

KPIT

January 29, 2020

Investor Update Q3FY20



KPIT Technologies Ltd.

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 competitive market for the type of services and solutions 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



Performance Overview

- Q3FY20

Q3FY20 Performance Overview

**KPIT Q3FY20 Profit grows 19.3% sequentially
Interim Dividend of Rs. 0.55 per share**



YTD Q3FY20 Y-o-Y comparable revenue growth of 15.5% in CC terms



Q3FY20 Y-o-Y comparable revenue growth of 10.6% in CC terms



Q3FY20 annualized EPS of ₹ 6.25



Net Cash as at Q3FY20 end stood at ₹ 2,584 Million

Management Quotes



Kishor Patil, Co-founder, CEO and MD, KPIT said,” The automotive and mobility sector is investing in upcoming technologies, despite falling vehicle sales. Riding on this, we have demonstrated a strong YTD Q3FY20 CC growth of 15.5% and a consistent improvement in Net Cash position. In line with our intent to increase dividend payout, we have declared an interim dividend of Rs. 0.55 per share. We are assertive of growth and consistent profitability improvement, going forward”.

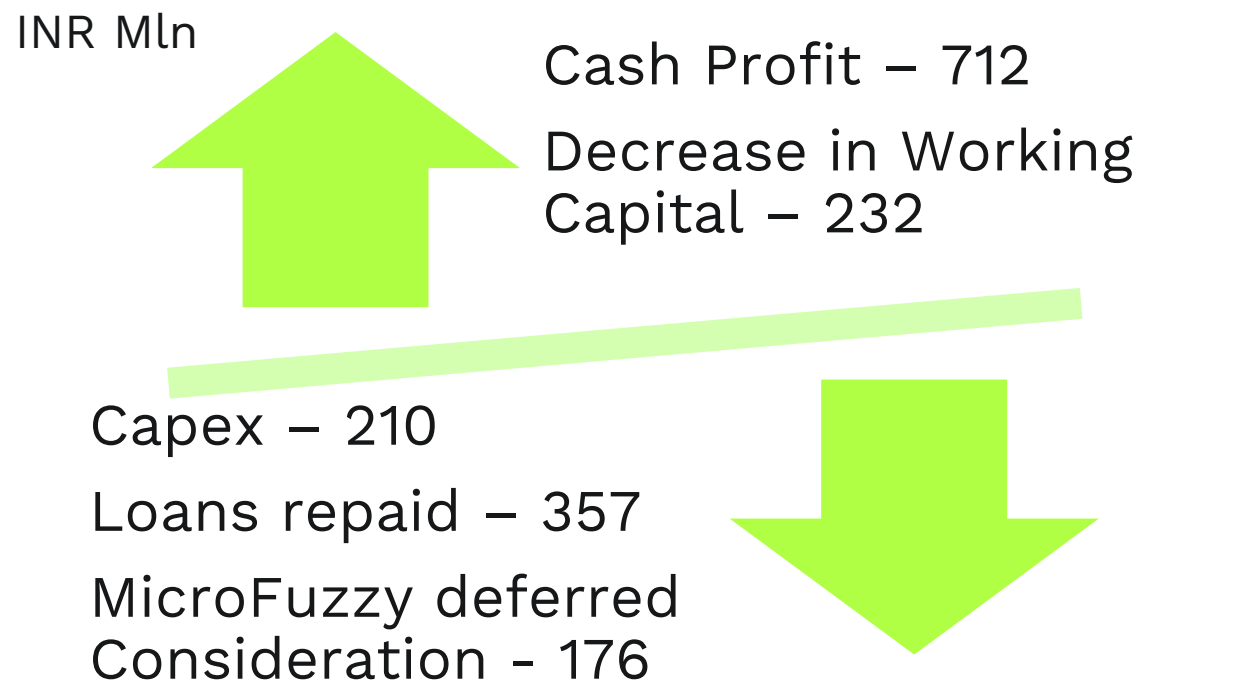


Sachin Tikekar, President and Whole-time Director, KPIT said,” We continue to have deeper engagements with auto OEMs and Tier 1s. We have added a couple of strategic customers to our target T25 customer base. Our clients are partnering with us for long term mutually rewarding technology engagements. We have substantially increased the opportunities, bolstered by some sizable deals, which gives us the confidence of good profitable growth in the coming quarters”.

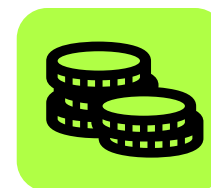
Q3FY20 Additional Fast Facts

1. As at end of Q3FY20, Net Cash stood at ₹ 2,584 Million as compared to ₹ 2,041 Million last quarter.
2. Gross Debt down by ₹ 348 Million. Short Term Debt completely repaid during the quarter.
3. DSO as at the quarter-end came down to 64 days from 67 days last quarter
4. Q3FY20 PAT stood at ₹ 428.5 Million as against ₹ 359 Million last quarter
5. Reported EBITDA of 13.4% for Q3FY20 as against 13.4% for Q2FY20
6. Q3FY20 reported revenue of USD 76.88 Million
7. Fully Diluted EPS for the Quarter stood at ₹ 1.56

Cash Flow – Major Movement



Cash and Cash Equivalents break-up	INR Million
In Investment Accounts	1,289
In Operating Accounts	1,828
TOTAL	3,117



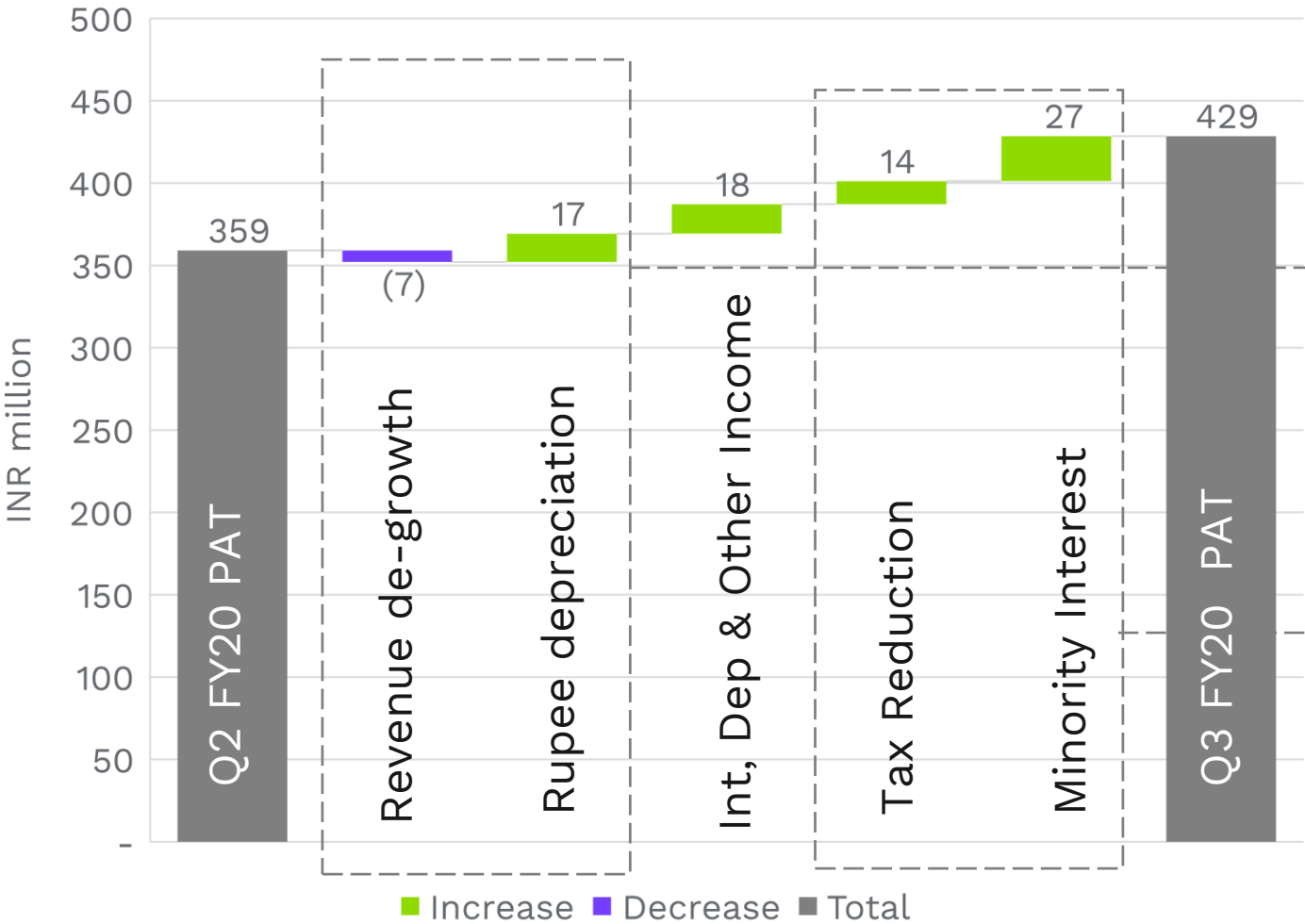
Q-o-Q Increase in Net Cash of INR 543 Million

NET CASH (INR Mln)	Q3FY20	Q2FY20
Gross Cash	3,117	2,922
Long Term Debt	533	528
Short Term Debt	NIL	353
NET CASH	2,584	2,041



FCF/EBITDA – 98%

Movement in Profit – Q2FY20 to Q3FY20



- EBITDA - 0.25 % negative impact due to revenue de-growth
- EBITDA - 0.3% positive impact due to rupee depreciation
- One-time impact in tax to the tune of approx. 1.5% of PBT

Major One-time Items in Q3FY20

The current quarter tax provision is lower due to consolidation of taxable income for our Germany entities. Though this will be an ongoing feature, since this quarter has a cumulative impact, there is a one-time element which has reduced the Effective Tax Rate by approximately 1.5%

With regard to the disinvestment of the business related to telematics hardware products consisting VTS - AIS 140 and OBITS (On Bus Integrated Telematics Systems) to Minda Industries Ltd. :

The initial consideration of ₹ 170.0 million was accounted for in Q1FY20

An expense of ₹ 18 million was accounted for in Q2FY20 and

An expense of ₹ 31.2 million is accounted for in Q3FY20

the same are accounted for as Exceptional Items in the respective quarters.

Major Deal Wins



A leading Japanese Car Manufacturer selected KPIT for multiple projects in the connectivity and infotainment domain



A leading European Car Manufacturer selected KPIT for a project in ADAS domain



A leading German Tier I Supplier selected KPIT for a project in the AUTOSAR domain



A leading Asian Tier I Supplier selected KPIT for a project in the Autonomous Driving domain



A leading American Tier I Supplier selected KPIT for a project in the electric powertrain domain



Updates

Thought Leadership Updates



October 2019

AESIN Conference 2019

Nishant Tholiya, VP Conventional & Electric Powertrain at KPIT, shared his insights on “Software Re-architecture and ECU Virtualization” at AESIN Conference, 2019.



October 2019

Diagnostics Conference 2019

“Guests from all over mobility industry participated in the 5th edition of KPIT’s Conference on Diagnostic Future Trends ,held in Munich on 22nd Oct 2019.



November 2019

Continental with KPIT

Alexander Klotz, Rosemary Joshy from Continental and KPIT’s Omkar Panse shared their visions on Connected Mobility and role of technology & software in Bengaluru

Other Updates



November 2019

Business Book of the Year Award
“Leapfrogging to Pole-vaulting” a book by our Chairman and Group CEO Mr. Ravi Pandit and eminent scientist Dr. Raghunath Mashelkar won “Business Book of the Year” award at the prestigious “Tata Literature Live! The Mumbai LitFest 2019” awards



November 2019

Adam Smith Awards Asia 2019

KPIT received the Adam Smith Award for the **Best AR Solution at Raffles Hotel in Singapore**



October 2019

Jerry White @ KPIT

“True **excellence** is when you look beyond oneself”- Nobel laureate Jerry White in conversation with our chairman Ravi Pandit shared his inspiring story with KPIT Leadership

Geography Update

EUROPE	US	ASIA
<p>Further job cuts expected in EU auto sector even in 2020</p> <p>Old technologies spend cut to aid spend on Electric & ADAS</p>	<p>New car sales are expected to be further down in 2020</p> <p>Spend on Connectivity, ADAS, Diagnostics & AUTOSAR rising</p>	<p>OEMs increasingly looking at software Tier I capabilities and preferring value over cost</p> <p>AD, epowertrain & connectivity</p>
<p>Investing in creating newer platforms & deepening expertise in AD</p> <p>Sales focus on joint OEM Programs and large programs</p> <p>Concentrating on Strategic Accounts and pursuing CV vertical in focus practice area</p>	<p>Positioned as solutions provider with scalability to leverage OEMs sourcing s/w independently</p> <p>Continue to build leadership, domain expertise and drive innovation in key focus areas of epowertrain, AD-ADAS, connectivity, diagnostics and AUTOSAR</p>	<p>Continue to build leadership in AD/ADAS, Connected Cars and ePowertrain</p> <p>Continue to concentrate on Strategic Accounts where the traction is very good.</p> <p>Increasing focus on Commercial Vehicles and AUTOSAR</p>



Industry Updates and KPIT readiness

New Technology Investments – Major Mobility Players

JLR made **\$1.2 billion** investment to build electric cars in Britain

VW invested **\$1 billion** in Northvolt AB, Swedish battery cell producer in joint battery activities

BMW and Daimler will spend **over \$1 billion** on the future of transportation

DENSO made **\$1.6 billion** investment to strengthen development and production of automotive electrification

Traton Group plans **R&D expenditure of \$1 billion** by 2024

Mercedes-Benz & Geely have established a global joint venture “smart Automobile Co., Ltd.” with capital of \$780 Mn

Daimler Trucks has started testing of highly automated heavy-duty trucks on Virginia Highways

GM announced plans to **invest \$1.5 billion** to bring its next generation of midsize pickup trucks to market

Hyundai and Kia Motors are investing **€ 100 million** in a development partnership with UK-based electric vehicle startup Arrival

VW Group plans to invest around **€ 60 billion** between 2020 and 2024 for future mobility solutions development which will include hybridization, electric mobility and digitization

Technology Investments are driving high growth and predictability for technology focused niche players like KPIT

We are well positioned for these Opportunities

McKinsey & Company

July 2019 : KPIT features in report on “Automotive software and electronics 2030”

3.4 New partnerships and cooperation models are emerging – primarily for software- and electronics-related topics

closely together. One example would be the close collaboration of BMW, FCA, Intel, Magna, Aptiv, Continental, LiDAR supplier Innoviz, and SW specialists TTTech and **KPIT to jointly develop an AD platform.** Baidu is trying to build an open platform for AD with its OEM, tier-1 supplier, tier-2 supplier, and research institution partners, sharing source code and data.



April 2019 : Automotive Software Global Market Outlook report by Research and Markets

According to this research, the market accounted for \$15.53 billion in 2017 and is expected to reach **\$82.58 billion by 2026 growing at a CAGR of 20.4% during the forecast period.** Factors

Some of the key players profiled in the market include NXP, Aimotive, Airbiquity, Apple, Autone Mobile, Blackberry, Elektrobit, Google, Green Hills Software, **Kpit Technologies**, Luxoft Microsoft Corporation, NVIDIA, Renesas Electronics, Rightware, Robert Bosch, Saferide Technologies Ltd, Sigma Software Group, Vector Informatik and Wind River System.

KPIT is ready and vibrant

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

- — Sharp Focus on Automotive and Mobility
 - — More than 2 decades of work in embedded software for automotive
 - — Focused Investments in technology

Several Million

Vehicles use KPIT
software

300+

Vehicle production
Programs

12

Out of the top 15 Car OEMs
as customers

10+

Customers for more than
a decade



Financial and Operational Data

- Snapshot

Profit & Loss Account Snapshot

INR MN

DETAILS	Q3FY20	Q2FY20
Revenue from Operations	5,500.92	5,440.98
Other Income	101.79	90.03
Total Income	5,602.71	5,531.01
Operating Expenses	4,764.06	4,714.31
EBITDA	736.86	726.67
Depreciation	283.22	265.08
EBIT	453.64	461.59
Finance Costs	48.12	59.31
Change in FMV of Investments	5.62	(63.53)
Profit Before Exceptional Items	512.93	428.78
Exceptional items	(31.2)	24.92
PBT	481.73	453.70
Tax	72.39	86.40
PAT	409.34	367.30
Profit Attributable to owners of company	428.53	359.12
Profit Attributable to non-controlling interest	(19.19)	8.18

Balance Sheet Snapshot

INR MN

ASSETS	Q3FY20	Q2FY20
<u>NON-CURRENT ASSETS</u>		
Property, Plant & Equipment	2,140.08	2,202.17
Right-of-use Assets	1,427.97	1,387.28
Other Tangible Assets	48.43	13.50
Goodwill & Other Intangibles	1,579.20	1,636.51
Other Non-Current Assets	640.97	551.30
TOTAL NON-CURRENT	5,836.65	5,790.76
<u>CURRENT ASSETS</u>		
Inventories	174.82	170.64
Cash and Cash Equivalents	3,116.88	2,922.19
Trade Receivables	4,731.30	4,509.65
Other Current Assets	1,944.07	2,375.05
TOTAL CURRENT	9,967.07	9,977.53
TOTAL ASSETS	15,803.72	15,768.29

EQUITY & LIABILITIES	Q3FY20	Q2FY20
Equity Share Capital	2,687.37	2,685.02
Other Equity	7,636.78	7,103.72
Equity attributable to owners	10,324.15	9,788.74
Non-controlling interests	25.22	43.37
TOTAL EQUITY	10,349.37	9,832.11
<u>NON-CURRENT LIABILITIES</u>		
Borrowings	178.07	176.43
Lease Liabilities	966.71	979.37
Other Non-Current Liabilities	252.81	398.62
TOTAL NON-CURRENT	1,397.59	1,554.42
<u>CURRENT LIABILITIES</u>		
Borrowings	355.09	705.27
Trade Payables	1,080.64	1,046.38
Lease Liabilities	283.73	241.56
Others	2,692.39	2,388.55
TOTAL CURRENT	4,056.76	4,381.76
TOTAL EQUITY AND LIABILITIES	15,803.72	15,768.29

Revenue Break-up

USD MN

Geography	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
US	30.72	34.19	28.20	(10.2)%	8.9%
Europe	31.44	27.55	29.82	14.1%	5.4%
Asia	14.72	15.49	12.26	(4.9)%	20.1%
TOTAL	76.88	77.23	70.28	(0.5)%	9.4%

Verticals	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
Passenger Cars	58.31	58.58	53.74	(0.5)%	8.5%
Commercial Vehicles	17.51	17.16	13.94	2.0%	25.6%
New Mobility	0.62	0.78	0.43	(21.2)%	43.4%
Others	0.45	0.71	2.17	(36.3)%	(79.2)%
TOTAL	76.88	77.23	70.28	(0.5)%	9.4%

Practices	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
Powertrain	25.02	28.64	17.89	(12.6)%	39.9%
AD-ADAS	18.99	15.29	15.99	24.2%	18.7%
Connected Vehicle	9.94	9.88	13.89	0.7%	(28.4)%
Others	22.92	23.42	22.51	(2.1)%	1.8%

P&L Metrics

	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
Revenue by Contract Type					
Time & Material Basis	45.6%	54.4%	51.5%	(16.6%)	(3.1%)
Fixed Price Basis	54.4%	45.6%	48.5%	18.8%	22.7%
Customers					
Strategic T25 Customer Revenue	83.95%	84.4%	79.9%	(1.0)%	14.9%
Active Customers	55	55			
Revenue per Devp. Employee USD	45,403	45,647			
EBITDA Margin	13.4%	13.4%			
EBIT Margin	8.2%	8.5%			
PAT Margin	7.8%	6.6%			
Effective Tax Rate	15.0%	19.0%			
EPS (Basic)	1.59	1.34			
EPS (Diluted)	1.59	1.33			

Currency wise revenues, Hedging Details

Currency wise revenue	Q3FY20	Q2FY20	Q3FY19
USD	41.4%	45.8%	41.7%
EUR	33.5%	28.1%	30.8%
GBP	6.7%	7.3%	10.4%
JPY	10.9%	11.0%	10.1%
INR	4.9%	5.1%	4.6%
Others	2.7%	2.9%	2.5%

Realized Rate	Q3FY20	Q2FY20	Q3FY19
INR/USD	71.55	70.45	70.81

Hedge Details	Q3FY20
Hedge Rates	
USD/INR	72.40
EUR/INR	81.20
GBP/INR	93.45
Hedge Amounts(Mn)	
USD/INR	19.45
EUR/INR	5.75
GBP/INR	4.70

Headcount Data

Period End Headcount	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y
Development	6,773	6,768	-	-	-
Enabling & Sales	530	527	-	-	-
Total	7,303	7,295	-	-	-



Contact us

- [Contact](#)

Conference Call Details - TBU

Conference name	: KPIT Technologies Q3 FY2020 Post Earnings Conference Call
Date	: Thursday January 30, 2019
Time	: 1630 Hrs.
Participants	: Mr. Kishor Patil, Co-founder, CEO & MD Mr. Sachin Tikekar, President & Board Member Mr. Vinit Teredesai, CFO Mr. Sunil Phansalkar, AVP & Head-IR
Dial-in Numbers for all participants	
Primary number	: +91 22 6280 1116
Local Access	: +91 22 7115 8017
International Numbers	: 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 7,000+ *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>

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Thank You