

May 03, 2024

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.

National Stock Exchange of India Ltd.,

Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai – 400051.

Scrip ID: KPITTECH

Scrip Code: 542651

Symbol: KPITTECH

Series: EQ

Kind Attn: The Manager,
Department of Corporate Services

Kind Attn: The Manager,
Listing Department

Dear Sir/Madam,

Subject: - Transcript of the Post Earnings Conference Call for the quarter and year ended March 31, 2024.

In terms of Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Post Earnings Conference Call for the quarter and year ended March 31, 2024 conducted on April 29, 2024 after the meeting of the Board of Directors for your information and records.

The transcript of Post Earnings Conference Call is also made available on the website of the Company. The link to access the same is as below:

<https://www.kpit.com/investors/policies-reports-filings/>

Thanking you,

Yours faithfully,

For **KPIT Technologies Limited**

Nida Deshpande
Company Secretary & Compliance Officer

Encl: as above



“KPIT Technologies Limited Q4 FY’24 & FY’24 Earnings Conference Call”

April 29, 2024



Dolat Capital



KPIT

Management:

Mr. S.B. (Ravi) Pandit - Co-Founder, Chairman
Mr. Kishor Patil – Co-Founder, Chief Executive Officer
and Managing Director
Mr. Sachin Tikekar – President & Joint Managing Director
Mr. Chinmay Pandit – Board Member & Head Americas
Mr. Anup Sable – Board Member & Chief Technology
Officer
Ms. Priya Hardikar – Chief Financial Officer
Mr. Sunil Phansalkar – VP (CF&G) & Head Investor
Relations

Moderator:

Mr. Rahul Jain – Dolat Capital Markets Limited

Moderator:

Ladies and gentlemen, good day, and welcome to the KPIT
Technology Q4 FY’24 Conference Call hosted by Dolat Capital.

As a reminder, all participant lines will be in the listen-only
mode, and there will be an opportunity for you to ask questions



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after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jain from Dolat Capital. Thank you, and over to you, sir.

Rahul Jain: Thanks, KPIT Technologies, for giving us opportunity to host this Earnings Call. And now I would like to hand the conference over to Mr. Sunil Phansalkar, who is VP (CF&G) and Head IR at KPIT to do the management introductions. Over to you, Sunil.

Sunil Phansalkar: A warm welcome to all on the Q4 FY’24 and FY’24 Earnings Conference Call of KPIT Technologies Limited.

On the call today, we have Mr. Ravi Pandit – Co-Founder and Chairman; Mr. Kishor Patil – Co-Founder, CEO and MD; Mr. Sachin Tikekar – President and Joint MD; Mr. Chinmay Pandit – Whole-time Director and Head of Americas; Mr. Anup Sable – Whole-time Director and CTO; Ms. Priya Hardikar – CFO; and Sunil from IR.

As we do always, we will have the “Opening Remarks” by Mr. Ravi Pandit. And then we will have the floor open for questions.

What we have done this time is we have uploaded a Presentation on the exchanges, and I would request all of you to, if possible, go and open that Presentation because Mr. Pandit will take you through the Presentation. It’s a very short presentation of about #5, #6 Slides. Then he will talk about the performance of the year and the quarter, and then we will have it open for questions.



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So, welcome once again, and I will hand it over to Mr. Pandit now.

S.B. (Ravi) Pandit: Thank you, Sunil. And I would like to welcome and thank all of you for your continued interest in our company. This call not only marks the end of the fourth quarter and the end of the year, but it also marks the end of a 5-year period since we completely re-strategized our business. What we thought we should do was to first take a quick view about what has happened over the past 5 years and then look at the current quarter and the current year. And so, as Sunil has mentioned, our presentation regarding the 5-year overview is already now on the exchange. You could certainly refer to that. And you can, of course, also refer to it later. I am going to take you through it, not in a word-by-word way, but to give you a broad overview about how the things have been, what we started with and where we have reached.

So, you would all remember the kind of an unusual decision that we took 5 years ago when we went through the merger, demerger process. You would recollect at that time, we were a general-purpose IT company and we decided that we will go through a restructuring, whereby we will create finally a new company, which is very sharply focused. And we did this exercise. We worked on it for a period of almost 2 years before we really launched it in Q4 of FY 2019, which is like 5 years ago.

Now the purpose in that was to embark on a journey to be a global software company of the first order for the automotive and mobility industry. So, we decided that we would rather be a mile deep and an inch wide rather than the other way around. And with that in mind, our teams spent time together to come up with our new vision and new mission. We defined our new



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vision as reimagining mobility with you, you meaning the clients, our employees, our investors etcetera, for creation of a cleaner, smarter and safer world.

So, the focus we decided would be squarely on the area of mobility. And we said that with this sharp focus, we can become the leading software integration partner for the mobility industry. And our motto was to know software better than any automotive OEM and to know automotive better than any other software company. And that was what we started with, and we believe that, that enthused our team of passionate automobile believers to really go way forward. Now with this vision and mission, we decided that what would be our strategy. So, our strategy was how do we create a culture of excellence by really looking at the 4 pillars of making this company really the leaders.

One is we will not work with a lot of clients, we will focus on strategic relationship with a few clients. Then we said we would like to really become leaders in our defined practices and platform businesses. So, that was relating to what is it that we will offer to our clients. Then since our clients deliver products which weigh over a ton, which travel like more than 50, 60 kilometers per hour, it was important that we delivered absolutely zero-defect products. So, we focused on good delivery. And of course, none of these can be done unless you have a good set of people working with you. So, we said we will strive to become the best place to grow.

Now that was the beginning. And I want to take you very briefly to each one of the 4 things that we have worked on until now. So, having strategic relationships with clients, that has been our first major point. So, now we have 6 global OEMs with whom



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we have been working for more than 17 years continuously, 4 OEMs, with whom we have been working for over 12 years and another 7 with whom we have been working continuously for a period of 7-plus years.

Our strategy of focusing on only a few clients so that we understand their needs better, so that we are able to service them better, so that we are able to take them into their future in an industry where so much is changing. I think our end customers really look forward to a partner who will be very sensitive to their needs, who will be perceptive about their future needs. And that is what we have been able to do with a very sharp focus on a few clients. So, now the strategic clients contribute to more than 85% of the revenue and more than 90% of the growth. So, this year shows ample justification for our focus on the clients.

The second pillar has been the pillar of becoming a leading company in practices and platforms. So, we not only have focused on some of our old practices such as powertrain, ADAS, but we have also built now key practices such as the software-defined vehicle middleware, the electric powertrains, autonomous and connected vehicles. And these practices have grown. So, you would notice that our last year provided balanced growth across multiple practices, and we continue to add more and more practices as time comes.

Then the third one, as I said, was global delivery model, delivering on zero defects. And specifically, to be able to run key strategic programs across multiple domains. We have now been able to set up delivery centers, not only in India but also in major countries like U.S. or Germany. We now have centers in India, in Munich, in Spain, in Tunisia, in Detroit, in China,



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Bangkok, Japan and Egypt. So, wherever there is a need for an end client, wherever an automotive industry does research and development or wherever there is good quality talent available for this vertical, that's where we have opened our centers.

And lastly, in terms of becoming the best place to go, we now have a team of around 13,000 automobile believers, probably the largest in the world, focusing on embedded software for the automotive industry. And as you would notice through our various presentations, we have been able to attract and retain good quality people. At a time when retention has been a problem, our attrition levels for the best of our people has been in higher single digits. And I believe all of that is on effective delivery or execution of the goals that we set up.

One of the goals that we looked at was to have appropriate technology partnerships. And you would have read some of the announcements that have come in this regard. Not all the customers give announcements, but some of our customers who have given announcements include Honda and Renault. And you would recollect earlier, even BMW had given the announcement. So, we are very near and intimate partners with these companies. We also have worked with Technica Engineering to accelerate the process of transformation through the software-defined vehicles.

As you would also know, during the last year, we made an announcement of working with ZF, joining hands to promote an independent company called QORIX to build scalable automotive middleware platforms. So, these have been some of the actions that have been there on the technology partnerships.



The proof of the pudding has been the kind of growth that we have had over the last 15 consecutive quarters. So, beginning with Q4 of FY'19, when we took this, I should say, momentous decision, when our quarterly top line was \$71 million, now we are at \$160 million. At the beginning of this period, our quarterly EBITDA was Rs. 0.6 billion, now we are at Rs. 2.7 billion. Our EBITDA percentage has gone up from like 10%, 11% to 20%+. So, I think our commitment to deliver on a focused strategy has yielded not only the results in terms of serving our customers, but also has helped us in giving good financial performance.

Now how do we see the future:

Now I am sure there are questions about how do we look at the future with the kind of growth that we have had in the past. I think it's important to remember what kind of conditions through which automotive industry is going. So, it's a continuously evolving industry with some specific changes that are happening now and have happened in the near past.

All the OEMs are now really looking forward to creating lifelong relationships with end customers. They want to provide immersive digital experiences and create multiple sources of monetization for them. They also want to increase their business efficiencies, reduce their cost of the product, increase the speed at which new products will be brought in and also increase the scope of collaboration with the new partners, including the companies like cloud companies or semiconductor companies.

So, these factors actually create a substantial headroom for growth in the automotive industry. And with a view to service in this industry, we are creating new offerings to the present technology solutions. We are also increasing our investments in



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various geographies. Over a period, of course, we will look at adjacencies in the overall mobility space because today, we have really scanned the surface of the mobility space with only the automotive industry, but we see possibilities in the IFE and other mobility sectors. We believe that they will also have good opportunities for growth. I must however stress that the headroom in the automotive industry is still quite big.

So, this is where we are. This is how we see forward going forward.

So, what is it that about our commitments, what are our commitments:

Our commitments to our clients is to help the OEM transform their business models, to be an integrated independent software integration partner for their core areas of electrification, autonomous as well as connected vehicles, become their core partners in software-defined vehicles because that is really a major change in the automotive industry and in the common middleware platform transformation.

Our commitment to you, our investors, is financial and governance sustainability, our relentless focus on enhancing customer value and doing appropriate capital allocation and enhancing shareholding returns. To our employees, our commitments are the newer and exciting technologies to work on because our employees really are the foundation of our growth. We also have our commitment to them for long-term incentivization and an ability to work with the best clients in the world.

Finally, there is a commitment that we are making to the world, and that is something which is very dear to our heart. And that's



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the commitment that we are making to environmental and social sustainability. And that's an area that we have been very passionate about for a long, long time. We are also equally passionate about our community services, where we focus on environment, energy, education and all of this through employee participation. We would like to be a responsible corporate citizen in every country in which we operate. So, this is really a quick overview about where we started 5 years ago and where we see we are as of now.

I would now like to turn to the current year:

I trust you all have got our investor update, so I am not going to go through all the items in detail, but I would just like to cover some headline items. So, as you would notice, our revenues in this quarter grew 27.5% in constant currency terms and 28.5% in dollar terms on a year-on-year basis. Our sequential growth was also very good at 5.1% in constant currency terms and 6.6% in the dollar terms. The growth was led by middleware, connected and autonomous domains. However, I must add that all other practices also had a good growth.

The growth was broad-based across multiple geographies, and there was a strong sequential growth in passenger car as well as in the commercial vehicles. The strategic accounts to which I referred to earlier, contributed to 86% of our total revenue in Q4, which translates into 39.6% year-on-year growth and 8.4% quarter-on-quarter growth. So, our focus on these accounts has been quite sharp.

We also had healthy deal wins of \$261 million during the quarter. When it comes to the entire year of FY'24, our revenues grew 40% in reported dollar terms and 39.1% in the constant



currency term. The organic growth was 32%. The absolute revenue at FY'24 stood at \$587 million. The growth in FY'24 was quite broad-based, again, led by middleware, connected powertrain and autonomous domain.

The growth was led by passenger car vertical although there was also a double-digit growth in the commercial vehicles as well. The growth was broad-based across multiple geographies, with Europe and Asia leading the growth. Strategic accounts contributed to 85% of the total revenue for FY'24 as a whole, which translates to 44% year-on-year growth from the earlier year. We started FY'24 with an outlook of 27% to 30% constant currency growth and EBITDA margin range of 19% to 20%. At the end of Q2 of FY'24, we increased the outlook, you would recollect, to 37%+ constant currency growth and EBITDA margin of 20%+. With 39% constant currency growth, I am happy to tell you that we have done better than our increased outlook for the year. Even our EBITDA margins have been better than what we had committed.

Coming to profitability:

Our EBITDA margins for Q4 stood at 20.7%, which is an increase of 160 bps over Q4 of FY'23 margin. The absolute EBITDA grew 40% year-on-year and 5.6% quarter-on-quarter. This is as far as Q4 is concerned. The net profit in Q4 grew 47% year-on-year and 5.8% quarter-on-quarter. The net profit margin in Q4 was 12.5%.

Looking at the year as a whole:

FY'24 EBITDA margin was 20.3%. EBITDA grew a handsome 56% over the last year. The net profit growth also came to about 56% over 23% with a net profit margin at 12.2%. Our increase in



profitability was also matched with increase in the cash flow, although I must add that during the year, we had significant outflows on account of acquisitions that we did. The net cash balance at the end of the year stood at Rs. 8.5 billion as compared to Rs. 5.8 billion at the end of the last year, an increase of roughly Rs. 2.6 billion.

Looking at the cash flow and looking at the growth requirements going forward, the Board today considered the decision relating to the dividend, and the Board has approved a final dividend of Rs. 4.6 per share. And this is, of course, as you know, is subject to the approval of the shareholders. And this would take the dividend to a total dividend of Rs. 6.7 per share, which is a 63% increase in dividend per share and results in a payout ratio of roughly 31%. You would recollect that a few years ago, when we announced our dividend policy, we said that over the years, we would like to continue to increase the dividend payout ratio.

Now I am sure you would all like to look at what is the outlook for the next year.

So, our constant currency revenue growth, we believe, should be in the range of 18% to 22% and an EBITDA margin of 20.5%+. Revenue growth will be broad-based across practices and geographies.

In FY'25, we would invest in technology areas like cross-practice offerings as well as AI adoption. Additionally, we would also focus on Asia geography. People emphasis would be on leadership and competency development plus productivity improvement. The Board has also approved an ESOP scheme for our employees. We believe that this will further strengthen the long-term incentivization for our people.



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The ESOP costs and other long-term incentive costs will be roughly in the region of Rs. 100 crores for FY'25 alone. The EBITDA margins that I talked about a little earlier are after considering these costs. So, you would understand why after a revenue growth of 18% to 22%, why is it that we are still looking at a more or less stable EBITDA margin. But we believe that the investments that we are making in these areas will help us in our long-term growth.

So, this is about the outlook for the FY'25. I trust I have covered most of the issues that you had, I am sure, concerned about, and you have questions about. And we will be all very happy to take any further questions that you may have. My entire Management Team is here with us. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: My first question is specific to the quarter. We've, again, done sort of 4.5% to 5% growth quarter-on-quarter. Most of our peers that are focused on the transportation vertical listed in India seem to be doing sort of between 0% to 2% quarter-on-quarter growth specific to the transportation vertical. So, just trying to understand consistently, what are the factors that are helping us perform slightly better than sort of the India-based peer group in the vertical?

Kishor Patil: Yes, Chandru, I think looking at the numbers, I guess you would agree that it is reasonably better than most of the other peers. And it is just by focusing on the strategy we have talked about. I guess the area of new technology, areas of deep relationship, trusted partnerships with the client. And of course, the substantial deal wins in the past as well as during the quarter.



So, that really helps us to really deliver on these numbers. And we do believe that as Mr. Pandit mentioned, we are going to double down on our multiple offerings, which will help us to further get the benefit of the client spend in these areas. And that basically gives us confidence about this growth, which has happened in this quarter. I think it is roughly 5% CQGR actually going forward.

Chandramouli Muthiah: That's helpful. My second question is related to the deal wins this quarter. Congratulations on the \$261 million of deal wins. I think over the past 6 quarters, we have had 2 quarters where deal wins have been in excess of \$200 million. And in both those quarters, you had called out \$100 million-plus mega deal wins.

So, just trying to understand if we have sort of a mega deal win in the deal win announced this quarter? And if there's any color on that, sort of which sort of vertical it's from. Is it middleware? Is it core software integration? Any geographic color as well where you sourced that sort of deal, that would be very helpful.

Kishor Patil: So, this is a pretty broad-based growth we are having in the deal wins, but if I were to talk about top two wins during the quarter, one is in from Asia, one is in from Europe. And both are significant. The Asia one is in the area of SDV and the Europe one is in the area of integration. So, both these deal wins are substantial, and it is in the area of the clients we work with and we basically furthering what we have been doing them into the next phase of SDV.

Chandramouli Muthiah: That's helpful. And my last question is just specific to the announcement you made on the margin guidance. So, congratulations to all the employees of the company. And just related to the ESOP cost, you mentioned that in FY'25, we could



have close to Rs. 100 crores of cost provision there. So, just trying to understand in FY'24 what that ESOP cost number would have been, just to try to sort of map the journey from FY'24 margin to FY'25 margin, if you were to adjust for that.

Kishor Patil:

It will be very minimal, maybe 10% of what it would be in FY25 in terms of the incentives and the cost in the earlier year. So, it's a substantial cost during this year we have committed to. Naturally, as you know, that we had given ESOPs during the COVID time actually. And those came to end, that was in this March. So, we have given the fresh round of ESOPs to key performers and the potential players who we expect to play a significant role in future. So, because it was at the end of the earlier cycle, it is minimal. It was, I would say, about 10% of this amount.

S.B. (Ravi) Pandit:

So, Chandru, this has been like a new scheme that we have announced in the framework that we had already decided. So, this really brings in a lot more newer people into the gamut of our ESOPs.

Moderator:

The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan:

Congratulations on a solid quarter, solid year, great guidance. So, a couple of things. So, one is from a guidance perspective, when we give a guidance, it's based on the deals that we have already won. And are there some assumptions on certain wins you expect in the future for that guidance number? And second is how does the large deal pipeline look like? And are we baking in any of those, if any, into that? Just two broad things to start with.



Kishor Patil: So, when we give the guidance, I think we look at naturally what is the business on hand. And of course, we look at our pipeline, and we have naturally categorization of the pipeline and where we believe that there is a substantial higher probability of building. Those are intact. That's how we have done in terms of guidance. Naturally, it is not only based on what we have already in hand and what we have done, it takes into consideration high probability wins, and engagements we would have.

Nitin Padmanabhan: And how does the large deal pipeline look at this point in time? And I think on the earlier question, on the deal wins for the current quarter, well, there were 2 significant deals. Would you classify it of the size that we won earlier of the \$100 million odd? Or it would be much smaller than that?

Kishor Patil: Yes. I think these are significant deals, that I can tell you. But I think what we have said is our business is more based on continuing trusted and strategic engagement with the existing clients. Some of them really, they package it as a part of a large deal. Some don't package it as a part of a large deal. In both these cases, it is our existing client and the current practices I mentioned about it. So, I would not like to give the numbers yet, but they are upwards of \$ 50 million.

Nitin Padmanabhan: So, that's helpful. The other thing is from I think we spoke about this last quarter as well on QORIX, right? So, this quarter, we were supposed to start out business thereafter regulatory approvals across countries. How is that going? And how should we think about that business from revenue and margin contribution? How should that flow through? And how has the experience been post start off of the business?



Kishor Patil: So, first thing is, right now, it is all part of KPIT. We are waiting for all the regulatory approvals. I mean everything has happened, so it should happen soon than later, but it is subject to regulatory approvals now.

Now we are ultimately very close to the closure. So, the leadership team is in place. We already have hired all the COO, CTO, some key teams, engagement team, et cetera. On the product side, what is happening, maybe Anup Sable will share.

Anup Sable: Yes. So, the product development, we have a road map. There is a milestone associated with this road map that we are delivering. We are on time on that. The engagement is going to happen global. So, in all the 3 geographies, that is Europe, Asia as well as in USA. And the current management team is focusing on those activities, even the product management team is in place. So, all things going fine, except for the regulatory parts now.

Kishor Patil: And to your point, as we had mentioned basically, what it means is a significant key part of the technology will be with our clients, whoever adopts this. So, the work we expect in KPIT will be largely in the integration work for the platform. But it will take some time because I think the companies will source it and then we will get into the action.

Nitin Padmanabhan: Sure, very helpful. If I can just squeeze in one more. On the ESOP cost, how much would be the dilution from this and what is the vesting period? And after this Rs. 100 crores in year 1, how should we look at year 2, just from this element actually?

Priyamvada Hardikar: This is Priya. Dilution will be very minimal because we already had available shares in the trust for this scheme. It will be less than 0.2% for this kind of grant that we have announced.



In terms of vesting period, it is our standard process of 3 years vesting period, and employees will have further period to exercise the same. In terms of the cost, as per the accounting standards and Black and Scholes model valuation, the maximum cost comes in the first year. We will see how the cost now tapers down in the second and third year subsequently.

Kishor Patil: But there could be additional options we may give in the second round, though it may not be of the similar level, but some of the entities we have acquired and some of the key staff, we may still give next year to some extent. But difficult to predict, I think. We'll say later part of the year, we may be in a position to give some idea. But it won't be at this level for sure.

S.B. (Ravi) Pandit: And even at the current level, it's not a very significant dilution as far as the existing shareholders are concerned.

Moderator: The next question is from the line of Bhavik Mehta from JPMorgan. Please go ahead.

Bhavik Mehta: A couple of questions. Firstly, I remember last time, you were talking about engagement with 3 clients, one each in U.S., Europe and Asia. So, are these 2 deals which you have announced this time part of those 3 engagements that you were talking about? Or are these different clients? So, just some clarity on that.

Kishor Patil: I think some of them are from that. I mean, as I said, we have a set number of clients. So, we are winning only a set number of clients. We are not going anywhere else. The only one thing I can tell you that a large part of our growth has been in the diamond accounts. Until now, the large part of our growth has been driven by diamond accounts. Now we are focusing on platinum and gold accounts also to expand further, because



there is a right opportunity for them to engage with them more meaningfully. So, some of these clients are from that set of clients.

Bhavik Mehta: And secondly, just going back to the ESOP cost, I understand that typically, first year costs are way higher. But any broad sense of whether are we taking 50% or 60% of the cost in year 1, because the vesting is just 3 years and typically for other companies we have been vesting over 5 to 6 years. So, I just want to get a sense what should we assume for FY'26? May be rough sense will be helpful.

Priyamvada Hardikar: Around 60% is generally the cost that comes in first year, but we are still in the process of actually calculating it, but that is how generally it pans out.

Moderator: The next question is from the line of Yogesh Aggarwal from HSBC. Please go ahead.

Yogesh Aggarwal: Couple of questions. Firstly, from a longer-term perspective, let's say, over the next 3 years, this year is likely to be the peak year of R&D spend for all the European OEMs. And from next year, it's likely to be flat. So, I was curious, how do you guys relate your growth? Is it largely driven by increase in outsourcing and offshoring? Or do you guys worry about the absolute growth in R&D spend in your clients? That is one.

And related to that, over the next 5 years, let's say, you have to be \$2 billion, can it happen with the existing client base itself? Or at some point, you will have to open up and go for Tier-1 suppliers and some of the adjacent areas?

Kishor Patil: So, first thing is we are not seeing that and all the reports at least don't say that the R&D growth will be flattish. It will



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continue to grow. I have in the past explained that there are 2 buckets of the R&D or engineering spend, actually, if you should call it more appropriately.

There is one on the areas of future which are like SDV and plus, plus, plus. Also the different business models, the after-sales transformation and many such areas or safety, security, those areas. And the next one is about the number of programs they have been doing over the last many years, the last 12 years, if those programs are like. So, as the days pass by, they are cutting down and bringing the efficiency on the old programs and continue to invest on the future. So, that is the part. And KPIT is, I mean, significantly focused on the future spend area, future technology area. So, from that perspective, we do not see that.

The other part is there are multiple opportunities in this area, which is in terms of cost cut, if I had to call it out, kind of a thing people are looking at reducing the supply chain, revisiting the supply chain to reduce the cost or different areas in terms of manufacturing. And so two things. First is we are looking at new practices, as I mentioned, which is companies we will invest and we are, of course, looking at them or already invested into many of them. That is point number 1.

Point #2, as we talk about the Tier-1 suppliers, there is a separation of hardware and software, which clients are looking at. And that ownership of software will come to really a pure-play software integrator like KPIT, not to any generic software integrator, which can own the whole program. And that is something 'we have done in the past already in a few areas, and we see that also as a big area.

Anup, you have anything to add.



Anup Sable: Yes. If you look at the new generation and what needs to be achieved in the new generation, it's that large part of the changes in the passenger vehicle experience of the consumer, is going to be through software. For that reason, the architecture is going to change. For that reason, a change in the ownership of the software in terms of the OEM owning most of the software. And for that same reason, there is going to be a change in the dynamics of how the OEM wants to work with their own teams, how the OEM wants to work with the Tier-1s and how the OEM wants to work with very, very specialist integrators, software integrators like KPIT, and we believe that this year, we are already experiencing this. And going forward, there is going to be more and more such shift happening for which we are very well positioned.

Yogesh Aggarwal: This is helpful. But in your long-term planning, let's say, 3 years, do you do assume growth in the engineering spend in your clients? You're not expecting a flattish R&D spend?

Kishor Patil: Yes. So, we are seeing still significant growth from our current client. But as Mr. Pandit mentioned, so first, we are looking at also scaling up of our, I mean our current customers, our diamond clients will continue to grow. That is the point number 1.

Number 2, we are also expecting a higher growth from platinum and gold accounts, which, if I have to say, have been a bit late in rolling out some of these technology and programs. So, that is the second.

Third is we are also looking at adjacencies, which very much would use what we have been providing, the same practices, but naturally different use cases for in case of industrial farm equipment sector. So, that is another one. Last but not the



least, I've added that in our T25, we had minimal set of clients from India, China, which we will pursue. So, this is how we intend to do it for the next 3 years.

Yogesh Aggarwal: And then another quick one, in '25 next year, there are big emissions impending in Europe. And usually, a year before that, there is a lot of work around validation in some of these areas. Is that an area of KPIT that gets business and some of the tailwinds on revenue?

Anup Sable: So, from an automotive cycle perspective, this is a standard operating procedure. Yearly programs and yearly activities keep on happening when we have relationships with our customers that work obviously comes to us in terms of making whatever changes are required. So, while we are pursuing with our SDV and new technology areas, these continuous changes work on the existing programs also keeps on happening and we keep on doing it.

Yogesh Aggarwal: Just lastly, in case you guys can confirm, the Renault deal you mentioned on the presentation. Is it more around ampere or horse side of the business?

S.B. (Ravi) Pandit: We prefer not to discuss more details with individual customer account.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: Congrats on the good set of numbers. My question is on the QORIX side. Like last time, you mentioned it will take 1.5 months to get all the regulatory clearances. So, now what is the exact status, how much time it is still going to take? And what is the exact hurdle that we are facing in not getting that?



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Priyamvada Hardikar: So, we expect that it will be done very soon as Mr. Patil mentioned, most likely in the current quarter, that is April to June.

Garvit Goyal: So, what are the exact hurdles, actually? I want to know that thing.

Priyamvada Hardikar: Yes, multiple regulatory hurdles, because the joint venture is based out of Germany, so Germany jurisdiction regulatory compliances. Since the JV partner is KPIT India, so we had to go through the Indian legislative compliance also. There are quite a few, FEMA, RBI, in terms of merger control. So, significant amounts of legal compliance.

Kishor Patil: And we have gone through merger control for 6 countries.

Garvit Goyal: So, in this quarter, it is likely to be there, right?

Kishor Patil: Yes.

Garvit Goyal: And secondly, sir, like there is a news regarding the formation of JV between Tata Technologies and the BMW. So, how is it going to impact KPIT's existing partnership with BMW? Are there any potential risks of market share loss or any missed opportunities for KPIT due to this collaboration?

Kishor Patil: Yes. I think the people who have been following us properly, we have been explaining this, because similar question came in case of Honda, there was one relationship. I would again explain and please try and understand this, because there may be more also like this. See, every client, every OEM plans 30% to 50% for engineering spend internally, so as a captive in the sense of locally. And there is always 50% to 70% which it outsources to specialist player.



Now when they have to do this like a 30% to 50% spend internally, there are multiple ways in which they build. They build locally where there is, as you know, the talent availability an issue, then they go into multiple geographical areas. And they try to build it in a different model. Some cases, it is build, operate, transfer. In some cases, control JV and that kind of a thing.

Now for example, in case of BMW, they already have 4 JVs, one in South Africa, one in Portugal, one is in China, one is in India. So, these are basically to build their own centers. So, we focus on the high-end specific outsourcing opportunities. So, that does not get impacted. And also, most of these are also in IT and in this specific case, IT plus engineering R&D. We are not involved into IT. So, anyway, this would not impact our share of spend, which is more in the outsourced bucket.

Garvit Goyal: That's fine, sir. And sir, in light of the Hyundai's recent announcement of the software-defined everything strategy, so that is similar to KPIT's software development expertise for OEMs. So, could you share any ongoing discussions on the potential negotiations with Hyundai for future collaborations, akin to those like we have for Renault and Honda?

Kishor Patil: So, we would not like to comment on that.

Garvit Goyal: And sir, one more question, last. We guided for 18% to 22% kind of organic growth for this year. So, are we currently looking for any inorganic opportunity that will make up for further growth in another 25%?

Kishor Patil: I mean, yes, I talked about the areas of opportunity. We look at it, whether it is in terms of new practice areas, new technology areas or new geographies. So, we will continue to look at the



right one. As you always know that we don't look at any acquisition for pure growth or client access because we are very confident or we have an access to all the clients.

Second, we have a very strong positioning in terms of most of the offerings. So, only in case where we believe that there is a strategic value proposition, either because of the talent or because of a certain technology or limited access to protected market, then we would go for it.

Moderator: The next question is from the line of Karan Uppal from PhillipCapital India. Please go ahead.

Karan Uppal: Congratulations on very consistent execution. So, 2 questions from my side. Firstly, on the spending. So, incrementally, amongst the various areas like SDV, middleware, electric power train, autonomous and connected, which are 1 or 2 areas which are driving the lion's share in terms of the incremental spending from OEMs? Or do you think it is pretty broad based in nature?

Anup Sable: I will explain why the changes are happening and then the answer will be there. So, if you look at the changes in the architecture and the centralization of the architecture, in the wave of the OEM wanting to take control of the software, because the changes have to be made faster to the software to respond to the consumer requirements.

If you look at this change that is happening, this is driving fundamentally all the domain areas to come together. So, it's very difficult now to see which domain is which feature. So, if you look at any car feature, you'll start seeing that it is actually integrated with each other. And that is why all of these broad-based development and growth will be happening now.



Karan Uppal: Got it. Second is on the competitive intensity. So, we have recently seen Tier-1 IT services players acquiring Germany-based auto R&D companies. So, does that in any way increase the competitive intensity which may affect us in medium term?

Kishor Patil: Yes. And total spend is \$ 70 billion R&D. And actually, outsourcing, there is an increase in the trend by these people. So, if these companies buy another service provider, I will say, naturally, there is a reason for these companies to capture some part. But we are very confident in the areas which we are in the new technology in which people are investing, will continue to have adequate spend.

Karan Uppal: Okay, sir. And just one more question in terms of the split of business with OEMs versus Tier-1s, would you like to give what's the split of yours?

Kishor Patil: I mean our whole strategy is about OEM. And the Tier-1 who are a part of providing a solution to the OEMs, so as I always said, so we look at OEM as the end customer and then we work with the clients who basically service the OEMs. But very significant part of our direct revenue is from OEM. And in most of the cases where we work with Tier-1, it is because of the OEM direction to the Tier-1 to work with KPIT.

Karan Uppal: And just last is on the supply side. So, given that most of your pure-play R&D players as well as Tier-1 IT services vendors are getting aggressive in auto R&D given the growth in this market. So, does that in any way impact us in terms of talent management, in terms of attracting freshers, laterals as well as retaining the top performers. You spoke about the ESOP scheme, but anything further on this?



Kishor Patil: I mean number 1 is very few companies are hiring right now during this year for campuses. So, we are fortunate to have a really top talent, better talent than what we had in the past. So, that is 1 part. Certainly, there are these captive centers which are coming up and which will have some fresher hiring or certain type of talent hiring at some level. But I mean wherever we are working with the client, client is also cognizant of the fact that ultimately, otherwise it can impact its own projects. So, we don't see any significant impact in most of the cases in that part.

And our attrition, as Mr. Pandit mentioned, is in the single digit currently. So, it may go up by a couple of points is what we factored in our planning. But we do believe that the excitement of working with a leader in this area, the respect we get from the client, the thought leadership which we have, the exciting technologies and the clients they work on and a variety of projects they work with is unmatched elsewhere. And the last, but not the least, as we talked about, the best place to grow, this is a more attractive proposition as compared to most of the clients. And we have a very significant part of the talent coming back from the past employees every year. So, we are in a good shape on that.

Moderator: The next question is from the line of Abhishek Kumar from JM FL. Please go ahead.

Abhishek Kumar: Most of my questions have been answered. Maybe just 1 question on the top 25. I just wanted to understand how you define your diamond, gold, platinum clients. Is it the R&D spend that they have? Or is it the vintage of our relationship with these accounts? That's the first question. And then I have a follow-up.



Kishor Patil: Sachin, are you on the call?

Sachin Tikekar: This is Sachin. It's a combination of 5 factors, the 2 that you mentioned. So, essentially, where are they in the ecosystem? What is their standing? What is their overall spend? What is our relationship with them? What is our potential for headroom to grow as a strategic partner? And of course, over the next 3 years, what kind of revenues we can expect from them?

So, it depends on these. It's a combination of these factors that make up the T25 that consists of the diamond, platinum and gold accounts. So, there are about 7 or 8 of them in each category.

Abhishek Kumar: So, the next question is, let's say, in our penetration the diamond client is extended. Where would be that penetration in some of the other categories? And what will it take for us to bring that penetration up to where diamond clients are?

Sachin Tikekar: As Mr. Patil was saying, over the last 2 years, the bulk of our growth has been through the diamond clients. And some of them will continue to grow for us for years to come. However, there is now an opportunity for us to create the same kind of headroom and deliver the same kind of value to some of the platinum and gold accounts. So, the headroom is different from client to client based on their strategy and our ability to create value for them. But across gold and platinum, there is quite a bit of headroom for us to cover.

Abhishek Kumar: So, essentially, with the same set of clients, we should be able to sustain a 20% plus kind of growth for possible near future future?



Sachin Tikekar: That's the plan. And as you would imagine, there is always a 10%, 12% sort of turnover within that. It's not a stagnant list. About 10% of the clients, maybe 2 or 3 change every year, but the bulk of them remain the same. So, we add maybe 2 or 3 every year. As our business mix changes, it also changes. Mr. Patil mentioned earlier on that the last 3 or 4 years, most of the business growth has actually happened on the back of OEMs. So, some of the Tier-1s and all of those have dropped off from the list and more and more OEMs have come as part of the T25.

Moderator: The last question is from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Private Limited. Please go ahead.

Vimal Gohil: Congratulations on a very strong quarter yet again. Sir, the first question is on this slightly macro-level question. The current pivot that we are seeing, slight pivot that we are seeing to hybrids, do you see the same intensity and rigor from the OEMs who are looking to develop hybrid models and the Tier-1s as well? Do you see the same intensity and rigor on software spending from them as well as compared to EVs?

Kishor Patil: Let me just answer that question. Number one, there will not be one solution which companies will go for. So, there will be battery electric, there will be hybrids and there will be a few other parts like fuel cell, et cetera, so that will continue to add. So, companies will have multiple models and technology in their electrification journey. That is point number one.

Everything has its own purpose and a different market segment. I mean, if you look at one of the matured countries like China, their BEV sales are very high, but hybrid sales are also much more than that. And one of the reasons has been the charging infrastructure in the rural areas. So, one is the charging infrastructure and the mindset about the consumers there. So,



that's what has happened. Now if you go to somebody like Toyota, their mindset is very different. They look at how much, if I have to say, they can create a sustainable solution by given limited raw material. So, for every BEV, their view is they will create 7 or 8 hybrids. So, every company comes with its own thinking and there are different mindsets.

But one thing is for sure, so there is no one product, there are multiple products which will come in the market. Europeans have completely focused on battery electric, same is in U.S. Now they have realized that they have to also look into the other parts. As with KPIT, I mean they will continue to focus in terms of electrification. So, that is there. And any new areas, which is hybrid or anything, they are actually more complex in terms of technology and integration. And we have expertise and ability to do those.

S.B. (Ravi) Pandit: So, now coming to your question whether there is going to be more spend on R&D when it comes to hybrid vis-a-vis full electric. See, there are some spends which come in when it comes to hybrid and some that go out. So, typically, as you know, in the case of a hybrid, you have both an IC engine as well as a battery. So, the integration of the two, the switching of the power from one to the other is something which is unique as far as the hybrid is concerned.

When it comes to the battery electric, there is more investment on how you do charging. Because typically, in the case of hybrids, the charging is on account of regenerative charging. So, there are different areas in which the spend happens in terms of R&D. We don't expect to see any significant drop in R&D spend when the movement is from full battery electric vehicles to a hybrid electric vehicle.



Vimal Gohil: Sir, lastly, just briefly, you spoke about China, and we're wanting to sort of explore that market. What are the kind of investments that we are looking to make? When I say that, what I am looking for is what is the approach that we will have? Are we going to approach this market very differently? Because the cost basis over there is very different to the clients that we've been working with. So, if you can just highlight your approach over there.

Kishor Patil: So, at a high level, we are only in the phase where we are crystallizing the strategy. And as we will have some specific details to share, in the due course of this year, we will share. But two things we are looking at, Chinese OEM in China, Chinese OEM for global markets, global OEMs in China at a high level. And we will have multiple strategies to address a different set of OEMs, which are more advanced, which are catching up, differently. So, we are just going deeper into the market, strategizing that, and we will share more details.

Just to tell you that we have been working with the local companies for some years we have had a small team for a long time. We had a presence in the past but as you know, due to COVID, we could not do much during that time. So, now we are revisiting the whole go-to-market. Also, the fact that Technica had a presence in China and has certain offerings which are in China would help. But we will come on the specifics later.

Moderator: Thank you. Ladies and gentlemen, I would now like to hand the conference over to Mr. Sunil Phansalkar for closing comments.

Sunil Phansalkar: Thank you, everybody, for your participation on the call. And if you still have any questions, please feel free to write to me, and we will be very happy to get back to you. So, thank you, and have a great evening ahead.



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Kishor Patil: Thank you.

S.B. (Ravi) Pandit: Thank you.

Anup Sable: Thank you.

Moderator: On behalf of Dolat Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.