

KPIT Fourth Quarter Results FY 2019

Investor Release BSE: 542651 | NSE: KPITTECH

FY19 overall CC Revenue growth of 25% over FY18

Services CC Revenue growth of 30% in FY19 over FY18

Operational EBITDA Margins for FY19 at 12.1% , 13.1% for Q4FY19

Pune, May 15, 2019: KPIT (BSE: 542651; NSE: KPITTECH), is a global technology company providing software solutions that help mobility companies leapfrog towards autonomous, clean, smart and connected future. With 6000+ *Automobelievers* across the globe, specializing in embedded software, AI & Digital solutions, KPIT enables customers accelerate implementation of next generation mobility technologies.

- USD Revenues for the quarter grow 13.4% Y-o-Y, 1.1% Q-o-Q
- FY19 Services USD Revenue growth of 28% over FY18
- Net Profit for the quarter registers a Q-o-Q growth of 15.5%,
- Operational EBITDA for Q4FY19 at 13.1%, reported margins at 12.8%

Management comments

Commenting on the performance of Q4 FY19, S.B. (Ravi) Pandit, Co-founder, Chairman and Group CEO, KPIT said, " This was the first quarter post demerger and we look forward to the exciting journey of focus and value creation for all KPIT stakeholders. With our clear focus on Automotive Engineering and Mobility Solutions, we are excited about the way forward, towards realization of our Vision – "Reimagining Mobility... *with you* for creation of a cleaner, safer and smarter world". Our aspiration is to become a USD 500+ Million revenue company with improved profitability, in the next 3-4 years.

Kishor Patil, Co-founder, CEO & MD, KPIT said," . We continued to grow faster than the industry during FY19 registering a CC revenue growth of 25% over the last year. We are fairly confident of continuing to grow faster than the industry in the coming years with better profitability. During the quarter, we continued to divest our hardware based business in line with our strategy to focus exclusively on software intensive business. We are focusing on margin improvement and our aspiration is to achieve operating margins of 16% - 18% in the next 3 years."

The New KPIT

A New Beginning:

We are excited more than ever before with this reincarnation of our company.

As we all are experiencing, the mobility world is going through a huge revolution and it is in for a paradigm shift, something that has not been witnessed in the last 100 years. We are fortunate to be at the right place and at this very right time to ride on the opportunities presented by this perfect storm of technology shifts & business model changes. We want to be a key participant in this shift to build a new world of mobility.

KPIT Vision:

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

Let us explain the vision in greater details:

Reimagining: The paradigm shift in mobility gives us an opportunity to think afresh.

We will achieve this by

- **Building** Platforms, Tools, Accelerators, Innovative business models using domain knowledge
- **Delivering** globally with diverse teams in cultures, languages and thoughts
- **Learning & applying** transformational technologies (Artificial Intelligence, Digital, Big Data)

Mobility: Technologies that enable people and goods to move in cleaner, smarter and safer way. This includes passenger, commercial & off-highway vehicles and organizations that offer mobility as a service.

With you: Every KPIT Stakeholder is a key participant in this vision

- **Customers** - Accelerating the realization of our Customer's vision
- **Employees** - Providing an opportunity for our freethinking entrepreneurial employees to paint on this canvas, while building on our strong foundation
- **Partnership** - Partnering with our customers, mobility ecosystem, stakeholders, universities, research organizations and other influencers to make the vision a reality.

KPIT Strategy

Customers (OEMs, New Mobility Companies and Tier 1s) want to bring new innovative features faster to the market.

Our proposition of "faster time to market" will be supported by:

- Platforms, Tools and Accelerators
- Deep Domain Expertise &
- Ability to and agility in scaling globally.

What we will do:

- We will help our customers to go from design to production. Our offerings will include solutions, that will be centered on software design, development and validation
- Our solutions will be knowledge intensive. We will leverage platforms, tools and accelerators that will enable re-use and faster time to market

What we will not do:

- We will not engage in the sale of hardware products, although we will build adequate hardware expertise to ensure smooth operation of software. Products which include both Hardware and Software will be delivered by an associate or a partner company.

Sub Verticals that we will focus on:

- Passenger Cars
- Commercial and Off Highway Vehicles
- New Mobility

Customer Focus:

We will work with Select Top Customers from the overall mobility ecosystem perspective. The Top 25 Strategic Accounts will be our focus accounts. These would be accounts where we have the highest level of relationship and the quality of engagement is superior.

Glocal Delivery:

We will build customer intimacy through practice and program management presence at key global locations having teams with diverse cultures, languages and thoughts. The global delivery model will ensure consistent customer experience across all locations.

The Vertical that we focus on

The mobility world is going through a huge revolution steered by connected cars, autonomous driving, artificial Intelligence, cybersecurity, big data & analytics, electrification and Internet of Things (IoT). Coupled with these changes, intensifying regulatory and safety mandates are leading unprecedented disruptions in the automotive industry. Technological developments have led to several innovations in the vehicles of the future.

Digitization, automation, and new business models have revolutionized other industries. The automotive industry is no exception. These forces are giving rise to major megatrends in the automotive sector: shared mobility, autonomous driving, electrification, and connectivity. Most industry players and experts agree that these trends will reinforce one another, and that the automotive industry is ripe for disruption.

- New mobility business models have emerged, and are poised to impact car ownership, personal mobility and logistics industry: The market share of new vehicle sales for application in the field of new mobility (e.g. ride hailing, car sharing) is expected to range between 10-15% in the US and Europe and up to 35% in China by 2025.
- Penetration rates for autonomous cars may reach a level between 5% and 26% in ~15-20 years as necessary economics, regulations and technology fall into place.
- Within the next 10 years almost all cars in mature markets will have some form of connectivity largely due to availability of faster communication networks and rising consumer preferences towards connected features.
- Momentum for electrification technologies is building among OEMs due to increasing regulatory pressure on emissions and declining battery prices: Scenarios for the share of EV cars in 2025 range from 8-20% in the US, 20-32% in Europe and 29-47% in China.

Four trends that favor software-driven innovation

The fortunes of players in the automotive sector have always depended on what customers see as valuable. Most of this value has resided in the hardware of vehicles and in the automakers' brands. However, future innovations will probably focus on disruptive technology trends and thus the customers' perceptions of value will shift. The four trends that will likely shape the future of mobility are:

- *Electrification.* Drivetrains will shift toward hybrid-electric, electric, and fuel-cell technologies as they mature and become cheaper.

- *Autonomous driving.* The operation of automated cars will move from advanced driver-assistance systems to fully autonomous driving as the technology matures.
- *Diverse mobility.* As the sharing economy expands and consumer preferences change, the standard model will continue to evolve from outright purchase or lease to rentals and car sharing.
- *Connectivity.* The possibilities for “infotainment” innovations, novel traffic services, and new business models and services will increase as cars get connected to each other, to the wider infrastructure, and to people.

Technology @ KPIT

Research and development have always been on the forefront of our business strategy. KPIT CTO Function is our R&D arm and is responsible for technology incubation, co-innovating with customers, fostering a culture of innovation not only within the organization but also in the business ecosystem and carrying out advanced research, in collaboration with research labs and academia. It is accredited as a research and development facility by the Department of Scientific and Industrial Research (DSIR) under the Ministry of Science and Technology. The total number of patents filed by us as at the end of Q4FY19 stood at 45 (38 with complete specifications and 7 with provisional specifications). In total, we have 49 patents granted across geographies (the same patent if granted in two geographies is counted as 2 granted patents). Most of these patents are in the domain of electric and hybrid technologies, ADAS (Advanced Driver Assistance Systems), BMS (Battery Management Systems), Infotainment, VLSI (Very Large Scale Integration) and High Performance Computing.

GEOGRAPHY FOCUS

Currently our presence across geographies is fairly spread with US being the largest at 40% share, followed by Europe at 34% and Asia at 26%. As stated in our strategy section we are focusing on glocal delivery with integrated teams located across India, Germany, US, China, Thailand and Brazil. We will continue to invest in our Germany and US centers to strengthen our presence in these geographies. We are also focusing on local hiring to source talent globally to address the increasing demand for specialized, domain intensive skill sets, as well as to counter the probable threats looming due to stricter visa regulations in different countries. Increased presence in these global delivery centers will help us build leadership and domain expertise and drive innovation in systems, software and solutions. This will also further strengthen our ability to provide best in class solutions to our customers with a near shore presence and integrated global delivery model. We are making customer specific investments in geographies to pursue further penetration and growth in the strategic accounts. In the coming years, Europe and Asia will lead the growth and thus the balance between geography spread will be further equalized.

Customer Highlights

- A leading multinational carmaker has partnered with KPIT for our experience in Powertrain domain.
- One of the renowned Tier1 manufacturers has partnered with KPIT for its domain expertise in Powertrain for Control/Testing
- A global truck-maker confirmed extension of Diagnostics technology product support for US geography.
- For a leading Tier 1 supplier in Infotainment space, KPIT will be managing Enterprise Diagnostic Licenses (10 years) for our differentiated offering.
- Our domain capability in Powertrain helped win a deal with the American based Global Commercial Vehicle manufacturer.
- A multinational components manufacturer (driveline) extended its relation further with KPIT under Powertrain domain.

Financial Update

REVENUE UPDATE

Our \$ revenue for the quarter stood at \$ 71.05 Million, a Q-o-Q growth of 1.1% and Y-o-Y growth of 13.4%.

Among geographies, US registered Y-o-Y growth of 9.49% while Europe grew 12.3% & APAC grew by 21.46% Y-o-Y.

During the quarter Europe witnessed a one-time sequential decline in revenue for the quarter. This was on account of execution delay in a couple of large orders which are now underway and will generate revenues in the next quarter.

Among our practices, we continue to see strong traction in electric cars, connected vehicles, autonomous driving, Autosar and Diagnostics. Though diagnostics had a soft quarter, especially in Europe, we see continued high traction and hence are confident of coming back to growth in the coming quarters.

The 25 top strategic accounts constituted 75.95% of the total revenues and grew Y-o-Y by 16.70%.

**All the revenue growth numbers mentioned under revenue update are in equivalent \$ terms.*

PROFITABILITY

The realized rate for the quarter was ₹ 70.55/\$.

The reported EBITDA margins for the quarter stood at 12.8% as against 12.9% last quarter. As per accounting standard, ₹23.78 Million of foreign exchange loss is included in other expenses, which should be excluded from EBITDA calculations basis the published results format.

We continued investing (hiring talent) in our global delivery centers, especially in Germany. Growth in the ensuing quarters will help us leverage these investments and thus expand the operating margins.

In line with our strategy to move away from the hardware business and focus exclusively on software intensive solutions, during the quarter we have provided for our complete exposure in our joint venture company established for running the KIVI Smart BUS WiFi business. The total provision made during the quarter was ₹ 342.9 Million. This was a one-time provision of the full exposure for this business. This is reported under exceptional item in the published format.

The KPIT Employee Welfare Trust (which is consolidated into KPIT) holds Birlasoft shares. The change in the Fair Market Value of these shares led to a one-time gain of ₹319.01 Million which is reported under Other Income.

Thus the Net Profit reported for the Quarter is sustainable.

The snapshot of Engineering Business numbers is in the below table:

Engineering Business	Unit	Q3FY19	Q4FY19	FY19
Revenue	\$ M	70.28	71.05	270.8
Revenue	₹ M	4,976	5,013	18,929
Reported EBITDA	₹ M	640	639	2,181
Merger/Demerger Expenses	₹ M	1	16	110
Operational EBITDA	₹ M	641	655	2,291
Reported EBITDA %	%	12.9%	12.8%	11.5%
Operational EBITDA %	%	12.9%	13.1%	12.1%

SUMMARIZED REPRESENTATIVE CASH FLOW

Details	₹ Million
Cash Profit for Q4 FY19	497
Working Capital Adjustments	1,500
Cash Generated from Operations	1,997
Fixed Assets	(69)
Translation and related adjustments	(395)
Balance Cash Flow	1,534
Debt Repayment	(897)
Total Increase/(Decrease) in cash balance	637
Total Cash balance as at Q4 FY19 end	2,207

- The Cash Balance as at March 31, 2019 stood at ₹2,207 Million
- The DSO were at 87 days, at the quarter end.
- As on March 31, 2019 our total debt stood at ₹1,307 Million comprising of ₹689 Million of Term Loan and ₹618 Million of Working Capital Loan.

Thus, the Net Cash Balance as at March 31, 2019 stood at ₹900 Million

The DSO as at the end of the quarter were on the higher side majorly due to delay in billing for some customers which were not novated in time. Majority of this billing was completed in the month of March which forms the bulk of the increased debtors.

FY20 OUTLOOK

The Mobility Industry is going through a lot of disruptions. While on one side there is a fall in the sale of vehicles across the globe, on the other side mobility players are increasing investments in electric, automated and connected vehicles. OEMs are desirous of launching newer models with added features in a shorter span of time and at the same time are focusing on operations cost reduction and staff rationalization. The government regulations across the globe are becoming stringent especially in the areas of emissions and safety. Thus, in these volatile times for the industry that we exclusively focus on, we are not giving a formal guidance for FY20.

Having said that, the outlook for the year remains positive and we expect FY20 CC revenue growth to be in the range of 16% - 18% with EBITDA margins in the 14%-15% range.

Income statement for quarter ended March 31st, 2019

₹ million	Q4 FY19
Sales	5,012.68
Employee Benefit Expenses	3,151.35
Cost of materials consumed	104.07
Depreciation & Amortization Expenses	186.86
Other Expenses	1,141.74
Total Expenses	4,584.02
Profit before Other Income, Finance costs & Exceptional Item	428.66
Other Income	355.40
Profit before Finance costs & exceptional Items	784.6
Finance costs	48.05
Profit after Finance costs & before exceptional Items	736.01
Exceptional Items	(342.91)
Profit Before Tax	393.10
Tax Expenses	83.27
Net Profit from ordinary activities after Tax	309.83
Extraordinary Items	-
Net Profit for the Period	309.83
Share of profit from associate	-
Minority Interest	8.34
PAT	301.49
Other Comprehensive Income	(54.95)
Total Comprehensive income for the period	246.54
Paid up Capital	2,685.02
EPS (₹ 10/-Face Value each)	
- Basic	1.12
- Fully Diluted	1.12
Margins	
EBITDA Margin	12.8%
Net Profit Margin	6.0%

Income statement for the year ended March 31st, 2019

₹ million	FY19
Sales	6,412.6
Employee Benefit Expenses	3,567.5
Cost of materials consumed	104.1
Depreciation & Amortization Expenses	187.7
Other Expenses	1,824.4
Total Expenses	5,683.7
Profit before Other Income, Finance costs & Exceptional Item	728.8
Other Income	355.4
Profit before Finance costs & exceptional Items	1,084.2
Finance costs	69.4
Profit after Finance costs & before exceptional Items	1,014.9
Exceptional Items	(342.9)
Share of profit from associate	-
Profit Before Tax	671.95
Tax Expenses	121.8
Net Profit from ordinary activities after Tax	550.2
Extraordinary Items	-
Net Profit for the Period	550.2
Minority Interest	8.3
PAT	541.9
Other Comprehensive Income	24.7
Total Comprehensive income for the period	566.5
Paid up Capital	2,685.0

- *The full year Profit & Loss above is for the legal entity and not for the whole engineering business since for the period April 01, 2018 to Dec 31, 2018, engineering business was not housed completely under this legal entity but was in various entities of erstwhile KPIT (now Birlasoft). Since January 01, 2019, the whole of engineering business is demerged under KPIT Technologies Limited (earlier KPIT Engineering Limited)*

Performance Metrics for quarter ended March 31st, 2019

	Q4 FY19	Q3 FY19	Q-o-Q Growth	Q4 FY18	Y-o-Y Growth
Revenue Spread – Geography					
USA	40.0%	40.1%	0.8%	41.4%	9.5%
Europe	33.5%	42.4%	(20.2%)	33.8%	12.3%
Rest of World	26.5%	17.4%	53.5%	24.7%	21.5%
Customers					
No. of Active Customers	60				
Strategic T25 Customer Revenue	75.95%	79.09%	(2.9%)	73.80%	16.70%
Revenue by Contract Type					
Time and Material Basis	52%	51.5%	2.2%	59.6%	(1.03%)
Fixed Price / Time Basis	43.9%	47.8%	(7.26%)	35.1%	41.8%
SI* Revenues	4.1%	0.5%	811.9%	5.3%	(12.3%)
Debtors (days)	87				
Human Resource Details					
Development Team	6,303				
Enabling and Sales	311				
Total Headcount	6,614				

Performance Metrics for year ended March 31st, 2019

	FY19	FY18	Growth
Total Revenue in USD Million	270.8	220.4	22.9%
Total Services Revenue in USD Million	266.3	208.3	27.8%
Revenue Spread – Geography			
USA	40.9%	44.8%	12.1%
Europe	36.7%	32.4%	39.4%
Rest of World	22.4%	22.8%	20.6%
Customers			
Strategic T25 Customer Revenue	77.7%	73.3%	30.14%

- We are currently working on the right metrics for our business and will start reporting the same once finalized and stabilized.

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.

Total Outstanding Hedges:

- Total amount of USD hedges as on 31st March 2019 : \$ 8.2 Million
- These hedges are maturing in the next 2 quarters and average rate for these hedges is ₹72.75 /\$

Balance sheet details

Balance Sheet Summary: As at (₹ Million)	Mar 31, 2019
Assets:	
Non-current Assets:	
Fixed Assets	3,260.55
Goodwill	942.29
Other Non-current assets	237.65
Current Assets:	
Inventories	179.94
Trade Receivables	5,920.04
Cash & bank balances	2,206.6
Other Current Assets	3,994.48
Total Assets	16,741.55
Equity & Liabilities:	
Equity:	
Share Capital	2,685.02
Other Equity	6,910.55
Non-controlling Interest	39.09
Non-current Liabilities:	
Financial liabilities	409.00
Provisions	288.15
Deferred tax liabilities	0.66
Current Liabilities:	
Short term borrowings	599.68
Trade Payables	1,123.09
Other Current liabilities	4,686.31
Total Equity & Liabilities	16,741.55

Conference Call Details

Conference name	: KPIT Q4 FY2019 Conference Call
Date	: May 16, 2019
Time	: 1600 Hours (IST)
Dial-in Numbers for all the participants	
Primary number	: +91 22 6280 1325/ +91 22 7115 8226
Local access Number	: +91 70456 71221
Toll free Number	: USA- 1 866 746 2133
	: UK- 0 808 101 1573
	: Singapore- 800 101 2045
	: Hongkong- 800 964 448

About KPIT Technologies

KPIT (BSE: 542651; NSE: KPITTECH), is a global technology company providing software solutions that help mobility companies leapfrog towards autonomous, clean, smart and connected future. With 6000+ *Automobelievers* across the globe, specializing in embedded software, AI & Digital solutions, KPIT enables customers accelerate implementation of next generation mobility technologies. For more information, visit <http://www.kpit.com>

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

For Investor Queries	For Media Queries
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