



INVESTOR UPDATE
FOR
QUARTER ENDED 30TH JUNE, 2008

KEY HIGHLIGHTS

- Net Profit grew sequentially by 24.76% to Rs. 129.68 Million.
 - Sequentially, Revenues grew by 5.36% in INR terms and 3.43% in USD terms. Y-o-y growth in Revenue of 37.32% in USD terms and 28.38% in INR terms.
 - Gross profit margin improved to 38.71%. Net Profit margin improved to 7.47%.
 - 6 new customers added during the quarter, total 117 active customers.
 - 26 customers reached revenue run rate of over \$ 1 Million.
 - Filed for the 4th patent.
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QUARTER ENDED 30TH JUNE 2008 (Q1 FY09)

FINANCIALS

- Revenues for Q1 FY09, in USD terms, were \$ 42.57 Million , a y-o-y growth of 37.32% and q-o-q growth of 3.43%.
- Average realization during the quarter was Rs. 40.80 / \$, as against Rs. 40.05 / \$ in the previous quarter, an increase of 1.78%. Increase in average realization rate has been a result of the combined effect of forward cover rates and the prevalent spot rates. Spot rates during the quarter moved up by approximately 7.5%. As mentioned earlier, the Company has entered into forward contracts with its bankers to the extent of ~ 85% of its net foreign currency exposure for FY09 at an average rate of Rs. 40.25 / \$. These forward contracts cover almost the entire net foreign currency exposure for the first two quarters and part of the net foreign currency exposure for the third and fourth quarter.
- Revenues for Q1 FY09, in INR terms, were Rs. 1736.83 Million, y-o-y growth of 28.38% and q-o-q growth of 5.36%. Revenues included forex loss of Rs. 22.74 Million.
- Gross profit margin during Q1 FY09 improved to 38.71% from 37.74% in the previous quarter.
- Selling and Marketing (S&M) expenses increased sequentially by Rs. 20 Million or 13.93%. For Q1 FY09, S&M expenses increased to 9.45% of Revenues as compared to 8.74% in the previous quarter. As compared to the corresponding quarter in the previous year, the increase in S&M expenses was ~ Rs. 30 Million, or 21.58%. The primary reasons for increase in S&M expenses are (i) increase in the forex rates (ii) increments for the sales and marketing teams, and (ii) travel expenses for sales and marketing personnel.
- General and Administrative (G&A) expenses also increased sequentially by 16.35% and 74.66% on a y-o-y basis. As a percentage of Revenues, G&A expenses for the quarter were 16.24% as compared to 14.71% in Q4 FY08 and 11.94% in Q1 FY08. G&A expenses included forex translation loss of Rs. 27.33 Million as compared to forex loss of Rs. 9.03 Million in Q4 FY08 and forex gain of Rs. 21.46 Million in Q1 FY08.
- EBITDA margin for Q1 FY09 was 13.02% as against 14.29% in the previous quarter.

- Depreciation for Q1 FY09 was Rs. 66.11 Million, down from Rs. 85.14 Million in the previous quarter. Depreciation and amortization figure for the previous quarter included some unusual and one-time amounts.
- Net profit for the quarter was Rs.129.68 Million, an increase of 24.76% sequentially and 2.23% on y-o-y basis.
- Select Balance Sheet details (Rs. Million):

At the end of	Q1 FY09	Q4 FY08
Shareholders Equity	2310.29	2637.97
Total Debt	811.04	864.86
Total current assets	2990.39	2701.55
Cash balance	861.23	739.79
Receivables	1462.45	1432.20
Fixed Assets	1708.29	1680.45
Total Assets	3170.36	3550.07

- The global markets continue to be soft and in a state of flux. This could have an impact on the revenue growth of the Company.

EMPLOYEES

- The total employee strength for the Company at the end of June 2008 was 4802. Net addition for the quarter was 321.
- During Q1 FY09, y-o-y growth in onsite FTEs was 24.78% and 43.53% for offshore FTEs. On a sequential basis, onsite FTEs grew by 1.99% and offshore FTEs by 5.42%.

CUSTOMERS

- 6 new customers were added during the quarter - 2 each in Automotive, SSG and Manufacturing LoBs.
- During the quarter, highest growth was registered in Europe, followed by US. Revenue from Rest of the World declined on account of slowdown of some customers in that geography.
- Semicon grew by 28.13% sequentially, on account of ramp up in some of the leading customers.
- During the quarter, the Company extended the scope of engagement with a leading US-based OEM to the transmission space.
- The Company won multiple projects for Embedded Graphic Software Development for World leader in automotive interior.

OTHER SIGNIFICANT DEVELOPMENTS

- **New Patent filed:** KPIT Cummins filed for a fourth patent in Sensor System for Vehicle Safety.
- **New Offering developed:** The Company developed a new image processing based automation for cluster testing.
- **Acquired Mechanical Engineering Design Services from Harita:** In order to strengthen its position in the Mechanical Engineering Design Services, which it seeded last year, the Company acquired the Mechanical Engineering Design Services from Harita, a TVS group company. As part of this transaction, certain identified customers of Harita together with all the related development staff, required hardware and software, and some of the support staff, get transferred to KPIT Cummins. The identified customers include some of the leading names in the automotive vertical and span across US, Germany and India. For the current year, the Company expects to generate approximately Rs. 150 Million in Revenue with a gross margin of approximately 35% to 40%. Total deal value for KPIT Cummins is approximately Rs. 67 Million, including the cost of the hardware and software. This transaction is expected to strengthen KPIT Cummins' leadership position in the automotive vertical. This transaction is effective 1st July 2009. Therefore, results of Q1 FY09 do not include any revenue from this transaction.

INCOME STATEMENT FOR THE QUARTER ENDED 30TH JUNE 2008

Rs. Million	Q1FY09	Q4FY08	Q-o-Q Growth	Q1FY08	Y-o-Y Growth
Sales	1736.83	1648.41	5.36%	1352.92	28.38%
Software Development Expenses	1064.46	1026.32	3.72%	841.81	26.45%
Gross Profit	672.38	622.10	8.08%	511.11	31.55%
Selling and Marketing Expenses	164.12	144.06	13.93%	134.99	21.58%
General and Admin Expenses	282.10	242.46	16.35%	161.52	74.66%
EBITDA	226.16	235.58	-4.00%	214.60	5.39%
Interest	10.25	16.98	-39.64%	19.94	-48.59%
Depreciation	66.11	85.14	-22.35%	53.63	23.28%
Profit After Depn. & Int.	149.80	133.45	12.25%	141.04	6.21%
Other Income	-0.58	3.97	-114.63%	0.45	-
Profit Before Tax	149.22	137.42	8.59%	141.49	5.46%
Provision for Taxation	20.35	20.22	0.62%	15.06	35.14%
Profit After Tax	128.87	117.20	9.62%	126.43	1.93%
Minority Interest	0.81	0.47	73.62%	0.41	95.65%
Profit After Minority Interest	129.68	117.67	-	126.85	-
Exceptional Item	-	13.72	-	-	-
PAT after exceptional item	129.68	103.94	24.76%	126.85	2.23%
Paid up Capital	156.07	155.77	-	152.50	-
Free Reserves	2135.33	2569.34	-	2100.99	-
EPS (Rs. 2/-Face Value each)					
- Basic	1.66	1.33	-	1.66	-
- Fully Diluted	1.65	1.31	-	1.61	-
Common Size Analysis:					
Gross Profit Margin	38.71%	37.74%	-	37.78%	-
Sales & Marketing Exp / Revenue	9.45%	8.74%	-	9.98%	-
General & Admin Exp / Revenue	16.24%	14.71%	-	11.94%	-
EBITDA Margin	13.02%	14.29%	-	15.86%	-
Net Profit Margin	7.47%	6.31%	-	9.38%	-

1. 'q-o-q' or 'sequential' growth refers to growth during the quarter compared to the immediately preceding quarter
2. 'y-o-y' growth refers to the growth during the quarter as compared to the corresponding quarter of the previous year

PERFORMANCE METRICS (QUARTER ENDED 30TH JUNE 2008)

	Q1FY09	Q4FY08	Q-o-Q	Q1FY08	Y-o-Y
Revenue Spread - Geography					
USA	56.37%	55.30%	7.40%	57.67%	25.48%
Europe	35.01%	32.41%	13.82%	30.55%	47.12%
Rest of World	8.62%	12.29%	-26.10%	11.79%	-6.14%
Revenue Spread - Verticals					
Manufacturing	88.00%	84.14%	10.20%	78.35%	44.19%
BFSI	5.99%	6.48%	-2.60%	9.68%	-20.56%
Others	6.01%	9.38%	-32.49%	11.97%	-35.54%
Revenue Spread - by LOB					
Manufacturing ³	54.11%	54.70%	4.23%	57.97%	19.83%
Auto Electronics	26.09%	26.48%	3.83%	20.21%	65.75%
Semiconductor Solutions Group	7.27%	5.98%	28.13%	8.43%	10.75%
Diversified Financial Services	5.27%	5.55%	0.14%	8.26%	-18.02%
Global Business Solutions	7.25%	7.29%	4.75%	5.12%	81.72%
Customer details					
No. of Customer Added	6	5	-	7	-
No. of STAR Customers	25	25	-	18	-
No. of Active Customers	117	111	-	97	-
Customers with run rate of >\$1Mn	26	25	-	18	-
Top Customer - Cummins	41.90%	41.34%	6.78%	38.96%	38.02%
Star Customers - Non Cummins	43.83%	42.79%	7.91%	45.44%	23.88%
Top 10 Customer Billing	72.21%	72.21%	5.36%	74.75%	24.01%
Repeat Business	90.00%	90.00%	-	90.00%	-
Onsite / Offshore Split					
Onsite Revenues	47.69%	46.70%	7.60%	48.74%	25.61%
Offshore Revenue	52.31%	53.30%	3.41%	51.26%	31.01%
Revenue by Contract Type					
Time and Material Basis	86.65%	87.92%	-	90.00%	-
Fixed Price / Time Basis	13.35%	12.08%	-	10.00%	-
Debtors (days)	76	77	-	77	-

3. From Q1 FY09, Business Intelligence LoB has been merged with Manufacturing Business IT LoB to bring about greater synergy in the operations of ERP and Business Intelligence.

	Q1FY09	Q4FY08	Q-o-Q	Q1FY08	Y-o-Y
Human Resources - Details					
Development Team - Onsite (Avg)	618	598	-	508	-
Development Team - Offshore (Avg)	3475	3185	-	2548	-
Onsite FTE	564	553	1.99%	452	24.78%
Offshore FTE	2450	2324	5.42%	1707	43.53%
Development (at Qtr end)	4391	4062	-	3256	-
Gen Mgmt / Support (at Qtr end)	364	373	-	306	-
Marketing (Subsidiaries) (at Qtr end)	47	46	-	39	-
Total (at Qtr end)	4802	4481	-	3601	-
Onsite utilization	91.32%	92.55%	-	89.00%	-
Offshore utilization	70.51%	72.97%	-	67.00%	-

CONFERENCE CALL DETAILS

The Company will host a post earnings conference call on 18th July, 2008. The details of the conference call are as follows:

Conference name : KPIT Cummins Q1 FY09 Conference Call
Date : Friday, 18th July 2008
Time : 1530 Hrs (IST)
Dial-in numbers : Primary : +91 22 6791 4400
Standby : +91 22 6791 4499

SAFE HARBOUR

Some of the statements in this update that are not historical facts are forward-looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

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