

...continued from previous page

34 Related party disclosures

A. Relationship between the parent and its subsidiaries

		% voting power held	
Sr. No	Name of the subsidiary	Country of Incorporation	As at 1 January 2019
Direct subsidiaries			
1	KPIT Technologies (UK) Limited	United Kingdom	100
2	KPIT (Shanghai) Software Technology Co. Limited, China	China	100
3	KPIT Technologies Netherlands B.V	Netherlands	100
4	Impact Automotive Solutions Limited	India	100
5	KPIT Technologies Pte Ltd. (w.e.f 11 November 2018)	Singapore	100
6	KPIT Technologies Holding Inc. (w.e.f. 06 September 2018)	United States of America	100
7	MicroFuzzy KPIT TECNOLOGIA LTDA, Brazil (w.e.f. 03 December 2018)	Brazil	99.9
8	KPIT Technologies GK	Japan	100
Indirect subsidiaries			
9	KPIT Technologies GmbH, Germany (Subsidiary of KPIT Technologies (UK) Limited)	Germany	100
10	KPIT Technologies Inc (Subsidiary of KPIT Technologies Holding Inc. w.e.f. 03 December 2018)	United States of America	100
11	MicroFuzzy Industrie-Elektronik GmbH (Subsidiary of KPIT Technologies GmbH, Germany)	Germany	87.5
Joint venture			
12	Yantra Digital Services Private Limited*	India	58.34

* The investee is a subsidiary as defined under section 2(87) of the Companies Act, 2013. For the purpose of the consolidated Ind-AS financial statements, the entity has been considered as a Joint Venture as defined under Ind-AS 28 : Investments in Associates and Joint Ventures.

B. List of entities jointly controlled by a Group having joint control over the reporting entities

1	Birlasoft Limited (erstwhile KPIT Technologies Limited)	India
2	KPIT Infosystems Incorporated, USA	United States of America
3	KPIT Technologies France	France
4	Sparta Consulting Inc., USA	United States of America
5	SYSTIME Computer Corporation, USA	United States of America
6	KPIT Infosystems ME FZE, Dubai	United Arab Emirates
7	KPIT Technologies Corporation	Canada
8	KPIT Technologies Solucoes Em Informatica Ltda	Brazil
9	KPIT Solutions GmbH	Germany
10	KPIT Infosystems Mexico, S.A. DE C.V. (w.e.f 25 October 2018)	Mexico
11	KPIT Infosystems Limited (UK) (w.e.f 18 April 2018)	United Kingdom

C. List of Key Management Personnel

Key Management Personnel (KMP)	Mr. S.B.(Ravi) Pandit	Executive Director
	Mr. Kishor Patil	Executive Director
	Mr. Sachin Tikekar	Executive Director
	Mr. Vinit Teredesai	Chief Financial Officer (w.e.f. 16 January 2019)
	Ms. Nida Deshpande	Company Secretary (w.e.f. 16 January 2019)

D. Transactions with related parties

No.	Name of Related party	For the period from 1 April 2018 to 1 January 2019		For the period from 8 January 2018 to 31 March 2018	
		Amount of transactions during the period	Balance as on 1 January 2019 Debit/(Credit)	Amount of transactions during the period	Balance as on 31 March 2018 Debit/(Credit)
		(₹ million)	(₹ million)	(₹ million)	(₹ million)
	Transactions with related parties*				
1	Birlasoft Limited (erstwhile KPIT Technologies Limited)				
	Sales	0.05	1,600.69	Nil	Nil
	Software service charges	505.30	(1,681.90)	Nil	Nil
	Loan taken	1,300.00	(1,319.18)	Nil	Nil
	Interest expense	21.32		Nil	
	Reimbursement of expenses (net)	(0.37)	2,137.65	Nil	Nil
2	KPIT Infosystems Incorporated, USA				
	Sales	211.74	271.82	Nil	Nil
	Software service charges	154.32	(1,065.88)	Nil	Nil
	Advance given	82.71	476.04	Nil	Nil
3	Sparta Consulting Inc., USA				
	Software service charges	3.21	(8.92)	Nil	Nil
4	SYSTIME Computer Corporation, USA				
	Sales	Nil	0.10	Nil	Nil
	Software service charges	1.60	(6.15)	Nil	Nil
	Reimbursement of expenses (net)	Nil	(17.45)	Nil	Nil
5	KPIT Technologies Corporation				
	Sales	1.33	3.63	Nil	Nil
	Software service charges	1.68	(1.68)	Nil	Nil
6	KPIT Infosystems Limited (UK) (w.e.f 18 April 2018)				
	Sales	Nil	166.68	Nil	Nil
	Software service charges	Nil	(5.32)	Nil	Nil
	Reimbursement of expenses (net)	Nil	(110.42)	Nil	Nil
7	KPIT Technologies France				
	Software service charges	Nil	(0.69)	Nil	Nil
	Reimbursement of expenses (net)	Nil	0.71	Nil	Nil
	Loan taken	Nil	(0.05)	Nil	Nil
8	KPIT Solutions GmbH				
	Sales	Nil	12.95	Nil	Nil
9	KPIT Infosystems ME FZE, Dubai (Korea branch)				
	Software service charges	2.14	(3.55)	Nil	Nil
	Reimbursement of expenses (net)	Nil	(0.30)	Nil	Nil
10	KPIT Infosystems ME FZE, Dubai (Australia branch)				
	Sales	Nil	5.92	Nil	Nil
	Transactions with Key Management Personnel				
1	Mr. Kishor Patil				
	Repayment of loan granted	Nil	13.37	Nil	Nil

* All transactions with these related parties are priced on an arm's length basis

35 Lease transactions

1) Finance leases

Pursuant to the scheme of demerger, the Group has received lease arrangements. It consist of vehicles under finance lease for a period of 4 years. Upon payment of all sums due towards the agreement, the Group has the option of acquiring the assets. During the lease period, the Group can neither sell, assign, sublet, pledge, mortgage, charge, encumber or part with possession of the assets, nor create or allow to create any lien on the assets taken on lease.

The Group has also received land pursuant to the scheme of demerger under finance lease and the lease rental of which has been paid in its entirety at the commencement of the lease period.

Reconciliation between future minimum lease payments and their present values under finance lease as at year end is as follows.

Particulars	1 January 2019 (₹ million)	31 March 2018 (₹ million)
Future minimum lease payments		
- Not later than one year	0.09	NIL
- Later than one year and not later than five years	NIL	NIL
- Later than five years	NIL	NIL
Total minimum lease payments	0.09	NIL
Amount representing future Interest	0.00	NIL
Present value of minimum lease payments	0.09	NIL
- Not later than one year	0.09	NIL
- Later than one year and not later than five years	NIL	NIL
- Later than five years	NIL	NIL

Net carrying amount of assets held under finance lease as on 1 January 2019 is ₹ 390.21 million (31 March 2018 ₹ Nil million).

2) Operating leases

Obligations towards non-cancellable operating leases:-

The Group has facilities and office premises on lease. The future lease payments for these facilities are as under:

Particulars	1 January 2019 (₹ million)	31 March 2018 (₹ million)
Minimum lease payments		
- Not later than one year	289.38	NIL
- Later than one year and not later than five years	822.58	NIL
- Later than five years	930.59	NIL
Total minimum lease payments	2,042.55	NIL

Most of the operating lease arrangements are renewable on a periodic basis. Some of these lease agreements have price escalation clauses.

36 Basic and diluted earnings per share

Particulars		For the period from 1 April 2018 to 1 January 2019	For the period from 8 January 2018 to 31 March 2018
Nominal value per equity share	₹	10.00	10.00
Profit for the period	₹ (million)	240.37	(2.66)
Weighted average number of equity shares	No. of shares	1,072,835	100,000
Earnings per share – basic	₹	224.05	(26.60)
Effect of dilutive potential equity shares -			
Weighted average number of diluted equity shares	No. of shares	1,072,835	100,000
Earnings per share – diluted	₹	224.05	(26.60)

37 Details of provisions and movements in each class of provisions as required by the Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets

1. Warranty

The Group has an obligation by way of warranty to maintain the software during the period of warranty, which may vary from contract to contract, from the date of sale of license of software to Tier I suppliers. The movement in the said provision is as under:

Particulars	For the period from 1 April 2018 to 1 January 2019	For the period from 8 January 2018 to 31 March 2018
Carrying amount as at the beginning of the period	-	-
Addition pursuant to the scheme of demerger	12.20	-
Carrying amount at the end of the period	12.20	-

The warranty provision is expected to be utilized over a period of 1 year.

2. Contingent liabilities

A. Taxes and guarantees

Sr. No.	Particulars	As at 1 January 2019 ₹ million	As at 31 March 2018 ₹ million
1	Outstanding bank guarantees in routine course of business	190.21	NIL
2	Corporate guarantee provided by the Company for loan availed by Yantra Digital Services Private Limited, India	108.93	NIL

B. Other matters

The Company has made a disclosure on 14 September 2018, towards an update on lawsuit filed by Copart Inc. ("Copart") against Sparta Consulting, Inc. ("Sparta"), KPIT Infosystems, Inc. and KPIT Technologies Ltd. Post the jury verdict, both Sparta and Copart raised several issues for the Court. The Court has given a ruling on some of the issues, as a result of which Sparta's net liability has been reduced from approximately \$ 16 million to approximately \$ 8 million. The ruling on other issues consisting largely of claims by Sparta against Copart is still awaited. Sparta would have a further right to appeal the Court's Order. Sparta and KPIT Infosystems continue to vigorously deny any and all wrong doing, and will continue to challenge the verdict as per legal advice.

As a part of merger and demerger scheme, where engineering business of Birlasoft Limited (erstwhile KPIT Technologies Limited) has been merged into KPIT Engineering Limited as a resulting entity, legal liability/ recourse / proceedings, expenditure related to the legal proceedings and monetary benefits and reliefs, if any, relating to Copart will be with KPIT Engineering Limited or/and its subsidiaries.

3. Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for:

- a. Property, plant and equipment - ₹ 15.24 million (Previous Year ₹ Nil million)
- b. Intangibles - ₹ 5.66 million (Previous Year ₹ Nil million)

38 Revenue from operations

Revenues for the period ending 1 January 2019 are as follows:

Segment	₹ million
Product Engineering Services	1,253.45
Product Organization	58.41
Others	88.02
Grand Total	1,399.88

Company has started its operations effective 1 October 2018, hence comparative numbers are not available

Disaggregate revenue information

The table below represents disaggregated revenues from contract with customers by geography, contract type for each of our business segments. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

For the period ending 1 January 2019:

Geography	Product Engineering Services	Product Organization	Others	Total in ₹ million
Americas	1,253.45	58.41	88.02	1,399.88
Total in ₹ million	1,253.45	58.41	88.02	1,399.88

Contract Type	Product Engineering Services	Product Organization	Others	Total in ₹ million
T&M Projects	1,011.72	15.88	85.48	1,113.08
Non T&M Projects	241.73	42.53	2.54	286.80
Total in ₹ million	1,253.45	58.41	88.02	1,399.88

The following table discloses the movement in unbilled revenue during period ending 1 January 2019:

Particulars	₹ million
Acquired as a part of business combination	163.81
Add: Revenue recognised during the period	305.09
Add: Additions pursuant to scheme of demerger	577.64
Less: Invoiced during the period	(163.81)
Balance at the end of the period	882.73

The following table discloses the movement in unearned revenue during period ending 1 January 2019:

Particulars	₹ million
Acquired as a part of business combination	88.98
Add: Additions pursuant to scheme of demerger	374.64
Add: Invoiced during the period but not recognised as revenue	39.19
Less: Revenue recognised during the period	(88.98)
Balance at the end of the period	413.83

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Group expects to recognize these amounts in revenue.

Applying the practical expedient as given in Ind-AS 115 Revenue from contract with customers, the Group has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligations estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as of 1 January 2019, other than those meeting the exclusion criteria mentioned above, is ₹ 2,426.33 million. Out of this, the Group expects to recognize revenue of around 50% within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

The impact on account of applying the erstwhile Ind-AS 18 Revenue standard instead of Ind-AS 115 Revenue from contract with customers on the financials results of the Group for the period ended 1 January 2019 is insignificant.

39 Income taxes

The income tax expense consists of following:

Particulars	For the period from 1 April 2018 to 1 January 2019 ₹ million	For the period from 8 January 2018 to 31 March 2018 ₹ million
Tax expense		
Current tax	33.99	-
Deferred tax (benefit)/charge	4.49	-
Total tax expense	38.48	-

The deferred tax relates to origination/reversal of temporary differences.

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in Statement of Profit or Loss is as follows:

Particulars	For the period from 1 April 2018 to 1 January 2019 ₹ million	For the period from 8 January 2018 to 31 March 2018 ₹ million
Profit before tax	278.85	(2.66)
Indian statutory income tax rate	34.94%	34.94%
Expected tax expense	97.44	-
Tax Effect of adjustments to reconcile expected income tax expense to reported income tax expense		
Effect of income tax holiday, exemptions and deductions	-	-
Effect relating to prior years	-	-
Effect of permanent adjustments	(1.71)	-
Effect of differential overseas tax rates	(12.09)	-
Effect of unrecognized deferred tax assets	8.40	-
Others (net)	(53.56)	-
Total income tax expense	38.48	-

Deferred tax

The gross movement in the deferred income tax account for the period from 1 April 2018 to 1 January 2019:

Particulars	For the period from 1 April 2018 to 1 January 2019	For the period from 8 January 2018 to 31 March 2018
Net deferred income tax asset at the beginning	-	-
Credits / (charge) relating to temporary differences	(4.49)	-
Deferred tax asset transferred on account of demerger	12.93	-
Net deferred income tax asset at the end	8.44	-

The deferred tax asset of ₹ 12.93 million corresponding to the tax base of assets and liabilities transferred to the resultant entity i.e. KPIT Engineering Limited under the scheme of demerger is recognized during the period ended on 1 January 2019. The credit relating to temporary differences during the period ended 1 January 2019 are primarily on account of provision for doubtful debts & bad debts, provision for gratuity and property, plant & equipment.

40 Other disclosures and explanatory notes

1 Disclosure of financial information of subsidiaries with material non-controlling interest

The interest that non-controlling interest have in the Group's activities and cash flows:

A. Proportion of equity interest held by non-controlling interest

Name of the subsidiary	Country of incorporation and operation	01 January 2019
MicroFuzzy Industrie-Elektronik GmbH	Germany	12.50%

B. Details of non-controlling interest

Particulars	01 January 2019 (₹ million)
Accumulated balance of non-controlling interest	31.89