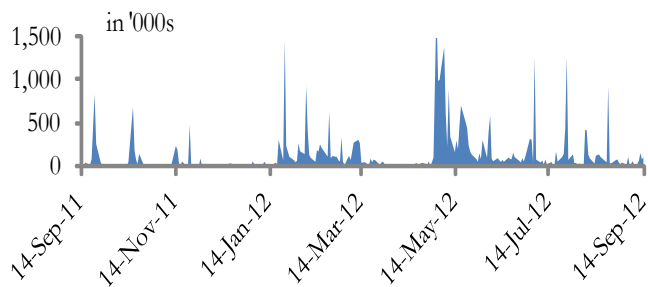


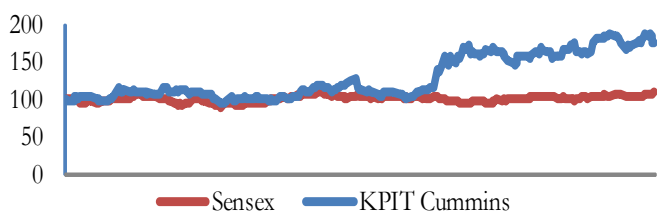
**Equity Statistics**

Current Market Price	Rs.	127.9
52 Week High / Low	Rs.	142.00/68.30
Market Capitalisation	Rs. crores	2,277.9
Free Float	Rs. crores	1,679.5
Dividend Yield	%	0.5
One Year Regression Beta	Times	0.5

**BSE Volumes Trend - Average = 150.6 Thousand**

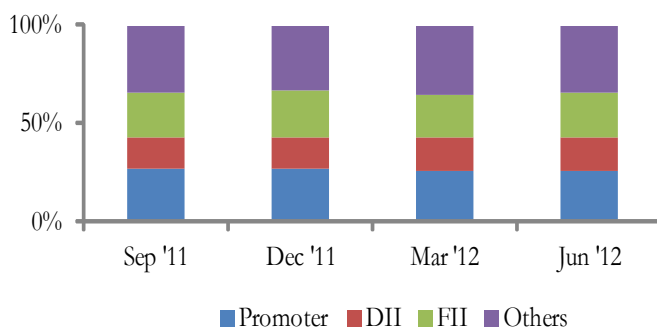


**Relative Returns**



Returns (%)	1M	3M	6M	1Yr
Absolute	-6%	14%	56%	77%
Relative to Sensex	-10%	5%	49%	61%

**Shareholding Pattern**



Source: BSE, Capitaline and CARE Research

**Business Summary**

KPIT Cummins Infosystems Ltd. (KPIT) was incorporated in 1990 as KPIT Infosystems Ltd by Mr. S B Pandit, Mr. Kishore Patil, and Mr. Shrikrishna Patwardhan. In FY03, Cummins Infotech Ltd merged with KPIT Infosystems Ltd and consequently was renamed to the present one. KPIT offers technology solutions to global clients, in the areas of advanced technology solutions (ATS), enterprise IT and BPO /KPO primarily to the automotive, transportation and manufacturing, energy & utilities, defense and government verticals. The company has a global operations network with eight software development centers located in Pune, Bangalore, Delhi, Chennai, Mumbai (India) & Munich (Germany) and 23 overseas offices across the USA, Canada, Brazil, UK, Sweden, France, Netherlands, Germany, China, Japan, Singapore, South Africa, Dubai and South Korea.

During FY12, KPIT reported net sales growth of 52% to Rs.1,500 crore and growth in adjusted PAT of 54% to Rs.145 crore.

KPIT is currently trading at 15.8 times FY12 EPS and 6.5 times FY12 adjusted book value.

**Board of Directors**

Person	Role	Qualification
S B Ravi Pandit	Chairman & Group CEO	FCA, ICWA, Masters from MIT Cambridge
Kishore Patil	MD & CEO	FCA Masters in Strategic Management & International Finance
Sachin Tikekar	WTD	Ph.d, Bachelor's degree in Chemical Engineering
Dr. R. A. Mashelkar	NED, I	Bachelor's in Mechanical Engineering
Amit Kalyani	NED, I	Bachelor of Science degree in Finance, Master's degree in HRD
Bruce Carver	NED, I	B. Tech. (Mechanical)
Lila Poonawalla	NED, I	Masters Degree, BE
Sudheer Tiloo	NED, I	B. E (Mechanical), MS
Anant Talaulicar	NED, I	MBA, CA, ICWA, PhD
Dr. Srikant Datar	NED, I	MS, B.S. in Mathematics and B.S. in Statistics
Elizabeth Carey	NED, I	NA
Prof. Alberto Sangiovanni V	Director	NA

Source: Company Annual Report and CARE Research

Note: MD: Managing Director, WTD: Whole time Director ED: Executive Director, NED: Non Executive Director, I: Independent

## Background

Incorporated in 1990, KPIT is one of the leading mid-tier technology solutions providers with special focus on automotive, energy & utilities, industrial equipments, and semiconductor industries. The company has an employee base of over 7,700 with global operations network in over 10 countries. In 2002, Cummins Infotech Ltd was merged into KPIT Infosystems Ltd. to form KPIT Cummins Infosystems Ltd. As a part of the inorganic growth strategy, KPIT acquired Panex Consulting, USA in 2003, Solvcentrl.com, USA and Pivolis.com, France in 2005, C G Smith, India in 2006, mechanical design services business of Harita TVS in 2008, Sparta Consulting, USA in 2009, CPG Solutions, USA and In2Soft GmbH, Germany in 2010. In 2011, KPIT acquired 50% stake in SYSTIME, the leading JD Edwards solution provider which has implemented and managed JD Edwards and other business solutions in 77 countries. KPIT hived off its hardware solutions, part of Semiconductor Solutions business into a new entity with Sankalp Semiconductors Pvt. Ltd. KPIT holds 15% in the new entity. Also, KPIT divested its banking and financial services business to Infracsoft Technologies. KPIT exited its diversified financial services business under IES to Infracsoft Technologies Ltd. in July 2011. The company intends to focus on its core customer segments of automotive, transport, manufacturing and energy & utilities.

## Business overview

KPIT derives its revenues from four strategic business units (SBU) which are, 1) integrated enterprise solutions (IES), 2) auto & engineering, 3) SAP and 4) semiconductor solutions group. In FY12, IES (including one quarter of SYSTIME consolidation) contributed 40% to the total revenue while SAP and auto & engineering (including semiconductor business) contributed 31% and 29% respectively. Revenue share of US in FY12 increased to 70% against 67.3% in FY11, which was largely contributed by the strong growth in our SAP business mainly in the North American market and one quarter consolidation of SYSTIME which has large part of revenue share from the US markets. UK & Europe accounted for 18% with growth being mainly in Germany for the automotive customers while UK & France were stable. Asia Pacific accounted for 12% of the revenues, registering the second-highest growth after US, supported by India, Japan and Korea. Cummins group has been the largest client of KPIT since the merger of with Cummins Infotech Ltd. in 2001. During the year FY12, Cummins group contributed to 21.5% of the total revenue (against 23.5% in FY11).

## Strengths and growth drivers

- Cummins group, as the largest client has been KPIT's anchor customer since the merger. Relationship with Cummins group provides revenue stability.
- The company is strategically well positioned with focus verticals showing healthy growth. The company has been able to win several new orders from the existing and new accounts.

## Risk and concerns

- With inorganic strategy being central to KPIT's strategy, integration could be a potential risk to the overall business.
- Prolonged slowdown in key geographies such as US and Europe could have a negative impact on the company's performance.

## Future strategy and expansion plans

- The key growth strategy for the company in the future is to strengthen the focus on specific industry verticals i.e. 1) automotive and transportation, 2) manufacturing, 3) energy and utilities.
- Focus on non-linear revenues, which would have a positive impact on margins.

## Industry outlook

The Indian IT software industry is one of the prominent industries in the country and remains primarily export-driven. Indian IT industry is dominated by IT services outsourcing and recorded total revenues of US\$76.1 bn in FY11 (US\$88.1 bn including BPO services), while employing about 2.5 mn directly and 8.3 mn indirectly. The sector contributes close to 6% of India's GDP. In FY11, total exports by the IT industry amounted to US\$59 bn (Rs.2,714 bn), which reflects a robust growth of 18% y-o-y in US\$ terms. Domestic IT services recorded a growth of more than 16% to reach Rs.501 bn i.e. US\$10.9 bn (US\$28.8 bn including hardware) in FY11. Worldwide spend on technology-related products and services have crossed US\$1.6 trillion in 2011 growing at more than 4%. Although U.S. accounts for more than 40% of total IT spend worldwide, most of the growth is contributed by emerging markets in Asia-Pacific and Latin America. As U.S., Europe and other developed markets are major consumers of Indian IT industry, slowing demand in these key markets is resulting in bleak outlook for Indian IT players in the short run. Most of the IT companies have given muted topline guidance for FY2013 revising downwards from their earlier estimates. Depreciated rupee is supposed to offset the slump in demand partially, resulting in better revenues in terms of rupee as compared to dollar. Offshoring of IT services is still around 5% of total IT services spend worldwide and hence offers great potential for the Indian IT services industry in the long run. In terms of Domestic IT services, the market is highly fragmented with top 10 players having 40% of the market share. Only four vertical market segments, 1) banking, financial services and insurance (BFSI), 2) telecom, 3) manufacturing and 4) government account for more than 85% of domestic IT services market. Also, India's domestic economy, which is highly under-penetrated in terms of technology usage, offers tremendous opportunity for growth going forward.

Peer comparison		Year ended March 31, 2012			
Income statement (Rs. crore)	KPIT	Persistent	NIIT Tech	3i Infotech	
Total income	1,513.8	1,033.9	1,606.9	1,730.6	
Net sales	1,500.0	1,000.3	1,576.5	1,681.0	
EBITDA	216.6	224.4	267.8	220.0	
Ordinary PAT	145.4	141.8	197.2	(334.7)	
Adjusted PAT	145.4	141.8	197.2	(360.0)	
<b>Per share data (Rs.)</b>					
Adjusted BVPS	19.7	210.1	133.9		NM
Diluted EPS	8.1	35.5	32.8		NM
<b>Growth (Y-o-Y) (%)</b>					
Growth in Total income	52.3	27.6	29.0		(33.1)
Growth in Net sales	52.0	28.9	27.9		(34.6)
Growth in EBITDA	45.9	41.7	13.3		(56.4)
Growth in Adjusted PAT	53.7	1.6	8.2		(232.6)
Growth in EPS*	47.2	1.5	7.6		(250.1)
<b>Profitability ratio (%)</b>					
EBITDA margin	14.4	22.4	17.0		13.1
Adjusted PAT margin	9.6	13.7	12.3		NM
<b>Valuation ratios (Times)</b>					
Price/EPS (P/E)	15.8	11.8	9.2		NM
Price/Book value (P/BV)	6.5	2.0	2.3		NM
Enterprise value (EV)/EBITDA	10.9	6.8	6.1		10.2

Source: BSE, Capitaline and CARE Research

Note: Persistent: Persistent Systems Ltd., NIIT Tech: NIIT Technologies Ltd.

NM: Not Meaningful

Quarterly Financials		Quarter ended June 30, 2012			
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12
Total income	541.3	469.7	389.7	336.0	318.4
Net sales	538.3	480.0	378.9	325.0	316.1
EBITDA	80.6	75.1	58.0	44.4	39.7
Ordinary PAT	53.6	45.7	41.1	33.8	24.4
Adjusted PAT	53.6	45.7	41.1	33.8	24.4
<b>Growth (Q-o-Q) (%)</b>					
Growth in net sales	12.1	26.7	16.6	2.8	
<b>Profitability ratio (%)</b>					
EBITDA margin	15.0	15.6	15.3	13.6	12.6
Adjusted PAT margin	9.9	9.7	10.5	10.0	7.7

Source: BSE, Capitaline and CARE Research

## Financial analysis

- The company reported net sales of Rs. 1500 crores – up 52.3% y-o-y
- EBITDA margin for FY12 stood at 14.4% against 15% in FY11. However during the year the company has been able to improve the profitability, within the year. The EBITDA margin in Q1FY12 was at 12.5%, which improved to 15.84% by Q4FY12, due to better realization rate and execution of operational efficiency improvement measures.
- When comparing across SBUs, EBITDA margin in IES was at around 15% (including SYSTIME, which exhibited an EBITDA margin of ~10%), while auto & engineering SBU, EBITDA margin for Q4FY12 was over 20%
- Adjusted PAT margin for FY12 marginally improved to 9.6% from 9.5% in FY11.

Annual consolidated financial statistics	FY08	FY09	FY10	FY11	FY12
<b>Income statement (Rs. crore)</b>					
Total income	603.3	735.8	706.4	993.8	1,513.8
Net sales	583.5	793.2	731.6	987.0	1,500.0
EBITDA	73.3	183.4	161.4	148.4	216.6
Depreciation and amortization	25.5	43.6	30.8	41.1	44.5
EBIT	47.8	139.7	130.6	107.3	172.1
Interest	7.5	4.5	2.7	3.8	7.3
PBT	60.2	77.8	102.6	110.3	188.6
Ordinary PAT	52.7	65.9	85.7	94.6	145.4
Adjusted PAT	51.3	65.9	85.7	94.6	145.4
<b>Balance sheet (Rs. crore)</b>					
Adjusted networth (adjusted for Goodwill on consolidation)	263.8	163.1	292.1	473.2	350.3
Total debt	86.5	118.5	110.8	93.1	222.2
Cash and bank balance	74.0	167.1	105.2	208.0	147.3
Investments	0.1	0.0	74.7	-	21.7
Net fixed assets (incl. CWIP)	168.0	179.5	57.2	28.0	(177.0)
Net current assets (excl. cash, cash equivalents)	112.9	(58.8)	75.9	144.3	219.6
<b>Per share data (Rs.)</b>					
Adjusted BVPS	33.9	20.9	37.2	53.9	19.7
Diluted EPS*	6.7	8.4	10.8	5.5	8.1
DPS	-	-	-	-	-
<b>Growth (Y-o-Y) (%)</b>					
Growth in total income		22.0	(4.0)	40.7	52.3
Growth in net sales		35.9	(7.8)	34.9	52.0
Growth in EBITDA		150.2	(12.0)	(8.1)	45.9
Growth in adjusted PAT		28.4	30.2	10.3	53.7
Growth in EPS		25.0	28.4	(49.2)	47.2
<b>Key financial ratio</b>					
EBITDA margin (%)	12.6	23.1	22.1	15.0	14.4
Adjusted PAT margin (%)	8.5	8.9	12.1	9.5	9.6
RoCE (%)		39.7	32.7	18.4	20.9
RoE (%)		30.9	37.7	24.7	35.3
Gross debt - equity (times)	0.3	0.7	0.4	0.2	0.6
Net debt - equity (times)	0.0	NM	0.0	NM	0.2
Interest coverage (times)	6.3	30.7	47.7	28.4	23.5
Current ratio (times)	3.2	1.3	2.4	2.9	2.1
Inventory days		-	-	-	-
Receivable days		73.8	78.9	68.0	81.1

Source: BSE, Capitaline, CARE Research

Note: Financial Year (FY) refers to period from April, 1 to March, 31

NM: Non Meaningful

## DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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Published on behalf of The Stock Exchange Investors' Protection Fund

First Floor, P J Towers, Dalal Street, Mumbai.  
Tel: 22721233/34 | [www.bseindia.com](http://www.bseindia.com)

