



**“KPIT Technologies Limited Q3 FY 2016
Post Earnings Conference Call”**

January 21, 2016



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Moderator: Ladies and gentlemen, good day and welcome to the KPIT Technologies Q3 FY 2016 Post Earnings Conference Call hosted by Reliance Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Apurva Prasad from Reliance Securities. Thank you and over to you Sir!

Apurva Prasad: On behalf of Reliance Securities, I welcome all the participants to KPIT Technologies Q3 FY 2016 Results Conference Call. Joining us on the call, we have the senior management of KPIT, Mr. Ravi Pandit, Co-Founder, Chairman and Group CEO, Mr. Kishor Patil, Co-Founder CEO and MD, Mr. Sachin Tikekar, Board Member, President, Strategic Relation and Business Transformation, Mr. Anil Patwardhan, Senior VP and Head, Corporate Finance and Governance, and Mr. Sunil Phansalkar, Head Investor Relations and AVP M&A. I would now hand over the call to Mr. Sunil. Over to you Sir!

Sunil Phansalkar: Thanks Apurva. A very warm welcome to everybody on the Q3 FY2016 Earnings Call of KPIT Technologies. I would take this opportunity to wish you all a very happy healthy and prosperous 2016. I hope all of you have received the investor update, if not please write to us and we will be happy to send across the copy to you. As we do always, we will have the initial comments by Mr. Pandit on the performance of the company during the quarter and the near-term outlook as we see it and then we will throw open the session for questions. Once again a very warm welcome and we will now hand it over to Mr. Pandit.

Ravi Pandit: Good afternoon everyone. I would like to talk about the performance for this quarter in the context of the goal that we enunciated at the beginning of this year. We started the year with the four goals one of profitability, second predictability, third people development and last one being growth. I would like to look at each

one of them in the context of the Q3 performance and then offer some further comments before I hand it over to you for your questions.

Our initial focus areas were the profitability and predictability, which we expected would give us benefits in terms of EBITDA as well as liquidity. As you would have seen our EBITDA has improved. During the current quarter it has gone from 14% to nearly 14.6%, half of it is due to the forex and the other half of it is due to operating efficiency largely on account of better management and better execution of work.

During the period our liquidity has also gone up. We have collected over Rs.900 million during this period and we are a net cash positive company. I would believe that these are the two factors, which have come out of our initial two goals of profitability and predictability.

The third goal that we laid out at the beginning of the year was on the people initiative. During this last two or three quarters we have done a substantial investment in terms of attracting the right kind of people, in terms of training people and in terms of improving their overall performance, so we have come out with four academies as a part of our overall company under what we call as ECoD, which is Employees Competence Development Area.

We have also done extensive work with colleges across the country and have seen a significant preference for job openings at KPIT. We have also come out with an internal program for certification and growth of individuals and we have come out with policy whereby people can opt for higher level of rules. These initiatives typically have a long duration benefits but we believe that we are laying down the good foundation for that. The last of the four goals for the year has been growth.

Now I would like to talk to you about the growth during the third quarter. Let me first explain that the total revenues of the company fall into two categories one are products and the second is services and solutions. Let me come to products first so we have products, which are software products and some products, which includes

some hardware. The products revenue during the quarter came down by about little lower 20% from the last quarter and on the nine-month basis there has been a decline of roughly 50%. A very large percent more than 80% of the decline in this quarter or the nine-month has been in the area of intelligent transport systems.

These are the systems, which are put onto the busses, which are sold primarily to the city transport undertakings. Last year we came out with the product and we have virtually 100% market share. Last year the government invested substantial amounts of money in this area. This year their investments have not yet happened and therefore our revenues on this count have come down although we are told by the government authorities that in the last quarter and Q1 the demand will be available. We are not completely depending on that because we have now expanded our product lines to cover the private sector busses. So we hope that we should be able to get some revenues out of that. I would like to clarify that we are still the largest shareholder almost 100% shareholder in this domain because the product is technically superior to any others available. That is as regards the revenues from the products during this quarter and over this year. The other product that we have been working on for the past few years is Revolo.

During earlier last month, the Prime Minister inaugurated build up electric bus that we have developed and to be used by the members of Parliament. We have now decided to focus more on buses and within buses, we have the complete range of hybridization and electrification, which includes non-plug-in hybrids, plug-in hybrids as well as to the electric buses, and these products are under a team with multiple users. The initial test appears good. The conversations with various OEMs as well as the bodybuilders look good, but we have to see how commercially it works out. We believe that we will get a much clearer picture of this in the next three to four months. There were two very distinct trends in this regard. Obviously as we see drop in fuel prices the benefit of moving from fuel to electricity in economic terms is going down; however, considering the state of most of our city as well as the state of the commitments that we have made in any of climate change we believe that there would be continued interest in coming out with green

solutions. We are currently also looking at the sale of this solutions outside of India. I might add that we are also looking at sale of ITS solutions out of India and we are seeing some traction. That is as far as the products part is concerned. The large part of our revenues of course is from services and solutions.

As far as service center solutions are concerned our Q2 to Q3 was a flat quarter. There was no decline there was no growth it was more or less the same. On a year-on-year basis the growth has been above 3.5%. If I were to go one level deep within the services revenues, I would look at first as automotive. The services revenues within the automotive vertical came down during this quarter by about 1.5%, which is, actually more like a milestone related area. Last quarter in couple of projects we covered more than one milestone and got some extra credit on that.

This quarter unfortunately there were not such extra milestones, but otherwise we believe that the demand conditions would be good. I think we are enjoying a relatively strong position in the automotive vertical especially when it comes to the embedded area.

The manufacturing vertical as a whole has done reasonably well especially the industrial sub segment part of that as well as the life sciences in both these areas during this quarter we have seen some growth. In the high-tech part, which is the third part of manufacturing we had a hit because of the furloughs of a major client. We believe that this would be largely an impact only during the quarter and the next quarter we should regain most of the revenues. As you would know that typically on account of loss of days this quarter typically gets us a hit on the services side about 2%, 2.5% on the whole while we have been able to make that up in most of the other sub verticals, in the high-tech we could not and that is where we had a hit. The other vertical is energy and utilities. Now this consists of two separate segments, one is energy and the second one is utilities.

Energy, in the area of energy, we largely work with refineries and more than that with exploration companies. Now as you know this is a sector which has taken a hit

globally and we took a hit in this area. Some of our existing clients have significantly curtailed their budgets on IT and we are seeing the results of that. We however feel that over a period we might be able to come out with better offerings to this vertical and we might be able to go to larger number of customers with some more cost effective offerings, if not in the next couple of quarters over the next two, three quarters we should see some growth in this area.

The last of the segment is the utilities part where we work largely with electric utilities and this sector has seen some growth during the quarter. So this is really a broad perspective of the different verticals in which we work.

If you look at it from our SBU perspective which is actually the delivery units, which delivers to these verticals, first is the IES which includes Oracle and JD Edwards, which has shown a decline primarily on account of the decline in the energy part as well as a decline in the furloughs affected customers.

The second one is the PES, which I explained has been a minor deceleration and a substantial deceleration in the products and platform area. This is broadly the scenario of our IBUs as well as SBUs. As we mentioned earlier growth is the factor on which we have chosen towards the last after fixing our house, after getting our housing order as far as profitability and liquidity is concerned. So on the growth spectrum we are taking significant steps from now on.

In the last one quarter, we have done extensive work in defining how we can get a better growth. We are always known as a high growth company and we are doing some fundamental work so that it gives us back the growth that we always had. We have consolidated our accounts into various IBUs. We are enhancing by a good degree the number of account managers that we are putting in the market. We have run internal certification programs and training programs to get our technical people ready for the account management work. We have identified a decent number of accounts where we believe sale of multiple types of services should give us some growth in the next year.

We have also increased our investments in subject matter experts, located in the geographies, so we believe that on account of this investments being made in this on these accounts should trigger reasonable good growth for us from H2 of next year. We anticipate that in Q4 as well as in the first couple of quarters there would be growth but it would not be a substantial growth.

The other area in which we have been working is in the area of digital transformation. Digital transformation typically involves looking at modern technologies in the area of sensors or in analytics and mobility etc. Now this has been the area, which is very core to our operations because of the strength that we have in engineering. Moreover in the areas of both manufacturing as well as automotive there is a greater and greater need felt in the area of digital technologies. So we have constructed solutions in this domain. We are having multiple customer conversations and we think that in the next year, the conversation that we are having in the area of digital transformation should give us reasonably good traction.

As I mentioned in the earlier calls we have also invested in the infrastructure management services where our existing customer can benefit from the solutions that we have. So these are the actions that we are taking on the growth area. As I mentioned we may have modest growth for the next couple of quarters, but all the investments that we have done so far should start giving us good benefit from the H2 of the next year.

We will continue to focus on our profitability and on the liquidity area and the system and process that we have laid out in this area and the actions that we have taken in this area should continue to give a benefit. We have got the benefit on these accounts during the current year only in the second half of the year. We believe that we will be able to get that benefit for the rest of the year for the full year next year.

So these are some of the broad comments that I thought to make for with a view to lay down the context of the results of the third quarter. We will be very open to taking any questions from you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Shraddha Agarwal from Asian Market Securities. Please go ahead.

Shraddha Agarwal: Sir you said that the growth would be modest for the next couple of quarters can you quantify as to what you mean by couple of quarters?

Ravi Pandit: I am saying till Q2 of the next year. I would not be able to give you an exact number of what the growth would be, but it could be in the region on the kind of growth that we have got recently and as I mentioned we expect the growth to pickup from the H2 of next year.

Shraddha Agarwal: Till Q2 you are expecting growth to be modest and Q3 is generally a weak quarter for the entire industry?

Ravi Pandit: Yes, but we are doing significant investments so we are hoping that in H2 we should get good growth.

Shraddha Agarwal: Any ballpark number as to how does one look at FY2017 growth overall because we have kind of will we ending FY2016 on a flattish growth trajectory so FY2017 also does not look to be too exciting despite whatever efforts we have been putting in for the last so many quarters. So for two consecutive years we would be going below industry have this growth rate, so any comments there?

Ravi Pandit: Yes, first is we would be able to tell you more clearly what could be the growth for the next year when we come up in the April con call. It is true that this year our growth has been modest if you have to look at our services growth as I said year-on-year about 3.5% - 4% which is much lower than the growth that we have traditionally have, but as I mentioned earlier our focus this time has been clearly on

profitability and we would like to keep that focus steady because this is one problem that we want to address for all times to come. We also believe that considering the investment that we are doing in multiple technologies next year we should do well but it is difficult for me to put an exact number on it at this point in time, I would rather address that question in April with a little more clarity.

Shraddha Agarwal: Secondly you mentioned that the reason for decline in IES was the some decline in energy clients but I was under the impression that IES is mainly for manufacturing clients and you do SAP for energy clients so could you please tell me what percentage of your IES revenue comes from manufacturing clients and energy clients?

Ravi Pandit: So actually we do a fair amount of SAP for our utility clients, and if you were to look at the energy and utility subsegments of E&U a significant amount of work on E is done in JDE and a significant amount of work on SAP is done for the utility.

Shraddha Agarwal: Any number could you give me there?

Ravi Pandit: We are looking at energy utility as one cognate vertical and I do not have a breakup within that.

Shraddha Agarwal: Sir lastly one question from my side on the client side after three consecutive quarters of decline we had seen some growth momentum pickup come in last quarter, but this time again there have been some decline so just wanted to understand what is the growth outlook for the top clients going ahead?

Ravi Pandit: I do not want to talk about an individual client but as our note says that if you were to look at top five and top ten excepting for one customer where there have been furloughs the rest of the customers have grown.

Shraddha Agarwal: So no reason to be overtly concerned for the top clients?

Ravi Pandit: Cummins like many other manufacturing companies have been going through some difficult times and so we do not know how Cummins itself will pan out, but

Shraddha what we are really doing is we are changing the mix of our services we are coming out with different offerings, which are more domain intensive and that is our response to some of the situations which are happening in certain segments of the manufacturing industry. We believe that a greater focus on technology for us will make a difference going forward and as I mentioned earlier apart from the investments that we are doing in people in the market the investments that we are doing in technologies are really in line with that.

Shraddha Agarwal: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Two questions, one is on the margin front are we more or less done the 15% margin target that we had in our mind or do you think 17% could see further improvement from there?

Ravi Pandit: I would currently target for 15% and stabilize there before we move on. We believe that the greater impact on margins could come more from growth rather than from our profitability action.

Mohit Jain: Second is your utilization on the offshore side continues to be low despite all the steps that you are taking to improve margin. Should we assume that this is the level that offshore utilization can or we can potentially assume it to be there or can we see 74%, 75% was that we used to think to three years back?

Sunil Phansalkar: Mohit, currently the utilization of course Q3 is not a representative quarter but even if you look at it the major impact there is because of the fresh guys that have come in the fiscal during the year and it takes some time for them to be absorbed on to project so definitely utilization will go up from this and I think talking about a number might not be correct but 3% to 4% improvement from these levels in offshore utilization is definitely possible in a couple of quarters.

Mohit Jain: Are you done this headcount reduction or is there a possibility of further reduction in Q4 of 1Q next year?

Ravi Pandit: We are not looking at any further headcount reduction.

Mohit Jain: Sir last from ITS deliveries do you have any visibility on FY17 delivery for ITS?

Kishor Patil: This year let me give you some quick background so that it is I can explain it better. Last year we had about 5000 buses, which we have installed, at the same time we got the order for about 10000 plus buses. Now the funds have been allocated and the delivery will depend on when the government releases the fund to the ST now we have orders on hand but it does not have a delivery date. The first six months government did not buy a single bus from that perspective so that is why it actually affected us significantly, naturally this will have to be consume in sometime. Now it is really beyond, because it has been a delay there will be these busses will be delivered and now there are more active conversation but I cannot tell you exactly which quarter etc., but we believe that all this will probably get consumed in over next four quarters. That is what we believe, but the second thing as we discussed in order to reduce our dependence on government we have done two things one is we have gone through other emerging markets and we have seen some good traction outside India in two or three markets that is one thing and we have also even given some pilot delivery the second part what we have done is we have gone into some other sectors which are not dependent on government and whether those are corporates or some other private sector so there the volume will be a bit lower but it will certainly help us to reduce the dependence on the government.

Mohit Jain: By when do you typically get there remaining, meaning will you get the schedule at the end of fourth quarter or the next year?

Kishor Patil: We were expecting that actually the way it is they give the schedule and within a month we had to deliver.

Mohit Jain: So you will not come to there before and which one that is?

- Kishor Patil:** It is difficult to do that.
- Mohit Jain:** Understood and if it happens then it could be as big as FY2015 also because orders are anyway there.
- Kishor Patil:** Now it is difficult in one quarter to get that so that is not going to happen in that every quarter.
- Mohit Jain:** No, for the full year, I am say FY2017 could be as good as...
- Kishor Patil:** Absolutely we can cover up for our pending orders certainly, but as I said our experience has not been best for this year.
- Mohit Jain:** Sir any split on energy utility will be helpful because we were just trying to judge how that could it be for us.
- Ravi Pandit:** It is roughly about 50% to 53% for energy of the energy utilities pie.
- Mohit Jain:** There you are obviously seeing significant stress in FY2017?
- Ravi Pandit:** Yes, on the energy part yes.
- Mohit Jain:** Understood sir, thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Invest Tech. Please go ahead.
- Nitin Padmanabhan:** Thanks for taking my question. Great to see the debt having almost half quarter-on-quarter just wanted your thought in terms of do you see that as a continuing trend or would you need to take on some debt at any point in time?
- Ravi Pandit:** From our operating requirement perspective we do not see any need. We also do not have any immediate any plans for any acquisitions but we would be having a plan for increasing our facility for which we have got a sanction of a loan and we have not completely come out with the exact plan as to when we will be using the

overall facility that will come in I think we will be able to come out with an exact plan as we close this quarter and begin with the next year.

Nitin Padmanabhan: The second thing was, within the energy space what proportion of that will be sort of discretion and what proportion to be maintaining given a rough ballpark either will be helpful?

Ravi Pandit: Actually we work right across the multiple sections. There is a fair amount of work that we do that is nondiscretionary and I would think that it is difficult to make a statement but I would think that wherever cuts has to be made by company they have done last part of those cuts, but if oil reaches 10 tomorrow I do not know what will happen.

Nitin Padmanabhan: That is helpful, all the best. Thank you so much.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Congrats on turning a net cash company. Sir just account managers and verticalization you have already done this one-year ago but still the results are not visible what is the reason for this delay?

Ravi Pandit: Actually we did not do it one year ago.

Madhu Babu: We were talking of this verticalization for quite some time right?

Ravi Pandit: Actually with the verticalization that was done on a pilot basis on a small scale the major verticalization see currently what has happened is that whenever we go and acquire a new customer it is a customer acquired by a service unit or an SBU and experience with that has been typically the customers remains a customer for that service and not for the whole range of services and that has been our problem so far. The only way you can significantly change that situation is by having the larger set of accounts covered by account managers. Today relatively small proportion of

our accounts is covered by the account managers and this is the investment that we are currently doing.

Madhu Babu: Second is that this prolong recovery in growth is there any leakage in the top account which we are seeing that is why we are guiding for a more back ended recovery in FY2017?

Ravi Pandit: I do not think there is any leakage in our top accounts because if you were to look at top five or top ten we have seen some growth. As you know the overall industry growth for IT has not been extremely high. As you also know there are changes in the technology which are going to affect the way in which the customers spend their money on IT, which is impacting all of them but we do not see a situation where our existing customers have significantly changed their buying pattern going to some other vendors other than to us.

Madhu Babu: Lastly on this digital which we are talking for the IOT and all that so what are the typical project size in there and also in the IMS part of the business what are the current deal sizes we are executing and how can we scale that part?

Ravi Pandit: If you were to look at the digital part, we normally classify them into buckets such as asset management, customer experience, supplier experience and employee experience. Considering our background the relatively larger part of the world is in the area of asset management, which essentially involves tracking, or some have stake of diagnostics of various equipments understanding their service condition and helping our clients, customers get more continued service. So currently a lot of these are in conversation stage we think that is a very attractive market, as far as the rest of the areas are concerned the deal sizes are typically small and the turnaround times are also quite small.

Madhu Babu: Thanks a lot.

Moderator: Thank you. The next question is from the line of Shreenath Krishnan from Sundaram Mutual Fund. Please go ahead.

Shreenath Krishnan: Thank you Sir. Thanks a lot for the opportunity. Sir in the PES space the growth has been pretty strong in the first nine-months. First question is wanted to understand what would be the contribution of Cummins here? Secondly in the non-Cummins also being flat, decline where is the growth coming from? Is it from the existing customers or due to expansion of portfolio or addition of customers so where is the growth coming from here?

Ravi Pandit: So quite a bit of the work that we do in the PES is on the electronics part for the automotive industry and we have been growing in some of our existing accounts we have also been adding a few accounts and we believe that considering the trends in the world of transportation, there would be more and more need for electronics and for software services. So the growth we are seeing it from both the new accounts as well as the increase in the existing accounts. More and more companies are now spending money on semiautonomous vehicles, more and more companies and auto OEMs are spending money on hybridization and battery management. There are opportunities in the area of infotainment where we have some package solutions so there are opportunities in the area of diagnostics so this is where we are seeing traction.

Shreenath Krishnan: Sure Sir but if you could split up this revenue of 33 million that you had how would be the breakup between battery management and in terms diagnostics?

Ravi Pandit: No we have some ten practices of those ten practices typically Powertrain practice is the large practice and battery management is one of them, the second last practice is infotainment and then diagnostics and the two are somewhat connected as well. So I cannot give you practice-by-practice revenues.

Shreenath Krishnan: How much would be Cummins contribution here?

Ravi Pandit: I cannot talk about an individual customer actually because this is client specific information which I sure Cummins would not want to disclose.

Shreenath Krishnan: But you expect this growth rate to continue going forward?

Ravi Pandit: I think during this year we have grown over the nine-months by almost 15% to 20% or so I think that growth is doable.

Shreenath Krishnan: Thank you.

Moderator: Thank you. The next question is from the line of Shashi Bhushan from IDFC Securities. Please go ahead.

Shashi Bhushan: Good to see the company in net cash position on nice debt reduction and improving cash conversion as well let by DSO also. Our DSO has come down from 85 days to 77 days over the last three quarters. How sustainable is this level, as we have taken initiative to improve the same?

Anil Patwardhan: I think what DSO we see now I know they are sustainable. This is basically we have been able to collect the cash over last two quarters exceeding 900 Crores so that has actually reduced the overall receivables in actual terms that is what is getting reflected in DSO and I believe that is sustainable. I think it is also related to the rate of growth that we have. In times when we had 20%, 25% growth typically every month would see higher and higher revenues and therefore at the end of the quarter you would see a higher DSO in a situation where the growth is subdued obviously we do not have same issue, but if you were to look at it in terms of our rigour for collection of receivables I think the rigour is well set and I believe that we should be able retain the current DSO days.

Shashi Bhushan: How is IT budget just for our clients looking for CY2016 especially for our top clients top 20 or 30 clients?

Ravi Pandit: People are changing the complexion of their spend. We do not see too many companies investing higher amount of money on their ERPs. We see increasing interest in digital transformation but that increasing interest in digital transformation is not completely reflected in the revenues that one is getting. If you were to look at individual ERPs, SAP has come out with their HANA and export platform where we have done very well because we have been recognized by IDCs

and the SAPs of the world as one of the cutting edge. That is also an area where we have done substantial amount of work, but typically these implementations are of smaller size and but we are on the cutting age of the curve. The new implementations on Oracle are coming on account of their new version where people have now started making investments and we have won some projects in that area. So what we are trying to do is to in the area of ERP wherever there is traction the traction is on account of new technologies and we have made investments in being up to date with those technologies.

Shashi Bhushan: The growth has been patchy over the last few quarter the profitability and growth both witnessed huge fluctuations now with a newer initiative do you feel more confident about the visibility of growth and margin in FY2017 than what you used to have in FY2015 or 2016?

Ravi Pandit: We believe that in the second part of the next year our growth should be healthy. We believe that we should be able to retain the level of profitability during the next year. I think this was almost like a last year for us because we were working on putting our profitability and liquidity in order, we hope that the next year will be a better year.

Shashi Bhushan: Thanks Sir. That is all from me.

Moderator: Thank you. The next question is from the line of Neerav Dalal from Maybank. Please go ahead.

Neerav Dalal: Thank you for the opportunity. I had a question SAP business. It has been growing currently at \$32 million. How do you see this moving ahead? Earlier our target was \$25, \$28 million gone up to \$32 million, your comments on this?

Ravi Pandit: There are couple of things which are happening in the area of SAP. There are some cases where customers from initially JDE customers have switched to SAP and there is some growth in SAP on that account then as I said SAP has come out with new technologies where we are seeing some traction and so if we were to look at the

genesis of traction in SAP we see it both in manufacturing as well as in the area of utility so that is how we look at it earlier a fair amount of the work that we were does in a city were driven by the association in SAP but now we are saying some of that growth is driven by our association through the IBUs.

Neerav Dalal: So it is more of cross selling by this team so what is the outlook that you see in this business now?

Ravi Pandit: As I said we do not want to talk about the growth just now because I really do think that we will need a couple of quarters to settle on that overall growth area so I would need some patience on your part to for me to start talking about growth. We really want to focus on getting our operating model in order.

Neerav Dalal: Second question is on the subcontracting cost that has gone up this quarter and then you saw the other costs coming down so your comments on this?

Sunil Phansalkar: If you look for this quarter the growth has happened in SAP and on that account some subcontracting cost have gone up we believe that they should come down a little bit next quarter. On the other expensive part there have been deductions across the board so travel expenses were down our recruitment expenses were down but we believe that these expenses at the current level might go up a little bit in the next quarter.

Neerav Dalal: Finally what would be the fresher addition this quarter?

Sunil Phansalkar: It is about 300 plus freshers we have added during the quarter.

Neerav Dalal: Then going ahead you do not see any net reduction in offshore at least?

Sunil Phansalkar: Yes, that is what we have said we do not anticipate any further reduction in headcount as we move ahead.

Neerav Dalal: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Gandhi from Geecee Investments. Please go ahead.

Pratik Gandhi: Thanks for taking my question. Sir, couple of questions one in terms of IBUs if I look at currently I guess we are seeing that there is some pressure in terms of IES largely because of weakness in energy clients now same is the case I guess in the PE segment there is some softness. Management is indicating that probably H2 FY2017 onwards we should see growth come into normalized level, so what gives management confidence in terms of stronger H2 is it more demand coming from few select verticals or few SBUs I think the comment over there would be helpful?

Ravi Pandit: If you were to look at our SBUs you talked about IES and PES both of them are our SBUs, PES as I said earlier has grown decently over the nine months. We believe that there is growth potential in that area. As far as IES is concerned which has not grown as I said is on account of two factors one is the problem that have been there in energy and some client furloughs. So these are actually situations of these two areas. As I said we believe that we should be able to do well in the H2 because of all the actions that we are taking on the growth front. I also talked about the change in the composition of IT revenues in general across the industry so my comments I think should be seen in the context of all that.

Pratik Gandhi: Sir how do we see the margins in each of the segments. Earlier I guess we had some challenge in terms of SAP business where our margins were slightly below the company and so how are we placed now considering the fact that we seeing good traction in SAP business?

Ravi Pandit: Our margins on SAP are still amongst the lowest amongst our SBUs. They are much lower than our overall company average and a significant part of that is because a lot of the work that we do is of new implementation in nature where a significant part of the work is done onsite, which puts the pressure on the margin, and the margins have improved in the last one-quarter. We are continuing to push up the margins and so I think it would take probably another quarter or two to get it,

within the range of our overall company margins that is some headroom we think we have in our profitability improvement area.

Pratik Gandhi: If I understood correctly it is still in the low single digit right?

Ravi Pandit: It used to be in low single digit it is not in low single digits anymore.

Pratik Gandhi: I presume your IES was one of the better one in terms of margin profile now is it fair to assume that with decline in the revenues and even I guess the wage outlook from that particular segment that should put some pressure along with employee addition on the overall business?

Ravi Pandit: IES constitutes a fairly large proportion of our total revenues the current state of overall EBITDA includes the margins that are there on the IES side and the action step we have taken on maintenance of these margins in my opinion will continue to give us the results that we talked about.

Pratik Gandhi: Thank you so much.

Moderator: Thank you. The next question is from the line of Jagdish Bhanushali from Florintree Advisors. Please go ahead.

Jagdish Bhanushali: You just mentioned that from the energy vertical 50% about 50-50 roughly is power, utilities and the second is oil and refineries, 50% so wanted to understand how much could be refineries and explorations, if you could give a breakup of that as well?

Sunil Phansalkar: Jagdish it is difficult to give that breakup right now.

Jagdish Bhanushali: Right but would refineries be more or exploration part could be more in terms of share just a ballpark number or something?

Sachin Tikekar: I really do not think we can go into those granularities but suffice it to say that we have said that the current situation is not very good. I understand where you are

coming from because some of the refineries who have got their stocks at a lower cost are now able to make better profitability so we have some customers in that area. It is difficult for us to be comment on which segment will grow or which segment will degrow. We are hoping that we will be able to come out with better offering for the whole sector including exploration companies to give us some traction in next year.

Jagdish Bhanushali: Could I get a sense we have deliver some 32 million from the SAP vertical, so could we get a sense how much would have been implementation and how much would have been AMS?

Sachin Tikekar: Implementation still continues to be a relatively larger part of our total revenue, which is actually what keeps pressure on our current margins.

Jagdish Bhanushali: Roughly about if you could give some number 65% could be implementation 70%?

Sachin Tikekar: 2/3rd implementation and 1/3rd AMS.

Jagdish Bhanushali: This has been same for this quarter as well?

Sachin Tikekar: I think on year-on-year it is improved but I think this year from Q1 it has gone up but I think this last quarter, this quarter is around the same.

Jagdish Bhanushali: Just to get a sense wanted to understand you just mentioned that we installed ITS in about 5000 buses last year is it for last year in FY2015?

Kishor Patil: Yes.

Jagdish Bhanushali: Is there any onetime revenue that we get from the ITS when you just start installing the product or so?

Kishor Patil: Yes, there is some support revenue but it is relatively less so it is like that but naturally when new buses come in so this just system goes on to buses.

Jagdish Bhanushali: Just to get a sense last year we had some \$39 million of revenue from product and platform so where do assume that about 70%, 75% of revenue comes from ITS?

Sunil Phansalkar: So the SI part which we give as a report in our revenue metrics under onsite, offshore and SI, the SI part is the ITS part it was about \$18.5 million.

Jagdish Bhanushali: When do we see the Revolo product picking up for us and what the sense that we get in terms of installation like you just mentioned that ITS could be about 10000 installations what order we have so how much could be the installation for Revolo is there for us?

Ravi Pandit: As we discussed as we mentioned the situation in complex on account of two things one is the oil prices going down and the second at the same time there is urgency and the requirement to really take some actions on initials from the government so we will get a clarity in terms of concrete steps in next three, to four months and I think that point of time we will be in position to give a clearer answer.

Jagdish Bhanushali: That is it from me. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Shindarkar from ICICI Direct. Please go ahead.

Abhishek Shindarkar: Thanks for the opportunity. Wish the management a Happy New Year. Sir, just a question in your press release you say that your reorganizing sales to bring more industry business units to focused could you elaborate us to which business units are you looking towards?

Ravi Pandit: These are the account manager investments that we are doing in IBU. That said the industry that we cover or first is of course automotive, the second within manufacturing it is life sciences, some bit of high-tech and industrial and as I said in both life sciences as well as industrial we have done reasonably well. In automotive on a year-on-year basis we have done well. So we will have people working in

those areas, we may put few more people in utility and relatively less number on energy.

Abhishek Shindarkar: That is helpful. Maybe if I ask this the other way is you trying to increase your focus on other business unties as well outside of what you have said already in the press release?

Ravi Pandit: No, so we believe that we can go deeper into our current vertical and we believe that that should give us growth. As said to the same verticals we are also offering larger spectrum of services now.

Abhishek Shindarkar: Thank you Sir.

Moderator: Thank you. We have another question come up in queue we will go ahead with that that is from the line of Pratik Gandhi from Geecee Investments. Please go ahead.

Pratik Gandhi: In the current quarter we have seen some decline from the automotive vertical I assume that is more to do it the intelligent transfer system right?

Ravi Pandit: That is right.

Pratik Gandhi: In the other part are we seeing growth over there?

Ravi Pandit: As I mentioned in my initial comment out of that 6.5% decline in the automotive vertical almost 5% is on account of ITS it is a small amount of 1.5% or so on account of non ITS which is actually more project milestone related than anything else.

Pratik Gandhi: Going forward what are the trends are we seeing in this particular segment?

Ravi Pandit: As I mentioned earlier we believe that we should do see a reasonable growth in this area because and I again also talked about the main underlying principle trends on account of which the growth is happening so we feel that this is the good area for growth for us.

- Pratik Gandhi:** Is it fair to assume that auto followed by life science and industrial would be the focus area for us for FY2017?
- Ravi Pandit:** As I mentioned we think that we can come out with different propositions for the energy industry, which could give us some traction, but with that we are covering more or less the whole spectrum of our verticals. If you take auto and three sub verticals of manufacturing and the two of energy and utilities that is it that we have.
- Pratik Gandhi:** Sir, I assume that probably energy and utility may not do as better probably compared to auto and manufacturing, so what will be in that context. Is it fair to assume that probably auto followed by life science and industrial will basically drive the growth in that order, I mean to say?
- Ravi Pandit:** It would have been nice if I could give a very clear answer on that, but as I said, you know we are working on that growth. We are investing in our area. So give us a quarter or two to get more grip on this situation. I hope I would be able to answer your question with greater degree of clarity.
- Pratik Gandhi:** Did I hear by any chance that you mentioned by FY 2017 we want to be at 15% EBITDA margin levels?
- Ravi Pandit:** I am not saying that, but you may have already, I missed that. I think it is possibly a sustainable margin level that is what I think.
- Pratik Gandhi:** This is a sustainable margin 14.5%, 15% kind of levels?
- Ravi Pandit:** Right.
- Pratik Gandhi:** Thank you so much. Really appreciate it.
- Moderator:** Thank you. We will take the next question from the line of Asish Maurya from Chola Mandalam Securities.

- Asish Maurya:** Thanks for taking my question. I just want a colour on the hybrid car that you have developed with Bharat Forge and there are lots of talks going around on hybrid car just wanted a color on that?
- Kishor Patil:** This year basically we have been working in this area for quite some time so there are three products we have. We have basically product for cars, we have product for hybrid bus and we have product for electric car. As we mentioned we have moved our more focus to public transportation and what we can do is with this technology we can work with the OEM as well as we can work into aftermarket the conversion of existing buses into hybrid or electric and this is a completely indigenous technology and we have multiple patents which have granted in USA and in Japan or any other important countries in this aspect. So that is where we are. We are very the technology proven we have been doing a lot of test internally as well as now along with the customers and OEMs. So that is established. As we have been discussed earlier I think we would like to wait for few months to look at the trends both in terms of oil patches as the government policies regulation to give a clear indication on the market potential.
- Asish Maurya:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen we will be taking the last question from the line of Rajat Budhiraja from Banyan Capital Advisors. Please go ahead.
- Rajat Budhiraja:** Thanks for taking my question. As per our growth plan we are going to invest in digital technologies and you mentioned in telecom as well so can you please throw some light on the domains in telecom with the good potential and what are the kind of services, products or platform we are going to provide there?
- Ravi Pandit:** No, I did not say telecom.
- Rajat Budhiraja:** Maybe I heard it wrong. So my next question is on in the current quarter there was a setback or the revenue decline in top five because of the project completion so is

there any other projects in the top five customers, which is going to be completed in the next two quarters?

Ravi Pandit: I did not say that there was a reduction in one of the top five customers on account of project completion. I talked about the furloughs in one of the projects.

Rajat Budhiraja: So maybe it will like a combination or something I misinterpreted that.

Ravi Pandit: So majority of the impact was because of furloughs in one of the top five customer and we have said is that that impact should not be there next quarter.

Rajat Budhiraja: Coming back to the growth so we are investing more in digital technologies as well as we organizing the sales and verticalization so the growth which we are expecting after H2 so that would come more from verticalization and the reorganization or the new products in the digital technologies?

Ravi Pandit: We are depending more on the first rather than on the second because as you know across the industry the actual payout from the digital technologies are a little uncertain as of now.

Rajat Budhiraja: Right, I understand that is what I wanted to know. Thanks a lot. That is it from my side.

Moderator: Thank you. Ladies and gentlemen that was the last question I would now like to hand the floor over to Mr. Apurva Prasad for closing comments.

Apurva Prasad: I would like to thank the management for giving us the opportunity to host the call and all the participants for joining the call. Thank you and all the best.

Moderator: Ladies and gentlemen, on behalf of Reliance Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.