

KPIT

A YEAR
LIKE NO
OTHER!



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

Nikhil Jakatdar

Independent Director

Shubhalakshmi Panse

Independent Director (upto June 16, 2021)

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, Ghorpadi, Pune - 411001

Legal Advisors

Khaitan & Co.

One World Center,

10th & 13th Floors, Tower 1C,

841, Senapati Bapat Marg,

Mumbai - 400 013.

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

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S. B. (Ravi) Pandit

Letter from the Chairman

Dear Fellow KPITians,

Let me start the letter by trusting all of you have got yourselves and your near ones vaccinated and are taking all the necessary precautions to stay safe and healthy.

FY2021 was an unusual year by all counts. We lived through a pandemic that the world had not seen in the last hundred years. It affected our financial position, it altered our work life balance, it distorted the school years of our children and completely changed the way we lead our everyday life.

Having said that, the year also had a silver lining. Typically, a vaccine takes 10 years to develop. This time, it happened in less than a year. The pandemic also brought the world together as never before. We all saw the problems faced by humanity and together worked towards solving them. The pandemic accelerated some long-term trends such as digitization and decarbonization. It also enhanced our awareness about climate effects. On a personal front, I think it strengthened our family bonds. Many of us found time to reflect on our past and we reached out to our friends with whom we had not talked for a long time.

The year gone by was thus also a test of resilience for KPIT and our clients as well. You would notice that the theme of the Annual Report is also resilience since it captures the true spirit shown by every KPITian over the last year. I am personally very happy with the way every KPITian has risen to the occasion, worked seamlessly as a team globally and emerged triumphant, as the year went by.

On the business front, while we took a hit on revenues only in the first quarter of the year, we showed very good recovery during the second half, ending the year on a positive note. We had the last two quarters of the year reporting high revenue growth. The operating margins (EBITDA) improved every quarter and we ended the year with 17%+ operating margins. I am glad, as you would be aware, the market has responded well, recognizing the good work done. For further details on the performance of the year please refer to CEO and President joint letter.

The Automotive and Commercial Vehicle (Mobility) Industry

I would like to use my letter to give you a broad perspective about how the mobility industry is changing and what role we see KPIT executing in this change.

The Mobility industry, as most of the other industries, had a setback when the pandemic struck and revenues as well as profits dropped drastically for most of the players. The industry is used to cyclical falls in vehicle sales but this was something totally new and unexpected. Our clients were also no exception to this sudden jolt, but as they have

done before, they also showed a lot of buoyancy and soon came to terms with the new normal, which is even newer for the mobility industry – a normal driven mostly by software.

The vehicle is the most complex, software-driven gadget that we own today. Electronics in the form of Electronic Control Units (ECUs), sensors and advanced chipsets work with millions of lines of code and play a differentiating role in the mobility industry. They enable newer business models and disrupt technology across CASE (Connected, Autonomous, Shared, Electric) domains. However, as the role of software and data grows, so does its complexity, thus making it necessary for the mobility industry to build deep software competence. The key challenge is to develop the requisite software on one hand and make it ready for production in the minimum possible time on the other. This is the challenge that your company has taken up.

Emerging Technology Trends:

The growing trend of CASE has software at its heart:

Connected Mobility: A digital cockpit is taking various forms and shapes from sophisticated infotainment systems for entertainment to maps and other meaningful information for drivers and passengers. Vehicles are starting to talk to each other and other sources while on the road – enabling varied use cases for diagnostics, over-the-air updates, payments and more. A study by ABI Research suggests that software issues cost carmakers \$17 billion a year, which can be reduced with connected vehicle technologies. Connected mobility will continue to be a key node in a seamless lifestyle.

Autonomous Vehicles: In emerging markets, Advanced Driver Assistance features are becoming differentiators. Driven by regulation and consumer demand, features like Reverse Park Assist, Blind Spot Detection, Drowsiness Detection and several other features are becoming commonplace. Each of these features is powered by software to avert accidents and keep the car's occupants safe. In mature markets with standardized infrastructure, advancements towards fully autonomous driving have picked up pace in the last few years.

Shared Mobility: People are moving away from buying a car citing the hassles in maintenance and driving. This has resulted in an increased focus on shared mobility and the tremendous growth of on-demand services like Ola, Uber and Lyft, to name a few. An analysis by Morgan Stanley estimates that by 2030, shared car services will constitute 26 per cent of all global miles travelled. This growth in the mobility-as-a-service (MaaS) sector is bound to have an impact on how the automotive industry focuses on software competency and collaborations to deliver more reliable and

meaningful consumer experiences.

Electric Vehicles: Growing environmental consciousness and regulations are catalyzing the development of a portfolio of EVs with more efficient electric powertrains, higher driving ranges and best-in-class safety. These EVs have sophisticated software for battery management, inverters and varied charging standards across the globe. Software is at the forefront here, too.

With these trends gaining momentum, the cost of electronics as a % of the total cost of a car is expected to go to almost 50% in 2030. This is close to a 60% increase over the current levels. While the global vehicle production CAGR for the next decade is expected to be around 3%-4%, the growth CAGR for the automotive software is anticipated to be around 14%. I am glad to inform you that KPIT is at the forefront of all the underlying technologies. We are investing in these areas and we are confident that we will continue to be leaders in dependable technologies relevant for the mobility industry.

KPIT Vision:

Having written about the thrust of our work, I think it is important for me to turn to our vision. I must tell you that we conducted a detailed vision exercise in which members of our extended leadership team were deeply engaged and everyone is now fully committed to the vision.

Our Vision is:

Reimagining mobility... with YOU for creation of a cleaner, smarter & safer world

I must add that every word in this vision is crafted with care and has deep meaning behind it. Let me therefore dwell on it a little more.

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

- Clients - Accelerating the realization of our client'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.

For over 2 decades, KPIT has witnessed significant growth in the space of embedded software. Software within vehicles is a key differentiator for the mobility players, as it helps them acquire more customers and expand revenues over the lifetime of the vehicle. This is a disruptive time for the mobility industry. While on one side, mobility players are seeing reduced vehicle sales, they are also putting in immense resources into technology for upcoming product launches – technologies that will take them towards an electric, autonomous and connected future. Two key aspects though need to be addressed: First, how quickly and accurately can vehicle makers implement software-led features so that their products reach markets in time while ensuring they do not lose market share or position? Second, how can vehicle makers ensure high quality, first-time-right delivery while keeping costs at check? It is at this intersection, where KPIT plays an active role, and the very reason for our strong partnerships with OEMs, Tier-1s and other mobility clients.

Our focus on the mobility industry, our focus on technology-led innovation, our focus on select strategic clients, our focus on excelling client expectations and our focus on creating and retaining talent is at the heart of things we do. We are grateful of the continued support from stakeholders like yourselves, over the years. All this will certainly yield good results in the coming years. I am very much excited about the journey ahead. I regard your support highly and appreciate it thoroughly.

Warm Regards,

Sincerely yours,

S. B. (Ravi) Pandit
Chairman



Kishor Patil

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

Dear Stakeholders,

We would like to extend our best wishes to you and your loved ones as we together overcome the tough times. We are looking forward to truly realize our Vision as stated in the Chairman's letter. To pursue it, we are committed to our Mission of:

1. Achieving Leadership in Platforms and Practices
 2. Delivering Zero Defect
 3. Being the Best Place to Grow
 4. Having Strategic Relationships with our T25 Clients
- We have embraced the Culture of Excellence to make our Mission successful and achieve our Vision. We continue to be enthused in the transformation of our clients from passenger car and commercial vehicle manufacturers to complete mobility players. Our role in this transformation as an Independent Software Integrator is critical and prominent.

Emergence of an Independent Software Integrator as a partner for OEMs and Tier1s is gaining more prominence. We believe that is where KPIT has its strength. Defectfree software will undoubtedly play a much more important role than before. Time-to-market needs to be reduced, at the same time we need to ensure software works in production the same way it did in the prototype stage – the quality of software & softwarehardware integration is key. All these inherently require time and experience and hence the need for a software accelerator and integrator is on the increase.

We will dwell a little detail on our Mission:

Achieving Leadership in Practices and Platforms

Our core offerings will continue around CASE (Connected, Autonomous, Shared and Electric) which accounts for 90%+ of KPIT revenue and investments.

We will continue to go deeper in our understanding of mobility domain and strong knowledge of the CASE realm. Our thrust will remain on creating Platforms, Tools and Accelerators to enhance the value delivered to Clients. We will work on and invest in new relevant competency development.

Delivering Zero Defect

Our aim is to create a culture of Defect-free delivery across the company and achieve Client Delight with first time right, zero defect delivery. We have created a framework for productivity and automation



Sachin Tikekar

improvement. We are in the second year of implementation with an aim of 100% coverage of programs by the end of this year.

Being the Best Place to Grow

People is our biggest investment and we will strive to attract, nurture and develop the right talent. To achieve the above, we have formed serious partnerships with leading universities across the globe. We ensure every KPITian has the right access to continuous training and competency development. The aim is to enable our people to visualize & achieve a technology career path.

Having Strategic Relationships with our T25 Clients

We endeavor for achieving the highest level of relationship and commitment to a strategic partnership relevant to our practices. Our engagement with our strategic clients is of a high-quality, involving platforms, tools, accelerators and annuity programs and engagements and is vital from the overall mobility ecosystem perspective.

The year gone by

The financial year 2020-21 was quite eventful. The pandemic forced everyone to reorient and rethink the business priorities. At the beginning of the year, we laid down three basic goals viz.

1. Safety and well-being of our employees
2. Upholding all Client commitments
3. Maintaining and increasing liquidity

We are thankful to all our employees who made sacrifices, worked hard and did everything possible to quickly adapt to the changed situation. We are appreciative of the trust shown in us by our clients. Our clients reoriented their focus on technology led investments and our strong positioning with them enabled us to capture a good share of their renewed budgets as well as the pent-up demand. We experienced a revenue decline only in Q1FY21, the second quarter was stable and we registered a steep recovery in revenue growth and margin expansion during the second half. We delivered 6.5%+ sequential growth in Q3FY21 as well as Q4FY21. Thus, we ended the year with a strong growth momentum. This growth, coupled with operational efficiencies, also led to operating margin expansion with operating margins (EBITDA) moving from around 13.4% in Q1FY21 to 17%+ in Q4FY21.

We are pleased to state the company exited FY2021 with a higher absolute profit after tax, higher absolute EBITDA and higher EBITDA margins in Q4FY2021 as compared to Q4FY2020.

We need to be a net talent creator and thus aim KPIT

to be The Best Place to Grow for our people. As stated earlier, the safety of our people is of paramount importance to us. We swiftly shifted to the Work from Home routine with minimal disturbance and negligible productivity loss. As we progressed over the months, our engineering productivity gradually improved. With a clear focus on individual growth and development, we launched 360-degree feedback and career planning with competency development plans for the Top 100 people within KPIT, during the year. We are now expanding the same to the next 300 people. Our overall and Top Block attrition continued to be on the lower side.

Our clients were no exception to the impact of the pandemic. Our goal was to uphold all our commitments, maintain our wallet share and initiate large strategic engagements with our strategic clients. During the second half of the year, we re-defined and started deployment of a renewed and more effective client engagement framework, which should be completely deployed during the current year. Our strategy of focus on strategic clients yielded good results with their share going beyond 85% of the total revenue for the year.

Liquidity and cash conversion has been a clear focus for us since the de-merger. We are particularly very happy with the way we have steadily increased our cash reserves. We started the year with a Net Cash Balance of ₹ 3,278 Million and ended the year with a Net Cash Balance of ₹ 8,224 Million with zero debt, an addition of just under ₹ 5.0 Billion during the year. This represents more than 6 months of operations for KPIT. Almost 70% of the Net Worth of KPIT is represented by Net Cash.

As at the end of FY2021 we had a total of around 5,510 seats in India and 4,026 seats were occupied. With the current trend of work from home and the evident continuance of the same for a sizable period, we have consolidated a couple of small facilities in Pune and have consolidated our operations in Munich, under a new single, 700 seat, state of art engineering center.

Thus, FY21 though a challenging period for everyone across the globe, made all KPITians more resilient and brought all of us emotionally closer. This resulted in increased teamwork, despite

remote working and the year ended on a high note with positivity imparted by commendable performance on the business front.

The year ahead:

We see a much favourable business environment for this year and beyond.



Our clients are dealing with certain challenges like chip shortages, apart from the pandemic induced challenges while they are adjusting to meet pent-up demand. There is a strong investment re-orientation towards electrification, autonomous and digital cockpit. We see fundamental changes happening in the software architecture and middleware. This is where we can create value for our clients by being a strategic partner to them, as an Independent Software Integrator.

With a strong financial base, we are now confidently positioned to deal with minor disruptions, if any and make strategic investments that will assert our growth trajectory. We are at the cusp of a transformative journey internally and an extraordinary opportunity externally.

We will continue to invest in the right technology areas to further strengthen our positioning as an Independent Software Integrator for our clients. CASE will remain the key area of investment for us as well as our clients.

The whole ecosystem is gaining importance and we will create the right alliances and partnerships to bolster our leadership in CASE led Practices.

Zero Defect Delivery is more of a culture, and we are working towards imbibing that culture in every KPITian. It involves the right training and processes for first time right deliveries and picking up the red projects ahead of time for fixing them well in time. Improvement in engineering productivity and client CSAT, leading to increased wallet share within our strategic clients is the desired outcome of sustained zero defect delivery.

Continued focus on people and their development is one of the core areas for us. As stated earlier we will expand the leadership development and individual career development initiative to the top 350+ people within KPIT. We have a clear focus on improving the employee satisfaction and have identified distinct areas of improvement over the last year for the same. We persist to concentrate on overall as well as top block attrition. We are confident of maintaining the same at comparatively lower levels.

Our strategy to focus on select clients and ensure long term, mutually rewarding partnerships with them has yielded good results over the years. We will continue to build further on the same. We have re-defined and re-launched a renewed Client Engagement Transformation Program. This should help us and the clients progress faster with our commonly fulfilling objectives. We aim to grow these relationships through strategic,

long-term engagements.

We are positive about continuing the growth momentum in FY22. We have demonstrated positive improvement in operating margins in the last three quarters. We expect the EBITDA margins to be in the 16%-17% range for FY2022.

The Medium Term

We have acquired our domain know-how through our sharp focus on the mobility industry and very deep relationships with our clients. Our clients are leaders in their space and conceptualize features that end consumers need most. We have delivered software for numerous production programs. We understand what clients need – not only do we work with the OEMs, but also Tier 1s to help them accelerate programs and deliver at scale. We deliver solutions that are very precisely tailored to individual OEM/ Tier 1 requirements.

The changes in architecture, middleware and role of cloud technologies will become important. A vehicle is typically in use for about 10-15 years, sometimes even longer. As electronics can now enable us, we can also introduce new features via Over the Air updates. This makes it possible for OEMs to achieve good revenues despite falling cyclical sales of new vehicles. End consumers need new features, which in practice means “new software”. This may lead to different business models for higher life cycle revenues and monetization of data and services.

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. We will create value for our clients by working with the whole ecosystem including Semicon companies, software tool companies and cloud players. KPIT's strong domain focus on electric powertrain, autonomous, digital cockpit & connected vehicles combined with robust relationships with leading players in the mobility industry is a great asset. Our sustained investments in new-age technologies and expertise as a dependable Independent Software Integrator will aid us for a stronger, profitable growth in the medium term.

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

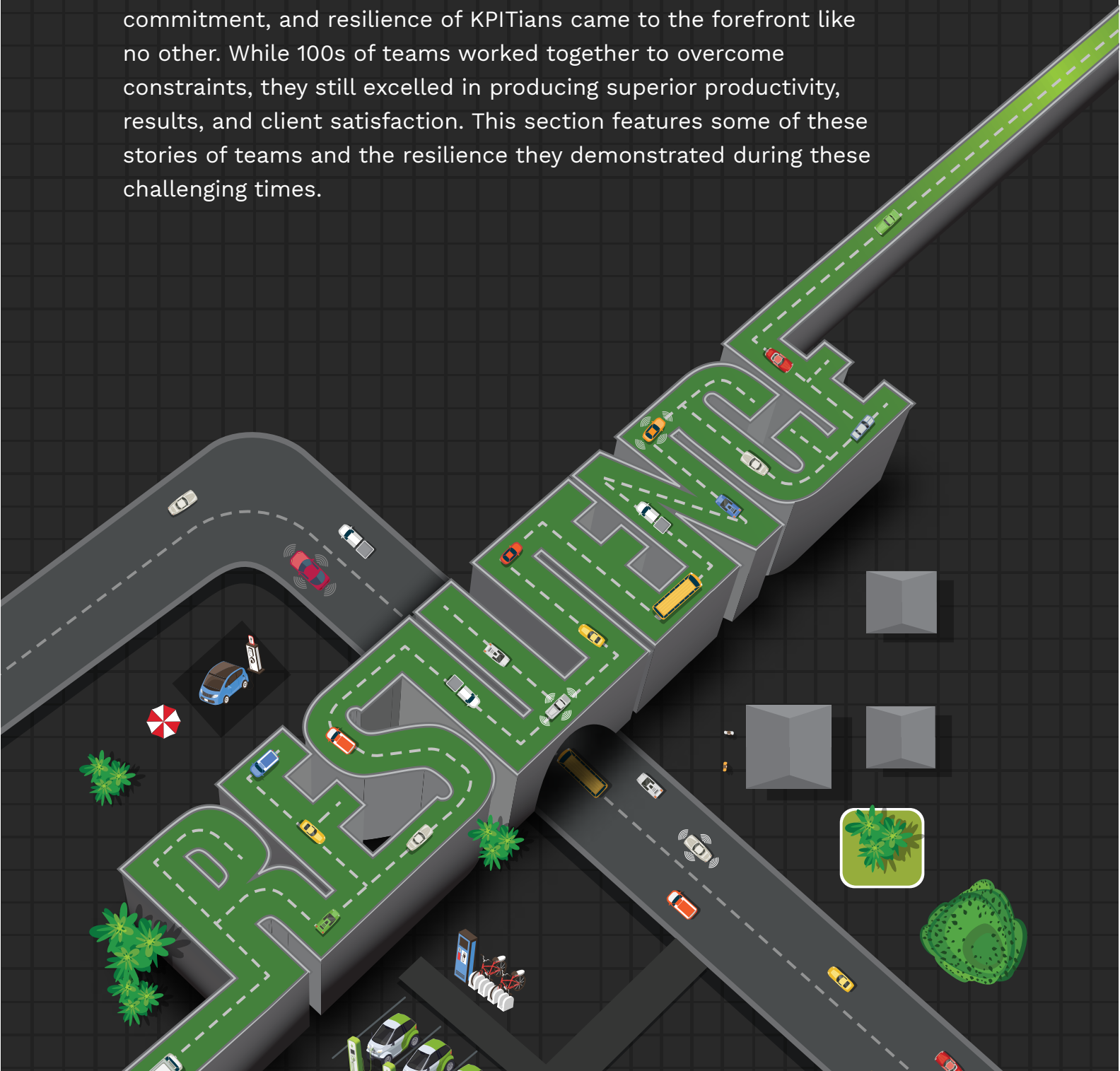
Best Regards, Sincerely Yours,

Kishor Patil
CEO & Managing Director

Sachin Tikekar
President

Stories of Resilience during the New Normal

KPIT is a family of over 7000 Automobelievers passionately working with a vision to reimagine mobility. During FY2020-21, the passion, commitment, and resilience of KPITians came to the forefront like no other. While 100s of teams worked together to overcome constraints, they still excelled in producing superior productivity, results, and client satisfaction. This section features some of these stories of teams and the resilience they demonstrated during these challenging times.



Employee health and safety as a top priority

Right from March 2020, when Covid started rearing its head the world over, the one thing we have been keeping as a top priority is employee health and safety. Our employees have been working from different places around the globe away from a set infrastructure at the office. Equipping employees with infrastructure, policies, lending a helping hand, and more was the need of the hour. There was a cross functional team which has been working to enable productive, collaborative and safe work from home.

- Covid19 testing for employees who were required to come to the office during the pandemic (varied by region and severity of caseload)
- Partnerships with insurance agencies for better coverage for employees and their extended families
- Regular wellness sessions for different segments including communication by leadership
- Collaborations with electronics and furniture partners for employees to set WFH infrastructure
- Ongoing drives for safe and early access to vaccines to employees and their dependents
- Regular Employees' feedback through Surveys, pulse from HR and leaders to provide support

Several employees also took the lead to volunteer and play a role in combatting Covid19 around the world. Being healthy and taking proactively multiple measures was one of the key factors that contributed to our staying resilient.

With inputs from

Mr. Rajesh Singh, (Global Head - HR)

