

Board's Report

Dear Members,

The Directors are pleased to present the Third Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2020.

Performance of the Company

(In million)

Particulars	Standalone 2019-20		Consolidated 2019-20	
	USD	₹	USD	₹
Revenue from operations	134.60	9,552.50	303.81	21,561.69
Profit before Tax (PBT)	27.81	1,973.80	25.45	1,806.09
Profit after Tax (PAT)	25.14	1,784.47	20.68	1,467.75

Result of Operations

During the year under review, the total revenues from operations (consolidated) were ₹ 21,561.69 million. Earnings before interest, tax, depreciation and amortization was ₹ 2,953.61 million on consolidated basis. Net profit after tax (consolidated) was ₹ 1,467.75 million.

In US Dollar terms, revenues from operations for the year on consolidated basis was \$ 303.81 million. Average realization rate was ₹ 70.97 per US Dollar.

Standalone sales for the financial year 2019-20 reached ₹ 9,552.50 million and Net profit after tax ₹ 1,784.47 million.

Dividend

The Board of Directors of the Company declared Interim Dividend I of ₹ 0.55 /- per equity share of face value of ₹ 10/- each (at 5.5%) on January 29, 2020 and Interim Dividend II of ₹ 0.45 /- per equity share of face value of ₹ 10/- each (at 4.5%) on March 5, 2020 during the financial year 2019-20. These 2 (two) Interim Dividends paid during this financial year aggregating to ₹ 1/- per equity share of face value of ₹ 10/- each (at 10%) be considered as the Final Dividend for the financial year under review.

Listing on Stock Exchanges

During the year under review, the equity shares of the Company were listed on National Stock Exchange of India Limited and BSE Limited on April 22, 2019.

Awards & Recognition

From Clients

1. Awarded as "Excellent Partner 2019" by Japanese OEM
2. Awarded as "Excellent Partner 2019" for CoE strategy by leading Japanese Tier-1
3. Awarded as "Engineering Partner 2018" strategy by Japanese Tier-1

Industry – Awards and Recognition

1. Received Adam Smith Award for the Best AR Solution at Adam Smith Awards Asia 2019 in Singapore.
2. Awarded with Innovation in Retention Strategy award for achieving and sustaining industry leading retention by World HRD Congress in Mumbai.

Other Awards and Recognition received by KPIT Employees

1. Mr. S. B. (Ravi) Pandit – Chairman and Group CEO, appointed to the Board of Governors of the Academy of Scientific and Innovative Research (AcSIR) - The Honorable Prime Minister of India, Shri Narendra Modi, as the president of the Council of Scientific and Industrial Research (CSIR) has nominated Mr. S. B. (Ravi) Pandit as a member to the Board of Governance of the AcSIR.
2. Mr. Kishor Patil, CEO & MD of the Company was awarded "CEO with HR Orientation" for transformative people initiatives and impact.

3. “Leapfrogging to Pole-vaulting” a book by Chairman and Group CEO, Mr. S. B. (Ravi) Pandit and eminent scientist Dr. Raghunath Mashelkar won the “Business Book of the Year” award at the prestigious “Tata Literature Live! The Mumbai LitFest 2019” awards.
4. Mr. Vinit Teredesai, Chief Financial Officer of the Company was awarded “CFO Roll of Honour 2020” for Excellence in Cash Management from CFO India.
5. Dr. Manaswini Rath was awarded as “Women leader of the organization” at The Women Empowerment Summit and GIWL 2019.
6. Mr. Rajesh Kumar Singh, Head Global HR won the Global HR Excellence Leadership Award by World HRD Congress & Awards.

Quality, Productivity and Innovation

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.

Zero Defect Delivery to customer has been our objective during the year that has driven our passion for continuous improvement in our processes. To achieve this goal, we came out with a comprehensive quality framework. Initiatives for improvement were identified in the areas of People, Process and Technology with a focus on improving performance at Project/Program level, Practice level and Unit level. Process improvements were made in this direction and deployed across all projects with involvement of all stakeholders. Deployment has been extensive and have been very successful in being very close to achieving our goal of zero-defect delivery. Last year we had rolled out a major initiative is our internal product quality governance framework and rolled it out as Katapult and we increased the coverage of this rollout in all applicable projects this year. This framework was intended to perform better with focus on productivity and quality. Katapult was deployed on central cloud infrastructure and distributed to engineers and projects to measure the work delivered in terms of best practices and governing metrics. This initiative has helped in moving towards our goal of Zero-Defect delivery.

Many initiatives were implemented and sustained during the year and many initiatives are in progress. One of the Initiative was to increase our CSAT coverage and CSAT rating. We have been very successful and achieved 97% coverage and achieved our targeted CSAT rating goal for the year. In addition, there has been substantial reduction in high risk and red projects which has contributed to our increased CSAT rating.

We continue to sharpen our Quality focus through internal initiatives and by certifying against international standards. In accordance with this, we underwent surveillance audit on ISO9001:2015. We continue to maintain our certification on Automotive SPICE Organizational Maturity Level 5 and our next recertification assessment is planned this year. We also continue to maintain our certification on Information Security Management (ISO/IEC 27001:2013), IT Service Management (ISO/IEC 20001-1:2011) and Business Continuity Management (ISO 22301:2012).

To sustain quality with our scalability, there is more dependence on our processes, Tools and systems. Continuous improvement is our focus to achieve efficiency in our processes and also to keep it up-to-date with respect to new developments in the industry. These improvements come through learnings in the projects, feedback from customers and ideas from the employees. During the year, in addition to the quality framework initiatives, we have taken up many such improvements, upgraded our process assets, published and deployed in the projects. The focus is on keeping the processes efficient and lean.

Share Capital

The issued, subscribed and paid-up capital of the Company as on March 31, 2020 is ₹ 2,741.43 million consisting of 274,143,808 equity shares of ₹ 10/- each.

Institutional Shareholding

As on March 31, 2020, the total institutional shareholding in the Company was 35.94% to the total share capital.

ICRA Ratings

ICRA has assigned A1+ rating for the bank loan limits of ₹ 2,650 millions and AA- rating for External Commercial Borrowing of \$ 7.5 million.

Information about the Subsidiary & Associate Companies

As on March 31, 2020, the Company had twelve subsidiaries and one associate company. During the year

under review, the Company has acquired ThaiGerTec Co., Limited, incorporated in Thailand.

In accordance with Section 129(3) of the Companies Act, 2013, (hereinafter referred to as “the Act”) the Company has prepared consolidated financial statements of the Company and all its subsidiary companies, which forms a part of the Annual Report. A statement containing salient features of the financial statements of the subsidiary companies in Form AOC-1 is annexed to this Report as “Annexure 1”.

In accordance with Section 136(1) of the Act, the Annual Report of the Company, containing the standalone and the consolidated financial statements and all other documents required to be attached thereto have been placed on the website of the Company, www.kpit.com. Further, a report on the highlights of performance of subsidiaries and their contribution to the overall performance of the Company has also been placed on the website of the Company. Ministry of Corporate Affairs (MCA), vide General Circular nos. 14/2020 dated April 8, 2020 and 17/2020 dated April 13, 2020 provided certain relaxations for companies, including conducting Extraordinary General Meeting (EGM) through Video Conferencing (VC) or through other audio – visual means (OAVM) for passing of special and ordinary resolution by Company on account of threat posed by COVID-19. Further, MCA vide General Circular 20/2020 dated May 5, 2020, & Securities and Exchange Board of India vide circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 has extended these relaxations to Annual General Meeting of companies to be conducted during the calendar year 2020 and it has also dispensed with the printing and dispatch of annual reports to shareholders. In view of the same, Members interested in obtaining a soft copies of the audited annual accounts of the Company and it's subsidiary companies may visit investor section on website of the Company www.kpit.com.

Directors

During the year under review, the shareholders have approved appointment of Mr. S. B. (Ravi) Pandit as a Chairman and Executive Director of the Company with effect from January 16, 2019, for a period ending March 28, 2020 and thereafter as a Chairman and Non-Executive Director of the Company with effect from March 29, 2020.

Owing to other business commitments and preoccupations, Dr. Klaus Hermann Blickle resigned from the directorship of the Company with effect from May 15, 2019. Further, Mr. Rohit Saboo - Nominee of National Engineering Industries Limited has also resigned from directorship of the Company with effect from February 1, 2020.

Mr. Rafi Maor was appointed as Additional & Independent Director of the Company with effect from October 23, 2019 and shall hold office up to the date of the ensuing annual general meeting unless resigned earlier. However, due to preoccupations and owing to other business commitments, he has resigned from the post of directorship of the Company with effect from June 9, 2020.

The Board places on record its appreciation for valuable services provided by them during their tenure.

In accordance with Section 152 of the Act, Mr. Kishor Patil retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Independence of the Board

The Board of Directors of the Company comprises of optimum number of Independent Directors. In the opinion of the Board, the independent directors possess integrity, expertise and experience (including the proficiency). Based on the confirmation/disclosures received from the Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149(6) of the Act:

1. Mr. Anant Talaulicar
2. Mr. B V R Subbu
3. Prof. Alberto Sangiovanni Vincentelli
4. Mr. Nickhil Jakatdar
5. Ms. Shubhalakshmi Panse

Key Managerial Personnel

The following persons have been designated as Key Managerial Personnel of the Company pursuant to

Sections 2(51) and 203 of the Act, read with the Rules framed thereunder:

1. Mr. Kishor Patil – Chief Executive Officer (CEO) and Managing Director;
2. Mr. Vinit Teredesai- Chief Financial Officer (CFO) upto June 12, 2020;
3. Ms. Nida Deshpande – Company Secretary.
4. Ms. Priyamvada Hardikar has been appointed as the Chief Financial Officer of the Company with effect from June 12, 2020.

Board Meetings

Six meetings of the Board of Directors were held during the year. More details about the meetings are available in the Report on Corporate Governance, which forms a part of this Annual Report.

Committees of Board

The details regarding the Committees of the Board of Directors of the Company are given in the report on Corporate Governance, which forms a part of this Annual Report.

Company's Policy on Directors' appointment and remuneration

The Nomination and Remuneration Policy of the Company provides roles and responsibilities of the Nomination and Remuneration (HR) Committee and the criteria for evaluation of the Board and compensation of the Directors and senior management. Further, as per the policy, the said Committee shall identify potential candidates for becoming members of the Board and determining the composition of the Board based on the need and requirements of the Company from time to time to bring out diversity in the Board and also identify persons to be recruited in the senior management of the Company and ensure the Companies compensation packages and other human resource practices are effective in maintaining a competent workforce and make recommendations relating thereto. Pursuant to the provisions of Section 134(3)(e) of the Act, the said policy of the Company on the appointment and remuneration of Directors including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) of the Act is available on Company's website at the link: <https://www.kpit.com/investors/#policies-reports-filings>.

Audit Committee Recommendations

During the year, all the recommendations of the Audit Committee were accepted by the Board. The composition of the Audit Committee is as mentioned in the Report on Corporate Governance, which forms a part of this Annual Report.

Corporate Social Responsibility (CSR)

The Company has set up a Corporate Social Responsibility (CSR) Committee and has framed the Policy on Corporate Social Responsibility as per the provisions of section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014. The details of CSR Policy and initiatives taken by the Company on CSR during the year as per the said rules has been annexed to this Report as "Annexure 5".

Vigil mechanism

The Company has established a vigil mechanism as per Regulation 22 of the SEBI (LODR) Regulations, 2015 for Directors and employees to report their genuine concerns. The details of the same are explained in the Report on Corporate Governance. The Policy on Vigil Mechanism may be accessed on the Company's website at the link: <https://www.kpit.com/investors/#policies-reports-filings>.

Auditors

Pursuant to the provisions of Section 139(1) of the Act, read with the Companies (Audit and Auditors) Rules, 2014, M/s. B S R & Co. LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Annual General Meeting held on August 29, 2018 for a period of five years.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The report does not contain any qualification, reservation or adverse remark.

The Board of Directors of the Company appointed Dr. K. R. Chandratre, Practicing Company Secretary, as the Secretarial Auditor to conduct audit for the year under review. The Secretarial Auditor's report for the year under review is annexed to this Report as "Annexure 7". The report does not contain any qualification, reservation or adverse remark.

Internal Control Systems and Adequacy of Internal Financial Controls

The internal control systems of the Company are adequate considering the nature of its business, size and complexity. The Statutory Auditors of the Company have expressed their opinion on adequacy of internal financial controls with reference to financial statements for the year under review and operating effectiveness of such controls.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report thereon forms a part of this Report. The Auditors' Certificate in respect of compliance with the provisions concerning Corporate Governance, forms a part of this Annual Report, as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "the SEBI (LODR) Regulations, 2015").

Management Discussion and Analysis

A detailed review of the operations, performance and future outlook of the Company and its business is given in the Management Discussion and Analysis Report, which forms a part of this Report.

Particulars of Employees

A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of ₹ 1 crore 2 lakhs or more, or employed for part of the year and in receipt of ₹ 8.5 lakh or more a month, and other employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as "Annexure 3 (a)".

The ratio of the remuneration of each director to the median employee's remuneration and other details prescribed in Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed to this Report as "Annexure 3 (b)".

Employees Stock Option Schemes (ESOSs)

Information relating to ESOSs of the Company is annexed to this Report as "Annexure 4". The information is being provided in compliance with Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has adopted a policy on prevention of sexual harassment at workplace and has put in place a redressal mechanism for resolving complaints received with respect to sexual harassment and discriminatory employment practices for all genders. The Company has constituted Internal Complaints Committee which is responsible for redressal of complaints related to sexual harassment. During the period under review, 1 case was filed with the POSH committee and the same has been disposed off. Thus, there were no complaints pending as on March 31, 2020.

The company has taken various measures to create awareness amongst employees such as sending emails and communication to all employees, conducted personal sessions for managers and new joiners and a session for ICC members by Advocate for explaining them legal remedies available to victims etc. for prevention of Sexual Harassment of Women at Workplace.

As a part of our orientation programs for all new joiners, the Company mandates that they complete an e-learning module on the same as well.

Fixed Deposits

The Company has not accepted any deposits as on March 31, 2020.

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Act, read with Rule 8 of the Companies (Accounts) Rules, 2014

Conservation of Energy

The energy conservation is always a focus of KPIT. More than 50% of energy is consumed by HVAC. Hence, the focus was on HVAC operations to maximize efficiency.

Many measures were practiced such as setting up temperature, change in timings of operations as per seasonal variation, change in operations based on ambient temperature, monitoring non-working areas, frequent switching off indoor units for meeting rooms etc. We have also focused on other utilities by continuous monitoring and measurement. Energy consumption is regularly monitored for betterment in efficiency.

We have planned to install solar plant of 670 KVA which will be placed for creating shed for car parking. The proposed plant is estimated to generate 10 lac units per year.

Green Initiatives

The following initiatives were undertaken at the Company level to create awareness about importance of environmental protection and reducing pollution:

- Mr. Kishor Patil, inaugurated and handed over a drinking water well to villagers of Salungan Village in Bhor Tehsil, about 90 km from Pune. The well will help about 100 families.
- Construction of Vanrai Dam at Metpilaware village, Pune that holds more than 1 lakh liters of water.
- The Environment Week on the “World Environment Day” was celebrated since inception.
- On the occasion of World Environment Day, 200 native trees were planted in KPIT Pune campus and 23000 saplings were planted in association with the Wildlife Research & Conservation Society (WRCS) at the Koyna-Chandoli corridor.
- Aerial Reforestation in Bengaluru by 250 seed-ball bombings.
- Mutha River Cleaning at Aundh, Pune – KPIT volunteers cleaned the riverbank, collected and segregated garbage. A total of 159 employee volunteers with their family members participated in this activity.
- Watering of Plants and Collecting Litter at Shivanahalli Forest, Bengaluru.
- De-weeding at Jakkur lake, Bengaluru.
- Sapling plantation by KPIT Family with the legend, Padma Shri Saalumarada Thimmakka. 100 saplings were planted.
- Zumba and Yoga sessions with expert trainers every Friday (Fun Fit Friday).
- Health Fiesta – Various health check-ups at discounted rates, health and fitness products on display, Medicines at discounted rates.
- On occasion of International Women’s Day, quick workout and Zumba sessions were organized for women employees.
- Engagement through Wellness activities throughout the year such as, Aerobics sessions, Treks, various sports activity, Monthly Health and Wellness talk by experts.
- Executive health check-ups for Senior Management, free annual health checkup for all employees, spouse, parents, in laws.
- Group Personal Accident Insurance enhanced to 20 Lacs.
- Weekly webinars on nutrition, wellness, stress management, COVID-19, lifestyle diseases, exercise, mental health.

Specific preventive measures taken for safety of employees during COVID-19 pandemic:

- Formed cross functional team across the globe for safety, well-being and communication.
- Deep cleaning and sanitization of office premises including increased frequency of cleaning – all touch points like door knobs, switches etc. throughout the day.
- Wearing mask made mandatory for everyone in the office and for all third party staff, face masks and gloves were mandatory in the week leading to the lockdown.
- Operations are being resumed with limited employees in staggered manner.
- Social distancing measures at all times from commuting, office work, cafeteria, and reduced the number of chairs in the cafeteria. Only 4 people could sit on one table initially and later only 2 people were seated on a table meant for 6. Face to Face seating was discontinued.
- Personal hygiene and Safety First being followed all the time.

Occupational Health and Safety Assessment Series (OHSAS)

The following activities were carried out by the Company for ensuring health and safety of our employees in the year 2019-20.

- Consultation through our in-house doctors and psychologists.

- Temperature checks and Status check on Aarogya Setu app mandatory at office entry points.
 - All doors including that of ODCs were kept open to reduce the touch points.
 - Restricted use of elevator and only stairs to be allowed.
 - Restrictions on use of Gym, recreation and resting rooms as per directions of the government.
 - Recommended QR code-based payments in cafeteria.
 - COVID warrior at every floor to oversee enforcement.
 - Continuous awareness among employees through leadership videos, myWorld banners and communication.
 - Temperature monitoring was done by keeping the air-conditioning at more than 25 degrees
 - Sanitizers were kept at all common places.
- b. **Kloudee** – Last year we started an initiative of Digital lab; under this initiative, we have devolved BOT to automate a few tasks in Human Resources (HR) and Technology Infrastructure Management Services (TIMS) area. The BOT named as Kloudee. Kloudee is well integrated with Myworld. This BOT helps KPIT member to know the FAQ of HR and TIMS related to process and policy queries. Kloudee is based on machine learning and Natural Language processing technologies powered by Dialogflow (google). Kloudee has special capability to correct the typos in user questions before answering. Kloudee can understand user question and provide accurate answer. Machine learning is helping to understand the user question better and provide self-training to the Kloudee. The Kloudee BOT is even ready for casual chat. In future, this Bot can be used to automate many tasks, like submitting tickets/requests, feeling and approving time logs, also it can seamlessly integration with human agents to fulfil all unanswered questions at one go.
- c. **SMART Campus Dashboard** – SMART campus dashboard is an important milestone in the SMART enterprise journey of KPIT. SMART Campus solution's centralized database collects data from the various systems in facilities domain. The systems include Water Pumps, Flow meters, Tank level sensors, DG, PAC, etc. These systems are otherwise managed, maintained and monitored in silos with practices involving manual intervention. Smart campus dashboard enables the operator to monitor system status and health from a single dashboard which is accessible using a web browser. Monitored systems can be in a single campus or can be spread across multiple geographical locations. Smart campus dashboard analyses the data gathered from multiple systems and represents them in a meaningful way. The collective intelligence is drawn from the data received from the dispersed systems adds great value to the facilities management team who is responsible for managing and monitoring these systems. Cause-Effect analysis can be done proactively with the data gathered over a period of time. Smart Campus dashboard offers the capability to send out notifications to the operator about the malfunctioning and/or unavailability of the device(s) through email based alerts. Smart

Technology Absorption

During the year under review, the Company has developed below applications and released to business –

- a. **Myworld Portal** – The new responsive UI is made available on all device formfactor (desktops & mobiles devices). Application availability, scalability & performance has improved multi-fold compared to earlier legacy system. New UI is more user friendly and has helped improve user productivity. With the help of new architecture, we can now release new business features more frequently without break in changes. More analytics is now available to users such that users can get insight like team members on leave, current team strength in office, project allocation/expiry, quick glimpse on team members birthdays/anniversaries, centralized team attendance etc. Earlier there were multiple portals for different use cases. With new platform, users have to access a single portal where for all the applications are available with single sign. New platform is integrated to multiple backend systems such that users can fetch desired intelligence at one place (e.g. leave, OnDuty, Swipe card, Time Log, TR etc.)

campus dashboard also has the capability to generate the reports for the various scenarios including (but not limited to) device uptime, device data sets, audit trails.

All above applications are running on a robust Platform which is deployed for this purpose –

- **Platform:** Above result is achieved by adopting DevOps culture and using CD/CD tool set. Chief Digital Officer (CDO) function achieved continuous integration, continuous delivery & continuous deployment with the help of Enterprise Jenkins, & Pivotal Cloud Foundry. Along with this, many tools were deployed to achieve agile practice. This approach helped in faster & flawless software delivery to business under the SimpliFicar project. Multiple open source tools were evaluated in this process and then deployed. Tools like Git as a code repository, Maven as a Project Management framework, Nexus as an artefact repository, SonarQube for code quality, Cobertura for code coverage and JUnit for unit tests were deployed and leveraged. Sonatype IQ server helped in achieving security and compliance requirements because of which we truly practiced DevSecOps. Pivotal Cloud Foundry (PCF) was deployed in multi-availability zones (data centre level resiliency). PCF helped in achieving faster and continuous application deployment in runtime. With new Platform, application scaling is on demand and is highly available.
- **IT Infra:** Above mentioned Platform is hosted on the new data centre technology called “Hyperconverged” infra. TIMS evaluated multiple options and deployed this state-of-the-art new technology in datacentre. Hyperconvergence is an integration of compute and virtualization resources in a single server system. This type of technology eliminates the need of costly and complex SAN storage infra. It does not need highly skilled resources to operate. This technology is deployed such that even if one datacenter goes down, business critical applications will continue to run without or with least interruption. This deployment has reduced carbon footprint by almost 40% compared to traditional technology.

This also lowered electricity consumption and space requirement in datacenter.

We are getting below mentioned business benefits from this technology –

- Linearly scale-out architecture (scale on demand)
- Use of commodity hardware (no hardware OEM lock-in)
- Hypervisor agnostic (lower cost & no vendor lock-in)
- Either scale only storage or compute or both
- Start small & grow big (no upfront cost)
- Lower skillset required for operations (lower Ops cost)
- Faster deployment (factory installed systems)
- Rapidly scalable (faster delivery to business)
- Unified management (faster adoption)
- **Security and collaboration enhancement:** Enabled Secure remote connections at all KPIT offices for remote users to connect and access KPIT/client resources securely. The device from where the remote connection established is verified for the correct KPIT provided devices. The web proxy is geared up to take care of roaming users protection against connecting to malicious sites. Each KPIT laptop/desktop contains Advance threat prevention along with traditional Antivirus. The endpoint is managed for OS patch management remotely. User accountability is established using Multi-factor authentication. Multifactor authentication is set for all kinds of possible remote connections. Scaled-up the infrastructure to cater to all users to access the KPIT resources for business purposes.

Research and Development (R&D) Activity

KPIT has received various awards related to Research and Development (R&D) activity as stated under “Awards & Recognition” in this Boards’ Report.

The total amount spent on R & D activities is given below:

R & D expenses for the year ended March 31, 2020

Particulars	Amount (₹ in million)	Key Project Details
Expensed in the statement of profit and loss (Refer Note 1)	251.02	Mechatronics & Energy Storage, Hardware & Embedded Sw (Only Revolo), Innovation, Tools Development, Technology Leadership and Fuel Cell
Assets capitalized during the year	5.43	
Total	256.45	

Note:

Out of total R & D expenditure of ₹ 251.02 million, eligible R & D revenue expenditure under Section 35(2AB) of the Income Tax Act, 1961, for the Company is ₹ 184.20 million. A separate section on R & D activities undertaken by the Company has also been included in this Annual Report.

Foreign Exchange Earnings and Outgo

Given the global nature of the business of the Company, exports always form its thrust. Total foreign exchange earnings during the year have been ₹ 8,451.54 million (previous year ₹ 2,091.31 million) and foreign exchange outgo (including imports) has been ₹ 203.83 million (previous year ₹ 33.62 million).

Particulars of loans, guarantees or investments under Section 186 of the Act

Particulars of loans, guarantees or investments made during the year under review, pursuant to the provisions of Section 186 of the Act are as below:

Sr. No.	Name of the subsidiary	Nature of transaction	Duration	Rate of Interest (%)	Amount (₹ in million)	Purpose
1	KPIT Technologies (UK) Limited	Investment in subsidiary	N.A.	N.A.	326.64	Equity Infusion
2	KPIT Technologies Pte. Ltd.	Investment in subsidiary	N.A.	N.A.	34.63	Equity Infusion
3	KPIT Technologies (UK) Limited	Loan	36 months	6m Euro LIBOR plus 325 bps	498.30	Working capital
4	KPIT Technologies GK	Guarantee	36 months	N.A.	226.16	Setting up Overdraft Facility
5	KPIT Technologies Holding Inc.	Guarantee	51 months	N.A.	226.16	For further investment in KPIT Technologies Inc.

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act

Pursuant to the provisions of Section 134(3)(h) of the Act, the particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act and prescribed in Form AOC-2 of Companies (Accounts) Rules, 2014, is annexed to this Report as “Annexure 2”.

Update on Merger & Acquisition

During the year under review, the Board of Directors of the Company approved a scheme of merger by absorption of Impact Automotive Solutions Limited, a wholly owned subsidiary of the Company, with KPIT Technologies Limited. The Company has filed joint application for obtaining approval for the said scheme from Hon’ble National Company Law Tribunal and thereafter, the Official Liquidator has been appointed.

Further, the Board of Directors of the Company also approved and entered into an agreement to acquire majority stake in Vayavya Labs Private Limited, a company incorporated in India having its development centers in Belgaum and Bengaluru. The deal is expected to get closed by the fourth quarter of FY2021.

Material changes and commitments affecting the financial position of the Company and change in nature of business

The Board of Directors the Company approved a draft scheme of merger between Impact Automotive Solutions Limited, a wholly owned subsidiary of the Company, as a result KPIT has redefined its strategy and is moving away from Manufacturing and/or Hardware related business opportunities.

Further, the rapid outbreak of the COVID-19 presents an alarming health crisis that the world is grappling with. The impacts of COVID-19 pandemic are unfolding in real time. The COVID-19 outbreak is expected to have an impact on the economies of the affected countries and the international markets. Countries across the globe resorted to lockdowns, resulting in shutting down the manufacturing & services activities and bringing the global supply-chain to grinding halt. Globally across all industries, companies are working hard to recoup revenue losses, manage costs, keep employees safe and at the same time ensure uninterrupted service to the clients. KPIT has received many testimonials from its existing clients for its seamless remote delivery model & managing this crises effectively.

KPIT is working on bringing in appropriate changes in the business model to tackle the possible future uncertainties in economic conditions due to the global pandemic and also taking appropriate measures to control its cost structure. We will continue to build on the work we have done over the past years to drive efficiency in operations and strengthen the foundations of the business. Since beginning of March 2020, KPIT started working on business continuity enabling its employees work remotely to ensure both employee safety and service to customers with due necessary approvals from the customers as well as regulatory authorities in various countries. We are glad to inform that by end of March 31, 2020, KPIT had over 98% of its global staff working from remote locations. While direct vehicle sales and manufacturing plants of our customers were directly impacted, KPIT revenue model did not have direct impact since its revenue model is not linked to direct vehicles sold during the year.

In view of pandemic relating to COVID-19, the group has considered internal and external information and has performed sensitivity analysis based on current estimates in assessing the recoverability of receivables, unbilled revenues, goodwill, intangible assets and other financial assets. However, the actual impact of COVID-19 on the Group’s financial statements may differ from that estimated and KPIT will continue to closely monitor any material changes to future economic conditions.

Significant and material orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company’s operations in future.

Enterprise Risk Management Policy

A policy to identify, assess, monitor and mitigate various risks to key business objectives of the Company is in place. A write-up on Enterprise Risk Management is included in this Annual Report.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed to this Report as “Annexure 6”.

Responsibility Statement of the Board of Directors

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors state that:

- i) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended March 31, 2020;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual financial statements have been prepared on a going concern basis;
- v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively and
- vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

CEO & CFO Certification

Certificate by Mr. Kishor Patil, CEO & Managing Director and Mr. Vinit Teredesai, Chief Financial Officer, pursuant to the provisions of Regulation 17(8) of the SEBI (LODR) Regulations, 2015, for the year under review was placed before the Board of Directors of the Company at its meeting held on May 27, 2020.

A copy of such certificate forms a part of the Report on Corporate Governance.

Cost Records

The Company is not required to maintain cost records under the provisions of Section 148(1) of the Companies Act, 2013.

Directors & Officers Insurance Policy

The Company has in place an insurance policy for its Directors & Officers with a quantum and coverage as approved by the Board.

Acknowledgments

We take this opportunity to thank all the shareholders of the Company for their continued support throughout the merger and demerger process.

We thank our customers, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, co-operation and support.

We further thank the governments of various countries where we have our operations. We also thank the Government of India, particularly the Ministry of Communication and Information Technology, the Ministry of Commerce, the Ministry of Finance, the Ministry of Corporate Affairs, the Customs and Excise Departments, the Income Tax Department, the Reserve Bank of India, the State Governments, the Software Development Centers (SDCs)/Special Economic Zones (SEZs) – Bengaluru, Pune and all other government agencies for their support and look forward for their continued support in future.

For and on behalf of the Board of Directors

Pune
May 27, 2020

S. B. (Ravi) Pandit
Chairman