CHAPTER 8: KPIT CUMMINS LTD. CASE STUDY
CHAPTER 8: KPIT CUMMINS LTD. CASE STUDY

8.1 INTRODUCTION
The company evolved out of accounting and tax firm Kirtane Pandit Chartered Accountants in the year 1990 at Pune in India. The company launched its Initial Public Offering (IPO) in 1999. The company got listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Cummins Infotech merged with KPIT to form KPIT Cummins with focus on manufacturing industry. Now the company is a leading technology solutions partner to leading companies globally. Focus industry areas of the company are

- Automotives
- Energy and utilities
- Industrial equipments
- Semiconductor

The company's origins are in accounting. The progression to information technology was logical and natural. As an accounting company, the company dealt with lot of information. The company also had to analyse the information to try to make sense from it. The company started providing IT services to its existing accounting customers. The customers were local strong players like transport companies and textile mills. The area of work was mainly accounting, Management Information System, and Business Intelligence. The company also did lot of work for Tata group since it was also auditor to the group. The company identified IT as a separate opportunity beyond only servicing existing and new customers, hence formed a separate IT company. While deliberating on the vision, the company decided to be a global business. The company also thought of doing engineering products. The company learned that a lot of money is required for product marketing. Then the company decided to be in services.

After going public, the company decide to invest in markets than in building on campuses. More than 80% of the money raise thorough IPO was used for developing sales and marketing network. The company established the strategy which it believed and just went after achieving it. This is inherent nature of the company's behaviour since it is enterprising company.
MILESTONES

1990, Evolved out of accounting and tax firm, Kirtane Pandit Chartered Accountants

1995, Started SAP and Embedded practice

2002, Merges with Cummins Infotech Ltd. and became KPIT Cummins

2005, Pivolis acquisition, strengthens consulting practice in Europe

2006, Revenue cross $100 million

2006, Acquires CG Smith

2006, Became Autostar premium member

2007, Became JasPar premium member

2007, Achieved Auto Spice Level 5 certification

2008, Started joint centre of excellence with SAP

2008, Strengthened mechanical design expertise

2008, Acquired TVS Harita

2009, Acquired Sparta, strengthened SAP expertise in energy and utilities

2010, Launched Revolo, hybrid technology solutions

2010, Acquired CPG, strengthened Oracle expertise

2010, Acquired In2Soft, strengthened vehicle diagnostic expertise

While deciding its strategy, the company always believed that the customer is its biggest asset. Hence, the company always involves customers in its strategy. The company developed a team to create strategy. First, the company identified customer’s pain areas. Then the company found its internal strength. Based on the analysis, the company identified are shadowing customer’s pain and internal strength. The company then identified change in auto industry beyond only mechanical work but electronics also. They also did competitor analysis and found not many are targeting this area. The company has always been passionate for products. That’s why company went to embedded electronics as a specialisation. The
company observed that all its peers in Indian IT grew with anchor customer like General Electric (GE), Citibank. Hence, it went out to find an anchor customer for itself and got Cummins. The company had targeted four to five customers which could be anchor customers. The company also got involved in strategy development session at Cummins. The company always prepared five-year plans from the beginning. The goals were to be met with clear paths.

Another strength of the company is that they listen to customers very carefully. The company always believed in learning from others' mistakes and did not want to experience each mistake themselves.

For the first seven or eight years, the company learned everything the hard way. It could have inducted experienced people available in the industry. The company invested in Europe when everybody was investing in the US. This limited the company's growth initially. For the company's size, it is dealing with large numbers of international cultures through its four to six acquisitions like French, German, and so on. The company does the acquisition only if it fits in the company's strategy. Then it looks at the people as an asset while acquiring. The company always believed in win-win negotiations. The company almost never paid premium prices and made sure that the people from acquiring companies made the money. The company does proactive acquisitions. Out of six acquisitions, only two came through investment banks and the rest were spotted by the company. The company developed relationships with the company's acquired three to five years prior. The company believes that with size you can compete with knowledge. Hence, the company wants to achieve Intellectual Property (IP) or knowledge-led services with high focus on domain. The company believes to be in revenue model of the equation than the cost equation of the customer. Because of this, the company's solutions can have impact on its customer's business models. The company believes that emerging markets are the opportunities. But these are not easy markets to operate in and neither many have experience of operating in these markets. The company is hiring people with different backgrounds and recruiting internationally. The company believes that the biggest challenge will be how to develop a seamless company in spite of being geographically dispersed. Hence, for the company's business which demands more innovation than the normal services model followed by its peers, it needs to develop deeper customer understanding. The company believes in making its customers successful, growing employees, and generating financial returns. Without the first two, the third cannot be achieved.
The company is now vertical focused company unlike it peers in Indian IT industry. The company started with focusing on manufacturing industries information technology needs. Along with vertical focus, the company also focused on certain set of needs. Within the manufacturing vertical, the focus area is large, discrete manufacturing companies like automotives, farm equipments, industrial equipments and companies who manufacture chips for these companies. The vertical focus also comes from:

- The company’s location, Pune, which is strong in manufacturing
- The company’s relationship with Cummins who are its partners who are also located in Pune in India
- A belief that manufacturing industry has important role to play and is going to be major industry

Firstly, the company helps its clients to design better products in areas like embedded software, value engineering for mechanical, chip design. The company’s clients make intelligent products, in areas like power trains at automobile companies, safety systems in cars, body electronics, lighter cars, more fuel efficient cars.

Secondly, the company helps its customers to do their work more efficiently through business IT and processing. For example, the company works on how to shorten the customer’s supply chain, better information about their cost structures.

The company mostly works with global auto Original Equipment Manufacturers (OEMs) to help them build embedded software. There is lot more electronics going into cars now. Earlier, the focus was on how you can put more electronics in cars with no limit on costs. Now the customers are asking how the functionality available in high end cars can be provided in low end cars. For better efficiency and fuel usage, we need electronics in car. The electronics is also needed in low end cars which will be sold in large numbers in future. So the challenge is how we can come up with light electronics and software to give basic comfort at low cost. So if you give 80% of functionality in 40% to 50% of cost, it is a great achievement.

The company does work which will keep mobility industry alive. Hence, the economic situation of automobile companies especially in US, may not affect company’s business much. It can have impact on things like the company’s payments being delayed.
In US, for every 1000 people there are 480 cars, in China for every 1000 people there are 80 cars, in India for every 1000 it is 8.5 cars. In automobile industry there is change in demand from Sport Utility Vehicles (SUVs) which are essentially fuel efficient cars smaller and fuel efficient cars. It is predicted that more people will use smaller cars. Lot of car manufacturing in India and China is done by global companies. Design and production may happen at different places globally. The world will consume smaller cars in large quantities, electrics and hybrid cars, and probably improved diesel cars. There are lot of changes in global and integrated manufacturing. The product cycles are getting shortened which demands better use of information technology in actual manufacturing and also in product manufacturing.

The company is eyeing opportunities in battery management in electronic cars. The company has filled patents in these areas. The current major strength area is how different electronic auto parts can talk to each other seamlessly.

The company went public in 1999-2000. The stock market was slowly recovering from Harshad Mehta scam. The company faced major challenge after going public when one of its client banks in Greece was taken over and the new owner of the bank decided to stop the company’s work. With tremendous efforts, the company came back with only loss one quarter and was back to profit in next one. The company focused on controlling costs and pushing the growth through good team work. The company believed in speed of bouncing back on this change.

In the year 2009, the company said that it’s betting big on domestic Indian market. The focus areas were defence and Public Sector Units (PSUs).

In the year 2010, the company ventured into Chinese market. It tied up with two Original Equipment Manufacturers (OEMs). The company also planned to start customer support and application systems centre.
8.2 STRENGTHS, WEAKNESS, OPPORTUNITIES, AND THREATS (SWOT) ANALYSIS

STRENGTHS
1. Background of a successful accounting and tax firm
2. Focused and professionally qualified founders, leaders
3. Initial experience of management consulting practice
4. Initial experience of providing IT services to accounting clients
5. Highly focused not only on verticals but on sub verticals also
6. String of acquisitions to develop composition of offerings and direction of exports
7. Reaping benefits of initial investment in markets and sales & marketing
8. Customer at focal point while developing strategy
9. Learned through strategy development sessions at Cummins
10. Continuously listens to customers voice
11. Learns from their own and others mistakes
12. Multicultural through various acquisitions
13. Proven and standardised acquisition strategy
14. Proactive acquisitions
15. Never paid premium prices for its acquisitions
16. In revenue model of customer equation than the cost
17. Headquarter presence in Pune which is a strong manufacturing destination for automobile industry
18. Relationship with Cummins
19. IP driven
20. Developing award winning products like Revolo
21. Developing emerging markets for growth
22. Visionary board
23. Internal focus on developing leadership and innovation
24. Partnering with clients to set up R&D offshore locations
25. Anticipated financial backlash of 2008 in advance
26. Partners with complementary product and service providers
27. Does joint investments and in turn develops non linear pricing models
28. Developed Customer Acquisition team to acquire new customers to mitigate risk of customer concentration
29. Active involvement in industry associations like NASSCOM and MCCIA
WEAKNESSES
1. In initial years learned everything hard way, it could have recruited experienced professional
2. Initially invested in Europe instead of US
3. Focus on limited verticals can limit company’s growth to higher levels
4. Geographic concentration risk
5. Risk from competition
6. Customer concentration risk

OPPORTUNITIES
1. The founders initial inclination for engineering products can be used to further the product business which will provide non linear growth
2. Betting big on India market
3. Venture into Chinese market

THREATS
1. Developing seamless organisation in spite being geographically dispersed
2. Catching up by peer Indian competitors in focus areas

The company’s high focus on verticals as a strategy is a real strength. This also becomes inherent weakness as the limit to which the company can scale up its business is limited by the performance of the verticals it serves. The opportunities lie in developing non linear growth avenues like products and emerging markets. The threats are operational and competitive. All this put together affects company’s composition and direction of exports.

8.3 ABOUT KPIT CUMMINS
KPIT Cummins Infosystems Limited is a leading technology solutions partner for global Manufacturing corporations with special focus on Automotive, Energy & Utilities, Industrial Equipments, and Semiconductor industries. Their Information Technology solutions help their customers run the businesses more efficiently. The company’s Product Engineering solutions enable their customers to build products that are energy efficient, safer and yield more comfort for their customers. The company’s highly focused approach has helped to pioneer innovative solutions and file 37 patents in the Automotive and Semiconductor domains. Leveraging the technology and domain prowess, they partner with the customers to co-create transformational value that provides sustainable competitive advantage to businesses. Through their recognized expertise in architecting futuristic engineering and
enterprise solutions, they help the customers bring advanced products faster to their target markets. The company's 6500+ strong team works at the forefront of technologies and processes to help global corporations become efficient, integrated and innovative enterprises.

CORPORATE FACTS
- Headquarters: Pune, India
- 20+ years in business with global operations and partnerships
- 155+ longstanding customer relationships
- Technology expertise: Product Engineering, IC Design Services, Business and IT Consulting, Enterprise Software Support
- Employee Strength: 6500+
- Global operations network in over 10 countries

FINANCIAL FACTS
Ticker Symbol: BSE – 532400 | NSE – KPIT1
Revenues FY 2010-11: USD 224.07 million
Net profit FY 2010-11: USD 18 million
Revenue CAGR (2003-2009): 49%
Profit CAGR (2003-2009): 50%

INSIGHT
The company is a niche player, sharply focused on manufacturing, automobile, transportation with around 70% revenue share, energy & utilities with around 8% revenue share, defence around 2% revenue share, and around 10% revenue share from other sectors. Horizontally, the company works in automotive electronics with around 31% revenue share. In embedded technology, the company works with 8 Original Equipment Manufacturers (OEMs), 30 vendors to OEMs. It also has strong offerings in power train, safety, infotainment, and fuel efficiency. It works with 6 chip manufacturers, has more than 31 global patents. The company proactively goes to clients. The company offers Integrated Enterprise Services like Business Intelligence (BI), ERP consulting and delivery, presence with Cummins, 2/3rd business from Oracle solutions, 1/3rd from engineering solutions like emission norms, electronic apps and embedded technologies. The global SAP practice provides 1/3rd revenue and the company also provides solutions to manufacturing and automobile industry. The
company takes care of all the hygiene factors like certifications and builds on strong customer relationships.

**RECENT AWARDS & RECOGNITIONS**

- KPIT Cummins' plug-in parallel hybrid solution REVOLO awarded Knowledge@Wharton's 'Sustainability Implemented Solution' award.
- Revolo, a smart & sustainable solution for automobiles won the ISA Technovation Award 2011 for the Best Product of the Year – Other category
- Revolo awarded the NASSCOM Innovation Award 2011 under the New Technology Advancement category
- Revolo awarded the 'Automotive Idea of the Year' at The Economic Times Zigwheels Car & Bike Award 2010
- Anil Patwardhan, Vice President & Head - Corporate Finance & Governance, KPIT Cummins won the ICAI 2010 award of the best CFO in Information Technology category
“The fourth growth engine for the Company was Emerging markets, which has been growing really fast over the last two years. Emerging markets grew by 77% during the year. The growth is widespread across markets like India, China, Japan, Korea and different SBUs. India market has grown by more than 50% during this year and this has been contributed by SAP, Engineering and Defence. The growth in China, Korea and Japan is driven by automotive and semiconductor offerings.” This is what Ravi Pandit, Chairman & Group CEO said in FY 2010-11 Annual Report.
### 8.5 COMPOSITION OF BOARD OF DIRECTORS

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<tr>
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<tbody>
<tr>
<td>S. B. (Ravi) Pandit, Chairman and Group CEO</td>
<td>S. B. (Ravi) Pandit, Chairman and Group CEO</td>
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<td>Ajay Bhagwat, Director</td>
<td>Ajay Bhagwat, Director</td>
<td>Anand Khandekar, Director</td>
<td>Ajay Bhagwat, Director</td>
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<td>Anand Khandekar, Director</td>
<td>Anand Khandekar, Director</td>
<td>Anant Talaulicar, Additional Director</td>
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<td>Dr. Naushad Forbes, Director</td>
<td>Dr. Naushad Forbes, Director</td>
<td>Dr. Naushad Forbes, Director</td>
<td>Dr. Naushad Forbes, Director</td>
<td>Naushad Forbes, Director</td>
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<td>Sudheer Tilloo, Director</td>
<td>Sudheer Tilloo, Director</td>
<td>Sudheer Tilloo, Director</td>
<td>Sudheer Tilloo, Director</td>
<td>Patwardhan, Director</td>
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<td>Nasser Munjee, Director</td>
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<td>Anant Talaulicar, Additional Director</td>
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<td>Patwardhan, Director</td>
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<td>Steven Spaulding, Director</td>
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<td>Gail Farnsley, Director</td>
<td>Gail Farnsley, Director</td>
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<td>Patwardhan, Director</td>
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<tr>
<td>Shrikrishna Patwardhan, Director</td>
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<td>Shrikrishna Patwardhan, Director</td>
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<td>(Technology)</td>
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<tr>
<td>Kishor Patil, CEO &amp; Managing Director</td>
<td>Kishor Patil, CEO &amp; Managing Director</td>
<td>Kishor Patil, CEO &amp; Managing Director</td>
<td>Kishor Patil, CEO &amp; Managing Director</td>
<td>Girish Wardadkar, President &amp; Executive Director</td>
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<tr>
<td>Ron D. Lannan (Alternate Director)</td>
<td>Floyd Rutan (Alternate Director)</td>
<td>Dr. Vijay Kelkar, Director</td>
<td>Ron D. Lannan (Alternate Director)</td>
<td>Kishor Patil, CEO &amp; Managing Director</td>
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<td>Floyd Rutan (Alternate Director)</td>
<td>Dr. Vijay Kelkar, Director</td>
<td>Ron D. Lannan (Alternate Director)</td>
<td>Floyd Rutan (Alternate Director)</td>
<td>Kishor Patil, CEO &amp; Managing Director</td>
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<td>Mark Gerstle (Alternate Director)</td>
<td>Ron Lannan (Alternate Director)</td>
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<tr>
<td>Floyd Rutan (Alternate Director)</td>
<td>Steven Chapman (Alternate Director)</td>
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<tr>
<td>Steven Spaulding, Director</td>
<td>Shrikrishna Patwardhan Director</td>
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<td>Technology</td>
<td>Technology</td>
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<tr>
<td>Girish Wardadkar President and</td>
<td>Girish Wardadkar President and</td>
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<tr>
<td>Executive Director</td>
<td>Executive Director</td>
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<tr>
<td>Kishor Patil CEO and Managing</td>
<td>Kishor Patil CEO and Managing</td>
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<td>Director</td>
<td>Director</td>
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In initial years, the company invited early customer contact like late Mr. Achi Racov to join their Board to leverage the expertise and experience. He was earlier with NatWest Bank.
8.6 COMPOSITION AND DIRECTION OF EXPORTS

2003-04

- Followed focus strategy
- Enhanced geographies
- Developed framework for selecting partner in strategic transactions & for integrating the operations post merger
- Added SAP offerings to build on Panex capabilities
- Added VLSI design services
- Continued niche market strategy in Manufacturing and Finance, started strengthening presence in USA and Europe, established two additional offices in USA and one representative office in Europe
- Started servicing customers in Germany, France, and Sweden
- Strengthened Japanese operations to build upon strengths in embedded area
- Offerings
  - IT services
    - Software development
    - Maintenance
    - Implementation
    - Re-engineering and support
  - IT enables outsourcing services
- Revenue primarily came from UK and US, and from Continental Europe, Middle East, and Japan
- Identified geographic concentration as a risk

2004-05

- Continued concentration on Manufacturing & Banking and Financial Services & Insurance (BFSI) verticals
- Created new line of Businesses like Advanced Technology Solutions (ATS), SAP and Risk Management & Compliance (RMC). Practices of Embedded & Tools, VLSI, and Research & Development (R&D Services) were merged to form a separate Line of Business (LoB) called ATS
- New practice called Risk Management & Compliance was set up
• Offerings
  o Development, maintenance and support of software applications
  o Implementation of software packages
  o Supply chain management solutions
  o Development of pc-based tools
  o Embedded software and networking solutions for automotive companies
  o Development of business intelligence tools
  o Chip design, verification and testing for semiconductor companies
  o SAP consulting
  o Risk management and compliance services
  o Transaction processing
  o Technology based and knowledge based services

• Reorganized business into six lines of business
  o Auto electronics
  o Semiconductor solutions group
  o Business Intelligence
  o Global Business Solutions
  o Manufacturing
  o Diversified Financial Services

• Set up a Joint Venture (J.V.) in Germany

• Identified business risk of geographic concentration
• Generic IT services
  o Package implementation
  o Customized application development and maintenance
  o IT consulting
  o Business intelligence
  o Embedded software solutions
  o Chip design
  o Business processing solutions
• Offerings remained same from FY 2005-06
• Had planned to reap benefits of investment done in sales and marketing
• Started branch office in Singapore for sales and marketing
• Set up a wholly owned subsidiary in Poland, KPIT Infosystems Central Europe Sp.z.o.o. to serve as a near shore centre
• Showed absolute growth in revenue from US and Europe but decline in revenue in terms of share of total revenue from these geographies. Most of the rest of the world revenue came from Japan and showed optimism about this geography
• Expected significant growth potential from Europe due to acquisition of Pivolis in France, J.V. in Germany, and near-shore centre in Poland
• Account management and sales team were strengthened, planned to continue investing in sales and marketing initiatives
• Identified geographic concentration as external risk factor, to manage economic slowdown component of the risk
  o spread operations around globe
  o geographically diversified clients and revenue
2007-08

- Redefined account management plan process
- Upgraded offerings and created differentiating factors
- Streamlined marketing efforts for sub-vertical industries
  - Automotive and transportation
  - Industrial and farm equipment
  - High-tech and semiconductors
- Reorganised 'Go-To-Market' by 'Industry Segment' like partnered with SAP to develop joint go-to-market strategy for the automotive industry
- Strengthened finance and accounting BPO business and relationship with our top customer by acquiring the F&A services from Cummins, expect to extend this service to other customers too
- Had planned to focus on 'Leadership' and 'Innovation'
- Even though in terms of share of total revenue, US declined, in absolute terms, revenue has grown 17% over the previous year, in case of Europe too absolute revenue increased, continued dominance of revenue from Japan in rest of the world category and continued optimism about Japan as a geography
- Identified geographic concentration as an external risk factor, to address economic slowdown resulting into adverse business impact, continued activities of diversifying operations, revenues, and clients globally

TABLE 24: COMPOSITION AND DIRECTION OF EXPORTS

In the year 2011, the company received Wall Street Journal (WSJ) technology innovation award for its product Revolo. This and many other awards are possible since the product can convert a car into hybrid just by installing this product. This change in composition will open global opportunities in changing the direction of imports. Commercial success of the product can also satisfy its founders wish to develop products for global market.

It seems the company’s manufacturing vertical focus is paying rich dividend. With the expertise the company is impacting its own composition and directions of exports with rigor. Take for example the establishment of technical centre for PACCAR in Pune, India. PACCAR is a leading truck designer and manufacturer. The company’s expertise in information technology will compliment with PACCAR’s needs.
The innovation play not only is changing the business model but also changing the operations and composition of global employees. For example, the Indian IT companies are now doing job in-sourcing at Silicon Valley. They are hiring American employees for engineering and business development expertise. This is also due to the fact that the company is moving up the value chain in terms of nature of IT work being done. Another reason is getting resources from outside US is becoming difficult with tighter and expensive visa regulations.

“There will be an increasing reorientation in terms of the economies we target. While North America and Europe will continue to dominate, India, along with Korea, China and countries of Latin America and Eastern Europe have become important. Their share of revenues will grow from the current five per cent to 25 per cent over the next two years.” This is what Kishor Patil, CEO and global MD of the company said in an interview.

In February 2011, the company announced its focus on energy and utilities sector in India. The company’s Indian peers are already serving this vertical in US who will be its competitors. This move is having direct impact on composition and direction of exports of the company.
8.7 ANALYSIS AND FINDINGS
Here are the revenue figures in USD Million

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (USD Million)</th>
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</thead>
<tbody>
<tr>
<td>FY 2002</td>
<td>9.89</td>
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<tr>
<td>FY 2003</td>
<td>15.16</td>
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<tr>
<td>FY 2004</td>
<td>27.72</td>
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<tr>
<td>FY 2005</td>
<td>56.57</td>
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<td>FY 2006</td>
<td>72.93</td>
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<td>FY 2007</td>
<td>102.52</td>
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<td>FY 2008</td>
<td>145.24</td>
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<tr>
<td>FY 2009</td>
<td>174.1</td>
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<tr>
<td>FY 2010</td>
<td>153.76</td>
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<tr>
<td>FY 2011</td>
<td>224.07</td>
</tr>
</tbody>
</table>

TABLE 25: REVENUE FROM FY 2002 TO FY 2011

The period under consideration shows continued increase in revenue.
It is interesting to notice dip in revenue in FY 2010, which can be attributed to after effects of 2008 American recession.

Here are the revenue percentages for direction of exports.

<table>
<thead>
<tr>
<th></th>
<th>FY 01-02</th>
<th>FY 02-03</th>
<th>FY 03-04</th>
<th>FY 04-05</th>
<th>FY 05-06</th>
<th>FY 06-07</th>
<th>FY 07-08</th>
<th>FY 08-09</th>
<th>FY 09-10</th>
<th>FY 10-11</th>
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<tr>
<td>USA</td>
<td>37</td>
<td>48</td>
<td>56</td>
<td>62</td>
<td>66</td>
<td>61.86</td>
<td>56</td>
<td>55.2</td>
<td>60.4</td>
<td>67.7</td>
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<td>Europe</td>
<td>51</td>
<td>44</td>
<td>40</td>
<td>35</td>
<td>29</td>
<td>29.2</td>
<td>32</td>
<td>35.9</td>
<td>30.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Rest of world</td>
<td>12</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>8.94</td>
<td>12</td>
<td>9</td>
<td>9.6</td>
<td>12.1</td>
</tr>
</tbody>
</table>

TABLE 26: DIRECTION OF EXPORTS
The above chart shows gradual increase in revenue from USA. Revenue from Europe shows a declining trend. It should be noted that the company revenue was initially dominated by Europe. Revenue from rest of the world region is gradually on an increasing path.
The above chart shows gradual increase in revenue from USA. Revenue from Europe shows a declining trend. It should be noted that the company revenue was initially dominated by Europe. Revenue from rest of the world region is gradually on an increasing path.

![Graph showing revenue trends](image)

**GRAPH 28: DIRECTION OF EXPORTS FY 2008-09 TO FY 2010-11**

There was no growth in revenue from USA in 08-09 compared to 07-08. There is gradual rise in revenue from USA. Revenue from Europe is shows declining path. Revenue from rest of the world was on gradual rise.

The company had anticipated financial backlash of 2008 in advance and became more focused on few key areas of growth. The company rationalised its cost structure, invested in R&D by creating Centre for Research (CREST), and allocated budgets to different research projects. The company stopped recruitment, avoided long term investments since wanted to achieve cash surplus. Also developed centralised procurement process.

The company develops Annual Operating Plan (AOP), looks for 25% organic growth, and come up with budgetary support. The support is given to Strategic Business Units (SBUs) and geographies which are mapped to skills and investments.

The company expects growth from automotive and electronics industry. The US is a matured market and the company is looking for growth from countries like China, India, and Korea.
“The traditional markets of US and Europe have always been the core growth markets for the IT industry. In verticals, BFSI has been the dominant industry vertical for majority of the IT companies till now. The revival in the overall IT spend was driven by recovery in North America and BFSI, while the emerging markets like APAC and emerging verticals like retail/healthcare and Energy & Utilities have further contributed to the uptick.

For the first time, it has happened that an economic crisis has contributed to the development of emerging markets more compared to the developed nations. As a result, there is a widening growth gap between the emerging markets and the traditional mature markets like US and Europe. We also believe that emerging markets would be at the forefront of the overall growth with traction across regions like India, China, Japan, Korea, Australia and South Africa.”

(Annual Report 2009-10)

RISK OF GEOGRAPHIC CONCENTRATION
The company identified geographic concentration risk. One component of the risk identified was risks related to economical, political, and social changes. To manage the risk, company started geographic diversification and started reducing dependence on single market. Company identified market attractiveness, growth opportunity, and talent availability as important parameters for geographic diversification. The company reviews political, economic, and social scenario periodically. The company’s marketing function plays important role in tracking upcoming trends, market opportunities, change in customer preferences, and related parameters. It also tracks economic, political, and social environment.

Another risk factor the company identified was competition risk. The company identified the Indian and international IT companies in regions like Eastern Europe and Far East Asia pose competition. To manage the risk, the company had started numerous initiatives like partnering with complementary product and service providers. The company introduced joint investment and non-linear pricing models. The company’s senior management started interacting more with prospects and customers to increase mindshare. The company implemented global Customer relationship Management (CRM) system to develop global view and develop marketing analytical capabilities.
Customer concentration is another internal risk area for the company. The company wants to avoid risk of getting majority of its revenue from few customers. To manage the risk, the company developed Customer Acquisition Team (CAT) to acquire new customers in strategic markets. The company started participating more in industry and networking events. More focus was given to get customers from new geographies. The stickiness with customer increased with cross selling and mining into customer accounts. With key customers, the company went into strategic tie-up. Relationship management with customers was strengthened through account-management process.
8.8 CONCLUSION AND IMPLICATIONS OF FINDINGS
The company’s strategy of being focus on verticals is paying rich dividends. The company’s composition of exports includes products and services. Through mergers and acquisitions, the company has grown significantly over the years.

The company got affected by 2008 American recession. Since the company took planned steps to overcome the depression, it is on a growth path.

The company has been pointing geographic concentration as one of the most important external threat. To overcome, the company is doing geographic diversification. This is evident from the fact that initially company’s revenue was dominated by Europe. This dominance was reduced by developing US market. And now company is getting growth from regions like Asia Pacific.
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