

Patni Computer Systems LTD  
Form 6-K  
February 08, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For February 8, 2007

**PATNI COMPUTER SYSTEMS LIMITED**

**Akruti Softech Park , MIDC Cross Road No 21,  
Andheri (E) , Mumbai - 400 093, India**

(Exact name of registrant and address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file under assigned to the registrant in connection with Rule 12g3-2(b):

**Patni Computer Systems Limited**

FAX to SE

Registered Office : S-1A Irani Market Compound, Yerawada , Pune - 411 006, India.

Corporate Office : Akruti , MIDC Cross Road No 21, Andheri (E) , Mumbai - 400 093, India.

**Summary of Consolidated financial results of Patni Computer Systems Limited and its subsidiaries for the quarter and year ended 31 December 2006, prepared as per US GAAP**

USD in thousands except share data

|   | Quarter ended 31 December |                     | Year ended 31 December |                   |
|---|---------------------------|---------------------|------------------------|-------------------|
|   | 2006<br>(Unaudited)       | 2005<br>(Unaudited) | 2006<br>(Unaudited)    | 2005<br>(Audited) |
| Revenues  | 154,271                   | 123,902             | 578,851                | 450,332           |
| Cost of revenues  | 99,461                    | 79,396              | 370,173                | 288,481           |
| <b>Gross profit</b>   | <b>54,810</b>             | <b>44,506</b>       | <b>208,678</b>         | <b>161,851</b>    |
| Selling, general and administrative expenses  | 26,586                    | 24,331              | 110,265                | 89,881            |
| Provision for doubtful debts and advances   | 376                       | (227 )              | 1,191                  | (152 )            |
| Foreign exchange (gain) / loss , net  | 590                       | 2,341               | 2,748                  | 1,693             |
|   | 27,258                    | 18,061              | 94,474                 | 70,429            |
| Interest and dividend income  | 2,865                     | 1,084               | 10,088                 | 4,190             |
| Interest expense  | 1,502                     | (1,146 )            | (2,840 )               | (2,044 )          |
| Gain on sale of investments, net  | 46                        | 74                  | 1,679                  | 1,128             |
| Other income/(expense), net   | 71                        | 604                 | 3,541                  | 967               |
| <b>Income before income taxes</b>   | <b>31,742</b>             | <b>18,677</b>       | <b>106,942</b>         | <b>74,670</b>     |
| Income taxes  | 6,013                     | 3,974               | 47,692                 | 13,803            |
| <b>Net Income</b>   | <b>25,729</b>             | <b>14,703</b>       | <b>59,250</b>          | <b>60,867</b>     |
| <b>Earning per share</b>  |                           |                     |                        |                   |
| - Basic   | 0.19                      | 0.12                | 0.43                   | 0.48              |
| - Diluted   | 0.18                      | 0.11                | 0.43                   | 0.48              |
| Weighted average number of common and redeemable common shares used in computing earnings per share |                           |                     |                        |                   |
| - Basic   | 138,178,492               | 127,710,772         | 137,957,477            | 125,736,592       |
| - Diluted   | 139,357,451               | 129,779,529         | 138,904,860            | 127,457,632       |
| Total assets  | 640,020                   | 553,886             | 640,020                | 553,886           |
| Cash and cash equivalents   | 46,510                    | 148,820             | 46,510                 | 148,820           |
| Investments   | 246,016                   | 141,776             | 246,016                | 141,776           |

**Notes:**

1 The above summary of consolidated financial results were taken on record by the Board of Directors at its meeting held on 8 February 2007.

2 The Board has recommended a final dividend of 150% for the year 2006 (previous year 125%) subject to approval of members.

3 The consolidated financial statements of Patni Computer Systems Limited and its subsidiaries have been prepared on a consolidated basis in accordance with accounting principles generally accepted in the United States ( US GAAP ). All significant inter-company transactions have been eliminated on consolidation.

4 The subsidiaries considered in the consolidated financial statements as at 31 December 2006 are wholly owned subsidiaries, namely Patni Computer Systems Inc. USA, Patni Computer Systems (UK) Ltd., Patni Computer Systems GmbH, Patni Telecom Solutions Inc., Patni Telecom Solutions Private Limited and Patni Telecom Solutions (UK) Limited.

5 Previous period figures have been appropriately reclassified to conform to the current period's presentations.

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## Summary of financial statements prepared as per US GAAP - Convenience translation

Rs. in thousands except share data

|  | Quarter ended 31 December |                     | Year Ended 31 December |                   |
|--|---------------------------|---------------------|------------------------|-------------------|
|  | 2006<br>(Unaudited)       | 2005<br>(Unaudited) | 2006<br>(Unaudited)    | 2005<br>(Audited) |
| Exchange Rate (Rs.)                          | 44.11                     | 44.95               | 44.11                  | 44.95             |
| Revenues                                     | 6,804,889                 | 5,569,395           | 25,533,112             | 20,242,423        |
| Cost of revenues                             | 4,387,219                 | 3,568,850           | 16,328,328             | 12,967,221        |
| <b>Gross profit</b>                          | 2,417,670                 | 2,000,545           | 9,204,784              | 7,275,202         |
| Selling, general and administrative expenses | 1,172,693                 | 1,093,679           | 4,863,788              | 4,040,151         |
| Provision for doubtful debts and advances    | 16,606                    | (10,204 )           | 52,536                 | (6,832 )          |
| Foreign exchange (gain) / loss , net         | 26,034                    | 105,228             | 121,211                | 76,107            |
| <b>Operating income</b>                      | 1,202,337                 | 811,842             | 4,167,249              | 3,165,777         |
| Interest and dividend income                 | 126,396                   | 48,726              | 444,978                | 188,330           |
| Interest expense                             | 66,241                    | (51,513 )           | (125,269 )             | (91,878 )         |
| Gain on sale of investments, net             | 2,022                     | 3,326               | 74,065                 | 50,704            |
| Other income/(expense), net                  | 3,143                     | 27,150              | 156,212                | 43,467            |
| <b>Income before income taxes</b>            | 1,400,139                 | 839,531             | 4,717,235              | 3,356,400         |
| Income taxes                                 | 265,212                   | 178,631             | 2,103,684              | 620,445           |
| <b>Net Income</b>                            | 1,134,927                 | 660,900             | 2,613,551              | 2,735,955         |
| <b>Earning per share</b>                     |                           |                     |                        |                   |
| - Basic                                      | 8.21                      | 5.17                | 18.94                  | 21.76             |
| - Diluted                                    | 8.14                      | 5.09                | 18.82                  | 21.47             |
| Total assets                                 | 28,231,262                | 24,897,181          | 28,231,262             | 24,897,181        |
| Cash and cash equivalents                    | 2,051,557                 | 6,689,441           | 2,051,557              | 6,689,441         |
| Investments                                  | 10,851,772                | 6,372,828           | 10,851,772             | 6,372,828         |

## Disclaimer:

We have translated the financial data derived from our consolidated financial statements prepared in accordance with US GAAP for each period at the noon buying rate in the City of New York on the last business day of such period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The translations should not be considered as a representation that such US Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated above, or at all. Investors are cautioned to not rely on such translated amounts.

**By Order of the Board**  
for Patni Computer Systems Limited

Mumbai  
8 February 2007

**Narendra K. Patni**  
Chairman and Chief Executive Officer



5 **Segment Information:**

As on 31 December 2006 and for the year ended

| Particulars                                       | Financial services | Insurance services | Manufacturing | Telecom   | Independent Software Vendor | Product Engineering Services | Others    | Total             |
|---|--------------------|--------------------|---------------|-----------|-----------------------------|------------------------------|-----------|-------------------|
| Sales and service income                          | 3,990,401          | 6,069,215          | 5,654,475     | 4,907,273 | 1,052,307                   | 2,644,191                    | 1,762,396 | <b>26,080,258</b> |
| Sundry debtors                                    | 729,738            | 943,801            | 1,174,494     | 1,005,557 | 197,759                     | 552,267                      | 519,149   | <b>5,122,765</b>  |
| Cost and estimated earnings in excess of billings | 107,409            | 45,076             | 210,680       | 461,246   | 43,818                      | 64,514                       | 78,591    | <b>1,011,334</b>  |
| Billings in excess of cost and estimated earnings | (9,197)            | (9,375)            | (32,229)      | (21,696)  | (541)                       | (35,701)                     | (38,507)  | <b>(147,246)</b>  |
| Advance from customers                            | (214)              | (805)              | (5,391)       |           | (1,212)                     | (503)                        | (112)     | <b>(8,237)</b>    |

As on 31 December 2005 and for the year ended

| Particulars                                       | Financial services | Insurance services | Manufacturing | Telecom   | Independent Software Vendor | Product Engineering Services | Others    | Total             |
|---|--------------------|--------------------|---------------|-----------|-----------------------------|------------------------------|-----------|-------------------|
| Sales and service income                          | 3,186,119          | 5,502,080          | 4,350,112     | 3,047,015 | 980,708                     | 1,498,793                    | 1,304,479 | <b>19,869,306</b> |
| Sundry debtors                                    | 591,486            | 714,793            | 747,836       | 394,507   | 162,309                     | 330,142                      | 289,039   | <b>3,230,112</b>  |
| Cost and estimated earnings in excess of billings | 116,184            | 232,032            | 160,162       | 412,979   | 73,212                      | 135,558                      | 45,936    | <b>1,176,063</b>  |
| Billings in excess of cost and estimated earnings | (8,492)            | (17,280)           | (34,186)      | (20,351)  | (3,113)                     | (9,378)                      | (13,130)  | <b>(105,930)</b>  |
| Advance from customers                            | (54,467)           | (4,277)            | (3,242)       |           | (76)                        |                              | (583)     | <b>(62,645)</b>   |

6 The Group evaluates segment performance and allocates resources based on revenue growth. Revenue in relation to segments is categorized based on items that are individually identifiable to that segment. Costs are not specifically allocable to individual segments as the underlying resources and services are used interchangeably. Fixed assets used in Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments.

7 Previous period figures have been appropriately reclassified to conform to current period's presentations.

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**Audited consolidated financial results of Patni Computer Systems Limited and its subsidiaries for the year ended 31 December 2006, as per Indian GAAP.**

|  | Year ended 31 December<br>2006<br>(Audited) | 2005<br>(Audited) |
|--|---|-------------------|
|  | Rs. in thousands except share data          |                   |
| <b>Income</b>  |   |                   |
| Sales and service income   | 26,080,258                                  | 19,869,306        |
| Other income   | 595,711                                     | 381,932           |
|  | <b>26,675,969</b>                           | <b>20,251,238</b> |
| <b>Expenditure</b>   |   |                   |
| Personnel costs  | 14,447,266                                  | 11,197,700        |
| Selling, general and administration costs                                | 5,959,700                                   | 4,931,281         |
| Depreciation (net of transfer from revaluation reserves)                 | 842,693                                     | 678,077           |
| Interest costs   | 189,635                                     | 81,234            |
|  | <b>21,439,294</b>                           | <b>16,888,292</b> |
| <b>Profit for the year before prior period items and taxation</b>        | <b>5,236,675</b>                            | <b>3,362,946</b>  |
| Prior period items   | 221,172                                     | 909,687           |
| <b>Profit for the year before taxation</b>                               | <b>5,015,503</b>                            | <b>2,453,259</b>  |
| Provision for taxation   | 2,114,356                                   | 630,602           |
| MAT credit entitlement   | (5,735 )                                    |                   |
| Provision for taxation - Fringe benefits                                 | 40,085                                      | 31,977            |
| Provision for taxation (prior periods)                                   | 418,976                                     | (196,413 )        |
| <b>Profit for the year after taxation</b>                                | <b>2,447,821</b>                            | <b>1,987,093</b>  |
| Paid up equity share capital (Face value per equity share of Rs. 2 each) | 276,564                                     | 275,597           |
| Reserves excluding revaluation reserves                                  | 23,035,534                                  | 20,962,256        |
| Earnings per share (Rs. per equity share of Rs.2 each)                   |   |                   |
| - Basic  | 17.74                                       | 15.80             |
| - Diluted  | 17.60                                       | 15.59             |

**Notes:**

1 The consolidated financial statements of Patni Computer Systems Limited and its subsidiaries are prepared in accordance with the principles and procedures prescribed by AS 21 - "Consolidated Financial Statements " issued by the Institute of Chartered Accountants of India for the purpose of preparation and presentation of consolidated financial statements. The financial statements of Patni Computer Systems Limited and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered in full. The amounts shown in respect of accumulated reserves comprises the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries. Consolidated financials statements are prepared using uniform accounting policies across the Group.

2 The subsidiaries considered in the consolidated financial statements as at 31 December 2006 are wholly owned subsidiaries, namely Patni Computer Systems Inc. USA, Patni Computer Systems (UK) Ltd., Patni Computer Systems GmbH, Patni Telecom Solutions Inc., Patni Telecom Solutions Private Limited and Patni Telecom Solutions(UK) Limited.

3 Paid up equity share capital does not include Rs 2,688 ( 2005 : Rs. NIL ) which represents share application money received from employees, on exercise of stock options, pending allotment of shares.

4 During the year, the Company received a demand from the Income tax department of Rs. 630,166 (Including interest demand of Rs. 186,850) for the Assessment Year 2004-05. The tax demand is mainly on account of disallowance of deduction claimed by the Company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its various eligible undertakings. The management of the Company has filed an appeal challenging the disallowance within the time available under the Income Tax Act. Considering the facts and nature of disallowance and based on the advice given by the Company's legal counsel, the management believes that the disallowance is not tenable, is confident of a favourable outcome in appeal proceedings and hence no provision for such income tax demand is considered necessary.

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**Reconciliation of significant differences between Consolidated Net Income determined in accordance with Indian Generally Accepted Accounting Principles ( Indian GAAP ) and Consolidated Net Income determined in accordance with US Generally Accepted Accounting Principles ( US GAAP ) (Unaudited)**

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2006                   | 2005           |
|  | Rs. in thousands       |                |
| Consolidated net income as per Indian GAAP | 2,447,821              | 1,987,093      |
| Income taxes                               | (133,791 )             | (52,991 )      |
| Foreign currency differences               | (153,501 )             | 51,364         |
| Employee retirement benefits               | 3,895                  | (22,082 )      |
| ESOP related Compensation Cost             | (182,732 )             |                |
| Business acquisition                       | (41,176 )              | (32,754 )      |
| Prior period adjustments                   | 765,595                | 746,661        |
| Others                                     | (21,878 )              | 5,319          |
| <b>Total</b>                               | <b>236,412</b>         | <b>695,517</b> |
| Consolidated net income as per US GAAP     | 2,684,233              | 2,682,610      |

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**Note:**

The consolidated net income as per USGAAP shown in the table above differs from the consolidated net income shown under Summary of financials statements prepared as per USGAAP - Convenience Translation for reasons explained below the same table.

**Financial results of Patni Computer Systems Limited for the quarter and year ended 31 December 2006, as per Indian GAAP (Standalone)**

Rs. in thousands except share data

|   | Nine months ended<br>30 September<br>2006<br>(Audited) | Quarter ended 31 December<br>2006<br>(Unaudited) | 2005<br>(Unaudited) | Year ended 31 December<br>2006<br>(Audited) | 2005<br>(Audited) |
|---|--|--|---------------------|---|-------------------|
| <b>Income</b>   |  |  |                     |   |                   |
| Sales and service income  | 7,299,222  | 2,679,079  | 2,389,551           | 9,978,301                                   | 8,755,962         |
| Other income  | 386,445  | 111,195  | 117,290             | 497,640                                     | 130,046           |
|   | 7,685,667  | 2,790,274  | 2,506,841           | 10,475,941                                  | 8,886,008         |
| <b>Expenditure</b>  |  |  |                     |   |                   |
| Personnel costs   | 3,369,321  | 1,092,211  | 1,053,049           | 4,461,532                                   | 3,928,003         |
| Selling, general and administration costs                               | 1,715,820  | 425,307  | 713,333             | 2,141,127                                   | 1,831,086         |
| Depreciation  | 517,140  | 208,462  | 164,608             | 725,602                                     | 600,264           |
| Interest costs  | 89,744   | (952 )   | 12,369              | 88,792                                      | 40,787            |
|   | 5,692,025  | 1,725,028  | 1,943,359           | 7,417,053                                   | 6,400,140         |
| <b>Profit for the year before prior period items and taxation</b>       |  |  |                     |   |                   |
|   | 1,993,642  | 1,065,246  | 563,482             | 3,058,888                                   | 2,485,868         |
| Prior period items  |  |  | 16,190              |   | 43,423            |
| <b>Profit for the year before taxation</b>                              | 1,993,642  | 1,065,246  | 547,292             | 3,058,888                                   | 2,442,445         |
| Provision for taxation  | 926,185  | 45,496   | 93,029              | 971,681                                     | 354,771           |
| MAT credit entitlement  |  | (5,735 )   |                     | (5,735 )                                    |                   |
| Provision for taxation-Fringe benefits                                  | 31,991   | 3,322  | 13,370              | 35,313                                      | 30,349            |
| Provision for taxation (prior periods)                                  |  |  | 112,187             |   | 113,196           |
| <b>Profit for the year after taxation</b>                               | 1,035,466  | 1,022,163  | 328,706             | 2,057,629                                   | 1,944,129         |
| Paid up equity share capital (Face value per equity share of Rs 2 each) | 275,922  | 276,564  | 275,597             | 276,564                                     | 275,597           |
| Reserves excluding revaluation reserves                                 | 21,197,880   | 21,801,849                                       | 20,135,730          | 21,801,849                                  | 20,135,730        |
| <b>Earnings per equity share of Rs 2 each</b>                           |  |  |                     |   |                   |
| - Basic   | 7.51   | 8.13   | 2.61                | 14.91                                       | 15.46             |
| - Diluted   | 7.44   | 8.02   | 2.58                | 14.80                                       | 15.25             |

**Notes**

1 The above statement of financial results were reviewed by the audit committee and approved by the Board of Directors at its adjourned meeting held on 8 February 2007.

2 The Board of directors at the adjourned meeting held on 8 February 2007, recommended a final dividend of 150% for the year 2006, subject to approval of the members.

Year ended 31 December  
2006 2005

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|  |      |   |      |   |
|--|------|---|------|---|
| Dividend per share (Par value of Rs. 2/- each) | 3.00 |   | 2.50 |   |
| Percentage                                     | 150  | % | 125  | % |

3 Investor complaints for the quarter ended 31 December 2006:

| Pending as on 1 October 2006 | Received during the quarter | Disposed of during the quarter | Unresolved at the end of the quarter |
|------------------------------|-----------------------------|--------------------------------|--------------------------------------|
| 0                            | 16                          | 16                             | 0                                    |

4 Statement of Utilisation of ADS Funds as of 31 December 2006:

|  | No of shares | Price | Amount           |
|--|--------------|-------|------------------|
| Amount raised through ADS                                | 12,312,500   | 466   | 5,739,262        |
| Share issue expenses                                     |              |       | 369,406          |
| <b>Net proceeds</b>                                      |              |       | <b>5,369,856</b> |
| <b>Deployment :</b>                                      |              |       |                  |
| 1 Held as current investments                            |              |       | 4,118,694        |
| 2 Utilised for Capital expenditure for office facilities |              |       | 1,130,339        |
| 3 Exchange loss  |              |       | 120,823          |
| <b>Total</b>   |              |       | <b>5,369,856</b> |

5 Aggregate of Non-Promoter Shareholding

|                              | Year ended 31 December |            |
|------------------------------|------------------------|------------|
|                              | 2006                   | 2005       |
| - Number of Shares           | 77,309,051             | 76,205,597 |
| - Percentage of Shareholding | 55.91 %                | 55.30 %    |

6 Paid up equity share capital does not include Rs 2,688 ( 2005 : Rs. NIL ) which represents share application money received from employees, on exercise of stock options, pending allotment of shares.

7 During the year, the Company received a demand from the Income tax department of Rs. 630,166 (Including interest demand of Rs. 186,850) for the Assessment Year 2004-05. The tax demand is mainly on account of disallowance of deduction claimed by the Company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its various eligible undertakings. The management of the Company has filed an appeal challenging the disallowance within the time available under the Income Tax Act. Considering the facts and nature of disallowance and based on the advice given by the Company's legal counsel, the management believes that the disallowance is not tenable, is confident of a favourable outcome in appeal proceedings and hence no provision for such income tax demand is considered necessary.

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8 Previous period figures have been appropriately reclassified to conform to the current period's presentations.

9 Text of this advertisement was approved by the Board of Directors at the adjourned meeting held on 8 February 2007.

**By Order of the Board  
for Patni Computer Systems Limited**

**Mumbai  
8 February 2007**

**Narendra K. Patni  
Chairman and Chief Executive Officer**

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For Press Release

**Patni s 2006 Revenues up 28.5% at \$578.9 million (Rs. 25,533 million),**

**Net Income\* up 30% at \$ 79.2 million ( Rs 3,491 million)**

**Mumbai, India, February 8th 2007:** Patni Computer Systems Limited (**Patni**) today announced its financial results for the fourth quarter and year ended 31st December 2006.

#### Performance Highlights

**\*Important note:**

*As stated in our Q2 2006 release for the quarter ended June 30th 2006, prior years tax review by the IRS and a review by the Department of Labor of Patni s US operations had resulted in additional provisions which led to an increase in gross profit and operating income by approximately US\$ 7.0 million and decrease in net income by US\$ 19.9 million for Q2 2006 . Variations in Patni s Q2 2006 financial performance as a result of these reviews had been referred to as additional provisions in the said press release. Financial Performance for the year ended December 2006 excluding these additional provisions have also been considered for comparative performance review with 2005 in this release.*

#### **Performance Highlights for the quarter and year ended December 31st 2006**

- **Revenues for the quarter at US\$ 154.3 million (Rs. 6,804.9 million)**
- Up 1.7% sequentially as compared to US\$ 151.7 million (Rs. 6,970.9 million) in Q3 CY2006
- For the year revenues at US\$ 578.9 million (Rs. 25,533.1 million), 28.5% higher compared to US\$ 450.3 million (Rs 20,242.4 million) for the previous year
- **Operating Income for the quarter at US\$ 27.3 million (Rs. 1,202.3 million)**
- Up 8.7% sequentially from US\$ 25.1 million (Rs 1,152.7 million) in quarter ended Sept 30, 2006
- Higher by 24.1% at US\$ 87.4 million (Rs 3,855.0 million) for 2006 (US\$ 94.5 million (Rs. 4,167.2 million) with additional provisions) compared to US\$ 70.4 million (Rs 3,165.8 million) for the year 2005
- **Net Income for the quarter at US\$ 25.7 million (Rs 1,134.9 million)**
- Up 15.5% sequentially from US\$ 22.3 million (Rs 1,023.8 million)in quarter ended September 30, 2006

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- For the year net income at US\$ 79.2 million (Rs. 3,491.4 million) (US\$ 59.3 million (Rs. 2,613.6 million) with additional provisions) compared to US\$ 60.9 million (Rs 2,736.0 million) for the year 2005. Increase of 30.0% over the previous year (decrease of 2.7% with additional provisions)
- **The Board has recommended an annual dividend of 150%**
- **EPS for the quarter at US\$ 0.19 per share; US\$ 0.37 per ADS**
- **EPS for the year US\$ 0.57 (US\$ 0.43 with additional provisions) per share and US\$ 1.15 per ADS (US\$ 0.86 with additional provisions)**
- **Stock based expense for the quarter was US\$ 1.1 million for the quarter as compared to US\$ 0.9 million during previous quarter. For the full year stock based expense was US\$ 3.9 million as compared to US\$ 3.5 million in 2005**

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- Top Customer contribution towards revenue decreased to 13.5% during the quarter from 14.1% in Q3 2006. On calendar year basis top customer contribution towards revenue decreased to 14.6% from 22.1% in 2005. Revenue concentration of Top 10 clients is at 52.2% from 51.6% in the previous quarter. On Calendar year basis the revenue concentration is reduced to 53.1% from 59.3% in 2005.
- Number of active clients was 239 at quarter end as compared to 235 in Q3 2006 and 199 at the end of 2005. Patni acquired 22 new clients during the quarter. On a calendar year basis we have acquired 92 new clients.
- During the quarter we started operations in our new knowledge park at Airoli in Navi Mumbai. Phase 1 of this campus was commissioned and the next phase is expected to be operational by April 07.

**Future Outlook:**

- Q1 2007 revenues are expected to be at US\$ 155 million and net income (excluding the foreign exchange gain/loss) is expected to be in the range of US\$ 22.5 million to US\$ 23.0 million - taking the operations at a constant dollar value of Rs 44.40 per US\$ for the quarter.

**Management comments**

Commenting on the Q4 2006 performance, **Mr. Narendra K Patni, Chairman and CEO, Patni Computer Systems Ltd.**, said, *I am pleased to report a robust performance for the year on the back of higher operating efficiencies. This highlights our ability to deliver sustained growth by focusing on improving internal operations while increasing our reach to customers worldwide.*

*During the year we also realigned our management team with an aim to achieve greater focus and foster all round accountability. In line with our growth vision we recently commissioned our new facility in Mumbai. We believe this will enable us escalate our business across newer verticals and service lines.*

*Overall, we remain confident about our business momentum and continue to further expand the focus on improving internal efficiencies to deliver margin expansions.*

Commenting on the performance, **Mr. Mrinal Sattawala, Chief Operating Officer, Patni**, said, *During CY 2006 we reduced dependence on our top 10 clients resulting in further diversification of our revenue streams, a key focus area for us. For the quarter under review we have added 22 new clients, bringing our tally of active clients to 239. Going forward, we expect to continue to our growth drive through leveraging our operating efficiencies.*

Speaking on the occasion, **Mr. Surjeet Singh, Chief Financial Officer, Patni**, added, *During the quarter ended December 2006 revenues were marginally ahead of the guidance and operating margins improved with efficiency gains absorbing the Rupee appreciation impact. We shall continue to manage our cost base optimally as we move into 2007 and deliver profitable growth through a growing number of clients and service lines.*



**Management Discussion & Analysis of Performance***(Figures in Million US\$ except EPS and Share Data)***CONSOLIDATED STATEMENT OF INCOME****For the quarter / period ended**

| Particulars  | Dec 31<br>2006 | Sep 30<br>2006 | QoQ Change<br>% | Dec 31        |              | 2005         | Change %    | 2006   |                 | % to<br>Rev | YoY change<br>% |
|--|----------------|----------------|-----------------|---------------|--------------|--------------|-------------|--|-----------------|-------------|-----------------|
|  |                |                |                 | 2005          | 2006         |              |             | Additional (Excluding<br>Provision inadditional<br>provisions) | Rev             |             |                 |
| Revenue  | 154.3          | 151.7          | 1.7             | % 123.9       | 578.9        | 450.3        | 28.5        | %  | 578.9           | 62.9        | % 28.5          |
| Cost of revenues   | 95.6           | 94.5           | 1.1             | % 76.5        | 357.0        | 278.1        | 28.4        | % -7.0   | (1)364.1        | 62.9        | % 30.9          |
| Depreciation   | 3.9            | 3.1            | 26.5            | % 2.8         | 13.2         | 10.4         | 26.5        | %  | 13.2            | 2.3         | % 26.5          |
| <b>Gross Profit</b>  | <b>54.8</b>    | <b>54.1</b>    | <b>1.3</b>      | <b>% 44.5</b> | <b>208.7</b> | <b>161.9</b> | <b>28.9</b> | <b>% -7.0</b>  | <b>(1)201.6</b> | <b>34.8</b> | <b>% 24.6</b>   |
| Sales and marketing expenses   | 11.0           | 11.0           | -0.4            | % 9.5         | 43.1         | 36.1         | 19.5        | %  | 43.1            | 7.4         | % 19.5          |
| General and administrative expenses  | 15.6           | 16.2           | -3.7            | % 14.8        | 67.2         | 53.8         | 24.8        | %  | 67.2            | 11.6        | % 24.8          |
| Provision for doubtful debts and advances  | 0.4            | 0.5            | -27.6           | % (0.2)       | )1.2         | (0.2)        | )-883.8     | %  | 1.2             | 0.2         | % -883.8        |
| Foreign exchange (gain) / loss, net  | 0.6            | 1.3            | -53.2           | % 2.3         | 2.7          | 1.7          | 62.3        | %  | 2.7             | 0.5         | % 62.3          |
| <b>Operating income</b>  | <b>27.3</b>    | <b>25.1</b>    | <b>8.7</b>      | <b>% 18.1</b> | <b>94.5</b>  | <b>70.4</b>  | <b>34.1</b> | <b>% -7.0</b>  | <b>(1)87.4</b>  | <b>15.1</b> | <b>% 24.1</b>   |
| Other income / (expense), net  | 4.5            | 2.9            | 52.2            | % 0.6         | 12.5         | 4.2          | 194.0       | % 0.2  | 12.4            | 2.1         | % 191.6         |
| <b>Income before income taxes</b>  | <b>31.7</b>    | <b>28.0</b>    | <b>13.2</b>     | <b>% 18.7</b> | <b>106.9</b> | <b>74.7</b>  | <b>43.2</b> | <b>% 7.2</b>   | <b>(2)99.8</b>  | <b>17.2</b> | <b>% 33.6</b>   |
| Income taxes   | 6.0            | 5.8            | 4.5             | % 4.0         | 47.7         | 13.8         | 245.5       | % 27.1   | 20.6            | 3.6         | % 49.3          |
| <b>Net income/(loss)</b>   | <b>25.7</b>    | <b>22.3</b>    | <b>15.5</b>     | <b>% 14.7</b> | <b>59.3</b>  | <b>60.9</b>  | <b>-2.7</b> | <b>% -19.9</b>   | <b>(3)79.2</b>  | <b>13.7</b> | <b>% 30.0</b>   |
| <b>Earning per share</b>   |                |                |                 |               |              |              |             |  |                 |             |                 |
| - Basic  | \$ 0.19        | \$ 0.16        |                 | \$ 0.12       | \$ 0.43      | \$ 0.48      |             | \$   | \$ 0.57         |             |                 |
| - Diluted  | \$ 0.18        | \$ 0.16        |                 | \$ 0.11       | \$ 0.43      | \$ 0.48      |             | \$   | \$ 0.57         |             |                 |
| <b>Weighted average number of common shares used in computing earnings per share</b> |                |                |                 |               |              |              |             |  |                 |             |                 |
| - Basic  | 138,178,492    | 137,940,096    |                 | 127,710,772   | 137,957,477  | 125,736,592  |             |  | 137,957,477     |             |                 |
| - Diluted  | 139,357,451    | 138,861,054    |                 | 129,779,529   | 138,904,860  | 127,457,632  |             |  | 138,904,860     |             |                 |

\*\* Prior years tax review by IRS and the Department of Labor Review by Patni's US Operations has resulted in the net reversals of additional provisions leading to an increase in Q2 2006 Gross Profit and Operating Income and a decrease in Q2 2006 Net Income.

(1) - due to reversal of payroll taxes for earlier years, net of accrual from DOL review

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(2) - impact of 1, net of write-back of interest/penalty for earlier years

(3) - impact of re-assessed corporate taxes for earlier years, net of 2

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### **Revenues**

Revenues during the quarter were marginally ahead of expectations at US\$ 154.3 million (Rs 6,804.9 million) representing sequential increase of 1.7%.

For the year ended December 2006 the overall revenues were at US\$ 578.9 million (Rs 25,533.1 million) growing by 28.5% from the previous year.

### **Gross profit**

Gross profit for the quarter was marginally higher at US\$ 54.8 million (Rs 2,417.7 million) against US\$ 54.1 million (Rs 2,485.5 million) in previous quarter. After absorbing the net adverse impact of about 1% due to rupee appreciation during the quarter, gross margins were at 35.5% as compared to 35.7% in Q3 CY 2006.

Gross profit for 2006 was at US\$ 208.7 million (Rs. 9,204.8 million) (US\$ 201.6 million (Rs. 8,892.5 million) without additional provisions) as compared to US\$ 161.9 million (Rs. 7,275.2 million) in 2005, an increase of 28.9%. Gross profit without such additional provisions increased by 24.6% for the year. Overall Gross margins improved marginally at 36.1% in 2006 as compared to 35.9% in the previous year.

### **Selling and Marketing Expenses**

Sales and marketing expenses during the quarter were at US\$ 11.0 million (Rs. 485.0 million), unchanged as compared to previous quarter and as percentage of revenues were at 7.1%.

On a full year basis sales and marketing expenses were at US\$ 43.1 million (Rs. 1,900.7 million) from US\$ 36.1 million (Rs. 1,620.8 million). Sales and marketing expenses as percentage of revenues were marginally lower at 7.4% than spend of 2005 at 8.0% as a result of absorption benefits and productivity improvements.

### **G&A expenses**

G&A cost optimization continued from previous quarter with marginal reduction in overall spend by US\$ 0.6 million from US\$ 16.2 million (Rs 743.7 million) in Q3 2006 to US\$ 15.6 million (Rs 687.7 million) in Q4 2006. Overall spend as percentage of revenues reduced to 10.1% in Q4 2006 from 10.7% in Q3 2006

Overall G&A costs for the year were marginally lower at 11.6% (US\$ 67.2 million) as compared to 12.0% in 2005 (US\$ 53.8 million). Focus on G&A costs rationalization and optimization during second half of 2006 helped the overall containment of absolute increase of G&A costs.

### **Provision for doubtful debts**

During the quarter, provision for doubtful debts was in line with the previous quarter at US\$ 0.4 million (Rs. 16.6 million). For full year this provision was at US\$ 1.2 million (Rs. 52.5 million), higher as compared to US\$ (-) 0.2 million (Rs. (-) 6.8 million) in 2005.

### **Foreign exchange gain/loss**

The quarter end rate for debtors revaluation was Rs 44.29. Mark to market impact of forex contracts taken earlier and revaluation of debtors at the quarter end, resulted in foreign exchange loss of US\$ 0.6 million (Rs 26.0 million) for the quarter as compared to a similar foreign exchange loss of US\$ 1.3 million (Rs 58.0 million) in Q3 2006. At the end of Q4 CY 2006 we have forex contracts worth US\$ 202.0 million in the range of Rs. 44.70 to Rs. 46.85.

### **Operating income**

As a result of net operating gains on SG&A and forex gain/loss change, the operating income was higher by 8.7% at US\$ 27.3 million (Rs 1,202.3 million) as compared to US\$ 25.1 million (Rs. 1,152.7 million). Operating margins were at 17.7% from 16.5% in the previous sequential quarter.

Overall operating income for 2006 was at US\$ 94.5 million (Rs. 4,167.2 million). However the operating income without additional provisions was at US\$ 87.4 million (Rs. 3,855.0 million) increased by 24.1% as compared to US\$ 70.4 million (Rs. 3,165.8 million) during 2005 and

operating margins for the year stood at 15.1%.

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**Other income**

For Q4 2006, other income (including interest and dividend income net of interest expenses, profit/loss on sale of investments and other miscellaneous income) stood at US\$ 4.5 million (Rs 197.8 million). There is a one time credit in this income of US\$ 1.7 million on account of one time reversal of interest on tax provisions. On a normalized basis other income remains in line with previous quarter at US\$ 2.8 million ..

For the year total other income was higher at US\$ 12.5 million (Rs 550.0 million) as compared to US\$ 4.2 million (Rs 190.6 million) in 2005 due to increased interest and dividend income on investments.

**Profit before tax**

Profit before tax for the quarter was consequently higher by 13.2% at US\$ 31.7 million (Rs. 1,400.1 million) as compared to US\$ 28.0 million (Rs. 1,288.1 million) during previous quarter.

On a full year basis reported PBT was at US\$ 106.9 million (Rs. 4,717.2 million). PBT adjusted for additional provisions was at 17.2% as compared to 16.6% in 2005. PBT without additional provisions was at US\$ 99.8 million (Rs. 4,400.4 million), higher by 33.6% as compared to US\$ 74.7 million (Rs. 3,356.4 million) in 2005.

**Income taxes**

Income tax for the quarter was at US\$ 6.0 million (Rs 265.2 million) at an 18.9% effective tax rate on profit before tax . For the full year overall tax was at US\$ 47.7 million (Rs 2,103.7 million). However without additional provision the overall tax was at US\$ 20.6 million (Rs 908.9 million). The effective tax rate excluding additional provision was 20.7% in 2006 as compared to 18.5% in 2005.

**Net income**

Consequently, net income for the quarter was at US\$ 25.7 million (Rs 1,134.9 million), an increase of 15.5% as compared to Q3 CY 2006 net income of US\$ 22.3 million (Rs 1,023.8 million).

For the full year reported net income was at US\$ 59.3 million (Rs 2,613.6 million). However, net income after excluding additional provisions was at US\$ 79.2 million (Rs 3,491.4 million) 30.0% higher than US\$ 60.9 million (Rs 2,736.0 million) in 2005.

**EPS**

EPS was at US\$ 0.19 (Rs 8.21) and US\$ 0.37 per ADS for the quarter.

Reported EPS for the year was at US\$ 0.43 (Rs 18.94) and US\$ 0.86 per ADS. However after adjusting for additional provisions, for the full year EPS was at US\$ 0.57 (Rs. 25.31) and US\$ 1.15 per ADS as compared to US\$ 0.48 (Rs.21.76) and US\$ 0.97 per ADS) in 2005. At the end of 31st December 2006, fully diluted outstanding shares were at 138.9 million.

**Balance Sheet and Cash Flow changes**

During the quarter, against net income of US\$ 25.7 million (Rs 1,134.9 million), cash from operating activities was at US\$ 31.9 million (Rs 1,406.0) net of changes in current assets and liabilities of US\$ 2.1 million and non cash charges of US\$ 4.1 million. These non cash charges comprise of depreciation and amortization of US\$ 5.7 million, deferred taxes of US\$ (-) 3.0 million, and other charges including stock option cost of US\$ 1.4 million .

Net Cash used in investing activities was US\$ 34.8 million (Rs 1,536.3) including capital expenditure of US\$ 12.7 million (Rs 561.6 million), investment in securities of US\$ 10.6 million (Rs. 466.4 million) and payment of acquisition related liabilities of US\$ 11.5 million (Rs. 508.3 million)

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Net cash inflow on financing activities was US\$ 1.1 million (Rs 50.0 million) comprising of proceeds from common shares issued. With these changes and including revaluation of investments overall cash and cash equivalents (including short term investments) were at US\$ 289.5 million (Rs 12,768.9 million), compared to US\$ 270.1 million (Rs 12,413.3 million) at close of Q3 2006.

Receivables at the end of the Q4 2006 were at US\$ 115.6 million (Rs 5,099.9 million) as compared to previous quarter at \$ 108.4 million (Rs 4,981.6 million) representing a small increase in number of days outstanding to 71 days from 67 days. However when seen in conjunction with unbilled receivables there is no change in overall position of days sale outstanding.

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Figures in Million INR except EPS and Share Data

**CONSOLIDATED STATEMENT OF INCOME (RS. 000): BASED ON CONVENIENCE TRANSLATION**

For the quarter / period ended

| Particulars  | Dec 31       | Sep 30       | Dec 31       |                |              | Additional   | 2006                              |
|--|--------------|--------------|--------------|----------------|--------------|--------------|-----------------------------------|
|  | 2006         | 2006         | 2005         | 2006           | 2005         | Provision in | (Excluding additional provisions) |
| <b>Exchange rate \$1 = INR</b>   | <b>44.11</b> | <b>44.11</b> | <b>44.11</b> | <b>44.11</b>   | <b>44.11</b> | <b>44.11</b> | <b>44.11</b>                      |
| Revenues   | 6,805        | 6,971        | 5,569        | 25,533.1       | 20,242       |              | 25,533                            |
| Cost of revenues   | 4,215        | 4,343        | 3,441        | 15,747.3       | 12,499       | (312)        | 16,060                            |
| Depreciation   | 172          | 142          | 128          | 581.1          | 468          |              | 581                               |
| <b>Gross Profit</b>  | <b>2,418</b> | <b>2,485</b> | <b>2,001</b> | <b>9,204.8</b> | <b>7,275</b> | <b>312</b>   | <b>(1) 8,893</b>                  |
| Sales and marketing expenses   | 485          | 507          | 426          | 1,900.7        | 1,621        |              | 1,901                             |
| General and administrative expenses  | 688          | 744          | 667          | 2,963.1        | 2,419        |              | 2,963                             |
| Provision for doubtful debts and advances  | 17           | 24           | (10)         | 52.5           | (7)          |              | 53                                |
| Foreign exchange (gain) / loss, net  | 26           | 58           | 105          | 121.2          | 76           |              | 121                               |
| <b>Operating income</b>  | <b>1,202</b> | <b>1,153</b> | <b>812</b>   | <b>4,167.2</b> | <b>3,166</b> | <b>312</b>   | <b>3,855</b>                      |
| Other income / (expense), net  | 198          | 135          | 28           | 550.0          | 191          | 5            | 545                               |
| <b>Income before income taxes</b>  | <b>1,400</b> | <b>1,288</b> | <b>840</b>   | <b>4,717.2</b> | <b>3,356</b> | <b>317</b>   | <b>(2) 4,400</b>                  |
| Income taxes   | 265          | 264          | 179          | 2,103.7        | 620          | 1,195        | (2) 909                           |
| <b>Net income/(loss)</b>   | <b>1,135</b> | <b>1,024</b> | <b>661</b>   | <b>2,613.6</b> | <b>2,736</b> | <b>(878)</b> | <b>(3) 3,491</b>                  |
| <b>Earning per share</b>   |              |              |              |                |              |              |                                   |
| - Basic  | 8.21         | 7.42         | 5.17         | 18.94          | 21.76        |              | 25.31                             |
| - Diluted  | 8.14         | 7.37         | 5.09         | 18.82          | 21.47        |              | 25.14                             |
| <b>Weighted average number of common shares used in computing earnings per share</b> |              |              |              |                |              |              |                                   |
| - Basic  | 138,178,492  | 137,940,096  | 127,710,772  | 137,957,477    | 125,736,592  |              | 137,957,477                       |
| - Diluted  | 139,357,451  | 138,861,054  | 129,779,529  | 138,904,860    | 127,457,632  |              | 138,904,860                       |

\*\* Prior years tax review by IRS and the Department of Labor Review by Patni's US Operations has resulted in the net reversals of additional provisions leading to an increase in Q2 2006 Gross Profit and Operating Income and a decrease in Q2 2006 Net Income.

(1) - due to reversal of payroll taxes for earlier years, net of accrual from DOL review

(2) - impact of 1, net of write-back of interest/penalty for earlier years

(3) - impact of re-assessed corporate taxes for earlier years, net of 2

**Important Notes to this release:**

- **Fiscal Year**

Patni follows a January - December fiscal year. The current review covers the financial and operating performance of the Company for the fourth quarter ended 31st December 2006

- **U.S. GAAP**

A Consolidated Statement of Income in US GAAP is available on page 3 of the Fact Sheet attached to this release

- **Percentage analysis**

Any percentage amounts, as set forth in this release, unless otherwise indicated, have been calculated on the basis of the U.S. Dollar amounts derived from our consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. Dollar amounts.

- **Convenience translation**

A Consolidated Statement of Income as per Convenience Translation prepared in accordance with US GAAP is available on page 8 of the Fact Sheet attached to this release. We have translated the financial data derived from our consolidated financial statements prepared in accordance with U.S. GAAP for each period at the noon buying rate in the City of New York on the last business day of such period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The translations should not be considered as a representation that such US Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated elsewhere in this document, or at all. Investors are cautioned to not rely on such translated amounts.

- **Attached Fact Sheet** (results & analysis tables)

**About Patni Computer Systems Ltd:**

**About Patni:** Patni Computer Systems Limited (BSE: PATNI COMPUT, NSE: PATNI, NYSE: PTI) is a global IT Services provider servicing Global 2000 clients. Patni caters to its clients through its industry-focused practices, including insurance, manufacturing, financial services, telecommunications, and its technology-focused practices. With employee strength of over 12,000 and multiple offshore development facilities across eight cities; Patni has 23 international offices across the Americas, Europe and Asia-Pacific. Patni's service offerings include application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering services, business process outsourcing and quality assurance services.

Committed to quality, Patni adds value to its clients' businesses through well-established and structured methodologies, tools and techniques. Patni is an ISO 9001: 2000 certified and SEI-CMMi Level 5 organization, assessed enterprise wide at P-CMM Level 3. In keeping with its focus on continuous process improvements, Patni adopts Six Sigma practices as an integral part of its quality and process frameworks. For more information on Patni, please visit [www.patni.com](http://www.patni.com).



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**IMPORTANT NOTE:**

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, liability for damages on our service contracts, the success of the companies in which Patni has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

**-Ends-**

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**PATNI COMPUTER SYSTEMS LIMITED**  
**FINANCIAL AND OPERATIONS INFORMATION FOR THE**  
**FISCAL YEAR AND FOURTH QUARTER ENDED DEC 31, 2006**

**February 8, 2007**

**NOTES:**

- **Fiscal Year**

Patni follows a January - December fiscal year. The current review covers the financial and operating performance of the Company for the quarter ended Dec 31, 2006.

- **U.S. GAAP**

All figures in this release pertain to accounts presented as per U.S. GAAP unless stated otherwise.

- **Percentage analysis**

Any percentage amounts, as set forth in this release, unless otherwise indicated, have been calculated on the basis of the U.S. Dollar amounts derived from our consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. Dollar amounts.

- **Convenience translation**

We have translated the financial data derived from our consolidated financial statements prepared in accordance with U.S. GAAP for each period at the noon buying rate in the City of New York on the last business day of such period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The translations should not be considered as a representation that such US Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated elsewhere, or at all. Investors are cautioned to not rely on such translated amounts.

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**Fact Sheet Summary Index**

| Ref<br>Number | Description   |
|---------------|---|
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**A1) CONSOLIDATED STATEMENT OF INCOME - US GAAP (US\$ '000)****For the quarter / period ended**

| Particulars  |                |                |              | Dec 31          | Dec 31        |              |                 |             | Sep 30   | QoQ Change |
|--|----------------|----------------|--------------|-----------------|---------------|--------------|-----------------|-------------|----------|------------|
|  | 2006           | 2005           | YoY Change % | 2006            | 2005          | YoY Change % | 2006            | %           | %        |            |
| Revenue  | 578,851        | 450,332        | 28.5         | % 154,271       | 123,902       | 24.5         | % 151,707       | 1.7         | %        |            |
| Cost of revenues   | 357,000        | 278,068        | 28.4         | % 95,551        | 76,548        | 24.8         | % 94,526        | 1.1         | %        |            |
| Depreciation   | 13,173         | 10,413         | 26.5         | % 3,910         | 2,848         | 37.3         | % 3,091         | 26.5        | %        |            |
| <b>Gross Profit</b>  | <b>208,678</b> | <b>161,851</b> | <b>28.9</b>  | <b>% 54,810</b> | <b>44,506</b> | <b>23.2</b>  | <b>% 54,090</b> | <b>1.3</b>  | <b>%</b> |            |
| Sales and marketing expenses   | 43,090         | 36,059         | 19.5         | % 10,996        | 9,486         | 15.9         | % 11,037        | -0.4        | %        |            |
| General and administrative expenses  | 67,175         | 53,822         | 24.8         | % 15,590        | 14,845        | 5.0          | % 16,185        | -3.7        | %        |            |
| Provision for doubtful debts and advances  | 1,191          | (152)          | -883.8       | % 376           | (227)         | -265.8       | % 520           | -27.6       | %        |            |
| Foreign exchange (gain) / loss, net  | 2,748          | 1,693          | 62.3         | % 590           | 2,341         | -74.8        | % 1,262         | -53.2       | %        |            |
| <b>Operating income</b>  | <b>94,474</b>  | <b>70,429</b>  | <b>34.1</b>  | <b>% 27,258</b> | <b>18,061</b> | <b>50.9</b>  | <b>% 25,086</b> | <b>8.7</b>  | <b>%</b> |            |
| Other income / (expense), net  | 12,468         | 4,241          | 194.0        | % 4,484         | 616           | 627.8        | % 2,945         | 52.2        | %        |            |
| <b>Income before income taxes</b>  | <b>106,942</b> | <b>74,670</b>  | <b>43.2</b>  | <b>% 31,742</b> | <b>18,677</b> | <b>70.0</b>  | <b>% 28,032</b> | <b>13.2</b> | <b>%</b> |            |
| Income taxes   | 47,692         | 13,803         | 245.5        | % 6,013         | 3,974         | 51.3         | % 5,751         | 4.5         | %        |            |
| <b>Net income/(loss)</b>   | <b>59,250</b>  | <b>60,867</b>  | <b>-2.7</b>  | <b>% 25,729</b> | <b>14,703</b> | <b>75.0</b>  | <b>% 22,281</b> | <b>15.5</b> | <b>%</b> |            |
| <b>Earning per share</b>   |                |                |              |                 |               |              |                 |             |          |            |
| - Basic  | \$ 0.43        | \$ 0.48        | -11.3        | % \$ 0.19       | \$ 0.12       | 61.7         | % \$ 0.16       |             |          |            |
| - Diluted  | \$ 0.43        | \$ 0.48        | -10.7        | % \$ 0.18       | \$ 0.11       | 63.0         | % \$ 0.16       |             |          |            |
| <b>Weighted average number of common shares used in computing earnings per share</b> |                |                |              |                 |               |              |                 |             |          |            |
| - Basic  | 137,957,477    | 125,736,592    |              | 138,178,492     | 127,710,772   |              | 137,940,096     |             |          |            |
| - Diluted  | 138,904,860    | 127,457,632    |              | 139,357,451     | 129,779,529   |              | 138,861,054     |             |          |            |

**A2) CONSOLIDATED BALANCE SHEET USGAAP (US\$ 000)**

| <b>Particulars</b>                                       | <b>As on<br/>31-Dec-06</b> | <b>As on<br/>30-Sep-06</b> | <b>As on<br/>31-Dec-05</b> |
|--|----------------------------|----------------------------|----------------------------|
| <b>Assets</b>  |                            |                            |                            |
| Total current assets                                     | 450,188                    | 427,882                    | 414,383                    |
| Goodwill   | 39,511                     | 40,172                     | 27,987                     |
| Intangible assets, net                                   | 9,687                      | 9,950                      | 10,158                     |
| Property, plant, and equipment, net                      | 125,758                    | 109,617                    | 88,245                     |
| Deferred income taxes                                    |                            |                            |                            |
| Security deposits with affiliates                        |                            |                            |                            |
| Other assets   | 14,876                     | 10,638                     | 13,114                     |
| <b>Total assets</b>                                      | <b>640,020</b>             | <b>598,259</b>             | <b>553,886</b>             |
| <b>Liabilities</b>                                       |                            |                            |                            |
| Total current liabilities                                | 119,488                    | 123,410                    | 103,313                    |
| Capital lease obligations excluding current installments | 391                        | 524                        | 416                        |
| Other liabilities  | 11,548                     | 12,556                     | 11,128                     |
| Deferred income taxes                                    |                            |                            |                            |
| <b>Total liabilities</b>                                 | <b>131,426</b>             | <b>136,490</b>             | <b>114,857</b>             |
| Total shareholders equity                                | 508,593                    | 461,769                    | 439,029                    |
| <b>Total liabilities &amp; shareholders equity</b>       | <b>640,020</b>             | <b>598,259</b>             | <b>553,886</b>             |

**A3) CONSOLIDATED CASH FLOW STATEMENT USGAAP (US\$ 000)**

| <b>Particulars</b>  | <b>2006</b>      | <b>2005</b>      | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |
|---|------------------|------------------|------------------------|------------------------|------------------------|
| <b>Net cash provided by operating activities</b>          | <b>58,770</b>    | <b>72,922</b>    | <b>31,875</b>          | <b>10,416</b>          | <b>19,308</b>          |
| <b>Net cash used in investing activities</b>              | <b>(155,105)</b> | <b>(111,750)</b> | <b>(34,828)</b>        | <b>(17,354)</b>        | <b>(19,656)</b>        |
| Capital expenditure, net                                  | (48,537)         | (48,946)         | (12,731)               | (12,905)               | (9,284)                |
| Investment in securities, net                             | (94,547)         | (57,225)         | (10,573)               | (4,448)                | (10,473)               |
| Investment in subsidiary, net of cash acquired            | (12,021)         | (5,579)          | (11,523)               |                        | 100                    |
| <b>Net cash provided / (used) in financing activities</b> | <b>(7,106)</b>   | <b>112,012</b>   | <b>1,133</b>           | <b>(1,085)</b>         | <b>117,865</b>         |
| Others  | (391)            | (329)            | (89)                   | (94)                   | (15)                   |
| Common shares issued, net of expenses                     | 1,848            | 118,873          | 1,223                  | 183                    | 117,881                |
| Dividend on common shares                                 | (8,563)          | (6,532)          | (1)                    | (1,174)                | (1)                    |
| <b>Net increase / (decrease) in cash and equivalents</b>  | <b>(103,441)</b> | <b>73,184</b>    | <b>(1,820)</b>         | <b>(8,023)</b>         | <b>117,516</b>         |
| Effect of exchange rate changes on cash and equivalents   | 1,132            | (1,508)          | 2,980                  | 346                    | (502)                  |
| Cash and equivalents at the beginning of the period       | 148,820          | 77,143           | 45,350                 | 53,027                 | 31,806                 |
| <b>Cash and equivalents at the end of the period</b>      | <b>46,510</b>    | <b>148,820</b>   | <b>46,510</b>          | <b>45,350</b>          | <b>148,820</b>         |

**B1) CONSOLIDATED STATEMENT OF INCOME - INDIAN GAAP (RS. 000)**

For the quarter / period ended

| Particulars  | Y_Y Change        |                   |             | Dec 31              |                  | Y_Y Change   |                    | Sep 30      |          | Q_Q Change |  |
|--|-------------------|-------------------|-------------|---------------------|------------------|--------------|--------------------|-------------|----------|------------|--|
|  | 2006              | 2005              | %           | 2006                | 2005             | %            | 2006               | %           | 2006     | %          |  |
| Sales and service income   | 26,080,258        | 19,869,306        | 31.3        | % 6,840,396         | 5,626,443        | 21.6         | % 6,999,399        | -2.3        | %        |            |  |
| Other income   | 595,711           | 381,932           | 56.0        | % 158,739           | 160,497          | -1.1         | % 174,396          | -9.0        | %        |            |  |
| <b>Total income</b>  | <b>26,675,969</b> | <b>20,251,238</b> | <b>31.7</b> | <b>% 6,999,135</b>  | <b>5,786,940</b> | <b>20.9</b>  | <b>% 7,173,795</b> | <b>-2.4</b> | <b>%</b> |            |  |
| Staff costs  | 14,447,266        | 11,197,700        | 29.0        | % 3,708,821         | 2,845,390        | 30.3         | % 3,976,536        | -6.7        | %        |            |  |
| Selling, general and administration expenses   | 6,802,393         | 5,609,358         | 21.3        | % 1,657,606         | 1,717,856        | -3.5         | % 1,719,891        | -3.6        | %        |            |  |
| Interest   | 189,635           | 81,234            | 133.4       | % (6,113            | ) 4,703          | -230.0       | % 22,103           | -127.7      | %        |            |  |
| Initial public offering related expenses   |                   |                   |             |                     |                  |              |                    |             |          |            |  |
| <b>Total expenditure</b>   | <b>21,439,294</b> | <b>16,888,292</b> | <b>26.9</b> | <b>% 5,360,314</b>  | <b>4,567,949</b> | <b>17.3</b>  | <b>% 5,718,530</b> | <b>-6.3</b> | <b>%</b> |            |  |
| <b>Net profit before tax and adjustments</b>   | <b>5,236,675</b>  | <b>3,362,946</b>  | <b>55.7</b> | <b>% 1,638,821</b>  | <b>1,218,991</b> | <b>34.4</b>  | <b>% 1,455,265</b> | <b>12.6</b> | <b>%</b> |            |  |
| Provision for taxation   | 2,567,682         | 466,166           | 450.8       | % 203,660           | 129,498          | 57.3         | % 275,657          | -26.1       | %        |            |  |
| Prior period adjustment  | 221,172           | 909,687           | (0.8        | ) (60,222           | ) 909,687        | (1.1         | )                  |             |          |            |  |
| <b>Profit/(loss) for the year after taxation</b>                                     | <b>2,447,821</b>  | <b>1,987,093</b>  | <b>23.2</b> | <b>% 1,495,383</b>  | <b>179,806</b>   | <b>731.7</b> | <b>% 1,179,608</b> | <b>26.8</b> | <b>%</b> |            |  |
| Profit and loss account, brought forward   | 8,877,279         | 7,480,016         | 18.7        | % 9,829,388         | 9,284,698        | 5.9          | % 8,649,780        | 13.6        | %        |            |  |
| Equity in earning of affiliate   |                   |                   |             |                     |                  |              |                    |             |          |            |  |
| <b>Amount available for appropriation</b>  | <b>11,325,100</b> | <b>9,467,109</b>  | <b>19.6</b> | <b>% 11,324,771</b> | <b>9,464,504</b> | <b>19.7</b>  | <b>% 9,829,388</b> | <b>15.2</b> | <b>%</b> |            |  |
| Proposed dividend on equity shares   | 414,846           | 344,684           | 20.4        | % 414,557           | 344,496          | 20.3         | %                  |             |          |            |  |
| Dividend on equity shares of subsidiary  |                   |                   |             |                     |                  |              |                    |             |          |            |  |
| Dividend tax   | 58,182            | 50,733            | 14.7        | % 58,142            | 48,316           | 20.3         | %                  |             |          |            |  |
| Transfer to general reserve  | 205,763           | 194,413           | 5.8         | % 205,763           | 194,413          | 5.8          | %                  |             |          |            |  |
| <b>Profit and loss account, carried forward</b>                                      | <b>10,646,309</b> | <b>8,877,279</b>  | <b>19.9</b> | <b>% 10,646,309</b> | <b>8,877,279</b> | <b>19.9</b>  | <b>% 9,829,388</b> | <b>8.3</b>  | <b>%</b> |            |  |
| <b>Earning per share (Rs. per equity share of Rs. 2 each)</b>                        |                   |                   |             |                     |                  |              |                    |             |          |            |  |
| - Basic  | 17.74             | 15.80             | 12.3        | % 10.82             | 1.41             |              | 8.55               |             |          |            |  |
| - Diluted  | 17.60             | 15.59             | 12.9        | % 10.71             | 1.39             |              | 8.49               |             |          |            |  |
| <b>Weighted average number of common shares used in computing earnings per share</b> |                   |                   |             |                     |                  |              |                    |             |          |            |  |
| - Basic  | 137,957,477       | 125,736,592       |             | 138,178,492         | 127,710,772      |              | 137,940,096        |             |          |            |  |
| - Diluted  | 138,904,860       | 127,457,632       |             | 139,357,451         | 129,779,529      |              | 138,861,054        |             |          |            |  |

**B2) CONSOLIDATED BALANCE SHEET - INDIAN GAAP (RS. 000):**

| <b>Particulars</b>                                 | <b>As on<br/>31-Dec-06</b> | <b>As on<br/>30-Sep-06</b> | <b>As on<br/>31-Dec-05</b> |
|--|----------------------------|----------------------------|----------------------------|
| <b>Assets</b>                                      |                            |                            |                            |
| Current assets, loans and advances                 | 9,040,880                  | 9,014,490                  | 11,766,270                 |
| Goodwill   | 3,400,664                  | 3,512,601                  | 2,921,323                  |
| Fixed assets(Net of Depreciation)                  | 5,869,140                  | 5,314,294                  | 4,173,128                  |
| Investments  | 10,697,832                 | 10,179,064                 | 6,331,285                  |
| Deferred tax asset, net                            | 550,455                    | 481,789                    | 639,344                    |
| <b>Total assets</b>                                | <b>29,558,971</b>          | <b>28,502,238</b>          | <b>25,831,350</b>          |
| <b>Liabilities</b>                                 |                            |                            |                            |
| Current liabilities and provisions                 | 6,168,547                  | 5,970,221                  | 4,492,475                  |
| Secured loans                                      | 30,639                     | 30,635                     | 31,813                     |
| Deferred tax liability, net                        | 35,630                     | 154,775                    | 59,759                     |
| <b>Total liabilities</b>                           | <b>6,234,816</b>           | <b>6,155,631</b>           | <b>4,584,047</b>           |
| Total shareholders equity                          | 23,324,155                 | 22,346,607                 | 21,247,303                 |
| <b>Total liabilities &amp; shareholders equity</b> | <b>29,558,971</b>          | <b>28,502,238</b>          | <b>25,831,350</b>          |

**B3) CONSOLIDATED CASH FLOW STATEMENT - INDIAN GAAP (RS 000)**

| <b>Particulars</b>   | <b>2006</b>         | <b>2005</b>      | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |
|--|---------------------|------------------|------------------------|------------------------|------------------------|
| Cash flows from / (used in) operating activities (A)                         | 2,292,436           | 2,538,234        | 1,134,712              | 351,524                | 813,027                |
| Cash flows used in investing activities (B)                                  | (6,631,107 )        | (4,285,838 )     | (1,387,806 )           | (781,855 )             | (897,715 )             |
| Cash flows from / (used in) from financing activities (C)                    | (310,356 )          | 5,158,724        | 335,880                | (53,478 )              | 5,425,237              |
| Effect of changes in exchange rates (D)                                      | 2,296               | (68,037 )        | (33,062 )              | 58,100                 | (32,991 )              |
| <b>Net decrease in cash and cash equivalents during the period (A+B+C+D)</b> | <b>(4,646,731 )</b> | <b>3,343,083</b> | <b>49,725</b>          | <b>(425,709 )</b>      | <b>5,307,558</b>       |
| <b>Cash and cash equivalents at the beginning of the period</b>              | <b>6,707,329</b>    | <b>3,364,246</b> | <b>2,010,873</b>       | <b>2,436,582</b>       | <b>1,399,771</b>       |
| <b>Cash and cash equivalents at the end of the period</b>                    | <b>2,060,598</b>    | <b>6,707,329</b> | <b>2,060,598</b>       | <b>2,010,873</b>       | <b>6,707,329</b>       |

**C) Reconciliation of Income as per Indian GAAP and US GAAP(RS. 000):**

| Particulars  | 2006             | 2005             | Dec 31<br>2006    | Sep 30<br>2006    | Dec 31<br>2005 |
|--|------------------|------------------|-------------------|-------------------|----------------|
| <b>Consolidated net income as per Indian GAAP</b>                          | <b>2,447,821</b> | <b>1,987,093</b> | <b>1,495,383</b>  | <b>1,179,608</b>  | <b>179,806</b> |
| Acquisition of entity under common control                                 |                  |                  |                   |                   |                |
| Income taxes   | (133,791 )       | (52,991 )        | (68,311 )         | (2,028 )          | (64,078 )      |
| Fixed assets and depreciation  |                  |                  |                   |                   |                |
| Amortisation of miscellaneous expenditure                                  |                  |                  |                   |                   |                |
| Foreign currency differences   | (153,501 )       | 51,364           | (184,397 )        | (85,115 )         | 27,512         |
| Employee retirement benefits   | 3,895            | (22,082 )        | (159 )            | (12,830 )         | (6,765 )       |
| ESOP related Compensation Cost   | (182,732 )       |                  | (50,825 )         | (42,631 )         |                |
| Short provision for branch profit taxes in earlier years under Indian GAAP |                  |                  |                   |                   |                |
| Provision for decline in fair value of investment                          |                  |                  |                   |                   |                |
| Amortisation of Intangibles , arising on Business acquisition              | (41,176 )        | (32,754 )        | (10,673 )         | (10,933 )         | (2,598 )       |
| Prior period adjustment - Impact of prior period tax estimate              | 765,595          | 746,661          |                   |                   | 519,121        |
| Others   | (21,878 )        | 5,319            | (24,623 )         | 6,646             | 14,393         |
| <b>Total</b>   | <b>236,412</b>   | <b>695,517</b>   | <b>(338,988 )</b> | <b>(146,891 )</b> | <b>487,585</b> |
| <b>Consolidated net income as per US GAAP</b>                              | <b>2,684,233</b> | <b>2,682,610</b> | <b>1,156,395</b>  | <b>1,032,717</b>  | <b>667,391</b> |

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**D1) CONSOLIDATED STATEMENT OF INCOME (RS. 000): BASED ON CONVENIENCE TRANSLATION**

For the quarter / period ended

| Particulars  |                  |                  | Dec 31           | Dec 31           | Sep 30           |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 2006             | 2005             | 2006             | 2005             | 2006             |
| <b>Exchange rate \$1 = INR</b>   | <b>44.11</b>     | <b>44.95</b>     | <b>44.11</b>     | <b>44.95</b>     | <b>45.95</b>     |
| Revenues   | 25,533,112       | 20,242,423       | 6,804,889        | 5,569,395        | 6,970,944        |
| Cost of revenues   | 15,747,265       | 12,499,165       | 4,214,732        | 3,440,830        | 4,343,464        |
| Depreciation   | 581,063          | 468,056          | 172,487          | 128,020          | 142,023          |
| <b>Gross Profit</b>  | <b>9,204,784</b> | <b>7,275,202</b> | <b>2,417,670</b> | <b>2,000,545</b> | <b>2,485,457</b> |
| Sales and marketing expenses   | 1,900,704        | 1,620,836        | 485,012          | 426,386          | 507,174          |
| General and administrative expenses  | 2,963,084        | 2,419,315        | 687,681          | 667,293          | 743,698          |
| Provision for doubtful debts and advances  | 52,536           | (6,832 )         | 16,606           | (10,204 )        | 23,878           |
| Foreign exchange (gain) / loss, net  | 121,211          | 76,107           | 26,034           | 105,228          | 57,988           |
| <b>Operating income</b>  | <b>4,167,249</b> | <b>3,165,777</b> | <b>1,202,337</b> | <b>811,842</b>   | <b>1,152,719</b> |
| Other income / (expense), net  | 549,986          | 190,623          | 197,802          | 27,689           | 135,334          |
| <b>Income before income taxes</b>  | <b>4,717,235</b> | <b>3,356,400</b> | <b>1,400,139</b> | <b>839,531</b>   | <b>1,288,053</b> |
| Income taxes   | 2,103,684        | 620,445          | 265,212          | 178,631          | 264,254          |
| <b>Net income/(loss)</b>   | <b>2,613,551</b> | <b>2,735,955</b> | <b>1,134,927</b> | <b>660,900</b>   | <b>1,023,799</b> |
| <b>Earning per share</b>   |                  |                  |                  |                  |                  |
| - Basic  | 18.94            | 21.76            | 8.21             | 5.17             | 7.42             |
| - Diluted  | 18.82            | 21.47            | 8.14             | 5.09             | 7.37             |
| <b>Weighted average number of common shares used in computing earnings per share</b> |                  |                  |                  |                  |                  |
| - Basic  | 137,957,477      | 125,736,592      | 138,178,492      | 127,710,772      | 137,940,096      |
| - Diluted  | 138,904,860      | 127,457,632      | 139,357,451      | 129,779,529      | 138,861,054      |

**D2) CONSOLIDATED BALANCE SHEET USGAAP (RS. 000): BASED ON CONVENIENCE TRANSLATION**

| Particulars  | As on<br>31-Dec-06 | As on<br>30-Sep-06 | As on<br>31-Dec-05 |
|--|--------------------|--------------------|--------------------|
| <b>Exchange rate \$1 = INR</b>                     | <b>44.11</b>       | <b>45.95</b>       | <b>44.95</b>       |
| <b>Assets</b>                                      |                    |                    |                    |
| Total current assets                               | 19,857,787         | 19,661,180         | 18,626,503         |
| Goodwill   | 1,742,810          | 1,845,905          | 1,258,025          |
| Intangible assets, net                             | 427,313            | 457,193            | 456,605            |
| Property, plant, and equipment, net                | 5,547,178          | 5,036,915          | 3,966,592          |
| Deferred income taxes                              |                    |                    |                    |
| Security deposits with affiliates                  |                    |                    |                    |
| Other assets                                       | 656,174            | 488,804            | 589,456            |
| <b>Total assets</b>                                | <b>28,231,262</b>  | <b>27,489,997</b>  | <b>24,897,181</b>  |
| <b>Liabilities</b>                                 |                    |                    |                    |
| Total current liabilities                          | 5,270,619          | 5,670,691          | 4,643,928          |
| Capital lease obligations excl. installments       | 17,232             | 24,061             | 18,715             |
| Other liabilities                                  | 509,364            | 576,948            | 500,181            |
| Deferred income taxes                              |                    |                    |                    |
| <b>Total liabilities</b>                           | <b>5,797,215</b>   | <b>6,271,700</b>   | <b>5,162,824</b>   |
| Total shareholders equity                          | 22,434,047         | 21,218,296         | 19,734,357         |
| <b>Total liabilities &amp; shareholders equity</b> | <b>28,231,262</b>  | <b>27,489,997</b>  | <b>24,897,181</b>  |

**D3) CONSOLIDATED CASH FLOW STATEMENT USGAAP (RS 000): BASED ON CONVENIENCE TRANSLATION**

| Particulars   | 2006                | 2005                | Dec 31<br>2006      | Sep 30<br>2006    | Dec 31<br>2005    |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|
| <b>Exchange rate \$1 = INR</b>                            | <b>44.11</b>        | <b>44.95</b>        | <b>44.11</b>        | <b>45.95</b>      | <b>44.95</b>      |
| <b>Net cash provided by operating activities</b>          | <b>2,592,344</b>    | <b>3,277,827</b>    | <b>1,406,015</b>    | <b>478,607</b>    | <b>867,874</b>    |
| <b>Net cash used in investing activities</b>              | <b>(6,841,692 )</b> | <b>(5,023,146 )</b> | <b>(1,536,263 )</b> | <b>(797,397 )</b> | <b>(883,555 )</b> |
| Capital expenditure, net                                  | (2,140,979 )        | (2,200,102 )        | (561,583 )          | (592,993 )        | (417,305 )        |
| Investment in securities, net                             | (4,170,457 )        | (2,572,278 )        | (466,385 )          | (204,404 )        | (470,755 )        |
| Investment in subsidiary, net of cash acquired            | (530,256 )          | (250,766 )          | (508,295 )          |                   | 4,505             |
| <b>Net cash provided / (used) in financing activities</b> | <b>(313,441 )</b>   | <b>5,034,951</b>    | <b>49,970</b>       | <b>(49,849 )</b>  | <b>5,298,035</b>  |
| Others  | (17,242 )           | (14,796 )           | (3,912 )            | (4,307 )          | (694 )            |
| Common shares issued, net of expenses                     | 81,500              | 5,343,344           | 53,929              | 8,387             | 5,298,773         |
| Dividend on common shares                                 | (377,699 )          | (293,597 )          | (47 )               | (53,929 )         | (43 )             |
| <b>Net increase / (decrease) in cash and equivalents</b>  | <b>(4,562,790 )</b> | <b>3,289,632</b>    | <b>(80,278 )</b>    | <b>(368,639 )</b> | <b>5,282,355</b>  |
| Effect of exchange rate changes on cash and equivalents   | 49,914              | (67,791 )           | 131,426             | 15,881            | (22,582 )         |
| Cash and equivalents at the beginning of the period       | 6,564,433           | 3,467,600           | 2,000,409           | 2,436,612         | 1,429,668         |
| <b>Cash and equivalents at the end of the period</b>      | <b>2,051,557</b>    | <b>6,689,441</b>    | <b>2,051,557</b>    | <b>2,083,854</b>  | <b>6,689,441</b>  |

**E1 ) REVENUE ANALYSIS**

| <b>Revenue By Geographical Segments</b> | <b>2006</b>  | <b>2005</b>    | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |          |
|---|--------------|----------------|------------------------|------------------------|------------------------|----------|
| United States                           | 80.8         | % 84.8         | % 77.7                 | % 82.1                 | % 84.3                 | %        |
| Europe                                  | 11.6         | % 9.1          | % 15.1                 | % 9.7                  | % 8.8                  | %        |
| Japan                                   | 3.8          | % 4.3          | % 3.0                  | % 3.8                  | % 4.6                  | %        |
| Asia-Pacific (excluding Japan)          | 2.3          | % 0.7          | % 2.8                  | % 2.8                  | % 0.9                  | %        |
| Rest of the world                       | 1.5          | % 1.1          | % 1.4                  | % 1.6                  | % 1.4                  | %        |
| <b>Total</b>                            | <b>100.0</b> | <b>% 100.0</b> | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>%</b> |

| <b>Revenue by Industry Verticals</b> | <b>2006</b>  | <b>2005</b>    | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |          |
|--------------------------------------|--------------|----------------|------------------------|------------------------|------------------------|----------|
| Insurance                            | 23.2         | % 27.7         | % 22.5                 | % 23.2                 | % 25.4                 | %        |
| Manufacturing                        | 21.7         | % 21.9         | % 22.2                 | % 22.5                 | % 20.9                 | %        |
| Financial Services                   | 15.3         | % 16.0         | % 14.3                 | % 15.6                 | % 15.6                 | %        |
| Telecommunications                   | 18.9         | % 15.3         | % 19.4                 | % 17.1                 | % 17.4                 | %        |
| Growth Industries                    | 6.7          | % 6.5          | % 7.3                  | % 6.9                  | % 6.6                  | %        |
| Independent Software Vendors         | 4.1          | % 5.0          | % 4.2                  | % 4.0                  | % 4.5                  | %        |
| Product Engineering Services         | 10.1         | % 7.5          | % 10.2                 | % 10.6                 | % 9.7                  | %        |
| <b>Total</b>                         | <b>100.0</b> | <b>% 100.0</b> | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>%</b> |

| <b>Revenue by Service Offerings</b>   | <b>2006</b>  | <b>2005</b>    | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |          |
|---------------------------------------|--------------|----------------|------------------------|------------------------|------------------------|----------|
| Application Development & Maintenance | 70.8         | % 73.0         | % 70.1                 | % 69.8                 | % 72.6                 | %        |
| Enterprise Application Systems        | 13.2         | % 12.5         | % 13.2                 | % 14.2                 | % 10.3                 | %        |
| Embedded Technology Services          | 9.5          | % 7.4          | % 9.1                  | % 9.7                  | % 9.4                  | %        |
| Enterprise Systems Management         | 4.6          | % 5.3          | % 4.7                  | % 4.6                  | % 5.1                  | %        |
| Others                                | 1.9          | % 1.8          | % 2.8                  | % 1.8                  | % 2.6                  | %        |
| <b>Total</b>                          | <b>100.0</b> | <b>% 100.0</b> | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>%</b> |

| <b>Revenue by Project Type</b>          | <b>2006</b>  | <b>2005</b>    | <b>Dec 31<br/>2006</b> | <b>Sep 30<br/>2006</b> | <b>Dec 31<br/>2005</b> |          |
|---|--------------|----------------|------------------------|------------------------|------------------------|----------|
| Time and Material                       | 64.8         | % 59.5         | % 67.0                 | % 65.1                 | % 60.7                 | %        |
| Fixed Price (including Fixed Price SLA) | 35.2         | % 40.5         | % 33.0                 | % 34.9                 | % 39.3                 | %        |
| <b>Total</b>                            | <b>100.0</b> | <b>% 100.0</b> | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>% 100.0</b>         | <b>%</b> |

**E2) CLIENT- REVENUE METRICS**

|                           | 2006 | 2005   | Dec 31<br>2006 | Sep 30<br>2006 | Dec 31<br>2005 |   |
|---------------------------|------|--------|----------------|----------------|----------------|---|
| <b>Particulates</b>       |      |        |                |                |                |   |
| Top client                | 14.6 | % 22.1 | % 13.5         | % 14.1         | % 17.7         | % |
| Top 5 Clients             | 37.1 | % 46.8 | % 38.0         | % 36.9         | % 42.1         | % |
| Top 10 Clients            | 53.1 | % 59.3 | % 52.2         | % 51.6         | % 56.9         | % |
| <b>Client data</b>        |      |        |                |                |                |   |
| No of \$1 million clients | 74   | 61     | 74             | 71             | 61             |   |
| No of new clients         | 92   | 74     | 22             | 27             | 19             |   |
| No. of active Clients     | 239  | 199    | 239            | 235            | 199            |   |
| % of Repeat Business      | 91.5 | % 91.7 | % 91.8         | % 90.2         | % 89.8         | % |

**E3) EFFORTS AND UTILISATION**

|                    | 2006         | 2005           | Dec 31<br>2006 | Sep 30<br>2006 | Dec 31<br>2005 |          |
|--------------------|--------------|----------------|----------------|----------------|----------------|----------|
| <b>Efforts Mix</b> |              |                |                |                |                |          |
| Onsite efforts     | 33.3         | % 35.4         | % 32.1         | % 33.9         | % 33.6         | %        |
| Offshore efforts   | 66.7         | % 64.6         | % 67.9         | % 66.1         | % 66.4         | %        |
| <b>Total</b>       | <b>100.0</b> | <b>% 100.0</b> | <b>% 100.0</b> | <b>% 100.0</b> | <b>% 100.0</b> | <b>%</b> |

|                    | 2006 | 2005   | Dec 31<br>2006 | Sep 30<br>2006 | Dec 31<br>2005 |   |
|--------------------|------|--------|----------------|----------------|----------------|---|
| <b>Utilisation</b> |      |        |                |                |                |   |
| Utilisation        | 71.4 | % 67.2 | % 73.7         | % 72.3         | % 68.6         | % |

**E4) EMPLOYEE METRICS**

|                               | 2006          | 2005          | Dec 31<br>2006 | Sep 30<br>2006 | Dec 31<br>2005 |   |
|-------------------------------|---------------|---------------|----------------|----------------|----------------|---|
| <b>Total Employees</b>        | <b>12,804</b> | <b>11,802</b> | <b>12,804</b>  | <b>12,428</b>  | <b>11,802</b>  |   |
| Offshore                      | 10,009        | 9,221         | 10,009         | 9,648          | 9,221          |   |
| Onsite                        | 2,795         | 2,581         | 2,795          | 2,780          | 2,581          |   |
| <b>Total</b>                  | <b>12,804</b> | <b>11,802</b> | <b>12,804</b>  | <b>12,428</b>  | <b>11,802</b>  |   |
| Sales & Support Staff         | 1,251         | 1,172         | 1,251          | 1,278          | 1,172          |   |
| Net Additions                 | 1,002         | 2,141         | 376            | (180)          | 546            |   |
| Attrition (LTM) excluding BPO | 27.4          | % 18.6        | % 27.4         | % 24.5         | % 18.6         | % |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PATNI COMPUTER SYSTEMS LIMITED

Dated: February 8, 2007

By: /s/ ARUN KANAKAL  
Arun Kanakal  
*Company Secretary*