

KPIT Cummins Infosystems Limited
Q1 FY09 Conference Call
July 18, 2008

Moderator:

Good afternoon ladies and gentlemen. Thank you for standing by, this is Pallavi the moderator for your Conference Call today. We welcome you to the Conference Call of KPIT Cummins Infosystems Limited hosted by Prabhudas Lilladher Private Limited. We have with us today Mr. Jaspreet Chhabra, Analyst from Prabhudas Lilladher. At this moment all participants are in a listen only mode. Later we will conduct a question and answer session. At that time if you have a question please press "*" and "1". I would now like to turn the conference over to Mr. Chhabra. Please go ahead sir.

Mr. Jaspreet Chhabra - Prabhudas Lilladher:

Good afternoon everyone and welcome to KPIT Cummins Earnings Call. We have with us from the management team Mr. Ravi Pandit, Chairman & Group CEO, Mr. Kishor Patil, CEO & Managing Director, Mr. Girish Wardadkar, President & Executive Director and Mr. Anil Patwardhan, Vice President (Finance) and Sanjay and Karthik from the Investor Relations team.

I would like to handover the floor to Mr. Ravi Pandit for his opening remark, over to you sir.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you, thank you very much Jaspreet. What I would like to do is to give some broad opening remarks talking about the performance of the last quarter covering atleast a major highlights and then we would be happy to take any questions that you may have. I trust you have seen the investor update that we have sent out.
- Broad highlights are that during this quarter in dollar terms our revenues have grown by 3.4% on a quarter on quarter basis and 37.0% on a year on year basis. In rupee terms it is 5.4% and 28.0% that is as far as the top-line is concerned. As far as the net profit is concerned on a sequential quarter basis our net profits have gone up almost by 25% on a quarter on quarter basis and little over 2% on year on year basis. If you have to look at the intermediate levels from the revenue to the net profit level our gross profit margins have improved so has our net profit margin. The EBITDA margin has however gone down a little bit which is largely on

account of 2 factors which is an increase in the sales and marketing expenses and increase in G&A. Let me comment a little bit on that.

- Our sales and marketing expenses as the proportion of revenue have gone up by about 0.7% and that's largely on account of the FOREX conversion difference as well as some additions that we have done to the people on the street. It also includes some raises that we have given for the marketing people during this period. There has been an increase in a G&A expenses and the G&A expenses include about 27 million on account of foreign exchange fluctuations and the remaining on account of salary increases. So that explains as to from a top-line and bottom line percentage point of view, what are the major changes. There are 2 other expense increases which have happened and which have been already embedded in these results. One is the increase in our salary which happens on an annual basis and the second is the foreign exchange consequences and I want to dwell for a minute on both of them.
- I would like to bring out that we typically do our increments on an annualized basis, sorry we do them on anniversary basis. So in the first quarter more than 50% of our people get their annual increments. The increments that we have for offshore are little over 10% and for onsite they are little below 5% and they have been applicable to almost 50% of the total people that we employ. The increase expenditure on this account is as I said already embedded in our results. The second impact that we have been having during this quarter which is also embedded in our results is the FOREX situation. The total hit that we have taken on account of foreign exchange during this year, during this quarter is included both in the revenue amount as well as in the G&A. And both put together the amount is close to 5 crores. This impact comes on account of 2 things; one is the mark to market on our forward contracts and second is the translation loss. We have been following a policy of covering almost 85% of our net inflow for the next 4 quarters by way of forward contracts.
- In this quarter, now this 85% is over the next quarter, 4 quarters so typically in the earlier quarters it is almost 100% and in the subsequent quarters it becomes a little less than 70%, around 70-80% taking the total to around 85-90%. So during this quarter we had 100% of our net inflow by virtue of forward contracts done almost 2-3 quarters ago. As a result of that our actual realization is going to be lower than the spot rate on the last date and the effect of this was really the MTM of the forward contracts to the extent that they relate to the realization over the next 90 days or so stands debited to the revenue amount and we have quantified the amount roughly 22 million or so.
- The second impact of foreign exchange variation is the translation loss. That we have on account of our external borrowings. We have long term

loans as well some working capital loans. These loans get converted into rupees at the current market rate although their repayment is beyond and is not in the immediate period. As a result of this translation there is a debit of almost \$27 million which we have taken to G&A expenses. So the impact of that I mentioned earlier and the impact of forward contracts has both been embedded into the results that you see. There we have given a certain increase in the net profit on a QoQ as well as YoY basis. If one were to go a little deeper into the character of the increase in the revenues, here as some broad picture. As you are aware we were essentially in 3 verticals if I were to say, first is the manufacturing vertical which includes automobile, it includes industrial and farm equipment as well as the hi-tech. This constitutes almost 90%, during this quarter it was 88% for revenues. The manufacturing verticals which are of focus vertical grew by 10% on quarter on quarter basis and it grew by 44% on year on year basis which has been a significant growth driver for us.

- Diversified financial services constitutes almost 5% of our revenues which is not a big percentage, this has dropped by 2.6% on quarter on quarter basis and about 20% on year on year basis. And this has more to do really with our focus on manufacturing rather than DFS per say because amounts are very insignificant. If you were to look at the geographical distribution of our revenues, Europe has grown 14% quarter on quarter and 47% year on year and US has grown 7% quarter on quarter and 25% year on year. If you were to take the cut on the basis of the services that we render, the services that we render in the automobile embedded area has shown about 4% growth quarter on quarter and has shown 65% growth year on year. This actually shows the markets, the verticals and the services where we are seeing interaction. We have during this period added 6 new customers and we have in all 26 customers who have revenue of more than a million dollars.
- As we have mentioned in one of the earlier calls, we have over the past few quarters started focusing on technology creation and one of the dimensions sometimes has been filing of various patents. We have file for our fourth patent in the last quarter and we are not associating in any significant money value to these patents at this point in time because they are from the initial patents which are being filed. The purpose of that is to gain some technology knowledge and technology edge and may be over a period of time you may be in a position to commercialise or capitalise that. As I mentioned again we are not assigning a significant money value to those patents in this point in time. This is relating to what has happened as far as the last quarter is concerned. You would be aware that in the last quarter or earlier this quarter we acquired the company called Harita, the details of this transaction also given in the update that we have given. We expect

Harita to strengthen our practice in the mechanical domain especially for the automotive industry. Harita has been working in that area, they have good finance and more than that they have a good team which is joining us. So it is this practice that we have bought.

- I guess these are the broad comments that I would like to make at the initial stage, if you have any questions I will be happy to, my team will be happy to take the questions.
- Thank you very much.

Moderator:

- Thank you sir. Ladies and gentlemen we will now begin the live question and answer session. If you have a question please press “*” and “1” on your push button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your question you may do so by pressing the “#” key.
- Our first question comes from Mr. Sanjeev from Reliance. Mr. Sanjeev.

Mr. Sanjeev Hota - Reliance Money

- Good afternoon and congrats on the good set of numbers.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Mr. Sanjeev Hota - Reliance Money

- My question is pertaining to your comment on the issue update that global market continue to be swapped in the state of flux and this could have been impact on the revenue growth of the company. My question is if you could give us some colour on the facilities and areas other than BFS side that you are hearing from your client, be more cautious than before?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We believe that the market is still in a flux and it will continue so for next 2-3 quarters. We believe that all the markets being inter-related, the turmoil in financial market could also affect other markets. We have seen that the turmoil in the financial markets has affected the housing

industry which in turn affects the sales of semi-conductors which has an impact on us. We have also seen that the changes in the crude oil price could also affect some of the automobile sales and they could also affect us. So today we really don't have an exact handle as to how much impact it will have on our revenues for the current year but what we are really saying is that we would like to give a partial note about how the market is. We don't revise our guidance again on quarter to quarter basis and therefore we have not revised it as of now.

- We don't have a definitive statement to make at the current stage but we would just like to kind of make our investors aware that the overall scenario in the global markets could affect us either way.

Mr. Sanjeev - Reliance Money

- My second question is what is the status on the hedging of \$42.6 million?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yeah as we had mentioned in the earlier one, these are the contracts which are spread over the next 3-3.5 years and every year there are certain payments that we have to make by virtue of selling Euros at a lower price than the market. And again as I said we have had, our Euro exports are higher than the commitments for Euros that we have had. During this quarter there was one payment relating to that and which has been already made and the impact of that has been embedded in the accounts.

Mr. Sanjeev - Reliance Money

- MTM losses that we are carrying in the Balance Sheet?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- So the MTM losses on account of, yes Anil.

Mr. Anil Patwardhan - Vice President (Finance), KPIT Cummins Infosystems Limited

- Yes basically on account of this 3 options contract, the MTM has reported by the time as of end of this quarter has been 91 crores where as in the Balance Sheet based on MTM reported by the banks were all over forward contracts. We have created a provision of 47 crores.

Mr. Sanjeev Money - Reliance Money

- Ok. Thank you.

Moderator

- Thank you Mr. Sanjeev. Our next question comes from Mr. Prasad Deshmukh from DSP ML. Mr. Deshmukh.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Thanks a lot for taking the question. I had couple of questions; one was on the one time that you have talked of in your press release in depreciation. As I understand there was 2 quarter provision for the write-off of the fees paid to Cummins for the deal. Other than that was there any one time in the depreciation?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Prasad, if you are referring to the depreciation item as reported in Q1 what you say is right. In Q4 there is an amortization of GBS expenses and this quarter there is a one quarter's amortization of GBS expenses.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Was there anything else other than that?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- In this quarter?

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Yeah any other one time loss last quarter in depreciation and amortization?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- In the last quarter there was write-off of GBS development expenses also in Q4.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- If you have removed your write off in GBS deal how much was the amount?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Of 5 million.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Ok. And other than that if you look at the annual guidance that you had given, now with the current results you would probably have to grow your profit 16% QOQ for the next 3 quarters. Are we comfortable with such kind of growth or like we will see some downward revision coming ahead?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- As I mentioned earlier at the current stage we don't know what kind of picture could emerge because of the nature of the overall business. If you can see that and compare to our total guidance for the year of bottom line our first quarter's results are about roughly 20%.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Ok and last question on the gross margin front, you had your wage hikes as well as utilization this quarter has gone down by about 250 bps offshore. Despite that your gross margins have gone up, what is the reason for this?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Typically for the first quarter we have approximately 145 trainees who have joined us so that is kind of one of the factors.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Yeah but logically shouldn't the gross margin go down in that case, wage hikes plus reduced utilization?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Well it is the combination of all the composition of revenue etc. You would also recollect that in the last quarter in the last year we also had our revenue raised corner and some of that effect has also come in during this period.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Yes one price is gone up by about percentage between...

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- That is the result of all of that, you would also note that the gross margin increase is also after and FOREX provision of about \$22 million or so.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- That's what everything is relative but despite that the gross margin is up.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yeah. So our revenues have gone up.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Ok. Thanks. I will take this offline because I didn't understand what it was because everything is negative, there is FOREX loss, there is reduced utilization, there is increased wages.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- In the last quarter when they happened they didn't cover everything. It is composition of revenues that we have been getting. There is no extra ordinary income there.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Ok fine. Thanks a lot. That is from my side.

Moderator

- Thank you Mr. Deshmukh. Our next question comes from Mr. Kevin from K R Choksey. Mr. Kevin.

Mr. Kevin - K R Choksey

- Good afternoon. Can you please give me some updates on this net foreign exposures will be in Q3 and Q4? My second question is that do you see any increase in prices under this current situation?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I didn't quite understand your first question. I presume that what you mean is how much is the cover that we have over the next quarter?

Mr. Kevin - K R Choksey

- Yes sir, net foreign exposures in Q3 and Q4. Net foreign exposure.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Ok. What we do is we look at every quarter's net inflows and we cover a percentage of that inflow by forward contracts. In Q1 and Q2 we had almost 100% of our net incomes covered by the forward contracts. In Q3 and Q4 they are less than 100% because on a four quarter basis we do about 85-90%. So what that means is that for the remaining parts which may be around 10-20% depending on Q3 and Q4 we don't have forward exchange contract at the low rate that we have otherwise.

Mr. Kevin - K R Choksey

- And what is the exchange rate that you are looking, you are booking forward contracts right now. If you are supposed to book your forward contracts, what is the exchange rate that you are looking for?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- First is that we are evaluating whether we should go forward contract or we should do an option and whether it should be straight option or it should be participated option. So you are currently not booking any further forward contracts.

Mr. Kevin - K R Choksey

- And my second question is do you see any pricing, increase in pricing in next few quarters?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Frankly we would not like to make a comment on what is likely to happen in the next 2-3 quarters for the reasons that I mentioned earlier. We really think that the market is in a flux and we have to wait and see how it goes.

Mr. Kevin - K R Choksey

- Ok. Thank you.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Moderator

- Thank you Mr. Kevin. Our next question comes from Mr. Sandeep M from IIFL. Mr. Sandeep.

Mr. Sandeep - IIFL

- Hi guys. Congratulations on your numbers. I had a small question on the Harita, if you can get some more visuality on the amount which you guys have paid for this or even the profitability of Harita it would be very useful.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- If you look at our total quantum of business, Harita is not, in terms of financial terms not very large addition. The revenue numbers in Harita is roughly to the tune of Rs. 15 crores on an annual basis and the gross margins is about 35-40%. What we are doing is essentially we are taking over the customers and we are taking over the employees. We are not taking over the complete infrastructure of the company and nor are we taking over all their sales force. So the expense below that is kind of not very relevant from our calculation purposes. The amount that we have to pay for this is about Rs. 67 million which is inclusive of the hardware, software, the AMC charges and certain goodwill. And that's the total aggregate amount that we are paying. From our overall perspective we believe that the total amount is also not very high.

Mr. Sandeep - IIFL

- Ok. Thanks. That's it.

Moderator

- Thank you Mr. Sandeep. Our next question comes from Mr. Rahul Dolan from KBS Asset Advisor. Mr. Dolan.

Mr. Rahul Dolan - KBS Asset Advisor

- Hi! Good afternoon. Congratulations on the great set of numbers. I just want to ask your DFS space verticals has a 5% of the business and your plants handling were already in a big turmoil in the cable businesses. So would you see that percentage going down from 5%?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Actually if you were to look at percentage of DFS business that we have done, that percentage has gone down over the last 3-4 years for almost like 35% to 5% and that has not had really anything to do with the turmoil in the market. As far as we are concerned the kind of work that we are doing with our existing clients, that work seems to continue in a marginal growth but if there is a major turmoil there I don't think it will affect that. We don't talk about individual customers with whom we work but the customers with whom we work is doing reasonably well. The point I am making however is that either way it is not a very great, it is not an issue of great relevance to us.

Mr. Rahul Dolan - KBS Asset Advisor

- Ok. It forms part of your long term strategy to reduce, focus more on manufacturing verticals?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Right.

Mr. Rahul Dolan - KBS Asset Advisor

- Could you tell me about the BPO segment how that is growing?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We have been working in 30 areas of BPO. If you were to look at the growth year on year growth has been almost 80% and quarter on quarter growth has been little less than 5%. But you would also notice that it contributes about 7% of our total revenues. We work in basically 2 areas, we work in what you can call as ESS (Enterprise Support Systems) and we work in FNA. FNA is finance accounts analytic kind of work and enterprise support is _ support for software product company. We have been seeing some threats and we have see some growth on it and we believe that earlier in the night _ this area.

Mr. Rahul Dolan - KBS Asset Advisor

- What I wanted to understand is out of your 3 offerings like technology solutions, enterprise ITN, BPO going forward which would be the major driver for growth.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Our focus is really on the segment which is manufacturing segment and the _ segment as I mentioned earlier and the way we are looking at it, we want to give integrated service provider in this domain. And sometimes the lines of demarcation between the 3 services tend to become a little blur. So we don't know which one would be the major growth area but if you were to look at the performance over the last four quarters or so and distance large value increase has happened in the electronics part.

Mr. Rahul Dolan - KBS Asset Advisor

- Ok. Alright. Thanks a lot.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Moderator

- Thank you Mr. Dolan. Our next question comes from Mr. Ashi Anand from Kotak Offshore. Mr. Anand.

Mr. Ashi Anand - Kotak Offshore

- Hi! My question is on the works that we do that we actually _ sometime last year. I just want to understand what sort of revenues are we expecting in the current year from specific engagements?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Actually we don't talk about specific engagements very much.

Mr. Ashi Anand - Kotak Offshore

- Sir is it on track with what you were initially expecting?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- It is more or less on track.

Mr. Ashi Anand - Kotak Offshore

- Thanks so much.
- I am through with my question.

Moderator

- Thank you Mr. Anand. Next in queue we have Miss. Hiral Sanghvi from Dalal & Broacha. Please go ahead.

Miss. Hiral Sanghvi - Dalal & Broacha

- Good afternoon sir. I wanted to have the breakup of our revenues in terms of value and price increases?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I am sorry we can't give detailed break up of that.

Miss. Hiral Sanghvi - Dalal & Broacha

- Ok sir and also wanted to have the details of other income?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Details of other income, are you talking about the revenue spread?

Miss. Hiral Sanghvi - Dalal & Broacha

- No, no, the other income of -0.58 million. What is included in that?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Actually I will get back to you on that number, it is a very minor....

Mr. Sanjay Sinha - KPIT Cummins Infosystems Limited

- Hiral if I may interrupt here, this is Sanjay, this amount of 5.8 lacs and it really includes several different things which are non-business related. So from point of view of material it is not really significant.

Miss. Hiral Sanghvi - Dalal & Broacha

- Ok sir. That's it. I am done with my questions. Thank you very much.

Moderator

- Thank you Madame. We have our next question from Mr. Nandan Sarkar from Batliwala and Karani. Mr. Sarkar.

Mr. Nandan Sarkar - Batliwala and Karani

- Sir I wanted to ask have you seen any instances of ram downs of any of your large customers. I think you have mentioned in your investor update that there has been some ram down in the Asia pact portfolio?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- The overall Asia pact numbers have gone down. Revenues from customers sometimes go up and go down depending on that is happening, that's a part of life.

Mr. Nandan Sarkar - Batliwala and Karani

- Ok but there is no empirical trend, there is some amount of slowdown in the auto business?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- No, no today we are not seeing that.

Mr. Nandan Sarkar - Batliwala and Karani

- Ok sir then what exactly has led us to suddenly change this opinion that there could be some effect of the global turmoil on our demand portfolio. I mean we have been positive that because of any emission standard is changing and in vehicle system is really going in for all these chips and all that. So because of that demand will be strong so why suddenly this change of opinion?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We all read newspapers. Some you really don't know what is like to happen, the global financial scenery is little uncomfortable. So I think it is better to be _ of that, that's all.

Mr. Nandan Sarkar - Batliwala and Karani

- Sir I had one more question relating to your MTM loss of 91 crores. I missed that, did you say that you have a provision in your Balance Sheet?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I think there is a provision in the Balance Sheet for that part of MTM loss which is on our normal formal contract which go beyond 90 days. So if you are to look at the accounting standards it actually categorises the MTM thing, firstly improve the immediate growth in the _ but in next 90 days that goes to the P&L account which is that Rs. 22 million that we talked about. For those contracts which are beyond 90 days period for the rest of the year that goes into FOREX currency reserves so that is that 47 crores. We have not provided for those 3 contracts which we had talked earlier and those are actually matching against our Euro inflows over the next 3 years period, we are not provided for that.

Mr. Nandan Sarkar - Batliwala and Karani

- So that 91 crores is still sitting in the contingent liabilities, right? And the amount that is there in the Balance Sheet is relating to the plain one forward covers that we have for our business?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- That's right.

Mr. Nandan Sarkar - Batliwala and Karani

- Ok. Thanks a lot.

Moderator

- Thank you Mr. Sarkar. We have our next participant Mr. Anoop Upadhyay from SBI Mutual Funds. Mr. Upadhyay.

Mr. Anup Upadhyay - SBI Mutual Fund

- Good afternoon. Congratulations for a good quarter.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Mr. Anup Upadhyay - SBI Mutual Fund

- We had doubt regarding the hiking in fees that we were expecting 10-15%. If we look at the figure on onsite and offshore FT that is providing and the volume growth there then the volume growth comes out to be 39% and overall pricing, continuation of pricing comes out to be negative. The same trend was true for the last quarter as well so I just wanted to understand how exactly is the billing rate increases that we said has already come to the effect contributing?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- No, if you look at arithmetic _ which we have given, couple of things this onsite, offshore FT they are not averaged. It depends on what point in time you recruit new people and using that onsite or offshore FT at the end of the quarter, the quarter's revenue will not be quite right. But I will be happy to look into some of these calculations that we have got and we can talk to you again. I would like to assure you there are no cases where customer has got _.

Mr. Anup Upadhyay - SBI Mutual Fund

- You send me the calculations it will be good. Otherwise the billing rate hike being expected have come into effect?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yes.

Mr. Anup Upadhyay - SBI Mutual Fund

- Ok. Thanks a lot.

Moderator

- Thank you Mr. Upadhyay. Our next question comes from Mr. Ravi Bhatia from Aviva Life Insurance. Mr. Bhatia.

Mr. Ravi Bhatia - Aviva Life Insurance

- Good afternoon sir.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Good afternoon.

Mr. Ravi Bhatia - Aviva Life Insurance

- Just wanted to know in the last quarter you had mentioned that there have been some milestone based selling that have been postponed. I mean they will be spilling over to the next quarter. So how much of the revenues in this quarter would be attributed to the last quarter?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I mentioned it last time but my mention was that there has been variations in the revenue and the cost because of certain _ feeling going forward. This work which was not done on would be in the normal circumstances done during the current quarter, expenses booked against that and income booked against that. We don't keep a track of how many contracts got done in this quarter as well as last quarter. But we make sure that we match up the incomes and the expenses is properly done.

Mr. Ravi Bhatia - Aviva Life Insurance

- And what would have been the volume growth during this quarter?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- What do you mean by volume growth? I mean in terms of dollars and in terms of rupees whatever growth we have is we have. If you have to look at volume growth you can look at the onsite and offshore number of people that are there, beyond that I am not in a position to give you anything.

Mr. Ravi Bhatia - Aviva Life Insurance

- If you look at the number of people then on the basis of FT the growth quarter on quarter has been 4.76% and on year on year basis it has been 39.6%?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- These are the quarter and FTs.

Mr. Ravi Bhatia - Aviva Life Insurance

- Quarter and FTs. Ok. Sir vis-à-vis last quarter has there been any pricing change, significant pricing change?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- There has been no negative change.

Mr. Ravi Bhatia - Aviva Life Insurance

- What positive change?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I mean that is embedded in slight increase in our gross profit despite all the other things that I spoke about. So it is there but I am not going into details about.

Mr. Ravi Bhatia - Aviva Life Insurance

- And couple of quarters back you had mentioned about 10-15% price increases on a certain portion of your business which would be implemented from 1st Jan. Is it fair to assume that all of that has already come in?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- You could say that, yes. Most of that as I mentioned in the last quarter of course has happened.

Mr. Ravi Bhatia - Aviva Life Insurance

- And overall on what percentage of the business would that rating _ be applicable?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- You can say that because you know different businesses have come in at different points. So we have done divisions on that basis so I wouldn't be able to say how much percent happened in this quarter or in last quarter, it is an ongoing thing. Last quarter we talked specifically of that because there was a major impact of that happening in the context of the rupee appreciation.

Mr. Ravi Bhatia - Aviva Life Insurance

- But wouldn't it be reasonable to expect that those range of price increases would affect the margins positively to a large extent and therefore we could assume much higher margins than we currently reported?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Want to know how to reach that conclusion. All that I can say is that in this quarter we have seen impact of some of the increases in the margins and possibly that has got reflected in the slight increase.

Mr. Ravi Bhatia - Aviva Life Insurance

- Ok. Thank you.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Moderator

- Thank you Mr. Bhatia. Our next question comes from Mr. Ronak from Value Press Research. Mr. Ronak.
- Mr. Ronak could you hear us?

Mr. Ronak - Value Press Research

- Hello.

Moderator

- Please go ahead with your question sir.

Mr. Ronak - Value Press Research

- Good evening sir.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Good evening to you Ronak.

Mr. Ronak - Value Press Research

- Sir I just want to know how much revenue do you expect from the acquisition you have done of Harita?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We have stated how much revenue are we currently having in terms of their run rate and I wouldn't want to make a statement about how much it would be in the extra period but you can assume that it would be similar number.

Mr. Ronak - Value Press Research

- And sir do you expect your guidance of around 7400 million to be fulfilled?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I was talking about earlier and I said that in this point in time we may not want to make statement about guidance. We have just given kind of a cautionary note saying that the global market being what they are, we don't know what will happen. When we know for sure we will come back with the statement on that.

Mr. Ronak - Value Press Research

- Ok. Thank you.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you.

Moderator

- Thank you for your question sir. Our next question comes from Mr. Hitesh from Citigroup.

Mr. Hitesh - Citigroup

- This is Jitesh here. Just a couple of questions. First how many employees do we have in BPO and what was the lend addition during the quarter?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We don't have numbers into separate divisions.

Mr. Hitesh - Citigroup

- And would it be possible for you to send it across in couple of days down the line?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- If you send the query across we can.

Mr. Hitesh - Citigroup

- Ok despite booking 5 crores of FOREX loss during this quarter the MTM loss has gone up by 2 crores that is incrementally the current quarter's currency fluctuation and led to 7 crores of our losses. Does the management continue to hold the view that they will continue with the current options and forward in maturity?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- The MTM loss on the receivables and the forward contracts is about 22 million. The MTM loss for the restatement of the loans, continuing working capital loans as well as the long term debt that is about Rs. 27 million. So both put together is 5 crores and I don't know how did the figure of 7 crores come. But your question is whether we will continue to hold the current forward contracts. Now these forward contracts are really related to the inflow that we are having over the next three quarters now. We don't intend to kind of liquidate that and case some upfront on that. We believe that we have build a seen through it and that is the number we have anticipated and taken in our profit working.

Mr. Hitesh - Citigroup

- Sir secondly _ guidance clearly looks unachievable even in the Q1 results and the macro environment that we have seen in US for last 3 quarters now?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I don't have the same degree of prospectivity that you have, that is the reason I am not making any statement regarding what will happen. So I wouldn't really release a statement that we are clearly unachievable.

Mr. Hitesh - Citigroup

- Sure kind of atleast incrementally it looks more difficult than what it looked may be around....?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I would think there is a significant difference between these 2 statements. As I mentioned in my earlier remarks we really don't know how things are going to pan out. The world economic conditions are certainly very, in a fairly uncertain stage. If I _ since the beginning of this call we don't really don't intend to make any statements regarding how it is going to pan out for the rest of the year.

Mr. Hitesh - Citigroup

- My question is has there anything changed significantly over the last one month since we have reported full year's results. In any of the specific client which relates to kind of cautioning that we have been preventing during this call?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Nothing has changed in the last one month relating to a specific client but we don't know what is likely to happen for the next 3 quarters.

Mr. Hitesh - Citigroup

- Sure. Thanks and all the best.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Thank you. Thank you very much.

Moderator

- Thank you Mr. Aggarwal. We have our next question comes from Mr. Ritesh from UTI Mutual Fund. Mr. Ritesh.

Mr. Ritesh - UTI Mutual Fund

- Hello sir. Considering the previous should I take it this way you are not sticking to guidance in one month back?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Sorry I fail to explain that we really don't know.

Mr. Ritesh - UTI Mutual Fund

- So when you are withdrawing the guidance should I take it that way?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I haven't withdrawn that I am essentially saying that we have to be cautious about what is going to happen. The moment we come to difficult decision of withdrawal of guidance we will do that. The moment we come to a decision of reduction of guidance we will also do that. The moment we come to a situation where we want to increase the guidance we will do that.

Mr. Ritesh - UTI Mutual Fund

- But you are taking the guidance with a caution note?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- That is true.

Mr. Ritesh - UTI Mutual Fund

- Considering your FOREX you said that for next 2 quarters the FOREX rate would remain same and for another next 2 quarters you will have an exposure. But your onsite expenses would get a spot rate so overall your margins would come down from next 4 quarters sort of thing. Is rupees in that current level?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- The contracts that we have taken, the forward contracts that we have taken are on the net basis.

Mr. Ritesh - UTI Mutual Fund

- Ok fine. I am done.

Moderator

- Thank you for your question sir.
- Participants who wish to ask any further questions may please press “*” and “1” now.

- Our next question comes from Mr. Nandan Sarkar from B&K Securities. Mr. Sarkar.

Mr. Nandan Sarkar - B&K Securities

- Just a data point your total debt has gone down by 50 million and your interest paid in the month in the quarter has gone down by about 6-7 million. So how come this drastic change, I mean what is the debt repayment schedule?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- My total debt includes working capital funds as well as the term loan points and overall effect as you rightly said 50 million which has gone down so major repayment of working capital has also happened during the quarter. And what was your second point you said Nandan?

Mr. Nandan Sarkar - B&K Securities

- It was mainly that the quantum of interest going down is much larger as compared to the debt going down.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Quantum of interest going down has 2 components, we have certain interest income arising out of our fixed deposits which has also gone up in the quarter. So that is why the interest component has gone down which is effect of reduction in working capital as well as additional income from fixed deposits.

Mr. Nandan Sarkar - B&K Securities

- Can you give us the gross interest paid amount for this quarter?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Just to tell you the interest at gross level has been 16 million roughly and the income has been 6 million so net is 10 million.

Mr. Nandan Sarkar - B&K Securities

- Can you also give quarter and yearly comparison number of the topline FOREX loss that we have included like you have mentioned some 22 odd million for the service quarter.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I thought the annual figures which we have given in the last call. Right now I do not have Q1 numbers included in the topline as well as in G&A.

Mr. Nandan Sarkar - B&K Securities

- Sure. Sir can I get that on mail?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Please write to us and we will respond to you.

Mr. Nandan Sarkar - B&K Securities

- Ok sir. Thanks a lot.

Moderator

- Thank you Mr. Sarkar. Our next question comes from Mr. Prasad Deshmukh from DSP ML. Mr. Deshmukh.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Thanks for taking the question again. 2 questions, last time we had said that we had given some _ numbers. Do we still stand by those numbers?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yeah from the annual plan perspective we continue to maintain those numbers but actual decision about whether to go ahead with that kind of an expenditure is being taken quarter on quarter.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- So in that case last time we also said that there was likelihood that you would raise some debt. Is there any _ on that or the suggestion is I mean quarterly basis over to review it.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Out of funding or CAPEX we will continue to look at raising debt funds whenever there is CAPEX requirements.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- And second question is the decline that you, the APAC revenue you have seen. It is about 26% quarter on quarter decline in revenue. So what is the reason behind this decline?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I think there is no straight forward reason we see in that, it is more client specific. There is no _ that we could gather from that.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Was there any large assignment which got over or was there any ram down from any client?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Actually nothing major, it could have given some idea of specific industry trend we would have....

Mr. Prasad Deshmukh - DSP Merrill Lynch

- This is actually Asia Pact revenue which is gone down 26%...?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- When one goes down to look at individual _ at the nature of anything that has happened which looks like more client specific up and down and we are unable to find any regional or an industry specific trend.
- I think there was milestone _ one of the Asian customer last morning.

Mr. Prasad Deshmukh - DSP Merrill Lynch

- Ok fine. Thanks a lot.

Moderator

- Thank you Mr. Deshmukh.
- Ladies and gentlemen for any further questions please press “*” and “1” now.
- Participants who wish to ask any further questions may please press “*” and “1”.

- Our next question comes from Mr. Niral Dalal from Capital Market.

Mr. Niral Dalal - Capital Market

- Good evening sir. I wanted update on the BFS contract with Cummins? The contract with Cummins, the financial....

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- What about that?

Mr. Niral Dalal - Capital Market

- I want an update on that.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- The CBS contract?

Mr. Niral Dalal - Capital Market

- Yeah the CBS contract.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- That is going on as per our positional contract.

Mr. Niral Dalal - Capital Market

- Because last quarter you said that there was a delay in it against the anticipation of the company. So is it back on track?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- It is broadly on track, there are no major variations here.

Mr. Niral Dalal - Capital Market

- What is the revenue that you are expecting this year?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- We don't talk about specific clients, specific services.

Mr. Niral Dalal - Capital Market

- Ok sir. Thank you.

Moderator

- Thank you Mr. Dalal.
- To ask any questions participants are requested to press “*” and “1”.
- Participants are requested to press “*” and “1” to ask any further questions.
- Mr. Chhabra.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- Can I go ahead with the question?

Moderator

- Please sir.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- Sir in terms of depreciation in this quarter we have charged Rs. 66 million so that does not include any one time item. So now the depreciation should grow on this base only?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yes there is no like any one time item.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- And this Rs. 66 million includes amortization of the amount paid to Cummins?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- Yes it does include that.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- Could you quantify the figure if possible?

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I would not like to really go ahead and call for the numbers but we have said that this will fit amortize over a period of contract which is 4.5 years and total consideration paid was \$5 million.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- Right sir. Thanks.
- I am done. Thank you.

Moderator

- Thank you Mr. Chhabra.
- All participants are requested to press “*” and “1” to ask any further questions.
- Ladies and gentlemen if you have any further questions please press “*” and “1”.
- As there are no more questions I would now like to handover the conference to Mr. Jaspreet Chhabra. Please go ahead sir.

Mr. Jaspreet Chhabra - Prabhudas Lilladher

- I would like to thank the management team for allowing us to host the call and I will pass the floor to Mr. Ravi Pandit for his closing remarks.

Mr. Ravi Pandit - Chairman & Group CEO, KPIT Cummins Infosystems Limited

- I would like to thank all of you for being on this call with us, we appreciate your presence.
- Thank you very much.

Moderator

- Thank you sir.
- Ladies and gentlemen this concludes the conference for today. We thank you for your participation and for using Tata Indicom conferencing services. You may please disconnect your lines now.
- Thank you. Have a pleasant evening.