



INVESTOR UPDATE

FOR

QUARTER AND YEAR ENDED 31ST MARCH 2009

KEY HIGHLIGHTS

- Revenues for the year grew by 36% to Rs.7,931.55Mn. In USD, Revenues grew by 20% to \$174.10Mn. Net Profit for the year grew by 28% to Rs.658.52Mn. The company has met its INR revenue and profit guidance for the year.
- In Q4 FY09, Revenue grew by 28% y-o-y to Rs.2,097.59Mn, 2.94% in USD terms to \$42.37Mn. EBITDA grew by 165% y-o-y and 12% q-o-q. PAT grew by 86% y-o-y and 15% q-o-q.
- Operating profitability improved. Q4 EBITDA margin expanded 15% y-o-y and 3% q-o-q. FY09 EBITDA margin expanded by 11% to 23%. Q4 PAT margin improved 3% y-o-y and 1% q-o-q.
- No liabilities in future on the 3 derivative contracts. MTM on the contracts is nil, now and in the future.
- Investments in technology and people to continue.

INVESTOR UPDATE

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31ST MARCH 2009

➤ **Revenues:**

- FY09 Revenues in INR terms grew by 35.94% to Rs. 7,931.55Mn. Revenues in \$ terms grew by 19.87% to \$174.10Mn. In constant currency full year revenues were \$177.56Mn.
- Revenue growth was led by 64.49% growth in the Automotive electronics LoB and 51.46% growth in revenue from European geography.
- Foreign currency movements affected revenue growth both ways. US\$/INR movement benefited us, while movement of US\$ relative to GBP and Euro impacted us negatively.

➤ **Profits and profitability:**

- Profits have grown over the previous year. Gross profit has grown by 64.63%, EBITDA by 150.15% and PAT by 28.41%.
- Operating profitability has also improved with improvement in utilization. Business mix changed towards more of offshore and increase in fixed price contracts. GPM improved from 36.07% to 43.68% and EBITDA margin by 12.56% to 23.12%.
- During the year, the company witnessed Rs.573.79Mn of losses on account of currency movement. Hence, PAT margin declined marginally from 8.79% to 8.30%.

FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED 31ST MARCH 2009

➤ **Revenues:**

- During the quarter Revenue in INR terms grew by 28.15% y-o-y and 1.59% q-o-q. In \$ terms, revenue growth was 2.94% y-o-y and 0.02% q-o-q. Q4FY09 Revenue was \$42.37Mn.
- Revenues from Manufacturing vertical, which accounts for 85% of the revenues, grew 29.50% y-o-y as compared to 23.33% for DFS and 19.34% for Others. On a q-o-q basis, Manufacturing vertical revenues declined by 0.99% q-o-q. DFS and Others grew by 12.87% and 24.16% q-o-q respectively.

- Automotive Electronics Line of Business (LoB) also grew better than the other LoBs. Revenue from Automotive electronics LoB grew by 40.68% y-o-y and 5.26% q-o-q. Even though the automotive industry has been going through trying times, this LoB has grown because our services in this LoB remain critical for the future competitiveness of our customers.
- Revenue from Europe grew by 9.71% q-o-q inspite of the adverse currency impact. Revenue from other geographies witnessed a q-o-q decline. On y-o-y basis too, Europe witnessed a 47.48% increase compared to 26.67% increase in US and a reduction by 16.18% in ROW.

➤ **Profitability:**

- For the quarter overall profitability has improved as compared to the previous quarter. Compared to the previous quarter, Gross profit margin expanded by 4.16% to 48.29% and EBITDA margin expanded by 2.83% to 29.44%.
- The following factors have contributed to the improvement in profits and profitability:
 - Company's various initiatives to improve productivity e.g. asset based development, better utilization and people pyramid, tracking project profitability, stringent control on budgets etc.
 - Improvement in utilization q-o-q from 94.45% to 95.24% for onsite and from 70.28% to 71.41% for offshore.
 - Change in business mix towards greater offshore revenues.
 - Increase in the proportion of revenues from fixed-price contracts from 14.16% in the previous quarter to 25.89%.
- PAT margin has expanded by 1.04% q-o-q.
- During the quarter, the company has opted to write-off the entire amount paid to Cummins for the acquisition of CBS business. Therefore Depreciation & Amortization expenses increased significantly during the quarter.
- Foreign exchange loss for the quarter amounted to Rs.155Mn.

➤ **Balance Sheet details (Rs. Million):**

- During the year, the company generated Rs. 1205Mn from operations, including Rs.533Mn generated during the quarter.
- Cash balance at the end of the quarter was Rs. 1671.17Mn. It is being held in current accounts (Rs. 1127.47Mn) and deposit account (Rs.529.94Mn) with HDFC Bank Ltd and HSBC.
- As on March 31, 2009 our total debt was Rs.1185Mn which comprised of the following:
 - Rs. 748Mn of term loan for investment in fixed assets. Total book value of fixed assets is 2.4 times of the term loan. Moreover, the term loan includes debt from IFC Washington which has a moratorium for repayment. The amount of term loan repayable during the year is Rs. 290Mn.
 - Rs.431Mn for working capital requirements of the company. As per our risk management policy, the company has draw down the sanctioned working capital loans and kept the amount in fixed deposit. Total amount in Fixed Deposits with our banks as on March 31, 2009 was Rs.529.94Mn.
- Forex hedging instruments with maturity greater than 3 months and considered effective hedges in accounting terms, are provided for as adjustment to the reserves and surplus in the balance sheet. As on March 31, 2009 Hedging reserves were Rs. 1631.30Mn, an increase of Rs. 594.69Mn during the quarter.

Balance Sheet Summary: at the end of	Mar-09	Dec-08	Mar-08
Shareholders Equity	1,685.37	2,085.98	2,637.97
Total Debt	1,184.76	1,207.74	864.86
Minority Interest & Deferred Tax Liability	62.77	64.49	47.24
TOTAL	2,932.90	3,358.21	3,550.07
Fixed Assets	1,795.02	1,970.28	1,680.45
Investments	0.31	0.31	1.09
Current assets	4,189.08	3,527.81	2,701.55
Cash balance	1,671.17	1,192.72	739.79
Receivables	1,775.60	1,656.74	1,432.20
Loans & Advances	742.30	678.36	529.55
Current liabilities	3,051.50	2,140.20	833.06
Total Net Assets	2,932.90	3,358.21	3,550.07

OUTLOOK AND PLANS FOR FY10

- Considering the volatile and uncertain conditions, we are not providing guidance on our expected performance for FY10. Instead, we wish to share our outlook for the industry and our efforts and initiatives we will be focusing on during the year.
- We expect that FY10 is going to be a trying year. There would be increased pressures on pricing and delays in new project assignments. We will continue to witness the trend of work being shifted from onsite to offshore. Industry verticals in which we operate, namely (a) automotive & transportation, (b) industrial & farm equipment and (c) hi-tech & semiconductors, have all been affected by the current global turmoil. For many of our customers, our services continue to be critically important and hence have remained relatively insulated from the global turbulence.
- Our customers, including Cummins, are focusing on cutting costs. On account of reduction in the total IT spend as well as significant movement of development work from onsite to offshore, we would see a decline in revenues. FY09 financials have also been partially impacted by this trend, which we have witnessed in the last two quarters of FY09.
- We however expect that our profits in absolute terms will remain at the same level. It would be our endeavor to improve profits in absolute terms.
- Our operational profit outlook is based on an average spot rate of Rs.47/USD during FY10 and our existing foreign exchange contracts for the year, resulting in average realization rate of Rs. 45.73/\$ through the year compared to Rs 45.56/\$ for FY09.
- Our efforts in the current year are focused on the following:
 1. Maintaining the current level of profits, and
 2. Continuing our investments in technology and human resources. Investments in these areas are towards new offerings, asset based development and enhancing technical competencies of our staff.
- Initiatives to maintain profit level:
 1. More fixed price contracts and IP based revenues.
 2. Better mix of revenues from onsite and offshore.
 3. Maintain and improve utilization levels.

4. Reduction of employee cost through reduction in variable salary components, reduction in bench and limiting new hiring to development staff and deferring new joiners from campus.
5. Consolidation of facilities
6. Tighter control on budgets. Capital expenditure for essential purposes only. Renegotiation of contracts with our vendors and bringing down the cost by 10-15%.
7. Focus of reducing receivables across all clients and all geographies.

CUSTOMERS

- 2 new customers were added during the quarter - 1 in Asia Pacific geography and 1 in Europe. Total number of active customers is 128. No customers lost.
- Our top 10 customers continue to have strong fundamentals especially in the Hi-Tech & Industrials vertical.
- We have low exposure (<3%) to the top 3 US automotive OEMs.
- **Select New Projects:**
 - a. **Automotive:**
 - A European Tier 1 customer selected KPIT Cummins as a Hybrid Engineering consulting partner.
 - Another leading European Tier 1 customer entered into a long term partnership with us in the area of Instrument Clusters.
 - b. **Industrial & Farm Equipment:**
 - Leading European engine manufacturer is integrating its manufacturing and product management systems on KPIT Cummins' MES-ERP-PLM integration methodology.
 - Our SAP certified templatised solutions - Autodash, HiTechDash and IMC Dash for our three focus verticals have been selected by four companies as solution for their enterprise IT requirements.
 - Over 20 Indian manufacturing companies have chosen KPIT Cummins' SAP implementation expertise for their end-to-end SAP Implementation projects.
 - c. **Hitech & Semiconductors:**

- For a leading European semiconductor company we have started working on a key engagement for design and verification of a next generation Automotive System on Chip (SoC).
- Won a major development contract involving a series of VLSI chip design projects for Next Gen Microcontrollers from a leading European semiconductor company.
- Successfully delivered a set of analog IP development projects to provide the peripheral functions like data converters, clock circuits, power circuits used in the microcontroller unit to an Asian Semiconductor product leader in automotive and consumer electronics.

d. Diversified Financial Services:

- A leading provider of payment services has signed a long term ODC contract with us for its critical Data Transformation Services Project.
- Successfully delivered an end to end offshore development project in e-business for a leading South Africa based enterprise solutions integration company.
- Developed an integrated payments switch for an independent European payment processing firm.

FOREX INSTRUMENTS

- **No more liabilities on the 3 derivative contracts:** In year 2007-08, the Company had entered into three derivative options contracts to the tune of \$42.60Mn for hedging its USD/EUR revenues. These contracts were linked to EUR-USD cross rate movement and extended for a period of next four years. Two of aforesaid three contracts were knocked out completely and one contract was knocked out partially during the year and the MTM reported by the bank on it as on March 31, 2009 is NIL and will continue to be NIL till the expiry of these contracts.
- **Other Hedging Instruments:** As per our hedging policy, we continue to hedge 75% of our net foreign exchange inflows as follows:
 - a. 25% through Forward contracts
 - b. 25% through Out-of-money options
 - c. 25% through Range-forward options.

- Total amount of hedges as on 31st March 2009: \$204.60Mn
 - Maturing in the next 12 months: \$97.26Mn
 - Maturing beyond 12: \$107.34Mn
 - All hedges in USD
 - In Forward contracts: \$ 150.95 Million
 - In Out of money options: \$ 11.85 Million
 - In Range-forward options: \$ 41.80 Million

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

Rs. Million	FY 2009	FY 2008	% Change
Sales	7,931.55	5,834.53	35.94%
Software Development Expenses	4,467.20	3,730.26	19.76%
Gross Profit	3,464.34	2,104.27	64.63%
Selling and Marketing Expenses	687.54	577.14	19.13%
General and Administration Expenses	943.25	794.16	18.77%
EBITDA	1,833.56	732.97	150.15%
Interest	45.47	75.47	-39.75%
Depreciation	436.46	254.68	71.37%
Profit After Depreciation & Interest	1,351.62	402.81	235.54%
Other Income	-573.79	198.82	-388.59%
Profit Before Tax	777.83	601.63	29.29%
Provision for Taxation	119.67	76.05	57.35%
Profit After Tax	658.16	525.58	25.22%
Minority Interest	0.35	0.95	-62.80%
Exceptional Item	-	-13.72	
Profit after MI & exceptional item	658.52	512.81	28.41%
Paid up Capital	156.09	155.77	
Free Reserves	1,529.29	2,454.15	
EPS (Rs. 2/-Face Value each)			
- Basic	8.44	6.67	
- Fully Diluted	8.41	6.55	
Common Size Analysis:			
Gross Profit Margin	43.68%	36.07%	
Sales & Marketing Exp / Revenue	8.67%	9.89%	
General & Admin Exp / Revenue	11.89%	13.61%	
EBITDA Margin	23.12%	12.56%	
Net Profit Margin	8.30%	8.79%	

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
3. As mentioned in our note on AS11 sent earlier to the Stock Exchanges and the investment community, from this quarter the income statement has been restated to separate the impact of foreign exchange gains or losses from the operational performance of the company.

PERFORMANCE METRICS (YEAR ENDED 31ST MARCH 2009)

	FY09	FY08	Y-o-Y Growth
Revenue Spread - Geography			
USA	55.17%	55.96%	34.04%
Europe	35.86%	32.19%	51.46%
Rest of World	8.97%	11.85%	2.85%
Revenue Spread - Verticals			
Manufacturing	87.24%	82.01%	44.61%
BFSI	5.73%	8.16%	-4.63%
Others	7.04%	9.83%	-2.70%
Revenue Spread - by LOB			
Manufacturing Business IT	52.18%	55.47%	27.86%
Auto Electronics	28.14%	23.25%	64.49%
Semiconductor Solutions Group	6.97%	8.00%	18.40%
Diversified Financial Services	5.54%	6.87%	9.71%
Global Business Solutions	7.17%	6.40%	52.37%
Customer details			
No. of Customers Added	17	21	
No. of STAR Customers	26	25	
No. of Active Customers	128	111	
Top Client - Cummins	38.99%	39.38%	34.59%
Star Customers - Non Cummins	43.35%	42.29%	39.34%
Top 10 Client Billing	66.98%	69.70%	30.64%
Customers with run rate of >\$1Mn	28	23	
Repeat Business	90%	90%	
Onsite / Offshore Split			
Onsite Revenues	44.90%	47.23%	29.21%
Offshore Revenue	55.10%	52.77%	41.97%
Revenue by Contract Type			
Time and Material Basis	82.86%	87.81%	
Fixed Price / Time Basis	17.74%	12.19%	
Debtors (days)	69	77	

	FY09	FY08	Y-o-Y Growth
Human Resources - Details			
Development Team - Onsite (Avg)	599	543	
Development Team - Offshore (Avg)	3,674	2,872	
Onsite FTE	562	495	
Offshore FTE	2,626	2,031	
Development (at Year end)	4,168	4,062	
Gen Mgmt / Support (at Year end)	357	373	
Marketing (Subsidiaries) (at Year end)	51	46	
Total (at Year end)	4,576	4,481	
Onsite utilization	93.81%	91.23%	
Offshore utilization	71.49%	70.73%	

INCOME STATEMENT FOR THE QUARTER ENDED 31ST MARCH 2009

Rs. Million	Q4FY09	Q3FY09	Q-o-Q Growth	Q4FY08	Y-o-Y Growth
Sales	2,097.59	2,064.84	1.59%	1,636.89	28.15%
Software Development Expenses	1,084.62	1,153.57	-5.98%	1,026.32	5.68%
Gross Profit	1,012.97	911.27	11.16%	610.57	65.91%
Selling and Marketing Expenses	184.74	172.84	6.88%	144.06	28.24%
General and Admin Expenses	210.60	188.89	11.49%	233.43	-9.78%
EBITDA	617.63	549.54	12.39%	233.09	164.98%
Interest	15.35	9.76	57.26%	16.98	-9.61%
Depreciation	215.91	78.42	175.33%	85.14	153.59%
Profit After Depn. & Int.	386.37	461.36	-16.25%	130.97	195.02%
Other Income	-155.27	-263.03	-40.97%	6.46	
Profit Before Tax	231.10	198.33	16.52%	137.42	68.17%
Provision for Taxation	38.73	29.68	30.50%	20.22	91.48%
Profit After Tax	192.37	168.65	14.06%	117.20	64.14%
Minority Interest	0.81	0.01		0.47	
Profit After Minority Interest	193.18	168.66		117.67	
Exceptional Item	-	-		-13.72	
PAT after exceptional item	193.18	168.66	14.54%	103.94	85.85%
Paid up Capital	156.09	156.09	-	155.77	-
Free Reserves	1,529.23	1911.00	-	2,454.15	-
EPS (Rs. 2/-Face Value each)					
- Basic	2.48	2.16	-	1.33	-
- Fully Diluted	2.47	2.14	-	1.31	-
Common Size Analysis:					
Gross Profit Margin	48.29%	44.13%	-	37.30%	-
Sales & Marketing Exp / Revenue	8.81%	8.37%	-	8.80%	-
General & Admin Exp / Revenue	10.04%	9.15%	-	14.26%	-
EBITDA Margin	29.44%	26.61%	-	14.24%	-
Net Profit Margin	9.21%	8.17%	-	6.35%	-

PERFORMANCE METRICS (QUARTER ENDED 31ST MARCH 2009)

	Q4FY09	Q3FY09	Q-o-Q Growth	Q4FY08	Y-o-Y Growth
Revenue Spread - Geography					
USA	54.66%	55.93%	-0.72%	55.30%	26.67%
Europe	37.30%	34.54%	9.71%	32.41%	47.48%
Rest of World	8.04%	9.53%	-14.29%	12.29%	-16.18%
Revenue Spread - Verticals					
Manufacturing	85.03%	87.24%	-0.99%	84.14%	29.50%
BFSI	6.24%	5.61%	12.87%	6.48%	23.33%
Others	8.74%	7.15%	24.16%	9.38%	19.34%
Revenue Spread - by LOB					
Manufacturing Business IT	50.79%	52.68%	-2.06%	54.70%	18.99%
Auto Electronics	29.07%	28.06%	5.26%	26.48%	40.68%
Semiconductor Solutions Group	6.52%	6.68%	-0.85%	5.98%	39.80%
Diversified Financial Services	6.12%	5.72%	8.71%	5.55%	41.22%
Global Business Solutions	7.50%	6.86%	11.05%	7.29%	31.81%
Customer details					
No. of Customer Added	2	3	-	5	-
No. of STAR Customers	26	26	-	25	-
No. of Active Customers	128	126	-	111	-
Customers with run rate of >\$1Mn	28	30	-	23	-
Top Customer - Cummins	33.26%	40.93%	-17.46%	41.34%	3.10%
Star Customers - Non Cummins	46.49%	40.52%	16.56%	39.34%	51.44%
Top 10 Customer Billing	65.84%	66.65%	0.35%	72.21%	16.84%
Repeat Business	90.00%	90.00%		90.00%	-
Onsite / Offshore Split					
Onsite Revenues	43.39%	44.91%	-1.84%	46.70%	19.07%
Offshore Revenue	56.61%	55.09%	4.38%	53.30%	36.10%
Revenue by Contract Type					
Time and Material Basis	74.11%	85.84%	-	87.92%	-
Fixed Price / Time Basis	25.89%	14.16%	-	12.08%	-
Debtors (days)	69	75	-	77	-

	Q4FY09	Q3FY09	Q-o-Q Growth	Q4FY08	Y-o-Y Growth
Human Resources - Details					
Development Team - Onsite (Avg)	561	602	-	598	-
Development Team - Offshore (Avg)	3,673	3,795	-	3185	-
Onsite FTE	534	569	-6.15%	553	-3.44%
Offshore FTE	2,623	2,667	-1.65%	2324	12.87%
Development (at Qtr end)	4,168	4,462	-	4062	-
Gen Mgmt / Support (at Qtr end)	357	358	-	373	-
Marketing (Subsidiaries) (at Qtr end)	51	47	-	46	-
Total (at Qtr end)	4,576	4,867	-	4481	-
Onsite utilization	95.24%	94.45%	-	92.55%	-
Offshore utilization	71.41%	70.28%	-	72.97%	-

CONFERENCE CALL DETAILS

Conference name : KPIT Cummins Q4 and FY09 Conference Call
Date : Tuesday, 28th April 2009
Time : 1600 Hrs (IST)
Dial-in numbers : Primary : +91 22 2821 3311
Standby : +91 22 2821 8855
Toll Free : 1800 425 4061 / 1800 425 4250

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.

CONTACT DETAILS

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