

2016-17 Annual Report

Technology Innovation @ the confluence of **Engineering & Digital**



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 Talaulicar

Director

B V R Subbu

Director

Sanjay Kukreja

Director

Anil Patwardhan

Chief Financial Officer

Sneha Padve

Company Secretary

Auditors

B S R & Co. LLP

Chartered Accountants

7th & 8th Floor,

Business Plaza,

Westin Hotel Campus,

36/3-B, Koregaon Park Annex,

Mundhwa 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

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Letter from the Chairman and Group CEO



Dear Fellow KPites,

We completed another year of transformation for the Company amidst the fast-changing industry scenario and geo-political environment. 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 FY17, our revenues grew by 3.0% in ₹ terms, whereas the bottom line declined by 15.1%. In US Dollar terms, the overall revenue was flattish with a growth of 0.8%. The services revenue showed a modest growth of 0.5% in US Dollar terms while there was a growth of 10.2% in the products revenue, albeit on a smaller base.

Our operating profitability for FY17 was lower as compared with the previous year. I would like to detail here the specific reasons for the lower profitability. In subsequent section of this letter, I will also talk about the actions we have already taken to improve the same.

We continued our investment in global account management and strengthening of the front end with subject matter experts. Over the last 18 months, we have added almost 40 account managers globally, mostly in the US. As one would appreciate, these investments take some time to show actual, on-the-ground results. We also continued our fresher hiring policy and thus ended the year with a net headcount increase of more than 1,000 people, as compared with the last year. Most of these net additions were freshers and thus their absorption on revenue generating projects was limited, resulting in lower offshore utilization. Hence, higher market investments and lower utilization, coupled with additional one-time legal expenses, the operating profitability suffered during FY17.

In FY17, we had laid down 4 priority areas to focus on viz. Growth through Account Acquisition & Mining, Leadership in Offerings, People & Processes and Profitability & Predictability.

Growth through Account Acquisition & Mining: The focus on industry verticals has yielded us good results. Over 90% of our revenues come from our focus verticals and we are gaining more traction because of our specialization. We have made significant investments in account mining and we are confident of getting the right returns from these investments in the years to come, starting this year. Our new account acquisition strategy is also much focussed on the right quality of enterprise customers for long term mutually benefitting relationships. Though the overall revenues were flattish, we had decent growth in our strategic accounts.

Leadership in offerings: We are a technology company and technology is at the heart of everything that we do. Our purpose is to provide the most appropriate technology solutions for direct business benefits to our customers and at the same time, create a positive impact on the world at large. 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 the global leadership that we have in automotive engineering, JD Edwards, SAP HANA, SuccessFactors, Hybris, S4 HANA, Oracle MDM and OTM. We have strengthened our CTO organization with a mandate to scan the technological

horizon continuously and to keep us up-to-date on the latest technology offerings. Equally importantly, we have fortified our PDFs (Product Development Forums) to ensure that every practice in every SBU reviews its technology roadmap and investments on a quarterly basis with a view to gain leadership position. We will continue to focus on Innovation through multiple activities coordinated by SBUs as well as the CTO function. We have seen good sustainable success in new offerings around Digital Transformation (especially IoT and IT / OT applications), Application / Infrastructure management services (revolving around AI and automation) and engineering beyond the automotive verticals (energy and life sciences). We have made significant progress in the Products and Platforms unit and expect a couple of new products to hit the market during the current year.

People & Processes: Over the last one and half years, we have invested in our training infrastructure, not only for freshers but across all levels in the organization. With the fast-changing industry requirements, training to and trainability of the people has become an even more significant factor in the Company operations. We realize the importance of this and are focussing even more sharply on imparting the right training to the right people, to ensure smooth flow of operations.

Profitability & Productivity: While the profitability was lower during the year due to reasons mentioned earlier, we have made significant progress on the productivity front. We have in-house developed best-in-class productivity improvement and automation platforms based on self-learning and artificial intelligence algorithms. These platforms are comparable, and in some cases, better than similar competitive platforms in the market. We have gained significant traction and new AMS wins with these platforms. We will continue to improve these further and deploy them in the market.

Technology and Innovation

Last year, we created a separate CTO function, targeted to have a consolidated view of technologies across the Company. The CTO function not only works with all the SBUs to create innovative leadership offerings but also works extensively outside the Company to nurture a culture of innovation within and outside the organization. This provides a platform for attracting innovative minds and bringing forward bright ideas to develop smart, safe and sustainable solutions.

We have successfully completed the third edition of **KPIT Sparkle**, an annual national design and development innovation contest. KPIT Sparkle 2017 aimed at fostering a culture of innovation and critical thinking among engineering and science students across colleges in India. The theme of the competition this year was 'Smart Cities and centered around creating solutions for Smart Transportation and Smart Infrastructure using Technology'. Sparkle received 1,500 innovative ideas from over 10,500 students across 300 colleges in India. 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 Deccan College ground, Pune. Some of the projects were in areas like urban mobility, autonomous vehicles, alternate energy solutions and efficient waste management

The total number of patents filed by KPIT as at the end of FY17 stood at 57, including 50 patents with complete specifications.



As at the year end, we have 30 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

Digital @ KPIT

Over the last couple of years, we have been investing in digital technologies to create business solutions for our customers. With expertise and leadership in engineering, IoT is the leading area of digital for the Company. Our digital approach to market hovers around four major areas viz. Smart Factory, Asset Optimization, Supply Chain Management and Digital Customer Experience. Business driven digital solutions are focused on connected manufacturing, digital supply chain and digital marketing. The technology driven digital solutions mainly involve big data & analytics, middleware and integration services, cloud deployment, mobility solutions and testing & validation.

While we take these services to our customers, it is important that we change our own organization and help transform the way 12,000+ employees perform their work. To spearhead our fast evolution as a digital organization, we have created a new role of the Chief Digital Officer (CDO). Tasked with the goal of building 'intelligence everywhere', the CDO function will aim at simplifying & automating business processes, build digital infrastructure and fuel continuous innovation. The capabilities that will get built under the CDO will supplement the digital efforts of various units across the organization. Another key objective is to create '#ThinkDigital Culture' amongst employees across all levels. A digitally enabled workforce will thus set the tone towards improving people productivity. We will also co-innovate with startups and boutique firms and form a conducive business ecosystem that fosters new relationships with customers.

"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, this year. We have guided for a constant currency revenue growth of 6% to 8% during FY18 as compared to the last year. This growth will be more balanced throughout the year and thus we will experience quarter-on-quarter growth, starting from the first quarter itself.

In the coming year, we have specific focus on Growth and Delivery Excellence, 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: As stated earlier, over the last 2 years, we have invested in growth, both for account mining as well as new account acquisition. Our growth for FY18 will be driven by:

1. Engineering, Digital and SAP
2. Improved alignment of practice and pre-sales
3. Focus on large enterprise customers (revenue in excess of \$ 5Bn)
4. Best in class offerings through practice development forums and CTO Office
5. Growth in Product Business

Profitability: Our profitability improvement actions will start showing results from H2FY18. The majority of the actions areas for profitability improvement are:

1. Revenue and headcount alignment
2. Automation led productivity improvement
3. Increase in realized onsite billing rate
4. More offshore revenues
5. Continued rigor in cash flow

Delivery Excellence: We have created a centralized delivery excellence function to ensure on-time and zero defect delivery. Delivery excellence goals will be achieved through:

1. Increased customer experience / satisfaction through delivery excellence
2. Rigor on Multi Level Reviews, weekly cadence with customers
3. Delivery led growth in large accounts
4. Improved program management skills and governance
5. Clear documentation and communication for effective risk management

People & Processes: We will continue to improve our processes and focus on people development and retention through emphasis on:

1. Cross skilling of selected people on new technologies
2. Creation of Chief Digital Officer (CDO) for increasing digital awareness
3. Clear, simple and nimble processes across the organization
4. Reduction in top block attrition, especially in growth areas
5. Becoming a H1 independent company.

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 tough times 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,

FY16-17 was another challenging, yet transformational year for the Company. While the Company reported flattish revenues for the year as compared to the last year, there were a lot of qualitative improvements during the year. Our focus on digital technologies continued to get us newer projects in the latest technology areas. The investments in Products & Platforms further took us closer to introducing two new products to the market. The investments in account management and strengthening of the front end with industry experts got settled and we are confident of better returns from these investments in the years to come. Our leadership in automotive embedded electronics was further strengthened during the year and will continue to lead the growth for us in the near future.

Globally, the overall markets were facing tough times due to technology disruptions, reduced deal sizes and geo-political dynamics. These factors brought about a substantial change in customer expectations. While on one side, customers were curtailing their budgets on traditional ERP technologies, on the other side there was higher adoption of digital, IoT, Cloud and other emerging technologies.

Looking back at the highs and lows of the year, we saw growth in engineering, digital and products and platforms business. There has been good traction in these business units throughout the year and we expect this momentum to continue. We have also been making necessary investments on strengthening our offerings portfolio and sales efforts. With significant emergence in cloud based, IoT and digital offerings, we have closed new deals in these areas. However, we faced certain challenges on the profitability side during the year. The operating margins were lower as compared to last year, mainly due to lower utilization and cross currency fluctuations.

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

BUSINESS UPDATE

ENGINEERING

PES SBU grew by 7% on a Y-o-Y basis with revenue share at 34%.

The Automotive vertical is heavily investing in 3 broad themes: Green, Autonomous and Connected. We have been creating solutions around these themes and saw good traction in Autonomous driving solutions, ADAS, Infotainment & clusters, Powertrain, AUTOSAR, Telematics and Diagnostics practices across markets. To leverage the future growth opportunities, we are making investments to enhance our capabilities and strengthen our go-to-market solutions in these areas. We are also incubating new technologies to remain the first port of call for embedded electronics in automotive. In terms of new

offerings, we are working on digital transformation, application/ infrastructure management services and engineering solutions beyond the automotive vertical. We are also focusing on including automotive software security, technology for secured, shared and synchronized data across multiple networks and advanced control techniques for complex systems like HEV/ EV. Our industry focus, domain expertise and investment in R&D for innovative products, gives us the confidence of good growth in this area in the years to come.

In Extended Product Lifecycle Management (ePLM) area, we are positioning ourselves under one ePLM umbrella by unifying our strengths of industry specific business processes, engineering thought leadership & IT technology, and extending our offerings across the life cycle. We are re-organizing our offerings into 3 buckets to align with the changing needs viz. Value Harvesting, Smart PLM and Integrated Solutions. We have formed a SmartPLM group which is offering rapid Proof of concept and R&D services in new PLM areas such as cloud, user experience and industry specific and role based apps store. We see good traction in Software Engineering Process transformation for automotive & medical devices industry, smart connected product design, PLM-ERP integrations, ALM upgrade and data migrations.

BUSINESS IT

SAP SBU grew by 5% on a Y-o-Y basis with revenue share at 23% while IES SBU declined by 4% with revenue share at 29%.

In SAP, we have aligned our offerings with SAP's business strategy and we are working towards strengthening our overall digital capabilities. We have created our go-to-market around HANA, Hybris, SuccessFactors and IoT. We have witnessed good traction in all these areas and these will continue to be our key growth drivers. **Market research firm IDC has recognized KPIT as a leader in SAP HANA for the second year in a row.** With greater adoption of HANA enabled solutions, we have structured our HANA go-to-market along with major solution offerings like S/4 HANA - Net New & Migrations, S/4 HANA Central Finance for shared financial services, Enterprise Data Warehouse solutions and IoT, Big Data & Analytics offerings. Amongst solutions, we see interest for our Simple Commerce and CPQ Accelerator for manufacturing and IM&C industry, M&A solutions to integrate and roll out IT and business processes for M&A activities, IP tools such as HANATization toolkit and EDW.

In Oracle, there is good interest around our cloud based tools and offerings, mainly from customers undergoing ERP transformation. Our I2D cloud based platform caters to complete life cycle of upgrade and can be leveraged for implementation, roll outs and maintenance phases in future. However, in the last year due to significant change in this mix in favor of cloud and perceived uncertainty around JDE, there



was postponement of larger deals. There is good momentum for transportation and logistics management, AMS around JDE, EBS upgrade and surround applications. Our capabilities in Oracle EBS combined with emergence in EDGE Cloud (MDM, VCE) is opening opportunities in HCM Cloud and ERP Cloud. We have built automation tools around SMART AMS, which is helping customers to do more with less. This is gaining significant interest in energy and manufacturing verticals. In JDE, we have added focus on upgrade offering and enhancement of automation tool (IMPACTA), enabling and coaching resources on upgrade methodology and best practices. In asset management, we are using IoT, Mobility and wearables technology and built solutions around Oracle Real Time Service Execution. We have received recognition from Oracle for the same. With Infor expanding its focus on micro verticals, we have also strengthened our collaboration to drive next generation IoT / Analytics based industry solutions. We are focusing on enhancing overall customer, supplier and employee experience through our focused digital led solutions and services.

In Infrastructure Management Services (IMS) the key growth areas are digitization, IoT, Cloud and platform transformation, application and infrastructure integrated run services and security offerings. We are continuously expanding our offerings portfolio on the platform services and have IaaS, PaaS as well as SaaS offerings with flexible billing models. We are offering Application and Infrastructure Managed Services (AIMS) to enable integrated service delivery. We have created an IoT and Engineering integrated command center for monitoring and managing sensors and shop floor IT. With ITSM and process compliance as one of the major focus in all enterprises, we have developed a strong ITSM consulting team with best of the breed, tools stack. Security is another upcoming growth area and we are developing new capabilities on Artificial Intelligence and security services, as key differentiators.

Recognitions:

- KPIT has been positioned by Gartner Inc. in the **“Challengers”** quadrant in the recently published **“Magic Quadrant for SAP Application Services, North America1”**. Gartner’s “Magic Quadrant for SAP Application Services, North America” report evaluated 20 service providers’ capabilities to deliver SAP application implementation and management services in North America. The report is focused on the full life cycle of SAP application services, spanning project-based implementation and multiyear Application Management Services (AMS).
- KPIT has been positioned by Gartner Inc. in the **“Niche Players”** quadrant in the recently published **“Magic Quadrant for Oracle Application Services, North America1”**. Gartner’s Magic Quadrant for Oracle

Application Services, North America evaluates 20 service providers’ capabilities to deliver Oracle application implementation and management services in North America.

- KPIT was awarded **Oracle Excellence award 2016 for specialized Partner of the year: Mobility- North America**. This award recognizes our success in integrating enterprise mobility technology.

DIGITAL TRANSFORMATION (DT)

DT SBU’s revenue share stood at 10% with Y-o-Y growth of 5%. Our overall Digital Revenues (DT SBU plus Digital revenues in SAP and Oracle) are around 18% of the total revenues.

Our digital practice revolves around Asset Management, Customer & Supplier experience, Employee experience and Supply Chain Management with ICAMS as enabling technologies for these business solutions. In the IoT space, we see traction across verticals like grid monitoring, distribution and production in E&U, Asset tracking, medical device tracking, connected car & customer experience. There is also good momentum across predictive analytics, warranty cost management and content management. We are already working towards integration of IoT with business applications and have identified industry specific use cases or scenarios where we can implement such solutions. Some areas for this are connected vehicles, and smart cities or remote monitoring and diagnostics in industrial manufacturing or tracking and tracing of movable and immovable assets. We are creating solutions in ‘Smart Manufacturing’ which encompasses IoT, Cloud, Big Data and Analytics, Robotics, Augmented Reality, System Integration, Simulation and Cyber Security. Our offerings also include packaged solution for asset tracking, materials rationalization, workforce prediction, field services automation, asset diagnostics & prognostics, wearable diagnostics and connected consumer.

PRODUCTS & PLATFORMS (P&P)

P&P SBU grew by 13% Y-o-Y growth and has a revenue share of 4%.

We have witnessed reasonable growth in products and platforms business during the year. There is good momentum for our diagnostics and ITS offerings. Our diagnostics solution has been doing well, with strong growth registered during the year and we expect the momentum to continue. Our integrated ITS solution is helping fleet operators to improve the passenger travelling experience and overall efficiency of their operations. In this space, we are trying to create a market segment which will be more robust and sustainable in nature. **Our ITS project for Pune Smart City was launched by Prime Minister, Mr. Narendra Modi on June 25th, 2016** and we are also working on a traffic mapping initiative for smart cities

with a leading smart city, as a part of our overall ITS portfolio. During this year, we achieved another milestone for ITS portfolio with successful installation and deployment of 1,000 buses fitted with GPS devices for PMPML (Pune Mahanagar Parivahan Mahamandal Ltd.). We were engaged on a BRTS project with a North Indian smart city for providing our end to end ITS solution (including On Bus ITS, Command Center, Passenger Information Systems, Mobile Apps). This will help us build credibility for upcoming BRTS projects in smart cities. With growing environmental concerns, there is strong interest towards electrification of public transport in many Indian cities. During this year, we completed a successful pilot of REVOLO EV with Karnataka State Tourism Department at Bandipur National Park by using an electric bus for safari rides at the park. The REVOLO powered electric bus completed a 42-day trial with 76 safaris and covering 2,700 kilometers. We are looking forward to a formal launch for REVOLO EV during the next year. Over the last few years, we have put in lots of investments and efforts in developing our products business and we are gradually reaching the stage where these investments would start delivering expected returns.

Recognitions and Key Developments:

- KPIT was recognized with **“Certificate of Appreciation”** for its indigenous electric bus technology – **REVOLO by United Nations Department of Economic and Social Affairs Grant on Energy**. It was nominated among 8 finalists from 157 international applicants for this grant on energy which was themed around “Energy for Sustainable transport”.
- KPIT’s ITS bagged **“Order of Merit” award at BW Businessworld Smart Cities Conclave 2016** in Innovative Smart Solution – Accessibility and Mobility category.
- KPIT’s electrification technology ‘REVOLO’ for buses won **Promising Transport Innovation Award at prestigious International Transport Forum (ITF) 2016 Summit in Leipzig, Germany**.

INDUSTRY BUSINESS UNIT (IBU) UPDATE

The automotive and transportation IBU grew by 12% with revenue share at 40%. The manufacturing IBU grew by 2% with revenue share at 35% while the Energy & Utilities IBU declined by 23% with revenue share at 15%.

In the automotive and transportation vertical, we are a solution provider with leadership and domain expertise in areas like infotainment systems, clusters, AUTOSAR migration and integration, Advanced Driver Assistance Systems (ADAS), and diagnostics solutions.

In the manufacturing vertical, there is an emergence and consolidation of digital businesses as companies are transforming their business models due to nexus of IoT, Big

Data, Mobility and Robotics. We offer expertise in operations monitoring and shop floor to top floor integration. We have solutions for customer / supplier integrations through supplier portals, communities’ portal and digital customer experience.

In life sciences industry, there is increased focus on product and service innovation. We are assisting life science companies in reducing their SG&A costs with smart managed application and infrastructure services. We are also offering various cloud based solutions which help companies in complying with the regulatory mandates of life sciences industry.

In Utilities, there is major trend in IT / OT convergence, Digital Transformation, CRM, BI and Customer Relationship & Billing (CR&B) Solution. We are already recognized as a leader in solutions such as SAP HANA for the utilities vertical.

In Energy vertical, we are helping our customers reduce the overall opex by converging IT and OT programs, leveraging out Engineering and IT skills, involving digital technologies and analytical capabilities. We are helping in automation of business processes to increase productivity and reduce costs and combining these with outcome based business models.

GEOGRAPHY UPDATE

During the year FY2017, APAC was the highest growing geography for us with Y-o-Y growth of 17% and revenue share at 15%. US, which is our largest geography, with revenue share at 68%, grew by 2% on a Y-o-Y basis while Europe declined Y-o-Y by 4% with revenue share of 16%.

APAC has been the fastest growing geography for us in last two years and the pace has continued for this year as well. Within APAC we work in ASEAN region, India, Japan and China. In ASEAN market, we see traction in life sciences and transportation vertical for transportation and fleet management solutions, Oracle business and IoT surround offerings. In India, there is good momentum in SAP offerings, cloud based IoT solutions and engineering services. In Japan, Korea and China there is good demand for our engineering based offerings mainly in autonomous vehicles and connected cars. There is significant investment from OEMs and other industry players in developing various, comprehensive “connected” solutions. The upcoming 2020 Olympics is also seen as a major milestone to put these technologies in the market. We are well positioned and seen as a credible partner in key technology areas. We remain optimistic about strong growth in this region.

Being our largest market, we have made most of our IBU investments in US geography over the last couple of years. With maximum number of enterprise customers in the geography, we have strengthened the front-end presence in US by adding account managers, new sales and industry subject matter experts, for our focus industry verticals. From the technology perspective, US market is focusing on Green Manufacturing,



Robotics for Automatic Factories and Repairs, 3D Printing, Social Solutions and Crowd Sourcing and Service as a Product. With the new administration pushing to revive the manufacturing sector and retaining jobs in the US, the sector looks optimistic with traction seen across digital transformation, wearables, warranty management and customer experience.

The European market is currently undergoing transition post Brexit. In FY17, our revenues from Europe also took hit, mainly due to cross currency fluctuations. Having said that, Europe continues to be an important market for us - mainly for automotive and manufacturing customers. The key technology trends in this geography are Electrification of vehicles, adoption of stricter safety standards, push towards smart factories and smart manufacturing, enhanced focus on cyber security and faster adoption of newer digital technologies. Germany and UK are the leading markets for us within Europe. The recent acquisition of stake in MicroFuzzy has further strengthened our presence in Germany - both in terms of engineering resources, especially for eMobility, as well as ability to further penetrate in marquee automotive customers. We also see momentum in Oracle cloud and have started initial pilots in Digital Transformation especially in supply chain and remote asset management. Thus, with these developments, we expect Europe to get back to growth during the next year.

PEOPLE INITIATIVES

Human capital is extremely critical especially in the phase of transformation of IT Industry. As an organization, we have been making investments and efforts to strengthen our people function in terms of developing our learning process, training programs, new initiatives for employee engagement and well-being. During FY17 we received the following recognitions:

- **“Regional Best Employer Award” for FY16-17** at the 11th Employee Branding awards.
- Ms. Vaishali Vaid, (Vice President, Head - HR), won the **“HR Super Achiever Award” for the Western Region, ‘Most influential HR leaders in India’** award by the World HRD Congress and **Women Leadership Achievement award** at the 4th World Women Leadership Congress & Award (WWLCA).

Under our learning organization unit (ECoDe) we have introduced some new initiatives and training programs which will further accelerate the learning culture within the organization: STEP IN - we revamped our fresher induction process in tune with current requirements. Under Program for Academic Collaboration and Engagement (PACE) initiative, we have now partnered with 22 colleges across India which enables us to get Day 0 slots from these partner colleges to engage, attract and nurture young freshers. GENESIS is our

flagship graduate engineer trainee program and it is run across SBU's to ensure that freshers go through technical and soft skill training before being inducted into projects. We have made certain changes in this program to focus on “Project Based / Problem Based Learning” which will make the program more practical and ensure more involvement of the SBU practices in training of freshers.

The competency needs of SBUs are extremely diverse & complex. This has paved the way for our Flagship Employee training and certification program (KAIZEN) focusing on developing 6 competency dimensions namely technical, domain, process, project management, and professional and leadership skills. We have already covered close to 3,800 eligible employees in the Oct'15 - Sep'16 cycle. Along with offshore, we have now launched certification program for onsite employees across USA, Europe, UK, Japan & Singapore. We have covered 1,350+ employees across 25+ accounts.

Leaders in the Making Program (LMP) focuses on equipping employees to enhance their managerial capabilities. Another program titled Project and Program Management Certifications (PMPD) was launched exclusively for Project Leads, Project Managers & Program Managers and is well aligned with international standard such as PMI PMP®. It replaced the erstwhile PROMS certification program. Our Higher Education Initiative is designed as a collaborative program with well-known Universities, to provide an opportunity to our employees to acquire knowledge and higher qualification. Currently, we have formed a partnership with Coventry University, UK which is offering M.Tech in Automotive Electronics and MBA in Strategic Engineering Management. The program comprises of 8 Courses + a Project to complete Master's Degree over 2 years.

During this year, we launched a new job rotation program - 'ASPIRE', to provide a platform through which employees can share their aspirations and work towards their aspired role. Through this program, we will be enabling 3 types of job rotations – Career Path / Function area change, Customer account change and Technology change. We also introduced another initiative of mentoring and coaching - 'SPACESHIP', wherein selected leadership members are identified for mentoring. This covers strategy, operations and personal effectiveness aspects for the mentees.

Employee engagement is important to ensure higher productivity and our framework aims to make sure that we can stay in constant touch with our employees and address their concerns as identified in various forums. We follow an open communication approach through one-on-one connect or group connect, where employees can interact with the executive leadership team and business leaders and align their roles and responsibilities with the organization's goals.

OPERATIONAL UPDATE

During FY17, we have launched a business transformation initiative named ‘Simplificar’. In alignment with our strategy of rolling out an “Intelligent ERP”, we have selected SAP S/4 HANA as our application stack for the ‘Systems of Record’ and we are building a next generation ‘Engagement System’ using the latest digital technologies. As we are progressing in our digital transformation journey, cyber security will be very important and hence we have invested in the next generation application-aware firewalls and advance threat protection solutions. In the same vein, we have also implemented solutions like ‘network as a sensor / enforcer’ that monitors and blocks possible attacks proactively.

Next year, we will have increased focus on innovative digital solutions, which will help transform our customer operations. We are setting up digital labs, which will showcase our digital prowess by way of demo of use cases relevant to our industry verticals. We see a lot of opportunities in the digital space and introduced a strategic initiative called ‘Think Digital’ across the organisation. This initiative has a two-pronged agenda of digital skills development and driving digital culture within the organisation. We will continue to enhance the development of the smart campus solution.

INFRASTRUCTURE

As at FY17 end, we have total seating capacity of 10,300+ seats in India, of which 8,900+ seats are occupied. During this year, we shifted our Mumbai and Chennai office to new facilities, with total seating capacities of 1,000+. We are developing a

new facility in Pune Hinjewadi, Phase III and the construction will happen in two phases. The first phase which will have a seating capacity of 1,000 seats is currently nearing completion and we intend to occupy the same during FY18.

BUSINESS OUTLOOK

Even though the growth rate for the year FY17 was modest, there was substantial progress in second half of the year which gives us a good visibility of moderate growth for FY18. Based on this visibility we expect constant currency growth in the range of 6-8% in FY18 over FY17.

We expect growth across all our business units during next year with digital, engineering, SAP and products and platform business, being the key growth drivers. We need to work more aggressively on the profitability aspect - primarily in areas of utilization improvement through absorption of freshers onto projects and delivery excellence with focus on automation. With focus on profitability, we will continue to invest in growth areas. Despite the challenges, we are excited at the prospect of us being at forefront of disruption and be a change agent in the industry.

Best Regards,
Sincerely Yours,

Kishor Patil
CEO & Managing Director

Sachin Tikekar
Whole-time Director



Financial highlights

(₹ in million)

	FY 2017	FY 2016
CONSOLIDATED INCOME STATEMENT		
Sales (\$ million)	494.39	490.31
Sales	33,233.61	32,264.08
Gross Profit	9,685.04	10,373.80
EBITDA*	3,747.19	4,229.32
Interest	135.98	134.47
Depreciation / Amortization	826.64	691.25
Other Income (Net of Exchange gain / loss)	206.60	250.91
Profit Before Tax	2,991.17	3,654.51
Profit After Tax	2,385.05	2,809.03
CONSOLIDATED BALANCE SHEET		
Share Capital	376.39	375.65
Reserves & Surplus	15,448.24	13,478.73
Total Shareholder's Funds	15,824.63	13,854.38
Non-controlling Interest	16.86	-
Non- Current Liabilities	1,696.41	2,243.82
Current Liabilities	7,675.74	5,733.46
Total Equity & Liabilities	25,213.64	21,831.66
Fixed Assets	3,967.78	2,815.17
Goodwill on Consolidation	4,116.81	3,846.99
Other non-current assets	2,497.58	2,387.66
Current Investments	777.68	0.04
Trade Receivables	7,843.39	6,860.87
Cash and cash equivalents	3,788.93	2,859.23
Other Current Assets	2,221.47	3,061.70
Total Assets	25,213.64	21,831.66
Key Ratios		
Revenue growth	3.00%	7.91%
EBITDA Growth	(11.40%)	30.37%
PAT Growth	(15.09%)	18.53%
Gross Profit Margin	29.14%	32.15%
EBITDA Margin	11.28%	13.11%
PAT Margin	7.18%	8.71%
SG&A to Revenue	17.87%	19.04%
ROE	16.07%	20.96%
Return on Capital	13.24%	16.36%
Debt to Equity	0.21	0.28
Cash / Total Assets	15.03%	13.10%
Basic Earnings Per Share (₹)	12.44	14.69

*EBITDA before exchange gain / loss and other income

