

August 01, 2023

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
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Symbol: KPITTECH
Series: EQ

Kind Attn: The Manager,
Department of Corporate Services

Kind Attn: The Manager,
Listing Department

Subject: - Transcript of the Post Earnings Conference Call for the quarter ended June 30, 2023.

Dear Sir/Madam,

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, 2023 conducted on July 26, 2023 after the meeting of the Board of Directors for your information and records.

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

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

Thanking you,

Yours faithfully,

For **KPIT Technologies Limited**

Nida Deshpande
Company Secretary & Compliance Officer

Encl: as above

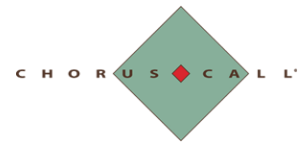


“KPIT Technologies Limited
Q1 FY 24 Earnings Conference Call”

July 26, 2023



Dolat Capital



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
MS. PRIYA HARDIKAR – CHIEF FINANCIAL OFFICER – KPIT TECHNOLOGIES LIMITED
MR. SUNIL PHANSALKAR – HEAD INVESTOR RELATIONS – KPIT TECHNOLOGIES LIMITED.

MODERATOR: MR. RAHUL – DOLAT CAPITAL MARKETS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the KPIT Technologies Q1 FY '24 Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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 Rahul from Dolat Capital. Thank you, and over to you, sir.

Rahul: Thank you, Silvan. Good evening, everyone. On behalf of Dolat Capital, I would like to thank KPIT Technology Limited for giving us the opportunity to host this call. And now I would like to hand the conference over to Sunil Phansalkar, with Head IR at KPIT to do the management introductions. Thank you. Over to you.

Sunil Phansalkar: Thank you, Rahul. A warm welcome to everybody for the Q1 FY '24 Post Earnings Conference 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; Ms. Priya Hardikar, CFO; and Sunil from Investor Relations. As we always do, we'll start the call with opening remarks by Mr. Patil on the performance and the way forward, and then we'll have it open for your questions. So once again, a very warm welcome to all of you, and I hand this over to Mr. Patil.

Kishor Patil: Good afternoon, and I'm very happy to take you through our quarterly results. We started the year on a very positive note in the quarter 1. The revenue growth has been 51.7% in constant currency year-on-year. On the constant currency quarterly growth is 7.1% and a 8.2% in reported USD terms. In case of profit, the profit grew 56.9% year-on-year. The net profit for the quarter grew by 20.1%, but it has something onetime.

If you take out the onetime adjustment, then the net profit grew quarter-on-quarter by 8%. EBITDA is at 20%, for the first time it has exceeded 20%. EBITDA has grown 65.2% year-on-year and 13.3% quarter-on-quarter. So overall the performance has been a little ahead of our expectations. The pipeline during the year, we had USD 190 million wins. Generally, it is again across the geographies. DSO is at 50 days. So last 12 consecutive quarters, we continue to grow both in revenues as well as in operating profits.

On the people side, we have 550+ people net addition during the quarter. We are doing our business and recruitment in the normal course of business. While we do not give exact numbers, the campus recruitment is going full-fledged and will be one of the higher numbers in the recent years. Also the increments, we are going ahead with the increments also in the normal course

of business. They are across the organization, and they will be effective as always from the 1st of July. So otherwise, the business is normal on the people side.

On the attrition side, the attrition is in low teens. On the key parameters like what we call key staff and basically top blockers, the attrition has come in single digit. Overall, we believe that this is a great opportunity for us to improve the quality of talent we are having. On the technology side, the one update is on QORIX the entity was spun off from KPIT to establish the joint venture with ZF. There is a good development. The team is in place. We have hired a CEO. We have hired a CTO from outside. We have identified the teams from KPIT. We'll be moving it in due course.

Currently, we are going through the compliance of merger control in different countries as required legally. So that's on the QORIX side. And not only that, but we have got a very positive response from the market. We are very close to one OEM sourcing this -- the first product for the platform for QORIX and very good discussions otherwise. Overall, otherwise, on the KPIT side, we have increased our investments into R&D. We believe there are multiple areas in which we need to invest. So naturally, all these results into cost increases in R&D.

The areas in which we are investing includes generative AI, where we have put a team together to understand the productivity angle inside KPIT as well as what we can do for the clients. Otherwise, other key areas we have identified, which are beyond what we are developing, which will create many more opportunities for us in future with our existing clients. On the T25 side, we continue to go deep and wide. All our engagements are going as we had planned. Actually, in a couple of major engagements we talked about in the past, Honda and Renault. We are actually accelerating at a faster rate. The pipeline is pretty strong. As in most of our clients, we are seeing new horizons of opportunity, which hopefully once we form the new offerings, we will get a better opportunity to actually go into these areas.

In terms of next year, we continue with our guidance of constant currency growth of 27% to 30%, EBITDA in the range of 19% to 20%. As you know, we give the guidance, which very few companies give for the year. We don't give quarterly guidance. So, it is our policy that once we give at the beginning of the year, we make any changes to the guidance at all at the end of quarter 3. Then the overall in case of next quarter, as I mentioned, there will be increments.

And it would have an gross impact of 2.5%. But with the growth coming in, we will offset a large part of this impact on the profitability. In terms of

sustainability, we have created, and this is an area of focus for us. As you know, we look at cleaner smarter, safer world for reimagining mobility. So sustainability is something which we have taken up very strongly in the organization.

We continue to engage with our clients on the initiative. We continue to engage with our employees on this, how sustainability can become a key part of our lives and also on the infrastructure. We are very excited with the -- we are excited where we are. As I said, the key trends in the mobility industry continue to grow, key clients continue to invest in those. We are in a pole position we feel very positive, and we are excited about the different opportunity in front of us. Thank you.

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

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

Chandramouli Muthiah: Hi, good evening and thank you for my taking questions. My first question is on the margin that you've delivered this quarter, 20%. It seems to be 90 basis points higher Q-o-Q. So just trying to understand some of the key factors that contributed here. Any color maybe on how much employee utilization rate improvement might have helped here. I think the mix of business that you've done more middleware revenue this quarter than the previous quarter, that's the monitorable factor as well.

And also, if you could share just to what extent the Technica integration costs have that sort of fallen away? I think there was commentary on that over the past couple of quarters so just the factors that have helped in the 90 basis points Q-on-Q margin expansion? Any color there would be helpful.

Kishor Patil: I think 2 things post naturally, our growth has been a little ahead of our estimate. That is one point, which allowed us to really leverage for it. The second thing is we could deliver a bit better utilization. So that is the second part in terms of overall utilization has gone up. So that is the second part. And the third part, if I may say, there are certain platforms and accelerators kind of a deal, we have products. So I think a little bit of a change in the mix of that.

So with all these 3 things, we have been in a position to improve our margin. The cost of integrations have largely been taken care of. There will be, of course, some part because we have external consultants for about a year, which we are doing that. But most of the major part of the integration costs have already been done.

Chandramouli Muthiah: Got it. That's helpful. The second question is on the demand side, specific to the middleware deals. I think late last year, we had announced that there were 10 large global OEMs looking at doing more work on the architecture consulting middleware side and we were on 7 of those RFPs. So we've announced on Renault and Honda. So just trying to understand on the remaining sort of 5 RFP opportunities. Could you share with us any key monitorables for you, maybe how client appetite is shaping up on these opportunities?

Kishor Patil: Very positive. I think when we started, I think our experience is naturally, we have matured into that. The second important part is we have now created an integrated offering, not only what KPIT has but also what Technica has and what other entities have. So, we have integrated that well. Of course, in addition to that, I think we have created certain upfront offerings, I mean, front-end offerings in architecture validations and before that, blueprinting and consulting.

So I guess -- I mean, overall putting all together what it allows clients to do is substantially reduce their risk or at least get an idea about risk in that program upfront. So that is very well received. The engagements are continuing to grow as in most of the places, what we talked about all the continue to grow in this area, actually, in all the areas, wherever we have engaged all these areas, it continues to grow. And as I always said, middleware that's one area which is important. But as soon as we get into that area, it creates opportunities for us in the other areas also.

Chandramouli Muthiah: Got it. That's helpful. And just my last question, just looking at news flow over the past 2 to 3 months, there's been a lot of action on the Asian OEM side, companies like Toyota now we have a new CEO who is accelerating the shift towards EVs there. I think the Korean names also because of the IRA, the East Asian companies, Japan and Korea-based companies seem to have an advantage in terms of some of the capex that's going into electrification in Europe and in the U.S. as well. So just trying to understand what sort of commentary you are hearing from some of your Asian clients? And if you could give any color around that would be very helpful.

Kishor Patil: Actually, I agree with you, I think Asia is a good market. And as a company, that's a market which we are very bullish about – in the future, whether it is India, whether it is China, it is Asia, all these markets, we believe will be good markets for us in years to come. And we do see -- they are a bit behind, and that's exactly where we think we can bring value to them through our experience of working with other OEM's..

Chandramouli Muthiah: Got it. Thank you very much and all the best.

- Kishor Patil:** Thank you.
- Moderator:** The next question comes from the line of Karan Uppal from Phillip Capital India, please go ahead.
- Karan Uppal:** Thanks for the opportunity and congrats on a very strong set of numbers. The first question is on the guidance. So with a very strong start, the guidance now requires a very soft path rate for the next 3 quarters. So are you looking at moderation in growth going ahead? Or are you baking in some conservative in looking at the macro environment?
- Kishor Patil:** I think I mentioned in my earlier comments, is we don't give quarterly guidance. We don't revise the guidance quarterly. We gave it at the beginning of the year. And if at all, it really demands if there is a bigger acquisition or then only we revise. Otherwise, we relook it at it only at the quarter 3. So that's what we have been following for last many years, and we feel very comfortable with this.
- Karan Uppal:** Okay. But from a demand perspective, nothing to worry at this point of time, all your deal wins and the pipeline looks strong, right?
- Sachin Tikekar:** The demand part continues to be robust for us. And all our client engagements, we continue to go deep and wide with the existing clients. So it's -- for us, the foreseeable future is solid. And we just have to keep at it.
- Karan Uppal:** Okay, then. Thanks for that clarification. Second question is on the other expenses. If you look at the other expenses line item, that is now at 15% of revenue, which used to be around 17% 1 year back. And if you look at FY 2021, at that time, it used to be 19%, 20%. So have you optimized it to the maximum level? Or do you think that still there is some bit of optimization, which is still left? And what is the nature of spend being optimized? Is it more on the G&A side or also on the S&M side as well?
- Sunil Phansalkar :** So if you look at it, it is -- I mean, this is a clear reflection of leveraging of some of the fixed costs that we have with the good revenue growth that we have had, it is Leveraging these costs which are there. Most of these costs would be the G&A part. On the sales side, we are investing in some areas. But as you know, our strategy is to focus on select set of clients and go deeper into these clients, which means that as we grow more and more in individual clients, as a percentage of the revenue generated, the sales % part will also keep reducing.
- Karan Uppal:** Okay. Thank -- thank you and all the best for FY'24.
- Kishor Patil:** Thank you.

Moderator: Thank you. The next question comes from the line of Nitin Padmanabhan from Investec, please go ahead.

Nitin Padmanabhan: Hi, good evening, and congrats on the solid numbers. Just wanted your thoughts on how should one think about the flow-through revenue that comes through once you sell middleware. So you mentioned an OEM is looking to source products. So how does that typically flow through in terms of incremental opportunity on the services side? And the second is, typically, when we think of these products, what is the kind of margins that typically accrue for these? Just 2 things overall?

Sachin Tikekar: Hi, Nitin, this is Sachin Tikekar. Just a clarification. The middle-ware product is going to be part of QORIX, just so you know and KPIT will continue to be the software integrator. Just off the hat, clarification. Secondly, the way it works is when we get involved in middleware which is somewhat of a heart of the new architecture, it gives us larger visibility into the left side of the V as well as the right side of the V.

That is, we can actually work on the core architecture we can work on the blueprint prior to the requirement side, it gives us a better handle on that. And on the other side, we can also do more of verification and validation. And there is everything in between. So in between, there are applications and features to be added which are typically in the areas of infotainment or e-cockpit or autonomous driving body, and so forth.

So what happens is when you get involved in the middleware, you see other areas where we can continue to provide software integration services to the same OEMs. So it's a beachhead of sorts for us to get in there, that we really understand what is it that the client is trying to do. And what could be the possibilities in terms of providing solutions to sort of meet their objectives

Nitin Padmanabhan: And the OEMs that you spoke about where you are seeing possibly initial sort of interest, are these OEMs where currently you have a lower share and can possibly sort of help you sort of accelerate your share gains within that or are they large ones where you already have very good sort of relationships and scale?

Sachin Tikekar : It's first of all, all of them are existing OEMs. With some, you're right, there is a very deep engagement to start with, and some of the announcements that you've heard over the last few quarters. And then there are other existing OEMs, where they worked on middleware to some extent. And now they want to learn from our experience to take the journey forward. So it's both ways, Nitin. It's with the existing clients with whom we have announced sort of larger engagements in middleware and related areas, leading to SDV and then

exists, some of the other existing ones who want our involvement going forward.

Nitin Padmanabhan: Sure, Perfect . This is very helpful. Thank you so much, Sachin. All the very best.

Sachin Tikekar: Thank you, Nitin.

Moderator: Thank you. The next question comes from the line of Mohit Jain from Anand Rathi, please go ahead.

Mohit Jain: Yes. Sir, first of all, super quarter, so not much to ask where everything is like perfect revenue margin. My question I had was more from a medium-term standpoint, any assessment that you can share on your wallet share in key accounts, meaning strategic 40? And at what stage do you think you may need to expand on the client base to sustain your growth rate on the time base? That was my...

Sachin Tikekar: Okay. Understood. So let's take one question. The first question was a medium-term view. So our medium-term view continues to be fairly robust. Our conversations with existing clients are getting richer and more engaging as we get involved deeper into their core architecture towards SDV. So we really think that based on that, we really think that there is quite a bit of headroom to cover within the existing clients in the short to midterm. Having said that, it's a very interesting question that you ask is when do we need to go beyond our T25 OEM. It's a continuous process for us because it's a dynamic environment.

And there are new players that are coming in, then there are some old players who get their strategy revamped. So we have to keep a close eye on that. And every year, we make sure that there are at least a couple of OEMs that get added to our kitty, so that we don't put all our eggs in a few baskets. We like the focus and it's paid rich dividends to us. At the same time, we want to make sure that we are not, there is no serious concentration with just a handful.

Mohit Jain: And first around wallet share, like where in your sense, like when we see their R&D budgets, how much should be ballpark addressable for us? And where are we in that journey in terms of space penetration instead of where you measure it?

Sachin Tikekar: So as I mentioned, there is tremendous headroom to grow across all the clients with whom, we have long-term engagement, obviously, they have given us the visibility. As we get deeper, we see a lot more. In some of the others, there is a lot more to do. We have to understand that, this work towards

software-defined vehicle that will enable the CASE is a tremendous amount of work, and it requires many shifts in iterations along the way.

So to get there, most OEMs are taking at least 2 or a 3-step approach. So first is step-on towards the 2026, '27 program, Step 2 is towards 2029, '30 programs, and so forth. So it's hard to define wallet share because they have to continue to save money on one hand. And sort of spend more money on towards software-defined vehicle, correct? So in some areas, with some of our clients, in some specific areas, we have very large wallet share and some of the others will continue to increase our wallet share.

Kishor Patil:

So let me take this opportunity to address some current and future discussions, we may have on this call. See, initially, when we started, we thought the OEM opportunity is about USD 50 million annually for us. I'm sure you remember that. We thought our project size will be USD 10 million, USD 20 million. Now it has gone to USD50 million, USD200 million. Similarly, we believe has our client engagement increased.

There are a few clients who are coming to USD100 million this year, right? And going forward, we believe that's where many of our Diamond clients would be there. We believe now the opportunity is actually USD150 million, USD200 million annually. So fundamentally, as we have gone ahead, we have built our expertise.

We understand what is the spend. We know which areas we are very differentiated, where we can add value. And we continue to do that. And they are very well entrenched, not only from just an engagement perspective. But actually, how do we get more into architecture, some of our platforms, some of our deeper knowledge, different type of engagement. So that's how we are engaged with that.

Now the spend of the client is pretty big actually. So it's not this. So during this quarter, I don't want to go into it, I guess you all know because we did not get that question. But naturally, there is a lot of spend, if we had to break the spend of OEM, OEM will spend certain money, which will be in-sourced.

So if you take an example, suppose they have to spend out of USD500 million, depending upon the client, some of them in-source 30% or 50%, that's what they want to do. Then they will outsource. And then there are different business models which are coming, which will be on the part of the revenue equation, they will not be part of the engineering spend. And these are all areas as what we are tapping into.

Now going back to the first part. When the client is trying to do their in-source, that again is an opportunity for him many times because they cannot

really find a talent or this, again, to engage with the company, such as KPIT, but they can also work with some other clients because basically, they are trying to get services from different players.

Now the other part of that is many of them also, I want to address it upfront because there are the captive centers, etcetera, they will certainly set up the captive centers because this part, 30%, 40% is big. And they cannot find this 3,000, 4,000, 5,000 people of this expertise outside. Not only that, they have to do it also largely also on the IT side because that's where they can also reduce their costs.

So in future, we have had the discussions also in many cases, where they want to set up their centers, they want to do this part where we may participate or we may not participate, depending upon how we feel. Now many of them are also looking for a partner in India for doing IT plus engineering or as a center or doing even a joint venture with them, which ultimately, of course, they will acquire in a certain time of frame.

We want to remain focused on what we do. We want to focus at the higher end of the business, where we can take the full ownership of the business. We want to be ahead of the thought leadership. That's how we want to drive. We want to be on a place, where we can add value into their monetization part.

So from that perspective, this is what is happening. Now any news coming in, it doesn't mean that is at the cost of KPIT. We are very, very confident. We are in a very confident zone. We are very comfortable zone. But I just thought I will address this point because this small things could keep on coming. So that's why I wanted to address.

Mohit Jain: Thank you very much, sir. And just to be sure, you're saying are you can get USD200 million also from one client from them?

Kishor Patil: Absolutely.

Mohit Jain: That's good. Perfect. That clears a lot, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Dipesh Mehta from Emkay Global, please go ahead.

Dipesh Mehta: Thanks for the opportunity. Just continuing on the prior question answer. I just want to understand how global auto majors are choosing their partner. And what kind of the constraint they are facing because the overall demand remained very strong, whether the talent sourcing is the big challenge for them, and that's why they prefer to work with multiple partners or capability-

wise, they are finding differences and that's why there are multiple partner kind of strategy?

And do you think, let's say, two years, three years down the line, there would be some consolidation may happen? So if you can provide some understanding about how overall ecosystem is currently evolving? And how KPIT is trying to benefit from the emerging trend? Second question is about the data-related question. If I look...

Kishor Patil:

Can we do one by one I think it just makes it simple -- so in this case, this is what actually I answered to a large extent. But just to tell you, right now, for the next seven years, eight years, as we see, OEM is in an area, where they are trying to do what they don't know necessarily. They are trying to catch up with some of the other technology areas, but in some areas, they are very advanced in some areas, they are not, and they have to catch up with multiple things. There are a lot of unknowns for them and for everyone else in the industry.

That's where they are trying to engage with somebody, who has experience of working with multiple companies. They understand their problems, they have ability to solve it and they have solved it in some way. So that's where actually KPIT is playing. The reality is people use this SDV phrase very loosely. But we are talking about the platform, which they build for the future and the new architecture.

That's where they need a very, very solid partner. And when we explained some of our deals in the past, including Renault, right, that point of time, we were not even engaged with the clients. But we got engaged with the clients because they thought they need a different kind of engagement. So KPIT is engaging on these areas and the new areas based on a different level of expertise, end-to-end expertise. And if you ask me, KPIT is actually partner with the highest scale with very solid competence.

And in terms of range of expertise, the depth of expertise and problems resolving kind of expertise, that's where KPIT stands out. And that's what KPIT is basically dealing with. So the other part where they are trying to build their own centers and that they can engage with the people because they're looking at certain specific skills or specific projects. As I said, we work on more platform side here, they're working projects or programs. That's where they engage with multiple clients on project basis or a specific engagement basis. That's what they are trying to do.

Dipesh Mehta:

Understood. And other question, which was about, if I data-related thing about if I look revenue by vertical, which we report, the other segment, which we stop sometime back sharing, it seems to have increased substantially

after, let's say, if I adjust for the two segments, which we report, passenger and commercial vehicle, others seem to almost 3 and half million to 4 million addition quarter-on-quarter.

So if you can provide, what led to that sharp increase, almost 35% of incremental revenue came in others, this quarter? And second question is about margin. Now we are at closer to 20%. How one should look margin trajectory? Have we have given guidance for current year, but from a medium-term perspective, whether this is the optimal range or do you think there is an upside to margin? Thanks.

Sunil Phansalkar :

Now on the first question, if you look at others, this is the first quarter where we have consolidated FMS revenues, the majority of that portion has gone there. So you'll see some split happening from the next quarter onwards. So there is nothing which is substantially changed in that segment apart from this. Otherwise, there would be a set normal growth that has happened in that segment.

On the second part, on the margins, so we are at 20%, as Kishor said in his opening comments, we'll have wage hikes next quarter, and there would be some impact on the operating margins next quarter. And obviously, we have guided for a 19% to 20% margin for the whole year, and we are confident of being in that range. If we take a medium-term view, obviously, as we have said earlier, there are opportunities where the margins can go up.

But of course, we will also look at whether we need to accelerate some of our investments in order to look at growth going forward and balance out that to the margin. So that is how we look at it. From an operations point of view, there is definitely scope for improvement in margins even beyond 20%.

Dipesh Mehta:

Understand. Thank you.

Sachin Tikekar:

Thank you.

Moderator:

Thank you. The next question comes from the line of Ankit Agrawal from Yellowstone Equity, please go ahead.

Ankit Agrawal:

Yes. Hello, thank you for taking the questions. My first question is on QORIX. It seems like a high potential like our product company, which tend to have large on investments and long gestation periods. So I just want to a sense of like what kind of investments would be required and before the company entered revenues and what kind of gestation, we are going to be looking here?

Sunil Phansalkar :

So as we have said earlier, when we announced QORIX, this is a company which will work on the product side for the middleware platform. From the

KPIT point of view, we will invest about EUR 5 million upfront and then in another EUR 5 million over -- after about 18 months. That's what the investment from KPIT side would be. And of course, the other partners ZF would also invest into the joint venture post receiving all the regulatory approvals from merger control processes. That's what it is.

Kishor Patil: So just to remind you, KPIT has invested has moved a lot of IPs it had built in this area. So that is valued differently. And of course, just to corollary of that, ZF will invest more cash in the transact.

Sachin Tikekar: And the third aspect is about the gestation period. Since we are actually putting our own IPs in it, our time to market will be much faster than, let's say, a startup.

Ankit Agrawal: Okay. Understood. And so -- but still like some idea like two years, three years, five years?

Kishor Patil: What gestation part?

Sachin Tikekar: Two years, three years is the right.

Kishor Patil: I think, that's what we have planned actually for three years, four years, but looking at traction we see, it may be ahead of time.

Ankit Agrawal: Okay. That's very helpful. Thank you. And then more of a bookkeeping question, what kind of effective tax rate we should bake in on a steady-state basis?

Priya Hardikar: About 25% for the year.

Ankit Agrawal: Okay, 25%. Okay. Great. That's all I hhad. Thank you.

Moderator: Thank you. The next question comes from the line of Sandeep from Equities Securities, please go ahead.

Sandeep Shah: Yes. And thanks for the opportunity and congrats on being a great set of numbers. Most of the questions being answered. Just looking at FY '23 being a solid year in terms of closure of large deals as well as megadeals. And that clearly shows that our win ratios are going up, and we are becoming a preferred vendor in eyes of the OEM. So is it fair to say, these opportunities increasing our offering gap is also reducing a book-to-bill ratio between 1.5x to 2x can be maintainable beyond FY '23 in which year we have shown a book-to-bill of 2.4x as a whole.

- Sachin Tikekar:** Sandeep, we are not sure whether we are able to hear, we didn't hear you properly. Can you break -- can you repeat your question maybe in smaller pieces?
- Sandeep Shah:** Yes. What I'm trying to say is FY '23 being a great year in terms of closure of mega deals and the large deals and which has resulted in a book-to-bill of 2.4x. It clearly indicates that our wallet share is increasing. We are becoming a preferred vendor in the space. So looking at the opportunity and the offerings which we have versus peers, is it fair to believe that, 1.5x to 2x book-to-bill is quite maintainable?
- Sunil Phansalkar :** So, it is difficult to look at and say about the guidance for the book-to-bill ratio. But what we believe is if you look at the closures that we have done, of course, last year, there were some mega engagements, which we have closed, which has improved that. But definitely, I think going forward also, looking at the current pipeline and our positioning, it is fair to assume that it will be quite steady.
- Sachin Tikekar :** And Sandeep, what I would like to add is just to -- just for clarification is, yes, we announced two sort of long-term engagement. We continue to have meaningful engagement with all the other clients that we don't necessarily announce for various reasons. So of course, there are two big ones where the business is growing. But if you look at the closures that we have announced for this -- for the last quarter, it was on the back of our existing clients, which are not these two clients. I just want to say that is sort a little more broad-based amongst our top 25 OEMs and not just dependent on two.
- Sandeep Shah:** Okay. Helpful. And just a follow-up. Is there a mega deals pipeline continuation in robust and anything in the advanced stage versus what we have done with Renault, Honda similar size of deals are in the pipeline? And anything in the near term can be closer?
- Sachin Tikekar:** Sandeep, I think as Mr. Patil mentioned, as we go deep and wide with these clients, we just see much more than meets the eye. And not all of them will be sort of packaged together as what you will call mega engagement. However, over a period of time, looking back, they'll all seem like mega engagement. You know what I mean? So essentially, the point is going deep and wide, and some we possibly announce, but mostly there'll just be work that we'll continue to do and add to our existing T25 OEM clients.
- Moderator:** Thank you. The next question comes from the line of Akshay Ramnani from Axis Capital, please go ahead.
- Akshay Ramnani:** Hey, thanks for taking my questions and congratulations on a great quarter. So I have a few questions and go one by one. First one is on the -- your

comment on OEM revenues becoming \$100 million or \$150 million plus. So does that in any way affect your or limit your ability to scale up another OEM to a similar size since you're already working with their competitors. So just trying to understand that does this type of scale with a particular OEM means that your business remains structurally remains a high concentration of business and client selection, thereby becomes very key?

Sachin Tikekar:

Actually, that's a fair question. And for us, I think as we go deep and wide, I think these will -- some of them will move into that 100 million, 150 million to 200 million category. However, one has to understand that OEMs used to work with Tier 1 that used to serve their competitors. So they are used to working with key partners that work with their direct or indirect competitors across the globe.

And to that has been the case with KPIT -- that will continue to be the case in case of KPIT as we become the software integrator to many of them. We don't see that as a hurdle for us to continue to go deep and wide. As long as we are there to solve their meaningful problems. They are more than happy to engage with us, knowing really well that what we do with them remains only with KPIT, right? That's something that we have to do very judiciously and we'll continue to do so.

Kishor Patil:

And they're not looking at it as a concentration because we are looking to scale this for multiple clients. So overall, I don't think any big change than what we have or probably it will be more balanced in the future.

Akshay Ramnani:

You got that. Second one was in the presentation, there is a mention of focus on improving the rate realization. So if you can please elaborate on that, how is the pricing environment? What kind of price increases are we talking about? And when do they kick in?

Kishor Patil:

No, I think we continue to do this as and when our contracts allow us to do. We haven't faced any issues right now. I mean in increasing the rates. And then maybe we have to be also mindful about what we ask for. But we have been in a portion to slowly steadily increase our realization. One is the rate, but the second is also when we are moving towards the fixed price projects, how we engage and get a premium at how we can improve the productivity. These are the areas are continuing to do, but that will also help us in improving the realization.

Akshay Ramnani:

Got it. Another one was similar to the pricing model. So since we are now heavily investing in IP up, would you look to price them towards more outcome-based or license-based services or would we just continue to be tools and accelerators and enabling you to become a larger software integrator? So how should we look at that strategy?

- Kishor Patil:** We would like to be a software integrator and actually, we have accelerators, platforms which we have some licensing, etcetera. But it's a small part of the business currently. We believe, overall, if you look at it, there are different models which are evolving. And we are not in a hurry to change -- make any change to our business model. This is what clients are comfortable, we are comfortable with. But in certain specific areas, we naturally are experimenting different models. As this is more comfortable and the clients still more comfortable and they see better value, we will do that. But for some time, at least, we will continue to go with our current one.
- Akshay Ramnani:** Great. Last question from my side was, if you can also touch upon the offshoring trend, are we going to see any increased offshoring in second half of this year as some of the large things mature? Or there is really no shift at H1 versus H2?
- Kishor Patil:** I mean that depends upon the stage of the project, as we have said. We can -- we are also creating nearshore facilities. We have been doing offshore facilities. For sure, there are two parts. One is whether we have that kind of a competence and where we have that competence and how we can leverage that. And of course, it should be economically viable and cost-efficient for the client. We don't have to be lowest, but we had to be moderate on the cost side. So that's a balance. There is, of course, opportunity to increase more as these projects stabilize in the next couple of years.
- Moderator:** Thank you. The next question comes from the line of Anika Mittal from Nvest Advisory LLP.
- Anika Mittal:** Good evening, Sir. Sir, my first question is in the last quarter, what was there a value share of Technica? Are we seeing the same growing say 20% in Technica going ahead?
- Sunil Phansalkar:** I'm sorry, we don't hear you clearly. Could you just repeat the question, please?
- Anika Mittal:** Okay. Sir, my question is in the last quarter, what was the revenue share of Technica? Are we seeing the same growth, say, 20% in Technica going ahead?
- Sunil Phansalkar :** See, now, I mean, we have already said that we are completely integrated now, and it is really difficult even for us to know what is the Technica growth, what is KPIT growth. It is all integrated together and it is KPIT plus Technica together growth. So it's difficult to segregate that out.
- Anika Mittal:** Okay. Sir, my next question is, how Honda recently done an agreement with SCSK regarding the software development? Are you seeing any downside in the venues due to the diversification in vendors via client?

- Sunil Phansalkar :** I think that is probably a couple of times addressed already in the call where we have said that, that has no impact on us, and we are actually ahead of our engagements with our clients, as compared to our plan, and we believe that we can add a little better or more than what we had earlier anticipated. So that has got no impact.
- Anika Mittal:** Sir, my last question is any update on the hydrogen technology on which we were working on the progress which you can share?
- Sachin Tikekar:** As a strategy, we'll continue to invest in future technologies and hydrogen being one, we've been working on it for several years now. Now the only change is some of the production programs have actually started to take place, and we are very happy to hear that there is a large hydrogen truck integration program on which we are going to be a key partner. So the good news is what we have been talking about as the future is becoming reality in some pockets.
- Moderator:** Thank you. The next question comes from the line of Karan Uppal from Phillip Capital India, please go ahead.
- Karan Uppal:** Yes. Thanks for the follow up. Just one slightly long-term question. In terms of the overall SDV development where the entire software architecture is changing. So where are OEMs in that journey, when can they derive the meaningful revenue from after-sales services, which are the areas which are looking promising in terms of monetization? Happy to hear your thoughts are.
- Kishor Patil:** I think most of the programs are late by about a year in the first year. So -- and we believe that many of them have compromised in some way for multiple reasons in the best possible architecture. Of course, they will also learn from this experience. So really in new sense, I guess they will be ready by about 2030 in some, let's say 2032 by something which is very solid. But on the services side, I guess, in some specific area, the monetization will start and will start maybe in the next couple of years, and it will keep on increasing. But the real opportunity is when the SDV structure is fully integrated.
- Karan Uppal:** And any areas where monetization you think is looking promising where customer adoption will be quicker?
- Sunil Phansalkar:** Any areas where the monetization will start early in...
- Kishor Patil:** Yes. I mean, one simple thing is the maintenance or whatever the dealers are doing, right, at what basically Tesla did, right? So they basically eliminated Dealers to a large extent and kept them only for set services. So for the new generation of cars, that's what people are trying to do. So that will be one

area upscale of certain new features of software that will be the other monetization part.

I think certain areas in terms of entertainment and gaming will be a third area where it could happen. Payments, maybe the core areas it could happen. So these are some of the areas which may happen. I can't predict exactly when and how.

Sachin Tikekar: Also, what some of the OEMs that are -- what they are doing is some of the things that were available as part of the vehicle, as soon as it gets moved through a software, they're actually offering that as on demand. So some of it that came bundled up as a vehicle has been separated out and also offered as a service. So again, that's one area which will continue to grow, which has started to happen in some bits and pieces will continue to grow.

Moderator: Thank you. The next question comes from the line of Rahul Jain from Dolat Capital. Please go ahead, Sir.

Rahul Jain: Thanks for the opportunity. In the Microsoft call earlier in the day, they mentioned that Mercedes is bringing ChatGPT via as we are to more than 9 lakh vehicles in the United States. So making for this car voice assistant more intuitive. So are we going to see that as a good incremental opportunity or this is just a small extension would not be much significant?

Sachin Tikekar: This is in line with what Mr. Patil just said. Some of these things now you can call it ChatGPT or Generative AI. Essentially, these are some of the services that are getting extended through the vehicle. And that's their way of creating the service model. So it's an interesting one that they have announced, and we'll see variations of it going forward.

Rahul Jain: Right, right. And also with many this global OEM planning, increased production exposure in India, does that make your proposition any better or do not make much difference as these may be orderly deeply engaged already with us?

Kishor Patil: Yes. I mean there are always some local projects specific to geographies. And I'm sure we can play a more meaningful role there. Right now, most of the people are doing largely what they are doing globally, but I can see now that things standing and there are specific to India, some features being added, some programs being taken on. I'm sure we can add value.

Moderator: Thank you. The next question comes from the line of Pankaj Kumar and Individual Investor, please go ahead.

Pankaj Kumar: Yes. First of all, congratulations for an excellent result. In the last conference call, you said that Q3 and Q4, the second half is not going to be as good as the first half, but still you believe it will be like that only?

Kishor Patil: Yes, I think we have said that the acceleration will happen in H1 better than H2. , Q3 traditionally a softer quarter. And we wanted to accelerate in H1 looking at it to be safer, we wanted to accelerate in the first part of the year. And that's what we are trying to do on the existing programs and projects we have. In that context, we have said, market and the opportunities look right. Otherwise, the environment looks good. So if at all, they have to revisit, we'll regain quickly.

Pankaj Kumar: Right. And the second thing is you said that there will be 250 bps of gross margin impact due to wage hike, but you would be able to manage that. And finally, there will not be any impact in the next quarter. Is that understanding, correct?

Sunil Phansalkar : We have said that the gross impact is about 250 bps on the margins, and we will be substantially able to absorb that with operational efficiencies and revenue growth, but there would be some impact on the margin.

Moderator: Thank you. As this was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Sunil Phansalkar: So thank you, everyone, for being a part of this call. And if you have any further questions, please write to me. My e-mail address is mentioned in our investor update. Thank you so much, and have a great evening.

Kishor Patil: Thank you, everyone.

Rahul: Thanks.

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