KPIT

February 4, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001.

Scrip ID: KPITTECH
Scrip Code: 542651

Kind Attn: The Manager,
Department of Corporate Services

National Stock Exchange of India Ltd.,
Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai – 400051.

Symbol: KPITTECH
Series: EQ

Kind Attn: The Manager,
Listing Department

Dear Sir / Madam,

Sub: **Transcript of the Post Earnings Conference Call for the quarter ended December 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 ended December 31, 2024, conducted on January 29, 2025, after the meeting of the Board of Directors for your information and records.

The transcript of the 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/investor-financials/

Kindly take the same on your records.

Thanking you.

Yours faithfully,

For **KPIT Technologies Limited**

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Nida Deshpande
Company Secretary & Compliance Officer

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"KPIT Technologies Limited
Q3 FY '25 Earnings Conference Call"
January 29, 2025

MANAGEMENT:	MR. KISHOR PATIL – CO-FOUNDER, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – KPIT TECHNOLOGIES LIMITED MR. SACHIN TIKEKAR – PRESIDENT AND JOINT MANAGING DIRECTOR – KPIT TECHNOLOGIES LIMITED MR. ANUP SABLE – CHIEF TECHNOLOGY OFFICER AND BOARD MEMBER – KPIT TECHNOLOGIES LIMITED MS. PRIYA HARDIKAR – CHIEF FINANCIAL OFFICER – KPIT TECHNOLOGIES LIMITED MR. SUNIL PHANSALKAR – VICE PRESIDENT OF CF&G, HEAD INVESTOR RELATIONS – KPIT TECHNOLOGIES LIMITED.
MODERATOR:	MR. RAHUL JAIN – DOLAT CAPITAL MARKETS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of KPIT hosted by Dolat Capital Markets Private 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 call, please signal an operator by pressing star then zero 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: Good evening, everyone. On behalf of Dolat Capital, I would like to thank KPIT Technologies Limited for giving us the opportunity to host the earnings call. And now I would like to hand the conference over to Mr. Sunil Phansalkar, who is Vice President of CF&G and Head of IR at KPIT to do the management introductions. Over to you.

Sunil Phansalkar: Thank you, Rahul. Hello all. Good evening, and a warm welcome to the earnings conference call for Q3 FY '25 of KPIT Technologies Limited. I hope all of you have had a great start to the new year and continue to have so for the remainder of the year. On the call today, we have Mr. Kishor Patil, Co-Founder, CEO and MD; Mr. Sachin Tikekar, Co-Founder and Joint MD; Mr. Anup Sable, CTO and Board member; and Mrs. Priya Hardikar, CFO; and Sunil from Investor Relations.

As we do always, we'll have the opening remarks by Mr. Kishor Patil on the performance of the company and the way forward, and then we'll have it open for questions. So now I will hand this over to Mr. Kishor Patil.

Kishor Patil: Good evening, everyone. Very happy to take you through the results for quarter ending December '24. At a high level, first, we maintain and reiterate our guidance for the revenue we had given at the beginning of the year between 18% to 22%. We have raised our EBITDA outlook from 20.5% + to 21% +, and that is reflected also in the EBITDA margin for this quarter.

Overall year-to-date quarter 3 FY '25 revenue grew 20.7% over the last year Q3 YTD revenue. Similarly, YTD Q3 FY '25 profit growth is 38% over the same period last year. For this specific quarter, revenue grew 17.4% CC, 18.1% reported USD, year-on-year. EBITDA is 21.1% versus 20.8% last quarter.Year-on-year, there is a growth of 20.4% in terms of net profits.

Quarter-on-quarter, there is a growth of 2% in constant currency and 1.7% in reported revenue. Overall, the growth has during this period –largely beenis driven by Asia, but we'll explain a little more on this. The overall deal wins have been $236 million during the quarter, are largely balanced, driven more by Europe and followed by US and Asia.

The cash for the quarter has increased from INR9.68 billion last quarter to INR14.2 billion this quarter. This is a significant cash generation during the quarter. It's an exceptional one. Our DSO is 42 days, which we typically are about 45 days. So significant cash generation during the quarter.

We have interim dividend of INR2.5 per share as compared to INR2.1 per share last year. The overall growth during this quarter is driven by Asia, Powertrain and Connected vehicles. The revenue mix has really improved. And mainly our productivity continued to improve. As you might have seen year-on-year, the per person productivity, per person revenue, per person contribution has gone up.

In terms of people, our attrition continues to remain the lowest. It is about half of most of the average industry attrition. And there is a substantial investment we continue to make in people, basically make them AI ready as well as improving the competency of our team. In terms of technology, the top two areas for us continue to be AI and cybersecurity for the investments, along with our continued investment in the normal practices.

Looking forward for the next year, overall, we see very positive conversations with the clients. And our pipeline has significantly increased during this year. We do not report any specific numbers, but I may say that it has gone up by about 20% plus during this quarter. The pipeline has increased. It has increased mainly on account of 2 things. One is a couple of large deals, significant deals and deals across multiple broad-based clients.

We have positive conversations going with 8 new clients, which we have been pursuing and that has resulted into broad-based pipeline for KPIT. It is across the vertical. I mean it is, of course, led by Passenger cars, but there is a meaningful pipeline in off-highway, commercial and semi-con for automotive. And this is mainly driven by 2 things. One is many of large clients, OEMs, which include existing as well as the new ones, some of them has come out of consolidation of partners they have,where they are looking at effective, quick implementation of SDV and there we see a natural orientation to come to KPIT. And the second part is some of these new companies, which we are talking about, who are mainly in off-highway, commercial and semi-con companies who need different kind of solutions for the mobility in terms of largely driven by the architectural changes in SDV. So these are some of the reasons why the pipeline has gone up, it is fairly balanced between the geographies as well.

Looking at the other part in terms of another big change which happened during the quarter is about the US. There are many changes which are happening. All in all, we see that there is in some way, we see the positive movement all in all. While some of the incentives on EV are no more, but what it means is basically they have given more options to the end consumer.

And considering the fact that the consumers have a preference for electric vehicles, including, as you know, Tesla, which is a US company. And there is a significant segment who prefers EV. Naturally, it means also that the OEMs will look for alternate solutions, which means hybrid, which means fuel cell and also stepping up their conventional programs. I think that means that there are multiple opportunities for us to engage with the OEMs.

We do not see any significant challenges in terms of visa, etcetera, basically because we believe it is about the talent and not about the immigration. And so we believe that there will be a continued mobility for short-term projects as needed, whether it is H1 or L1 or any other mode, it doesn't matter. We are well prepared for continuing to increase our local presence as well. We believe that the people productivity is a major focus for us. We'll continue to make AI investments, and we'll improve the productivity per person as we continue to do it.

On the M&A side, we continue to engage with few companies. but looking at their sizes and what we see currently, we do not see that we will opt for QIP in the short term. So we believe some of these acquisitions, we will do through internal accruals on the basis of strong cash flow and borrowing. And we will not opt for QIP at this point of time. Thank you.

Sunil Phansalkar: We can now have it open for questions, please.

Moderator: The first question is from the line of Bhavik Mehta from JPMorgan.

Bhavik Mehta: So a couple of questions. Firstly, obviously, we are -- in auto sales, but based on the client conversation, -- being fastest between US and Europe, between the two I know Asia does well. But between US and Europe, where do you see the recovery happening at a faster growth? That's question number one.

Sunil Phansalkar: Bhavik, could you repeat that. We couldn't hear you clearly. Breaking a little bit.

Bhavik Mehta: Is it better?

Kishor Patil: Yes.

Bhavik Mehta: Yes. So I was asking that, obviously, we have seen a slowdown in global auto volumes, and obviously, the recovery will take some time. But between US and Europe, where do you see the demand from clients coming back sooner than later based on our client conversations? That's question number one.

The second question is as OEMs move from EVs to hybrids or other alternative options, how does that impact the kind of work KPIT does with those OEMs? Do we see any headwinds on our revenues because of that movement from EVs to, let's say, hybrid or any other alternative option?

Sachin Tikekar: So let me answer the first question first. The way I understood the question was where is the demand coming from? Where we see recovery from our perspective, given the sluggishness in the total volume of the vehicles being sold. So as Mr. Patil mentioned earlier, it's led by Europe, followed closely by Americas and Asia. So it's a balanced sort of demand generation that we have created in terms of the geographies.

And also, if you were to look at the breakup of the sub-verticals, obviously it's led by passenger cars, followed by trucks. And there are meaningful conversations with the off-highway OEMs. Primarily, off-highway and truck OEMs are from Europe and the US. So I hope that answers your first question.

And the second question was sort of alternate propulsions. It's not just going to be battery electric vehicles, but there are other options that we have to make available and what does that mean to KPIT. It's a great opportunity for KPIT. A, we do a lot of the work in the battery electric space, and we think that, that will continue because there is still demand across the world for battery electric vehicles, including the US. The other part is actually the hybrid.

And we think that in specific countries, many OEMs will actually have to focus on not only plug-in hybrid, but also the mild hybrid solutions. So that creates an opportunity because we are servicing some of the clients in the hybrid space as well. And there is from -- especially from off-highway and truck perspective, there is thinking towards next generation of conventional powertrain engines as well.

So that creates an opportunity because that's the core of KPIT historically speaking. So we think that it's a very positive thing for us, not only in -- necessarily in the US, but we also see similar trends in markets like Japan, potentially in India as well and some of the other markets across the globe. So we really believe that it's a very good opportunity for our company.

Kishor Patil: I wanted to add one different dimension. I think somehow, people relate all the expenses with EV, while that opportunity exists as Mr. Tikekar mentioned.

The SDV, as you look at it, it is much beyond EV in that sense. And if you actually ask me, the largest growth will be driven for us in terms of digital cockpit and autonomous in the next few years.

So while we continue to grow, as we mentioned, I just wanted to reiterate this basically because I think many times, it is misunderstood that it's driven only by the EV part.

Sachin Tikekar: Does that answer your question?

Bhavik Mehta: Yes.

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

Garvit Goyal: Am I audible sir?

Sunil Phansalkar: Yes.

Garvit Goyal: Congrats for a decent set of numbers. My first question is on QORIX. Like we are observing a few developments there happening when we visit your social media platform particularly on the human resource side, like teams of Pune and Bangalore are meeting along with the new hirings happening. So can you put some light on where are we right now? And by when we can expect revenue to start kicking in KPIT's books. So that is my first question.

Kishor Patil: So actually, I may just say that we are quite on track. The team is already in place. And to some extent, we are building this solution for a much broader base. Last time I mentioned that we have open sourced some part of it as a part of consortium for Europe. We have got one significant OEM as a client for QORIX. And we are also in advanced engagement with 1 European OEM.

And also our discussions about third partner, is in advanced stage. So this is what I may say. Anup, do want to add anything? So I think this is where we are on the QORIX.

Garvit Goyal: Do we expect anything in revenue to contribute in FY '26 in KPIT's books?

Kishor Patil: So I may say that it continues to contribute in some way right now, but I'm sure it will be a contributor for the next year.

Garvit Goyal: Understood, sir. And sir, like in continuation to question of previous participant, you mentioned SDV is much beyond the EV. So can you please further elaborate on it, like how -- like you also mentioned you are doing it for one of your hybrid customers. So can you please put some more color on it, like how it can be like not a degrowing factor, the change in the Trump's policies happening that is not going to affect us?

Sachin Tikekar: So let me, I think what Mr. Patil was trying to say is not all vehicle programs are just necessarily about battery electric vehicle or propulsions. The priorities for the OEMs are also in the areas of e-cockpit, which is basically consumer experience. I think there is a lot of high spend in e-cockpit and consumer experience. That's point number one. Point number two, cybersecurity is also becoming important. And thirdly, the autonomous driving Level 2 to Level 3 is also important. So again, there are investments.

So I think what Mr. Patil was trying to say, the spend is not just about alternate propulsions. There are other areas where OEMs are making investments and those also create opportunities for us. And let me have Anup Sable contribute to that to what I just said.

Anup Sable: If you look at in the past, how OEMs worked was primarily sourcing electronic components, which obviously, when you talk about electronics, there is software in it. So sourcing that and integrating the electronic software components into their vehicle. SDV is an initiative for right reasons to actually make sure that most of the software is actually driven by the OEM, controlled by the OEM, owned by the OEM.

And as a result, the OEM program, which was largely an integration program of maybe 20 subsystems supplied by the Tier 1s is coming down to actually developing software for all these subsystems. So whether it is cockpit, whether it is chassis, whether it is body, whether it is autonomous vehicle and many more.

And that actually drives different architectures. So a significant amount of work in terms of making that happen in terms of change of architecture and writing more software on top of their architecture. So I think when we talk about SDV, we are talking about much more than e-Powertrain.

There could be a nonelectric powertrain SDV also because fundamentally, what the OEM wants to do in the future, is get closer to the customer and most of the customer journey or customer experience enhancement is happening through software now.

Garvit Goyal: Got it. Thanks for nice explanation. My next question is on the deal pipeline. Like with pipeline showing a strong improvement both year-on-year and quarter-on-quarter. So how do you see this trend shaping up in the upcoming quarters? Like what is the future prospect in terms of the pipeline and in terms of the deal wins?

Sachin Tikekar: So what we can say at this point in time, there are two things. One is, we are very happy to see that there is significant improvement in terms of the deal closures that we have actually reported. It's not just the deal closures during this quarter, but also the pipeline build-up for potential closures in Q4, but more importantly, the closures in the first half of next financial year.

And as Mr. Patil explained, we believe that there are opportunities for us to continue to grow across the 3 geographies and also across the 3 sub-verticals. And the fourth part, if we can add beyond the 3 sub-verticals, passenger cars, trucks and off-highway vehicle is what we can actually do with the semiconductor companies to create much greater value for the OEMs.

So there is another angle where together we can make a much bigger impact on some of the OEMs. So net-net, right now, we are very happy to see the progress that we've made in Q3, and we expect the trend to continue in the near future.

Garvit Goyal: Got it, sir. And one small request like we were looking to visit your facilities in Mumbai. And we tried reaching via investor desk on the e-mail address, which you are sharing with us in PPT. Further, we also called on the contact number followed by a mail to the investor grievance, but no one is responding, sir. So kindly look into it whether there is some internal issue or what?

Sunil Phansalkar: No, please write an e-mail to sunil.phansalkar@kpit.com, and I'll get back to you.

Garvit Goyal: We have written on this email address only.

Sunil Phansalkar: You can just re-forward it to me, and I'll get back to you.

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

Karan Uppal: The first question is on the potential Honda Nissan merger. So do you foresee any risk to the existing work which you are doing for Honda, which may impact the growth for FY '26? That's the first question.

Sachin Tikekar: So as you know, what is in the press is they are working towards creating an agreement over the next couple of quarters. And all going well, they will create one common entity where the 2 companies will get merged. And that's something that they will do in the next year. Honda is one of most important clients. And for Honda, we are one of the most critical partners in their SDV and beyond SDV journey.

We actually look at this as a greater opportunity, not only from the work that we are doing for Honda, many of the things that we are doing for Honda where

Honda is leading the way. So we believe that if all of this goes through, there could be opportunities for us to bring the Nissan part of the partnership also up to speed with what has been done.

Having said that, we also think that there are opportunities related to overall cost reduction in the vehicles, both on the Honda side as well as the Nissan side, that will actually become very critical. That's one of the reasons why they're actually coming together is to leverage the combined volume and improve profitability and the impact. So from our perspective, we believe that this is a very positive thing from KPIT's perspective.

It's too early to say because I think there is a very clear road map that they have rolled out, and we'll go as things start to materialize on that front. And on top of that, I think we are in conversations with both the OEMs, outside of this potential partnership. So yes, net-net, I think it's a very positive thing from KPIT's lens.

Karan Uppal: Okay. So no impact as such you are seeing at this point of time from this potential merger?

Sachin Tikekar: Hopefully in a positive way.

Karan Uppal: Okay. Okay. Great. Second question is on the pipeline. So very bullish commentary on the pipeline side. But last time, you mentioned that the timing of the deal conversion was a bit uncertain. So have we seen improvement in pipeline to deal conversion? And second question related to that is any large SDV-related deal you are seeing in the pipeline?

Kishor Patil: So first thing is we have seen the good conversions during the quarter. So we do hope there are more positive conversations. But during the quarter, we have seen very strong conversions specifically being the last quarter of the calendar year. So of course, I mentioned that there are a few larger opportunities in our pipeline.

But the more better thing, I would say, is it is across 3 verticals, across geographies and it includes more clients as we are adding off-highway and commercial vehicles to the pipeline as well as new passenger car vehicle OEMs, where we have not engaged till now. So it's a broader set of clients, and it is across a broader set of verticals.

Sachin Tikekar: What I would just add to what Mr. Patil said is in reference to your specific comments with regards to SDV, most of the long-term partnerships that we have announced in the recent past were related to SDV. Going forward, that would be the case, but it would be much beyond that. As Mr. Sable explained that there are different parts. So there is the SDV part and the variance of that.

The second part is also the alternate powertrain. There is the overall vehicle cost reduction, cybersecurity. So we see all of these areas where we can have large long-term engagements.

Kishor Patil: Just to add to that, during this quarter, one of the engagements is a significant SDV program, which we have signed during the quarter.

Moderator: The next question is from the line of Jinesh Shah from RSPN Ventures.

Jinesh Shah: Am I audible?

Sunil Phansalkar: Yes.

Jinesh Shah: Yes. So my question would be that we saw market shift happening and there's like OEM s that were looking for cost reduction, right? So I would just -- based on which you already mentioned about that you'll be hitting the lower end of the guidance in top line. So firstly, can you talk about how are things right now with OEMs? Are they like still struggling to maintain their financial performance?

And how are we seeing that in -- how it will be reflecting in the top line. So like if you say that you'll be hitting 18% lower end of the guidance. And if I do the math, then for Q4, it might sum up to around 10%, if I am doing correctly Y-o-Y basis. So if you can answer these two questions?

Kishor Patil: Yes. First, you are not fully audible, but as I understand, I will try to answer to the best of my ability. But the first thing is we mentioned that we have raised the profit guidance. which is, in my view, whatever I have seen, it is one of, if not the highest, guidance or performance during the quarter not only ER&D, but across all the companies.

The second thing, I would urge you not to speculate anything. I think we have strong quarter closures. I talked about the pipeline going significantly higher and conversations across the verticals. I can only share this much at this point of time. And we have increased our profitability guidance. So it shows that we are in a position to really have a meaningful engagement with the clients.

So the only thing what I want to say is there are 2 drivers. I will repeat what I have said earlier. One is the large consolidation deals from the European partners, which many clients had they see significant value from KPIT,. So we are in a position to engage with them.

And the second part is the new sub-verticals where we are engaged. They're also a journey towards SDV or the new architecture. So that is what is driving the pipeline.

Jinesh Shah: Okay. Okay. That was helpful. And secondly, if you can just talk about like one of the participants already talked about QORIX. So like at PAT level because we can see that we have some amount of loss coming in sharing due to -- how are we looking going forward in next year financials?

Sunil Phansalkar: Currently, there is a share in loss from QORIX. And how do we see that going forward? Is that the right question?

Jinesh Shah: Yes, yes.

Kishor Patil: Yes, I think, I mean, in our business model, we had maintained that it will continue for some time. But at the same time I will talk about that the revenue cycle has started. In the new product company, we had expected that there would not be much revenues in the first 18 months. But at least we see some revenue starting from next quarter.

Moderator: The next question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: Congrats on the solid deal wins in the quarter. I had a couple of questions. One is, I think not only for us but across the industry, I think both US and Europe have been weak. And our strength in Asia has sort of ensured that we are better off. Just wanted your thoughts on -- from both these geographies, when do you see them sort of returning to growth for us on an overall perspective? That's the first question.

Kishor Patil: So Nitin, as I mentioned, I think the wins we had, I think, they are led by Europe and across verticals. So I think the growth will come back latest by quarter 1, if not quarter 4. I hope it will return by quarter 4.

Nitin Padmanabhan: Got it. And I think in the last quarter, we were worried about some pushout of deal execution, and this is what even the other players are suggesting. Do you think that's sort of subsiding? And while the deal closures are actually quite solid, do you think the deal to revenue conversion will be normal? Or do you think that also gets pushed out a bit or it's just normal for us?

Kishor Patil: I mean I can only say during this quarter, also, earlier when we talked about it, I think we have been in a position to get good closures. We are very positive about the conversations, which we are having. So, we do believe that there will be better conversions than what we expected earlier.

Nitin Padmanabhan: Got it. Got it. And this -- the other expense has sort of increased like almost 11% sequentially. Anything specific within that number? Or how should we think about that on a going-forward basis?

Kishor Patil: Yes. It's an absolutely one-off kind of a thing increase, but we continue to do that. So I think we had a substantial additional expense during this quarter, where we have actually had a significant investment into both the technology as well as management development, both for AI and competencies. And we did something on our own significantly.

Also, we deployed certain consultants for the same. for accelerating our journey to off-highway and commercial verticals. So that is the expense which has come during the quarter. It's not something which is affected.

Nitin Padmanabhan: Okay. Got it. And just one last one. See, when we look at the rupee realization, it's at around INR84. So how does the -- so are we taking hedge losses on the revenue line? Is that how it works?

Sunil Phansalkar: No, no, Nitin. If you look at it, our exposure to euro and yen is about 60%. And the INR has appreciated against both these currencies as compared to the last quarter. Whereas against the dollar, it has actually depreciated. But our dollar currency share is lower as compared to the euro and yen.

And that's why this realized rate that comes, which is nothing but the rupee revenue upon the US dollar reported revenue is a mixture of all of these currencies, and it's typically because of yen and euro, where the realization has been lower. Hedge incomes or losses are not taken in revenue. They are a part of other income.

Nitin Padmanabhan: Got it. Got it. And just one last follow-up, if I may. From the large mega deals that we were talking about, how is that tracking? And how is the competitive intensity for those deals?

Kishor Patil: I think I can only say that fortunately, because of the experience and what we have, the competencies developed, we are in a prime position for most of the deals. And I have always said that we are in a very good position on that behalf. I think even from the competition side, the client is very selective because it is not about only price. But because of the competitive pressure on them, they want to get it done in a quicker way as well as they want reliability.

And the kind of solutions we have and the kind of innovation we bring to the table, that differentiates us very significantly. So from that perspective, we are in a good position. And not only that, we are in a position to have some premium in most of these kind of deals. And that reflects into some of the performance parameters, both on productivity and profitability.

Moderator: The next question is from the line of Pranav from ASK Investment Managers.

Pranav: Just one question on the margin front, considering a significant part of our acceleration is coming from the ROW geography, which is on the lower margin side relatively. How are we looking to offset this change in margins going?

Kishor Patil: I didn't understand your last comment.

Pranav: Since a significant acceleration is coming from the ROW geography, which is relatively lower margin as compared to, say, Europe, how are we looking to offset this margin headwind with the change in mix from geography point of view?

Kishor Patil: So that is, I think, an assumption from your side, actually. Yes. So many times, we do not see any impact on our profitability because of that. Actually, I think we have the same, if not better profitability as compared to the other part. Actually, if you ask me we are getting ready for, if I had to say, pressure on cost to some extent, but we believe we will be in a position to really have benefits because of the investments we are making in AI and automation and the productivity. Maybe Anup, you may want to talk about it.

Anup Sable: Yes. So from an AI perspective, I think if you look at AI and how it works, there is going to be a significant advantage for companies that have data/expertise knowledge and being very focused on this vertical and the experience that we have gained and the kind of problems that we have addressed to the customer, we believe we are in a good position to start leveraging using AI.

And out of the 3 main applications of the AI, right, one is for what we need to do as a company. One is what we need to do as a company towards our customer, and third is what our customers need to do. We are very well positioned and appropriately invested in those areas.

Kishor Patil: And on top of it, I may also say that we are also improving our mix of revenue towards either license , platforms outcome-based revenues, where the margins are better. And so we feel comfortable at this point of time.

Moderator: The next question is from the line of Ruchi Mukhija from ICICI Securities.

Ruchi Mukhija: Congratulations on good execution in this tough quarter. I have a couple of questions. We have had a very good run in Asia over the last 2 years. Asia revenues seen about two and half times jump. Do you see this geography to stay resilient and not see challenges that European or North American automakers are seeing today?

Sachin Tikekar: Ruchi, so let me answer that question. We do see growth coming from Asia in future as well. And when we look at Asia, we look at Japan, Korea, China, Southeast Asia and India. And also now there are 1 or 2 OEMs that are in the Middle East. So that's really Asia. And we believe that all of these markets, we are likely to see growth. So we remain bullish on Asia. However, I just want to reiterate what I said earlier.

What is being reported as growth from Asia, it does have elements of Europe and US because some of the clients that are actually from US and Europe, large execution is happening out of India. So Asia is getting credit for it. But that's not to say that Asia will not lead our growth going forward. Does that answer your question?

Ruchi Mukhija: Yes. And then I had a few questions on margin. In the prepared remark also Mr. Patil highlighted, we are working on improving employee productivity, and we see that playing out in numbers also. Could you explain what is driving revenue or productivity? What are we doing to keep this lever engaged for us?

Kishor Patil: So maybe this is the point I may share with you one thing. If you look at the last December, the same time, our headcount is almost same, only 50 people are more as compared over the year. And our revenues, as you know, have gone up by 18% or so. So it shows what we have been in a position to achieve in terms of this.

We do hope that with the other automation and the productivity measures, AI as well as the business model, we could continue to do it. I don't know to what extent, but to a significant extent.

Ruchi Mukhija: Okay. Now coming to headcount part of it. Now for last 2 quarters, we see headcount reduction. You also mentioned we have been helping our employee resources now tied bad. So -- and this has been happening while we are growing our top line. So do we have room to further correct utilization? Or we expect hiring to increase from this quarter onwards?

Kishor Patil: So actually, that was the reason I mentioned the first point that you please do not link the revenues to headcount because if you apply the same logic, in 1 year, we have not added the headcount. So it's only 50 people we have added in the year as compared to the last December.

Ruchi Mukhija: How to execute on the deals that we have won?

Kishor Patil: So I will answer that question. But the only thing I'm saying is please don't put on to the headcount part only. So we, of course, have made offers in the colleges next year. We are very selective about the talent which we want to hire in the AI-powered world. And also the kind of domain we want. So we would be very selective in hiring people of this type or even the young people with a different kind of orientation and aptitude.

So I think as we are really playing a technology game, I think that's how we see talent. And I would request you not to look at that while we are making offers for the next year or so. But how it works out, I don't want to predict anything right now. It depends upon -- I mean, you should be happy if we are in a position to increase ,get better revenues without adding to the headcount.

But at the same time, we continue to hire and look for better talent. We continue to hire more in lower-cost countries, but good talent, which is not cheap. So I think we continue to do that. Anup, if you have any comments on the talent.

Anup Sable: Yes. So we are looking at how the talent competencies will change over the time in AI-first delivery, and we are working on that. We are confident that we have already progressed with what our assessment is in terms of what we want. And we'll start and we have already put in place the mechanisms to identify training mechanisms or infrastructure that is required from AI perspective to leverage their talent.

So all is in place. And going forward next quarter and the next year, especially, we believe that we will push more of what we think as technology into what we deliver to the customers.

Kishor Patil: And to just answer your question, we are in a very good position if we want to hire. We can go out and hire because right now, we are really an employer of choice. I said our attrition is at the lowest. We are an exciting company to work for. So we don't see any issue anywhere in the world to hire, not only in India.

Moderator: The next question is from the line of Abhishek Kumar from JM Financial Limited.

Abhishek Kumar: I feel that we have expanded sort of our playbook and correct me if I'm wrong, be it in terms of client base, we talked about 8 clients out of our T25 clients. In terms of offerings, we have spoken about semi-con at length, which we have not spoken earlier, and also in terms of some verticals...

Moderator: Sorry to interrupt. Abhishek, you need to be a little closer to the microphone, you are sounding muffled.

Abhishek Kumar: Yes. Is this better?

Kishor Patil: Yes, Abhishek.

Abhishek Kumar: Yes. So my question was that it appears from outside that we have expanded our playbook, whether it's client base , offerings or sub-verticals. And I also see despite a decline in technical headcount, I see an increase in enabling sales personnel. And we just talked about deploying some consultants for some of the new verticals.

So am I reading this right? Is this a conscious strategy that we are trying to expand what we offer to offset or a potential slowdown that we are seeing and therefore, investing ahead of the curve so that the revenue trajectory, etcetera, remain a lot more resilient.

Kishor Patil: I'll answer your question, but I didn't understand in the modelling you mentioned. I'm just trying to understand.

Sachin Tikekar: Let me try and answer the question that you have -- the way we understood the question is you're saying that we are expanding into 3 sub-verticals. We are expanding into more offerings. Does that mean that we are hedging in order to prepare for any kind of slowdown? Is that?

Abhishek Kumar: Not -- yes, the question is same, but I didn't mean that. I meant that we are investing ahead of the curve given some slowdown, etcetera, but we probably see opportunity in adversity, etcetera.

Kishor Patil: At a high level, let me answer that question. We believe our share in the spend of the client can be at more than double from where we are. But at the same time, looking at the industry, we want to make sure that we are more broad-based. And we are in the mobility, which is, again, very, very similar technologies and the same type of clients. So that's what we are trying to do.

Abhishek Kumar: Sure. Sure. The second question is on -- we have spoken about kind of offshoring demand from some of the European and US OEMs. Where are we? Has that kind of demand sustained? Are we seeing some offset in terms of volumes from those customers for the price discount of lower cost that we are passing on?

Any color around. Do you see that continuing for the next few quarters? Or do you think that majority of the impact in terms of revenue deflation is already in the base?

Kishor Patil: Nothing is on our territory, that's client-specific, but for a large set of clients, we don't see any changes. And actually, it is reflected in the results. I think the margin is increased and the closures have been higher both in dollar terms and this. So at a high level, we don't see it. It is very customer specific. 90% of the clients, we don't see any changes in the behaviour at all.

Moderator: The next question is from the line of Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah: My first question is just on the Nissan Honda merger, which I think was discussed earlier as well. So I just want to understand of your 63 active customers today, is Nissan a part of that? Or is it something that you'd think is incremental if it were to come through potential Honda merger?

Kishor Patil: Difficult to give a client-specific answer, but as Mr. Tikekar said, it will be an add-on to us in terms of it's a revenue growth opportunity for us.

Chandramouli Muthiah: Got it. Got it. That's helpful. Second bit is, I think for many quarters, your active client count, I don't know how much it matters, but your active client count has been at 60 clients. And I think after a period of 5 or 6 quarters, we've now seen it increase by 3 clients. You also gave some commentary in your prepared remarks that you've been able to sign on some new clients.

So I just want to understand what is the nature of these clients? Are these new age OEMs? Are these legacy OEMs you didn't work with? Are these semiconductor companies? Are they Tier 1s? Just trying to understand that.

Kishor Patil: So it is actually all of it, but let me give a bit of color on this. So there are a few OEMs which we did not engage earlier for both things. I mean, naturally, first, they did not have a clear road map for the SDV as well as the investments marked for it and their direction was, I would say, not consistent with what the solutions we have to offer.

But what we have seen is many of those are coming back to us, even the legacy OEMs, at least 3, I can see, if not 4 large ones. And that really brings our engagement with them, which is based on what they want to do and what they see, what KPIT has done. So I think that is one part.

The second is the expansion we have done in the off-highway and commercial vehicles part. So that -- there are naturally clients from that side. And last but not the least is what Mr. Tikekar mentioned is, we are trying to meaningfully engage with the semiconductor companies together to create solutions, which will be very significant for the OEMs. And I think with all these 3, we are talking about the meaningful engagements. And now on the number of clients, I think we really continue to work. As you know, we work only with 25. So the number is 60, whatever, and that it is what we continue to engage and we add when there is really, we believe that we are going to work together.

And so we don't come into POCs or those we don't count really. At a point of time, we had been, so some of those will reflect in due course.

Sachin Tikekar: Just to add to what Mr. Patil said so that we avoid the confusion between T25 and 60. I would say more than 85% of our revenues actually come from T25, the remaining contribute to the remaining 35-odd. And these are the clients; A, some of them came through old acquisitions. And there are many of them where we are actually there are small licensing kind of agreements and arrangements. For licensing, we do go beyond T25.

So just for you to know, the focus continues on T25. The mix will change because there are more and more OEMs coming in from passenger cars, and we will add more from trucks and off-highway. Whereas the dependence over the last 3 years from Tier 1 has gone down dramatically. So it's becoming almost all of it as OEMs in T25.

So that focus remains. And as Mr. Patil said, we are very judicious about signing up new clients because we really want this to be a meaningful long-term partnership. And that requires time, but we have actually been putting in that time for the last few years.

Chandramouli Muthiah: Got it. That's helpful. And my last question is just on the topic of European OEMs that we've discussed a few times on the call. So I just want to understand I think the European OEMs are the ones within your mix, which are large, but maybe take a little bit longer to come back. I think you gave commentary that Q4 or Q1 is possible.

So just trying to understand what are some of the things you need to see in the industry in the broader environment potentially for them to come back a little quicker?

Kishor Patil: I think the first thing is that the closures we have done during the quarter, right? I think there are fair closures from the European clients. So that's the point number one. Point number two, the largest part of the, pipeline, the pipeline is across all the 3 geographies, but the largest is from Europe. And the conversation we see and the progress we are making recently gives us that confidence.

And as I said, the reason for that is basically many of them were engaged with local partners and high-costengagements. But more importantly, they realize that many things they tried with locally, they would like to find a solution which is quicker and cost effective. And that is where they are coming back to us. And those conversations are progressing, and that's why we mentioned it in a positive sense.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers Limited.

Bharat Shah: Yes. I think this call has come a little late. I had to get off the call to something else. But quickly, what I understood from your narration is that your clients' business challenges apart, the progress on the sales being good or otherwise apart. Fundamentally, we offer a solution and capability which results in a relationship with auto client, which is not transactional, but which is a deeper engagement.

And therefore, that gives us ability to grow even when your clients are facing challenges. That was, in some sense, is a meaning I could derive.

Kishor Patil: Absolutely. And to add to that, I mentioned that our share in the client spend still can more than double. So putting what you mentioned and that part, I think we believe that we will be in a position to grow our relations.

Sachin Tikekar: Bharat, I think you should become our spokesperson. You articulated -- you are spot on. I must appreciate that, the way you captured it.

Bharat Shah: Thank you. Which means, we are not linearly correlated to the business issues and challenges and otherwise facing clients. We are fundamentally problem solver for them. And so long as these clients are going to remain in the business, technology flux, whether it is EV or hybrid or this or that really is an opportunity rather than a concern for you.

Kishor Patil: Absolutely, absolutely. And I think we have been talking about it for last 3, 4 years that our revenues or the spend does not linearly connect with the vehicles sold, but it is about the product development and the future platforms they are creating. And to your point, you really articulated it well as Mr. Tikekar mentioned. So absolutely.

Bharat Shah: Just one last bit. On CV revenues remaining softer, what has been the causal factor? Is it transitory kind of issues at the client's end or it is more structural?

Kishor Patil: So it is actually very specific to 1 or 2 clients. And actually, we have made significant investment in these 2 verticals, off-highway and commercial. And we again want to engage only in a meaningful manner. That is certainly what we want to do. So it may take some timebut I mean I'm sure we'll start seeing the results next year.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Congratulations on a good set of numbers. Sir, you mentioned about the pipeline, the growth being there, 20% Y-o-Y. Can I get a broader sense as to how has the pipeline growth grown over the last 3 months, last 6 months? You mentioned a significant growth. Any number over there will be helpful. And also what is the growth here in Europe on a 3-month, 6-month basis? Is the pipeline growing strongly for Europe? Some color on that will be helpful?

Kishor Patil: So we do not mention the pipeline, as I said, it could be misleading. But...

Mihir Manohar: Just a Y-o-Y number. Sorry to interrupt, but just a Y-o-Y or Q-or-Q number, not the absolute number.

Kishor Patil: So yes, that's what I'm answering. So actually, I'm saying it is a quarter-on-quarter 20%. growth It is not year-on-year, the increase in the pipeline. And yes, it's a very significant number. It's a 20% increase in the pipeline, and it is led by Europe. So there is a significant increase in the pipeline in Europe as well.

Mihir Manohar: Sure, sure. Understood. Correct. Correct. So I'm sure, given the conversations, the kind of conversations which we're having on Europe, should we see our company growth levels coming back, I mean, the earlier growth which was there from 1Q onwards?

Kishor Patil: I don't understand this part, maybe I will understand over the period of time. But this year also, we are having one of the best growth in the industry. But it's okay. I think we see the opportunities are good. Conversations are good, and we'll talk about it in April.

Mihir Manohar: Sure. And just a second question was on the change in the US administration, which is there. Now incentives have also been phased out on EV side. So I mean, I understand these are the early days. But what could be the possible impact for us given the fact that we have such a tremendous experience in the industry? How should we see the change in US administration on the overall EV and specifically the ER&D outsourcing side?

Kishor Patil: Actually, we answered this question a few times earlier that actually it's a broadening of the products for the end consumer. And work in all the 3. We do not see any significant impact. Not only that, we see opportunities actually because these will be separate programs. And SDV is beyond EV. And that -- I think we explained that earlier.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Sunil Phansalkar: So thank you, everyone, for your active participation. And if you have any more queries, please feel free to write to us. Thank you so much, and have a great evening. Bye.

Kishor Patil: Thank you.

Moderator: Thank you, ladies and gentlemen. On behalf of Dolat Capital, that concludes this conference. You may now disconnect your lines.