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Technologies for a better world

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**Kishor Patil**

CEO & Managing Director

**Sachin Tikekar**

Whole-time Director

**Prof. Alberto Sangiovanni Vincentelli**

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**Anant Talaular**

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**B V R Subbu**

Director

**Adi Engineer**

Director

**Dwayne Allen**

Alternate Director

**R. Swaminathan**

Company Secretary

**Anil Patwardhan**

Chief Financial Officer

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**Financial Institutions**

- State Bank of India

- HDFC Bank Limited

- The Hongkong & Shanghai Banking  
Corporation Limited

- Citibank N.A.

- Axis Bank Limited

- BNP Paribas

- Standard Chartered Bank

- ICICI Bank Limited

- DBS Bank Limited

- Kotak Mahindra Bank

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# Letter from the Chairman and Group CEO

Dear Fellow KPites,

The year that went by was a challenging year for KPIT, especially the last quarter. I would like to use this letter to explain the industry and KPIT performance, the world as we see today and our actions and plans for the subsequent years.

## "The year that went by"

### Overall Financial Snapshot

In FY15, our revenues grew by 10.98% in ₹ terms and the bottom line declined by 4.81%. In US Dollar terms, revenue grew by 10%. In an uncertain environment at the beginning of the year, we had issued a top line and bottom line guidance. We fell short of the top line guidance in reported USD terms by 1.84%. Almost 90% of this shortfall was contributed by cross currency fluctuations and in constant currency terms we were short by under a couple of million dollars. The shortfall was largely contributed by reduction in SAP and ES SBU revenues for FY15 due to one customer specific issue and delayed closure of deals.

In FY15, our profitability was also lower as compared to FY14. While some of the factors like cross currency movements related to the Industry as a whole, some problems have been more specific to us. During the whole of FY15, we added a lot of lateral hires and in fact the net annual addition in number of people was the highest in FY15 as compared to any other year for KPIT. Thus in a year where the growth was modest but the hiring was the highest, most of our employee related metrics viz. people utilization, span of control, employee pyramid and bench strength have suffered, thus resulting in further strain on the operating profitability for the year. In the last quarter, some of our revenues got postponed and we also had some problems with a couple of specific customers. We chose to reverse and write-off incomes relating to them rather than living with uncertainty in the future. This created a huge hit in Q4FY15. These problems are behind us now as we start the coming year with a clean slate.

During the year, we generated ₹ 2.89 Billion as Cash from Operations against a Profit after Tax of ₹ 2.4 Billion. We were able to improve our DSO by 5 days. The DSO stood at 82 days as against 87 days as at the end of last year. We will continue to work towards bringing the DSO under 80 during the current year.

**Services and Products** - In terms of SBU performance, we had industry leading growth in Product Engineering Services (PES, earlier A&E) of 35.3%, led by solid traction

in Intelligent Transportation Solution (ITS), whereas the Integrated Enterprise Solutions (IES) SBU grew by 11%. We had a decline of 3.5% in the revenues for SAP SBU and Enterprise Solutions (ES, earlier BTU) which contributed under 10% of the total revenue had a decline of 10%, majority of the decline coming from a single customer. We have been facing certain challenges in the SAP SBU. As we started the year, we had decent traction and the first 3 quarters of the year saw steady progress in the margins for SAP SBU. In a couple of projects we had certain issues with a lot of scope changes and estimation errors. As a prudent measure, we did not recognize any revenue from these 2 projects in Q4 and also provided for additional costs during the quarter. This affected the performance of the SAP SBU not only for the quarter but also for the year as a whole. We think we have resolved all these issues now and are ready for a fresh and steady start in SAP for FY16.

**Geography** - In terms of geography performance, APAC which now contributes around 18% of our total revenue, grew by 51% over the last year. Apart from the ITS traction, we also saw good growth in Japan and in India. Europe, which has been on a slower track earlier saw good growth in FY15. Europe grew by 18% and now contributes around 15% of our total revenues. US geography which is the largest contributor to our revenues, at 67%, grew just by 2%. The US geography revenue growth was affected by decline in SAP and also one specific customer, majorly serviced by ES SBU.

**Industry Vertical** - In terms of Industry Verticals, Energy & Utilities led the growth, registering 46.8% growth and now contributes around 20% of the revenues. We also had healthy growth of 16.3% in the Automotive vertical, whereas Manufacturing registered a decline of 4.7%, mostly due to one customer belonging to the manufacturing vertical, located in the US geography and serviced mainly by ES SBU.

Though we had modest growth in FY15, as we look back, there were certain positive areas where we had good success and have the visibility for further growth. We have invested mainly in the Products & Platforms and Automotive IBU during the last 18 months. These investments have slowly started giving us the desired returns. We had tremendous growth in the Products & Platforms area with the ITS revenues touching \$ 18.5 Million for the whole year. We also signed some significant deals in the infotainment and connectivity platform areas, some of which are royalty based non-linear revenues. We worked with the government of India and industry to complete the regulatory framework and the incentive framework for electric mobility. During the year REVOLO cleared the regulatory test. The government

also announced incentives for electric mobility, providing a potential boost for hybrid sales.

We continue to focus on R&D and fostering the culture of innovation not only across KPIT but also across the whole KPIT eco-system. We kicked off Sparkle 2015, a design and development innovation contest, in association with College of Engineering, Pune. Through this contest we seek to build a culture of innovation among engineering students by inviting their ideas and viable business plans around the theme 'Towards Better Mobility and Energy'. The contest received 424 varied ideas from over 1,100 students from more than 114 colleges across 17 states of India. The ideas were reviewed and judged by a jury comprising eminent figures from the field of science and technology. The winning idea was a solution aimed at increasing efficiency of hybrid and electric vehicles, which run on lithium-polymer battery pack, by using a novel circuitry grid using SANDY (Switching algorithm AND cell DYNamics) algorithm.

As of FY15 end we had 60 patents filed including 45 for which complete specifications were filed. I am glad to share the recognition for our innovative ideas in the form of granted patents. As of FY15 end, we now have 19 patents granted across different geographies. We will continue to work towards more patents and more importantly monetizing of these patents, in the years to come.

## "The year ahead"

Our growth over the last 2 years has been at the lower end of the industry average growth. As a company, our DNA is growth-oriented and we have always been growing above the industry growth, barring the last couple of years. Faced with this problem, we have done our internal re-organization, have hired senior level talent across the globe and have analyzed in-depth the operations across the various SBUs of the Company.

We continue to focus and deepen our presence in the three industry verticals viz. Automotive, Manufacturing and Energy & Utilities. Major trends in the automotive industry are Clean, Safe, Efficient, Connected and Affordable, supported by expanding regulatory requirements and enhanced consumer demands. Similar to automotive industry, Industrial Internet of Things and digital technologies both in products and processes will be an important technology trend in the manufacturing industry. Most of the global discrete manufacturers will offer connected products, driving increased software content in every sold product. In the Energy & Utilities Vertical, asset utilization and management will drive the future growth as companies will largely invest in analytics to support their operations and maintenance of plant and network infrastructure.

Thus the verticals that we focus on have a large technology spend and have tremendous opportunities for specialized players like KPIT. Having said this, the immediate issue to resolve is how we quickly get back to profitability and growth in FY16. We need to change in some areas while we hold some things constant. I am convinced we have good values and have a fulfilling goal of working on technologies

for a better world. While we keep these constant, we need to change to bring back profitability and growth.

Following are the areas that we are focusing on.

**Managing Profitability** – It is important that we focus on profitability as the first priority for us. In the last year, our profitability has suffered through excess and high cost hiring, lower utilization, bad span of control and low focus on contract profitability. All these resulted in the reduction of our gross margins. We have now rationalized our staff. All the actions relating to this are of a onetime nature and are now largely complete. We have triggered the actions on our span of control and utilization. We are increasing our fresher hiring and reducing lateral hiring. We are reviewing profitability contract by contract and client by client, to decide which work we should do and which work we should not. We are letting some low margin non-strategic work to go. We are focusing on fresher's recruitment and greater training investment, so that as we grow and promote our own people rather than recruiting people laterally, which costs us more. We are streamlining our global operations and cutting down wasteful expenditure. We will focus on productivity increase and automation. We should see the impact of these actions from Q3 FY16 onwards.

**Investments for growth** – While we are cutting wasteful expenditure, we are investing in new technologies, talent and markets. We are witnessing a paradigm shift in technologies and we can certainly benefit from this shift. We are investing significantly in technologies of Digital Transformation as they relate to all our Business IT areas. We are investing in solutions in our traditional ERP areas. We are investing in Infrastructure Management Services. We are investing in Products and Platforms to leverage our strengths across Engineering and IT to create sustainable differentiators in the market. We are investing in training and recruitment of talent. As a matter of fact, we have doubled our budget for EcoDe (Education & Competency Development). We are investing in markets through additional subject matter experts and account managers. In the last one year we have strengthened our senior team across the functions and we are already seeing good traction on that account. We are investing in creation of new solutions for our target verticals.

We believe the following avenues will provide us high potential for growth:

- Automotive Engineering – services, solutions and products
- Digital Transformation – IoT, Cloud, Analytics, Mobility, Sensor, Social
- Application and Infrastructure Management – combined AMS and IMS
- New wave of cloud based ERP – SAP and Oracle

**Digital @ KPIT** - I would also like to talk about the Digital Initiatives at KPIT. The digital transformation practices at KPIT are focused on Cloud, Social, Big Data & Analytics and Internet of Things (IoT) / Machine to Machine Communication (M2M). KPIT cloud solutions encompass

cloud solutions in SAP, Oracle and bespoke development and include Cloud Advisory, Cloud implementation and Application Management. Leveraging our industry expertise, we advise customers on their cloud roadmap with focus on business and IT drivers for cloud strategies. We have started working on a pilot basis with several of our strategic customers with our own social analytics platform, real-time vehicle analytics, mobility solutions and cloud connector. SAP SuccessFactors EC & BizX Suite, SAP HANA, Advanced Analytics and workforce planning, BusinessObjects, Oracle Fusion Middleware, Oracle Sales Cloud applications, Hadoop, IoT connectivity platforms, infotainment (KIVI and Konnect platforms), telematics (ITS) and vehicle diagnostics are some of the areas in the digital transformation practice at KPIT. We are also investing heavily in Digital Transformation Strategy for KPIT and have launched the "SMART Enterprise Initiative" within KPIT. In the year gone by, digital technologies contributed to around 12%+ of the total revenues for KPIT. We expect this share to move up substantially in the coming years.

We are working and will continue to work on all these areas in the first 2 quarters of the year and should see the results flowing through the financial results from the second half of the year.

## "The years ahead"

The industry is on the threshold of some major changes. The traditional growth engines, majorly ERP implementation, is going through a structural change, with more movement towards the cloud offerings, pay per use & open source and progressively declining traditional on premise ERP deals. For the last one year we have been focusing on ERP on the cloud and related new technologies. We believe this focus should give us an edge.

Another traditional stronghold of Indian IT – Application Development and Maintenance (ADM) is fast changing with more and more use of tools for automation. While the overall size of these operations will shrink, the overall profitability should be much better. We are investing heavily in this area.

In engineering area there is a huge increase as products become intelligent and electronics becomes a core part of every product of any reasonable value. We see ourselves growing strongly in this area.

Newer technologies and focus areas in digital technologies like cloud, big data and analytics, social, mobility solutions, sensor technologies and Internet of Everything are the fast growing spend areas for the customer. We have invested in these areas and will see a good share of our growth aided by these newer technologies.

As a result of all these factors we are certain of sustained profitable growth in the years to come.

The world is moving towards more vertical-focused, domain-centric solutions and products rather than just services. These changes are imminent and exciting and we as a company are fast gearing up to seize these opportunities.

## KPIT Mission & Purpose

At KPIT, our mission and purpose is clear. We envision a cleaner, greener, intelligent world, a world that is self-sufficient, sustainable and efficient. We provide technologies that help our customers make high quality, less costly products that use less energy or fewer materials. We strive to improve the state of the industries we serve, by making customer operations efficient using technology and thus create value for both the customer and KPIT. It is our mission to provide Technologies for a Better World.

More about KPIT's Mission & Purpose : <http://www.kpit.com/company/about-us/mission-purpose>

We have gone through rough patches before and we have always come out stronger and better. I am certain we will do this again because of a core, committed team within KPIT and continued support from stakeholders like yourself, over the years, in thick and thin, which I regard highly and appreciate thoroughly.

I know that we are going through pain now, but I would like to assure you that it is shared by all and that it is short lived. I know, with your continued support, we will return to sustainable profitability and growth and together, build a more robust KPIT.

Warm Regards,  
Sincerely yours,

S. B. (Ravi) Pandit  
Chairman & Group CEO

# Joint Letter from the CEO and MD and Whole-time Director

Dear Stakeholders,

As an organization this year has been challenging for us. We had decent growth in H1 but slower growth in H2. Slower growth in H2 coupled with strong cross currency movements negatively affected the reported USD revenues, leading to a shortfall in the yearly revenue as compared with the guidance. Our growth has been on the lower side of the industry average. We also fell short of the profit guidance for the year. The key reasons for this performance include decline in revenues in certain SBUs, mainly during H2 without any corresponding cost reductions, significant project cost overruns, higher bench both onsite and offshore, significant cross currency movements and the overall sluggishness in the ERP space. However there were some positive developments during the year as we saw good growth in our Product Engineering Services (PES) unit, largely in the Products & Platform business. From the account management perspective, our investments in strengthening the front end by adding more domain specific people have also paid off as we experienced good traction in some of our strategic accounts. We also saw certain benefits of our realigned organization structure come through, though we believe there are lot of synergies we need to benefit from, as we move into the coming years.

During the year we faced certain challenges in some of the operations and issues in our earlier contract management process. We are taking all the possible steps to ensure that these inadequacies are corrected and thus not repeated in the future. In terms of our strategic positioning we have made some progress by bringing One KPIT offerings to customers and taking some integrated offerings to our focused verticals. The objective is to bring in more specialization in terms of vertical specific solutions and products. We are at early stages of creating value added industry specific solutions going across Engineering and Business IT and it needs to be done in an accelerated pace to further mine our existing accounts.

## GLOBAL ACCOUNT MANAGEMENT (GAM) UPDATE:

GAM is a framework, which is aimed to enable us achieve long-term and sustainable business growth in selected customer accounts, through a mutually beneficial association with these customers. Strategic accounts are selected based on customer's revenue size, alignment to our focused verticals & offerings and potential for our business growth. Our aim is to work with 50 strategic accounts which would contribute a lion's share of the total organization

revenue. Strategic accounts are managed by a dedicated Account Manager and sponsored by a member of our Executive Council. Delivery responsibilities are fixed with relevant delivery managers from various SBUs engaged with the customer. We would like to take our industry specific solutions to our customers.

The growth drivers for our GAM process are: cross sell and up sell across Engineering and Business IT, explore new geographies, work with new business divisions of the customer, take executive relationships to higher level, position KPIT as a technology partner, target large deals, focus on delivery excellence and with all these provide one KPIT experience across all touch points within KPIT.

## BUSINESS UPDATE:

### INDUSTRY BUSINESS UNIT (IBU) UPDATE:

#### MANUFACTURING IBU

During the year manufacturing vertical registered a decline of 5% with revenue share at 34%. In Manufacturing IBU we are focusing on three sub-verticals: Industrial Manufacturing, Hi-Tech and Life Sciences Manufacturing. We are working with customers across these industries to help them use technology to achieve more agility in their operations, reduce costs, manage product life cycles and prepare for the massive amounts of sensor data that will be available to them through intelligent and connected devices. In Industrial manufacturing, our customers are focusing on redefining the supply chain, focus on machine to machine connectivity and an increased focus on cyber security. We are working with customers on supply chain efficiency using KPIT's award winning frameworks. Our Automotive ITS expertise to capture real time data and analyze the same for machine to machine communication is accepted well by the customers. We are also offering solutions around warranty management- planning and analytics, ERP, PLM, MES and SCM combined with our expertise in engineering design. Similarly in Hi-tech industry there is growing trend of supplier integration and industry consolidation with high priority on designing and manufacturing products while moving on the servitization mode. Due to these trends there is faster adoption of cloud model. Our offering around integrated and collaborative product lifecycle management solutions helps customers in new product introductions, product planning and collaboration. The medical device industry is witnessing increase in M&A activity, growing regulatory compliances and proliferation of connected devices, patients and healthcare. Our knowledge of M&A in this space has helped our customers when they integrate or isolate their systems while helping them expedite the



transaction and integration. Our offerings around PLM, MDM, and modernization are helping them to meet the regulatory reporting and compliance requirements. There are many changes taking place in this industry and we are helping our customers to push forward in each phase of their roadmaps and collaborating with our technology partners such as SAP and Oracle on solutions development.

## AUTOMOTIVE & TRANSPORTATION IBU

Our automotive and transportation vertical grew by 16% on a Y-o-Y basis and its revenue share stood at 37%. The Automotive & Transportation IBU integrates offering across multiple SBUs to offer full value solutions to our customers. In the global automotive industry there are investments being made in new technologies and adoption of advanced vehicle features. We see investments growing to build cloud infrastructure, data analytics, telematics, hybrid and EV technologies, autonomous driving features and many other exciting developments. The industry also continues to invest in R&D to build better, faster and smarter products. R&D spend is being driven by increased demand for embedded and software content. There is a big room for Technology Solutions companies like us with, the overall addressable R&D globalization and services opportunity standing at \$170 billion, out of which \$55 Billion is the addressed market, including in-house R&D centres and third party service providers. We are also pleased to have started some key partnerships with Industry leaders in areas of Diagnostics & Warranty Management, Engineering Cloud Infrastructure and Analytics. With that in mind we are aggressively pushing in the market the following themes. These would leverage the existing capabilities we have and help us building a larger value proposition for our customers.

**Software Partner for OEMs & Tier Is-** a much broader ownership of the overall software creation and delivery process across multiple domains including powertrain, chassis, Body and ADAS.

**Warranty, diagnostics and the connected vehicle concept-** we continue to invest in the offering that we have positioned in the market in the last few years and leverage the investment we have made. In addition, we are working with our partners to bring mature model-based diagnostic technology to the automotive market.

**Benchmarking, Value Engineering, Enterprise cost management-** we are combining Engineering, EPLM and analytics to deliver a comprehensive product cost optimization program.

We have made important people investments across geographies and have brought in expertise to be able to conceptualise and deliver on these themes. Some of our efforts have already started paying results in FY 15.

## ENERGY & UTILITIES (E&U) IBU

Energy & utilities was the highest growing vertical for us this year with Y-o-Y growth of 47%, while its revenue

share stood at 20%. This year was a strong year mainly for our Energy business as we added many customers. In E&U IBU, we see a transition phase in the energy industry as there is increase in M&A activity and complex regulatory compliances. In US market there is a positive growth potential due to shale gas wave. We have been well recognized by our customers for our solutions on rentals which help to manage our customers' assets better, integrate their financial and supply chain systems better and even help them improve and optimize their business processes. The Utilities industry is heavily integrated, regulated and competitive. Focus has shifted from back office operations to customer acquisitions and from traditional power generation to clean power generation. Our prime focus has been largely on the distribution side of the business. As per the industry analysts we are amongst the leaders in Utilities when it comes to SAP. We have over 50 customers globally where we have implemented out of box solutions built around SAP – be it ERP, CRM, mobility and analysis. KPIT was named as a Leader in *IDC MarketScape: Worldwide Professional Services Firms for SAP Suite on HANA in Utilities 2015 Vendor Assessment*, (Document # EI255091), which provides a comprehensive assessment of the firms delivering services for SAP's Suite on HANA and a snapshot of their capabilities.

These IBUs have made some good progress on account management but we still need to do a lot of work in 'acquisitions of' and 'offerings to' named customers. We are also working on bringing specialized offerings relevant to IBUs.

## STRATEGIC BUSINESS UNIT (SBU) UPDATE:

### INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU

IES SBU grew by 11% this year with revenue share of 39%. The growth in this SBU has not been very high due to the overall slowdown in ERP area, especially in Oracle. However, we won deals in JDE which showed good traction during the year. We won the **FY15 Oracle Excellence Award in the 'Growth Partner of the Year' category for India region** for having a diverse practice with proven success across Oracle Red Stack including Oracle applications, Oracle Fusion Middleware and Oracle engineered systems and were also acknowledged for implementing Oracle Exadata Database Machine on Oracle's JD Edwards. We also won the **2015 JD Edwards Partner Excellence Award for Outstanding Year-Round Success Story Nominations** by Oracle for providing success stories that complement and enhance JD Edwards applications. With emphasis on cloud we are also working with our customers to offer them the right cloud solution for their business- public, private or a hybrid solution by leveraging our expertise. We have made certain investments in the SBU during the year related to people and technology and these investments along with slow revenue growth led to marginal decline in the EBITDA margins as compared to last year.

## PRODUCT ENGINEERING SERVICES (PES) SBU (erstwhile Auto & Engineering SBU)

PES SBU was the highest growing SBU for the year with Y-o-Y growth of 35% with increase in its revenue share to 30%. There is very strong momentum in the SBU also supported by significant growth in our products and platform business which delivered a unique product during the year with dominant market share. This was the first year of operation for Intelligent Transportation Solution (ITS) project and it earned revenues of around \$18.5 Million during the year. We have also been honored by Volvo buses India with Project Development Excellence Award 2014 in recognition of our quick project delivery that included hardware and software integration for the On Bus Intelligent Transportation Systems (OBITS). Our expedient deployment and integration has helped Volvo become the first OEM to complete homologation of their buses with ARAI and Central Institute of Road Transport (CIRT). Even excluding ITS there was decent traction in this SBU across practices of AUTOSAR, Infotainment, Diagnostics and Powertrain. We are also investing significantly in areas such as warranty, diagnostics and connected vehicle technologies. Our regular investments in R&D and senior level hires have led to a decline in the EBITDA margins for this SBU as compared to last year.

## SAP SBU

This year was not a good year for SAP SBU as the revenues declined Y-o-Y by 4% and its revenue share came down to 22%. We faced certain issues including scope changes, estimation errors and cost overruns in two customer projects. We also experienced delay in starting a couple of new deals. Additionally we also gave some high volume discounts to some of our long term customers for their existing projects. In SAP, as a general industry feature, we are experiencing a movement towards driving more business to the cloud domain and thus leading to a decline in traditional on-premise ERP implementations. Even though we have been winning projects in HANA, SuccessFactors and other new technologies of SAP, due to lower ticket sizes of such cloud based projects, there is an overall decline in the quantum of revenues as compared to earlier years. Moving forward we have already been positioned as an experienced HANA and SuccessFactors implementation partner while we are also investing in developing our expertise and capabilities in the new technologies of SAP like Hybris, Simple Finance among others and we have also won deals in these areas. We have been working towards increasing the maintenance and support share in the revenues and we have won a few deals for AMS services but our implementation share is still higher in this SBU. Decline in revenues along with the quality of revenues have severely impacted the profitability of our SAP business during this year.

## ENTERPRISE SOLUTIONS (ES) SBU (erstwhile Business Transformation Unit SBU)

The revenue share for ES SBU came down to 9% with Y-o-Y revenue decline of 10%. The SBU has structurally realigned its team to bring in a focused approach towards sales and presales actions. The field sales and presales team is now active in the US and Europe region and we are confident to leverage each other's strengths in these geographies, offering vertical specific solutions and services to the strategic customers. We see good momentum for Testing-as-a-service and digital transformation. This practice is seeing initial traction in web development, mobility apps, UX/ UI initiatives with our manufacturing and automotive customers. We have also formed several industry alliances in areas such digital manufacturing, asset lifecycle and maintenance management solutions and eProcurement & Supplier Management. The profitability for this SBU remained at similar level as compared to last year.

## GEOGRAPHY UPDATE:

During this year also APAC led the growth for us with 51% Y-o-Y growth followed by Europe which grew by 18% on a Y-o-Y basis. In US the growth was marginal at 2% mainly due to the slowdown in our ERP business, mainly SAP. In APAC geography we have good traction in China and we have also taken steps to enable the KPIT Shanghai Technical center. We were able to establish 4-5 key potential GAM accounts this year with some key customer wins in ASEAN & ANZ region. We are proactively exploring the market for potential big opportunities around our Product portfolio. Offerings from Products & Platforms for this geography are also very exciting for the customer and we are working closely with SAP, ES and P&P SBUs to build an integrated Automation story for customers. In Europe we have won large deals in IT and engineering and created an improved pipeline. With more dedicated sales and SMEs on the road, our focus is now on Strategic customers and maximizing the opportunities in identified countries in Europe, mainly Germany and Scandinavia. We want to offer differentiated solutions in IoT (Internet of Things), ITS, Autosar, Mobility, Connectivity and Analytics. US is our biggest market both for ERP as well as engineering solutions. We have also made major front-end investments in the US market over the last one and half years and are seeing the returns coming our way. We will focus on further leveraging these investments in the coming years.

## PEOPLE INITIATIVES:

Despite being a challenging year for the organization, there was no change in our focus on people and the required investments for their development. We continued to invest in the right people DNA at the leadership level. We are laying out a new Performance Management Framework (KPMS) which entails a complete role based approach and provides for clearer and better career growth streams. Our



focus is on fulfilling 70%+ of new positions by mapping internal employees for different and higher roles. With New KPMS framework we conducted an exhaustive exercise looking at span of control by roles and by reporting hierarchy.

We have also made significant investments in the learning and development opportunities for our employees. We have adopted a new approach to be self-sufficient and create a unique value proposition for business leaders within the company. We have strengthened the engineering academy & initiated multiple trainings for fresh graduates & laterals to bring new recruits to speed. As part of our PACE program we have partnered with 15 strategic partner institutions to address each stakeholder's need. This program gives significant visibility to quality talent from campuses. Our GENESIS program, which is executed through SBU specific academies, ensures that all the engineering trainees are sufficiently trained and skilled to take up their first project in the company. We have trained over 450+ fresh graduate engineers this year. A revamped certification program framework aligned to the SBU practices to take care of the competency development & certification across Technology, Domain, Process, Project Management, Soft Skills and Leadership areas is being designed. We launched a new program ASPIRE for enabling employees to drive their career progress. This was launched on pilot basis and as a result we saw many self-nominating employees getting promoted during this cycle. We are going to launch this program across the organization to help people plan rotations, training and promotion nominations on their own.

We also conduct different other programs like ELEVATE (mentoring and coaching by leadership members), LIFT (Leadership development program), Bi-annual connect with our Chairman & Group CEO, Leaders club meeting with the MD & CEO, The Ground Zero, an interactive session where business unit heads and middle management share business updates with employees across all grades and ACCELERATE (certification program for Business Enablement Functions / support functions). There are different recreational sessions being conducted to maintain vibrancy at workplace. We also pay a lot of attention towards good health and safety of our people and organize regular health check-up camps and sessions for the same.

## EXECUTIVE APPOINTMENTS:

Mr. K N S Acharya has joined us as Vice President in the people function to lead the Learning Organization and competency development across all practices. He has over 28 years of experience spanning across industry, academia and applied research.

Mr. Gurudath Narayan has joined in the Automotive & Transportation IBU as Vice President for Product Engineering Services. In this role, he will focus on expanding our technology and management leadership in the market and create a larger team of experts able to work directly with our customers in various geographies. Being an entrepreneur by nature, in the last 25 years he has

developed several successful advanced engineering service businesses with centers in North America, Europe and India.

Mr. Vincent Raveau has joined as Vice President in Automotive & Transportation IBU and he will be based in Paris looking after France and Benelux markets. We are focusing very strategically in these markets and they present significant growth opportunities with the French Auto OEMs and Tier Is as well as with broader transportation segments. He has over 20 years of experience in general management positions for large industrial groups.

Mr. Nataraj Narayan has joined as the Senior Vice President and Head of our IMS business unit. Based out of Bangalore he will work towards setting the strategy and execution plan to grow the IMS business. In his earlier experience he has served at many companies at leadership positions and as the CIO.

Besides these new additions there has also been a few internal changes in the key roles and responsibilities within the senior leadership team.

Dr. Pawan Sharma who is a member of the Executive Council of the company will now look after the entire Business IT as President Global Business IT besides heading Americas geography and Manufacturing and Energy & Utilities IBU. In this role he is responsible for the P&L of the above mentioned business units directing the planning and execution of the organizations' growth strategy. His entrepreneurial attitude and experience spans across building and managing new business, starting new country operations and setting up Consulting, IT and BPO operations across the globe.

Mr. Anand Chellam who has been part of our SAP SBU for quite some time has now been appointed as Head- SAP SBU. He has over two decades of experience in IT and a wealth of business process consulting experience across multiple industries.

Mr. Ram Indukuri has been appointed as the Head, ES SBU. With over 9 years of experience with the organization, he has performed various roles in managing the Cummins account. He will focus on transforming ES as a true solutions organization, by developing solutions that will create immediate business impact and provide high Return on Investments for our customers.

## OPERATIONAL UPDATE:

We have a focused strategy on building best in class infrastructure and systems improving business productivity and customer centricity. We undertook multiple initiatives during this year such as Global rollout of Microsoft Dynamics CRM, roll out of actionable business analytics, setting up Hybrid cloud helping workload portability between KPIT Cloud and public cloud service providers. We have also completed the consolidation of IT infrastructure across all global offices, rolled out common IP telephony and collaboration solutions. With the formulation of a clear Digital Transformation Strategy we launched "SMART Enterprise Initiative". We have initiated numerous projects

to transform the business processes by use of SMACS (social intelligence, mobility, Predictive analytics, Cloud, Container and micro services and Sensors) technologies. To take IT as a Service strategy forward, we are building Software Defined Data Centre which can provide end to end data centre services such as compute, network, security, storage on demand, enabling business agility and driving innovation. Our objective is to create flexible workplace to enable employees to work from anywhere, using any device albeit in the gamut of information security. These initiatives will help in acquiring right talent, optimally utilizing physical infrastructure and bringing people closer to customers.

## INFRASTRUCTURE:

As on FY15 end we have total seating capacity of 8,400+ seats in India of which 7,600+ seats are occupied. During the year, we have added three facilities across Pune and Mumbai and the total seating capacities of these facilities stand at 290+. Amongst these new facilities two are rented while one facility based in Pune is owned by us and it focuses primarily on R&D activities related to our products and platforms business.

## BUSINESS OUTLOOK:

Before moving ahead we have analyzed this year's performance in great depth and realized that while

there have been challenges in some of our business and operational areas, at the same time we have started reaping benefits of some of the previous initiatives undertaken and investments made by the organization. During next year we will take certain corrective measures to bring in operational excellence and improve the quality of growth, while we will continue with our investments in the areas of future growth for the company.

This has happened to us few times in the past, with that experience and dedication, we are gearing up for next year which we believe will be the year of change for the company. This change will need lot of discipline, courage, tough decisions and adaptability for change. We believe opportunities continue to exist and grow in every area that we focus on mainly in Internet of things and Digital transformation. We are very excited about the future. We are confident with the right focus, action and mindset, we are confident of corrective action in first half of the year and bouncing back soon thereafter.

Warm Regards,  
Sincerely Yours,

**Kishor Patil**  
CEO & Managing Director

**Sachin Tikekar**  
Whole-time Director