



Conference Call Update

4th July, 2016

CMP: **Rs.157**
Target Price: **Rs.174**
Recommendation: **HOLD**

After the revenue warning given by the company, it conducted a conference call to discuss the stress in the business and measures taken. The highlights for the same are as follows:

Stock Info

BSE Group	A
BSE Code	532400
NSE Symbol	KPIT
Bloomberg	KPIT.IN
Reuters	KPIT.BO
BSE Sensex	27,144
NSE Nifty	8,328

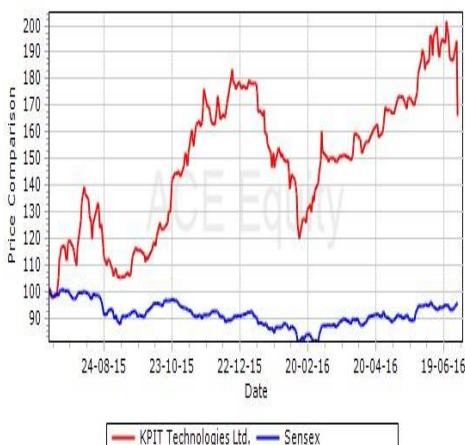
Market Info

Market Capital	Rs. 3,120 cr
Equity Capital	Rs.37 cr
Avg. Trading Vol.	9,22,070
52 Wk High/ Low	197/92
Face Value	Rs.2

Shareholding Pattern (%) (Mar 2016)

Promoters	16.8
Domestic Institutions	4.9
Foreign Institutions	22.4
Public & Others	55.9

Price Vs Sensex Chart



- Company gave revenue warning of 4% for the June quarter.
- Earlier the company had guided that revenue would stay flat.
- Traditional revenues from ERP (enterprise resource planning) implementations are affected more than anticipated earlier.
- Manufacturing sector has been witnessing stress which has affected the revenue for KPIT.
- A major customer of manufacturing sector witnessed lower profits which resulted in lower IT spends.
- Company has hired 90 new account managers for its products.
- Focus has been changed from ERP to digital.
- Lost revenues in ERP will be recovered in digital but it will be at slower pace.
- ERP is expected to erode further.
- Automotive products doing well.
- Company focuses on strategic a/c's
- Share of AMS in total income would be more.
- Not much affect on capex.
- In PES company has made some organisational changes. Company has leadership in this area.
- Not much flexibility in cost structure. Major costs stand at employee costs which may take couple of quarters to come down.
- Company has already done salary hikes and there have been additions to employees.
- Overall no business is lost however volumes have come down mainly due to stress in manufacturing sector and steps have been taken in cloud, digital and lower traction is expected in coming quarters.

Source: Ace Equity, Arihant Research



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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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