

July 29, 2024

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

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

**Scrip ID:** KPITTECH  
**Scrip Code:** 542651

**Symbol:** KPITTECH  
**Series:** EQ

**Kind Attn:** The Manager,  
Department of Corporate Services

**Kind Attn:** The Manager,  
Listing Department

Dear Sir / Madam,

**Sub: Transcript of the Post Earnings Conference Call for the quarter ended June 30, 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 June 30, 2024, conducted on July 24, 2024, after the meeting of the Board of Directors for your information and records.

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

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

Kindly take the same on your records.

Thanking you.

Yours faithfully,

For **KPIT Technologies Limited**

Nida Deshpande  
**Company Secretary & Compliance Officer**



“KPIT Technologies Limited  
Q1 FY 25 Earnings Conference Call”

July 24, 2024



**Dolat Capital**



**MANAGEMENT:** MR. KISHOR PATIL – CO-FOUNDER, CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR  
MR. SACHIN TIKEKAR – PRESIDENT & JOINT MANAGING DIRECTOR  
MR. ANUP SABLE – CHIEF TECHNOLOGY OFFICER  
MS. PRIYA HARDIKAR – CHIEF FINANCIAL OFFICER  
MR. SUNIL PHANSALKAR – VP, CF&G &, HEAD INVESTOR RELATIONS

**MODERATOR:** MR. RAHUL JAIN – DOLAT CAPITAL MARKETS LIMITED

**Moderator:** Ladies and gentlemen, good day and welcome to KPIT Technologies Q1 FY 2025 Conference Call, hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call,



please signal an operator by pressing star then zero on your touchtone 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:** Thank you, Aditya. Good evening, everyone. On behalf of Dolat Capital, I would like to thank KPIT Technologies for giving us the opportunity to host this earning call and now, I would like to hand the conference over to Sunil Phansalkar, who is VP, CF&G & Head, IR at KPIT to do the management introductions. Over to you, Sunil.

**Sunil Phansalkar:** Thank you, Rahul. A very warm welcome to all on the Q1 FY 2025 Earnings Call of KPIT Technologies Limited. On the call today, we have Mr. Kishor Patil, Co-Founder, CEO and MD; Mr. Sachin Tikekar, President and Joint MD; Mr. Anup Sable, CTO and Board member; Priya Hardikar, CFO and myself from Investor Relations. So, as we always do, we will have the opening comments by Mr. Kishor Patil and then we'll open up the floor for questions.

So, once again, a very warm welcome to you and I will hand it over to Mr. Patil.

**Kishor Patil:** So, good evening, everyone, very happy to take you through Quarter One FY 2025 highlights. So, as our vision statement is really reimagining mobility for cleaner, smarter, safer world, we have launched during the quarter formally, EcoVoyage 2030, it's basically KPIT's journey towards sustainability.

We have been very mindful on this and have been working on this for many years, but this is a formal launch of our EcoVoyage journey. As you know transportation accounts for more than 16% of carbon footprint globally, so this is very, very important for us, as well as for our clients. The way we are looking at it is, we have anchored science-based targets for three things.

One is, what we can do with our clients, how we can help them to reduce their carbon footprint. The second is how we can reduce our footprint on our infrastructure and operations. And the third is, basically and very important and unique, I may say, is all our 13,000

plus people, how they can really embrace sustainability beyond work in their personal lives also.

So that's a holistic approach we have taken and we have made a commitment of net zero by 2030 with clear annual targets. So we are very excited about this journey and it is in line with our vision statement.

As I mentioned, this is a very key focus area for our clients also and we actually continue to work in this area. We are looking at our clients' priority –which continues to be to bring sustainable products in the market. The key priority for them is faster release of features and vehicles in the market.

Then secondly, substantial cost savings and reduction of time and better leverage of their investments. And third, in order to enable that, move towards a central compute architecture that is reliable. So we continue to work with our clients in these areas.

Our growth overall is driven by T25 clients, as we mentioned and what we have done is, as you know that our growth has been largely driven by top maybe 15 clients in T25. So, now, we also see many other clients in the T25, which are committing themselves for the technology investments and meaningful engagements with us, which is very important for us. And that's why we see continued traction in our T25 clients.

The second part is, we also are looking at an adjacency, which is truck and off-highway, which is a very important step for us in order to broaden our growth engines. We believe that many of the areas in which we are working, specifically into bringing new technologies to passenger car, while the offerings will be fine-tuned for these adjacencies, these are also very important technologies and specifically, like trucks etcetera we believe that many of these clients will go for autonomous and connected soon and we have started some of the early conversations in this area.

We do believe that off-highway continues to be a good market and they also have similar investments in technology, driven by cost efficiency, again, competition with Chinese players, etc. So we believe we can bring those offerings to them as well.

Overall, Asia has driven the growth very strongly, with Europe continuing with the growth momentum. USA has a muted growth and we believe that the USA momentum will come in some time. We have started engaging some of the clients -- as I mentioned about the long list of T25, some of the clients which had not committed to technology spending earlier but have now started moving in that direction, so some of those clients are in the USA.

Apart from that, many global OEMs are looking at USA as a market and that's where their spend would increase and we would have a role to play and USA market will grow in that direction. Overall in the adjacencies we talked about, there are many dominant US clients. So, we believe that the USA growth will in due course come back.

Apart from that, we continue to bring focus on China operations. We are looking at a few areas in China. One is, what we can do for Chinese OEMs and how we can do it for them? We do have a small presence in China for many years, but now we are strengthening that presence and we are bringing certain products and technologies to these OEMs, which are unique and for them, are required for their next phase of journey. We are also trying to bring out offerings for them, that they would require for being global companies.

Naturally, we are also helping our global clients to scale in China. So, with all these, we would like to bring more focus on China. We are also making investments in China.

I would like to come to the people part, where our attrition continues to be one of the lowest in the industry, which is in single-digits. We have invested quite a bit in terms of leadership development for our broader set of people, so that we can focus on multiple initiatives at the same time and that's what we will continue to do and we are launching a formal management development program for the next 12 months to 18 months.

During the next quarter (Q2FY25), we will have salary increments and as we have done in the last many years, we continued with our salary increments which will be some of the best in the industry and we have gone ahead with our increments from 1st July. These are in higher single-digits.

Last, but not the least is, we have also launched our ESOP program. I think one of the very few companies who have a broad-based ESOP program for key people. That also we have launched a few months back. So that's on people side.

On the Tech side, I talked about the offerings, I mean, in order to reduce the time to market, as well as the cost for the OEMs and help them compete with China, we have introduced many offerings which will help them to do it. These offerings are significant and we have launched them at different stages with the OEMs. We believe in next few years this will amount to a significant opportunity for us.

Apart from that, we continue to grow in our normal areas such as autonomous, electrical, connected, etc. In the electrification area while many companies had a clear focus on EV and we do believe that EVs will continue to grow in due course because of the reduction in terms of input costs and we naturally help OEMs to reduce their cost further for the EVs.

There are other areas such as hybrid etc which are also gaining new programs apart from the traditional conventional powertrain, which some clients some in passenger car and some in commercial vehicles, continue to launch and we would help them in those areas too. On the AI side, we have taken various concrete steps and we are looking at AI in multiple ways.

One is in terms of improving the productivity as an organization. The second is in terms of improving the productivity in software development lifecycle. And the third part is in terms of how we can create differentiated offerings for our clients bringing efficiency to the clients' offerings and help our clients to be more efficient. So these are the areas in which we have taken concrete steps in terms of technology and we continue to invest into technology more and more.

Lastly, coming to our performance during the quarter our revenue grew 4.7% quarter-on-quarter and on a year-on-year basis we grew by 23.1%. Growth was led by geographies like Asia and middleware and powertrain. Our net profits have grown by 52.4% year-on-year. It includes INR 396 million (gross) and INR 327 million (Net of additional taxes on the one-time gain) of one-time gain and that has happened because of two things.

First is we have transferred certain IPs to QORIX last quarter. At that time, QORIX was our fully owned subsidiary and now that it is a joint venture and so accordingly we got the credit in some way in the books of 50% of the value of the IP. So that is one part which is really a very natural transaction in due course of business.

And the second is, while QORIX was our fully owned subsidiary, all the expenses we were incurring were written off in the books of accounts, but as it became a joint venture, these expenses I mean that much assets and liabilities, liabilities mainly and the expenses got allocated to the joint venture partner and that is the second benefit we have got. So, net of tax basically the one-time gain is INR 327 million which is part of INR 2 billion plus profit during the quarter.

As we move forward in this year we would like to reiterate our guidance which we have given at the beginning of the year. We would like to also mention that next quarter basically we would have the increment impact as well as the one-month additional ESOP impact which will be for the full quarter in Q2FY25. Last quarter, it was only for two months. So overall the impact will be 2.8% during the quarter, but as I said we reiterate our guidance for the year. Thank you and we are open for the questions.

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

**Chandramouli Muthiah:** Hi, good evening and thank you for taking my questions and congratulations on the completion of the JV with ZF in QORIX. My first question is just around the JV. I think you mentioned that most regulatory approvals are now through ZF has also contributed their share of investment. So just trying to understand where we are in the process of building some of the middleware offerings?

And are we working with any clients as we speak? And also approximately when we think we will launch some of these offerings to some of our critical clients? Is there any sort of interest that the key clients have exhibited here? Any color around that would be super useful.

**Kishor Patil:**

Absolutely. So thank you for this question. I think we are very excited about the QORIX proposition to the industry. See during the quarter actually QORIX has become part of the Eclipse Foundation, which is a very important foundation for the industry. So basically, QORIX became a part of this foundation and we have also agreed to open source some part of the software which is very important for the OEMs because as you would recollect, many OEMs wanted to develop their software and operating system on their own in order to have a better control on the software. So this gives a lot of comfort to the OEMs.

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The way we had planned that maybe in next less than 12 months now because we have been developing the software over the last one plus year, we would have our product ready and it would go through I would say the whole testing and integration for the OEMs by the end of the next year. We already are engaged with couple of OEMs and working with their production programs for the end of the next year. So we are already engaged with a couple of clients.

**Chandramouli Muthiah:**

Got it. That's useful. My second question is specific to how you've been performing in Asia. I think when we look at the disclosures by the various Japanese OEMs, it seems that companies like Toyota and Honda have committed to 30% plus electric vehicle R&D growth over the next couple of years annualized. So, just trying to understand some of this performance in Asia is it largely ramp-up of existing work with Honda or could you give us more color on if you're working with a broader range of OEMs across the region beyond some of the Chinese efforts that you mentioned?

**Sachin Tikekar:**

Chandru, obviously we've had tremendous growth on the back of Honda over the last several quarters and it will continue. On top of that, if you look at Asia as a market, there is business in Korea, there is business in India and there is business in China. So these are the countries that are driving our business and we believe that the Asia growth going forward would be broader and more broad based across these four countries. And we are also seeing that besides pure manufacturing of vehicles in Thailand, the OEMs also want to do some design and engineering work in Thailand from hedging perspective.



And we believe that work, with our global OEMs we'll be able to do in Thailand.

So we look at growth coming from five countries across our T25 clients. And to your question about specific focus on Japan and its investment obviously we are working with two OEMs at this point and I think there is interest from the third one as well. So we believe that the growth in Asia has been high and it will continue to be on the higher side in the foreseeable future.

**Chandramouli Muthiah:** Got it. That's helpful. And my last question is just specific to the margin performance this quarter. I think when we had guided at the start of the year, we had guided to 20.5% plus EBITDA margin versus the previous year 20.3% and the previous quarter at 20.7%. We've done 21.1% this quarter in spite of couple of months of ESOP headwind. So just want to understand if you were to piece out the headwind just from the ESOP scheme, how many basis points would you say it was this quarter? Just sort of similar to the 2.8% impact you mentioned for 2Q, just trying to understand if you were to adjust out for just ESOP impact what the underlying margin of the business would have been in 1Q?

**Kishor Patil:** So if we would have taken out margin impact so it would be about a 1% more maybe that would have been our EBITDA margin. But as I said next quarter we have also increments, we have three months of ESOP part. And so these are two main costs we have, but I mean we will for sure go by what the guidance we have given on profitability.

**Chandramouli Muthiah:** Got it. So just -- I think lastly just to clarify on this, this quarter would have been 100 bps on ESOP, next quarter should be 150 bps and the remaining 130 bps should basically be from increments on your 280 bps?

**Kishor Patil:** So last quarter it was 0.7%, this quarter (Q2FY25) would be 1%. So, this coming quarter will be 1%, last quarter was 0.7%.

**Chandramouli Muthiah:** Got it. That's very helpful. Thank you very much and all the best.

**Kishor Patil:** Thank you.

**Sachin Tikekar:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead, sir.

**Nitin Padmanabhan:** Yes. Hi, good evening and congrats on another very strong quarter. Just wanted your thoughts on a couple of things. So first is you did allude to the US geography. We have seen very strong growth across the others. Just wanted your thoughts on what's sort of holding back the strength there, considering that the targets for the emission norms continue to be strict even there. So broadly how should we think about the US geography? You did mention that it should pick up soon, but just trying to understand the underlying dynamics of what's holding it back?

**Sachin Tikekar:** So, Nitin thanks for your question. Let me answer that question in two ways, what's sort of holding back. Couple of things have happened in the US. One is a couple of truck makers and one OEM, their headquarters over the last couple of years have moved out of US. So the revenues also get shifted and the balance also shifts, so that's one reason. And that's why there are very few US-based OEMs in pass cars that we can work with.

And we have taken a call that in terms of the new-age OEMs, there are only select OEMs that we'll work with and that too just to try it out. They are not really part of our T25. So that's one part. So this is the reason why you have not seen the same level of growth. More importantly, what is it that we are doing in order to bring that growth back.

So there are three things. One, on the passenger car side we believe that the existing OEM clients that we have will have more growth there and I think it would be visible in the next two quarters or three quarter, that's what we believe. Second part is –that US is becoming more and more important from our global client perspective given there is 100% tariff on Chinese vehicles in US, it's sort of a secured market for Japanese OEMs and some of the European OEMs.

So, our engagement with our global OEMs with US is also increasing. So that's the second part that gives us the confidence that the growth will come back. And last but not the least, as we make investments

in off-highway segment, there are three or four key players, some of the largest players are actually based out of US. So we believe that accelerating on these three levers will help us to sort of create more traction as we go forward.

**Kishor Patil:** And just to add simultaneously we are also adding and making investment in the front end to access this opportunity.

**Nitin Padmanabhan:** Sure. That's very helpful. Just two other things. One is the -- with the QORIX which is now moved to the JV, would that have had a benefit on margin this quarter considering the costs have moved out? And is it fully baked in for the quarter and or is it partially likely to aid in the next quarter or is it meaningful? I just want to understand that?

**Kishor Patil:** No, there won't be any significant impact on the margins because anyway the costs -- I mentioned about it, once we had the agreement then we had accumulated those costs. So I think that would not have an impact on the current quarter. I think the impact we will see from both revenues as well as margin will be from end of the next calendar year. When actually the revenue starts coming into the JV we would gain certain profits from that.

Actually, during the period till that time, the operating expenses proportional to our share will actually impact and will come naturally below EBITDA, but as a share of our expenses. And of course naturally we have factored that when we had given our estimate for the year. So the margin as well as the integration revenue will grow by the end of the next calendar year.

**Nitin Padmanabhan:** Got it. And lastly, so for the next quarter we are calling out around 250-odd-basis point from salary increases and 100 bps from ESOP cost, that 100 bps is incremental, so...

**Kishor Patil:** Incremental is only 0.3% from the ESOPs.

**Nitin Padmanabhan:** It's only 0.3. Correct. So, historically, at least for KPIT we have been able to always offset the wage hike to a certain level. You think that remains unchanged broadly from a thought process perspective?

**Kishor Patil:** Yes, we may not be in a position to fully offset, but yes I mean reasonable part we will.

**Nitin Padmanabhan:** Got it. And just lastly just your thoughts on the deal pipeline and how that's panning out and anything on large deals that you would see within that pipeline would be helpful?

**Sachin Tikekar:** So, what we can say is you can see that there are, we called out five specific large sort of engagements totalling to about USD 120 million to USD 130 million, on an average about USD 25 million, USD 30 million each. And so, it's been a good quarter from that perspective and we really think that we can build on it as we get into the next quarter, Nitin. Just the breakup of those engagements won is two of them are from the US, two are from Europe and one is from Asia and one also happens to be from the truck business.

So that's sort of the breakup of the five large engagements that we were able to close last quarter. From this quarter perspective as I mentioned earlier on, I'll talk about next one or two quarters actually. There are two in the US and then there are two in Europe where we think that that will help us to create a bigger pipeline for us as we get into the second half of the year. And again most of them are passenger car vehicles, but you'll also see some trucks coming along as we get into the third quarter and fourth quarter of this financial year.

**Nitin Padmanabhan:** So perfect. That's very helpful. Thank you so much and all the very best.

**Sachin Tikekar:** Thank you, Nitin.

**Moderator:** Thank you. Our next question is from the line of CA Garvit Goyal from Nvest Advisor LLP. Please go ahead, sir.

**Garvit Goyal:** Good evening sir and congrats for a good set of numbers. My first question is on the headwind -- industry headwind side. So do you see any near to medium-term headwind particularly towards Europe side? So if Europe is getting slowing down so you -- do you see any headwinds in the -- any industry which our product offerings cater to or do you see any execution delays of the existing deals in the rest of the year compared to what we were anticipating at the beginning of the year?

**Kishor Patil:**

So naturally, there are headwinds for the mobility which I'm sure you are seeing in the news, but it is different headwinds for different people. So, for Chinese OEMs the headwind is their market is quite saturated and they have to move on into different markets to get the growth. European markets have to compete with the Chinese people on the cost in China market which was their significant market and that is really impacting their sales. Also, they have to compete in due course with the Chinese in their own market. So they are focusing on so overall also for overall automotive, especially pass car the overall sales of vehicles are going to be flattish or go down a bit. So that really makes pressure on their margins. So that is there.

And US actually is also for the electrification area they have to take more steps basically, specifically because many of these OEMs have been focused more on electrification and now to in order to really both for Chinese and otherwise the market but at the same time to comply with their commitments, I guess they are going for hybrid and other technology.

So, there are cost increases with their competition pressure and that is there and in some way that creates an opportunity for us. And the only thing is you need a different kind of offering for this to capture these opportunities and that's what I mentioned at the beginning of my comment.

**Garvit Goyal:**

So, we are not seeing any kind of delays in execution happening, right?

**Kishor Patil:**

So, if you see delays in a normal business but as I said, that's what we are going to try and offset with the new offerings and which are bigger and long-term.

**Garvit Goyal:**

Understood, sir. And sir, like KPIT has always emphasized leveraging global delivery and building scale through automation and productivity improvement. So, can you share more details on the steps being taken to enhance the global delivery capabilities and how the automation is expected to impact the overall productivity and operational efficiency?

**Anup Sable:**

So productivity improvement is a continuous pursuit. In the past, it has been through having toolchains having effective training competency building. But the new thing that is happening is the usage

of AI. So we will start seeing the impact of that in terms of what the technology offers to us. So in multiple buckets. One is individual developer productivity. The second one would be in terms of efficiency at the group level the functional level. And third is also enhancing offerings, which means the competitiveness of the offering by using of the technology. So there is work happening on all these three areas. So for us, productivity is a continuous pursuit, just that new technologies are coming to help us now.

**Sachin Tikekar :**

I would also add to what Anup just said, you also talked about global delivery. So we have presence wherever there is an auto and truck OEM footprint. And the model that we have is for Asia, we have centers obviously, we have centers here in India. We have a center in Bangkok as well and pretty soon, we'll have something substantial in China.

And from Europe perspective, we have a large center in Germany as well as our footprint in Tunisia, Netherlands and the U.K. And for U.S., we have a center in Brazil and then in Novi, Michigan. So the nature of our business is that of global model. And we are trying to make sure depending on every client, we are trying to figure out the best cost country to increase our productivity and decrease the time to market for our clients.

**Garvit Goyal:**

Understood sir. And sir, one last question. Like this quarter, we reported Y-on-Y growth of 24% in our top line. But we are still maintaining the guidance of 18% to 20%. So does that mean in upcoming quarters are you seeing any muted kind of numbers as compared to this quarter or what is the situation is likely to be?

**Kishor Patil:**

We'll stick to the yearly guidance. I think very few companies are giving the guidance the way we give. I think when we see a better visibility and we are sure about the external environment, we will revisit it.

**Garvit Goyal:**

Okay, understood sir. Thank you very much and all the best for the future.

**Sunil Phansalkar:**

Thank you.

**Moderator:** Thank you. Our next question is from the line of Karan from PhillipCapital India. Please go ahead, sir.

**Karan:** Yes, thanks for the opportunity and congratulations on a strong set of numbers. First question is on the Commercial Vehicles segment. So CV segment has been volatile since last four to five quarters. You spoke about some of the deals in the pipeline. So are you expecting this to CV segment to rebound anytime soon? And what sort of projects are you engaging with clients? Is it related to EV transition infotainment move to hydrogen if you can elaborate that as well?

**Sachin Tikekar:** So that's a good question. And Karan, CV we look at it in two ways, trucks and off-highway and trucks is where we have had engagements in the past. And now I think we are putting a lot more rigor to make sure that it's not just two or three OEMs that we work with but there are six or seven OEMs. The nature of the engagement with them is very similar to that of passenger car. It's just that their KPIs are different. So obviously, they have interest in software-defined trucks. That's one area.

Second is within that, I think the Level 4 Autonomy in controlled environment may likely be more prevalent in truck business than anything else. Then also the after sales part is of interest to them. So is over-the-air updates, diagnostics and after sales part. That's another area of interest to them.

And of course, from the propulsion perspective, there are fuel cells and other technologies that are relevant to them. And everybody has a pilot program in this, and we'll wait for it to sort of productionize it over a period of time. So we do see these areas of growth. And I have to say this is on the back of all the work that we do in the vehicle engineering and design side, right? There is scope for innovation there as well. So that's on the truck side.

On the off-highway side, this is new to us. And as we discussed earlier on, we are putting our strategy together. We have been working on it for the last six months, now it's time to execute. Having said that, I have to just say that these are mid-term bets that we are taking at this point in time. The fruition and the actual impact will be realized gradually but we'll see it will become a significant part of our business over the next two to three years.

**Karan:** Okay, sir. That's helpful. Second question is slightly a strategic one. So in the global market, we have seen Volkswagen investing \$5 billion in JV with Rivian to share the EV architecture and software development. So what can be the implications of this sort of JV? Can Volkswagen reduce the outsourcing work to players like us? Or you think that such development may see a positive impact given that it will lead to faster time to market for their respective product lines. So your thoughts on this?

**Sachin Tikekar:** So first of all, Volkswagen Group is an ocean. And there are a lot of people, their budgets are very high and there is a lot of catching up to do. So Volkswagen Group, we look at it in three buckets. So one is the Audi Cariad part. Second is Porsche and third is the Volkswagen brand. This is how we look at the account because it's one of the largest OEMs in the world. Their spend is tremendous. And as Mr. Patil mentioned, there is a lot of catching up to do in order to be competitive in China and then secondly, retain their market share or increase it, not only in Europe but beyond Europe.

We think that using the Rivian platform or they made investment also in XPeng in China, there is a two-fold strategy. So XPeng will use it for China, Rivian they may use it for outside of China. That's really their strategy. And we believe that there is an important role for KPIT to play. All of this calls for substantial validation and integration work. And for us, it's actually good news because they'll actually go down that path and some of these programs will get launched. So we are looking forward to this.

**Karan:** Okay. Thanks a lot for this. Last is on the cash balance. Cash generation has been healthy and now the company is sitting on a INR1,000 crores cash. So any plans to do any M&A this year? And also if you can highlight which are the service lines in your portfolio, which are like white spaces, which you would like to target to M&A?

**Sachin Tikekar :** Our growth strategy hinges upon three things: buy, build and partner. And we've been building many offerings over the years. We have also acquired companies in order to enhance our current offerings and so forth. So it's a continuous effort and we keep looking for complementary things. As Mr. Patil talked about building offerings for future that are more relevant for them. I think some of them, we are



building on our own. And for some, when we find the right kind of a fit, obviously, will go all out for it.

So that's really the strategy. It's an ongoing strategy and we'll continue to look at that. And we cannot ignore the partnering part as well. We can't do everything on our own. So in certain areas, we'll have alliances and partnerships as well.

**Karan:** Okay, sir. Thanks a lot. And all the best for the future.

**Moderator:** Thank you. Our next question is from the line of Abhishek Kumar from JM Financial. Please go ahead, sir.

**Abhishek Kumar:** Yes, hi, good evening. Thanks for taking my question. My first question is on your business units, the architecture and middleware consulting has really been leading our growth for many quarters now. Just wanted to understand, is this a lead indicator for the growth in other areas, given a strategy of going in with our middleware proposition and then taking up some of the saloon services work. So how should we look at middleware consulting growth, your views please?

**Anup Sable:** I think, prior to middleware, there is architecture, which comes before that. And if you look at passenger cars, some of them have crossed the generation one and there will be generation two coming up very soon, some of the pre-activities for Gen 2 have started. So these are continuous efforts that happen on the OEM side. We are well placed to actually contribute in those particular areas. Then Mr. Tikekar actually spoke about trucks, we see that even the trucks will go through the central architecture around the same time frame as the second phase of the car architecture renewal happens. So we are on top of that. We have a focus activity happening around all these activities. So we believe that the network as well as middleware will be our entry points to anything that new happens at the OEM side.

**Abhishek Kumar:** Sure. And next question is on competition. A lot of the IT services peers. also have spoken about on softness, there is cost pressure even the European pure-play R&D players are ramping up their delivery in India, etc. So how do you see competition? Is it intensifying? Do you have a niche? And also on the deals that we win, are these RFP deals or these are like sole sourced deals, any color around competition? Thank you.

**Kishor Patil:**

Yes. So competition is certainly intensifying and largely from Chinese players for China market and some of the new parts. I think that's what really the competition we are working with, we have to be careful. And we still have the integration opportunities in all these areas. That's how we could say. I mean naturally, all the players, this has been area where there is a brighter spot than the normal IT. So many companies are trying to access this. But I may just say that you can look at the growth numbers of many of the European and other OEMs. So naturally, dipping in the conventional areas, which have growth but to your point actually, it will attract more competition.

It will attract more and the competition will be intensified. We believe that we are in a good position in terms of both sides. We are arguably the largest. Also we are very focused and we have made a lot of investments ahead of time.

**Abhishek Kumar:**

Sure. Maybe just last point on RFP versus sole-source deal. Just wanted to understand maybe pricing behaviour of the competition there?

**Sachin Tikekar :**

So from our perspective, this is an interesting metric to track, I would say, I don't have the exact data, but I'll give you an approximate figure. I think there is a huge shift in our total revenue, where many of the large engagements are actually initiated by us. They're structured by us, and there is no RFP.

In some of our diamond accounts, rather most of our diamond accounts, that is absolutely the case. In some of the diamond accounts where it cannot be single source, we end up writing or influencing the RFP. So that part of business and the percentage in the overall business continues to grow.

Naturally, when it comes to some of the new clients and in some aspects, there are RFPs that we respond to. But that has gone down substantially as part of our total business. Majority of our business comes through long-term engagements and through proactive proposals that we make to the client.

And they also emerged from thought leadership. Some of the problems that our clients are likely to foresee we anticipate early and then we go back to them with the solution. So that's been really the

effort. And that's why Mr. Patil talked about – adding new offerings that are more relevant from a future perspective. I think these are the investments that are essential for us.

**Kishor Patil:** In some cases, I think the OEMs do work basis RFPs . But I think our clear focus is to become a top tier partner, technically being the best. –Then we have an advantage in multiple ways both in terms of price and billings. So that's what could be the play, because our play is pure technology.

**Abhishek Kumar:** So it reflects in your growth and revenue per employee. Thank you so much and all the best.

**Kishor Patil:** Thank you.

**Moderator:** Thank you. Next question is from the line of Mohit Jain from Anand Rathi. Please go ahead, sir.

**Mohit Jain:** Sir, three questions. First is on TCV. Now should we see this number, like 1Q '25 from a Y-o-Y standpoint, should we see this number accelerate as we move ahead or do you think this is enough for us to generate 22%, 24% wherever we end up in terms of growth? So that was one. Second, capex.

Capex seems to be on the higher side for us, you spoke about various centers being opened. So how should we see this number for FY '25? And the last is on the JV QORIX. Now is the investment complete or should we anticipate some more investment or infusion of IT from KPIT or from ZF into the JV?

**Sachin Tikekar:** Okay. Mohit, let me take up the TCV part. Given the TCV that we have and what we believe we are likely to close in the next quarter. From a guidance perspective, I think there is sufficiency is what we think at this point in time. So I think we are in a pretty good position.

**Mohit Jain:** And on a slightly longer-term basis, like should we expect to pick up, say, Q2, Q3? Do you think this around 200 number is good enough?

**Sachin Tikekar:** No, I think it's too early to say any of that. I think if there are any changes will, as always, in Q3, we come back.

**Kishor Patil:** We stick to a yearly guidance, only when we are very clear, we would revise it at the end of Q3. I think we have been following it religiously, because there are too many changes in the world. So we would like to be cautious on that.

**Priyamvada Hardikar:** The second question is on the capex. This capex is in the routine course of business. The quarterly mix may not be linear. So this quarter also we did some procurement in terms of our business licenses or otherwise. It's in a routine course of business and the quarterly changes are cyclical. It is nothing one-time or nothing exceptional in it.

**Mohit Jain:** So FY '24 is a good benchmark, from numbers perspective...

**Priyamvada Hardikar:** On the capex perspective, yes.

**Mohit Jain:** Yes. Last on JV?

**Kishor Patil:** Can you repeat that question on the third?

**Mohit Jain:** So ZF also invested and KPIT also contributed some IPs. Now that is -- and I think you have spoken about EUR15 million being contributed by them. So is the investment complete or should we expect more money going into the JV from KPIT standpoint? Money or IP? And second thing was, will we be consolidating this line by line? Do you think this will be separate from our accounts?

**Kishor Patil:** So the first part is from the KPIT so I think we have mostly completed our part of the investment. If at all, it is required after 12 months to 18 months, we may contribute EUR 5 million or so. But it really depends on at that point time what the requirements of the JV would be.

**Mohit Jain:** EUR 5 million?

**Kishor Patil:** Yes. And overall, I think this will be actually a joint venture and as we have mentioned many times in the past, we may look at the third partner. And so this will come as an investment into the JV.

**Priyamvada Hardikar:** The JV will not be consolidated line by line. We will have an equity pickup and therefore, share of our profit or loss will come as a one-line item below PBT.

- Mohit Jain:** Okay, understood. Very clear. Thank you.
- Kishor Patil:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead, sir.
- Sandeep Shah:** Yes. Thanks for the opportunity. Just wanted to understand, you have given a color about the deal pipeline and the deal wins in this quarter. But on the mega deals, any commentary would help. I do agree those are cyclical and sporadic rather than recurring, but any commentary in the pipeline any mega deals shaping up?
- Sachin Tikekar:** Sandeep, I don't know what constitutes a mega deal. But from our perspective, the whole concept of T25 is to build long-term engagements with them. I think with majority of them, we have built long-term relationships. And we believe that just the nature of the relationship that we have, we'll continue to have growth in each one of them. And of course, there are a few others that we need to tap.
- So overall, more I think where in the past, I think there were three or four large announcements that we made of so-called mega deals. Many such engagements get closed. It's just that not everyone is comfortable talking about them. And so they don't come up or they are not bunched up like that. But most of the things that we do are all long-term large engagements in nature with at least 50% of the T25 OEMs. Yes. So that's the nature of our business in general or our engagement model
- Sandeep Shah:** Second question is, we have touch base in terms of the market headwinds, which we also read in the newspapers. But do you believe these market headwinds, especially in the mobility is impacting our addressable market in the R&D budgets of the OEM?
- Kishor Patil :** I think I addressed that the challenges have changed and what their challenges are also addressed in different parts of the world. And I mentioned that it does impact some of the current offering, but there are new offerings, which we have built. So I think I mentioned that overall, our market opportunity does not change, if not increase in due course.

**Sandeep Shah:** And last question on the QORIX side. As you said, the commercialization may happen by end of CY'25. But until that time, you might have to do some expenses for building the products. So any guidance in terms of how the JV loss line will look like in FY'25 and FY'26 to QORIX JV which we can model?

**Kishor Patil :** No, I think it is -- we would not be in a position to give that. I think all our guidance takes care of what we commit on that. It will pan out as the JV requires the investments.

**Sandeep Shah:** Okay, thank you. All the best.

**Sunil Phansalkar:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Manik from Axis Capital. Please go ahead, sir. Hello Manik sir?

**Manik:** Yes. So while you already answered my question with regards to the performance in America, you also made some remarks that over the -- while we focus on the T25 customer base, a significant part of our growth since we have been led by 15 customers. So given that we now trying to essentially broad base this growth, do you think in the interim, growth pace of consolidation and slower growth compared to what we have witnessed over the last few years? That's question number one.

The second question was with regards to simply getting your comments around the competitive intensity in the space as we've seen IT services companies make acquisitions in this space? How do you think that changes the competitive intensity for you in the segment?

**Kishor Patil:** I think I answered both the questions in the past. I think I did say that there is an intensity, but I do believe that we are in the best position to be in a prime position to win the business which we have planned for.

**Sachin Tikekar:** The first one was in T25, you're saying that some of them we already have long-term relationships does that mean that the growth within those will slow down?

**Kishor Patil:** So we will go by the guidance we give. I think we have given the guidance and we continue to give our commentary over the medium term. I don't think there is any change.

**Manik:** And the second question was I have a follow-up question with regards to the fact that you are seeing some weakness in terms of EV volume. While in the current context, it may not be impacting R&D budgets on – new product developments etc. But do you think at some point of time, this starts to essentially impact future or new model R&D retail spend as well?

**Kishor Patil:** I think we see the spend, multiple market reports are there and we have been talking about reasonable drivers for R&D to continue beyond 2030. So nobody knows after 5 years, 6 years, but I think this is a good enough visibility in terms of a mega trend.

**Manik:** Thank you and all the best for the future.

**Moderator:** Thank you. Our next question is from the line of Rohit Singh from Nvest Analytics Advisory LLP. Please go ahead, sir.

**Rohit Singh:** Yes, congrats for a good set of numbers. I have two questions. One is on this QORIX joint venture, right? So see, we understand that it's a middleware business and stuff, right? So if you can take a step back and then you can explain us what could be the size of this type of services and currently and how it can build up over the next 3 years, 5 years, not from KPIT perspective, but as a service industry as such. So if you can spend some time giving that color?

**Anup Sable:** QORIX is actually a product that goes in between the application and in the literal sense the operating system. So many people call operating system that includes the middleware. But the difference between an operating system and middleware is the operating system usually deals with making the capabilities of the hardware available to the application, whereas a middleware handled many functionalities that the application needs or multiple applications or a system needs to make it work efficiently -- so QORIX is a company that will focus on the product of middleware. And it will actually not do anything from a service perspective. Most of the integration activities related to the QORIX will be done by KPIT.

- Rohit Singh:** Okay. And what could be the pace of that business if you can? I'm sure that it's still at the nascent stages maybe, but how big it can become?
- Kishor Patil:** No, I think typically a license revenue, it depends upon the product company, we expect it to be reasonably successful in the market with what we have done. Typically, it is 1:3 ratio, 1:4 ratio as normal, between the license revenue and the integration revenue.
- Rohit Singh:** And secondly, on your hydrogen fuel technology. Is there any updates? Are you going to monetize your technology if so, are you near that opportunity or you're still at some way, distance from that? Any talks with the government, any follow-up that you can?
- Kishor Patil:** No, I think we have -- our model is to work with OEMs. We continue to work with OEMs. We are engaged with a few OEMs. And it's at an early stage of the technology and a lot of POCs, etc., we are helping our OEMs to realize this technology. The production programs will come in due course.
- Rohit Singh:** Okay, thanks and that's it my side. Thanks.
- Moderator:** Thank you. Next question is from the line of Deepak Rao from Cuba Asset Adviser. Please go ahead, sir.
- Deepak Rao:** Yes, congrats on the continued success. Some of the questions I have on QORIX has been answered in the earlier question. Now I just want to know, you're saying that 1:3 would be the revenue. So is architecture middleware consulting is now 20% of your present revenue, maybe half of that would be consumed as the middleware product revenue?
- Kishor Patil:** Currently, what we do does not include any product revenue because, as I mentioned, the products will get ready by the end of the next year.
- Deepak Rao:** And just from a respective of opportunity size, would ZF be originating business, especially from...
- Kishor Patil:** So it's an independent company, so it has its own business development team.





- Deepak Rao:** So it's not likely that the customers might be from non-KPIT customer base?
- Kishor Patil:** Yes. So it has independent clients and they will go in the market. See the products, basically the nature of product business is, it goes to multiple clients. And it will go so. Naturally, they will leverage KPIT as well as ZF ecosystem. But it will have its independent presence. And if you look at the opportunities in its own way,. that will create opportunities both for ZF and KPIT in their own business.
- Deepak Rao:** Okay. So thank you very much.
- Kishor Patil:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to management for closing comments.
- Sunil Phansalkar:** So thank you, everyone, for your participation. We appreciate that and all of you have a great evening. Thank you, and bye.
- Sunil Phansalkar:** Thank you, everyone.
- Moderator:** On behalf of Dolat Capital that concludes this conference thank you for joining us, and you may not disconnect your lines.