



KPIT CUMMINS INFOSYSTEMS LTD

INVESTOR UPDATE

FOR THE QUARTER ENDED DECEMBER 31, 2004

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Key Highlights – Q3FY05

- Consolidated revenues year-on-year (y-o-y) (including Panex) grew by 85.12% and net profit (including Panex) grew by 94.60%. On a sequential basis, consolidated revenues grew by 1.34% and net profit by 5.53%
- Consolidated revenues y-o-y (excluding Panex) grew by 48.73% and net profit (excluding Panex) grew by 84.79% y-o-y. On a sequential basis the growth was 4.02% and 5.08% respectively.
- Nine months FY05 net profit at Rs 205.6 million exceeds FY04 net profit of Rs 144.2 million
- Six new customers added during the quarter
- Return on sales (RoS) (excluding Panex) moves up to 13.99% from 13.85% in Q2FY05
- The phase I, which will cover 1500 people at the new facility at Hinjewadi, has become operational from January 2005.
- Total head count increased to 1367, 120 new employees added during the quarter.
- Stock split announced with a view to increase liquidity in the stock
- The Board has approved formation of a wholly owned subsidiary to focus on BPO operations.
- The company has further strengthened its top management team with the appointment of Mr Girish Wardadkar as the President and Executive Director, heading the operations at KPIT Cummins. Girish brings along with him over 20 years of experience at General Electric Company and Wipro in various functions and leadership assignments. His rich experience in manufacturing, engineering, sales & marketing and BPO will be a great asset to the management team. He will drive operations of the company drawing upon six sigma process and metric driven focus and above all best practices in people management. In his last two assignments at General Electric, he was business leader for GE Medical Systems(X-rays) Ltd and Global Relationship Manager at Gecis supporting Strategic account management, business development and customer satisfaction

- Subject to required statutory approvals, the Board of Directors of the Company have approved the allotment of up to 5,70,000 (Five Lac Seventy Thousand) equity shares on Preferential Allotment basis to LB I Group Inc., an affiliate of LEHMAN BROTHERS at a price in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
- Proposed for hike in FII limit to 49% from 24%, subject to shareholders approval. Current FII holding in the company at 11.59 %.
- Guidance for revenues and net profit for FY05 maintained

Revenues

- The consolidated revenues y-o-y (including Panex) grew by 85.12% at Rs 625.75 million compared to Rs 338.02 million in corresponding quarter last year. On a sequential basis, consolidated revenues (including Panex) grew by 1.34% from Rs 617.45 million in Q2FY05
- The consolidated revenues y-o-y (excluding Panex) grew by 48.73% at Rs 502.73 million. On a sequential basis, consolidated revenues (excluding Panex) grew by 4.02% from Rs 483.29 million in Q2FY05
- The top ten clients including Cummins contributed 91.90% of the revenues (inclusive of Panex) during the quarter
- Manufacturing vertical contributed 72.49% of consolidated revenues (Q2FY05 77.23%), while BFSI 25.62% (Q2FY05 21.11%)
- For the quarter, Cummins business revenues touched 37.07% of total revenues (including Panex) compared to 37.63% in Q2FY05.
- The Star customers excluding Cummins contributed 48.19% (including Panex) compared to 48.24% in Q2FY05.
- On-site revenues remained stable at 61.10% (excluding Panex) compared to 60.76% in Q2FY05.
- Offshore contributed 38.9% of the revenues excluding Panex and 31.1% including Panex.
- Consolidated revenues from dollar denominated US markets stood at 59.37% as compared to 63.61% in Q2FY05. While revenues from Europe increased to 37.78% against 34.10% during the same period.

Profitability

- Consolidated net profit y-o-y (including Panex) grew by 94.60% at Rs 74.1 million compared to Rs 38.07 million in corresponding quarter last year. On a sequential basis, consolidated net profit (including Panex) grew by 5.53% from Rs 70.02 million in Q2FY05
- Consolidated net profit y-o-y (excluding Panex) grew by 84.79% at Rs 70.35 million. On a sequential basis, consolidated net profit (excluding Panex) grew by 5.08% from Rs 66.95 million in Q2FY05
- Return on sales (excluding Panex) moved up to 13.99% in Q3FY05 from 11.26% in corresponding quarter last year. RoS stood at 13.85% in Q2FY05. While including Panex, the RoS has moved up to 11.84% from 11.37% in Q2FY05
- Margins have shown an all-round improvement. Consolidated OPM% moved up to 14.41% from 13.81% in Q2FY05.
- The sales and general administration expenses declined for the quarter were to the tune of 19.86% of sales (20.38% in Q2FY05)
- The basic earnings per share for the quarter works out to Rs 11.44
- Global debtors stood at 76 days.

Infrastructure

- The phase I, which will cover 1500 people at the new facility at Hinjewadi, has become operational from January 2005. Some of the divisions of the company have already been shifted and would be completed by the end of March. The leased facilities at different location in the Pune city are been gradually surrendered on shifting to the new premises.

Human Resource

- 120 employees were added during the quarter taking the total staff strength to 1367 employees for the nine months ended December, 2004.

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