KPIT Fourth quarter and Annual Results FY 2014

Investor Release BSE: 532400 | NSE: KPIT

KPIT registers 3.6% Q-o-Q growth in USD Revenues
EBITDA Growth of 8.4% sequentially, Q4FY14 EBITDA at INR 1,130 million
Net Profit registers a 19.8% Y-o-Y growth, Q4FY14 PAT at INR 613 million

Pune, April 28, 2014: KPIT (BSE: 532400; NSE: KPIT), a vertical focused IT consulting and product engineering solutions and services provider to automotive & transportation, manufacturing and energy & utilities corporations, today reported its consolidated financial results for the fourth quarter and year ended March 31, 2014.

Highlights for the quarter ended 31st March, 2014

- USD revenue for the quarter at USD 113.61 million, a Y-o-Y growth of 7.7%
- INR revenues grow 22.9% Y-o-Y to reach INR 7,001 million
- EBITDA margin improvement of 77 bps, EBITDA at 16.1 %

Highlights for the year ended 31st March 2014

- INR Revenue at INR 26.9 billion, a Y-o-Y growth of 20%+
- PAT for the year at INR 2.5 billion a Y-o-Y growth of 25%
- USD revenue for the year stood at USD 444 million
- PAT beats the upper end of the guidance given at the beginning of the year

Guidance for FY15

- FY15 USD Revenue to be in the range of USD 498 Million to USD 506 Million, a growth of ~12% - 14%
- FY15 PAT to be in the range of INR 2,940 Million to INR 3,005 Million, a growth of ~18% - 21%

Management comments

Commenting on the company's performance in Q4 and FY14, Ravi Pandit, Chairman & Group CEO, KPIT said, "With a robust growth in Q4FY14 we are looking forward for revenue growth in FY15 to be 12-14% and estimate 18-21% growth in profits during the year. FY14 was a tough year for one of our SBUs namely SAP, excluding which we grew by 17% over last year. FY14 has ended on a positive note for us with large deal closures and we are optimistic about growth in FY15**."**

Kishor Patil, MD & CEO, KPIT said, "Good growth in APAC (31%), growth in non-linear business and strong growth in Oracle business were the highs of the year, which just ended. We enter FY15 with a stronger order book than what we had at the beginning of FY14 and significant momentum in the engineering business. We have reorganized ourselves and added new members to the team which would take us to the next level of growth."

Corporate Update

FY14 started with a mixed bag with the US showing some definite signs of recovery and Europe still reeling under uncertainty. We started the year with some positives and some negative baggage. On the positive side we were seeing large growth opportunities, backed by multiple $ 10+ million deals across SBUs. On the other hand we had two adverse factors – We were staring at a year where growth in our largest customer was flattish and with the sharp decline in SAP revenues in H2FY13, growth in SAP was largely dependent on closure of the large deals in the pipeline. During the year, IES SBU continued to grow at a healthy rate with JDE leading the growth. The large deals expected to close in Q2, actually got closed at the end of Q3.

The revenues in FY14 were affected to a large extent due to the delay in closure of these large deals. As opposed to our revenue guidance of USD 465 million to USD 475 million, we closed the year with a revenue of USD 444.32 million. The shortfall was contributed by reduction in SAP revenues for FY14 due to delayed closure of deals (~ USD 12 million) and cross currency fluctuations (~ USD 10 million). The PAT guidance for FY14 was INR 2,309 million to INR 2,388 million. We closed the year with PAT of INR 2,489.51 million, exceeding the upper end of the guidance.

Re–organization: Verticalization

While for the past 3 years we have been focused on 3 industry verticals, organizationally we were structured by offerings viz. Engineering (A&E SBU), Oracle (IES SBU), SAP (SAP SBU) & Consulting(BTU SBU). This resulted in having an offerings based emphasis rather than customer based, within our focus verticals. We noticed that not all our customers got the benefit of all our offerings. With a view to ensure that each of our customers gets a consolidated benefit of all our offerings, we have now organized ourselves vertically by Industry Verticals (IBUs). Under the new structure our Sales and Account Management functions have been organized by verticals and they are backed by the offerings provided by SBUs. We have identified strategic accounts and potential strategic accounts which are aligned to the IBUs. These accounts have the potential of contributing around 65%-70% of the USD 1 Billion revenue goal that we have set for ourselves.
Currently we are in the process of implementing the new organization structure across KPIT and the full implementation is planned to be completed by end of Q1FY15.

With FY14 now behind us, we take this opportunity to look into the prospects for FY15 and beyond.

STRATEGIC UPDATE

In the April 2014 Board Meeting, KPIT Board has given its approval, subject to fulfilment of the Conditions Precedent to Closing, for purchase of 100% ownership stake in a North Carolina, US based PLM focused company I-Cubed.

In the current KPIT offerings portfolio of Engineering and Business IT, a strong PLM practice is the missing link. Automotive, Hi-Tech and Discrete Manufacturing companies extensively use PLM and thus PLM is one of the important offerings to our existing strategic as well as potential strategic accounts.

I-Cubed is a specialist PLM player having strong partnerships with PTC, Autodesk, Oracle and Siemens. I-Cubed has 70+ employees and had CY13 revenues of ~ USD 10 million with an EBITDA of 13%+.

The total purchase consideration will be up to USD 24.15 million, split as guaranteed payment of USD 14.15 million (upfront payment of USD 12 million and the rest after 6 months) and performance based additional consideration of USD 10 million, spread over 3 years.

We believe, with I-Cubed's expertise in PLM, experienced management team, skilled delivery team, good set of customers and KPIT's global reach and robust customer base, we together can build a sizable PLM practice over a span of three years.

We welcome I-Cubed to the KPIT family.

INDUSTRY UPDATE

AUTOMOTIVE:

Auto industry has seen growth globally in the past year and the growth momentum is expected to sustain in the coming years as well. Globally auto production rose by 3.3 percent and in US it was higher by 7 percent as compared to the previous year. The investments in the global auto industry will be higher by 9.2 percent (around $17.6 billion) out of which 72.2% will be invested in China. In US the vehicle sales are expected to be up by 2.5%. In china the vehicle sales were up by 13.9 percent after facing the slow down for two years. There will be a significant increase in the business activity this year following the growth. In India there is a big spend under various government funding schemes for betterment of Public Transportation services. This spend is largely in the areas of telematics, diagnostics, big data, cloud and analytics.

There is increased Research & Development (R&D) activity in the auto sector with focus on car safety, infotainment and fuel efficiency improvement coupled with reduced emissions. The total number of patents filed by the global auto industry in previous year has increased by 18% as compared to the year before. Innovation for better, differentiated and faster products is the way forward for the auto industry.

The connected car market is expected to grow at CAGR of 30 percent. It is exploring more opportunities and uses such as remote vehicle diagnostics, usage analytics, navigation and mapping, Governments in US and Europe are formulating policies to make some of these features mandatory in the new cars that are sold. There are huge business opportunities in the big data analytics space with respect to connected cars, as more and more carmakers, users, insurance companies and utility providers are looking to extract and process useful information about the vehicle and its usage.

Infotainment market has also seen increase of 4.2 percent in the previous year. With increased user interest, the market is expected to grow by 12% in the coming year. The infotainment demand will be mainly driven by demand for upgraded functions like maps, connectivity & analytics and new utilities like advanced driver assistance systems.

Thus we believe our positioning, value added services, productized solutions, industry expert teams and R&D investments in related areas will help us capture a good share of the explosive growth that we will witness in the embedded electronics space in the automotive vertical. Our well established practices in the embedded space like Powertrain, Hybrid Solutions, Infotainment, Autosar, Body Electronics, Chassis, Safety, Diagnostics, Telematics, specialized Mechanical Design coupled with initiatives like Diagnostics on the cloud, Intelligent Transportation Systems, Big Data Analytics, Infotainment Platform (KIVI) , Warranty Management Solutions and patented software products position us extremely well for sustained growth in the automotive vertical.

MANUFACTURING:

The global manufacturing industry is seeing good growth in demand in US and the various emerging economies. In the Eurozone, the manufacturing Purchasing Managers Index (PMI) has remained above 53 for past nine months, depicting recovery. In Germany the domestic market is strong. France, Spain, Ireland, Italy have also reported better growth. The global market for industrial automation is expected to reach $190 billion by 2015 representing stable growth. The key thrust of manufacturing organizations is on improving operational efficiency. This is primarily through productivity improvement, quality management and cost reduction. Agility, mobility and flexibility in operations coupled with reduction in IT costs enhances the focus on cloud, manufacturing analytics and vertical led business solutions. Another important focus area for manufacturers around the globe is reduction in time to market. Rapid prototyping and actual manufacturing, using technologies like 3D printing, has already gained momentum.

The R&D in Manufacturing will be more focused on advanced manufacturing technologies with an objective of reducing energy intensity and use of nonrenewable raw materials. SPIRE (Sustainable Process Industry through Resource and Energy Efficiency) a Public Private Partnership (PPP) European Association has an indicative budget of €900 million for the period 2014-2020 for this research. Another big area of research dollars for the manufacturing vertical is the whole concept of internet of things where Machine to Machine Communication (M2M) and enrichment of machine intelligence will call for embedded as well as business IT solutions.

We believe that the manufacturing vertical is embracing technology in a big way and business solutions with technology in the forefront, is a great value demonstration to the vertical. Our vertical focused solutions especially in the areas of Product Cost Management, Manufacturing Execution Systems, Supply Chain Management, Warranty Management, Value Chain Planning and Execution, Remote Diagnostics, Enterprise Asset Management and Warehouse Management coupled with proprietary, pre-configured manufacturing industry solutions in SAP, JDE and Oracle EBS positions us well to be a part of the exciting technology change that the manufacturing vertical is looked forward and investing in. Within manufacturing, we are now building focus on sub-verticals such as Industrial/Farm Equipments (IFE) , Medical Equipments and Hi-Tech. We believe each of these sub-verticals have the potential of growing into individual verticals in the next 2-3 years.

ENERGY & UTILITIES:

The global utilities IT spending will see a worldwide CAGR of 5.9% (2012-2016) and this growth will be led by emerging markets. Out of this, the software spending will see a CAGR of 7.8%. The electricity companies are expected to share 61.3 percent of the net IT spending on utilities. Global smart grid market is expected to exceed $400 billion by 2020. A significant amount of this will be spent on the IT systems (approximately $130.3 Billion).

The primary focus of the IT systems will be on the advanced metering systems, analytics, security and customer centric services. The oil and gas companies are making big investments in exploration and utilities, with the aim of developing better analytics that are useful in achieving economies of scale, provide real time analysis and improve responsiveness. The utility companies are also becoming more customer-centric with the rising demand for applications that provide relevant and personalized customer services like billing, complaint resolution etc. There is an increasing need for better customer intelligence and analytics platforms that are cost effective and provide higher customer engagements. These changes will also challenge the traditional business, operations and management structure that utilities have got accustomed to over the years, implying the need for transformational ERP deals. Many utilities are also looking at cloud solutions to help them adapt to the new business models.

Thus the Energy and Utilities vertical offers tremendous opportunities, especially in the Business IT area. With our clear focus and business solutions in traditional ERP (SAP and JDE), SAP HANA, SAP Cloud (SFSF) and mobility solutions coupled with our strong US presence and fast increasing APAC footprint, we trust we will capture good growth in this vertical in FY15 and beyond.

We have confidence in the overall growth potential that our verticals have on offer and with a clear focus strategy, veticalization and right people DNA, we will be able to capture a decent share of this growth opportunity in the coming years.

Source: Research from independent analyst firms, Market Reports, Public Sources, KPIT internal research

REVENUE UPDATE

In USD terms revenue for the quarter stood at USD 113.61 Million, a Q-o-Q growth of 3.6% and Y-o-Y growth of 7.8%. Our INR revenue grew by 3.3% Q-o-Q and 22.9% Y-o-Y to INR Million.

On a Q-o-Q basis, we witnessed growth across SBUs except BTU. A&E led the pack with a strong 5.67% growth, followed by SAP at 4.37% growth. SAP SBU witnessed good sequential growth after 2-3 quarters of flat to declining revenues. IES registered a growth of 3.20% whereas BTU, which contributes 11% of the total revenues, declined by 1.52%. In Q4, revenues started flowing from 3 new large contracts closed in Q3, 2 in SAP and 1 in A&E. We expect to see ramp-up in these projects during H1FY15. All these 3 deals are in APAC region which boosted the growth in APAC to 30%+ sequentially in Q4FY14.

Amongst the top customer accounts, the Cummins account had a sharp decline of 10%+ on a Q-o-Q basis with revenue share at 15.5% during the quarter. The remaining 9 customer revenue grew 5.64% sequentially while the remaining Top 4 customers had Q-o-Q growth of 16.56%. Apart from Cummins, in one of the Top 10 customers we finished a large Global SAP implementation project leading to a sequential decline in revenues. Both Cummins and this customer also had an impact on the automotive vertical revenues, which declined by 5.6% sequentially. Energy & Utilities showed the highest growth in verticals registering an impressive 24% growth whereas manufacturing vertical grew by 4.36%.

On an annual basis, IES continued its impressive growth registering a 24% growth over FY13 and A&E had a modest growth of 11%. BTU grew at 6% whereas SAP ended the year with a decline of 11%, contributing to a substantial part of the gap between company level FY14 revenues and the FY14 guidance. In terms of verticals, Manufacturing Vertical registered the highest growth of 26.5% Y-o-Y followed by Energy & Utilities growth at 16.05%. Cummins as a customer declined 4.9% as compared to last year with Cummins revenue share at 16.7% for the whole year. APAC continued to lead the growth from the geography perspective and registered a 32% Y-o-Y growth. During the year we had a good growth of 17% in Europe. After absorbing the decline in the revenues from SAP SBU and the Cummins account, US registered a modest 3% growth backed by remarkable growth in JDE and Energy & Utilities vertical.

All the growth numbers mentioned under Revenue Update are in equivalent USD terms.

PROFITABILITY

The EBITDA for the quarter stood at 16.14%, registering a growth of 77 bps over the last quarter. This improvement in EBIDTA is clearly a factor of the growth for the quarter. The margins improved despite the fact that the INR/USD realized rate was unfavorable for the quarter as compared to the last quarter. The INR/USD rate for Q4FY14 stood at 61.63 INR/USD as compared to 61.82 INR/USD in Q3FY14, a reduction of 33 bps. The Net Profit for the Quarter stood at INR 613 million registering a Q-o-Q growth of 0.85%.

Total other income for the quarter was a loss of INR 177.09 million as compared to a profit of INR 17.5 million last quarter. Forex loss included in the other income was INR 239.17 million (INR 31.38 million in Q3FY14). The INR/USD closing rate was INR 60.10/USD (INR 61.93/USD in Q3FY14). Due to the appreciation in the rupee, the foreign currency denominated assets reported a loss on conversion which is a major factor in the negative other income.

During the quarter we wrote back a provision made in Q3FY13 for the investment in a foreign company. We sold back the 20% stake to the company at our purchase price of USD 2 million and hence there was no need to continue with the provision in the books.

The EBITDA margin for FY14 was 15.71% compared to 16.33% in FY13. The sharp decline in SAP SBU profitability had an impact of around 250 bps on the EBITDA margins at the company level. Profit for FY15 stood at INR 2,490 million, registering a healthy Y-o-Y growth of 25 %. The average realized INR/USD rate for the year stood at INR 60.63/USD (INR 54.54/USD in FY13).

In terms of SBU profitability, A&E EBITDA is in the range of 22% - 23%, IES EBITDA in 18% - 19%, BTU EBITDA between 19% - 20% and SAP EBITDA between -5% to -6%. Thus if we compare to the last year, IES & BTU have improved on their EBITDA performance, A&E has maintained the highest EBITDA among SBUs after increased investments and in SAP there is a swing of around 10% negative; the EBITDA moving from a positive 4%-5% to a negative 5%-6%. Thus at the company level, this swing in SAP EBITDA had a negative impact of around 250 bps. The increase in the EBITDA of other SBUs coupled with the margin assistance due to depreciation of the INR helped us maintain the reduction in company level EBITDA to BBB bps.

CASH FLOW

A cash flow synopsis of Q4FY14 Cash Flow is as under:

Details	INR Million
Cash Profit for Q4FY14	**747.86**
Working Capital Adjustments	-1,178.46
Cash Generated from Operations	**-430.60**
Fixed Assets + Dividend + ESOPs	-111.36
Balance Cash Flow	**-541.96**
M&A Investments (Impact- Joint Venture)	-20.00
Working capital availed	-
Debt Repayment	-159.67
Total Surplus / (Deficit) for the Quarter	**-721.63**

Our days of sales outstanding (DSO) at the end of Q4FY14 were 87 as compared to 76 at the end of Q3FY14. There were 2 major reasons for the DSO slipping: One, the credit period for our largest customer was increased to 60 days from the earlier 40 days. This change had an impact of around 4-5 days on the overall DSO. Two, the sales for the month of March were 38% of the total quarterly sales. Assuming more or less an equal distribution of revenues over the 3 months in the quarter, the DSO would have reduced by almost 3-4 days. We will bring in more rigor on the collections and work towards getting the DSO down by at least 10 days, next quarter.

A cash flow synopsis of FY14 Cash Flow is as under:

Details	INR Million
Cash Profit for FY14	**3,029.04**
Working Capital Adjustments	-1,616.09
Cash Generated from Operations	**1,412.95**
Fixed Assets + Dividend + ESOPs	-1,304.95
Balance Cash Flow	**108.00**
M&A Investments (SYSTIME)	-1,185.00
M&A Investments (CPG)	-285.70
M&A Investments (IKV)	-30.00
M&A Investments (Impact)	-70.00
Working capital availed	1,387.00
Debt Repayment	-180.00
Total Surplus / (Deficit) for the Year	**-255.70**

SBU Update

INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU

FY14 was a healthy growth year for IES SBU, with a 24%+ growth in FY14 over FY13. THE SBU EBITDA margins improved to 18%+ in FY15. JDE was the leading growth practice for the second consecutive year for the SBU. As we move into FY15 we believe JDE will continue to grow at a decent pace whereas the Oracle EBS growth will also be better as compared to the last year.

The industry vertical focus at the SBU level is depicted by the vertical focused solutions that we have developed and continue to develop as we move ahead. In IES, we rolled out many such new vertical focused solutions for our clients. Our solution IMPACTA for Manufacturing vertical ensures effective & efficient planning of Oracle EBS Upgrade Projects. The KPIT Accelerate Solution for Industrial Manufacturing (KASIM) is a pre-defined Industrial manufacturing Business Process that speeds up Oracle EBS Implementation. We have developed a DBA Portal that can be used by any company that uses Oracle EBS & Oracle DB. It streamlines key activities such as Migrations / Refreshes / Shift Rosters and saves efforts at the DBA Resource Level. Our KMig (Data Migration Tool for Oracle EBS) reduces Data Migration Cycle Time by about 80%, resulting in effort, cost and time savings. The TraceGen (Trace Generation Utility) standardizes the Trace Generation Process and brings reduction in the Cycle Time for Trace Generation; Zero DBA Dependency. Our KTrecA (Trace Analyzer Utility) enables Faster Analysis of Trace Files, resulting in quicker RCA Identification; Is Oracle DB-Version Agnostic. Our CVoyage (Code Migration Tool) enables streamlined, smoother release management, bulk implementation & roll outs and ensures 100% Code QA Compliance. To improve the efficiency in the code review we have developed a Code Review Analyzer that reduces Code Review Cycle Time by about 80% and eliminates DBA Dependency for Reviews. We have also developed a Supplier Portal that is designed for easy integration with Movex.

THOUGHT LEADERSHIP

- KPIT participated in The Oracle Value Chain Summit held in California, USA from 3rd-5th Feb 2014 and showcased its customers and Oracle edge solution expertise in Value Chain Planning, Value Chain Execution, Product Value Chain/ Product Life Cycle Management and Manufacturing.
- KPIT presented its oracle edge solution expertise at this year's Collaborate, a technology and applications forum for the Oracle community that was held in Las Vegas from 7th-11th April 2014.

CUSTOMER HIGHLIGHTS

- KPIT won a large multi-million dollar deal with a large seeds manufacturer, for JDE and Demantra. The engagement includes designing the Global Core Model and rollouts for 25+ countries.
- KPIT won a multi-year OTM and SOA managed services and shared support deal with a leading Energy organization.

AUTOMOTIVE & ALLIED ENGINEERING (A&E) SBU

FY14 was a modest growth year for the A&E SBU with 11% growth in FY14 over FY13. We enhanced our investments during the year, especially on the people and technology front. Despite the increase in investments we were able to maintain the EBITDA at 22%+ levels. We have a healthy order book and a strong pipeline as we enter FY15 and thus we expect to grow at an improved pace in FY15 than FY14.

In continuation to our vertical strategy and innovation thrust, we are developing several solutions in the automotive and manufacturing space for our clients. We are developing an ECU for a construction and farm equipment major that will help drive tractor autonomously, thereby eliminating dependency and driving high productivity. For a seat manufacturer we are developing a feature set with a Sensor and POC that aims to make automatic adjustments to head-rest and seat height, based on the person occupying the seat. We have partnered with an Asian Tier 1 for our BMS (Battery Management Solution) solution to go into a production program of a Hybrid vehicle of a Chinese OEM.

We saw good traction in Body Electronics, AUTOSAR, Powertrain and Infotainment. This year our non-linear revenues were in excess of 15% of the total SBU revenues. Although on a very small base, these IP based revenues have almost doubled over the last year. In the overall organization restructuring we have formed a separate unit for the Product and Platform business. We believe by doing this, we will be able to reduce our time to market and also increase the effectiveness of our R&D programs.

THOUGHT LEADERSHIP

- KPIT participated in IT & MIS meet organized by ASRTU (Association of State Road Transport Undertakings) & CIRT (Central Institute of Road Transport) to discuss latest IT trends that affect Intelligent Transport System (ITS), Datacenter etc. and implications on Public Transport.

- KPIT showcased Technology for On Bus ITS at CIRT (Central Institute of Road Transport) on 16th Jan 2014 and was recognized as a leading company enabling State Transport Units to manage their fleet with real time data and help in adapting schedules and operations as per demand.
- KPIT participated with its partner Livio at CES 2014, the largest consumer electronics show in the world and showcased SmartDeviceLink integration to bring more apps to cars. KPIT also showcased its KIVI platform, K-Connect and Apps-to-Go at the GENIVI Showcase event and at the Suite in CES to select customers.
- KPIT showcased its plug-in parallel hybrid solution - REVOLO at the Hybrid Pavilion of the Auto Expo (The Motor Show) held from 7th – 11th Feb 2014 in Greater Noida, India
- KPIT's webinar on –'Performing combined FMEDA and FTA using medini analyze for functional safety implementation' received very good response and reviews from automobile engineers and executives from several OEM and Tier 1 organizations.

CUSTOMER HIGHLIGHTS

- KPIT won a multi-million dollar deal with an automotive Tier1 in APAC for an important development and engineering engagement in the area of Infotainment.
- KPIT won a large deal with an American OEM to provide engineering and development solutions in the area of Powertrain.
- An Asian Tier 1 partnered with KPIT to include our BMS solution into the production program of a Chinese OEM's hybrid Vehicle.
- A leading Tier 1 has selected KPIT for an important development and engineering engagement in the area of analysis and development of Driver Assistance Systems.

REVOLO update

- We continue to carry out volunteer vehicle trials in India while awaiting the release of government's final declaration of homologation rules.
- The draft homologation rules were released in the Gazette of India dated 19th February 2014. We expect the final rules to be released in the coming quarters.
- We continue to make satisfactory progress in Malaysia and expect concrete actions towards commercialization in the coming six months.

SAP SBU

This year has been a tough year for the SAP SBU. We believe we have progressed during the last quarter with a 4%+ sequential growth, albeit on a lower Q3FY13 number. The Y-o-Y decline of ~11% in FY14 revenues after three consecutive years of outstanding growth also affected our margins in a big way, with the SBU reporting negative margins for the whole year. In FY15, profitability of the SBU will be our number one priority, growth being the number two priority. In FY15, we are confident of returning back to growth, although modest. In the last couple of months we bagged 17+ deals of total value USD 78.5 M+ (on premise and cloud together). Of these we have signed and started delivery on 13+ deals. We see a very high traction in APAC & US region.

KPIT has witnessed good traction in the Cloud space with our SuccessFactors and OnDemand team and solutions. We have won large SFSF deals in MENA, APAC, and North America. Leveraging our SFSF presence and certifications we have quickly become the go-to SAP partner for social media analytics, cloud for customer (sales/service/social) and cloud for finance. We have also established strong expertise in analytics through HANA.

We are experiencing a lot of traction in our chosen verticals, especially in Manufacturing and Energy & Utilities. E&U is expanding footprint globally with large multi-million dollar wins in Middle East and North Africa. AMS support services have been a major area of focus in the last 2-3 quarters, where we have landed 7 multi-year multi-million dollar deals to support SAP and other technologies for large customers.

KPIT received strong recommendation in a research report by one of the leading independent analyst firms on how customers should select the right SAP Services Partner in the current business scenario. KPIT is positioned along with Tier 1 providers, and as top E&U SAP services provider. One of our customers is exceptionally happy with our HANA work for them and has recommended KPIT to the HANA Advisory Council in SAP, as well as to a lot of prospects. We are doing joint marketing campaigns with the customer. We became the First Value Added Reseller in North America to sell HANA Enterprise Edition. We also earned recognition as SAP Services Partner for MENA. We continue to make significant investments in Cloud and HANA solutions

THOUGHT LEADERSHIP

- During our participation in FKOM 2014 in January, we received a very positive response on our communication and effort on the entire re-branding exercise (Sparta to KPIT) and the benefit of "One KPIT" to our customers
- We showcased our "Connected Car" concept in SAP Forum, UKI.
- Our BPC Migration RDS solution (from 7.5 to 10.x on HANA) was successfully certified by SAP

CUSTOMER HIGHLIGHTS

- A leading offshore drilling contractor for the Oil and Gas industry engaged with KPIT to manage their SAP project to enable the upcoming spinoff of half of the company into a new independently traded firm. The project size is close to $2 million. The SOW for a three year AMS agreement is being developed as a result of our strong delivery performance over the past several months.
- KPIT won a multi-million dollar deal with a leading North American manufacturer of analytical instruments in the area of AMS support.
- A leading publicly traded Oil and Gas company from Texas selected KPIT to deliver multiple components of Success Factors in three phases spread over 6 months.
- One of the world's largest independent oil refiner, recently spun off its $13 billion retail division, and KPIT was engaged in leading the efforts to split their SAP environment into two distinct systems.
- A globally leading energy services and development company engaged with KPIT to design and implement BPC (Business Planning & Consolidations). This deployment includes a set of fifteen pre-defined reports and ten custom reports.

BUSINESS TRANSFORMATION UNIT (BTU) SBU

FY14 was a year more of strengthening the positioning of the BTU SBU with new partnerships and people addition. The SBU grew at 5%+ but more importantly increased the margins to almost 20% on a sustainable basis. We look forward to a better growth in FY15 with similar margins after additional investments on the people front.

During the quarter BTU continued to showcase its capabilities in existing customers. As part of the Business Transformation program with one of the leading fortune company, BTU helped them derive significant benefits through changes in key processes. The CSAT rating in the recent quarter also reflects the commitment and perseverance in becoming the solution partner of our valued customers.

We recently partnered with Nintex, world's leading workflow company delivering innovative software and cloud services to help organizations automate everyday business processes quickly and easily. KPIT and Nintex have tied up to leverage on each-other's strengths in the different geographies globally, offering powerful workflow solutions in SharePoint and Office365.

We have also entered into an alliance partnership with JDA Software Solutions. JDA offers best supply chain management solutions specifically in the area of warehouse operations, transport operation, contract manufacturing, factory planning and scheduling, retail merchandising, etc. This alliance with JDA would help KPIT to strengthen their Supply chain solution footprint. KPIT would leverage its sales team to sell JDA products and services (WMS implementation, development, and support).

We have initiated building Digital marketing services that can help KPIT customers exploit the power of internet channels for furthering business objectives. Pilots done with world's largest Chip maker & a leading food major have been encouraging. We continue to mature and expand our skillsets in the Microsoft arena, adding major certifications like Biztalk, Azure to name a few.

THOUGHT LEADERSHIP

- As a silver sponsor at the Annual meet of ITS – ISACA (Information Systems Audit and Control Association,), KPIT showcased its IT Security Services
- KPIT also participated at the ITSMF India Meet held on 7th March 2014. This was a key initiative from IT Service Management and User industry where KPIT could provide thought leadership, understand the market trends, exchange ideas, trigger networking and connect to resources.

CUSTOMER HIGHLIGHTS

- KPIT won multiple projects with an automotive and heavy equipment provider that encompasses development, Packaging services and Support deal.
- One of the leading Medical Equipment manufacturers selected KPIT for consulting on Portal Content Management and BI services.

Technology Update

By the end of Q4 FY14 the number of patents filed by KPIT stands at 51. Out of these the 11 patents are provisional. The patents filed during Q4 FY14 are

Application Number	Patent Title	Domain
159/MUM/2014	Vehicle detection system and method	Automotive (ADAS)
535/MUM/2014	Motored Suspension Adapter System and Method Thereof	Automotive (general)
586/MUM/2014	Head Restraint System	Automotive (general)

These patents are provisional filed. Complete specification of the patents are yet to be filed.

PATENT DETAILS

We have started a series on patent details here to provide a better understanding of our technology focus and domain expertise. In the last couple of quarter updates, we had explained in brief about our patents "Motor assistance for a hybrid vehicle" and "Motor Assistance for a Hybrid Vehicle Based on Predicted Driving Range". Continuing the quarterly series on the details of the patents granted to us, this quarter we will look into the patent titled "**Motor assistance for a hybrid vehicle based on user input.**"

Motor assistance for a hybrid vehicle based on user input: This method comprises selectively operating the motor to provide assistance to the engine at predetermined operating conditions of the engine. The assistance provided to the engine at one or more of the predetermined operating conditions is varied based on a driving range provided by a user of the vehicle.

R&D PROJECTS

Our R&D center 'Center for Research Engineering Sciences and Technology (CREST)' is focused on three fronts: R&D for customers, technology development, and fostering innovation. In line with this, we are currently working on projects related to optimizing sensors in automotive, vision based day time pedestrian detection and automated code to model tool. These projects are aimed at cost reduction, enhancing safety and improving productivity respectively.

OTHER DETAILS

- Dr. Raghunath A. Mashelkar, our honorable Board member, has been conferred upon with Padma Vibhushan, the second highest civilian award conferred by the Government of India.

- Shrikant Kulkarni, CIO, KPIT was recognized among the Top 50 CIOs as part of India Best 50 CIOs – 2013 Awards.
- Renuka Krishna, Head – Talent Acquisition Group, KPIT, was awarded "Recruiting & Staffing Best in Class Leadership Award" by the World HRD Congress for her leadership and contribution to the field of HR.
- KPIT IMS team won 3 awards from one of our largest customers in the Manufacturing Vertical. The **Federation of Indian Chambers of Commerce and Industry** (FICCI) felicitated KPIT, recognizing us for integrating and internalizing Corporate Social Responsibility into our overall corporate strategy. An Appreciation Plaque was presented to KPIT for our **"Chhote Scientists"** initiative, under the Innovative CSR projects category, at the 13th FICCI CSR Award ceremony held in New Delhi. The Jury was impressed with the promotion of Science, and the efforts that KPIT was taking by religiously working on promotion of the subject. "FICCI and its partners are very impressed with your work in the area of CSR. We are particularly happy with your commitment to CSR and with the importance that you give to CSR work," said FICCI in an email statement. This recognition is very special and solidifies our commitment to continue our CSR initiatives to meet our obligations to the society and community we operate in.

GUIDANCE FY15

We are pleased to release the guidance for FY15:

USD Revenue for FY15 to be in the range of USD 498 Million to USD 506 Million

INR PAT for FY15 to be in the range of INR 2,940 Million to INR 3,005 Million

The above guidance assumes the current exchange rates for INR/USD and also for the cross currency.

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

INR million	Q4 FY14	Q3 FY14	Q-o-Q Growth	Q4 FY13	Y-o-Y Growth
Sales	**7,001.27**	**6,779.37**	**3.27%**	**5,698.61**	**22.86%**
Cost of materials consumed	25.72	-		-	-
Employee Benefit Expenses	3,618.18	3,470.36	4.26%	2,869.20	26.10%
Depreciation & Amortization Expenses	134.89	134.57	0.24%	126.00	7.06%
Other Expenses	1,175.02	1,103.98	6.43%	811.52	44.79%
Professional fees Subcontractor	1,081.17	1,170.11	(7.60%)	1,005.00	7.58%
Total Expenses	**6,034.97**	**5,879.02**	**2.65%**	**4,811.71**	**25.42%**
Profit before Other Income, Finance costs & Exceptional Item	**966.30**	**900.34**	**7.33%**	**886.91**	**8.95%**
Other Income	(177.09)	17.50		(93.47)	89.46%
Profit before Finance costs & exceptional Items	**789.21**	**917.84**	**(14.01%)**	**793.44**	**(0.53%)**
Finance costs	63.48	71.71	(11.48%)	31.61	100.82%
Profit after Finance costs & exceptional Items	**725.73**	**846.13**	**(14.23%)**	**761.83**	**(4.74%)**
Exceptional Items	122.41	-	-	-	-
Profit Before Tax	**848.14**	**846.13**	**0.24%**	**761.83**	**11.33%**
Tax Expenses	235.16	238.35	(1.34%)	206.77	13.73%
Net Profit from ordinary activities after Tax	**612.98**	**607.79**	**0.85%**	**555.06**	**10.43%**
Extraordinary Items	-	-	-	-	-
Net Profit for the Period	**612.98**	**607.79**	**0.85%**	**555.06**	**10.43%**
Share of profit from associate	-	-	-	-	-
Minority Interest	-	-	-	43.38	-
PAT	**612.98**	**607.79**	**0.85%**	**511.68**	**19.80%**
Paid up Capital	370.99	369.81	0.32%	385.63	(3.80%)
EPS (INR 2/-Face Value each)					
- Basic	3.31	3.30	0.30%	2.65	24.91%
- Fully Diluted	3.08	3.36	(8.33%)	2.58	19.38%
Common Size Analysis:					
EBITDA Margin	16.14%	15.37%	5.01%	17.74%	(9.02%)

- Q-o-Q or 'sequential' growth refers to growth during the quarter compared to the immediately preceding quarter.
- Y-o-Y growth refers to the growth during the quarter as compared to the corresponding quarter of the previous year.

Income statement for full year ended March 31st, 2014 (Revised Format)

INR million	FY 2014	FY 2013	Y-o-Y Growth
Sales	**26,940.40**	**22,386.28**	**20.34%**
Cost of materials consumed	25.72		
Employee Benefit Expenses	13,804.03	11,408.06	21.00%
Depreciation & Amortization Expenses	539.54	471.51	14.43%
Other Expenses	4,302.21	3376.89	27.40%
Professional fees subcontractor	4,625.69	3959.89	16.81%
Total Expenses	**23,297.19**	**19,216.35**	**21.24%**
Profit before Other Income, Finance costs & Exceptional Item	**3,643.21**	**3,169.93**	**14.93%**
Other Income	(77.61)	(168.14)	(53.84%)
Profit before Finance costs & exceptional Items	**3,565.60**	**3,001.79**	**18.78%**
Finance costs	257.69	141.51	82.10%
Profit after Finance costs & exceptional Items	**3,307.92**	**2,860.28**	**15.65%**
Exceptional Items	**122.41**	(13.05)	
Profit Before Tax	**3,430.33**	**2,847.23**	**20.48%**
Tax Expenses	940.82	765.60	22.89%
Net Profit from ordinary activities after Tax	**2,489.50**	**2,081.63**	**19.59%**
Extraordinary Items	**-**	-	-
Net Profit for the Period	**2,489.50**	**2,081.63**	**19.59%**
Share of profit from associate	**-**	(5.43)	-
Minority Interest	**-**	86.14	-
PAT	**2,489.50**	**1,990.05**	**25.10%**
Paid up Capital	370.99	385.63	(3.80%)
EPS (INR 2/-Face Value each)			
- Basic	13.30	10.86	22.47%
- Fully Diluted	12.95	10.56	22.63%
Common Size Analysis:			
EBITDA Margin	15.71%	16.30%	(3.62%)

Income statement snapshot for quarter ended March 31st, 2014 (Old Format)

INR million	Q4 FY14	Q3 FY14	Q-o-Q Growth	Q4 FY13	Y-o-Y Growth
Sales	**7,001.27**	**6,779.37**	**3.27%**	**5,698.61**	**22.86%**
Software Development Expenses	4,760.94	4,554.58	4.53%	3,725.10	27.81%
Gross Profit	**2,240.33**	**2,224.79**	**0.70%**	1,973.51	**13.52%**
SGA	1,110.37	1,182.58	(6.11%)	962.82	15.32%
EBITDA	**1,129.97**	**1,042.21**	**8.42%**	**1,010.68**	**11.80%**
Depreciation	134.89	134.57	0.24%	120.61	11.84%
EBIT	**995.08**	**907.64**	9.63%	**890.08**	11.80%
Interest	71.26	79.01	(9.81%)	42.48	67.75%
Profit After Depn. & Interest	**923.82**	**828.63**	**11.49%**	**847.60**	**8.99%**
Other Income	173.83	-17.50	332.40%	85.77	-
Exceptional Item	98.15	-	-	-	**-**
Profit Before Tax	**848.14**	**846.13**	**0.24%**	**761.83**	**11.33%**
Provision for Taxation	235.16	238.25	(1.34%)	206.77	13.73%
Profit After Tax	**612.98**	**607.78**	**0.86%**	**555.06**	**10.43%**
Minority Interest	-	-	-	43.38	-
Share of profit from associate	-	-	-	-	-
Net Profit for the period	**612.98**	**607.78**	**0.86%**	**511.68**	**19.80%**
Common Size Analysis:					
Gross Profit Margin	32.00%	32.82%	(2.50%)	34.6%	(7.60%)
SGA/ Revenue	15.86%	17.44%	(9.08%)	16.9%	(6.13%)
EBITDA Margin	16.14%	15.37%	5.01%	17.74%	(9.02%)
Net Profit Margin	8.76%	8.97%	(2.39%)	8.98%	(2.50%)

- Q-o-Q or ‘sequential’ growth refers to growth during the quarter compared to the immediately preceding quarter.
- Y-o-Y growth refers to the growth during the quarter as compared to the corresponding quarter of the previous year.

Income statement snapshot for year ended March 31st, 2014 (old format)

INR million	FY 2014	FY 2013	Y-o-Y Growth
Sales	**26,940.40**	**22,386.28**	**20.34%**
Software Development Expenses	18,180.06	14,639.81	24.18%
Gross Profit	**8,760.34**	**7,746.47**	**13.09%**
SGA	4,527.58	4,096.44	10.52%
EBITDA	**4,232.76**	**3,650.03**	**15.97%**
Depreciation	539.53	466.12	15.75%
EBIT	**3,693.22**	**3,183.91**	16.00%
Interest	286.40	153.89	86.11%
Profit After Depn. & Interest	**3,406.82**	**3,030.02**	**12.44%**
Other Income	74.66	169.73	(56.01%)
Exceptional Item	-98.15	13.05	-
Profit Before Tax	**3,403.31**	**2,847.24**	**20.48%**
Provision for Taxation	940.82	765.60	22.89%
Profit After Tax	**2,489.51**	**2,094.69**	**18.85%**
Minority Interest	-	86.14	-
Share of profit from associate	-	-5.43	-
Net Profit for the period	**2,489.50**	**1,990.06**	**25.10%**
Common Size Analysis:			
Gross Profit Margin	32.52%	34.60%	(6.30%)
SGA/ Revenue	16.81%	18.30%	(8.16%)
EBITDA Margin	15.71%	16.30%	(3.64%)
Net Profit Margin	9.24%	8.89%	3.95%

Performance Metrics for quarter ended March 31st, 2014

	Q4 FY14	Q3 FY14	Q-o-Q Growth	Q4 FY13	Y-o-Y Growth
Revenue Spread – Geography					
USA	69.78%	72.64%	(0.78%)	75.14%	14.10%
Europe	14.46%	15.36%	(2.77%)	12.75%	39.35%
Rest of World	15.76%	12.00%	35.65%	12.11%	59.90%
Revenue Spread – Verticals					
Automotive & Transportation	33.14%	36.37%	(-5.89%)	38.48%	5.82%
Manufacturing	39.20%	38.99%	3.84%	35.82%	34.46%
Energy & Utilities	17.99%	15.05%	23.46%	13.78%	60.41%
Others	9.66%	9.59%	4.04%	11.92%	(0.43%)
Revenue Spread – by SBU*					
Integrated Enterprise Solutions	40.29%	40.45%	2.88%	46.35%	6.80%
Auto & Engineering	25.79%	25.28%	5.37%	25.01%	26.70%
SAP	23.85%	23.67%	4.07%	26.02%	12.62%
Business Transformation Unit	10.07%	10.60%	(1.88%)	2.62%	372.95%
Customer details					
No. of Customers Added	3	3	-	5	-
No. of Active Customers	198	195	-	183	-
Customers with run rate of >$1Mn	80	78	-	78	-
Top Client – Cummins	15.53%	17.91%	(10.44%)	16.58%	15.09%
Top 5 Clients	35.72%	38.15%	(3.30%)	35.20%	24.68%
Top 10 Clients	45.80%	47.59%	(0.60%)	44.01%	27.87%
Onsite / Offshore Split					
Onsite Revenues	54.31%	52.81%	6.22%	54.82%	21.73%
Offshore Revenue	45.69%	47.19%	0.00%	45.18%	24.26%
Revenue by Contract Type					
Time and Material Basis	72.93%	75.62%	(0.39%)	72.70%	23.26%
Fixed Price / Time Basis	27.07%	24.38%	14.68%	27.30%	21.83%
Debtors (days)	87	76	-	75	-

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

Human Resources – Details	Q4 FY14	Q3 FY14	Q-o-Q Growth	Q4 FY13	Y-o-Y Growth
Development Team – Onsite (Avg)	1,366	1,274	-	1,139	-
Development Team - Offshore(Avg)	7,139	6,987	-	6,486	-
Onsite FTE	1,231	1,123	9.65%	1,074	14.61%
Offshore FTE	5,064	4,985	1.60%	4,805	5.40%
Total FTE	6,295	6,107	3.08%	5,879	7.09%
Development (at Quarter end)	8,583	8,430	-	7,648	-
Gen Management / Support (at Quarter end)	558	554	-	538	-
Marketing (Subsidiaries) (at Quarter end)	155	152	-	135	-
Total (at Quarter end)	9,296	9,136	-	8,321	-
Onsite utilization	90.12%	88.12%	-	94.30%	-
Offshore utilization	70.94%	71.34%	-	74.08%	-

Performance Metrics for fiscal year ended March 31st, 2014

	Mar-2014	Mar-2013	Y-o-Y Growth
Revenue Spread – Geography			
USA	72.23%	75.92%	14.49%
Europe	14.20%	12.95%	31.96%
Rest of World	13.57%	11.13%	46.75%
Revenue Spread – Verticals			
Automotive & Transportation	35.26%	39.30%	7.97%
Manufacturing	39.62%	33.68%	41.57%
Energy & Utilities	15.23%	14.91%	22.89%
Others	9.89%	12.84%	(7.28%)
Revenue Spread – by SBU*			
Integrated Enterprise Solutions	39.94%	34.90%	37.73%
Auto & Engineering	24.75%	24.13%	23.44%
SAP	24.69%	30.10%	(1.30%)
Business Transformation Unit	10.62%	10.87%	17.59%
Customer details			
No. of Customers Added	15	14	-
No. of Active Customers	198	183	-
Customers with run rate of >$1Mn	80	78	-
Top Client – Cummins	16.66%	18.95%	5.28%
Top 5 Clients	37.05%	35.42%	25.88%
Top 10 Clients	46.07%	43.44%	27.61%
Onsite / Offshore Split			
Onsite Revenues	54.72%	53.78%	22.44%
Offshore Revenue	45.28%	46.22%	17.90%
Revenue by Contract Type			
Time and Material Basis	75.39%	71.86%	26.26%
Fixed Price / Time Basis	24.61%	28.14%	5.23%
Debtors (days)	87	76	

Human Resources – Details	Mar-2014	Mar-2013	Y-o-Y Growth
Development Team – Onsite (Avg)	1,265	1,111	-
Development Team - Offshore(Avg)	6,847	6,283	-
Onsite FTE	1,153	1,045	10.33%
Offshore FTE	4,937	4,646	6.26%
Total FTE	6,090	5,691	7.01%
Development (at year end)	8,583	7,648	-
Gen Management/Support (at year end)	558	538	-
Marketing (Subsidiaries) (at year end)	155	135	-
Total (at year end)	9,296	8,321	-
Onsite utilization	91.11%	94.08%	-
Offshore utilization	72.10%	73.95%	-

Hedging details

The currency market has been extremely volatile in the recent period and the company has major exposure in 3 currencies- USD, Euro and GBP. As per our hedging policy, we cover 75% of the net exposure through forward contracts for the next two quarters.
Forex Hedging instruments considered effective hedges in accounting terms are provided for as adjustment to the Reserves and Surplus in the Balance Sheet (OCI). As on March 31, 2014 these Hedging Reserves are INR (+) 92.43 Million as compared to INR (-) 219.87 Million as of Q3 FY14 end.

Total Outstanding Hedges:

- Total amount of USD hedges as on 31st March 2014 : $ 42.30 million
  These hedges are maturing in FY15 and average rate for these hedges is INR 63.50

Balance sheet details

- The Cash Balance as at March 31, 2014 stood at INR 3,737.30 Million as compared to INR 4,458.93 Million as on Dec 31, 2013.
- Capital expenditure for the quarter stood at INR 140.33 Million including CWIP.
- As on March 31, 2014 our total debt was INR 4,941.89 Million (INR 5,117 Million as of Dec 31, 2013) comprising of INR 1,802.98 Million of Term Loan, INR 3,097.52 Million of Working Capital Loan.

Balance Sheet Summary: As at (INR million)	Mar 31, 2014	Dec 31, 2013	Mar 31,2013
Equity & Liabilities:			
Shareholders' Funds	12,736.37	12,002.59	10,361.01
Share Application Money pending allotment	14.84	-	1.41
Minority Interest	-	-	270.24
Non-Current Liabilities:	1,533.68	1,556.32	1602.29
Long Term Borrowings	1,300.52	1,347.99	1,459.21
Deferred Tax Liabilities	-	-	-
Other Long Term Liabilities	-	142.45	0.82
Long Term Provisions	233.16	208.33	142.25
Current Liabilities:	6,949.22	6,704.00	5,596.60
Short term borrowings	3,089.34	2,952.86	1,753.35
Trade Payables	1,020.57	1,020.64	1,199.18
Other Current Liabilities	2,839.31	2,730.50	2,644.06
Total Equity & Liabilities	**21,234.11**	**20262.91**	**17,831.54**
Assets:			
Non-Current Assets:	9,336.77	9,267.47	7,789.70
Fixed Assets	2,160.85	2,155.40	2,004.61
Goodwill on consolidation	5,994.10	5,983.73	4,423.43
Other Non-Current Assets	1,181.82	1,128.34	1,361.66
Current Assets:	11,897.34	10,995.44	10,041.84
Current Investments	1,741.29	1,772.15	2,036.46
Inventories	34.26	-	-
Trade Receivables	6,743.01	5,064.59	4,672.80
Cash & Cash equivalents	1,907.89	2,531.95	1,920.95
Other Current Assets	1,470.88	1,626.75	1,411.63
Total Assets	**21,234.11**	**20,262.91**	**17,831.54**

Conference Call Details

Conference name	:	KPIT Technologies Q4 FY2014 Post Earnings Conference Call
Date	:	April 29, 2014
Time	:	1600 Hours (IST)

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The play back facility for this call is available till May 2, 2014

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About KPIT Technologies

KPIT Technologies, a vertical focused global IT consulting and product engineering partners, is focused on co-innovating domain intensive technology solutions for corporations, specializing in automotive & transportation, manufacturing, and energy & utilities. A leader in technology solutions and services, KPIT currently partners with 180+ global corporations including Original Equipment Manufacturers (OEMs), semiconductor companies and Tier 1 companies. For more information, visit www.kpit.com.

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 Details

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