenance services. As you would know what is happening now is that quite a few of the implementations are now going on Cloud. The project sizes are coming down and therefore it has not given us the kind of growth that we saw in the first two three years of our SAP work. You would recollect that from a total of \$40 million of annual revenue we touched \$120 million of annual revenue in SAP in three years and after that the whole set of revenues have stagnated or actually come down a little bit.

Knowing that the SAP is moving more towards Cloud and towards in memory computing like HANA, we have been focusing our efforts on these areas. In this year our income from these areas has moved from about 2% to 10%. In the area of SuccessFactors as well HANA we have won many customer recognitions as well as appreciation from SAP.

We are amongst the first one in the world to do the S/4 on HANA implementation. So we believe that qualitatively we have done good progress but in terms of the quantum of work, we have suffered and I shall probably talk about a bit of it even later. We think in the next year we would see a reasonable return to profitability on SAP and we are hoping that we would not be hit on a contract of the type that we had early, and again as I said I will talk about it a little later.

Coming to the second part of our business IT area, which is largely what we call as integrated enterprise solution more particularly Oracle, we had about 2 million drop as compared to the last quarter. As compared to the earlier quarter a part of that was on account of project closures, but another part of that was also on account of loss of some Cummins billing. Every few years Cummins does

reallocation of its IT budget buckets and we have gone through it twice before and this is the year they did a similar reallocation and we lost some business. On the other hand, some of our other clients grew but the net result of that has been a drop on the revenues.

On the products and platforms (P&P), our revenue increased by about 2 million at a good EBITDA. A lot of the work that we have been doing is in the area of Internet of Things. We have been working on intelligent transport system. This is an area where we have been investing for the last two years or so and as of now we have a dominant market share in this area. We believe that this area should do well in the years to come.

The fourth main segment of our work is the product engineering services or the engineering services. On the whole it grew about 12% to 13% quarter-on-quarter. In this quarter we also added more staff in this area and we also added about 300 freshers from campus. The addition to staff was on account of the significant rise in the demand that we foresee in the coming years and the addition of freshers was to ensure that our pyramid looks good, our cost structure comes in line and this is what we have done. . Now if you were to look at the aggregate picture for the quarter wherever our incomes have gone up like P&P the costs have also gone up because of the associated variable cost. Our incomes have gone up in the engineering services but we have also invested more on recruiting more people and therefore on these two or three counts the increase in the revenue has been accompanied by increasing the investments and cost whereas we had a decrease in revenue that was unaccompanied by decreasing costs and which actually resulted in a full impact on EBITDA.

Apart from these main factors there have also been questions about the interest expenses and as well as the debt. Our account show that our interest cost has gone up from 4 Crores to 14 Crores, in reality our interest costs has not gone up at all. The classification has been done in accordance with AS-16 Clause 4(e) whereby any

exchange difference arising out of forex borrowing has to be adjusted against interest cost and whereas the interest cost classification has gone up by 10 Crores necessarily the forex gain or loss has also gone down by 10 Crores on corresponding basis.

During the quarter we substituted our high cost debt with low cost debt and we on the whole actually took a low cost debt of Rs. 90 Crores and paid high cost debt of Rs. 90 Crores. We expect that in the next one and half years or so we should save a little over 80 lakhs on that account.

Another factor that happened during the quarter was our cross currency impact. In the initial working that we had done in March we had anticipated a certain level of cross currency impact and the actual impact was higher.

The last issue that I need to talk about when it comes to the Q4 is this issue of tax credit. This is the credit that we have taken is on the basis of the return that has been filed and it is a credit for deduction of goodwill paid arising out of acquisition and merger. The acquisition that we did of SYSTIME got merged into our company with effect from September 30, 2014. That was the date on which we got the High Court order and we have claimed deduction on the basis of this order. This year the claim is about Rs. 28 Crores. Next year the claim will be about Rs. 9 Crores.

We have claimed deduction on account of goodwill even in the earlier years and the total reduction of Rs. 9 Crores has been claimed by us and it has allowed to us giving us the benefit of roughly Rs. 3 Crores. So these are the entries which have impacted our P&L during the quarter. During the quarter our cash reserves have also gone up from 395 Crores to 435 Crores. After looking at what went wrong in the last quarter I would also like to spend a few minutes on what went right in the last quarter. What did we actually achieve in the last quarter and in the last year. I believe that the investments that we have done on automotive technology especially the ITS have started yielding results. They yielded results last year and as



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I mentioned we have a dominant market share. We have also invested substantially last year in building front end for our services especially in the US as well as in the Europe. So we have now recruited people who have been heavy hitters, who have worked with very good companies, who have a good track record, who have an ability to sell on a consultative basis, high quality assignments and this is what we have invested in, in the last year and we are beginning to see some traction.

In the last year our revenues from digital also went up to about 12%. We had major wins for infotainment products and some of our products are getting into the production in 2017 models. As regards Revolo last year finally the government came up with the regulatory framework for approval of products especially in the after market for hybrid technology those regulatory frameworks were announced and Revolo passed the regulatory frameworks. We have been working with the Government of India for the last three years in helping them shape their policy for incentivization of hybrid and electric vehicles. Last year the policy was announced. The last years' budget talked about roughly Rs. 800 Crores set aside for this. We are eligible for that and we are hoping that during this year we should see some benefit of that technology.

Year as a whole our engineering grew by about 34% including our product income. APAC grew by about 44%, Energy & Utilities grew by about 45%, Auto vertical grew by about 30%, and Europe grew by 20%. Even qualitatively I think we did some good work both in SAP as well as in Oracle and I believe that we should get some benefit of that in the next year.

The last issue that I would like to address is where do we go from here. We have been known for quite a few years as a fast growing company and I must say that in the last couple of years, our growth has come down, and our profitability has not improved, actually in the last quarter the profitability took a big hit. This lesson is not lost on us, and there are two or three areas that we are really focusing on. The first area that we are focusing is on profitability and actually predictability. We

believe that there are two areas within this that we need to work on and we have started working on it and we are quite deeply involved in it. We believe that for large contracts we have to do more work on our contract management.

We had a problem with these contracts that I talked about earlier this year. Last year also we had a similar problem, but we just kind of bore the losses through the year and that effected actually our last year's SAP business and we recognize that we had to do a lot more work on better contract management as well as contract execution for especially large contacts and we are putting in systems and processes over the last one year we have been doing that because these contacts where we have got hit are about two to two and a half years old contacts and we have taken some actions in that regard and we will take some more actions.

The second area on which we are working is essentially growth of productivity and we are working on both operational as well as delivery excellence. The specific area that we are working on is better pyramid, better utilization, better technologies on automation, more investment in training, and this is a significant investment. Actually during this year we have increased our budget on our learning organization, our training wing by more than 100%, and we believe that the induction of freshers plus good training and a better pyramid should give us some good benefits in terms of our cost structure.

We believe that these benefits should start coming to us from Q2 or Q3 onwards. As regards the growth we will continue to focus only on our core clients in our focused verticals. We have realized that we have also a large number of clients, which deliver relatively less business and therefore low profitability. So we are working on that factor as well. Secondly we will focus on getting more returns from the investments that we have already done. I spoke about the significant investments that we have done in front end and in practices etc., our focus will be to get more out of it.

Thirdly on our growth side, we will focus on the IoT as well as digital and products. In the area of digital, again, we are making significant investments. On IoT we have already done the investments and we will continue to focus more on that. So these are the two or three areas on which we will focus during the current year. For the coming year without banking on significant amount of growth we will focus on improving our EBITDA. We are pretty much certain that we will be able to do that. We have gone through similar periods in our lives as a public company in the last 15 years. I remember we have gone through it twice before. We have a good team. We have hardworking professionals working with us. It is a team tightly bound together and I am sure that we will go through this difficult patch well and we will go through it together. You have always been extremely strong supporters of the company. I recognize that our last quarter must have shaken you up as it has shaken us up, and I believe that in the next two quarters you will see a changed picture. We are now open for any questions that you may have.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Shashi Bhushan from Prabhudas Lilladher. Please go ahead.

Shashi Bhushan: Thanks for taking my question. Do you think the mistake in estimation could spillover on the other projects because acknowledgment of such thing can give opportunities to other clients as well for that?

Ravi Pandit: As far as this particular client is concerned, we have actually no exposure going forward and as far as any other clients is concerned, this is an old contract that we signed. I do not think we have any major issues going forward and I think relooking at our contract conditions more closely this by itself should not give any reason for anybody else to question our contracts.

Shashi Bhushan: Is there any possibility that we can realize a part of revenue that has gone bad during the quarter in SAP?

Ravi Pandit: Let me break this question into two. If we are talking about the write off there could be a possibility, but I would not bank on it. That is the reason why we have made the full provision. So we want to actually be done with that. If something comes by I am sure we will be very happy about it. As regards for SAP revenues outside this, we will see them going back at least to the average of quarterly revenues in FY15, in the first quarter of next year.

Shashi Bhushan: Sir, we have got decent exposure to oil and gas or energy sector where there are some turmoil because of fall in crude price so do you think that the challenges with some of the clients would result in some more budget cut or some more tougher negotiation or older contracts that could further compound our problem going in FY 2016?

Ravi Pandit: You are right. We are working with the energy sector, the utility sector has not been affected by this, but the energy sector especially oil and gas has been affected by it and we have seen demands from the customers for tighter negotiations in this area. In one or two cases, we have also been able to use this as an entry into new accounts. So, we have to ensure that we improve the productivity as much as we can and actually make use of the current situation better. We do a lot of work in the oil and gas sector but the sector is so huge that there are significant opportunities for growth and we are actually seeing some traction in this area.

Shashi Bhushan: On the cross currency side, we have a very small percentage of revenue from Euro despite that the magnitude of the cross currency headwind was very strong and despite that Euro actually grew. So was it like a big percentage of incremental revenue came from Euro that has what insulated in this?

Sunil Phansalkar: Yes Shashi, if you look at the overall percentage it appears that Europe and Asia are smaller as compared to the US but if you look at the growth for the quarter majority of it was Asia and Europe and that is why the impact of cross currency

during the quarter was much higher than what it would normally be if we look at the year as a whole. Asia also contributed to the cross currency impact.

Shashi Bhushan: What lead to the weakness in US was this project closure in US because the problem it seems is outside US in energy sector, if I am right?

Sunil Phansalkar: Shashi, if you look at overall SAP and Oracle as the enterprise business that we have, majority of it is currently in the US and that is where we have had decline during the quarter and also Cummins almost 90% plus of the business is US.

Shashi Bhushan: Last on this hiring front Sir, we have hired some 680 off professionals during the quarter so this hiring were planned earlier or was it like during the quarter we saw during the beginning of the quarter we saw a good demand shaping up and we hired so many professionals.

Ravi Pandit: Our hiring is actually of two components, about 300 are freshers and remaining roughly 400 are actually laterals but lateral juniors. A large part of the hiring is for our engineering services. We are continuing to see good traction in that area. As a strategy we believe that we need to enhance our hiring of freshers and we will do that during this whole current year. Some of the hiring has been done for our enterprise solutions, which has been completely driven by the increase in the revenues in that sector. So I do not think there is any of these hiring that we would regret today. These are something that we need for next year. See one of the things, I think, we missed out has been not taking adequate number of freshers inside the company. I think it affected our pyramid. It affected our cost structure and we believe that we need to go back to that to set it right and some of our investments are in that light.

Shashi Bhushan: This was the highest gross addition we have had for I think ever on employee front now if that was anticipated then you must be anticipating good growth. It translates into like high single digit or low double-digit kind of growth you might be anticipating that is why you hired so many professionals and towards the end of

quarter things have worsened, but you know, from your prepared remarks and what you have answered so far, my sense is that you are giving me some \$10, \$15 or \$20 million loss of annual revenue but you know some 10% growth means like \$30 to \$40 million in incremental revenue. So where is that deficit that from the estimation of how you hired and how your revenue forecast looks for FY 2016?

Ravi Pandit:

I understand where you are coming in from. We believe that we will need a significant increase in the fresher intake even to take care of the attritions that typically do happen in the year. What has happened in the past is that whenever we had attritions during the year we went out and recruited quite a few laterals now the problems with these laterals was that their cost structure was always higher that they came in later in their careers and they did not have the sense of belonging that a fresher would have and therefore we thought it is important for us to make investments in these freshers. They could definitely fuel our growth but if not at least they can take care of our cost structure. As I mentioned earlier, we do see a good traction on the engineering services and the recruitments that we have done should actually address that part.

Moderator:

The next question is from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead.

Srivatsan R:

I just wanted to get more color on the 30 Crores provision you had made. Would this be more on cash expenses that you would incur or it is just more an accounting entry for which we had already incurred cash expense but just it was sitting either in deferred revenues or just more on accounting entry?

Ravi Pandit:

No this is a composition of two things, this includes the revenues that we had accounted for in our P&L by virtue of our billings done etc., and it also includes certain amount of billing that we did not do but the costs that we incurred. The cost that we incurred also go into these one-time expenses and the write off, the

provisions also go into it. So this is actually all the investments done and all the incomes from these contracts in the last couple of quarters.

Srivatsan R: So only a part of this 30 Crores is actual cash burn in the last quarter, some of it would have actually paid out in 2Q-3Q itself.

Ravi Pandit: That is right.

Srivatsan R: Second is the SAP business has been in turmoil for quite some time so just wanted to understand how are you looking at it is it that do we need to do something different, would there be any management changes that you are looking within the SAP business vertical in terms of how to fix it because I think so far now second year in a row we have not been able to achieve what the objective was at the beginning of the year so just wanted your thoughts on it?

Ravi Pandit: I appreciate the question. As I mentioned earlier the character of our SAP business is low amount of AMS contracts and high amount of transformation work, the high amount of transformation work is actually undergoing some major changes and that is actually what is stopping us from any significant growth. We believe that team is right. The team has done a very good work in taking us to newer platforms. We have been recognized by customers as the best players on HANA as well as on SuccessFactors. We have a very large number of implementations on SuccessFactors over the last two years or so but as you know that the, the total money spend by customer on an implementation is not very high. But our revenues from the Cloud as a whole in SAP have actually gone up as I said from 2% to 10%. So I think it has more to do with what is our revenue composition and what is happening in that industry than to do with the people who are engaged in that. We have done some organizational change during the current year. We are clubbing all our business IT businesses together under single person, we believe that we will be able to draw more out of the synergies across the business IT area and we hope that we will see some traction on that account this year.

- Srivatsan R:** I will come back later. Thank you.
- Moderator:** The next question is from the line of Kaushik Pal from Kotak Mutual Fund. Please go ahead.
- Kaushik Pal:** Clarity on two things, can you please tell me what was the extent of the revenue that was not booked and if I going back is that revenue were actually booked this quarter and this one time expense did not come through, what could have been the positive impact on margins?
- Ravi Pandit:** I am not too sure if I understand your question completely, but if may did not have, see this 30 Crores is actually a one-time hit both on the cost and revenue put together.
- Kaushik Pal:** I am taking that off because that is clearly will not recur from next quarter. I am saying if I just were to normalize the revenue, I am just going back and saying that you know may be when you get the profit warning you would not have anticipated that this revenue would not have been booked so probably you would want this revenue to be booked what is the quantum of that revenue which you have to sort of forego booking in the accounts?
- Ravi Pandit:** May be a little over 2 million but on the other hand as I told earlier there have been projects which got closed and the new projects which we were hoping will get started they got deferred and that postponement I think cost to almost 1.5 - 2 million.
- Kaushik Pal:** Right, so may be you know my calculation suggest if I adjust on that probably margin would have still been probably below 10% after adjusting both the one-time expense and this loss of revenue, so my question is from the next year perspective, recovery in growth probably will come in second half and given that possible visa cost impact and salary cost impact in the first half where do you think the margins will settle somewhere when it starts to recover again?

Sunil Phansalkar: So Kaushik just a small correction, we talked about three things, the one time cost provision which is roughly about US \$5 million, the revenues that were supposed to be billed and not billed which was a little about 2 million so that \$8 million and the revenues which got postponed to the next quarter, projects which did not start was another 2 million so we are talking about \$10 million which is roughly about 8% so is that 8% is added to the existing EBITDA margins we are looking at about 12.5% margin.

Kaushik Pal: Okay but from where are standing right now given your outlook you will still expect sort of a flattish first half is that on a quarter-on-quarter basis is that understanding correct?

Ravi Pandit: Kaushik, you know, today I don't want to give an outlook for the year because as you can imagine we are really working very strongly on the productivity area, we want to set this right first before we create any expectations about the year to come. I really do not want venture into that area. We really want to focus on our productivity and fix the issues where we have had problems.

Moderator: We take the next question from the line of Harit Shah from HDFC Securities. Please go ahead.

Harit Shah: Thank you for the call. I just had one clarification, so as far as your SAP business is concerned did you mentioned that you will go back to \$25-\$26 million quarterly run rate by the third quarter is that right?

Ravi Pandit: I said that our average of the first three quarters of the last year was about 25-26 Million Dollars that is where we believe we will go back to now.

Harit Shah: You mean in the first quarter itself?

Ravi Pandit: I would think so.

Harit Shah: So that means you are saying that you will go by fairly significant number in the first quarter itself as far as the SAP business is concerned is that right?

Ravi Pandit: Right, yes, that is what I have said but you know going back again our focus right now is not on growth we really want to focus on productivity to me that is the far more important issue that we need to address than anything else.

Hairt Shah: I will come back in the queue. Thank you.

Moderator: The next question is from the line of Anup Upadhyay from SBI Mutual Fund. Please go ahead.

Anup Upadhyay: Just wanted to look at the utilization and offshore utilization has come down to 65% and essentially there is the pocket of the company that has been doing quite well let us say the auto product engineering piece which is roughly speaking around 40% of the company and in this pocket I believe the utilization rate would be better than the company average given that revenue growth is good so we suggest that probably in the rest of the company the utilization rate is likely to be perhaps below 60% so given that the revenue outlook for enterprise solutions overall is not likely so dramatically improve because of the impact of Cloud and which is essentially beyond our control, do you think it will be possible to improve revenue productivity materially over the next two three quarters or would that need sort of active retrenchment if that has to pan out?

Sunil Phansalkar: So, Anup just a small correction on the utilization number this number for us includes everybody so it includes all the trainees which have even come in during the quarter and as we said about 300-odd, 288 to be exact trainees have joined in the engineering segment so to that effect the utilization even there would be a little lower, just on the math side.

Anup Upadhyay: But are they in the system, essentially 65% number right the utilization number?

Sunil Phansalkar: Yes.

Anup Upadhyay: Okay, so it does reflect in the non auto business, the utilization is quite low pretty low perhaps the lowest have the company might have seen in several years, so given the weak revenue outlook would it be possible improve the revenue productivity without retrenchment?

Ravi Pandit: So, there are multiple things that we have to work on in order to improve the utilization as I said we have to work on the pyramid we have to work on how do we manage the attrition and if required we will have to look at some kind of reduction in the people that we have, so all the options are on the table and we are working on them.

Anup Upadhyay: Broadly speaking how long do you think it might take to bring the company back to the kind of margins that we had say four quarters back?

Ravi Pandit: We believe that our actions would take two quarters to be completely fructifying so we should see some change by the middle of next quarter but the full impact will come in Q3.

Anup Upadhyay: It will be helpful if you could share the attrition number for the full year?

Sunil Phansalkar: We will come back to you Anup on this.

Anup Upadhyay: Thanks.

Moderator: Thank you. Next question is from the line of Ashish Agarwal for Antique Stock Broking. Please go ahead.

Ashish Agarwal: Most of my questions have been answered. Just wanted a clarification, if I look at your balance sheet your networth has only increased by 20 Crores whereas you would have posted a profit of 237-odd Crores. I wanted to understand what is the reason of such a low increase in on networth within the year?

Anil Patwardhan: I think if you would look at the networth basically it will impact during the quarter so if you see the SYSTIME merger which has been effected as of September 30, there is a substantial reduction which has actually reduced the networth part of it. So it has actually moved from 600 Crores to almost 508 Crores.

Ashish Agarwal: That is around 100 Crores of impact because of goodwill and anything else major impact?

Anil Patwardhan: No I would say mainly it is coming out of goodwill, because everything else is reflected in the net current assets and the networth position.

Ashish Agarwal: Just one more question, we had acquired Sparta in 2010, is there any risk of us doing some impairment of goodwill because of that acquisition?

Anil Patwardhan: Actually if you see the current status of the balance sheet and the investments, which we have made in this acquisition I believe over three to five years, the direction in which we are going I do not see any impairments there for the investment which is made by a KPIT. So during the year also if you have seen first three quarters there has been a positive margin so I do not see any impairment threat.

Ashish Agarwal: Thanks a lot.

Moderator: The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Sir, only 30 Crores provision that you have made is there an element of revenue reversal also in that?

Ravi Pandit: Yes, I said that, yes it has an element of revenue reversal.

Mohit Jain: So can you quantify that?

- Ravi Pandit:** It is about US \$0.4 million, which appears in the revenue part, and then there is a provision, which has been made in the bad debts in SG&A.
- Mohit Jain:** So on the cost side this 30 Crores of 0.4 million you are referring to revenue reversal and the balance goes essentially into salary cost, is that right?
- Ravi Pandit:** Direct cost and SG&A.
- Mohit Jain:** SG&A cost also.
- Ravi Pandit:** So that is the RDD provision that I mentioned which goes in SG&A. There are three components to it, one is the provision that we have done for the income already accounted for, second is the expenses that we incurred in the quarter which are not been billed and the third one is the small component where there is a reversal of revenue in the income account.
- Mohit Jain:** All three clubbed together are 30 Crores is it?
- Anil Patwardhan:** That is right. All of that is one time.
- Mohit Jain:** Okay and what was the duration for this project?
- Ravi Pandit:** The project was signed a year and half ago. It has been on for almost nine months.
- Mohit Jain:** So when I went through the release you referred to the milestone being delayed, so what I assume is that the milestone got delayed and then there were some cost overruns because of the delay so you could not bill the client, so that has what happened in this particular?
- Ravi Pandit:** No I think there are been other problems in that project and actually I do not want to go into the details of that here. There have been other problems on the project as the result of which we thought that we do not want to completely erase the exposure that we have on this project.

- Mohit Jain:** Now is it completely done?
- Ravi Pandit:** We are done with it.
- Mohit Jain:** Are there any employees, which got impacted because of this completion of the project?
- Ravi Pandit:** No.
- Mohit Jain:** So they have been transferred to some other projects?
- Ravi Pandit:** They will work in other areas.
- Mohit Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of S. Raju from Laburnum Capital. Please go ahead.
- S. Raju:** On the SAP business obviously it has not been panning out the way we would have hoped for it to pan out at what point would you be comfortable you are saying we going to close this down if not working, because right now its loosing money so frankly from a shareholder's standpoint if you add a fairly commoditize business so we would just close it down it may not be the worst outcome for the company and you find some other better niche to grow in, how long would you give yourself to turn this business around before you said we are closing?
- Ravi Pandit:** So you know if you were to look at the performance of this business over the last four quarters last three quarters we have turned positive EBTIDA. Last one quarter has been a problem. As I mentioned in my earlier remarks the SAP technology is changing and the new technology also creates an even playing field, so those who have been in the business for much longer and do not really have anything significant advantages over the ones who are relatively new entrants so we think that the change in the technology is a potential benefit for us. Secondly, for our

verticals which are largely automotive, manufacturing and energy SAP is an ERP of choice in quite a few cases, so we do not think it would be a very good idea to scrap that business, we are reasonably certain that we will go back to see profits in this business in the next couple of quarters.

S. Raju: So in other ways if I have to state here or apply differently, the potential for cross-sell with your co-relationships from SAP is so high and SAP is a relatively straightforward business there although you guys haven managed to get it right you hope you will be able to get it right because it is not a rocket science and because you have all these great older relationships it will be silly of you not to leverage those to cross-sell and get a fairly simple business right, is that a fair way of putting it?

Ravi Pandit: I do not think so because essentially what you are saying is on the basis of this one last quarter you are essentially saying that I have not got it right. I think one quarter was that, the earlier three quarters we have progressed, we believe that we should be able to do well. It is not right for us to sell this business because as you are rightly pointed out it is interlinked with the rest of the business that we are doing. On that part I do agree with you.

Sachin Tikekar: The rocket science part I think it is just a rocket science where it is applicable everything else is not rocket science.

S. Raju: Thank you.

Moderator: The next question is from the line of Ashish Chopra from Motilal Oswal. Please go ahead.

Ashish Chopra: Thanks for the opportunity. Ravi, while you have not been giving any guidance on growth this time around I just wanted your help in terms of reconciling, so you mentioned that there was a a deferral of 2 million dollars of revenues from Oracle into the next quarter plus you are also guiding for SAP probably returning to 21 to

25 Million Dollar in the next quarter that like almost 6 Million Dollars of additional revenue so should we assume that you know the offset could come from the fact that you are defocusing from a long tail of less profitable accounts or are there any pressures as well to the topline that we should be considering?

Ravi Pandit: I would not think there are any other long-term pressures to the topline. There would be some deductions on account of the defocus that we will do on the long tail of customers. But at this point in time it is difficult for me to make a definite commitment about how the growth will pan out. I would like to wait for a quarter or two before I come to some kind of a definitive statement on that.

Ashish Chopra: Sure, and secondly if you could just elaborate a little bit more on which are the areas which are heavier on this long tail where you would probably be opting out of judiciously going forward?

Ravi Pandit: It is in multiple areas. I would not think it is concentrated in one particular area. It is across and some of that could be consolidation of customers, some of them could be taking it to kind of a shared service model, some of that could be just getting out of those accounts so it can be a combination of all of this.

Ashish Chopra: That is it from my side. All the best.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Sir, if you could tell more about the Chinese OEM deal which you have talked about is it more in the line of Revolo or how is it?

Ravi Pandit: It is actually more on infotainment. It is not on the lines of Revolo.

Rahul Jain: Okay so if you could share more in terms of whatever you could tell in terms of size or the actual execution part of it?

Ravi Pandit: So this is some-thing that we are doing on the battery management system and the battery management system applies to electric as well as hybrid vehicles. We have some IPs in the area of battery management system and this customer is using that from us. So what we are giving them is an engineering service as well as our own IP. If you were to look at Revolo, Revolo has multiple components to it. It has motor design. It has components relating to the accessed algorithm and it has components relating to the battery management system. So this talks about one of the areas plus this is more on electric rather than hybrid so it is a slightly different algorithm.

Rahul Jain: Okay and you have also shared the revenues from the digital business we would appreciate if you could share more on profitability as well as other deal details such as deal size, go to market strategy and other aspects on digital side?

Ravi Pandit: See, on the digital side it is a very broad term so digital of course I am sure you know includes the fair amount of work on Cloud, on Analytics, on Sensor, on Social as well as on Mobile and we are using that significantly in the automotive industry, we are also using that in the energy industry and our update talks about Connect, which is a product that we have which connects phone to an infotainment system so that is another area in which we are working. So our digital work is very strongly focused on the vertical focus that we have.

Kishor Patil: One more thing is basically something you know IoT is the large part of digital and we are more focused on the IoT looking at our strengths in engineering and IT and the overlap between the two and as Ravi mentioned I think this is the area where we believe that we can really grow, we also have certain IPs in terms of diagnostic in terms of connectivity and that is what we are leveraging to carve out a solution.

Rahul Jain: Just lastly on the bookkeeping side, the interest income and the interest expenses both the items look little invariably high during the quarter if you could explain the description and the run rate going forward?

Anil Patwardhan: If you see the interest expense right in the opening remarks we clarified that there is a financial expenses which is becoming a part of the interest cost applying accounting standards 16, if you compare the interest it is identical but then this 9.5 Crores have got added in the interest cost and interest income, which we get it is comparable for Q3 and Q4.

Rahul Jain: Okay so what will be the forex component in the gain?

Anil Patwardhan: In other income basically inclusive of forex gain and loss, what I said is 9.5 Crores have been classified as interest cost, which is part of the interest cost so it is reduced from other income.

Rahul Jain: That is it from my side. Thanks.

Moderator: The next question is from the line of Deepen Shah from Kotak Securities. Please go ahead.

Deepen Shah: Just had a couple of questions, first of all once again sorry to come back to the 30 Crores, we indicated that revenues have not been booked to the extent of 2 million dollar and cost provisioning was about 6 million dollar so may be just trying to get a hang like if we were expecting revenues of about 2 million dollars which were not booked how come we have booked about 6 million of a cost and also if it is relating to the past it already would have been provided in the past quarters so may be I am not very clear on what is this 6 million dollar for which we have made a provision and which is one time in nature?

Ravi Pandit: See the provision that has been made, as a reserve for doubtful debt is one component of that.

Deepen Shah: How much would be that , if we can may be give some numbers it will becoming clear for us for the next quarter projections?

Anil Patwardhan: It is 2.6 million. Then we have the direct cost that have been incurred on a contract during the quarter for which we have taken no incomes that is about 1.4 million and then we have about 400,000 of revenues which we have reversed, that is not on the same contract.

Deepen Shah: That is helpful. Also in terms of this interest cost which Anil just explained going ahead we believe that this 9 Crores will not be a recurring expenditure am I right because that is a part of the forex cost?

Anil Patwardhan: Financial expenses recorded based on the foreign currency borrowing then only this element will be there so this is not there in the every quarter.

Deepen Shah: Going ahead like we just said we had offered some discounts to Cummins, also Cummins business has been pretty static as you said over the past couple of quarters so going ahead any guidance on how Cummins is expected to pan out in terms of revenues?

Ravi Pandit: As I mentioned earlier Cummins reallocates their bucket every now and then. They have reallocated their bucket and we are going to loose a part of the revenue and we see a reflection of that during this current quarter.

Deepen Shah: Just lastly on some of the statements which were made in the analyst note you said that in the first half of the next year the growth rate will be similar to the growth, which we have witnessed in FY15 so in FY15 in constant currency we reported a 10% to 11% growth so I was just trying to understand how should I read that statement whether first half will see a 10% growth over the first half of last year is that the case or am I wrong somewhere?

Ravi Pandit: Deepen, actually what we are trying to say is that we will not have significant growth in H1. We will see the impact of whatever actions we take on the profitability side in H2. As we have mentioned we should look at FY16 as a whole

year and during the year we are anticipating marginal growth both in topline as well as bottomline.

Deepen Shah: Thank you very much and all the best.

Moderator: The next question is from the line of Madhu Babu from Centrum. Please go ahead.

Madhu Babu: Sir are we looking like any staggered wage hikes this year considering that you know we are exiting with the weak margin?

Ravi Pandit: No we have actually not taken a decision on that yet. I think we will take a decision in another three weeks or so.

Madhu Babu: Secondly Sir, even Oracle there is strong migration to cloud base applications in Oracle so are there any risks in the Oracle portfolio for us?

Ravi Pandit: So, you know the way I would look at is that the basic business of the ERP is undergoing a basic change and it has happened firstly in SAP we do not when it will happen in Oracle and but you know the way we have done in SAP we have actually been on the frontage of the curve. We have actually invested and worked on it we are doing something similarly in Oracle. I forgot to mention that earlier, we are also investing in the AMS IMS Part by building team in that area so it would increase our share of the recurring revenues going forward. That is one of the other investments that we are doing in the first half of this year.

Madhu Babu: Sir usually our wage hikes are also very higher compared to industry so this year can we afford to be the lower wage hikes and manage the attrition?

Ravi Pandit: You know I have to come to the whole conclusion and then talk about it. You can imagine that our employees would not like hear about wage hike decision through an investor call.

Madhu Babu: Thanks.

Moderator: The next question is from the line of Rishindra Goswami from Locus. Please go ahead.

Rishindra Goswami: I just wanted to clarify that 30 Crores of the breakup that you gave it still does not quite get me to 5 million dollars so 2.6 million was the adjustment in debtors, 1.4 was the cost incurred that had no income related to them, 0.4 million was revenues reversed?

Anil Patwardhan: So it is overall impact is 4.5 million which translate into 29-30 Crores.

Rishindra Goswami: Okay so the 6 million or the 5 million you referred into is just an approximation?

Anil Patwardhan: Yes that is correct.

Rishindra Goswami: If I actually reverse by take your 33 Crores of EBTIDA that you reported for the quarter and I give you credit for all of this that would still only get me 63 Crores of EBITDA on 763 Crores of the reported revenue which is an 8% margin?

Ravi Pandit: I think there are two things I talked about. I talked about the loss of the revenue, reduction in the revenue both in SAP and Oracle, I talked about the one time, actually even at the beginning I did not make a statement that the only problem that we had during this quarter was one time thing. I would like to reiterate that and in the context of that we have also talked about what could be the revenues of SAP going forward.

Rishindra Goswami: Yes, and so just to conclude that thought, so the reported or the adjusted EBITDA margin are 8% this quarter was largely then driven by a drop in those missing revenues which is reflected in your drop in utilization of 5%?

Ravi Pandit: So the drop in utilization is a mix of both new hirers coming on board and the reduction in overall revenue.

Rishindra Goswami: Could you give us your headcount for your SAP division and as well as for IES?

Ravi Pandit: We will get back to you on the individual headcount.

Rishindra Goswami: Okay and then just lastly in terms of IES am I to read that guidance there is also sort of weak to negative for the next couple of quarters at least?

Ravi Pandit: Actually we are not giving the guidance on the revenues just now as I said our focus is actually to get our costs backs. I would request you to allow us some time to actually come out with a better picture which we can be certain about and which you can depend on.

Rishindra Goswami: Thank you.

Moderator: The next question is from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Thanks for taking my question and I appreciate detailed explanation of the focus for FY16. My question was on one of the part that was in focusing on the core clients in select verticals. My question has two parts one is we know how confident are we that we can extract incremental growth from these clients where we have also would be having competition to face? Second question is if we actually look at from a two year or three year kind of horizon, what is the change in the strategy we may have to make one should be actually fix this?

Kishor Patil: Actually if you really look at we had two strategies, one is focus on some GAM accounts and certain verticals from which this GAM accounts are coming and we have looked at, if you look at the automotive specifically in the engineering aspects what we are talking about if you look at both manufacturing as well as the utilities area all these areas have increased spend in terms of IT. There are shifts in terms of where they are spending the money and the other part of that is IoT is the very big part of their spend for all this verticals actually one consistent part is actually these verticals are where the IoT spend is going to go up in next few years. We believe that we are very well positioned for this. We have most of the GAM accounts in place so I think we believe that actually being focused and more focused will give

us these revenues for us and actually we are also focusing on certain products and platforms which largely cater to this GAM accounts and beyond it.

Urmil Shah: On the second part you know if we look at slightly longer term you think this strategy can help us deliver growth or once we fix this we may have to again go for hunting accounts and that could impact the margins?

Ravi Pandit: The way I would look at it is that our strategies are actually twofold one is focusing on a few verticals and secondly to these verticals give both the engineering as well as the business IT services. The way we see things panning out is that more and more of IT will be vertical specific and we believe that more and more of IT will cross the processes as well as the product. So a combination of these two should give us a good growth prospect that is what we believe. This story has played out completely for us in the field of automotive and we are seeing good results of that. We are building on the same story for other verticals. If you look at our other verticals it is manufacturing and energy. Now these also have similar trend on embedded software as well as on business IT. So our strategy is actually to focus on that. We believe that IT play would be more vertical than horizontally in the years to come and we are hoping that we will be able to benefit from that.

Urmil Shah: Thanks that was helpful. Lastly from my end, so on the cost control/productivity improvement if I have got it correctly it will be mainly at the gross margin level and sales and marketing spend will continue to be healthy?

Ravi Pandit: That is correct.

Urmil Shah: Thank you so much and all the best.

Moderator: The next question is from the line of Akshat Vyas from Karvy Capital. Please go ahead.

Akshat Vyas: Good evening. Wanted to understand while a lot of talk has been going on about the guidance miss of 10 million dollar this quarter but just curious when I look at your full year numbers you have increased your employee expenses by 362 Crores for the full year ending FY2015 whereas the incremental revenues have just been 296 Crores so actually this have been through the year it has been the margin dilutive exercise, while I am sure that you had your own good reasons in terms of your long term strategy but wanted to understand then that since we have been talking about the productivity improvement what kind of an EBITDA margin levels are we comfortable going into FY'16 because clearly have you yourself have acknowledged you need to do something about this?

Ravi Pandit: If you were to look at our total expenses, I would put them into broadly three buckets, the expenses that we are incurring on the front end, which are the account managers, sales people and practice people who are based abroad. We have increased that investment quite substantially. As I said we have taken senior people in automotive areas, in manufacturing areas and that is the significant expenditure. We intent to continue with that expenditure because we believe that having such people at the front end helps us to position our services and technology better. The second part of the expenditure is the expenditure on freshers which is relatively small but it is still on the whole reasonable and we think that its an investment again in the future which we do not want to dilute because if you do not have adequate number of well trained freshers then during the year when you have attrition you end up taking people latterly from the market and you end up paying 30%-40% more, so this is the second part which we do not think we want to touch. The third part is the productivity of the regular people that we have inside the company and this is where the SOC, the span of control comes into picture, this where the utilization control comes into picture, this is where the pyramid comes into picture and that is an area where we want to work. We believe that any expenditure on people, which will give us a long temr benefit like three four, quarters from now if something that we should not be echo noising on.

Akshat Vyas: My only question was that building up employee expenses during a year who do not even cover for one time of their cost was a little curious in IT industry when gross margins are usually around 40% to 50% for a mid sized company, but I am sure you have your own reasons for that. My second question is your emphasis on adding freshers to the pyramid while it will reduce your employee cost but when I look at your matrix you are at 9 and material contribution to your total revenue was 75% last year, it has come down to 65 which means and there is a 6% corresponding increase in the project cost and that explains your emphasis on going for transformative projects. Now how does the strategy of adding more freshers to the pyramid help you in doing more transformative projects because to my mind you should have more laterals for doing the transformative projects and especially the fixed price can you comment on that please?

Ravi Pandit: Yes, I understand where you are coming from. You see the idea behind taking freshers is to move the internal people one level up and the idea is not to bring the freshers directly into the high end of the projects and typically what happens is that lateral recruitments happen across the multiple layers and if we can avoid that and we can promote our own people going up that is beneficial and we have people in the intermediate level who can step up to one level high. I recognize that and I understand your concern and we would not be using freshers directly for transformational projects. It is a push one level up for every person.

Moderator: Thank you. The next question is from the line of Vinod Nair from Altavista. Please go ahead.

Vinod Nair: While you are not giving any guidance, you mentioned that revenue and EBITDA you expect it to be largely in the same as what was there in FY15, I just trying to understand that statement, FY'15 your reported margin is around 10.9%-11% if I adjust it for 30 Crores one time it is around 12% and if I also adjust it for the other adjustments which you pointed out like 2 million the revenue forego and some postponement of 2 million dollar it is around 13% so when you say EBITDA will be

the same as last year and I know you are expecting it to ramp up towards the end of the year but should one see it as 11%, 12% or 13% because there is too many things going on and have to favour what normal and what is abnormal here?

Ravi Pandit: I would suggest that you give us a quarter or two to stabilize on that.

Vinod Nair: I would suggest if you are not giving guidance you should not also said that EBITDA will be the same next year as this year because that this the guidance.

Ravi Pandit: Let me read out the statement in the investor statement. We believe that the year FY 2016 will be a year of change and we expect that the growth in both topline as well as bottomline will be marginal so this is a statement that we are making today based on how we see things.

Vinod Nair: When you say it is marginal it is on reported numbers?

Sunil Phansalkar: It is on reported number.

Vinod Nair: So if it is marginal change in revenue and marginal change in EBITDA?

Ravi Pandit: It is marginal change in profits and it is both on reported numbers.

Vinod Nair: Right and when you profit you mean EBITDA or PBT because you have big tax rate going on in your statements?

Ravi Pandit: So the next statement says that since the impact of most of the actions taken during the quarter will be felt in H2. H1 will be similar to the last year in terms of growth though EBITDA we will see improvement over the Q4 so we are not talking about the tax. Our tax rate will go up a little bit and you know as I said in my initial remarks we have some deductions on similar account next year as well so our tax rate will go up a little bit.

Vinod Nair: No my question is simple, where your statement is saying that you should not expect much change in revenue and profit, your profit means profit after tax or EBITDA?

Sunil Phansalkar: The EBITDA will show growth. The marginal growth in profits means marginal growth in PAT over the reported PAT.

Vinod Nair: So you are saying should not expect much change in EBITDA and the tax rate will go up so profit after tax will come down?

Ravi Pandit: So what we are saying is that there will be a growth in the EBITDA and the reported revenues and reported profits for the year.

Vinod Nair: Right, and when you say marginal reported EBITDA growth that is this year there are one time so on an underlying basis actually there will be a degrowth because you obviously do not have what you have already clarified is 30 Crores is one time and it is not recurring so on an adjusted basis you are actually expecting an EBITDA degrowth and the tax rate will go up so there should be a substantial underlying EPS decline?

Sunil Phansalkar: No, I think let us talk on this. I hope you have my number it is 98509 66011 immediately after the call it will be helpful if you can call me and we can clarify this.

Vinod Nair: Thank you.

Moderator: Next question is from the line of Kunal Shangvi from Birla Sunlife Asset Management. Please go ahead.

Kunal Shangvi: Sir my question is with regard to the mid quarter release that we did I think March 2016 when we did highlight that our revenues will be flat at the same time you said that there will be a marginal growth in profit for FY'15 as compared this so I am just wondering that you know why sudden change in the reported numbers?

- Ravi Pandit:** Kunal, I think I addressed this issue right in my initial comments. I am sorry I really don't have anything more to add on it. I did look at that in detail. I spoke about it in detail.
- Kunal Shangvi:** Fair enough.
- Moderator:** The next question is from the line of Aishwarya K from Spark Capital. Please go ahead.
- Aishwarya K:** Thanks for taking my question. I had just a clarification, about the contract you had provided for are you guys taking any legal action against the client?
- Ravi Pandit:** Yes we are exploring all alternatives.
- Aishwarya K:** So may be like not right now but probably two three quarters down the lane will you guys be thinking of providing for a litigation?
- Ravi Pandit:** I do not think the amount will be so high that we will need to provide for litigation expenses.
- Aishwarya K:** One more thing is it possible for you to give the current employee pyramid?
- Ravi Pandit:** I do not think so. You can visit us and you can talk to our people but I cannot talk about the pyramid in every area of operation there are multiple areas of operation and there are different pyramids for different area. The pyramid also depends on the grade, the grade structure that we have, there is a lot of detail to it
- Aishwarya K:** I just wanted to know what is your employee count like 0 to 3 years experience levels if possible?
- Ravi Pandit:** No that is not a data that I do not think any company is sharing that granularity of data.

Aishwarya K: Thank you and all the best.

Moderator: Next question from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Shindadkar: Thanks for the opportunity. Sir, you mentioned on the call that you have been investing in people especially in the sales side client facing people, if I look at the growth especially in the top ten and top account your top five accounts have declined on a year-on-year basis approximately 9% in the reported dollars. All the three top five and top ten accounts have declined. Could you help us understand the discrepancy between your hiring and what exactly are they selling? I mean if you can help us understand what percentage of your top ten revenues is primarily the ERP practice where there is a delta between what you are selling and what customers are looking for?

Sunil Phansalkar: There are about couple of customers where we have had a decline. When we started the year we are mentioned about one customer where we are going to have a decline and we had that decline during the year that customer happens to be in the top five and the other one is in top ten so there are couple of customers where we have had a decline in all other cases we had a growth.

Abhishek Shindadkar: That is helpful and my second question is regarding Sparta, are we through with all the payments for Sparta?

Ravi Pandit: Yes, we are done with them a long back. I think Q3 of FY'13 is when we had the last payment done.

Abhishek Shindadkar: The last question is it possible to reduce our debt as we have cash levels on the balance sheet?

Anil Patwardhan: Actually we have been following sort of that we maintain certain cash reserves, utilizing our lines of credit available in working capital and the long-term debt in

the balance sheet is getting repaid as per the plan so I see over next 18 months this long term debt would get completely repaid.

Abhishek Shindadkar: Okay and if you can just update about earn out status for the rest of I mean whatever earn out status is for the next year or so?

Sunil Phansalkar: So we just have I-Cubed earn outs. As we have said the total maximum earn outs could be in the range of about 10 million dollar over the next three years.

Abhishek Shindadkar: Thanks for the opportunity Sir.

Moderator: Thank you. We have the last question from the line of Rishinder Goswami from Locus. Please go ahead.

Rishinder Goswami: Just quick clarification, what was your capex for the full year this year?

Anil Patwardhan: Last quarter it has been 23 Crores which includes, on annual basis it will be 10 to 12 million dollars.

Rishinder Goswami: And the only other large capex was the acquisition of I-Cube this year?

Anil Patwardhan: Yes that has been done.

Rishinder Goswami: Which was another 15 million dollars.

Anil Patwardhan: That was an investment.

Rishinder Goswami: Okay thank you.

Moderator: We have another question from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: Just one clarification, when you are saying your Cloud revenues are from 2% to 10% this is only regarding the SAP business vertical?



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Ravi Pandit: That is right.

Vinay Rohit: Thank you.

Moderator: I now hand the conference over to Mr. Apurva Prasad for his closing comments.

Apurva Prasad: I would like to thank the management for giving us the opportunity to host the call and all the participants for joining the call. Thank you and all the best.

Moderator: Thank you very much members for the management. Ladies and gentlemen on behalf of Reliance Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.