

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