

Reimagining Mobility
with YOU

KPIT



Annual Report
2019-20

Board of Directors

S. B. (Ravi) Pandit

Chairman & Group CEO

Kishor Patil

CEO & Managing Director

Sachin Tikekar

Whole-time Director

Anant Talaular

Independent Director

B V R Subbu

Independent Director

Prof. Alberto Sangiovanni Vincentelli

Independent Director

Nickhil Jakatdar

Independent Director

Shubhalakshmi Panse

Independent Director

Rohit Saboo

Nominee Director (upto February 1, 2020)

Rafi Maor

Independent Director (upto June 9, 2020)

Vinit Teredesai

Chief Financial Officer (upto June 12, 2020)

Priyamvada Hardikar

Chief Financial Officer (w.e.f. June 12, 2020)

Nida Deshpande

Company Secretary

Auditors

B S R & Co. LLP

Chartered Accountants

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.

Financial Institutions

- HDFC Bank Limited

- The Hongkong & Shanghai Banking Corporation Limited

- Citibank N.A.

- Axis Bank Limited

- Kotak Mahindra Bank Limited

- State Bank of India

- ICICI Bank Limited

- The IDBI Bank Limited

- DBS Bank Limited

- HSBC Bank (Mauritius) Limited

Contents

Letter from the Chairman & Group CEO	1
Joint Letter from the CEO & Managing Director and President & Whole-time Director.....	3
Highlights from Last Year	4
Financial Highlights.....	5
Management Discussion & Analysis	7
Enterprise Risk Management Report	11
R & D Activities	15
Community Initiatives	23
Board's Report.....	39
Report on Corporate Governance	83
Additional Shareholders Information	104
Standalone Financial Statements	127
Consolidated Financial Statements	209
Notice.....	305
Communication to shareholders	312

Letter from the Chairman and Group CEO

Dear Fellow KPITians,

FY2020 was the first complete year of KPIT post the restructuring leading to an independent technology company, focused only on the mobility sector.

I am personally very happy with the way we have shaped up over the year in terms of our strategy, focus, technology orientation, alignment with customer requirements and nurturing of talent.

The year that went by:

We started the year with the following primary focus areas:

1. Customers
2. People
3. Delivery Excellence
4. Profitable Growth

Our strategy of focus on select strategic customers yielded good results with majority of the growth contributed by these customers. Our strategic customers contributed more than 80% of the total revenues. Autonomous driving and electric powertrain were the fastest growing practices for us during the year.

We want to be a net talent creator and envision KPIT to be a 'Great Place to Grow' for all our employees. During the year we focussed on multi-level interactions with our employees to ensure our Vision and Strategy is understood by one and all and every employee believes to be a vital link in the organization. Leadership and technical training across the board helped upskill the employees. Last but not the least, we ensured our people, especially technical roles are compensated commensurate with the best in the industry and the increments were accordingly higher. All these factors helped us in reducing attrition to a great extent and the year saw one of the lowest attrition levels in our history.

Zero Defect delivery is one of our prime goals. It is more of a culture than an arithmetic number. Defect free software delivery and ongoing productivity improvement are the two main areas under delivery excellence. Enhanced customer and team communication, ongoing quality control and reporting, weekly rigor in tracking of projects, individual level, project level and program level productivity tools deployment and tracking and succession planning are some of the areas we worked upon and improved during the year. We will continue to pursue delivery excellence as one of our foremost focus areas.

FY2020 was a good year for KPIT with annual revenues of USD 303.81 Million, registering an industry leading organic growth of 14%+ on a constant currency comparable basis. The operating margin (EBITDA) stood at around 13.7% for the year, a healthy growth in margins as compared to last year. The Net Profit (PAT) for the year was ₹ 1,466 Million.

One of the key operational areas for us was increase in cash conversion and we ensured we progress on the same every quarter. The Net cash position at the end of the year was ₹ 3,278 Million as compared to ₹ 900 Million as at the end of last year. Our days of sales outstanding (DSO) came down from 87 days as at the end of last year to 66 days as at the end of the current year. We will continue to focus on the same going forward.

Thus, FY20 was a great start to the 'New' KPIT and we were looking forward to a similar or better year going forward.

The year ahead:

As the year was progressing well, the world witnessed a never seen before phenomenon – the Covid-19 pandemic. The whole world is putting up a united fight against the virus and these are extraordinary times experienced by one and all.

As the pandemic started spreading its wings by the mid of the last quarter, we acted very swiftly and worked on enabling Work From Home (WFH) for all our employees across the globe after due approvals from customers and regulatory authorities, wherever required. Employee safety and Customer Deliverables were the two primary things that we focused on and within a period of around 3 weeks we enabled more than 95% of WFH for our employees. The industry that we focus on viz. Mobility also faced initial problems due to the pandemic and strict lockdowns across countries, globally. The automotive industry is slowly gaining lost ground and it is a matter of time before the industry gets back fully in action to address the growing demands of its customers.

In view of the current pandemic and the resultant economic situation, we have reoriented ourselves and reset our goals for the coming year and the Top 4 goals are as follows:

1. **People:** The well-being of our people is of paramount importance to us and for the first half of the year we have chosen continuity of jobs over continuity of remunerations. All our employees have a variable component in their salary and everyone will most likely end up forgoing a part of this

variable pay during the year. We have also stepped up on people training and improving the WFH experience for our employees to enable productivity improvement. We are focussed on retention of top talent to ensure seamless experience for our customers.

2. **Customers:** We will ensure our customer deliverables meet and/or exceed our commitments to the customers on quality, time and cost. We will strive to increase our wallet share in the customer account by focusing on our delivery and ensuring customer delight in all the work that we do with the customer. In the spirit of a win-win partnership with our strategic accounts we will ensure our long-term value proposition does not get diluted, albeit in the short term there might be some disruptions in some accounts.
3. **Cash Conversion:** We have ensured healthy cash conversion since the beginning of FY20 and will continue to do so in the coming year as well. It is important to have a healthy Net Cash position, especially in the current scenario where in some cases the customer payments might get delayed in the near term. We will ensure rigor in timely invoicing and collection with optimal control on operating expenses and capital expenditure to ensure we maintain and increase the Net Cash position throughout the year.
4. **Growth:** Though as previously stated by us, there will be a revenue decline in the first quarter of the financial year, we have seen things stabilising fast. We have closed some significant deals and have a healthy pipeline to work upon. More conversations are happening with our customers and these are long-term, strategic in nature. We are optimistic about the future and believe we will be back on the growth path in the second half of the year.

While we are continuously focused on executing well on our strategy, I would take this opportunity to reiterate our vision:

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.

Our future is tied with the future of the Mobility industry and we believe the mobility industry will be an important growth engine for the world going forward. The industry will continue to grow. There will be more demand for personal vehicles, there will be more demand for safer vehicles, there will be more demand for smart connected vehicles. Over the last 15+ years, we have invested in these technologies and we continue to maintain our leadership position in these areas.

Our focus on the industry, our focus on technology innovation, our focus on select strategic customers, our focus on excelling customer expectations, our focus on good people and continued support from stakeholders like yourselves, over the years will yield good results in the near future.

I regard your support highly and appreciate it thoroughly.

Warm Regards,
Sincerely yours,

S. B. (Ravi) Pandit
Chairman

Joint Letter from the CEO & Managing Director and President & Whole-time Director

Dear Stakeholders,

We sincerely hope all of you are taking due care and staying safe in the current environment.

The financial year 2019-20 was quite eventful with the company registering good growth and increase in operating margins, with a stronger balance sheet. US Geography continues to be our largest geography with around 41% of the total revenue, closely followed by Europe contributing around 39% of the revenues. Europe was the fastest growing geography for us. Autonomous Driving, Electric Powertrain and in-vehicle networking led the growth from the practice perspective. With our strategy to focus on select strategic customers yielded good results with these customers growing more than 20% during the year. Our people emphasis resulted in lowest attrition levels historically for the company. We institutionalized the processes for defect free first-time delivery with an aim of customer delight and ongoing productivity improvement. Thus, we are happy on our execution during the year.

While we were getting ready for another growth year, we had to shift gears and change our orientation, due to the Covid pandemic.

We initially focused on creating an infrastructure to enable our people to work from home seamlessly. We are proud of our team who responded quickly and positively to the changed circumstances and facilitated remote working for more than 95% of our people, globally. As we continue to focus on employee safety, customer deliverables and business stability, we are cautious about the near term and optimistic about the medium to long term.

We would like to reiterate our strategy to achieve the KPIT Vision.

Focus Verticals

Verticals within the mobility industry that we focus on:

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

Over the years, we have been more focused on the passenger car vertical and have established many strategic relationships in the vertical. Passenger cars continues to be a strong vertical for us, with significant potential in the electric powertrain, autonomous driving, digital cockpit and diagnostics domains. Commercial

Vehicles is a relatively new vertical for us. Autonomous and connected technologies are being embraced by commercial vehicle manufacturers in a big way, paving good opportunities for us. New mobility is one upcoming vertical, albeit car sharing and public transportation will have a minor setback with the ongoing pandemic. Digital Technologies coupled with new age automotive technologies referenced above will drive our presence in new mobility.

What we do

We help our customers to go from design to production. We specialize in application software, middleware device drivers, basic software platforms and other aspects of software. At the same time, we are a software integrator covering prototype development, actual software development, validation and testing. We leverage platforms, tools and accelerators that enable re-use and faster time to market

We are creating value by nurturing a **Culture of Excellence** by:

1. Achieving Leadership in Practices and Platforms

- a. CASE (Connected, Autonomous, Shared and Electric) accounts for 90%+ of KPIT revenue and investments.
- b. Deep understanding of automotive domain and strong knowledge of CASE realm.
- c. Platforms, Tools and Accelerators as KPIT IPs to enhance the value delivered to customer
- d. New relevant competency development

2. Delivering Zero Defect

- a. Culture of Defect-free delivery across the company
- b. Customer delight with zero defect
- c. Framework for productivity and automation improvement
- d. 100% coverage of projects

3. Being the Best Place to Grow

- a. Attract, nurture and develop the right talent
- b. Serious partnerships with leading universities across the globe
- c. Continuous training and competency development
- d. Technology growth path

4. Having Strategic Relationships with our T25 Customers

- a. Highest level of relationship and commitment to strategic partnership
- b. Strategic for our practices
- c. High quality of engagement (platforms, tools, accelerators, annuity deals)
- d. Important from the overall mobility ecosystem perspective

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

The Near Term

The financial year 2020-21 has started on a cautious note. There were lockdowns imposed by different countries at different times and some customers reacted fast to the new challenges faced. There were certain initial disruptions and there was a lot of ambiguity at the start of the year. As things started to settle down a bit, we have seen a steady improvement in the visibility that we have for our business basis the customer technology spends. Thus, we have seen a major impact on the business in the first quarter and progressively we are witnessing improvement every month. We have signed some good deals and are working on some more.

As at the end of FY2020 we had a total of around 6,300 seats in India and 5,300+ seats were occupied. With the current trend of work from home and the evident continuance of the same for a sizable period of time, we will consolidate a couple of small facilities in Pune and will also consolidate our operations in Munich under a new single facility.

All our employees have a variable portion of compensation which will get affected during the year. All employees will end up with a lower than normal compensation, basis the overall performance of the company during the year. Travel costs, discretionary spends and capital expenditures have all been under strict control. Thus, to summarize, though we had a difficult start to the financial year, things have started improving since then, revenue visibility is steadily going up and cost control measures are all in place.

We sincerely appreciate the quick positive response rendered by all KPITes across the globe in tough times, reflecting the true culture of the company.

The Medium Term

In terms of current revenues, we are much balanced across US, Europe and Asia. Europe, especially Germany has been the leading growth engine for us. Germany is the epicenter for the future technologies of mobility. We have been investing in Germany for the last 3 years and see continued growth from this geography. Asia, led by Japan is another solid growth area for us. US is a steady going geography and will continue to be so. Europe and to a large extent Asia, are committed to electrification and the same is seen in the large investments dedicated by vehicle manufacturers and select Tier 1s across Europe and Asia. Autonomous technologies investments are again led by Europe and US and Asia are also fast catching up. Connected technologies and digital cockpit are focus areas across all the three geographies. Thus, in terms of geography focus, the medium-term growth will be led by Europe, followed by Asia and then US.

Our strategy, as mentioned, is to focus on select strategic customers and our T25 accounts are committed to us as much as we are committed to them. In the true spirit of partnership, we continue to strive for zero defect delivery, faster to market opportunities and more for less for each of our T25 accounts. The current global situation demands we be more prudent and hence we are nurturing relationships with some additional OEMs and Tier 1s, which are currently not a part of T25 as a potential backup. We firmly believe T25 focus is a strength for us and we will continue to work on further strengthening our relationships with these customers.

The whole world is going through tough times. We are hopeful of the current pandemic passing through and things returning to normal. The mobility industry has strong fundamentals and will be a major driver for economic activity in the times to come. KPIT's strong domain focus, robust relationships with leading players in the mobility industry, sustained investments in relevant technologies over the years and expertise as a dependable software integrator will aid us for a stronger, profitable growth in the medium term.

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
Whole-time Director

Highlights from last year



Working with top brands and tech leaders in mobility

KPIT wins Excellent Partner for the year 2019 – from a leading Japanese OEM

In November 2019, a leading Japanese OEM awarded KPIT with “Excellent Partner” for the year 2019.



Eaton’s partnership with KPIT

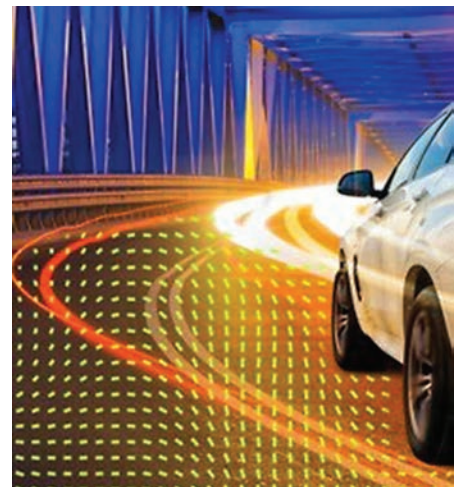
In September 2019, Eaton announced a strategic partnership with KPIT to develop next-generation electrified mobility technologies.

“Eaton continues to build competencies to solve complex problems in eMobility, which OEMs consider critical and transformative,” said Jeff Lowinger, president, eMobility, Eaton. “KPIT is our extended team in this approach, with its sharp focus on mobility and years of experience in electric powertrain technologies. Our strategic alliance with KPIT brings valuable capabilities and technologies to enable manufacturers to develop vehicles that are cleaner and safer and deliver value.”

Volkswagen approved KPIT’s AUTOSAR stack

Volkswagen approved KPIT’s AUTOSAR stack in July 2019. This stack, KSAR R4.2.1, provides a robust approach for carmakers to adapt the AUTOSAR standard across their electronic control units. AUTOSAR is a worldwide consortium for creating and establishing an open and standardized software architecture for automotive electronic control units (ECUs).

Standardization makes the ECUs more flexible and adaptive to new-age requirements. KPIT has been a premium member of AUTOSAR consortium since 2005 and has actively contributed to drive the consortium efforts.



KPIT & Continental hosted a session on Next-gen Technologies for Connected Mobility

KPIT & Continental hosted a session on “Next-gen Technologies for Connected Mobility” in Bengaluru, India in November 2019. Mr. Alexander Klotz, Mr. Rosemary Joshy from Continental and KPIT’s Mr. Omkar Panse shared their visions on Connected Mobility and gave perspectives into the role of technology and software. The event witnessed participation from brightest software engineers in the industry with an interactive questions & answer’s session. This event was part of KPIT’s journey of Reimagining Mobility...with you.



Tara Vatcher from FCA becomes part of unique engagement initiative for women Automobelievers

In a unique engagement initiative held in October 2019, Tara Vatcher, Director – Powertrain software, Fiat Chrysler Automotive connected with more than 30 women managers at KPIT. This

interactive session was themed around “Women in Engineering and Path to Leadership”. Participants shared inspiring stories about their professional experiences, work-life balances and being multi-taskers.

From Las Vegas: KPIT at CES 2020

KPIT presented solutions for next-gen Mobility at CES 2020 at Las Vegas. The solutions were from our every practice; KITE, KONNECT and KPIT e-Cockpit Reference program from **Connected Vehicles**, Battery management system and V2G from **Electric Powertrain**, OTA updates, **AUTOSAR**, **Autonomous Driving** and **Vehicle Diagnostics**. All the solutions showcased our expertise in Software Development, Integration, Validation and Deployment. Major global mobility players visited KPIT at CES 2020. An astounding 45+ meetings were scheduled at the event. We hosted teams from Paccar, Honda, Jaguar Land Rover, FCA, Continental, Hitachi and others.



Automobelievers taking the leap

On a winning streak at the World HRD Congress

KPIT was awarded with 'Innovation in Retention Strategy' award in February 2020 for achieving and sustaining industry leading retention by World HRD Congress in a glittering ceremony held at Taj Lands Bandra, Mumbai. Our CEO, Kishor Patil was awarded "CEO with HR Orientation" for transformative people initiatives and impact. Rajesh Kumar Singh, Head HR was awarded "HR Leadership Award". In our endeavor to be the Best Place to Grow, we have made significant strides in people practices, policies and culture last year to build a passionate and committed team for excellence.



KPIT Chairman Ravi Pandit appointed to the Board of Governors of the Academy of Scientific and Innovative Research

In March 2020, The Honorable Prime Minister of India, Shri Narendra Modi, as the president of the Council of Scientific and Industrial Research (CSIR) has nominated Mr. Ravi Pandit as a member to the Board of Governance of the Academy of Scientific and Innovative Research.

Leapfrogging to Pole-vaulting wins "Business Book of the Year" award at the prestigious "Tata Literature Live! The Mumbai LitFest 2019"

"Leapfrogging to Pole-vaulting" a book by our Chairman and Group CEO, Mr. Ravi Pandit and eminent scientist Dr. Raghunath Mashelkar won "Business Book of the Year" award at the prestigious "Tata Literature Live! The Mumbai LitFest 2019" awards held in November. The literary awards conferred at The Mumbai LitFest are considered among the most prestigious in India and are attended by prominent personalities in literature. "Leapfrogging to Pole-vaulting" focuses on creating the magic of radical yet sustainable transformation.

