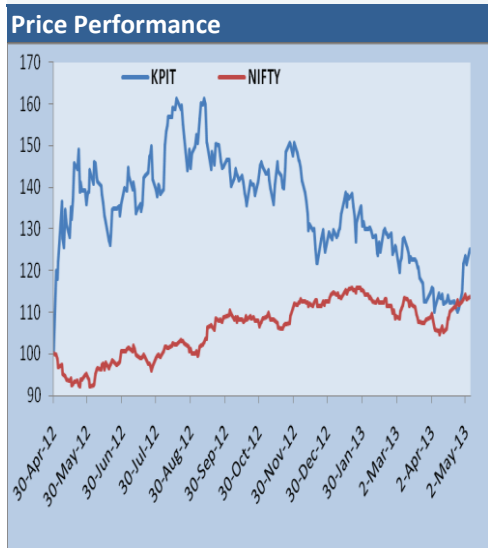


Result update	BUY
CMP	116.5
Target Price	145
Previous Target Price	145
Upside	24%
Change from Previous	0

Market Data	
BSE Code	532400
NSE Symbol	KPIT
52wk Range H/L	142/92
Mkt Capital (Rs Crores)	2250
Average Daily Volume	144511
Nifty	5789

Stock Performance	1M	1yr	YTD
Absolute	14.2	-3.4	-8.8
Rel. to Nifty	19.4	-17.6	-19

Share Holding Pattern-%	Current	4QFY13	3QFY13
Promoters	24.3	24.3	26.2
FII	30.8	30.3	26.7
DII	11.80	10.7	13.6
Others	33.1	34.6	33.5



*Impressive organic growth despite inorganic thrust (acquired 10 companies in the last 10 yrs), Potential option value from success of its hybrid engine venture Revolo (on trial) .*

Recent sharp depreciation in Indian Rupee (INR) will boost margin of Indian IT companies and every 1% change in INR boosts margins by 30-35bps. The rupee has depreciated near 8% since May. KPIT earns large part of its revenue in USD, therefore we expect margins will improve in the April-June quarter.

Company expects better earnings, confident of generating a positive cash flow for FY14, after considering the balance payments for the existing M&A deals.

Recently, Company witnessed better numbers than street expectation with 1% of sales growth led by strong numbers of Auto and Engineering segment and PAT growth by 1.5% on sequential basis.

**On Margin front:** During Q4FY13, its OPM up by 207 bps to 17.7% due to change in business mix with Auto Engineering and IES share in the total revenues going up. Both the SBUs also saw a rise in their respective margins. For FY13, the company level EBITDA stood at 16.30%, up180 bps over the last year. However, management had targeted an improvement of 50 to 100 bps in EBITDA for FY13.

**Geographical revenue:** This year company saw a strong growth in APAC, which is now a very strategic market for both in engineering and Business IT related services. During the year company strengthened its foothold in APAC and secured a few key projects across the region. US continue to be the biggest market with growth opportunities in the space of JDE and SAP offerings. Europe market impacted by the Euro-zone conditions.

**Earning Guidance: Company released the guidance for FY14E,**

- (1)USD Revenue for FY14 to be in the range of USD 465 Mn to USD 475 Mn,
- (2) INR PAT for FY14 to be in the range of INR 2,309 Mn to INR 2,388 Mn,
- (3) Confident of generating a positive cash flow for FY14, after considering the balance payments for the existing M&A deals.

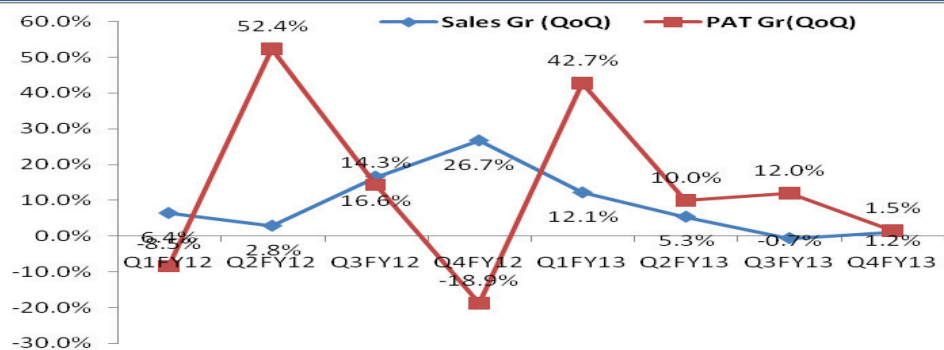
Despite of all previous ups and down in IT sector, global demand environment is on the way of recovery and growth. We continue to prefer KPIT's differentiated positioning and competitive edge in its focus areas ,imperatives to the success of smaller-sized IT vendors. We expect KPIT to grow its revenues at a CAGR of 24% over FY12-14. The stock trades at 10x FY14E EPS. Maintain Buy, with a target price of Rs145.

Financials	Rs, Crore				
	4QFY13	3QFY13	(QoQ)-%	4QFY12	(YoY)-%
Revenue	569.86	563.29	1.2	480	18.7
EBITDA	101.3	87.9	15.2	75.5	34.2
PAT	51.2	50.4	1.6	44.1	16.1
EBITDA Margin	17.8%	15.6%	100bps	15.7%	120bps
PAT Margin	9.0%	8.9%	20bps	9.2%	60bps

(Source: Company/Eastwind)

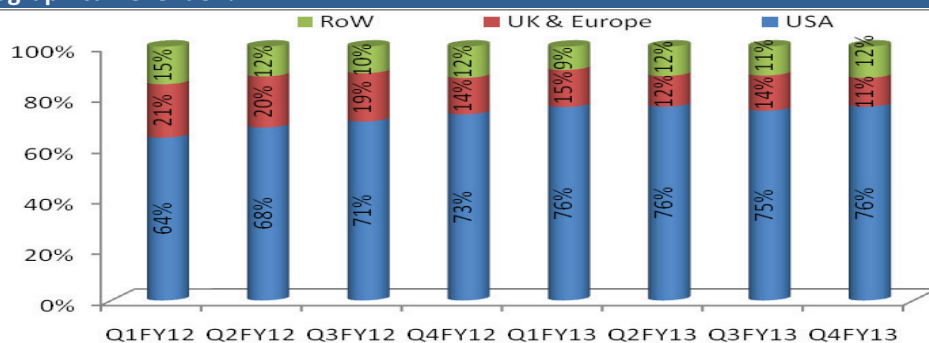
# KPIT Cummins.

## Sales and PAT growth-%(QoQ)



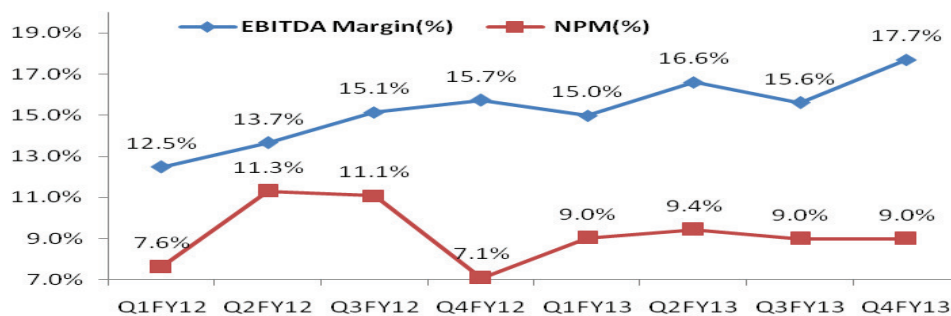
(Source: Company/Eastwind)

## Geographical revenue:-%



(Source: Company/Eastwind)

## Margin-%



(Source: Company/Eastwind)

# KPIT Cummins.

**Revolvo:** The unit has been in the process of conducting trials in 40 vehicles, which has been yielding encouraging results, with fuel savings between 30-40%. KPIT is working to bring the costs down further and attaining regulatory approvals.

**SAP:** Within SAP, there may be one more quarter of muted performance. However, company is seeing a healthy demand from Energy & Utilities vertical in North America and also in the APAC geography.

**Revenue from Cummins:** Revenue from top client Cummins declined 12.3% QoQ to USD17.5m. Revenue from Cummins' account grew 31.6% YoY in FY13, while top five accounts grew 51% and top 10 accounts grew 49% YoY.

## Operating Metrics

	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13
<b>Sales Mix (% of Sales) - Geography</b>					
USA	73.3%	76.2%	76.4%	74.7%	76.3%
UK & Europe	14.4%	14.6%	12.1%	13.9%	11.3%
RoW	12.3%	9.2%	11.6%	11.4%	12.3%
<b>Sales Mix (% of Sales) - Verticles</b>					
Automotive & Transportation	37.1%	39.6%	38.8%	40.3%	38.5%
Manufacturing	35.0%	32.9%	32.4%	34.0%	35.4%
Energy & Utilities	11.6%	13.7%	15.3%	14.2%	13.5%
Others	16.4%	13.8%	13.5%	11.5%	12.7%
<b>Sales Mix (% of Sales)-SBU</b>					
Integrated Enterprise Solutions	42.6%	44.4%	45.9%	48.7%	49.0%
Auto & Engineering	22.9%	23.7%	24.4%	23.4%	25.0%
SAP	32.4%	31.9%	26.7%	27.9%	26.0%
<b>Client Metrics</b>					
No. of Customers Added	4	3	4	2	5
No. of Active Customers	169	172	176	178	183
Customers with run rate of >\$1Mn	59	65	69	72	78
<b>Client Concentration</b>					
Top Client – Cummins	19.5%	20.6%	19.7%	19.1%	16.6%
Top 5 Clients	33.0%	36.3%	35.2%	36.8%	35.2%
Top 10 Clients	42.2%	44.0%	43.7%	45.2%	44.0%
DSO	90	75	75	70	75
<b>Employee Metrics</b>					
Total Employee	7719	7873	8111	8286	8321
Onsite Utilization	94.5%	94.7%	94.5%	92.8%	94.3%
Offshore Utilization	74.3%	74.1%	74.7%	72.9%	74.1%

(Source: Company/Eastwind)