May 06, 2025

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

Scrip ID: KPITTECH
Scrip Code: 542651

Kind Attn: The Manager,
Department of Corporate Services

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

Symbol: KPITTECH
Series: EQ

Kind Attn: The Manager,
Listing Department

Dear Sir/Madam,

Subject: - Transcript of the Post Earnings Conference Call for the quarter and year ended March 31, 2025.

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 and year ended March 31, 2025 conducted on April 28, 2025 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/investor-financials/

Thanking you,

Yours faithfully,

For **KPIT Technologies Limited**

ASHISH MALHOTRA
Digitally signed by ASHISH MALHOTRA
Date: 2025.05.06 10:26:33 +05'30'

Ashish Malhotra
General Counsel & Company Secretary

Encl: as above

"KPIT Technologies Limited
Q4 FY '25 Earnings Conference Call"
April 28, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to KPIT Technologies Q4 FY '25 Earnings Call hosted by Dolat Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Jain from Dolat Capital India. Thank you, and over to you, sir.

Rahul Jain: Thank you, Avirat. Good evening, everyone. On behalf of Dolat Capital, I would like to thank KPIT Technologies Limited for giving us the opportunity to host this earnings call. Now I would like to hand the conference to Sunil Phansalkar, who is Vice President, CF&G and Head of Investor Relations at KPIT, to do the management introductions. Over to you, Sunil.

Sunil Phansalkar: Thank you, Rahul. Good evening, and a very warm welcome to everybody on the KPIT Technologies Q4 FY '25 and FY '25 Earnings Conference Call. On the call today, we have Mr. Ravi Pandit, Co-Founder and Chairman; Mr. Kishor Patil, Co-Founder, CEO and MD; Mr. Sachin Tikekar, President and Joint MD; Mr. Anup Sable, Board Member and CTO; Priya Hardikar, CFO; and Sunil from IR.

As we always do, we would have the opening comments made by Mr. Ravi Pandit on the performance of the company for the year and during the quarter and the way forward, and then we'll have the floor open for questions. So now I will hand it over to Mr. Ravi Pandit.

Ravi Pandit: Good evening, and welcome to our fourth quarter investor call. So what I would like to do is to first talk about the financial results that we have declared, which are in your hand. And then I would like to talk about the broad movements in our area of work. So coming to the financials first. If you look on a quarter basis, if you look at the top line, the year-on-year growth in constant currency has been 15% and quarter-on-quarter growth has been 3%.

The EBITDA this quarter was 21.1%, where the year-on-year growth on this quarter has been 18.5% and quarter-on-quarter has been 3.5%. For net profit, we have given 2 numbers this time. The year-on-year growth in net profit for this quarter has been 48.9%, but includes some one-time income, which we have detailed in our investor presentation. If you exclude that, then the growth has been 34.9%. And on a quarter-on-quarter basis, it's 30.9%. And without the exceptional, it is 18.5%.

I believe that the growth in quarter-on-quarter EBITDA as well as on net profit has been quite healthy. We had during this quarter total closures of $280 million. We ended the year with a healthy cash conversion with a cash on hand of INR 15.8 billion. If one were to look at the year part, on a constant currency basis, the top line growth has been 18.7%. EBITDA is 21%. Growth in that has been 24%.

The net profit has seen a 41.2% rise. And without considering the one-time, it is 29.8%. We had given a certain revenue guidance, which we are within that. We had also given some EBITDA guidance in the first place, which was 20.5%, which we later on increased to 21%, and we have kind of met that. On the basis of the results that we have, we are proposing a dividend for the AGM at INR6 per share. And if that gets approved, then the final dividend will be INR8.5 per share, which would be a 27% growth over the last year.

So that is a broad financial picture. What I would, however, like to do is to talk to you about what's happening in the marketplace and how do we see things happening. In our presentations to you all along, we have been talking about 3 main drivers for our future growth and I want to do a bit of a deep dive in each one of them so that we understand where we are on that.

We talked about 3 basic drivers. One was geographical adjacency. The second is offering expansion and the third one was vertical adjacency. And we have talked time and again about the work that we are doing in China. As things are becoming more and more clear, we see 4 buckets of opportunities for us. And we have been doing extensive work in China now really understanding the market very well. And therefore, we have come to a conclusion that we can possibly look at 4 ways in which we can use China for our growth.

There are some significant learnings from China. And we believe that those learnings are going to be extremely relevant to the global OEMs. And those include new features, they include cost reduction, and we believe that we have an opportunity of taking these learnings from China and take them to our global OEMs, which should help them to become better in their products and cheaper too and also help in the faster delivery.

Secondly, we are also working with our existing OEM clients to remain relevant in China. And we are finding that especially in the area of architecture, the work that we do globally with our global clients could be inducted in the China market, and that is something that can give them some edge in that market. Third thing is that and we all know what the current political conditions are, but we see a possibility that we can take the offerings of the China OEMs to go global.

And lastly and not the least, we believe that we can help China in China, the Chinese OEMs. That's because of the tools and the PTS that we can bring to the table. And all put together, we see that there is a possibility for us to grow in China. We are also working outside of China in some markets. But as we come to a more definitive work on that, we will come back to you.

The second area has been the work on the offerings. The extraordinary work that has been done in China by the Chinese OEMs have actually gotten all the OEMs to think about some serious work on cost reduction. How can they consolidate their hardware or software or configure it differently so that the cost can come down. And that's an area where we see a lot of opportunity. We are also seeing opportunity -- and this is a global opportunity in the area of cybersecurity. And we are building some muscle in that.

We have added some people in that area, and we think that we have some interesting offerings to give. And also considering the fact that the speed at which the new vehicles are going to be launched in the years to come, there is a need for end-to-end validation. And that's an area where we have been investing our time and money, and we see a possibility of growth in that area. The third dimension has been the area of vertical adjacency. And we have spoken about this earlier that we want to look, currently, we are looking at the entire spectrum of mobility, but our main thrust has been in the area of passenger cars.

And we talked earlier that we want to look at both commercial vehicles as well as off-highway equipment. And last time in our last presentation, we talked about 8 new clients with whom we have been having positive conversations. And out of them, we have started already working with 4, which includes 2 truck OEMs as well as 1 off-highway. We have also started working with 1 pass-car OEM.

So we see that increasing potential for growth in the vertical adjacencies. We are also seeing some broad trends in the customers with whom we are working, and especially those customers whose business model has been disrupted by the current experience in China. And we see this largely, we see this especially with the European OEMs. We see that they are doing more and more consolidation of their vendors.

And so obviously, they are going to lead us in this area, and we see that there is a possibility for us through this consolidation. We are also seeing that considering the fact that the Chinese OEMs have done exceptionally well, both on the autonomous side, which is like L2+, as well as on the digital cockpit side, the other global OEMs really want to improve their features in this area. And that's where we see some opportunities for growth for us.

And of course, there are many OEMs now who are looking at best-cost-country initiatives. And that's the third part where we are seeing some potential for growth. And you can see a reflection of that in the deal closures that we have done. If you recollect, in the first quarter, we had a deal closure of USD 202 million. The second quarter, it went to 207. The third quarter, it went to 236.

And the fourth quarter, it went to 280. While the OEMs are reconfiguring the way in which they are giving out the work, they are restructuring that, and that is taking some time, and which is why the deal closures are not getting immediately reflected in the revenues. But looking at what we have developed over the years, and the kind of expertise that we have developed, the kind of client confidence that we have built, we are certain that we will do well in these turbulent times.

And so that is what I wanted to leave you with in terms of my first initial remarks. And we will be happy to take any comments or questions that you have. Thank you.

Sunil Phansalkar: We'll have the opening comments again. I think financials have been done. Post-financials, we'll have the opening comments again, and then we can have it open for Q&A. Please.

Ravi Pandit: Hi, everyone. I understand that somewhere in the conversation, we got disconnected. And so what I would like to do is to bring out the points that I wanted to make. And so the first, I covered the quarterly and the yearly financials, which I understand were heard by all. Then I talked about how do we see the things, the current market opening up. And as I said, in Q2, we talked about certain uncertainties. In Q3, we gave confidence regarding how things are moving. Today, we are far more clear regarding how the market is moving and how we will perform in this market. So let me talk about the broad drivers of our revenue and go a little bit deeper into that.

In all our past 3 investor updates, we talked about 3 leverages that we wanted to use. One was the look at geographical adjacencies. The second was look at broader offerings to service our clients. And the third one was to look at vertical adjacencies. So these are the 3 levers that we were looking at.

Coming to the first one, on geographical adjacency, we have been talking about China for quite some time. And now it seems that the picture relating to what we can do in China is getting clearer and clearer and we are seeing 4 possible avenues for us to work. And let me take you very quickly through the 4 avenues.

One is that over our work in China and our partners' work in China, now we have realized what are the learnings which are from China, which we can take to our global clients and we believe that, that will help our global clients to do work at lower cost with better quality, more features, etcetera. And that's one thing that we see happening, especially in the area of Autonomous L2+ part as well as in the area of digital cockpit. And we see our global clients can help from our work in this area.

Secondly, we believe that we can help our existing OEMs to remain relevant in China, especially on account of the extra work that we have been doing, the specialized work that we have been doing in the area of architecture. And that's an area where we have some definitive edge, and that is something that can be used by our global clients to operate in China.

The third thing is about taking some pieces of work, which has been done by Chinese OEMs and take them global. This, of course, depends on the various political situation, but we believe that there are parts of the work that we can take from China to the global market. Last and not the least is helping the Chinese OEMs to work in China. This is especially in the area of where we have some extremely good tools and the PTAs (Platform, Tools & Accelerators), etcetera, and we see there is a possibility for us to help them. So this is our first axis of operational leverage.

The second one has been on the additional offerings. And we believe our 3 major offerings, namely the cost reduction, cybersecurity, and end-to-end validation will be of relevance in the current period. The third thing that we talked about was the vertical adjacency. And you would recollect we had talked last time that there are 8 new clients with whom we are having positive conversations. Out of those 8, we have started working already on 4. And out of them, 2 are commercial vehicles and 1 is off highway. And the last one is, of course, passenger cars.

So we are seeing growth in our vertical adjacencies. We have created specific administrative structure for that, and we are progressively seeing growth in that area. We are also beginning to see that many OEMs, especially the European OEMs are now doing a substantial consolidation of vendors. And we see that there is a possibility that we will have some piece of the cake. Clearly, because we believe that we have more expertise than most others can offer, and we would become like very natural partners to these OEMs.

So we see this as an overall traction. If you were to look at our deal closures over the last 4 quarters, you would see that consistently on a quarter-on-quarter basis, they are going up. So in the first quarter of this year, the deal closures were $202 million, in second quarter $207 million, in the third quarter, $236 million. And in the last quarter, that Q4, our deal closures were $280 million.

So the point that we are trying to make is that we believe that this industry will continue to go for transformation. We believe that we have established our reputation as good dependable suppliers of software integration for them. We believe that we have some extraordinary offerings for them, and this should actually see us through in the years to come. So with these opening remarks, we'll be happy to take any questions from you. Over to you now.

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

Abhishek Kumar: My first question is on the dichotomy between the deal momentum that we have seen building throughout the year and the decision to not give guidance. But if you could just help us understand, you know, how much -- how difficult it is, what kind of visibility we have right now getting into FY '26?

Kishor Patil: See, overall, as we have said that there are clear areas where we are engaging with the client. And we have seen traction. We have seen pretty reasonable results for Q4 also. At the same time, there are a lot of things which are changing currently, and we think it is in the process of settling down. I mean, for example, everybody is aware about tariffs. And I think many of these areas from that perspective, the speed at which the things will get executed is still not fully clear in the short term.

While we believe it is a question of a quarter or 2 at the most. And that is the one reason why we do not know how the conversion of orders into revenue will happen. At the same time, I must tell you that many of these larger deals, which we have got, many of them are already in the transition phase. Many of them have started scaling up, but slowly than what we would have liked from the client perspective.

So the clients have been a bit cautious at this stage. And all our discussions with the clients tell us that the governments and the industry that the trade agreements will get settled in the next 3 to 4 months. And every day, you see a better environment. So with that, we believe we should be in a position to move on quickly from there.

Abhishek Kumar: Okay. My second question is on this collaboration with Mercedes-Benz. Now Mercedes, their strategy was to do their vehicle operating system, which was called MB.OS, if I'm not wrong, all in-house. So do you see any change in stance by Mercedes in this case? And in general, across OEMs who are now more open to collaborating and offshoring even their SDV programs, especially the German OEMs?

Kishor Patil: So absolutely, I think we have been working with German OEMs, as you know, that's a large part of our clients, too. But recently, there are 2 things they are seeing, and it is related with their local ecosystem, which has not been very cost competitive, number one, which has been slow in some sense, the kind of work environment they have, number of hours they have and also the way in which they have been innovating for the future. So with all this together, many European OEMs are absolutely looking at how they can very quickly catch up.

Naturally, we are in a specific situation where specifically in SDV or some of these areas, we are very well entrenched. We have many platforms, many PTAs as we call, we can accelerate this growth. From that perspective, we got engaged. And you will see that from many companies in Europe so that their response can be improved.

The main thing for them is typically, their SDV programs have been delayed for most of them, and they want to catch up on that. Where they see the opportunity is where a company can step in and help them to do that, I think that's where now they are moving. Did I answer your question?

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

Karan Uppal: The first question is again on, let's say, FY '26. So assuming there is some certainty to tariffs in next 3 to 4 months, will that be a trigger for auto companies to start resuming the spend? And also will that have an impact on the growth trajectory through FY '26?

Kishor Patil: Absolutely so. And we believe that it's not something which we will start from there. We have already started walking. We'll start running after that. So I just want to be very definitive in saying this. Basically, it is not a question that we start the process from there on in terms of this. We are already in the process. With most of the clients we are talking about in terms of either transitioning or getting more clearer in terms of what to deliver and already started in some way. The point is how quick and when to scale on a large scale, which I think will happen.

Karan Uppal: Okay. Secondly, on Mercedes deal. So congratulations on that deal. So just wanted to understand the size of this engagement. Is it similar to our previously announced SDV deals like of Honda or of Renault? And also, if you can mention the tenure of them.

Kishor Patil: Yes. So absolutely, it is a similar scope we are doing, but I think we came a little bit late, but absolutely, it is the same contract. And it will be a longer-term deal. It's a multiyear deal, which we are looking at 3 to 4 years deal. So this engagement is there. And naturally, it's like being a strategic partner for them in these areas. So that's what we are looking for.

Karan Uppal: Okay. And last question is on Europe. So there was a sharp drop in Q4. What led to that? And also related to that is in FY '25, we saw majority of the growth being led by Asia. So in FY '26, can we expect a broad-based sort of growth?

Kishor Patil: I think in a quarter or 2, anything happens, but we have already mentioned that in the pipeline we have, the largest pipeline we have is from Europe. And many of these opportunities we have started are from Europe. And actually, as we have also mentioned last time, some of these engagements like Mercedes, which is a European client, it gets reflected sometimes in Europe or outside depending upon how it gets staged.

But we see that there are different opportunities in different regions, and Mr. Pandit talked about it. But I think in Europe, we believe the speed to catch up is important, and we are a very well-established as well as acknowledged player in that area. So the situation is in terms of how quickly they can do it, how reliably we can do it. I think from that perspective, we are in a prime position.

Moderator: The next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Sir, just wanted to understand your comments indicate some growth slowness in the first half with expectation of pickup in the second half. So just wanted to understand the first half growth on a Q-on-Q basis, you believe because of macro pressure, it could be even negative or you believe it could be marginally positive with growth momentum to pick up in the second half?

Kishor Patil: We don't talk about quarter-to-quarter growth, but it would be positive.

Sandeep Shah: Okay. Okay. And second, in terms of these kind of a difficult macro situation, maintaining margins could be a difficult task for the industry. So how do you see the FY 2026 EBITDA margin versus FY '25?

Ravi Pandit: See, what we intend to do during this year first thing is you have seen that if you look at even last year, I mean, if I'm correct, most of the companies, their margins have dropped as long as I know almost all. And for surely for the last quarter, for sure. I think we have been in a position to maintain our margins through multiple ways. And we believe that we are in a good position to do that. There are many things we have been focusing a lot on things such as platforms, the automation as well as AI together.

And that is a much more compelling reason than a pure AI-based solution. And this can give a disproportionate productivity for us, which will be great for the client and for us, both in terms of time and the quality. So we believe that many of these things will help us not only that we want to continue having the margins, same margins, but we would like to invest in terms of many areas for future and really making a transition to the new models, business models.

And that's why we feel that there is a good possibility for us to manage the margins, while we are not giving any particular time. But I would also say that during the year, as the things settle, we will certainly come back and give the outlook for the rest of the year. And during this time, we intend to give at least some more updates in between once in quarter so that we are engaged with you and you keep on getting more updates frequently.

Sandeep Shah: That would be helpful. And just a last question, Kishor, sir, in your presentation comments, you have mentioned apart from other factors, a potential acquisition would also be one of the growth drivers for medium term. So any update on M&A and versus QIP announcement, which we had 2 quarters back? And whether the potential M&A at advanced stage and will it be financed through internal accruals debt or through QIP proceeds?

Kishor Patil: Yes. So first thing is, yes, I think we have been talking about the areas and especially in the areas which are becoming more and more important, as Mr. Pandit talked about, the cost reduction part or cybersecurity where we already have the offerings, but where we really want to catapult into, again, the leaders in this area very clearly. In that aspect, we are looking at certain acquisitions also in advanced stages of discussion, but till it doesn't happen, it doesn't happen. So those opportunities are there.

The idea is not really for a growth, as we always say. It is about more a strategic intention. And the strategic intention will be whether it is adjacency of vertical or adjacency of offerings. And I think that's what we will do the acquisition for these matters.

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

Bhavik Mehta: So a couple of questions. Firstly, you did mention that there have been some delays in ramp-up of the projects. But have you seen any ramp down or cancellation since the tariff announcement on 2nd April.

Kishor Patil: We have seen certain projects which we are expecting not coming up and some small way where the projects got closed, we did not continue with some of these. So that has happened, but nothing on a significant scale.

Bhavik Mehta: Okay. The second question is on the Mercedes deal. Firstly, a clarification, is it part of the 280 million TCV you announced for the quarter? And secondly, how should we think about the margins on this deal, given that you're working with the India R&D centre of Mercedes?

Kishor Patil: So, I think two things I would say is, this was already factored in the last win for the last quarter, we were transitioning in this area. We are completing the transitioning and closing those formality. So, it is not a part of this quarter. And the second thing is, we had covered it in the earlier quarter. Part of it was covered in the earlier quarter. And the other areas, I may say that, we have been working with the India centres earlier too. So, we will continue to look at the margin in a holistic way.

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

Nitin Padmanabhan: I had a couple of questions actually. The first is this quarter, we saw a decline in pass-cars, but growth was primarily driven by the other segment. Could you give some context as to what kind of work actually drove growth there? Yes, is it better?

Sunil Phansalkar: Yes, now it's better. Okay. So your question was.

Nitin Padmanabhan: So my question was that during the quarter, we saw a sequential decline for passenger cars. And growth was largely driven by the others segment. So could you give some context on what kind of work actually drove this?

Kishor Patil: I mean we actually it was a marginal number. So we'll come out, we'll check it out. But it should be something to do with either the commercial and off-highway or semiconductor company. So we will check that. But I think that's what it is.

Nitin Padmanabhan: Sure. That's helpful. The second is, see, this time, the share of profit from associates is around INR14 crores. Is that from QORIX? And is this sort of a sustainable number we should think about?

Kishor Patil: Yes. Absolutely, it is from QORIX. And actually, it is from both. I think we also had a profit in N-Dream also. So it is a profit from both. In terms of QORIX, I don't think this is something sustainable. We have to look at it more on a yearly basis. There is a large order which Qorix got during this quarter

Kishor Patil: So I think if you look at the QORIX, every quarter, there was a certain loss during the last year, but this made it up largely for the profit. So I think it's a product business. So there will be quarter-to-quarter variation, but I'm sure as a year, we should be in a position to do well

Nitin Padmanabhan: Perfect. And I hope the audio is better now.

Ravi Pandit: Yes.

Nitin Padmanabhan: So how should we think about margins going forward? So last year, we had the ESOP costs, which sort of tempered margins a bit. So you think if you could give some context on how much of a tailwind that could be this year?

Kishor Patil: No. So I think we'll come out with, as I mentioned, that once there are, I would say, down the line, we would come up with a more specific number. But right now, there is nothing to assume either way. So I think that's what I would just say, at that point.

Nitin Padmanabhan: Perfect. And just 2 quick questions. So in the last quarter, you mentioned a 20% sequential increase in deal pipeline and a lot of that was from Europe. How is it now post the wins that you have had? And any update on the large deals that you have spoken about in the past?

Sachin Tikekar: All right. Nitin, so Europe pipeline looks solid. The 2 truck OEMs that Mr. Pandit talked about, they are from Europe. The passenger car OEM also happens to be from Europe. The pipeline keeps getting better. So the outlook for Europe for this year remains encouraging for us. Nitin, what was your second question? The outlook for Europe and.

Nitin Padmanabhan: The second one was earlier, you mentioned a couple of large deal wins. So -- I mean, large deals in the pipeline. So how are they stacking up at the moment?

Sachin Tikekar: Yes, yes. So they're tracking really well. And we do hope to have a closure on at least one of them during this quarter. So they're tracking well. And as the dust settles down, hopefully, there will be some acceleration in the next couple of quarters.

Nitin Padmanabhan: Perfect. That's very helpful. And then just one last one, if I may squeeze in. Is how are you thinking about the wage increase cycle this quarter? Do you -- any thoughts on holding it back? Or it should be a normal cycle in Q2?

Kishor Patil: So I think we are changing a lot of things in the company and the way we are working, specifically with the AI. So for sure, for the year, we would have increments specifically, but those would be, if I would say, more linked with certain performance. Specifically, we want to ensure that our direction in terms of AI and overall productivity or the end-to-end solutions. So how the people deliver on the overall productivity, we would have more incentive-based payments and the fixed increments will be smaller.

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

Chandramouli Muthiah: My first question is just around passenger vehicle versus off-highway and commercial vehicles. So I think we have been trying to build up the business potential within commercial vehicles given that it is a little more intelligent driving and ADAS friendly. So far in the last couple of years, I think passenger vehicles have comfortably outgrown commercial vehicles. So just trying to understand over the next 1 to 2 years, how you see commercial vehicle as a driver and when you see a more meaningful growth potential there?

Kishor Patil: So if you see the win -in some of this, I mean, we look at commercial vehicles as well as, I mean, off-highway commercial together as a segment. So we already have one win, a meaningful win and a more strategic win. And we believe that this is something which will take off during the year. We may not have a significant numbers to add, but reasonable growth. In this year, we would build a base. And from the next year, we will see meaningful growth is what we see as of now.

And pass car, of course, I mean, that will remain as an engine for years to come. As I have always said that we believe that there is a lot of headroom for us to grow in the passenger car. As Mr. Pandit also mentioned and Mr. Tikekar mentioned last time that we are already in discussions with multiple clients, and we are seeing a great conversion on the new clients. We have shown about the Mercedes-Benz.

I think that those were some of the concerns earlier, whether you will get SDV programs for the new OEMs. And I must say that actually, there are many OEMs which we were not working or for the reason that they were not really driving this in a holistic way this program, many of them are coming back to us right now. And from there, that's how we have started the traction in this area.

So absolutely, we believe in the medium term, I mean, the passenger car vehicle growth will be always there from this year and next year onwards.

Sachin Tikekar: Chandru, another way to look at it is from off-highway, we had 5 OEMs in mind that are of meaningful size. And on the truck side, there were 4 OEMs. What we have done is 2 out of the 4, we have already signed up with. And I think over the next several quarters, we'll start to engage with them more meaningfully. Out of the 5 on off-highway, we have started an engagement with one. Having said that, there are 2 others that we hope to start engagements within the next quarter.

So in order to have a broad-based growth, which is across the 3 geographies and across the 3 verticals, I think we are setting ourselves reasonably well. And we'll be able to do so during the H1 so that our growth going forward in the second half of this year and in the midterm will be more balanced across the geographies as well as across the three sub-verticals. So reasonable progress from that perspective.

Chandramouli Muthiah: Got it. That's helpful. My second question is just around the focus on China. So in the global EV market, this is the set of OEMs from China that seems to be rapidly gaining market share and entering more and more markets, which are accessible to the Chinese OEMs. So I think KPIT over the past couple of years has been focusing more on trying to build a bigger base and closer relationship with some of the Chinese OEMs that are going global.

So just trying to understand, are there any sort of early examples or early wins that you're able to share with us, which you think can germinate into larger opportunity sets? Just to see over the past couple of years, the efforts you've been putting, if there's sort of any early indications of what sort of direction and trajectory this maybe more thematic shift in the global EV industry could take and benefit you?

Kishor Patil: Yes. So as Mr. Pandit talked about our China strategy and what are the 3, 4 angles which we have in terms of our China strategy. So we are first, I must say that for a sustainable growth for long-term, we have to build an organization. And we are in that process where we have hired people from the technology side who can bring our learning from China to here. We are building a local stronger presence which can meaningfully engage with China in China. And of course, we have moved some people from outside China , Chinese people who can really engage with us in terms of global OEMs.

So we have actually first established the structure. I may say that we have established some partnerships there at this point of time. I believe in the later part of this year, we should have something going. But we are progressing on some conversations there. I would not say anything concrete beyond that. But there are certain conversations which are progressing positively.

And the first part for us was to really create -- as you know, we are not there to just go and sell. First, we have to build an organization. We have to build offering which makes significant sense to the OEMs for the long-term and strategically. So that is something we have built some of these partnerships and the conversation with the end consumers. And we see better confidence in penetrating in that market.

Chandramouli Muthiah: Got it. That's helpful. And my last question is just around pricing in the market, as well as sort of profitability metrics. So when I look at your EBITDA per employee, it continues to grow on a Y-o-Y basis. So just trying to understand from a pricing standpoint, even though the macro is a little more of a pause kind of situation at this stage, what sort of negotiations are you having on pricing? Are you able to take price hikes the way you were able to take 1 or 2 years back? Or is there maybe sort of a pause on sort of pricing trends as well?

And just related to that, on the margin front, I think part of this was asked earlier. Last year, we did have meaningful ESOP headwind in spite of which, I think the company was able to expand margin Y-o-Y. This year, there's much less of an ESOP headwind and you have spoken about more offshoring, so just want to understand directionally if there's some color you're able to share on margin and pricing.

Kishor Patil: Yes. So I think we look at -- I think it is better to look at holistically. The way we look at it as a company. I mean, there are many things, right, we continue to invest. One is in the people, right? Last time like stock options, we invested quite a bit. We invested quite a bit into market expansion. And we will continue during so this year also to invest more meaningfully into markets.

–We are also making a meaningful investment into AI transformation. It is in terms of hiring the team, then we are also building solutions as I said, AI is not just AI because that any company can come up with. We are looking at how we can make a very automotive-specific or mobility-specific AI agents, platform tools, and along with our accelerators, it creates end-to-end solutions. So we would like to accelerate that part of the journey also during this year.

So of course, to your point, in some customers, we have got the increment that is increased rates in some customers. And of course, there are clients which are coming back for a better cost-effective solution. Currently, our approach is to take this opportunity to change the business model and really find a better way to give them benefits as well as maintain the margin if not increase it. Right now, that is what we have been doing.

So to answer your question, we'll we will manage our margins based on the kitty we have and where we are making the investments. So that's what I would put it.

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

Ruchi Mukhija: Now most of questions have been answered. Just to double-click on China strategy. Do you think localization, partnership, ecosystem and special solutioning, will it have some implication on margin for KPIT? And now how flexible we are if it requires some balance sheet commitment to build China scale business for us?

Kishor Patil: I mean, it will be part of our TCV we talked about, right? We'll develop and invest in the market. So China will continue to. It's a little longer game and we believe that as in any market like including India, we have been in a position to have a reasonable margin. So it's something we have to do. And I think I must say that with AI, we are more confident actually with the overall platforms and solutions we are picking to compete in any market.

So I won't say that whether it is accretive margin for this or that. But right now it's a little medium-term game at least in China, but it's very strategic. So we will continue to do that, and we'll find our way to improve the margins.

Ruchi Mukhija: Got it. In the presentation prepared comments mentioned that transformative large deals we expect to contribute revenue in H2. Just to clarify here, are the ramp-up timeline have been planned like that or because of the tariff situation, this is some delay that we anticipate?

Kishor Patil: We believe these 2 or 3 bigger opportunities which we have. It's nothing planned but I think some of these, as I mentioned earlier, we have already started in some small way. I think it will take some time to scale during this part. That is one part. And a couple of things, I think they are in that natural process, they will realize that around that time.

Ruchi Mukhija: Okay. And last bit, more accounting one. The profit from JV INR14 crore we received, you did mentioned that there will be some fluctuation around the Qorix. But can you give some broad sense, are we confident that the next year, we would still net positive for the year? Or still we are in the experiment phase and there could be negative or losses in the JV effort?

Priyamvada Hardikar: So there could be- like Mr. Patil mentioned earlier, there will be quarter-on-quarter variation because it's a product company, QORIX itself. We do believe that in coming times in medium-term, it will be positive. Cannot say right now whether it will be 1 year or 2 years.

Moderator: The next question is from the line of Ankur Pant from IIFL.

Ankur Pant: I have a few questions. First is Asia has been a key growth driver for us over the last several quarters. Post the tariff announcements, have you seen more caution in your clients in Asia as well which might lead to some tapering in growth in 1H? Like how are the conversations changed there?

Sachin Tikekar: Asia is a fairly broad market. So we look at Asia as Japan, Korea, one bucket China, one bucket, and India, one bucket. And what we are trying to do is we want to have more broad-based growth in Asia from pass cars as well as trucks. And I think the efforts are on. And as Mr. Patil mentioned earlier on, I think quarter-on-quarter, there will be fluctuations. But year-on-year, we'll continue to see growth coming from Asia. In fact, we do hope that this year, the growth will be broad-based in the sense that all 3 geographies will be firing in the same direction.

Kishor Patil: At a high level, maybe if I may add, India will be a growth market. We see a reasonable growth in India., China has been a small part. So we will see at least something positive there than what it was last year. Japan will be also positive. And Korea is probably flattish as of now, and we'll see where it goes. But there are other markets in Asia where we see some growth opportunities, and that we expect to grow during this year.

Ankur Pant: Sure. And then talking about these geographies, how is the demand environment, if you could just elaborate in brief different in U.S. versus Europe, for example, Asia, you have already explained. But how are clients, including the US and Europe?

Sachin Tikekar: So I'll generalize for each of the geographies. We just talked about Asia, and we also talked about Europe earlier on. There are German OEMs who know what they want. They're trying to consolidate business and they're looking for a partner who will sort of help them accelerate some of these programs. And as Mr. Pandit explained earlier on, we are in a pole position to capture growth from them.

As far as the US is concerned, we've started an engagement with the new OEM in U.S., which is a good thing for us. And we believe that we'll grow, we'll have substantial growth from that particular pass car OEM in the US. And the existing OEMs that we have, both on pas car as well as trucks will have growth.

Having said that, we do hope to have more growth coming in the US from off-highway. There are 2 or 3 really large off highway players, and we've started an engagement with one of them this year. So we do believe that growth in the US will also come back. It's just that it'll be broad-based. It'll be across pass cars, off highway, and trucks for the US. Whereas in Europe, it's going to be mostly in pas cars, trucks. And Asia primarily will be pas cars supported by trucks in some ways. If that's helpful in any way?

Ankur Pant: Yes, definitely. Another question is now there is heightened uncertainty. Are there any specific types of programs that you are seeing delayed and some -- and any specific types of projects which you are seeing that are going as planned, and specific programs which are getting delayed? Just wanted some color around what kind of programs are being delayed.

Kishor Patil: I will start for this and then maybe Anup can talk about it. I think as we mentioned, most of the OEMs are closer to production programs for their new production program in next year and year after. And so this is a very important stage for the integration. And many OEMs are lacking behind. And that's where we have a very differentiated solution to help them. Maybe Anup, you can elaborate on this.

Anup Sable: Yes. So typically, the programs for the OEM fall in multiple categories, which are going from urgent to important. The current programs, which basically deal with the next release of vehicle, right, the start of production, are the most critical ones. They are urgent and important, both. Subsequently, after that, there is a new platform development, or a new next-generation platform, which is critical. After that any R&D or proof-of-concept activities that are important.

So I think when you look at tightening of situations, some of these further in the timeline activities start falling into discretionary activities and they start getting tuned. They're not necessarily cancelled, but they start getting tuned in terms of deferment, what to do now, what to do later, 2 quarters later, etcetera. I think all the programs that were taken in the last generation will basically hit production some in the current year, some in the next year and some year after that.

So from calendar year '25, '26 and '27, many of the current programs will get delivered. And as time goes by, as the production dates closer, the programs also start getting into challenges from an integration perspective. And that is where normally, because we have domain as well as technology expertise and we bring to the table the full solution, we start getting engaged also significantly even at those stages, even at the last stages of the delivery. So I think more or less this is the explanation.

Kishor Patil: So from that perspective, validation is an area where we see a significant growth and integration, which will happen. And we believe we have a very differentiated solution, which we can take to many clients and take the full ownership of this program. That's the area of growth we see. The other areas of growth, Mr. Pandit talked about in terms of both autonomous and digital cockpit area, which are critical apart from the cybersecurity. So these are the areas which will be more important. So I must say that some of the smaller discretionary expenses will go down, but these are the areas which companies will double down.

Ankur Pant: And finally, one last question from my side is that a couple of quarters back, you had highlighted that there is -- the clients want increased offshoring. Are you still seeing that happen? Would that be a margin we were going into next year? And what about the revenue deflation impact from that?

Kishor Patil: Absolutely. It's one of the areas when we are moving towards fixed price. There are many areas how we can do it. But in many areas, we can do that.

It depends upon the stage of the program. I mean if we take a very large program, initially, still you will have to deliver at least have some people on site, but in 6 to 8 months, we can move them offshore. That has what has happened even in the past.

So most of the time, we do believe that people are open for a large-scale cost-effective solution. We want to move -- as we always, we move away from on-site or offshore, but we are in a position to put a model based on productivity, offshoring, our PTAs, as we call platform tools accelerators. And based on that, give a cost-effective solution.

Ankur Pant: But would there be any revenue deflation from that like we did call that out last year?

Kishor Patil: Yes. So from that perspective, if you look at it, I think -- in case of our current engagement, I think there will be marginally, if at all, it happens over the period. But hopefully, we are taking more work from the OEMs from that perspective. So that is not something we believe. But in the new areas or new clients, which we are taking, as we mentioned, we are trying to take away from the Europeans or local companies.

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

Bharat Shah: Yes. This is less on KPIT, but broadly in the -- what is happening in the world in the automobile arena. So it is the impression I get is when I look at what is happening in China, especially on the passenger vehicle side, it is explosion of innovation at a scale, I mean, number of new products, different features, variety kind of stabilizing and customer choices. There is such a dramatic proliferation, which has occurred in a relatively short period of time.

And Europe, like most things in life, Europe is behind by a big margin. America also barring Tesla to an extent that to an extent that innovation is not to be heard. And even Japan seems to be fairly behind. So given that kind of context of that industry, if I'm right in my judgment, what it means is despite the highly questionable trade practices and commercial behaviour of China. So it will raise the heckles of other countries and put up barriers like we are witnessing.

But that kind of innovation can kind of damage the brand equity. I mean, if Mercedes is charging a hell of a lot of price but offering inferior features, suddenly the brand equity gets eroded when you find far modestly priced vehicles with so many features that Mercedes simply doesn't offer. Don't you think that kind of a risk seems to be around, and given your business being predominantly in these geographies?

Ravi Pandit: You are right in your observations about how China has significantly changed in the last years. And I agree that it has taken all other OEMs by complete surprise. And it is also true that the rest of the countries are putting up kind of temporary trade barriers. Europe has done that, America is talking that, etcetera. But I mean, that cannot be a long-term solution because the customers would like to have good products.

And of course, the Chinese OEMs can open their operations in multiple locations and, so to say, get around these legal barriers. But the fact of the matter is that now that these extraordinary new offerings, which have come from China are now being seen by the European and American OEMs, they are in a rush to make sure that they catch up. And so the China cost, the China quality, the China speed is kind of becoming like a mantra with the remaining OEMs. And we really do see a tremendous potential in that.

And in the original remark, in the opening remarks that I made, I talked about learning , taking learnings from China, and taking them to our global clients. But this is what we exactly meant. And as Mr. Patil mentioned, that this whole kerfuffle about the tariffs, etcetera, between US and China may kind of unwind over a period of time. But that is the time that the American OEMs will try to see how they can use that time to kind of match up. And we really do see opportunity in that area.

And I mean, the way we look at it is that in this whole bargain, the consumers are getting a better deal, and this is how things should be. And we should be like the catalyst for making that happen. To us, it's a very good opportunity for growth.

Bharat Shah: No. I understand, you try even when your customers are in trouble, because otherwise their survival is at a stake and therefore they will need to invest. But if your customers or primary customers are usually behind the curve, doesn't it affect you over the period of time that also makes you behind the curve at some stage?

Ravi Pandit: No, not, good question. But a couple of things. It is not safe to assume that the Chinese OEMs are ahead of the remaining and ahead of us in every department of software. I believe that we are good in architecture, and that's something that I mentioned earlier, we could possibly take to China.

There are some areas like we talked about the autonomous. These are the areas where the Chinese have done well because of the extraordinary amount of data that is available to them, which is not available elsewhere. And so some strengths that they have got are the strengths that they have got from their environment. And that doesn't in any way put us as KPIT kind of behind.

Bharat Shah: But from customers' point of view, it is those features, and the dramatic kind of new offerings which customers may not have even thought about, I mean, auto parking, vehicles parking or vehicles...

Ravi Pandit: No. None of these offerings are what customers did not think about. These are the offerings available also in some cars outside of China. It's not such a sweeping difference between China and the rest of the world as is sometimes felt. There are avenues where they are good, and we talked about that, like the digital cockpit and some part of autonomous. That's where they are ahead. And -- so it's not an insurmountable lead.

Bharat Shah: I see. And there are Chinese behind, if there is any?

Ravi Pandit: Architecture, I mean...

Sachin Tikekar: Cybersecurity. Again, China leadership right now is China OEMs for China. This is where they are dominating the world. Of course, they are getting in different countries, but it's an insignificant amount in terms of number of vehicles, even though they are going up. The concerns that the global consumers have about Chinese vehicles, they work really well in China because some of the reasons that Mr. Pandit talked about.

It will take quite some time for them to localize them for each of the countries in which they need to operate. And also aftersales, the quality of the vehicle and the offerings, and the aftersales and dealer network. That is also something that the traditional OEMs have it very well established.

So as Mr. Pandit said, it's not everything lost. The way we see it is Tesla disrupted everybody. And then Chinese caught on. They have disrupted. Chinese learnt from Tesla, now the world will learn from China, and so will the global OEMs, right? So I think that it's a great wake-up call and opportunity for everybody to sort of get their act together and move on.

Bharat Shah: No, appreciate. That means even though Europe remains somewhat legacy driven and sleepy in general, you still believe it is not a lost cause?

Ravi Pandit: No. I think everybody is woken up now.

Kishor Patil: On a parting note, I may say I was very impressed with the current Mahindra vehicle line. I think it gives me hope that in few years India will have vehicles which can compete with China.

Moderator: Ladies and gentlemen, with this, we conclude the Q&A session, and I now hand the conference over to the management for the closing comments.

Sunil Phansalkar: So thank you very much. We appreciate your participation on the call, and have a great evening. Bye-bye.

Kishor Patil: Thank you.

Ravi Pandit: Bye-bye.

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