



A TECHNOLOGY COMPANY THAT CARES

Board of Directors

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

Kishor Patil
CEO & Managing Director

Sachin Tikekar
Whole-time Director

Lila Poonawalla
Director

Dr. R.A. Mashelkar
Director

Adi Engineer
Director

Prof. Alberto Sangiovanni Vincentelli
Director

Anant Talaular
Director

B V R Subbu
Director

Sanjay Kukreja
Director

Anil Patwardhan
Chief Financial Officer

Sneha Padve
Company Secretary

Auditors
BSR & Co. LLP
Chartered Accountants
701-703, 7th Floor
Godrej Castlemaine
Next to Ruby Hall Clinic
Bund Garden Road
Pune - 411001

Legal Advisors
AZB & Partners
AZB House,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai - 400013

Financial Institutions
- State Bank of India
- HDFC Bank Limited
- The Hongkong & Shanghai Banking Corporation Limited
- Citibank N.A.
- Axis Bank Limited
- BNP Paribas
- Deutsche Bank
- ICICI Bank Limited
- DBS Bank Limited
- Kotak Mahindra Bank

Contents

Letter from the Chairman & Group CEO	1
Joint Letter from the CEO & Managing Director and Whole-time Director	4
Financial Highlights	8
Enterprise Risk Management Report	10
Board's Report	13
Management Discussion and Analysis	49
Report on Corporate Governance	56
Community Initiatives	72
R&D Activities	80
Additional Shareholders Information	82
Standalone Financial Statements	88
Consolidated Financial Statements	131
Green Initiative	174
Notice	175

Letter from the Chairman and Group CEO

Dear Fellow KPites,

The year that went by was a year of transformation for KPIT. We completed the reorganization and by the end of the year are in a position to start building the pillars for growth in the coming years. 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 FY16, our revenues grew by 7.8% in Rupee terms and the bottom line grew by 18.8%. In US Dollar terms, the overall revenue was flattish with a growth of 0.3%. However, the services revenue grew by 5% in US Dollar terms while there was inconsistency in the products revenue. At the beginning of the financial year, we had given an outlook of margin improvement throughout the year and internally had set a target of achieving 15% EBITDA margins in the last quarter of the financial year. I am happy to have been able to achieve the said target.

Another highlight of the year's performance was the improvement in Cashflow and the resultant increase in the dividend payout ratio. We were able to bring down the Days of Sales Outstanding (DSO) by 7 days to 75 days as compared to 82 as at the end of FY15. As at the end of FY15, we had a net debt position of ₹ 675 million. As at the end of FY16, we had a net cash position of ₹ 1,459 million, with total debt coming down to ₹ 2,505 million during FY16. As a special gesture on completion of 25 years post incorporation, we doubled the dividend per share in FY16, as compared to FY15. We intend to work towards further increasing our dividend payout ratio in the years to come. A detailed performance update by Industry Business Units (IBUs) and Strategic Business Units (SBUs) will be covered in my colleagues' letter.

FY16 was a year of introspection for KPIT. As you would recollect, we had single digit operating margins when we exited FY15. In FY16, we had laid down 4 priority areas to focus on, viz. Profitability, Predictability, People and Growth.

Profitability: In FY16, we were able to improve the operating margins every quarter and had EBITDA margins of 15%+ in Q4FY16, as we exited the year. Profitability was the first operational focus area for us and I am glad on the performance of the Company on this front. We took many steps in the areas of increasing span of control at multiple senior levels, people pyramid correction with majority of fresh graduate hiring, cutting down on long tail customers

and improving people utilization. We also reduced some staff at the mid and senior level, as a one-time exercise in Q1FY16. The rupee depreciation also aided us during the year.

Predictability: It was important to focus on predictability to help improve people utilization and reduce revenue leakage due to non-availability of people at the right time. We took actions on the revenue and cost predictability across all IBUs, SBUs and geographies. We standardized our operating frameworks and business reviews across all levels within the organization. Predictability has helped us improve revenue and project closure visibility on common platforms, across the organization.

People: The aim was to hire, retain and grow the right talent at the right time. The major areas of focus under this initiative were fresher recruitment and their training, appraisal and promotion policy and ongoing training and certification across the organization. We revamped the KPIT Performance Management System (KPMS) and the roll out of the same was done completely during the year. We redefined the promotion policy to help fuel individual growth within the organization and enable employee movement and fresher absorption into main stream projects. We have also standardized the training and competency development framework to streamline the training requirements. We have refurbished the internal certification and competency development framework to ensure continuous and broad based learning.

Growth: We shifted our focus to growth only during the last quarter of FY16. We have invested in account managers and will continue to do so during the first half of FY17. We have reorganized the sales teams to bring in more IBU focus. We also will direct our investments towards Products and Platforms as we expect a couple of new products to get commercialized in H2FY16. We have also invested a lot over the last 3-4 quarters on digital technologies and are seeing good traction in digital, both in enterprise solutions as well as products & platforms. We will emphasize more on account mining in the identified strategic accounts with annuity revenues, engineering + IT solutions and Infrastructure Management Services (IMS)/Application Management Services (AMS). We will also acquire new enterprise accounts in our focus verticals.

Technology and Innovation

Technology is touching every part of our life, like never before. Our endeavor has always been towards building our business around technology and there is no better and exciting time than today. During the year, we have created

a separate CTO function, intended to have a consolidated view of technologies across the Company. The CTO team works with various SBUs and practices to look at the short and mid-term view of technologies, so that our offerings are relevant to customers, today and tomorrow. The CTO team also incubates new technologies and interacts with customers to sense the relevance of these technologies. Engaging with Customers' CTOs, CIOs as well as the Business Leaders, representing external forums, advisory boards, engaging with Technology groups/analysts, with Universities and Academics is an important part of this function. Running Innovation Process, Innovation Council and the Sparkle program, Technical publishing, Patents, which are our current activities, continue to be with the CTO team.

We have successfully completed the second edition of **KPIT Sparkle**, an annual national design and development innovation contest. KPIT Sparkle 2016, in association with College of Engineering, Pune (COEP) aims at fostering a culture of innovation and critical thinking among engineering and science students across colleges in India. The competition with the theme of '**Smart Solutions for Energy and Transportation**' received **1,700** innovative ideas from over **10,000** students across 500 colleges in India. Some of the projects featured ideas on Green Energy, Alternate Fuels & Materials, Autonomous Vehicles and Intelligent Traffic Management. The finalists were evaluated for novelty of their ideas, completeness of prototype, fulfillment of society's expectations/problem statement and technical knowledge at a grand exhibition held at COEP College ground.

The total number of patents filed by KPIT as at the end of FY16 stood at 53, including 46 patents with complete specifications filed. Some of the earlier provisional patents were withdrawn during the year. As at the year end, we have 23 granted patents across different geographies. Most of these patents are in the domain of hybrid technology, along with other areas of VLSI and High Performance computing.

"The year ahead"

Our growth over the last 3 years has been at the lower end of the industry. As a Company we have a DNA of growth and thus we target to get back on the growth path as soon as possible.

In the coming year we have specific focus on Growth, Technology and KPIT's positioning, while we continue to deliver on People and Profitability. I would like to spend some time explaining the thought process and the 4 initiatives we would pursue.

Growth through Account Acquisition & Mining:

We realise that the focus on industry verticals has yielded us good results. Over 90% of our revenues come from these verticals and we are gaining more traction on account of our specialization. However, we also realised that in quite a few cases, our customer is a "single service customer" and doesn't get the full benefit that KPIT can give through its multiple service offerings. While we continue to pursue revenue from the "Qualified Accounts" (only our verticals, right sized and

geography), we ensure that the account gets the full breadth of our services and all this when we retain and maintain the revenue from all other accounts as well. Following are the steps we will take to ensure that we achieve this:

- Consolidate the sales force in SBUs and Geos with a mandate to sell multiple services to target accounts.
- Appoint dedicated or shared account managers for almost all accounts with a mandate to increase the depth of the services offered.

I believe that these actions would give us deep customer relationships and sustainable revenues. We are also significantly strengthening our marketing function to give us more visibility in our verticals.

Leadership in offerings:

We are a technology Company. Our purpose is to provide the most appropriate technology solutions so that our customers and the world at large benefit. It is therefore essential that we keep a sharp focus on achieving leadership in our offerings. We have done a decent job in this area as evident by leadership that we have in automotive engineering, JD Edwards and the new areas like HANA, SuccessFactors, Hybris, S4 HANA in SAP. We have to continue sharpening our saw and we have to gain expertise in many other offerings that we currently have. We are strengthening our CTO organization with a mandate to scan the technological horizon continuously and to keep us updated. Equally importantly we are strengthening our PDFs (Product Development Forums) to ensure that every practise in every SBU reviews its technology roadmap and investments on a quarterly basis and to gain the leadership position. We will continue to focus on innovation through multiple activities co-ordinated by SBUs as well as the CTO function.

We believe that our new Product Business Units will focus on bringing in revenues from the innovations that we have already brought to the table. We will give special emphasis on new offerings in Digital Transformation, Application/Infrastructure management services and engineering beyond the automotive verticals.

People & Processes:

Over the last 3 quarters, we have focused our efforts on streamlining our people and operating processes. We have the foundation of a good performance management system through KPMS. We have made significant progress on training process and infrastructure, but we would now like to take the next step in our people management efforts. We would like to spend more energy on leadership training across all levels. We would also like to do more to bring in agility and close knit culture like a small company. I believe that the actions in this areas will make us a preferred Company to work with. The people function will focus on these aspects on making our operating processes more simple, effective and easy to understand and follow.

Profitability & Productivity:

We have done reasonable progress on the profitability front. Much of this progress has been achieved by using operating leverages such as utilization, span of control, fresher hiring,

charge out ratios, etc. We have still not tapped into the engineering leverages such as personal productivity, tools and automation. I believe that in the new world, these leverages are going to count a lot. We intend to focus on them in the coming year.

We would like to run next year using these 4 key initiatives as the backbone of our actions. We shall be converting these initiatives in to a goal tree which will cascade down the entire organization.

I believe that the current year will see significant changes in our industry arising out of technological disruptions as well as business volatility and focused, agile and collaborative organizations will gain from this environment. Our experience so far this year, suggests our revenues will be under stress, at least for the initial quarters.

With a right strategy, a capable and motivated team, a good set of customers, quality offerings that we have, coupled with focused actions on these 4 initiatives will give us a good foundation for the years to come.

"The years ahead"

The whole industry is going through transformation and traditional strong growth areas like ERP and Application Development and Maintenance (ADM) are going through sea changes. Cloud is emerging as a strong trend in ERPs making deal sizes smaller both in terms of dollar value and time to implement. Automation is changing the way companies worked with customers in the area of ADM.

Digital Technologies like Cloud, Big Data and Analytics, sensors, Internet of Things, mobility and social are fast emerging as bigger spend areas for the customers. In these areas, customers are not wary of working with smaller but niche players. Thus, Digital Technologies have opened up opportunities for niche players – niche in technology and niche in domain. At KPIT, with the industry domain focus, investment in R&D and innovation and a nice launch pad for newer products, we feel confident of capturing a good share of these new growth areas. Our digital strategy is to create value for clients' business transformation through 'icams technology' (IOT, Cloud, Analytics, Mobility and Social). Digital Transformation will help improve customer experience for our clients, optimize their supply chain operations and provide predictive asset management.

Our goal is to build a *Vertically Focused, Technology Company, That Cares*

Vertically Focused

We will continue to concentrate on a few cognate industries relating to manufacturing (mostly discrete) and energy. These verticals have/will have end products with intelligence and already are or will be connected.

Thus, the industry verticals that we would continue to focus on:

1. Automotive & Transportation

2. Manufacturing, further broken into
 - a. Industrial and Consumer Products
 - b. Hi Tech
 - c. Life Sciences
3. Energy & Resources
4. Utilities

As you would notice, we have now broken up the broad vertical of manufacturing into 3 distinct sub-verticals viz. Industrial and Consumer Products, Hi Tech and Life Sciences.

Technology

Technology led Engineering + Business IT solutions will be at the core of our offerings to the customers in the above mentioned industry verticals. We will bring in more and more of practice specialization, digitization, innovation and IP/Patent creation for catering to the business/domain/technology needs of our customers. This is being enabled by absorption of Technology Subject Matter Experts (TSMEs) in each of our Industry Business.

Care

Care and relationship forms the nucleus of our overall business strategy. We will continue to deepen our relationships with our strategic customers, employees and stakeholders at large. Individual Account Managers along with shared Business Subject Matter Experts (BSMEs) will strengthen and advance our relationships with strategic accounts. Our solutions and products will largely be themed around Green, Safe, Connected and Smart, thus caring for the environment and the world at large.

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-and-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. I regard this highly and appreciate it thoroughly.

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,

The year 2016 is a very special year for us, as we completed 25 years of operations since our incorporation in 1990. It definitely feels good to look back at the journey and recall the important landmarks like getting the first customer, opening of different offices in new countries, revenue milestones, public issue and numerous awards. However, the best part is the leadership that we have been able to establish, the teams that we have worked with over the years and the recognitions that we have received from our customers for being leaders in certain businesses.

Looking back, FY16 was a year of change for us. At the beginning of the year we had set certain priorities and action areas for the Company. These were profitability improvement, predictability improvement, people development and growth. By the end of the year, we have been able to deliver well on profitability, predictability improvement and people development. Besides, we have taken several initiatives on growth but the rigor would increase in the next year. In the year gone by our revenue growth has been flat with modest growth in services business and inconsistency in products business. However, we have achieved sustainable improvement in our operating profits, largely due to internal measures like operational efficiency, people productivity and delivery excellence and also aided by rupee depreciation.

We will discuss the performance of individual units and the markets as we see them, in detail in the ensuing paras.

BUSINESS UPDATE:

INDUSTRY BUSINESS UNIT (IBU) UPDATE:

MANUFACTURING IBU

During the year, manufacturing vertical grew by 11%, with revenue share at 36%. In manufacturing, we focus on three sub-verticals: Hi-Tech, Industrials and Life sciences. There are a few emerging disruptive technologies which are changing the traditional methods, processes and practices of manufacturing industry and these include IoT, Mobile, social media, cloud and predictive analytics. In discreet manufacturing industry, manufacturers want to bring in agility in their operations to overcome the limitations in their existing legacy systems. They are adapting to technologies such as supply chain enabled PLM, Cloud based PLM applications and cloud computing in manufacturing operations and model based manufacturing. We are investing in strategic platforms, technologies and solution offerings aligned to the industry trends viz. IoT,

Social ERP, P2P automation etc. Our Oracle Accelerate solutions and IoT solutions for shop floor management are helping customers enhance their productivity and deliver customer value. We are also partnering with ERP product companies to deliver solutions in areas of cloud, field service and mobility. We are building solutions and connectors in cloud and mobility domain that will help our customers connect disparate systems to the new cloud systems. Our customers have also been able to leverage on IoT and analytics through our industry expertise in engineering and IT. With the increase in software content in manufactured products we are well positioned to capture these growth areas. Our investments are aligned towards engineering abilities (Digital Transformation in Product) and business IT expertise (Digital Transformation in Processes). In life sciences industry, the healthcare reforms are driving convergence of life sciences and healthcare sector, while the consumerization of healthcare is changing the customer engagement model. There is also growth in M&A activity in life sciences industry. We are building industry presence with continued penetration in large pharma and device manufacturing customer base. We are offering solutions that will help customers with their M&A strategy. These solutions are built on JDE and SAP platform and have been preferred by many large customers. We are also investing to develop industry specific solutions for this vertical like:

- **Big data analytics solutions** enabling real-world comparative efficacy and cost analysis
- **Social analytics and connected real-time field service platform as a service (PaaS)** solutions to understand and improve customers' product/service/brand experiences
- **Cloud-based Global Trade Management and newer regulations compliance solutions**
- **Application Lifecycle Management (ALM) solutions** enabling compliant development of increasingly complex, software-enabled healthcare devices.
- We have also developed SAP MedEdge/PharmaEdge solution on HANA/Cloud and we are in the process of completing certification for these solutions.

AUTOMOTIVE & TRANSPORTATION IBU

The Automotive & Transportation vertical grew by 10% in FY 16 with revenue share at 38%. The key growth areas for automotive industry are connectivity, Advanced Driver Assistance Systems (ADAS), powertrain, infotainment, body & chassis. These are our core offerings in the Automotive & Transportation IBU, where we have been investing over

the years both in terms of Subject Matter Experts (SME) for domain expertise and patents for IP creation. We are making practice investments to enhance our capabilities in ADAS and strengthen our system, software integration and validation/verification capabilities to a leadership position. As automotive companies are diversifying towards on-demand mobility services and data driven services, we are also developing core competencies and practice offerings around connectivity, cybersecurity and IoT/Mobility services and analytics by combining our strengths in engineering and IT domain. We believe this will further strengthen our leadership position in the industry.

ENERGY & UTILITIES (E&U) IBU

During the year, E&U vertical grew by 5% with revenue share at 20%. Utility companies are focusing on energy provisioning transformation and digitization of communication platform for both employees and customers. We have developed domain solutions for the E&U vertical in SAP, Oracle and JDE. Our offerings in SAP HANA, Cloud technologies in both SAP as well as Oracle, IoT solutions in the Automated Meter Reading (AMR) areas and smart metering solutions will enable us to capture good share in the expected utilities spend. We are working on cloud and mobility solutions with integration to legacy systems and infrastructure, for improved asset utilization, compliance and security. To construct and maintain sustainable energy, utilities require Asset Management solutions which is a part of our Enterprise Asset Management (EAM) offerings - UtilitiesEdge. We are well positioned to address the M&A related requirements of the industry. With our SAP Utilities solution set, we are now amongst the top 3 SIs in North America for SAP utilities. In terms of our solutions portfolio we are creating a solution through utilizing the capabilities of three different solutions:

- The KPIT IoT Hana Analytics solutions
- The KPIT command center
- The KPIT Diagnostic Platform

The elements of these solutions are being utilized and combined with an Enterprise Asset Management (EAM) process platform and a field data collection system to enable entities to not just build an asset, but to offer operations and maintenance as an additional revenue stream. We are also working with the Digital Transformation team to create offerings specific to the utilities industry and with Oracle team to define our GTM and build up our Oracle capabilities.

In the global energy sector, the growth momentum has been weak with falling oil prices and energy companies have been exercising tighter controls on their spends. However, they are spending in innovative technologies as technology transformation is crucial for their sustainability. In energy industry we have developed **IoT and Analytics solutions** for specific business issues, **electronic communications solutions** for Oil and Gas and multiple solutions in **Procure and Spend analytics**. Our **Journey Management Solution - VTS, Fuel Management Solution and Supplier Portals** are also gaining wider acceptance in the energy vertical.

STRATEGIC BUSINESS UNIT (SBU) UPDATE:

Our Integrated Enterprise Solutions (IES) SBU grew by 6% with revenue share at 36% while Product Engineering Services (PES) SBU grew by 34% with revenue share at 27%. In SAP SBU the revenue share stood at 23% and it grew by 15%. Our P&P SBU declined by 42% with revenue share at 5%.

In IES SBU we are working closely with Oracle for cloud offerings, which will accelerate our customer's digital transformation initiatives. In ePLM we are following a consultative approach unifying our strengths of business process, engineering and IT technology while in Infrastructure Management Services (IMS) there are opportunities across IoT POCs and implementations. We are competing in the marketplace with an edge in mobility, IoT and Digital platforms.

In PES SBU we have won deals in ADAS, AUTOSAR, Body & Chassis and Infotainment practices. In Products & Platforms there is good customer interest across our infotainment & connectivity platform while in REVOLO we achieved some significant milestones with the launch of our smart electric bus. We are also working with the Government of India in their smart city initiative.

In SAP there is growing traction around new technologies like SuccessFactors, Hybris, C4C, Cloud, HANA and we are also transforming our business mix from traditional ERP to more innovative solutions.

In Digital Transformation (DT) SBU we are working with our customers on digital technologies as they are beginning to experiment and execute projects.

Products and Platforms:

We are now witnessing good market interest in our products business, which is largely aligned with the automotive industry. During this year, we achieved a significant milestone for REVOLO as we presented two smart electric buses to the Indian parliament. We also shipped our first export assignment for hybrid solution during the year. Our key objective is to scale this up to transform transportation in India and a few other countries.

Our revenues for Intelligent Transport System (ITS) declined during the year mainly due to lack of government funding to Original Equipment Manufacturers (OEMs) for new buses. However, the traction for this product is very high. We are now expanding the market for corporates, commercial fleets and geographical regions outside India. Currently we have more than 5,000 buses fitted with our UBS II ITS Devices. These buses are spread across 19 cities and state undertakings in the country. We have also done pilot implementations of the ITS product in other geographies and the response has been very encouraging.

We are also participating in the smart cities mission initiative of Indian Government. Transportation is coming out as the

key component in the first 20 declared winners of smart city initiative. We are working very closely with all stakeholders to leverage on these growth opportunities.

We are also witnessing good potential for diagnostics on cloud. We made good progress in terms of significant releases in Infotainment, Functional safety, Diagnostics and AUTOSAR. We see automotive vertical as one of the fastest growing verticals for us in the years to come.

GEOGRAPHY UPDATE:

During the year, Europe was the highest growing geography for us with 27% Y-o-Y growth and revenue share at 18%. US grew by 10% with revenue share at 68% while APAC declined by 17% with revenue share at 14%. In both US & Europe geographies, the growth traction has been good throughout the year and despite weak economic conditions in energy sector, we have been able to register good growth in US geography. However, in APAC, the growth was impacted primarily due to decline in our ITS product revenues. Our SEANZ-OVI Certified solution for 'Endeca Extensions on JDE' is getting great traction in Australia with a clear go-to-market strategy in place with Oracle. In IMS we see good momentum in APAC, as the market is moving fast, specifically on offerings like Backup as a Service. In SAP there is good traction in US market. In US & Canada, we are witnessing increased adoption of Microsoft solutions by existing customers in collaboration area- content and portal, integration and cloud. For Infor M3 implementations, we see higher traction in North America and APAC. In India geography we see demand for our automotive related offerings including ADAS, diagnostics, lane departure features and V2X-V2V Communication and products like smart electric bus and ITS. We are also establishing product engineering centers in China and Brazil.

EXECUTIVE LEADERSHIP:

Based on the new organization structure focused on solutions & services organization and products organization there has been certain changes in the roles and responsibilities of our executive leadership team.

Mr. Pawan Sharma is the CEO of our Solutions & Services business. He will be responsible for the Strategy, Execution and P&L for all IBUs and SBUs. In addition to the above, he will continue to Head Americas geography (North America, Canada and LATAM).

Mr. Pankaj Sathe is the Chief Marketing Officer and his primary responsibility will be branding and positioning KPIT as a key technology player in the verticals of focus. He will also continue to be the head of Europe geography.

Mr. Anup Sable is the new Chief Technology Officer of the Company and he will focus on technologies across both the organizations - S&S and Products. This function will focus on continuously scanning the future technologies, building significant technology depth across verticals and creating cutting edge offerings.

Mr. Anil Patwardhan is the Chief Financial Officer of the Company and he will be responsible for Financial performance, Reporting and Governance.

Mr. Abhishek Sinha is the Chief People and Operations Officer and he will be responsible for designing, rolling out and governance of processes and frameworks for Delivery and Operations Excellence and Practice Development processes across the organization.

PEOPLE INITIATIVES:

People development was one of the priority areas during the year and our aim was to hire, retain and grow right people at the right time. We took a lot of measures related to fresher recruitment and training, appraisal and promotion policy and training and certification. We focused on improvement in people productivity and took steps in the direction of improving utilization, enhancing and standardizing the Span of Control for senior and mid-level managers, establishing a strong training organization to help quickly absorb fresh graduates on projects and working on improving the employee pyramid by targeting at least 70% of the gross recruits to be fresh graduates.

During this year, our learning organization was renamed as Education & Competency Development (ECoDe) Unit and through this unit we have been able to bring in significant shift in our approach to employee competency development initiatives. As part of the Program for Academic Collaboration & Engagement (PACE), we have already partnered with 20 universities and academic institutions to bring in fresh engineering graduates. Currently, we have four training academies under this unit - PES, IES, SAP and Digital Transformation. To ensure proper training and skill development of these freshers in alignment with our business requirements, we have conducted SBU specific graduate trainee programs collectively named GENESIS. We covered 1200+ fresh talents under this program. Currently, we have 11+ variant programs under 4 academies for our SBUs. This year we have introduced a structured Master's Degree Internship program and currently we have 50+ Master Interns undergoing internship. We have created a very well structured Professional Skills Development program built around 5 core competencies and have 20+ standard courses readily available for consumption for delivery and support teams. We have also initiated support function training programs through ACCELERATE. During this year we also revamped the framework for our employee certification program and created ECoDe | KAIZEN. As part of this initiative we are creating SBU and Practice specific competency development plans. We also have a few initiatives like ASPIRE, ELEVATE and LIFT which focus on guiding employees to plan their career growth and move up to the next level of leadership position.

A new performance management framework (KPMS) has been put in place to formally assess the performance of employees to support their development needs. Based on the assessment, merits and competencies of individuals, promotions and career progression is being chartered.

Based on the inputs received from appraisal, training needs are being identified and provided to employees.

We have been constantly working towards improving the people connect and communication within the organization, thus ensuring employees to stay connected and create a collective sense of involvement and ownership. We have created many channels for employees to share their feedback and concerns including one-on-one connect. We also conduct various health sessions. Health camps and check-ups are organized at regular intervals to encourage employees to maintain their health and overall wellness.

OPERATIONAL UPDATE:

During FY16, we have taken many initiatives under the umbrella of 'Smart Enterprise' to digitally transform business processes. Some of the key domains include Smart Campus, Smart Collaboration, Smart Business applications, Smart Insights, Smart Relationships, Smart Workforce and Smart Infrastructure. The objective behind the Smart Enterprise is to create positive experiences and not just provide services to our employees and customers. We started our journey to build systems which enable us to empower customers, employees, and partners with context-rich apps and smart products. We have also rolled out KPITube.com, a video gallery where employees can share informative videos and also consume real time leadership and technology sessions using any device. Power of the Social will fuel our future systems. However the most impactful and difficult element in our Smart Enterprise is Smart Insights - 'Sense and Respond' system. To deliver in-the-moment effectiveness, we are rolling out context aware business apps. We are using analytics which provides tools to employees for data analysis and provide actionable insights.

By using new age technologies, we have built a highly scalable and resilient infrastructure to enable cloud native applications. We have also rolled out KPIT digital platform using Cloud foundry which helps our developers to rapidly build digital applications transforming business processes. We have rolled out KPIT app store through which employees can download various productivity apps.

INFRASTRUCTURE:

As at FY16 end, we have total seating capacity of 10,100+ seats in India of which 8,000+ seats are occupied. During the year, we have added three facilities across Pune and Bangalore and the total seating capacities of these facilities stands at 1,700+. We have also started construction of a new facility in our plot in Pune -Hinjawadi, Phase III. The plot would be constructed over the years in phases and currently we are constructing only one phase of this plot with a total

size of 2 lac sq. ft. We intend to occupy 1 lac sq. ft. by end of December 2016. The total capacity of these particular phase is 2,000 seats, out of which we are developing 1,000 seats currently.

BUSINESS OUTLOOK:

Next year our prime focus would be on growth. We have worked on a lot of industry vertical/domain/technology focused offerings and have got recognition for the same globally. Now we are making investments in the right direction for increasing the pace of growth.

- We are investing in account managers in IBUs and focusing more on annuity revenues, engineering + IT solutions, IMS/AMS and acquisition of new enterprise accounts in our focus verticals. There also has been internal movement towards filling up account management positions.
- We are stepping up our capabilities in some new areas, where technology spend is increasing like digital technologies and IMS. In digital technologies, we are seeing good traction both in Enterprise Solutions as well as Products & Platforms.
- We also intend to bring sharper focus on practice development.

With these new offerings, improved profitability and predictability, investment in account management and changed organization structure, we believe we have the right base ready. However, there is still a lot of work to do and it will need more rigor across the organization to achieve better outcomes. Our industry is going through significant changes arising out of technology and business model changes. Hence this year, we see volatility in the markets we address. Thus our revenues will be under pressure, at least for the initial quarters.

Having said that, our primary focus will be on people practices and revenue growth. We believe that each one of our people can play a meaningful role in some way or the other while delivering, solutioning, selling, recruiting, marketing or performing any other function. It is most important to have full energy in this direction without taking our eyes off profitability.

Warm Regards,
Sincerely Yours,

Kishor Patil
CEO & Managing Director

Sachin Tikekar
Whole-time Director

Financial highlights

(₹ in million)

	FY 2016	FY 2015
CONSOLIDATED INCOME STATEMENT		
Sales (USD million)	490.31	489.00
Sales	32,242.91	29,899.17
Gross Profit	10,373.80	8,426.07
EBITDA*	4,240.15	3,244.07
Interest	120.99	164.69
Depreciation/Amortization	691.25	851.35
Other Income (Net of Exchange gain/loss)	216.76	256.65
Profit Before Tax	3,644.67	2,484.67
Profit After Tax	2,815.00	2,369.87
CONSOLIDATED BALANCE SHEET		
Share Capital	375.65	376.13
Reserves & Surplus	13,431.26	12,577.72
Total Shareholders Funds	13,806.91	12,953.85
Share Application Money	0.63	7.65
Non-Current Liabilities	2,188.24	1,203.15
Current Liabilities	5,956.41	8,573.29
Total Equity & Liabilities	21,952.19	22,737.94
Fixed Assets	2,850.45	2,328.20
Goodwill on Consolidation	4,024.66	5,087.93
Other non-current assets	2,299.62	2,172.91
Current Investments	0.04	590.38
Trade Receivables	6,860.87	6,978.70
Cash and cash equivalents	3,953.27	3,637.54
Other Current Assets	1,963.28	1,942.28
Total Assets	21,952.19	22,737.94
Key Ratios		
Revenue growth	7.84%	10.98%
EBITDA Growth	30.70%	(22.44%)
PAT Growth	18.78%	(4.81%)
Gross Profit Margin	32.17%	28.18%
EBITDA Margin	13.15%	10.85%
PAT Margin	8.73%	7.93%
SG&A to Revenue	19.02%	17.24%
ROE	21.04%	18.45%
Return on Capital	16.42%	13.29%
Debt to Equity	0.28	0.39
Cash/Total Assets	18.01%	16.02%
Basic Earnings Per Share (₹)	14.72	12.49

*EBITDA before exchange gain/loss and other income