



Creating Innovative **Experiences** with Digital and Engineering

Annual Report
2017-18

Board of Directors

S. B. (Ravi) Pandit

Chairman & Group CEO

Kishor Patil

CEO & Managing Director

Sachin Tikekar

Whole-time Director

Lila Poonawalla

Director

Adi Engineer

Director

Prof. Alberto Sangiovanni Vincentelli

Director

Anant Talaulicar

Director

B V R Subbu

Director

Dr. Klaus Bickler

Director

Nikhil Jakatdar

Director

Anjan Lahiri

Director

Alka Bharucha

Director

Sneha Padve

Company Secretary

Anil Patwardhan

Chief Financial Officer (upto May 23, 2018)

Vinit Teredesai

Chief Financial Officer

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

- 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 it today and our actions and plans for the years to come.

"The year that went by"

Overall Financial Snapshot

In FY18, our revenues grew by 14.8% in \$ terms and the bottom line depicted a growth of 6.02%. In ₹ terms, the overall revenue growth stood at 10.3%. The services revenue showed a growth of 13.4% in \$ terms, while there was a growth of 50%+ in the products revenue, albeit on a smaller base.

Our operating profitability for FY18 was similar as compared with the previous year. Having said that, we started the year with lower profitability margin than last year and showed improvement in the operating profitability quarter on quarter, every quarter.

We continued our focus on the Strategic Customers and are witnessing early results of the investments made by us over the last couple of years in account management. We are seeing larger deals and larger pipeline buildup from the strategic customers. When we started the year, we had laid down a goal of achieving a 10% growth in revenue with zero growth in headcount. I am happy to state that we achieved a constant currency growth of 12%+ with only a 3% addition in headcount. As a result, we could improve on the utilization levels and thus improve on operating profitability every quarter.

At the beginning of the year, we had laid down 4 priority areas to focus on viz. Growth, Profitability, Delivery Excellence and People & Processes.

Growth: The focus on industry verticals, strategic customers, technology investments and targeted new accounts has yielded us good results. Engineering, Digital and PLM were the major growth areas for us during the year. We also laid emphasis on alignment of practice and pre-sales in these growth areas and geographies which gave us a good growth trajectory during the year. Our technology investments channelled through Practice Development Forums (PDFs) and the CTO Organization have helped us create best-in-class, vertical focussed offerings for our customers, feeding growth in the strategic customers.

Profitability: As you would recollect we had excess people as compared to the revenues generated, when we started FY18. Our goal was to bring the alignment between headcount and revenues after considering various factors like skillsets, geography locations, non-billable headcount and employee pyramid. I am happy to state that we made good progress on this front during the year and our headcount addition during the year was substantially lower than the revenue growth achieved.

Another area of profitability improvement was productivity increase and automation. We have in-house developed best-in-class productivity improvement and automation platforms based on self-learning and artificial intelligence algorithms which have helped us win new AMS deals with better profitability. We continued the rigor in cashflow during the year and ended the year with a healthy Net Cash Balance. We realize the importance of boosting the share of offshore revenues and increasing onsite billing rates and are focusing even more sharply on these areas to expand profitability.

Delivery Excellence: Over the last two years, we have invested in delivery excellence to ensure flawless delivery and enhanced customer satisfaction, which has yielded positive results for us. We increased the rigor on Multi Level Reviews (MLRs) and weekly cadence with the customers. We focussed on enriched Program Management and continued improving the Risk Management Framework with clear documentation and communication with the customers.

People and Processes: We continued our focus and investments on people development and enrichment. **KPIT Continuous Improvement Training Program** is our flagship Employee Training and Certification Program focusing on developing technical, domain, process, project management and leadership skills. Over 8,000 employees covered as part of this program, with over 5,000 employees certified with their yearly targets of credit points. We brought in most of the enabling functions under the purview of continuous education, achieving 75% certifications at closure of the year. **PACE** (Program for Academic Collaboration & Engagement) is our university collaboration program to engage, attract and nurture young talent from campuses. We launched the **KPIT EDx Platform**, an online platform to disseminate knowledge anytime & anywhere. This platform will help deliver online content to PACE partners, customers and internal & external stakeholders. **GENESIS** is our flagship Graduate Engineer Trainee Program across SBUs. Through this program we ensure that freshers go through a rigorous technical and soft skill training before they join the projects. We have extended GENESIS to US locations and the same is gaining fast momentum. Our other initiatives include **PMDP** (Project and Program Management certifications) aligned with international standard such as PMI PMP®, **LMP** (Leaders in the Making Program) focused on middle management, **Think Digital** and **Higher Education Initiatives**. Under the Higher Education Initiatives, **KPIT and Coventry University** collaboration for two programs – **M. Tech in Automotive Electronics** and **MBA in Strategic Engineering Management** has been awarded one of the most prestigious awards under the category of "Outstanding Course Team" during the Annual Excellence Awards to celebrate the 175th year of the Coventry University's formation. On the process side, we are working on making processes simple, clear, nimble and non-duplicate, which is an ongoing process.



Technology and Innovation

Innovation has always been on the forefront of our business strategy. The KPIT CTO Function is our R&D arm and is responsible for Technology Incubation, Co-innovating with customers, fostering a culture of innovation not only within the organization but also in the business ecosystem and carrying out advanced research in collaboration with research labs and academia. We drive innovation by having a consolidated view of technologies across our organization and create innovative leadership offerings. In this regard, the CTO function focuses not only on turning ideas into viable offerings, but they work with delivery functions and customers to ensure first successful implementation of the incubated product, service or solution in the customer environment. KPIT's Innovation Framework enables an environment conducive to free exchange of ideas and nurturing a culture of innovation within and outside the organization - among employees, academia, research labs, start-ups, etc. KPIT's Innovation Council, a part of the Innovation Framework has on board, many experts from the industry and academia. The council is guided by Padma Vibhushan Shri Dr. R.A. Mashelkar and it serves as a forum to provide updates on the innovation related activities conducted by KPIT around the year. The KPIT CTO function is **accredited as a research and development facility by the Department of Scientific and Industrial Research (DSIR) under the Ministry of Science and Technology**. This recognition is a proof of our excellence in the research domain, successful technology demonstrations from time to time and strong connect with academia and research institutions.

The total number of patents filed by KPIT as at the end of FY18 stood at 58, including 53 patents with complete specifications. As at the year end, we have 40 granted patents across different geographies. Most of these patents are in the domain of electric and hybrid technologies, ADAS (Advanced Driver Assistance Systems), BMS (Battery Management Systems), Infotainment, VLSI (Very Large Scale Integration) and High Performance Computing.

FY2018 was the fourth year of **KPIT Sparkle**, a national design and development innovation contest for science and engineering students. The theme of the competition in this edition was **'Next Generation Energy and Transportation Solutions'**. This year we received over **12,000 registrations** from more than **600 engineering and science colleges**. Highlight for this year was the increased participation from **premier institutes (IITs, NITs) from 9 to 28**. We also had participation from **63 of top 100 institutes across India**, the list as published by the MHRD (NIRF rankings). Team Electrodes from Indian Institute of Technology, Kharagpur won the Platinum award of ₹1 million, for their project Bacteria Powered Battery.

Digital @ KPIT

Over the last three 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. Today's businesses function in real-time, integrated ecosystems, where quick decisions must be made based on a steady stream of information from sources like wearable devices, smart assets and intelligent machines. The complexity of integration has increased dramatically, but the expectations to provide access to intuitive, uninterrupted and safe technologies for operations, persist. KPIT is working with its customers to transform operational processes to deliver quick value, streamline operations, better manage assets and improve compliance with regulations.

Our digital approach to market concentrates on five major areas viz. Smart Factory, Asset Optimization, Supply Chain Management, Employee Experience and Digital Customer Experience. Business driven digital solutions are focused on connected manufacturing, intelligent supplier management, digital customer experience 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 created the role of the Chief Digital Officer (CDO) last year. It is important to create **'#ThinkDigital Culture'** amongst employees across all levels. For the concept of digital to be; ingrained into everyone's minds within the organization, an overhaul in ideology, skillset and corporate ambiance is needed. To enable this, the CDO team has devised a well-constructed digital strategy that identifies and develops digital solutions to improve in-campus productivity, creates awareness of the power of digital using traditional branding techniques, partners with customers for key events that highlight our relevant digital competencies to the right target audience and enables upskilling of employees through focused workshops, trainings and expert talks. A digitally enabled workforce thus has set the tone towards improving people productivity.

"The Year Ahead"

Our growth over the last 6 quarters has been at the top end of the industry. We are a growth oriented Company and thus we are happy to get back on the industry leading growth path, though we will be focused more on profitable growth going forward. We have guided for a constant currency revenue growth of 8% to 10% during FY19 as compared to the last year. We believe our operational EBITDA Margin will be in the range of 11.5% to 12.5%. The actual reported EBITDA will be lower due

to one-time restructuring (merger-demerger) related expenses in FY18. In the MD&A section of this annual report, we have a detailed note on the proposed merger and demerger scheme announced during the year.

In the coming year, we have specific focus on Customers, People, Technology & Innovation and Delivery Excellence. These four areas of focus would help us achieve better growth and profitability. I would like to spend some time explaining the thought process and the 4 initiatives we would pursue:

Customers: Growth is important, equally important is the value we deliver to the customer and the quality of the revenues that we generate. Majority of actions in this regard are:

1. Growth from Strategic Accounts (T40)
2. Growth led by focused practices
3. Opening of Named New Accounts
4. Large Deals with SBU(practices)/IBU (Industry Vertical) collaboration

People: We will continue to focus on people development and retention via emphasis on:

1. Localized Global (Glocal) Delivery Model
2. People Development – Cross Skilling, Certification, Up Skilling
3. Focus on Internship and Apprenticeship in India and global delivery locations
4. Becoming a H1 independent Company.
5. Top Block Performers Attrition Control

Technology and Innovation: Technology is at the core of everything we do. Innovation is a way of life for us. To further on technology and innovation we would focus on the following:

1. Technology Leadership through focused investments
2. Technology roadmaps for every focus practice
3. Technology roadmap for every strategic account
4. Deep relationships with customer CTO/R&D Head
5. Technology mentoring

Delivery Excellence: Since the last 2 years, we have created a centralized delivery excellence function to ensure on-time and flawless delivery. Delivery excellence will be achieved through:

1. Identification of high risk programs and added rigor in monitoring these programs
2. Increased customer experience/satisfaction through delivery excellence
3. Focus on in-time and in-cost delivery
4. Delivery led growth in strategic accounts
5. Rigor on Multi Level Reviews, weekly cadence with customers

“The Years Ahead”

The IT industry has been witnessing sweeping changes in the last couple of years and the traditional IT services market is shrinking. At the same time, there are many opportunities created with the advent of newer technologies, led by digital. In such a scenario, it is important for IT firms to be nimble and proactive. This is especially true for mid-sized firms. We believe it is necessary for mid-sized IT firms to create a niche for themselves and seek leadership in the areas they operate. With this thought process, we announced the scheme of merger and demerger in January of this calendar year. While we have detailed on the same in the MD&A section of this report, post the regulatory approvals, we will have two focused companies (One \$500+ mn Digital Enterprise Company and the other a \$250+ mn Engineering company focused on the automotive vertical), with a potential to succeed in their respective domains. We believe there is significant potential for value creation in both these companies. I am happy to say, we are progressing well on the regulatory front as far as the time lines are concerned. We have initialized the business familiarization process and leadership interactions for the first two levels of leadership for both the companies. I am glad about the similarity and comfort in the culture and values of the two organizations. I believe, the whole process to be over by the end of this calendar and am excited with the prospects for both the companies, going forward.

KPIT Mission & Purpose

Our mission is to become a Technology Company that cares. Our Aspiration is to create Technologies for a Better World. 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.

We have returned to the growth way, which is in our DNA. I am confident of maintaining sustainable, profitable growth momentum going forward, 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.

Warm Regards,
Sincerely yours,

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



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



Dear Stakeholders,

FY17-18 was a landmark year, where we regained our position as one of the top growth companies in the industry and announced a major restructuring aimed at value creation for all stakeholders including customers, investors and employees. As a Company, we continued our focus on transformation in both Business IT as well as Engineering. The Business IT revolution was towards a Digitally led Enterprise Business and in Engineering towards a technology led solutions business focused on Automotive and Mobility.

We crossed the \$ 500 million mark and ended FY 2018 with revenues of \$ 567.64 million, a Y-o-Y growth of 15%. Let us have a little deeper look at the growth in FY18. Amongst the SBUs, Product Engineering Services (PES) and Products showed significant growth along with Digital and ePLM in the Business IT area. Europe was the highest growing geography, followed by APAC. Our Product business also had successful launch of Revolo (Electric Bus), Maximus-Pro (two-wheeler navigation++) and AIS 140 solution (for commercial vehicles), while we made substantial progress on few other products.

The profit for the year stood at ₹2.53 billion, registering a growth of 6% over last year. In FY17, we had an exceptional gain on account of sale of our functional safety business, to the tune of ₹260.9 million. Excluding this one-time gain in FY17, the profit for FY18 grew by 19% over FY17. We continued to focus on cash generation during the year and ended the year with a gross cash balance of ₹6.3 billion as compared to ₹4.6 billion as of last year end. The net cash position was even better at ₹3.18 billion as compared to ₹770 million last year end.

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

BUSINESS UPDATE

ENGINEERING

Product Engineering Services (PES) SBU grew by 32% on a Y-o-Y basis with revenue share at 34%.

In PES, we are focused on embedded electronics solutions for the Automotive vertical. We are investing in the right areas of R&D spend by the Auto OEMs for creating IP led solutions, tools, platforms and software products relevant to these R&D areas. During the last year, our major growth came

from Autonomous Driving (AD-ADAS), Electric Powertrain (ePowertrain), Diagnostics and AUTOSAR. Germany is an important market for us, not only from the customer point of view, but also from the talent acquisition angle. We have built a global delivery model with integrated teams across India (Pune/Bangalore), Germany (Munich), US (Detroit), Brazil (Sao Paulo), China (Shanghai) and Thailand (Bangkok). We continue to strive for the leadership position in Automotive Embedded Electronics space and going forward our key focus areas would revolve around CLEAN (ePowertrain), SMART (Autonomous), CONNECTED (Infotainment) and SAFE (Diagnostics, Security) with AUTOSAR as the standardization platform. 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.

Products & Platforms (P&P) SBU grew by 53.8% on a Y-o-Y basis with revenue share at 4.7%.

KPIT products combine imagination with stringent quality controls and rigorous testing. We bring passion, agility and a collaborative spirit of constant refinement. We go to great lengths to ensure our products are SMART, SAFE AND SUSTAINABLE and that we are bringing you, *technologies for a better world*.

Eicher Trucks & Buses, part of VE Commercial Vehicle, recently forayed into the electric bus segment and has formed a partnership with KPIT for its indigenously developed electrification technology, 'REVOLO'. VE Commercial Vehicles will integrate REVOLO on its industry leading bus platform - 'Skyline Pro'. The new smart electric bus Skyline Pro E will be manufactured at VECV's state-of-the-art manufacturing facility in Indore, Madhya Pradesh. With the electrification technology and the buses being developed in India, these vehicles truly embody the 'Made in India, for India' promise. We have received the ARAI Certification (Homologation) for 'REVOLO' powered Electric Bus developed with Eicher. We have expanded our mobility solution portfolio by launching India's first ARAI certified AIS-140 compliant vehicle telematics system and emergency button solution. The AIS-140 regulation, applicable from April 1, 2019, mandates a vehicle tracking device and one or more emergency button(s) in all existing and new public service vehicles.

Going forward, we will continue to focus on software products mainly in the mobility and transportation areas and also work towards making the P&P SBU break even by the end of FY19.



BUSINESS IT

Digital Transformation (DT) SBU grew by 15.3% on a Y-o-Y basis, contributing to 10.3% to the overall revenues. The overall digital revenues including digital in SAP and Oracle are around 30% of the Business IT revenues and grew by almost 20% in FY18.

Our Digital SBU primarily focuses on Enterprise Asset Management, Customer Experience, IoT, Factory Automation and Supply Chain Management. Our Supplier Network Management solutions help evaluate supplier portfolios, identify possibilities to reduce costs and provide users with right information at the right time to take opportune actions. Through data analytics and visualization tools, we provide supply chain intelligence that can help customers act on low quality, overpriced or low volume suppliers. Social business networks are enabling employees to leverage the mechanics of social communities, such as Like, Follow, Rate and Comment. These new digital conversational norms are fostering natural collaboration between employees, partners and customers, thus creating a mutually beneficial ecosystem for the business and its customers. Our offerings in this area revolve around advanced knowledge management capabilities, data categorization and search capabilities, best practice feature sets and agile project execution. We have successfully implemented Enterprise Asset Management (EAM) solutions running on over 10 million vehicles, 1 million+ heating systems and 5,000+ power generators. Our bundled intelligent telematics systems have also been successfully deployed and running in over 10,000 buses. Our EAM solutions help customers understand asset condition, manage optimum asset usage and performance by managing intelligent flow of information and make smarter decisions by leveraging real time asset data. Our offerings in the areas of user experience have a highly focused user-centered approach towards creation of applications, portals, software and implementation methodologies to blend user goals and business objectives. We believe, going forward, the key growth areas would be connected products (IoT), factory automation, robotic process automation, digital manufacturing, Artificial Intelligence and Smart Glass. Digital would continue to lead the growth in Business IT for us in FY19.

Integrated Enterprise Solutions (IES) SBU grew by 6% on a Y-o-Y basis with revenue share at 31% while **SAP SBU** marginally declined by 0.8% with revenue share at 20%.

KPIT has a strong team of 2,000+ Oracle professionals that help customers transform their business by eliminating complexity and simplifying IT. Our unique blend of focused industry experience, deep technical expertise and rich set of IP built on Oracle platform makes us the preferred partner for providing comprehensive Oracle services. We have been investing in creating industry focused solutions, tools, methodologies, accelerators and frameworks to enhance our customer experience in our focus verticals. We are an Oracle Platinum Partner with 20+ specializations and the only Oracle partner to have 3 advanced specializations in Oracle JD Edwards. Our areas of focus include JD Edwards, Oracle Cloud, Master Data Management (MDM), Supply Chain Optimization, Fusion middleware, E-business suite and business intelligence among others. We see good traction in JDE on Oracle Cloud, Infor, Supply Chain solutions and MDM Cloud. We believe we should see industry average growth in IES for the next year with improved margins.

In SAP, we have aligned our offerings with SAP's business strategy and we are working towards strengthening our overall digital capabilities. Consistently ranked as a leader in SAP services by industry analysts, we provide full lifecycle solutions for SAP licensing, consulting, implementation and support with an industry focused approach. Our multi-certified, global SAP workforce maintains deep technical and functional understanding of the entire SAP technology landscape with dedicated practices for ERP, Cloud HCM, Customer Engagement, Digital Commerce, IoT, Analytics and Platform Solutions (S/4 HANA) that empower our customers to accelerate speed to business value. KPIT has been named as a strategic partner by SAP to deliver express innovation services for SAP® Leonardo Internet of Things (IoT) accelerator packages. As part of the collaboration, KPIT will build and offer solution accelerators in specific domain areas of expertise for Connected Goods & Assets, Connected Fleet, Predictive Maintenance and Asset Intelligence Networks. The key growth areas in SAP are S/4 HANA, Hybris, SuccessFactors, Leonardo and Integrated Business Planning (IBP) solutions. SAP will have a flattish first half of FY19 and will return to moderate growth in the second half. We are also working on profitability improvement in the SBU and will see the results also coming through by the second half of FY19.



In the ever-changing business and technology environment, companies should ensure that their existing applications landscape and IT infrastructure are up to date, well connected and adaptable to be easily integrated with newer technologies. Through our **Application and Infrastructure Management Services (AIMS)**, we help organizations optimize their IT infrastructure and rationalize application portfolio, to gain maximum business value, drive growth and drive cost efficiencies. With the aid of our 1,200+ consultants we have delivered 40+ global, large engagements in this area. Our Application Management Services help organizations optimize and integrate operations, reduce costs, focus on their core objectives and drive business growth. We provide services in various infrastructure domains such as data center, networking, client services and information security.

Recognitions

- KPIT has been positioned by **Gartner Inc. in the niche players quadrant of the 2018 “Magic Quadrant for Oracle Application Services, Worldwide”** and named in the 2018 “Critical Capabilities for Oracle Application services, worldwide.”
- KPIT has been recognized as a market leader in a recent **Cloud services report**, published by ISG, a leading technology research and advisory firm. According to the **ISG Provider Lens™ Cloud Services Quadrant Report**, KPIT was named among the leading providers for the “SAP Services” quadrant.
- KPIT has been named as a strategic partner by SAP to deliver express innovation services for SAP® Leonardo Internet of Things (IoT) accelerator packages. As part of the collaboration, KPIT will build and offer solution accelerators in specific domain areas of expertise for Connected Goods & Assets, Connected Fleet, Predictive Maintenance and Asset Intelligence Networks.
- KPIT has been selected as the **2018 Winner of the SAP Hybris Americas Delivery Partner Of The Year**. The SAP Hybris Partner Awards are a long-standing tradition, where SAP recognizes the best of the best in the partner ecosystem.

INDUSTRY BUSINESS UNIT (IBU) UPDATE

The Automotive and Transportation IBU grew by 23% with revenue share at 43%. The Manufacturing IBU marginally declined by 2% with revenue share at 30% while the Energy IBU grew by 22% with revenue share at 12%. For Utilities, the Y-o-Y growth was 95% with revenue share at 6%.

In the Automotive and Transportation vertical, we have a clear leadership and domain expertise in embedded electronics with focus on five main areas viz. Powertrain (Electric and Traditional), Autonomous Driving (AD-ADAS), Connected Vehicles (Infotainment), Vehicle Diagnostics, AUTOSAR and security. These are the very areas where there are large investments being made and planned to be made by the global auto majors. We believe there is a huge growth opportunity in these areas in the next 3-5 years, if not more. We are committed to making technology investments to develop our own IPs, tools, software products and platforms to enhance our growth and fortify our leadership position in the Automotive and Transportation vertical.

The Consumer and Industrial Goods industry faces numerous challenges due to volatility in global markets, intense competition, cost pressures, changing business models and ever changing expectations of consumers. However, amidst these challenges lie many opportunities that are largely led by technological advancements. We provide services, best practices, deep knowledge and expertise in Industrial Goods domain to help clients optimize value chain and become more productive. We partner with CPG companies to help them reorganize their IT, rationalize application portfolio and standardize systems, infrastructure and data across global locations.

In Life sciences industry, we see growing momentum for IoT programs for service enablement, while there is higher adoption of cloud solutions in regulatory compliance sensitive areas like track and trace, MDM, PLM. There is strong demand for MDM as companies continue to digitally transform their business processes and innovate business models. Technologies enabling modern/connected/IoT Manufacturing 4.0 are also gaining pace. Some of the key areas where we are investing and developing offerings include cold chain management, Blockchain, integrated smart glass applications, DaaS and CPQ cloud solution for medical device manufacturers.

In Hi-Tech industry, there is unpredictable demand while product lifecycles are becoming shorter. There is also emergence of new business models and supporting technologies. The industry has been witnessing frequent M&As which emphasize the need for right solutions and joint GTM strategy. There is also growing opportunity with complex supply chain networks. We are offering solutions to address these trends- PLM/ALM solutions, IoT, Big Data and Analytics solutions/ CPQ, Cloud readiness, Data Quality and MES Solution/Stratos M&A, HighTECH Edge/ Channel management, Remote Service and Warranty Analytics/ Global Trade management, IFRS services among others.

The economic uncertainties and changing market dynamics in the Energy industry create several challenges and related opportunities. Companies face pressure related to margins and regulatory compliance, scarcity of resources and skilled people and increasing operational costs, among others. We provide ways to modernize business processes, better connect systems with newer technologies, gain insights for quick and better decision making and optimally utilize resources and skills. Energy companies have unique requirements for supply chain, contracts, procurement, material planning, asset management and revenue accounting. Technologies that can bring a transformational change to the business span Cloud, Mobility, Internet of Things (IoT), Big Data and Analytics, PLM, M2M, GIS, Product and Portfolio Management, Asset Management, RFID and Barcoding, High Performance Computing, End User Computing, Portals, In-memory Database, Robotics/Drones, ERP, Social Media/ Collaboration, CRM and Modern Supply Chain solutions.

The modern utility faces an array of challenges due to growing demand, stricter regulations, environmental mandates and consumer expectations. These challenges require strategic technology investment and innovation. The major trends in the industry today are convergence of information and operations technology, increased use of connected devices, increasing regulatory requirements, changing customer engagement models, focus on renewable energy generation and innovations in operations. We enable organizations in the Utilities industry to excel by focusing on innovative technology, synchronizing people, process and technology and streamlining business processes across a full breadth of applications. Our focus areas include Operations Excellence, Workforce Enablement, Business Transformation, Customer Experience and Digital Transformation.

GEOGRAPHY UPDATE

During the year FY2018, Europe was the highest growing geography for us with Y-o-Y growth of 36% and revenue share at 19.5%. Asia has been the fastest growing geography for us for the last couple of years, grew by 29% and contributed to 17% of the annual revenues. US, which is our largest geography with a revenue share of 63% grew by 6.5% Y-o-Y.

Europe led the growth in FY18 and we expect high growth to continue in this geography in FY19, led by Germany. Industry trends like Industry 4.0 and electrification are compelling customers to take spending decisions. Automotive Engineering and Digital Technologies in med devices and industrials are the leading traction areas in the geography. We are investing in onsite subject matter experts and sales specialists in the German and Nordics markets, which are the prime growth markets for us, within Europe geography. We now have a 400+ strong delivery team in Germany, mainly servicing German Auto OEMs. We are hiring the right talent in Germany to pursue further growth opportunities.

In the ASEAN region, we see good demand for supply chain and logistics solutions, IoT adoption in our focus verticals and transportation solutions with focus on safety, efficiency and connectivity. We have established a Thailand technical center as an Engineering hub in the ASEAN region, with focus on electric powertrain. The Japan-Korea-China market continues to see good traction in Engineering viz. ADAS, diagnostics and infotainment. In India, we are seeing renewed interest for our ITS solution, demand for AIs-140 regulation solutions and SAP HANA. We believe, Asia geography will continue to see high growth for us.

US Geography is a key geography for us, being our largest revenue contributor. Our positioning in the market has improved in growth areas like ADAS, Diagnostics, Infotainment, SAP S/4, Hybris, Oracle Cloud, Smart Manufacturing, ePLM and IMS. We are focusing more on annuity and multi practice deals and have built a good pipeline for the same in the US region. We continue to hire talent from local universities in the US. We are fortifying our onsite program management for enhancing delivery excellence out of the US. We expect US geography to perform better in terms of growth in FY19 as compared to this year.



PEOPLE INITIATIVES

Human Capital is arguably the most critical asset for us and we have been focusing on strengthening the same with enhanced focus and investments on hiring the right talent, imparting the right training and retaining the desired talent. We have detailed the training initiatives across the Company in the Chairman's letter in this annual report.

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.

INFRASTRUCTURE

As at FY18 end, we have a total seating capacity of 12,300+ seats in India, of which 9,000+ seats are occupied. During this year, we developed 1,000 seats in Pune Hinjewadi Phase III as the first phase of the project. The Second Phase of another 1,000 seats are nearing to completion and we intend to occupy the same during FY19.

STRATEGIC UPDATE

In January 2018, we announced a transaction of merger and demerger involving KPIT and Birlasoft. Birlasoft is a part of the \$1.6 billion diversified CK Birla Group.

The merger of KPIT and Birlasoft will create a \$700+ million entity which will immediately demerge into two separate companies :

- KPIT Technologies (\$220+ million revenue company, post-merger), a global leader in Automotive Engineering and Mobility Solutions, which will evolve from the existing Engineering business of KPIT.
- Birlasoft (a \$500+ million revenue company, post-merger), a new Digital Business IT Services company, focusing on the mid-tier IT space formed by combining Birlasoft with the KPIT's IT business.

The merger and demerger process, post approval from the regulatory bodies will bring in the much-required focus in both IT as well as Engineering Businesses and thus enhance the potential of growth, profitability and thus, value creation, in the individual businesses. Though this is well understood, it is important to also understand the thought process behind the structure and the partner chosen for the same.

We believe that from the perspective of customers, as well as from the perspective of our employees, a certain type of company is important for us to merge with, for the ITSS business. Our customers are used to getting the attention that a mid-sized company gives to them. Thus from the size perspective, Birlasoft is among the right sized companies to partner with. We see many other merits in working with Birlasoft. First, this is the part of the CK Birla Group. Hence we believe that it would have long-term interest in the Company, which will take care of our customers and employees. Secondly, if we were to look at the offerings, Birlasoft offerings are very complimentary to our offerings. In our case, the ERP revenues are 50%+ of our total revenues, whereas in their case the non-ERP revenues, especially the digital and application development revenues are 85% of their revenues. Thus, the two companies put together in the business IT area, will have a complete suite of end-to-end solutions in the IT services domain. We believe that the knowledge and the depth that Birlasoft has in digital revenues will add more value to the digital technology revenues that we have and therefore we can be very well known in that segment also. Additionally, the Industry Verticals of the two companies are also complimentary. We work largely in the Manufacturing and Energy domain. Birlasoft mainly works in the BFSI and Media verticals, though they also have some Manufacturing revenues. This is as far as the complementarity of the offerings and verticals are concerned.

As important as what you offer, is the person that you work with. The Birlasoft Leadership team is led by Anjan Lahiri, CEO Birlasoft. Anjan started his career with Wipro then he worked with Cambridge Technology Partner, which as you would recollect has been known as the high-end Strategic IT Consulting Company. We believe that the kind of technologies that we have built over the years will get substantial boost if we can give a consulting edge to it. Also, the Birlasoft leadership