

...continued from previous page

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of financial assets and liabilities as on 1 January 2019:

Particulars	As at 01 January 2019	Fair value measurement		
		Level 1	Level 2	Level 3
Investment in Lithium Urban Technologies Private Limited	10.00	-	-	10.00
Investment in equity instruments of other entities	0.40	-	-	0.40
Derivative financial assets	15.00	-	15.00	-
Borrowings	1,843.47	-	1,843.47	-

Reconciliation of fair value measurement:

Particulars	01 January 2019	31 March 2018
Unquoted investment in equity instruments classified as FVTPL (Level 3)		
Additions pursuant to the scheme of demerger	10.40	-
Closing during the period	10.40	-

Valuation technique and significant unobservable inputs:

Level 2:

(i) Derivative financial assets are valued based on inputs that are directly or indirectly observable in the market.

(ii) Borrowings are valued using the discounted cash flow method, the expected net cash flows are discounted using the cost of borrowing that are directly or indirectly observable in the market.

Level 3:

Valuation techniques	Significant unobservable inputs
The valuation of contingent consideration considers the present value of expected payment, discounted using a risk adjusted discount rate. The expected payment is determined by considering the possible scenarios of profit before tax, the amount to be paid under each scenario and the probability of each scenario.	- Risk adjusted discount rate for respective economies (3%) - Probability assigned to each scenario of profit before tax

Significant increase in discount rates and spreads above risk free rate, in isolation would result in lower fair values. A significant increase in volatility in revenue growth rates will result in higher fair value.

29.3 Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committees, which is responsible for developing and monitoring the Group's risk management policies. The Group has exposure to the following risks arising from financial instruments :

a. Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to financial instruments fails to discharge its contractual obligations and arises primarily from the Group's receivables from customers amounting to ₹ 7,073.17 million and ₹ Nil million and unbilled revenue amounting to ₹ 882.73 million and ₹ Nil million as on 1 January 2019 and 31 March 2018 respectively. To manage this, the Group periodically assesses the key accounts receivable balances. As per Ind-AS 109 : Financial Instruments, the Group uses expected credit loss model to assess the impairment loss or gain.

i. Trade receivables

The management has established accounts receivable policy under which customer accounts are regularly monitored. The Group has a dedicated sales team at each geography which is responsible for collecting dues from the customer within stipulated period. The management reviews status of critical accounts on a regular basis.

ii. Impairment

Movement in the allowance for impairment in respect of trade and other receivables

Particulars	Amount (₹ million)
Transfer pursuant to scheme of demerger	321.13
Reversal of impairment on account of collection	(4.31)
Foreign exchange translation	0.00
Balance as on January 1, 2019	316.82

Trade receivables that were not impaired

Particulars	Carrying amount	
	01 January 2019	31 March 2018
Neither past due nor impaired	3,713.62	-
Past due 1- 30 days	2,040.67	-
Past due 31 - 90 days	750.60	-
Past due 91 - 180 days	443.87	-
More than 180 days	124.42	-

Unbilled revenue is not outstanding for more than 90 days.

iii. Cash and bank balances

The Group held cash and bank balances of ₹ 1,570.22 million and ₹ 0.95 million as on 1 January 2019 and 31 March 2018 respectively. The cash and bank balances are held with banks which have high credit ratings assigned by international credit rating agencies.

iv. Guarantees

The Group's policy is to provide financial guarantees only on behalf of subsidiaries/joint ventures. The Group has issued the guarantees to certain banks in respect of credit facilities granted to its subsidiaries/joint ventures.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has a view of maintaining liquidity and to take minimum possible risk while making investments. In order to maintain liquidity, the Group invests its excess funds in short term liquid assets like liquid mutual funds. The Group monitors its cash and bank balances periodically in view of its short term obligations associated with its financial liabilities.

The liquidity position at each reporting date is given below:

Particulars	01 January 2019	31 March 2018
Cash and cash equivalents	1,422.84	0.95
Other balances with banks	147.38	-
Fixed deposits with banks (non-current portion) including interest accrued	15.86	-
Total	1,586.08	0.95

The following are the remaining contractual maturities of financial liabilities as on 1 January 2019:

Particulars	Upto 1 year	2-3 years	4-5 years	> 5 years	Total
Borrowings	1,672.00	180.70	6.88	8.52	1,868.10
Trade payables	3,479.12	-	-	-	3,479.12
Other financial liabilities	1,510.13	38.96	-	-	1,549.09

The following are the remaining contractual maturities of financial liabilities as on 31 March 2018:

Particulars	Less than 1 year	1-2 years	2-4 years	4-5 years	Total
Trade payables	0.09	-	-	-	0.09
Other financial liabilities	2.51	-	-	-	2.51

c. Market risk

Market risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

i. Foreign currency risk

Significant portion of the Group's revenues are in foreign currencies, while a significant portion of the costs are in Indian rupee i.e. functional currency of the Group. The foreign currencies to which the Group is majorly exposed to are US Dollars, Euros and Pound Sterling.

The Group evaluates net exchange rate exposure based on current revenue projections and expected volatility in the market and covers its exposure up to 75% on net basis. For this purpose the Group uses foreign currency derivative instruments such as forward covers to mitigate the risk. The counterparty to these derivative instruments is a bank. The Group has designated certain derivative instruments as cash flow hedge to mitigate the foreign exchange exposure of highly probable forecasted cash flows.

Exposure to Currency Risk

The following is the Group's exposure to currency risk from financial instruments as of 1 January 2019:

Particulars	US Dollars	Euros	Pound Sterling	Other currencies	Total
Trade receivables	802.61	386.89	311.34	206.10	1,706.94
Other financial assets (including loan)	7.36	1.46	0.75	(0.25)	9.32
Borrowings	(868.58)	-	-	-	(868.58)
Trade payables	(37.89)	(19.48)	(30.00)	(1.58)	(88.95)
Other financial liabilities	(42.31)	(10.73)	-	(0.53)	(53.57)
Net assets/(liabilities)	(138.81)	358.14	282.09	203.74	705.16

The above figures exclude amounts in local currency of foreign subsidiaries.

For the period ended 1 January 2019, every 1% appreciation / depreciation of the exchange rate between respective foreign currencies and the Indian rupee would impact the operating margins by approximately 2.34% / (2.34)%.

ii. Derivative assets and liabilities designated as cash flow hedges

In accordance with its risk management policy and business plan the Group has hedged its cash flows. The Group enters into derivative contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than in Indian rupees. The counter party to the Group's foreign currency contracts is a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments (sales orders) and highly probable forecast transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following are the outstanding GBP/USD/EUR: INR Currency Exchange Contracts entered into by the Group which has been designated as Cash Flow Hedges:

Particulars	01 January 2019		31 March 2018	
	Foreign Currency (million)	₹ (million)	Foreign Currency (million)	₹ (million)
EUR	0.80	63.82	-	-
USD	8.20	572.30	-	-
GBP	0.30	26.56	-	-

The forward contracts entered have maturity between 30 days to 6 months from the Balance Sheet date.

The movement in the hedging reserve for derivatives, which have been designated as Cash Flow Hedges, is as follows:

Particulars	01 January 2019
Balance at the beginning of the period	-
Additions pursuant to scheme of demerger	9.75
Balance at the end of the period	9.75

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and bank deposits. The interest rate profile of the Group's interest-bearing financial instruments is as follows:

Particulars	01 January 2019	31 March 2018
Fixed rate instruments		
Financial assets	339.49	-
Financial liabilities	1,349.03	-
Variable rate instruments		
Financial liabilities	881.67	-

A change of 50 basis points in interest rates at the reporting date would have increased or decreased finance costs by ₹ 4.36 million.

30 Segment Information

KPIT Engineering Limited provides embedded software for the Automobile and Mobility Industry. The customers in these verticals are located at US / Europe / APAC region. To enable the company to serve their specific needs the company has set up legal entities in the respective geographies. The business is structured in such a way that the predominantly customer front ending and bidding process is carried out by these legal entities.

The Group thus drives business mainly through its subsidiaries. While management reviews performance for above verticals, they also review the risks and rewards in the each geography. The risk and rewards of the company is directly affected by geographical location of its customers (i.e. place where its services are rendered). Decisions such as pricing, allocation of resources, allocation of assets etc. are taken based on opportunities in the respective geography. Since costs are incurred and accounted as per subsidiary set up and manpower skill sets are interchangeable bottom line performance is reviewed with Geography as primary indicator being dominant source of risk and return.

A) Geographical segments

Segment information is based on geographical location of customers.

		1 January 2019				31 March 2018			
		Americas ₹ million	UK & Europe ₹ million	Rest of World ₹ million	Total ₹ million	Americas ₹ million	UK & Europe ₹ million	Rest of World ₹ million	Total ₹ million
a)	Segment Revenue								
	Revenue from External customers	1,399.88	-	-	1,399.88	-	-	-	-
	Less: Inter Segment Revenue	-	-	-	-	-	-	-	-
	Total Segment Revenue	1,399.88	-	-	1,399.88	-	-	-	-
b)	Segment Results	300.45	-	-	300.45	-	-	-	-
	Unallocated Corporate expenses (Net)				(0.28)				(2.66)
	Interest income				-				-
	Finance Cost				(21.32)				-
	Dividend income				-				-
	Exceptional Items				-				-
	Profit before share of equity accounted investees and tax				278.85				(2.66)
	Share of profit/(loss) of equity accounted investees (net of tax)				-				-
	Profit before tax				278.85				(2.66)
	Income Tax				(33.99)				-
	Deferred Tax				(4.49)				-
	Profit/ (Loss) after Tax				240.37				(2.66)
c)	Allocated Segment Assets	3,000.72	3,786.99	1,168.19	7,955.90	-	-	-	-
	Unallocated Segment Assets				4,328.36*				-
	Unallocated Corporate Assets				5499.73				0.95
	Total Assets				17,783.99				0.95
d)	Allocated Segment Liabilities	39.19	162.09	217.46	418.75	-	-	-	-
	Unallocated Segment Liabilities				5,177.64*				-
	Unallocated Corporate Liabilities				2,730.70				2.61
	Total Liabilities				8,327.09				2.61
e)	Cost incurred during the period to acquire Segment Non-current Assets	-	-	-	-#	-	-	-	-
f)	Depreciation / Amortisation				0.88#				-
g)	Non cash expenses other than Depreciation / Amortisation				-#				-

\* Segment assets other than trade receivables and unbilled revenue, and segment liabilities other than unearned revenue and advance to customers used in the Company's business are not identified to any reportable segments, as these are used interchangeably between segments.

# The cost incurred during the year to acquire Segment fixed assets, Depreciation / Amortisation and non-cash expenses are not attributable to any reportable segment.

31 Disclosure relating to entities considered in the consolidated financial statements

(Amount in ₹ million)

Sr. No.	Name of entity	Net assets i.e. total assets minus total liabilities		Share in profit or (loss)		Share in other comprehensive income (OCI)		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount (₹ million)	As % of consolidated profit or (loss)	Amount (₹ million)	As % of consolidated OCI	Amount (₹ million)	As % of consolidated TCO	Amount (₹ million)
A	Parent Company: KPIT Engineering Limited (A)	90.73%	8,580.31	-9.82%	(23.60)	0.00%	-	-7.38%	(23.60)
			8,580.31		(23.60)		-		(23.60)
B	Subsidiaries:								
I	Indian:								
	Impact Automotive Solutions Limited	7.19%	680.06	0.00%	-	0.00%	-	0.00%	-
II	Foreign:								
1	KPIT Technologies (UK) Limited	18.58%	1,757.44	0.00%	-	0.00%	-	0.00%	-
2	KPIT Technologies Inc	10.00%	945.77	100.77%	242.23	0.00%	-	75.70%	242.23
3	KPIT Technologies Holding Inc.	12.55%	1,186.47	0.00%	-	0.00%	-	0.00%	-
4	KPIT (Shanghai) Software Technology Co. Limited, China	1.03%	97.27	0.00%	-	0.00%	-	0.00%	-
5	KPIT Technologies Netherlands B.V	1.27%	119.93	0.00%	-	0.00%	-	0.00%	-
6	KPIT Technologies GK, Japan	1.30%	123.03	0.00%	-	0.00%	-	0.00%	-
7	KPIT Technologies GmbH, Germany (Subsidiary of KPIT Technologies (UK) Limited)	14.23%	1,345.25	0.00%	-	0.00%	-	0.00%	-
8	MicroFuzzy KPIT TECNOLOGIA LTDA, Brazil	0.17%	16.06	-0.06%	(0.14)	0.00%	-	-0.04%	(0.14)
9	MicroFuzzy Industrie-Elektronik GmbH (B)	2.70%	255.20	0.00%	-	0.00%	-	0.00%	-
			6,526.48		242.09		-		242.09
C	Joint Venture: Yantra Digital Services Private Limited (C)	0.00%	-	0.00%	-	0.00%	-	0.00%	-
			-		-		-		-
D	Non-Controlling Interest	0.34%	31.89	0.00%	-	0.00%	-	0.00%	-
E	Consolidation adjustments including intercompany eliminations	-60.08%	(5,681.78)	9.10%	21.88	100.00%	79.60	31.72%	101.48
F	Total (A+B+C+D+E)		9,456.90		240.37		79.60		319.97

32 Other equity

i) Capital reserve

Any profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments is transferred to capital reserve. Any surplus or shortfall on account to merger / demerger within common control is also transferred to capital reserve (Refer note 40(3)).

33 Details of employee benefits as required by Ind-AS 19 - "Employee benefits are as under" :

1. Defined contribution plan – Provident fund

Amount recognized as an expense in the Statement of Profit and Loss in respect of defined contribution plan is ₹ Nil million (Previous Year ₹ Nil million)

2. Defined benefit plan

i)Actuarial gains and losses in respect of defined benefit plans are recognized in Other Comprehensive Income.

ii)The defined benefit plans comprises gratuity, which is unfunded.

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Gratuity is a benefit to an employee in India based on 15 days of last drawn salary for each completed year of service with a vesting period of 5 years.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk and interest rate risk.

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows :

Particulars	For the period from 1 April 2018 to 1 January 2019	For the period from 8 January 2018 to 31 March 2018
Present value of defined benefit obligation at the beginning of the period	-	-
Liability transferred on account of demerger	199.80	-
Present value of defined benefit obligation at the end of the period	199.80	-

Analysis of defined benefit obligation

Present value of obligation as at the end of the period	199.80	-
Net (asset) / liability recognized in the Balance Sheet	199.80	-

Actuarial assumptions:

For Impact Automotive Solutions Limited	
Discount rate	7.76%
Salary escalation	5.00%
Attrition Rate	
- 4 years and below	5.00%
- 5 years and above	2.00%
For KPIT Engineering Limited	
Discount rate	7.53%
Salary escalation	5.00%
Attrition Rate	
- 2 years and below	25.00%
- 3 years to 4 years	20.00%
- 5 years and above	7.50%

a. The discount rate is based on prevailing yields of Indian Government Securities as at the Balance Sheet date for the estimated term of the obligation.

b. Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

c. Assumptions regarding future mortality rates are the rates as given under Indian Assured Lives Mortality (2006-08) Ultimate.