

KPIT



Reimagining Mobility
with YOU



2018-19
Annual Report

Board of Directors

S. B. (Ravi) Pandit

Chairman & Group CEO

Kishor Patil

CEO & Managing Director

Sachin Tikekar

Whole-time Director

Anant Talaulicar

Independent Director

B V R Subbu

Independent Director

Prof. Alberto Sangiovanni Vincentelli

Independent Director

Nikhil Jakatdar

Independent Director

Shubhalakshmi Panse

Independent Director

Rohit Saboo

Nominee Director

Vinit Teredesai

Chief Financial Officer

Nida Deshpande

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**Shardul Amarchand Mangaldas & Co**

Advocates & Solicitors

Express Towers, 23rd Floor,

Nariman Point, Mumbai - 400021, India.

AZB & Partners

AZB House,

Peninsula Corporate Park,

Ganpatrao Kadam Marg,

Lower Parel, Mumbai - 400013.

Financial Institutions

- HDFC Bank Limited

- The Hongkong & Shanghai Banking Corporation Limited

- Citibank N.A.

- Axis Bank Limited

- Kotak Mahindra Bank

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Letter from the Chairman and Group CEO

Dear Fellow KPites,

FY2019 was a year of true transformation and reincarnation of KPIT in a new, sharply focused and re-energized avatar.

As a company, we have always been passionate about automotive and have been investing in the same for more than a decade. With a view to bring in sharper focus on automotive and mobility, we went through a major restructuring exercise, which was completed during the year.

On January 29, 2018, we had announced a transaction of merger and demerger involving KPIT and Birlasoft. Birlasoft is a part of the USD 1.6 billion diversified CK Birla Group.

The NCLT (National Company Law Tribunal) directed EGM for seeking shareholder approval for the Merger Demerger Scheme ("Composite Scheme") was scheduled on August 29, 2018. The shareholders overwhelmingly approved the scheme for the merger of Birlasoft with KPIT and the simultaneous demerger of Engineering business into a new company, to create two public companies.

The Mumbai Bench of NCLT vide its order dated November 29, 2018 approved the Composite Scheme. The written order was received by KPIT on December 18, 2018. The appointed date for the scheme was January 01, 2019 and the effective date was January 15, 2019.

Thus, the Composite Scheme approval by the NCLT resulted in the formation of two companies:

- KPIT Technologies Limited (USD 270+ Million revenue company), a global leader in Automotive Engineering and Mobility Solutions, which evolved from the existing Engineering Business of KPIT.
- Birlasoft Limited (a USD 475+ Million revenue company), a new Digital Business IT Services company, focusing on the mid-tier IT space formed by combining Birlasoft with the erstwhile KPIT IT business.

We are more excited than ever before with this reincarnation of our company.

As we all are experiencing, the world of mobility is going through a huge revolution and it is in for a paradigm shift, something that has not been witnessed in the last 100 years. This shift is largely driven by electronics and software, the areas which we call ours. We are fortunate to be at the right

place and at this very right time to ride on the opportunities presented by this perfect storm of technology shifts & business model changes. We want to be a key participant in this shift to build a new world of mobility.

In the light of this change, we have redefined our vision which reads as follows:

KPIT Vision:

Reimagining mobility... with you

for creation of a cleaner, smarter & safer world

Let us explain the vision in greater details:

Reimagining: The paradigm shift in mobility gives us an opportunity to think afresh.

We will achieve this by

- **Building** Platforms, Tools, Accelerators, Innovative business models using domain knowledge
- **Delivering** globally with diverse teams in cultures, languages and thoughts
- **Learning & applying** transformational technologies (Artificial Intelligence, Digital, Big Data)

Mobility: Technologies that enable people and goods to move in cleaner, smarter and safer way. This includes passenger, commercial & off-highway vehicles and organizations that offer mobility as a service.

With you: Every KPIT Stakeholder is a key participant in this vision

- **Customers** - Accelerating the realization of our Customer's vision
- **Employees** - Providing an opportunity for our freethinking entrepreneurial employees to paint on this canvas, while building on our strong foundation
- **Partnership** - Partnering with our customers, mobility ecosystem, stakeholders, universities, research organizations and other influencers to make the vision a reality.

Overall Business Performance (Engineering Business)

During the year, the Engineering Business reported total revenues of USD 270.8 Million, registering a growth of 22.9%. The reported EBITDA for the year stood at 11.5% while the operational EBITDA was 12%+. The difference

between reported and operational EBITDA is principally the expenses related to the merger-demerger scheme.

During the year, we continued to invest (hiring talent) in our global delivery centers, especially in Germany and in research & development. Growth in the ensuing quarters will help us leverage these investments and thus expand the operating margins.

How we fared vis-a-vis our goals for FY18-19

Customers: The growth during the year was led by growth in the Strategic Accounts with the Strategic Accounts (T25) growing at 30% during the year as compared to last year. The growth during the year, from a practice point of view, was contributed by the focus practices of AD-ADAS (Autonomous Driving – Advanced Driver Assistance Systems), ePT (Electric Powertrain), Connected (Infotainment) and Diagnostics.

People: We invested heavily during the year to build our Global Delivery model with Germany being the largest center for these investments. Ability to hire talent locally and deliver globally is one of the key strategic areas of focus for us. Attrition across the industry has gone up and we had top-block attrition in lower double digits. The target is to get this attrition in a mid to lower single digit range. We piloted Predictive Attrition Framework during the year to help us address critical attrition well before time. With focus on hiring locally, we are progressing well on the visa independence target.

Technology and Innovation: The technology roadmap definition and progress on the same is being monitored through PDFs (Practice Development Forums) for all the practices. The next step in this regard is customer by customer plan of engagement which is now being initiated. Along with this plan of engagement, comprehensive engagement with customer CTO and/or Customer Research Group Head is progressing well. All key new technology initiatives are being driven/enabled/facilitated by the CTO (Chief Technology Officer) team.

Delivery Excellence: We have institutionalized the process for identification and monitoring of large high risk programs over the entire life cycle of the projects. This has enabled prevention of major deviations from plan in majority of the cases and in some cases empowered immediate corrective actions to arrest any derailing. There is a continuous improvement in the customer CSAT (Customer Satisfaction) scores across practices.

Technology and Innovation:

Research and development have always been on the forefront of our business strategy. 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. It is accredited as a research and development facility by the Department of Scientific and Industrial Research (DSIR) under the Ministry of Science and Technology.

The total number of patents filed by us as at the end of Q4FY19 stood at 45 (38 with complete specifications and 7 with provisional specifications). In total, we have 49 patents granted across geographies (the same patent if granted in two geographies is counted as 2 granted patents). 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.

FY2019 was the fifth year of KPIT Sparkle, a national design and development innovation contest for science and engineering students. The theme for the 2019 edition was “Energy and Mobility for the Future.” It sought futuristic solutions based on cutting-edge technologies, to solve problems in areas such as renewable energy generation, energy storage, energy utilization and clean, safe, shared, connected, and secured mobility.

In the last five years, KPIT Sparkle has received nearly 6,000 ideas from more than 50,000 students nationally. The participation in KPIT Sparkle grew from a meagre 2,000 in its first year to around 22,000 in this edition. This represented more than 1,100 colleges in India. The Top 30 teams presented working prototypes of their solutions at the grand finale held on 23rd and 24th February 2019. Team Aqua from Army Institute of Technology, Pune, won the platinum award of ₹ 1.0 Million for developing a vertical axis water turbine (VAWT), which is 24% more efficient than a conventional system.

KPIT Sparkle 2019 was privileged to be associated with the **Government of India’s Department of Science and Technology (DST), NITI Aayog’s Atal Innovation Mission (AIM), All India Council for Technical Education (AICTE), India Design Council and the National Institute of Design as the knowledge partners and Pimpri Chinchwad College of Engineering (PCCOE), Pune, Noida Institute of**

Engineering and Technology (NIET), Greater Noida and Sandip University, Nashik; as academic partners. KPIT also partnered with the Centre for Innovation Incubation & Entrepreneurship (CIIE), IIM Ahmedabad, Incubation Cell – IITM, Science and Technology Park, BHAU Institute and Centre for Innovation, Incubation and Linkages (CIIL) – Savitribai Phule University to provide incubation opportunities to deserving ideas.

The Year Ahead

The Mobility Industry is going through a lot of disruptions. While on one side there is a fall in the sale of vehicles across the globe, on the other side mobility players are increasing investments in electric, automated and connected vehicles. OEMs are desirous of launching newer models with added features in a shorter span of time and at the same time are focusing on operations cost reduction and staff rationalization. The government regulations across the globe are becoming stringent

especially in the areas of emissions and safety. Thus, in these volatile times for the industry that we exclusively focus on, we are not giving a formal guidance for FY20.

Having said that, the outlook for the year remains positive and we expect FY20 CC revenue growth to be in the range of 16% - 18% with EBITDA margins in the 14%-15% range.

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 & MD and President & Whole-time Director

Dear Stakeholders,

FY 2018-19 was a year of true transformation for the company wherein we completed one of the most complex restructuring exercise of merger and demerger to create two focused companies with the potential of individually becoming leaders in their respective areas of operations. We honestly believe in the potential for enhanced value creation for all stakeholders of both the companies.

KPIT Technologies, now in its new re-incarnated version, prides itself on the possibility of being one of the global leaders in engineering companies focused on software led solutions for the automobile industry.

While we have discussed the KPIT Vision in the Letter by the Chairman and Group CEO, in the ensuing paragraphs we will dwell on the KPIT Strategy to achieve the KPIT Vision. We will also discuss the opportunities and challenges in automotive and mobility.

KPIT Strategy

Verticals that we focus on:

- Passenger Cars
- Commercial and Off Highway Vehicles
- New Mobility

Strategic Customer Relationships:

We are focusing on Select Customers (OEMs, New Mobility Companies and Tier I) to help us achieve our Mission and Vision. Our strategic customers are based on the following principles:

- Importance to us from overall Mobility ecosystem perspective
- Highest level of relationship and committed to strategic partnership
- Strategic for our practices
- High quality of engagement (platforms, tools, accelerators, annuity deals)

Customers want to bring new innovative features faster to the market.

Our proposition of “faster time to market” will be supported by:

- Platforms, Tools and Accelerators

- Deep Domain Expertise &
- Ability to and agility in scaling globally.

What we do:

We help our customers to go from design to production. Our offerings include solutions centered on software design, development and validation. Our solutions are knowledge intensive. We leverage platforms, tools and accelerators that enable re-use and faster time to market

What we do not do:

We do not engage in the regular sale of hardware products, although we build adequate hardware expertise to ensure smooth operation of software. Products which include both Hardware and Software are delivered by an associate or a partner company.

Customer Intimacy:

We are building customer intimacy through

- Practice and program management presence at key global locations
- Global delivery model
- Consistent customer experience across all locations
- Diverse teams in cultures, languages and thoughts
- Networking by participation in global conferences, seminars and expos

Automotive and Mobility trends:

The fortunes of players in the automotive sector have always depended on what customers see as valuable. Most of this value has resided in the hardware of vehicles and in the automakers' brands. However, future innovations will probably focus on disruptive technology trends and thus the customers' perceptions of value will shift. The four trends that will likely shape the future of mobility are:

Connected

Autonomous

Shared

Electric

- **Connected** - The possibilities for “infotainment” innovations, novel traffic services, and new business

models and services will increase as cars get connected to each other, to the wider infrastructure, and to people.

- **Autonomous** - The operation of automated cars will move from advanced driver-assistance systems to fully autonomous driving as the technology matures.
- **Shared** - As the sharing economy expands and consumer preferences change, the standard model will continue to evolve from outright purchase or lease to rentals and car sharing.
- **Electric** - Drivetrains will shift toward hybrid-electric, electric, and fuel-cell technologies as they mature and become cheaper.

The KPIT Practices are aligned with these mega trends viz.

Connected (Infotainment & Clusters, Diagnostics)

Autonomous (Autonomous Driving, Advanced Driver Assistance Systems)

Shared (we are incubating solutions for shared mobility)

Electric (e-powertrain and conventional powertrain)

Software craftsmanship can enable mobility leapfrog towards a cleaner, smarter and safer future. KPIT specializes in embedded software, AI & digital solutions for automotive and mobility, enabling our customers accelerate implementation of next generation mobility technologies. With technology centers in Europe, USA, Japan, China & India – KPIT is present where the mobility ecosystem is transforming.

There is credibility and reliability from our decades of experience in automotive technology. Our personality is defined by focus on technology, customers, people and partnerships.

Geography Focus

Currently our presence across geographies is fairly spread with US being the largest, followed by Europe and then Asia. As per our strategy, we are focusing on global delivery with integrated teams located across India, Germany, US, China, Thailand and Brazil. We will continue to invest in our Germany and US centers to strengthen our presence in these geographies. We are also focusing on local hiring to source talent globally to address the increasing demand for specialized, domain intensive skill sets, as well as to counter the probable threats looming

due to stricter visa regulations in different countries. Increased presence in these global delivery centers will help us build leadership and domain expertise and drive innovation in systems, software and solutions. This will also further strengthen our ability to provide best in class solutions to our customers with a near shore presence and integrated global delivery model. We are making customer specific investments in geographies to pursue further penetration and growth in the strategic accounts. In the coming years, Europe and Asia will lead the growth and thus the balance between geography spread will be further equalized.

People Initiatives

KPIT believes in investing in human capital, an element that defines the organization's veracity and versatility within the business sphere. We want to attract and retain people who are passionate about delivering zero defect software to the best customers globally. Talent attraction at KPIT is driven by our flagship PACE Program which is an industry – academia based partnership program with 20+ premier institutions across India and abroad. We have faith in continuous learning and run learning initiatives across grades and practices, enabling our employees to enhance their skills on an ongoing basis.

KPIT unveiled its **new visual identity** on the 6th of June 2019.

The new visual identity draws inspiration from KPITs' technology solutions that run in millions of vehicles around the world. It also reflects passion of people at KPIT who are in the pursuit of making mobility cleaner, smarter and safer.

At the heart of the new visual identity is an interconnected and responsive graphic system that represents KPIT's technology solutions. Anchored in this graphic system is the new KPIT logo that manifests in both dynamic and static ways and is a distillation of the design system.

Infrastructure:

As at FY19 end, we have a total seating capacity of 6500+ seats in India, of which 5200 + seats are occupied. During this year, we developed 1,000 seats in Pune Hinjewadi Phase III as the 2nd phase of the project. During FY20 we are planning to add 500+ seats at Bangalore and 300 + seats at Pune, which we intend to occupy completely during FY 21.

Let us now have a quick look at the near future

The Medium Term:

We are fairly confident of high growth over the next 3-4 years. Apart from pure growth, the focus is also on the quality of revenue. Some of the metrics that we have started looking at and want to improve every year are annuity revenues, revenues from platform/tools/accelerators and revenues from target customers. We also seek to be among the largest wallet share partners for our T25 customers. Apart from the quality of revenue, leveraging of investments and fixed costs, engineering productivity improvement and larger individual customers

will help us substantially improve operating margins over the coming years.

We are confident and excited about the future and appreciate the trust put in the company, by all stakeholders.

Best Regards,

Sincerely Yours,

Kishor Patil

CEO & Managing Director

Sachin Tikekar

President & Whole-time Director

FINANCIAL HIGHLIGHTS

(₹ in million)

CONSOLIDATED INCOME STATEMENT	FY 2019
Sales (\$ million)	270.8
Total income	19,428.2
Total expenses	17,714.3
Profit/(loss) before tax	1,273.9
CONSOLIDATED BALANCE SHEET	
Share Capital	2,685.0
Other Equity	6,910.6
Total Shareholder Funds	9,595.6
Non-Controlling Interest	39.1
Non-Current Liabilities	697.8
Current Liabilities	6,409.1
Total Equity & Liabilities	16,741.6
Fixed Assets	3,260.6
Goodwill on Consolidation	942.3
Other Non-current Assets	237.7
Current Investment	487.1
Trade Receivables	5,920.0
Cash and cash equivalents	2,206.6
Other Current Assets	3,687.4
Total Assets	16,741.6
KEY RATIOS	
Long Term Debt to Equity	7.2%
Total Debt to Equity	13.6%
Cash/Total Assets	13.2%

BOARD'S REPORT

Dear Members,

The Directors are pleased to present the Second Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2019.

Performance of the Company

(In million)

Particulars	Standalone 2018-19		Consolidated 2018-19	
	USD	₹	USD	₹
Revenue from operations	32.72	2,303.00	91.10	6,412.56
Profit before Tax (PBT)	11.57	814.24	9.55	671.95
Profit after Tax (PAT)	10.58	744.47	7.82	550.20

Result of Operations

During the year under review, the total revenues from operations (consolidated) were ₹ 6,412.56 million and Net profit after tax (consolidated) was ₹ 550.20 million.

In US Dollar terms, revenues from operations for the year on consolidated basis was \$ 91.10 million. Average realization rate was ₹ 70.39 per US Dollar.

Standalone sales for the financial year 2018-19 reached ₹ 2,303.00 million and Net profit after tax ₹ 744.47 million.

Dividend

The Directors are pleased to recommend a final dividend of ₹ 0.75/- per equity share of face value of ₹ 10/- each (7.5%) on the paid-up equity share capital of the Company for the year under review. The total pay-out will amount to ₹ 247.87 million including dividend distribution tax.

Share Capital

During the year under review, the entire pre-demerger share capital of the Company was cancelled, extinguished and annulled in terms of Clause 25 of the Composite Scheme of Arrangement amongst Birlasoft (India) Limited ("Transferor Company") and KPIT Technologies Limited ("Transferee Company") (renamed as Birlasoft Limited) and KPIT Engineering Limited ("Company or Resulting Company") (renamed as KPIT Technologies Limited) and their respective shareholders. Further, pursuant to the said Scheme, the Company allotted 274,143,808 equity shares of ₹ 10/- each in the ratio of 1:1 on January 29, 2019 and thus, the issued, subscribed and paid-up capital of the Company as on March 31, 2019 is ₹ 2,741,438,080 consisting of 274,143,808 equity shares of ₹ 10/- each.

Awards & Recognition

1. KPIT won the "Frost & Sullivan India Best Practices Award 2018" in the Category - India Shared Mobility Solutions Visionary Innovation Leadership Award.
2. KPIT won the award in EMobility India Week 2018 under the award category- Electric Vehicle IT Innovation of the year Award.
3. KPIT has been recognized with two Manufacturing Leadership Awards by Frost and Sullivan for its clean and smart technology solutions in the urban mobility sector. KPIT's Integrated Intelligent Transport Systems and Revolo® have earned awards in the Smart Products and Services and Sustainability categories respectively.
4. NITI Aayog has constituted 'National Intelligent Transport System Committee' to work towards a coherent Intelligent Transportation System (ITS) Policy for the nation. KPIT have been invited to be a part of them and is actively contributing to the committee thus paving path for smart transportation in India.

Quality, Information Security & Productivity

Quality, Productivity and Innovation have been the three pillars that have driven our passion for continuous improvement in the way we determine and improve our process framework. This commitment to quality is ratified by our consistent endeavour in certifying ourselves to the best standards in the Industry.

We continue to improve our Quality focus through internal initiatives and by certifying against international standards. In accordance with this, we underwent re-certification