



# “KPIT Technologies Limited Q4 FY2020 Earnings Conference Call”

May 28, 2020

KPIT DOLAT CAPITAL



ANALYST: MR. RAHUL JAIN – DOLAT CAPITAL MARKETS PRIVATE LIMITED

MANAGEMENT:  
MR. RAVI PANDIT - CO-FOUNDER AND CHAIRMAN – KPIT  
MR. KISHOR PATIL – CEO AND MD – KPIT  
MR. SACHIN TIKEKAR - BOARD MEMBER, PRESIDENT - KPIT  
MR. VINIT TEREDESAI – CFOFFICER - KPIT  
MRS. PRIYA HARDIKAR – SVP & HEAD OF FINANCE - KPIT  
MR. SUNIL PHANSALKAR – AVP & HEAD IR

**Moderator:** Ladies and gentlemen, good day and welcome to the KPIT Technologies Limited Q4 FY2020 earnings conference call hosted by Dolat Capital Markets Private 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 call 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. Rahul Jain from Dolat Capital. Thank you and over to you Sir!

**Rahul Jain:** Thank you Nirav. Good evening everyone. On behalf of Dolat Capital I would like to thank KPIT Technologies Limited for giving us the opportunity to host this call and now I would like to hand the conference over to Mr. Sunil Phansalkar, who is AVP and Head IR at KPIT to do the management introduction. Over to you!

**Sunil Phansalkar:** Thanks Rahul. Good afternoon everybody and a very warm welcome to all of you on the Q4 FY2020 and FY2020 earnings call of KPIT Technologies Limited. I sincerely hope all of you are taking due care of yourself and your near and dear ones. I wish all of you stay safe and stay healthy. On the call today we have Mr. Ravi Pandit, Co-Founder and Chairman, Mr. Kishor Patil, Co-Founder CEO and MD, Mr. Sachin Tikekar, President and Board Member and Mr. Vinit Teredesai – CFO. We also have Mrs. Priya Hardika on the call who is Senior Vice President and Head of Finance and yours truly from IR. As always, we will have the opening remarks about the quarter and the year gone by and the way we see the foreseeable future by Mr. Ravi Pandit and then we will have it open for questions. Thank you once again for joining the call and I will hand this over to Mr. Pandit.

**Ravi Pandit:** Good evening everyone and welcome to the call. In my initial remarks, I would like to cover how the last year was and the last quarter was. I would then like to cover what are our goals, our focus area in the face of COVID. Then I would like to talk about how do we see the overall year and this is what you probably maybe more interested, about how do we look at revenues during the coming year and maybe I will make some remarks about what is happening in the industry that we are serving and our position in that industry. So as you would know the year which ended on March 31, 2020 was actually our first complete full year as an automotive solutions provider focus company and this was a good year, we had a revenue growth of over 14% on constant currency comparable terms, it was an industry-leading growth. EBITDA growth was much higher than revenue growth which was at 35%. Our margin also increased from 11.5% to about 13.7% and PAT growth was also correspondingly quite good.

As regards to our revenue over Q3, growth was about 1% sequentially and year-on-year was 11.5%, EBITDA Q4 over Q3 was 2%, Y-o-Y was 17.5%, PAT although Q4 over Q3 was negative, year-on-year it was a 23% growth. So you would notice that in all aspects our profitability growth was higher. At the beginning of the year we talked about our focus in terms of customers, and we talked about the top 25 customers. Growth in the top 25 customers' year-on-year was 20% against the overall revenue growth of 14%, so you would notice that our emphasis on our key customers has given results. During the year our attrition also came down because of the multiple actions that we took on the people front throughout the year and which we have kept you abreast of, so the attrition came down from roughly 25% previous year to about 15%. Our higher profitability has also converted into higher cash. We ended the last year at around Rs. 90 Crores net cash balance and we ended 2019-2020 at Rs. 328+ Crores cash balance, so our profits have duly been converted into cash. Our DSO has come down from 87 days to 66 days. The key practices about which we have been talking to you, mainly power train and autonomous, contributed to almost 60% of our revenues. I wanted to talk about that in particular because these are the drivers of growth, we think that could happen in the years to come as well.

On the back of such year we were looking for a similar growth during the current year when COVID happened. So naturally in the light of this, we had to reorient ourselves, reset our goals and the three goals that we have kept for ourselves in the face of COVID are as follows; first is keep and improve our service to the customers in such a way that we get their maximum wallet share and we are doing that with maintenance of delivery excellence and maintenance of quality of the work that we do and the time upon which we deliver the work. You would be happy to note that 98% of our people are already on full system work from home to take care of customer requirements. We were keen that we should never drop the ball as far as services to customers are concerned. Our second focus area has been the well-being of our people and we have focused more on continuity of jobs over continuation of their current level of remuneration. So almost all our people have VPI component and this is the part that they may probably have to forego partly, during the year, which could possibly mean a reduction in their overall annual payments.

We have also been spending this time on training and improving the systems for work from home. As I mentioned, most of our people are working from home and that contributes, we believe to their well-being and while at the same time takes care of our customers' requirements. We are focused on our top talent and on retention of that top talent. Our third goal for the year in the face of COVID has been improving and keeping a good cash-on-hand because it is likely that the

customers may also not pay in time so we have now ensured that we have a good chest of cash to ensure that our cash-on-hand position remains stable through the next year.

Now coming to the question of the revenue how do we look at the revenues for this year? The world is in such a phase of turmoil that nobody really knows how things are going to pan out, but I will make some conjectures about this year, this is no guidance much less a commitment and as I said, this is not our core focus during the current year. There has been obviously a drop in Q1 revenue run rate over Q4 but after the initial kind of panic in the market we have seen the customer enquiries stabilizing and going up a little bit so we expect that Q1 will see possibly about 15% drop over Q4 but H2FY21 will be better than H1FY21 and we believe that over a period we should be seeing some uptick but again as I said this is no guidance because we do not really know how the whole thing about COVID will pan out. However we notice more conversation with our customers, these conversations are strategic in nature and as our investor update shows we have been getting into some really nice good long-term big deals so on the whole we feel optimistic about the overall future.

See finally our future is tied within the future of the industry and we believe that the automotive industry or mobility in a broader sense will be an important growth engine for the world, it will continue to grow. Potentially, because of COVID there will be more demand for personal vehicles rather than public transportation. Potentially there will be more demand for people who are looking at self driven cars or fully autonomous cars again rather than public transportation and we continue to maintain our position as leaders in these technologies. We have invested in these technologies through building expertise in this area and we will continue to do so. So we believe that our focus on this industry, our focus on fewer number of customers, our focus on good people and our focus on good client service should yield us good results over a period of time to come. So these are my initial remarks. Should you have any questions we shall be most happy to take them. Thank you.

**Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

**Mohit Jain:** First is on 15% drop that you are anticipating in Q1 so this will be largely volume driven drop or do you think there is substantial part which will come from price reductions for the year?

**Kishor Patil:** This is largely volume driven part specifically in US and UK we have seen the customers have reacted very quickly and this has seen quick stopping of certain kind of programs or projects, most of which we work on are in terms of platform or production programs. So at some point of time they will come back but we do not know so right now what we have seen is largely the volume based degrowth.

**Mohit Jain:** Second Sir I missed your initial remark on the cost containment measures, so you were talking about take-home will be less what will be the quantum of that or for what duration is it effective?

**Kishor Patil:** What we have done basically there are two to three things we have done, one is we are looking at consolidating the facilities which we have, as you know work from home as Mr. Pandit mentioned 98% that basically has worked very well. We have managed our productivity well and we believe we can improve that going forward. So overall we believe that work from home will become more normal and hence we have started consolidating facilities. In India, we already have taken steps to reduce at least three facilities and in Germany, we have taken steps to reduce two facilities. The second of course is the discretionary spends that is the second thing and the third is on the compensation part. What we have done is we have converted some part of the salary into variable pay (VPI), it is low at a lower grade and goes higher at the higher grade and what we have told is we will take a call on this VPI payment at the end of the year. Generally, we do it twice a year instead of which we will do it at the end of the year. So first the component of VPI has increased and the second we have said that we will take a view at the end of the year depending upon the yearly performance rather than a half-yearly performance so that is basically the step we have taken.

**Mohit Jain:** So the payout will be at the end of 12 months, but you will provide P&L on a quarterly basis?

**Kishor Patil:** Yes in line with the performance of the quarter.

**Mohit Jain:** Right so what is this percentage Sir variable versus total like how many was it now?

**Kishor Patil:** Roughly we have increased 10% to 15% additional to what it was earlier so that is how it is.

**Mohit Jain:** So of the total composition around 15% is the variable?

**Kishor Patil:** I would not go into detail. I mentioned that we have increased by about 10% to 15% over and above what the VPI percentage was earlier.

**Mohit Jain:** Okay Sir and lastly on this pledge thing that you have if you could help us understand what is the primary collateral and what is the plan to repay because it is currently at 100% of your stake so how should we look at it?

**Kishor Patil:** I think basic point is, it was short point we are trying to make and we will not go into details because actually it is not very normal to talk about this in case of a company but still the two short points we wanted to make is that our main promoter company which is Proficient LLP, where all our promoters are part including myself is free of any pledge. Proficient is owning more than 32%, so that is first short point we wanted to make. The second point we wanted to make is this has happened because we have purchased additional shares of KPIT that is the second part we wanted to convey and there is no other reason why we have raised funds other than purchase of KPIT Shares. Even in the personal case, the way we have this is not loan against shares, so this is collateral against shares I think this is what we wanted to make a statement I do not think we can go beyond that.

**Mohit Jain:** So as far as the current setup you do not foresee any situation wherein...

**Kishor Patil:** That exactly the point we wanted to say.

**Mohit Jain:** Okay thank you that is all.

**Moderator:** Thank you. The next question is from the line of H. R. Gala from <(inaudible) 15:20> Advisors. Please go ahead.

**H. R. Gala:** Thank you for this good results and your initial remarks are also very encouraging. I just wanted to know that over a period of longer time may be four to five years will we still remain in the auto vertical or do we have plans to get into some other verticals also, that is my first question. Second question is if you can just throw light some of the deals which you have mentioned, you have just quantified one deals 50 million 5 year from European automaker program but there are still some more so what kind of revenue visibility do they provide till FY2021 subject to of course COVID development and next few years?

**Kishor Patil:** So basically when we are looking at automotive and mobility as an overall business I think there are many factors to it, I mean most of our business has been in the passenger car segment for so many years and now we have brought in focus on

commercial vehicles and as you can see that during the last year actually we grew reasonably well in the commercial vehicles vertical and we believe while there is good enough headroom for passenger car itself plus now the commercial vehicle is something which we want to really bring in more focus and as you might have heard that autonomous and some of these technologies will become more relevant into moment of goods. So I think that sector during this year will show lesser growth but over the period we will invest into the technology because they have stronger business case actually as compared to passenger cars and the third is new mobility as we call it and there are many areas in new mobility that we will focus on. So we believe that all these three areas give us significant area for growth apart from that there are many other areas which are coming up. So the way we are looking is how we can improve the pie of what we do today so while we believe that there is a significant headroom in terms of our current strategy which is to focus on T25 accounts. Customers spend 100s of millions of dollars if not few billions in terms of technology and depending upon the customers, I think we may want to expand a little bit beyond T25 and we are exploring which customer and specifically in the area of new sub verticals we are talking about like commercial and others we can add that this is one part of the business where we are looking as a growth area. The second, what we have done in the last few years and specifically after bringing a very sharp focus into our positioning, which is probably one of the very few companies have done, is focus on software integration. We believe that our ability to really go back and replace their traditional models is significant. It will take some time but that kind of an opportunity exists for us. The third thing we believe is there are areas in terms of some other companies like in semiconductors and some in telecom who have connected with automotive industry and they are trying to play certain services specifically in case of connected as well as in autonomous. So in these areas, we can work with some of these customers and last but not the least, I think we can build significant partnership with many new generation companies who are again trying to play a part in this game, which includes something like Microsoft or you can say Amazon, those kind of companies. So we believe that overall the pie is much more and we believe our positioning is extremely strong so we should be in position to really work with these opportunities in the year.

**H. R. Gala:**

Globally also this COVID-19 has been causing disaster so do you think our major customer program as you said in your initial remarks that some of our program etc., might be deferred or something like that so can that affect over a period of one or two years?

**Kishor Patil:** So what we mentioned is basically this impact has been around for a while and of course the COVID impact is global and as we said that we do not know how it will pan out over the period. In the initial time, this impact which we have seen is in US and UK and now we are not saying that it will remain limited there. We are not making any statement like that but actually we believe that some of our value proposition may be more relevant, though it may take a little bit more time to go back to the customers that is how we see. Now last but not the least you asked about the large deals so I think as Mr. Pandit mentioned I think major areas remain electrification, where we see significant growth, we see growth in autonomous and we see growth in connected in these three areas we see deals which are new deals which are coming up and that is where we see our opportunity going forward.

**H. R. Gala:** So overall what kind of revenue visibility do you see like 50 million is one you said five years or it might get extended because of several factors do you know all these new deals which you have bought put together if give you what kind of revenue visibility so may be over the period of two, three, four years?

**Kishor Patil:** Naturally I will not go into number details too much but I must say that most of this deals are of a similar price and going across multiple years so that basically is the change which we have achieved and there are many such conversation which are going on.

**H. R. Gala:** Okay last question from my side why is the UK, Europe profitability so lowest as compared to US whereas the revenue level is almost same?

**Kishor Patil:** Europe profitability? So you will see the change over the year but I think we basically thought that while we are trying to establish ourselves as the leading player in this area apart from India we established a center in Germany I think I have been saying that, actually we have a campus which has come up there and we believe that allows us to really build very key skills and domain knowledge which is difficult to build otherwise and that investment along with some of the core technical knowledge in the new upcoming areas both electrification and autonomous that is the investment we have made in the Europe that is why that profitability looks less but it is something which you will see a difference going forward.

**H. R. Gala:** And just last question from my side if you can permit as far as our geographic presence is concerned which geography do you think will show higher growth in years to come?



- Sachin Tikekar:** As you can see the trend, Europe especially Germany is the country that drives the future of automotive and mobility and that is where we are actually expanding our presence and that is why we have been making investments for the last few years and will continue to see growth coming from Europe over the years. We also believe that there is going to be growth from Asia whether in Japan and some of the other developing countries within Asia that is the growth we see and for US I think US is a very dependable geography, very steady and profitable so the combination of the three geographies from the long-term perspective will pan out really well for us and sort of give us good balance. That is how we actually see growth going forward. Does that answer your question?
- H. R. Gala** Yes that answers my question, if you look at the EBITDA margin higher than 15%, 16% because of work from home you will be saving on a lot of overheads and plus other cost containment measures which you have taken so how do you see the EBITDA picture?
- Kishor Patil:** We will not be in position to right now say this basically we will have to see how things change of course I already mentioned about consolidation of facility and other things but I would also request opportunity for some other questions, I think you already taken five or six questions.
- H. R. Gala:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Congrats on the large deals and what are thoughts on two things, one is if you look at the conversations that are happening with clients, are you seeing any shifts or reprioritization of spends if you could give me some color from geography perspective would be helpful or do you think that post once we come out may three or six months down the line you could actually see some shifts if you have not seen it yet?
- Sachin Tikekar:** Obviously the entire automotive industry and mobility has been impacted and it has been only two months before clients can actually assess the overall impact of the situation. They are trying to prioritize as Mr. Pandit said earlier on and Mr. Patil repeated the areas that are getting prioritized over the others at this point, which are electrification and autonomous. Mr. Patil also spoke about connected led by digital cockpit right so these are three areas being prioritized by automotive companies. They are being prioritized over all the other programs and other spends

that is the immediate response that we see from them in the last two months. We have reasons to believe that may continue in future. In Europe obviously electrification there is commitment and has been reiterated, we will see more and more of that. I think in AD again Europe is the leader, US Asia have picked up and connected I think is going to be across all three geographies. Again we are taking longer term view, we are not talking one or two quarters here. You asked about a general question and general answer over a period of time, difficult to speculate what is going happen today and tomorrow things as you know what the world is going through so things are fairly dynamic but some of the trends over a period of time will remain the same. Does that answer your question?

**Nitin Padmanabhan:** Yes. Second one I wanted to ask was until now we have not seen any impact from a pricing perspective, it has largely been on the volumes, do you think that our portfolio is relatively more resilient to any pricing drops considering the shortage or do you think that could be a potential risk as we go through the year as the automakers see some sort of headwinds, is that even a risk that you would even worry about?

**Sachin Tikekar:** All of us need to understand what automotive mobility and some of the other industries are going through, something that nobody has actually seen. There is tremendous amount of deep pain. It is our responsibility to demonstrate empathy while they are going through this very difficult process so we are working with them to make sure that our long-term value proposition does not get diluted, but in the meantime if you have to support them to get through the difficult period, we will make those adjustments, but we will ensure that our long-term value proposition “pricing” in some case does not get diluted I think that is how we are engaging with our clients and that is what they actually appreciate about KPIT.

**Kishor Patil:** Just to add to what Mr. Tikekar has mentioned, I think one thing we see that clear opportunity to do more off shore than in the past and basically because the remote working has even though it looks very intuitive but now the realization has struck that even people were working remotely and that has given different dimension so people are more open even in case of critical program so we do not want to rush immediately because our first priority is to make sure that we deliver well but we certainly see an opportunity to move more towards off shore.

**Nitin Padmanabhan:** I will just sort of press up on this on the conversation, let us say someone does ask for some kind of cut, the way to think about it is to try and push them to say that we could potentially do this offshore so let us say convert this to offshore or do

you see clients really pushing for one time discounts or that sort or that is not something that really happening at this point just your thought?

**Sachin Tikekar:** Right now I think our focus is on doing more with less and I think our ability to do things for them globally there is enough on the table that can be delivered through our global centers that can create more value for them for the money that they are already spending and those are the constructive conversations that we are having with the client. Given our positioning in some of these areas, we really do not want to get into the price conversation right now and I think by engaging with them we are able to find a middle ground.

**Nitin Padmanabhan:** Great just one last one, in terms of the deal pipeline that we have how large is the pipe today versus what it would have been earlier we just converted one just your thoughts on the deal pipeline how it looks?

**Sachin Tikekar:** Overall, you know, to be honest with you Mr. Pandit said that at the beginning of the year the pipeline looks great. Mr. Patil said we were actually getting ready for similar year to last year in terms of our growth both in topline and bottom line and so the pipeline per se remains pretty decent. It is just that COVID has put everybody into a dilemma in terms of prioritization that is what our clients are doing. We have not heard of any of our large deals being completely taken off the table, what we are seeing is they are postponing and prioritizing some of these. Right so the pipeline is not going away anywhere, it is remaining. I think it is going to take a little bit longer and at this time it is hard to speculate how much longer as you would understand is the case, not just this industry, but many other industries.

**Nitin Padmanabhan:** Fair enough. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.

**Ashish Agarwal:** Just wanted to understand on the margins front how should we look at your profitability in FY2021 given the steps you have taken and secondly just pressing some points on the pricing side, it is almost two months into the quarter, have your clients asked about the pricing cut which could have an impact on your growth going into first half?

**Sachin Tikekar:** Mr. Pandit laid down our priorities for the year, number one engage very deeply with our clients, see it as more value for them and deliver excellence that is our number one goal for the year, take care of our employees make sure that our top key

employees remain committed and as a company remain very, very liquid not only for the short run but in the long run that is our focus so that is the answer to the question about the margin we will not say anything more than that on the margin front. What was the second question?

**Ashish Agarwal:** My question was on the pricing side, has the clients asked for it till now?

**Kishor Patil:** I think I answered this question twice, conversation about creating more value doing more with less. We are not entertaining any discount or pricing conversations at this point of time.

**Ashish Agarwal:** Okay and lastly one thing which you mentioned was that there might be a higher credit period by the clients and everything, we have done a good work reducing our debtors days to 63 days how much increase that would happen going into first half because of client asking for more credit period?

**Sachin Tikekar:** It is also going to be depending upon the revenue that we clock as you know the DSO is dependent on the revenues and the cash collection that happens. At this point of time putting a number is not correct. We will, as Mr. Pandit and Mr. Patil mentioned, as we see a bit of a drop in revenue in the first half, we would see our DSOs going up, not because of the cash machinery not working, but because of the base becoming a little bit lower but we anticipate that as of today with all our clients, our collections have been pretty much streamlined, even as we have gone through the last two months post the completion of the financial year we are not seeing any of our collections being delayed. The clients have been pretty much committed to making the payments for all our invoices that have happened.

**Kishor Patil:** In couple of customers we have extended a credit period one time for next couple of quarters but that is not a very significant part, but I just wanted to bring it out as Mr. Tikekar mentioned that we had to support during their pain periods in a very exceptional situation we have extended that it is not something which is very significant.

**Ashish Agarwal:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Karan Uppal from Philip Capital. Please go ahead.

- Karan Uppal:** Just one question on your top 25 accounts, the concentration remains pretty high at 80% plus so any stress do you foresee at the moment in FY2021 because of this T25?
- Sachin Tikekar:** Very good question and this is something that we are monitoring at least twice a week. Again we are committed to our T25, they are committed to us that is why we called them T25 however given the magnitude of what is happening in the world, there are obviously some risks in terms of some of the OEMs and some of the Tier-1s so we need to be very mindful about that and be proactive about it. Mr. Patil mentioned that we are in conversation with some Tier-1 and some of the other OEMs that are not part of T25 as a potential backup. So, we are continuously monitoring our relationship and index with T25 and we are just trying to be prudent. There are going to be some risks with three or four of them, we hope that they come out of this successfully but just in case they struggle we are creating a pipeline of few others who can potentially replace them.
- Kishor Patil:** Just to add I must say that it is more of strength for us, T25 strategy is more of a strength because most of our key customers are doing well. We have established ourselves very well with them so we see actually more opportunity and in case of consolidation more business coming to us from these customers so while we are looking at a situation where if some of them struggle, largely in most of the other customers like 90%+ of the customers, we see them as a strength which have built.
- Karan Uppal:** Okay thanks so that one thing on this three to four customers which you mentioned can you please throw some light on how much revenue they contribute, any average?
- Sachin Tikekar:** We wanted to present a macro picture of the automotive industry in such anything of this magnitude there will be turmoil for 10% to 15% we do not have any specific, we just have to be mindful if something happens we need to have backup that was the intent behind it rather than having specific clients in mind.
- Karan Uppal:** Sure thank you so much, all the best.
- Moderator:** Thank you. The next question is from the line of Dipesh Mehta from SBICAP Securities. Please go ahead.
- Dipesh Mehta:** Sir couple of questions, first about top client whether we have seen any strategic program on electrification or let us say autonomous seeing some kind of deferment or cut considering the crude oil prices, I am referring from medium term not very

short-term from quarter or two, the overall thinking perspective medium term challenge in terms of how they want to spend where they want to spend. Second question is about connected vehicle now connected vehicle which we report is shifted segment showing weakness throughout the year if you can provide that is one of the focus area so what is driving weakness there even pre-COVID time if you can provide some perspective and the last question is revenue was we have indicated around 1.5% revenue loss in Q4 because of COVID so how much it was towards supply and how much was demand if you can provide that perspective?

**Kishor Patil:** My apologies, we will have take one question at the time I cannot remember all these questions can you just ask one question will go one by one, can you ask the first question?

**Dipesh Mehta:** First thing about the top client overall strategic program whether you expect their strategic program to have some medium term implication not for a quarter or two kind of thing because where crude oil prices and changing overall priority so electrification autonomous, whether it has implication on medium term priorities?

**Sachin Tikekar:** If you take medium term answer is we do not see much of impact especially on electrification everybody is actually committed many of our key clients have actually demonstrated their commitments in the face of COVID so we believe that will continue to grow. The ADAS part, there is more focus on ADAS production program so we have not seen any kind of changes on the ADAS production program especially for the next two or three quarters so the medium term trend regarding electrification AD & ADAS and connected driven by corporate we think that most of our clients will continue. We do not see much of shift there.

**Kishor Patil:** Your question was about top customer I think absolutely we see significant traction, we will not go into customer specific details but in the public domain there is enough information of key OEMs really committing to this so we see actually certainly more emphasis on electrification, connected and in autonomous as Mr. Tikekar mentioned ADAS is what they are focusing on, some of the AD programs are a little bit phased out that is the only thing in case of our key customers.

**Dipesh Mehta:** The second question was about connected vehicle the segment which we report is showing weakness throughout FY2020 even pre-COVID so if you can provide some perspective what is driving weakness there?

**Sachin Tikekar:** It is a fair point, you have to remember that we probably had the highest growth from the previous year to last year in connected. There were two really large

programs that were one-time programs that got over. We believe that there is also shift from traditional infotainment to e-cockpit and those programs are getting rolled out now. We are engaging very deeply with our key OEM clients as well as Tier-1s to drive the same. We believe that we will see growth coming back over a period of time driven by e-cockpit. Thus, it was one time and if it was not for COVID, we are actually getting very good traction. So mid to long-term we are putting our best on connected.

**Kishor Patil:** The other thing I may just mention is these are also very large programs and long-term programs. it takes some time for the closure but absolutely this is an area of focus and this will get prioritized by our customers.

**Dipesh Mehta:** In connected vehicles it is few clients which is where we are working on their program or it is fairly diversified so if you can help us understand let say top 25 key focus areas what would the presence across our identified areas, how many client we might have already penetrated so if you can provide that, it would be helpful for us to understand better?

**Sachin Tikekar:** So we will tell you what our goal is, we have a simple metric, we have 25 clients and there are three large service areas some of them are green for each, the point is over the next three to five years all of them need to become green that is what strategic relationship is all about and I would say that with majority of them I am using the word majority we have worked with T25 across the three areas and some more obviously.

**Dipesh Mehta:** Okay and the last question was about revenue loss of 1.5% in Q4 which we indicated? How much was supply and how much was demand?

**Sachin Tikekar:** If I understand your question correctly see when abruptly across countries across the continents, there are lockdowns announced, there is a disruption and this loss of revenues is only because of the disruptions that have happened because of the sudden closure of geographies. Even though we have comparatively small presence in China, China was in complete lockdown for the entire quarter and for 15 days most of the world actually got affected due to the lockdown. It was due to that. Does that answer your question?

**Dipesh Mehta:** Yes Sir broadly you are indicating it is largely supply demand is likely to play out from Q1 onwards?

**Sachin Tikekar:** Yes.

- Ravi Pandit:** See in my initial comment I talked about 15% drop in revenue that would happen in Q1.
- Dipesh Mehta:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.
- Ashish Kacholia:** My question is basically pertaining to our EBITDA margins which we were envisaging before this COVID thing came along. Could you give us any sense on what was the EBITDA margin that you would have thought we could have done in two to three years before this COVID thing came along?
- Kishor Patil:** So I think we had mentioned that before the COVID we had talked about somewhere between 16% to 18% in three years, this is what we had mentioned and we would have gone with that.
- Ashish Kacholia:** So any changes in the pricing etc., currently I mean in one year we may get affected by a lower capacity utilization but the next year and the year after that can we get?
- Kishor Patil:** Otherwise no fundamentals have changed but this year disruption is something we cannot really estimate the duration of disruption
- Ashish Kacholia:** Sure assuming that this COVID think passes away and things get back to normal and then how to get back to that kind of margin trajectory?
- Kishor Patil:** Yes.
- Ashish Kacholia:** Right thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** So my first question is what are the key changes in industry that you may see post COVID kind of environment given your current conversation with them and also from your experience from previous cycle such as maybe industry consolidation risk and being in the shared mobility transfer or more investment in the autonomous do we see some major changes as such on these factors?
- Sachin Tikekar:** I think Mr. Pandit covered some of this in his initial remark so one is again early days, but we believe that electrification across will be key because it is good for



the environment, people have made commitments to it. I think it will continue autonomous I think may get accelerated little bit more because people would want individual mobility rather than shared mobility in the immediate future especially against the public transportation so we believe that there will be more small car maybe in developing countries the two wheelers sale may go up especially electric two wheelers and so forth these trends are very obvious and from connected perspective whether it is connectivity inside the vehicle or outside the vehicle and in corporate and all the other connected services that trend again is not going to get reversed. So as things come back I think these three trends will continue to be there in a different form because of what we are going through at this point in time.

**Kishor Patil:** One small addition if I may to but in the short-term, we may see a reverse trend for shared mobility that may get impacted for some time.

**Sachin Tikekar:** Share mobility has two aspects with the mobility of people which Mr. Patil is referring to where there could be a little bit of fear, right but when it comes to shared mobility where movement of goods is concerned, we believe that is going to pick up so from our commercial vehicles perspective and so forth we will see an immediate demand you already seen the stock of e-commerce companies actually doing really well and they depend heavily on commercial vehicles so that is another trend that we will see.

**Rahul Jain:** On the consolidation part so maybe from your previous cycle reference also where we have seen some consolidation of shared development kind of program which companies are following what are the risk or what are the opportunities we would like to highlight do that mean lower businesses in some of these T25 customers collaborate better, is it positive, negative or difficult in point at this time?

**Kishor Patil:** I think we look at it as an opportunity I think this may happen specifically in the area where a little bit more uncertainty and there is a lesser standardization as of now like an autonomous and there are already three four such platforms which are being developed. In other cases it is actually most of the OEMs wants to own software so in that sense the sharing will happen at component level more on the manufacturing side hardware side lesser on the software side in most of the other domains other than autonomous. So largely we see either of the way we see a bigger role to play for us because we are playing closely with the ecosystem both with the OEMs and Tier-1. So we see that as a good opportunity because we are already part of certain platforms development as you are aware we have made few announcements in the past as well as in other cases wherever the standardization is happening again we have been playing a good role for last 10 years. So we see

this as more as an opportunity because even in case where the platforms are developed, there is a huge amount of work, which is done in terms of integration for individual company and I think that gives us benefit when we are a part of platform development.

**Rahul Jain:** Okay thanks lastly any quantification we could do on total cost saving through various program, facilities and so on, any color you would like to give on a total picture what kind of savings we could have?

**Kishor Patil:** I think very difficult to quantify right now. I think we have given more color and information than most of the others. This is what we are comfortable with.

**Rahul Jain:** Okay fair enough that is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.

**Ashish Kacholia:** Hi my question pertains basically how satisfied are we with the traction that we can see in the US market?

**Sachin Tikekar:** What we described earlier America for us is solid sort of steady high profitability and till date the largest I think what we were thinking pre-COVID is we need to look a little bit more there are opportunity that are taking place, there has been some consolidation with OEMs across geographies between US and Europe given that and the leadership that the Europeans have taken, we were actually thinking about engaging more with additional clients from the US especially in the commercial vehicles, whether it is on highway or off highway that is what we were planning and that is exactly what we are going to continue to do. So to your question compared to Europe and Asia, the growth over the last three years was on the slower side and we were responding to that because we did not want our largest geography to slow down. We have taken certain steps, but now we are going through and will make sure that we see more opportunities not only on the passenger cars side but I think on the commercial vehicle side on highway and off highway as far as the US is concerned.

**Kishor Patil:** Also some of the partnerships I mentioned in my earlier comments, right new generation players in automotive, many of them have a good presence in the US and we believe that we can leverage much better.

**Ashish Kacholia:** My other question is basically with this commercial vehicle market in the US, is it a big chunk of our sales at the current point of time?

**Sachin Tikekar:** If you look at the commercial vehicles about 23%-24% overall, but it is obviously less than passenger car. We were expecting higher I mean just like the case last year, the growth was slightly higher in commercial vehicles are compared to passenger car given its size I think the growth rate will be higher potentially.

**Ashish Kacholia:** Okay. So this 23% can go up over a period of time as a mix of our sales?

**Sachin Tikekar:** It has to because it is still in nascent stages we have had focus on it only for the last two years so we believe that the headroom is lot more in commercial vehicle.

**Kishor Patil:** But at the same time we are aware that this year it will be a bit slow, commercial will be slower than the passenger car during the current year.

**Ashish Kacholia:** Right and my last question is basically from whatever we can understand Tesla seem to have a higher market cap than many of the other companies put together so how are you given the fact probably Tesla does a lot of their work in-house then over a period of time do we see that the rest of the industry is in a position to respond to the technological challenge from Tesla and because you guys are kind of working at the front line so since we are now going to be able to work with Tesla they have their own philosophy working in-house. So how are you seeing the preparedness of the rest of the industry to kind of compete with them in actual product and delivery terms?

**Sachin Tikekar:** Tesla is a mystery to many but it is what it is I think they have taken the lead, they have taken some bold steps and the market has responded really well, they do most of the work in house, we believe that as in case of any large OEM as you become truly global and large you need to seek partnerships outside. It is not a scalable model what they have so we believe that they will open up. We have two actually Tier-1 who are our clients and who happen to work very closely in the strategic manner with the Tesla so we believe that there may be opportunities in future for us to work directly or indirectly for Tesla, that is point number one. Point number two, all the OEMs the Europeans and the US and some of the Japanese one, we are seeing them responding very well to where Tesla is going and for their programs, whether it is electrification or connected where they have a little bit of a head start over some of the other OEMs so those are the programs that we are actually working on as far as the other OEMs concerned and we believe that there are two things, some of the existing OEMs will respond really well and do compete

very well with Tesla and secondly, there are some disruptors that Mr. Patil talked about correct some other companies in Silicon Valley all of that they may not have their reach in automotive, but they are very strong on software and connecting devices. They can also create some kind of disruption and give Tesla a run for its money.

**Ashish Kacholia:** Great thank you very much.

**Moderator:** Thank you. The next question is from the line of Prakash Chellam from Marathon Edge Partners. Please go ahead.

**Prakash Chellam:** Traditionally you invested a lot in your R&D expenditure to just a question going ahead are you looking at any changes in terms of looking at availability of your R&D team for that matter availability of the entire sort of investments that do you and so on with your customers.

**Sachin Tikekar:** Let me understand the question you are saying that we made a lot of investments in R&D and there are people engaging in R&D, are we going to move those people from R&D into other projects? Is that the question?

**Prakash Chellam:** Yes kind of but also in terms of whether you want to look at assuming doing good R&D work I mean, sometimes it is good to kind of engage with the customers tested by seeing if they are available jointly going aging in R&D with those customers so are you looking at an availability metrics for your R&D and so on going ahead?

**Sachin Tikekar:** So I think one of the reason why we have established ourselves so strongly is basically our ability both in terms of domain knowledge as well as in terms of what we have been ahead in the curve in terms of when the customer wanted a new thing to be introduced, we were ready with that so that approach is not going to change in this, but of course there are two to three things which are happening, number one we have invested very reasonably over the last three years in autonomous I think we see now many more projects and many of those people engaged as well as we have basics which we have developed. Similarly the electrification where we have again made a significant investment so there is a prioritization while in some new areas we will invest so overall there may be few changes in terms of mix and the areas of work, but overall in the philosophy we will continue to do it and we will see whether we can do something which we have done in the past with some of the larger programs. Whether we can do something along with some customers, but nevertheless we will continue to do investments into I would say work in terms of new areas.

- Prakash Chellam:** Okay, thank you so much and new wins, could give us some color on how much of that you will see impact in this year it is \$50 million win, when could you give us some sense of ramp up so on?
- Sachin Tikekar:** Again the question is the win that we talked about of \$50 million you are saying how much of that will lead to revenue during the current year. Is that the question?
- Prakash Chellam:** That is correct and how it will play out over the next few years?
- Kishor Patil:** I think we will start transition in a month or so, I think so we will see some revenue in later part.
- Prakash Chellam:** Alright. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pankaj Agarwal from Yellowstone. Please go ahead.
- Pankaj Agarwal:** Good evening. My question pertains to capex plans I think you mentioned in your earlier conference calls that capex guidance is about 2% to 3% of sales, is there any change to that and if you could reiterate what are the areas are we planning to spend the capex on?
- Sachin Tikekar:** Yes Mr. Patil mentioned in the initial comments we have deferred few of our programs that were planned for and this year our capex estimation is it will be somewhere in the range of around 1% to 1.25% of the overall revenue for the commitment that we have made and it will be mostly into the areas of consolidating our operations in certain geographies and then certain amount of IT security upgrade that will be happening.
- Pankaj Agarwal:** Okay got it. Thank you.
- Moderator:** Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.
- Sunil Phansalkar:** Thank you all for participating in the call and if you have any further questions, please feel free to write to me and I will be happy to get back to you. So take care and stay safe. Bye.
- Moderator:** Thank you very much. On behalf of Dolat Capital Market Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.