

August 3, 2018

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.

National Stock Exchange of India Ltd.,
Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400051.

Scrip ID: KPIT
Scrip Code: 532400

Symbol: KPIT
Series: EQ

Kind Attn: The Manager,
Department of Corporate Services

Kind Attn: The Manager,
Listing Department

Subject: - Notice to Shareholders.

Dear Sir / Madam,

Please find enclosed herewith the notice sent to shareholders of the Company regarding Proposed Restructuring.

Request you to take note of the same.

Thanking you,

Yours faithfully,

For KPIT Technologies Limited



Sneha Padve
Company Secretary & Compliance Officer



Encl.: - As mentioned above.

Dear Stakeholders,

You would be aware about the proposed restructuring of the business underway being carried out to enhance the focus of our business.

In this context, the NCLT directed EGM will be held on August 29, 2018, to seek shareholder approval on the proposed resolution. The notice for the said meeting is already duly dispatched.

I am writing this letter to you to explain the purpose of the restructuring, the partner that we have proposed to go ahead with and the process of the restructuring. While I believe, the letter is self-explanatory, should you have any further questions please feel free to reach out to me, Kishor or Sunil on sunil.phansalkar@kpit.com, for any clarifications.

The Purpose of the Proposed Restructuring

On January 29, 2018, we announced a transaction of merger and demerger involving KPIT and Birlasoft. Birlasoft is a part of the USD 1.6 billion diversified CK Birla Group.

The merger of KPIT and Birlasoft will create a USD 700+ Million entity which will immediately demerge into two separate companies:

- KPIT Technologies (a USD 220+ Million* revenue company, post-merger), a global leader in Automotive Engineering and Mobility Solutions, evolving from the existing Engineering business of KPIT.
- Birlasoft (a USD 500+ Million* revenue company, post-merger), a new Digital Business IT Services company, focusing on mid-tier IT space, formed by combining Birlasoft with KPIT's IT business.

** Based on FY2018 revenues*

The focus of the IT industry is changing rapidly with significantly higher emphasis on digital, creating new opportunities. We also believe that the scope for auto embedded technologies is growing rapidly and it presents extraordinary prospects for growth. Each of these areas warrant focused attention. We cannot do justice to both at the same time. Hence the decision to restructure.

The revenue profile of KPIT, currently includes two streams of revenues. One is Business IT, which mainly includes ERP, Digital, PLM, IMS and AMS. The second stream is Engineering, which is predominantly automotive embedded electronics, digital, IoT and a little bit of mechanical design. In the first stream, we are more of a IT Services company and in the second we are a technology led ER&D company, focused on the automotive vertical. Just 3-4 customers receive both these services from us.

This mix of revenues does not clearly bring out our identity and this also negatively affects the valuation. This is validated by the very fact that post the announcement of proposed restructuring, the valuation of the company has gone up significantly. Therefore, after prolonged thought, discussions with relevant advisors, debates within the management and board, we thought it is beneficial for all the stakeholders, to separate the two businesses. We also believe, if we segregate the two, we can give adequate management attention to each of the two streams. We can have two separate entities, each of which can grow substantially and be known well in their respective domains.

Post the restructuring, the IT company, Birlasoft will become one amongst the largest midcap IT companies with core focus on digital. We believe, it will have a proper mix of ERP and digital revenues. We trust that it will be able to service customers, both in BFSI as well as the manufacturing verticals; it would have a balanced portfolio and a starting revenue of around \$500 million, which strengthens the possibility of bidding for decent sized contracts in the IT domain.

The Engineering company, KPIT Technologies, will be sharply focused on automotive engineering. We have been speaking about the automotive world being up for a major change and almost all these changes are driven by software. We are very well known in that domain. We work in practically every cutting-edge area on automotive electronics and hence have good potential of growth and profitability.

The merger and demerger process, post approval from the regulatory bodies will enhance the potential of growth, profitability and thus, value creation, in the individual businesses.

The Proposed Partner – Birlasoft:

From the perspective of customers, as well as our employees, a certain type of company was important for us to merge with, for the ITSS business. Our customers are used to getting the attention that a mid-sized company gives them. Thus, from the size perspective, Birlasoft is among the right sized companies to partner with. We see many other merits in working with Birlasoft. Firstly, it is the part of the renowned CK Birla Group. Hence, we believe the group would have long-term interest in the company, which will take care of our customers and employees. Secondly, Birlasoft offerings are complementary to our offerings. In our case, the ERP revenues are 50%+ of total revenues, whereas in their case the non-ERP revenues, especially the digital and application development revenues are 85% of the total revenues. Thus, in the Business IT area, the two companies put together will have a complete suite of end-to-end solutions, in the IT services domain. The knowledge and depth, Birlasoft has in digital revenues, will add more value to the digital technology revenues we have. Thus, together, we can be very well known in the Digital Segment. Additionally, the Industry Verticals of the two companies are also complementary. KPIT works largely in the Manufacturing and Energy domains. Birlasoft mainly works in the BFSI and Media verticals, though they also have some Manufacturing revenues. Thus, there is a complementarity of the offerings and verticals which creates a good platform for value creation in the combined IT Entity.

As important as what you offer, is the team that you work with. Anjan Lahiri, CEO Birlasoft, was a member of the founding team of Mindtree, who have a culture like us. Birlasoft leadership team, helmed by Anjan, also has a strong consulting background. The kind of technologies that we have built over the years will get a substantial boost, if we can give them a consulting edge. The KPIT IT leadership team and the Birlasoft leadership team, together, have the capability, experience and hunger to grow to the next level. The cultural fit in terms of values, employee focus and customer focus is also very strong.

Thus, we feel comfortable about the leadership; we feel comfortable about their ability to bring results, to work in a consultative manner with customers and to take care of our customers and employees. Therefore, we think that together the companies can do well going forward.

Rationale for the Proposed Structure:

We appreciate the fact that there are multiple legal options and structures to achieve similar results. It is of utmost importance to choose the right option, which is beneficial for all stakeholders, with minimal downside risks.

One option was to sell the IT business to a strategic partner and continue with the engineering business in KPIT. This option would have proved to be significantly tax inefficient. Additionally, if the strategic partner was not a listed company, the opportunity of participation in the IT Business value creation, would have been lost for the KPIT shareholders.

Another option was to do a demerger of IT and Engineering first and then look for a strategic partner for the IT business. This option would have created a couple of uncertainties viz. first, being the ability to find a right partner for the IT business and second being the possibility of the IT business remaining as a standalone entity without a merger with the partner entity. These scenarios were certainly not welcome for customers, employees and thus, all stakeholders.

The current proposed structure ensures the merger of the two IT businesses, as well as the continuing listing for both. For every share held in KPIT today, each shareholder will get one share each in Birlasoft (IT Entity) and KPIT (Engineering Entity). Both the entities will be listed, thus enabling participation in the value creation in both the entities. Additionally, the current proposed structure would also ensure a reasonable shareholding to the



promoters of both the businesses, which will further enhance the focus and strategic intent of the promoters, in the respective businesses. Further, this structure is efficient from taxation perspective as well. The current structure of merger and demerger is tax neutral on the company books.

We, therefore, believe the current structure of doing a merger first and then a demerger is the best option available to the company for the ultimate benefit of all the stakeholders. We have seen the value creation post announcement of the proposed structure and we believe there is a decent value creation opportunity going forward in both the businesses – Engineering as well as IT.

I trust, I have addressed all the issues relating to the proposed restructuring. As I have mentioned earlier, should you have any question, please do reach out to us. I look forward to your support in the ensuing EGM and I look forward to your being a valued and continued shareholder in both the companies.

Warm Regards,

Sincerely Yours,

S. B. (Ravi) Pandit

Chairman and Group CEO