# **ANNUAL REPORT** 2003-2004



### Our Vision is to build a global IT consulting organisation of first choice

Our mission is to become a USD100 Million company with a profitability in the top 20 percentile by 2006-7. To achieve this mission, we will-

> Become the vendor of first choice for at least five of our top ten global customers and provide best value for money to all our customers

Become leaders in at least two focus areas and build capabilities and services to move up the value chain

Create the right conditions to allow us to collaborate

Create the right conditions, wherever we operate, to attract and retain professionals who are capable of supporting our vision and mission

Be known for social contributions to the communities we operate in

Designed & Illustrated by Falguni Gokhale www.designdirections.net

### The customer and us

Our customers operate in an environment of continuous change. The markets in which they operate are very dynamic and competitive. Information Technology, which is a key element in the success of our clients, is in a state of perpetual flux.

Under these conditions of continuous change, our customers need a companion who can bring in an element of continuity.

#### We aim to be that element of continuity.

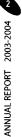
Our goal is to be a partner to our customers. A partner who is knowledgeable and reliable, a partner who is committed and responsive, a partner on whom they can rely.

Our Vision and Mission are grounded in this philosophy of creating partnerships. Our business strategy and organizational structure are designed to build this relationship. Our service offerings are aimed at nurturing this relationship. We take strategic initiatives that are designed to strengthen our client relationships as well as service offerings. We promote employee practices that are designed to provide continuity for our customers.

Our customer relationships are our most valued asset.

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## **Financial Highlights**

	Financial performance at a glance				Consolidated results			
Particulars	2003-2004 USD Rs. Million Million		<b>2002-2003</b> USD Rs. Million Million		<b>2003-2004</b> USD Rs. Million Million		<b>2002-2003</b> USD Rs. Million Million	
Statement of Profit & Loss Account Sales & Income Total Expenses	27.18 23.35	1,245.11 1,069.70	15.16 12.91	727.27 619.38	27.72 23.45	1,269.98 1,074.32	15.96 13.86	765.64 664.71
<b>Profit before Interest</b> <b>&amp; Depreciation</b> Interest & Financial Charges Depreciation	<b>3.83</b> 0.33 0.62	175.42 15.02 28.19	<b>2.25</b> 0.38 0.31	<b>107.89</b> 18.38 14.73	<b>4.27</b> 0.36 0.63	<b>195.66</b> 16.32 28.91	<b>2.10</b> 0.43 0.34	<b>100.93</b> 20.52 16.17
Profit / (Loss) before Tax	2.89	132.20	1.56	74.79	3.28	150.42	1.34	64.23
Provision for Tax (incl. Deferred tax)	0.14	6.19	0.12	5.71	0.14	6.19	0.12	5.71
Profit / (Loss) after Tax	2.75	126.01	1.44	69.08	3,15	144.23	1.22	58.52
Prior Year Expenses	.en	0	0.02	1.13	*	÷	0.02	1.13
Profit Available for Appropriation	2.75	126.01	1.42	67.94	3.15	144.23	1.20	57.39
Appropriations								
Dividend Corporate Dividend Tax Transfer to General Reserve Balance carried to Balance Sheet	0.26 0.03 0.21 2.25	11.74 1.50 9.50 103.26	0.21 0.03 0.11 1.07	10.27 1.32 5.10 51.25	0.26 0.03 0.21 2.65	11.74 1.50 9.50 121.49	0.21 0.03 0.11 0.85	10.27 1.32 5.10 40.71
Sources & Application of Funds								
Sources of Funds								
Share Capital Reserves & Surplus	1.70 8.72	78.01 399.43	1.63 6.11	78.01 293.16	1.70 6.53	78.01 299.07	1.63 3.63	78.01 174.03
Shareholders' Funds	10.42	477.43	7.74	371.17	8.23	377.08	5.26	252.04
Secured Loans	5.81	266.08	1.55	74.21	5.81	266.08	1.55	74.21
Deferred Tax Liability	0.14	6.51	-	-	0,14	6.51	-	-
Total	16.37	750.02	9.29	445.38	14.18	649.67	6.80	326.25
Application of Funds								
Net Fixed Assets Capital Work in Progress Investments Net Current Assets	3.00 0.59 2.88 9.91	137.36 26.92 131.71 454.02	2.07 2.74 4.48	99.15 131.26 214.97	3.04 0.59 0.00 10.55	139.37 26.92 0.11 483.27	2.12 - 0.00 4.68	101.77 - 0.11 224.37
Total	16.37	750.02	9.29	445.38	14.18	649.67	6.80	326.25

### **Board and Management**

**S. B. (Ravi) Pandit** Chairman and Group CEO

Ajay Bhagwat Director

Anand Khandekar Director

**Dr. Naushad Forbes** Director

Sudheer Tilloo Director

Nasser Munjee Director

Anant Talaulicar Additional Director

Steven Spaulding
Director

Gail Farnsley Director

Shrikrishna Patwardhan Director (Technology)

**Kishor Patil** CEO & Managing Director

> Bhushan Gokhale Company Secretary

#### Auditors

Delotte Haskins & Sells Charted Accountant No.5 ,The Landmark 42 Aundh Road Khadki, Pune 411003,India

**Bankers** HDFC Bank State Bank of India Export Import Bank of India Board Committees Remuneration / Compensation Committee

Sudheer Tilloo Committee Chairman

Anand Khandekar Member

Anant Talaulicar Member

S.B. (Ravi) Pandit Member

#### **Audit Committee**

Dr. Naushad Forbes Committee Chairman

Nasser Munjee Member

Sudheer Tilloo Member

Gail Farnsley / Anant Talaulicar Member

#### Shareholders' / Investors' Grievance Committee

Ajay Bhagwat Committee Chairman

Kishor Patil Member

Dr. Naushad Forbes Member

#### **Share Transfer Committee**

S. B. (Ravi) Pandit Committee Chairman

Kishor Patil Member

Shrikrishna Patwardhan Member

#### **Management Team**

Anand Kumar Head - R & D

Anil Kulkarni Vice President & Head - Operation

Anil Patwardhan General Manager Finance

Anup Sable Head - Automotive

Ganesh Sanker General Manager Organisation Development

Hemant Gandhi Executive Vice President Business Development

Myles O'Connor Account Director Cummins Inc.

Nitin Tarte President Panex Consulting Inc

Pankaj Sathe Director Projects & Services KPIT UK

Prabhakar Bendre Head - Manufacturing

Prabodh Teredesai Head - New Geographies

Pravin Acharya Head - VLSI

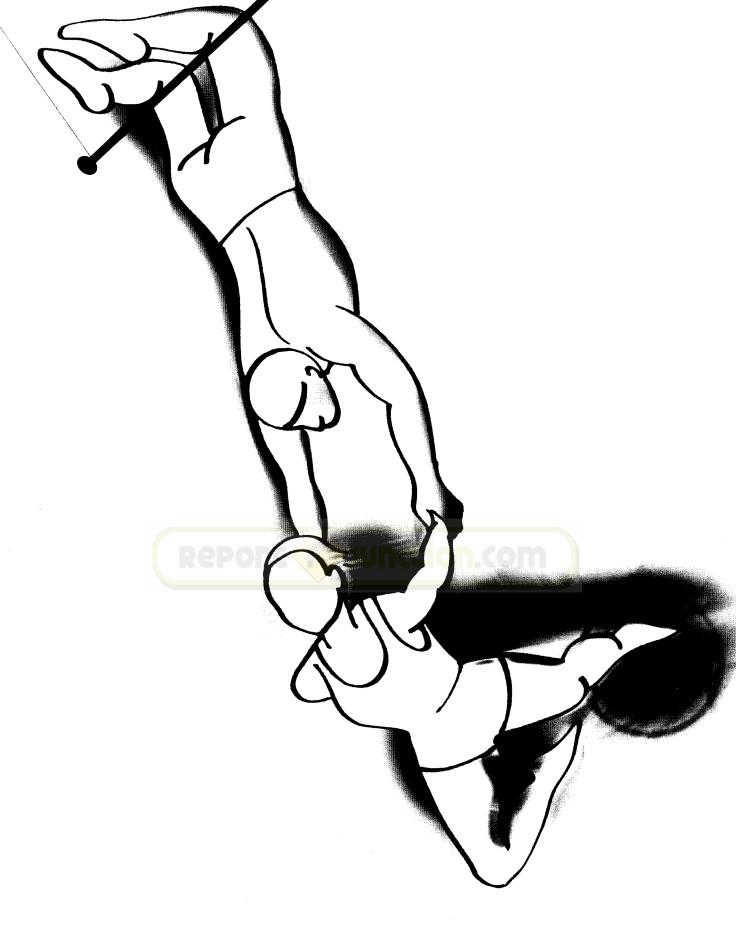
Rohini Barve Senior Manager Quality Management

Sachin Tikekar Chief Operating Officer KPIT US

Satish Ranade Head - BFSI

Shrikant Kulkarni Vice President Corporate Services

Vikas Pradhan Head - Corporate Marketing



# responsive responsible trustworthy

# O Letter from Chairman and Group CEO

Dear Fellow Shareholders,

I would like to congratulate you for an excellent year 2003-04, which was a year of progress on many dimensions.

We increased our revenues from Rs.762.6 Million (USD 15.9 Million) in the year 2002-03 to Rs.1270 Million (USD 27.72 Million) on a consolidated basis in the year 2003-04 (growth of 67%). Our profit increased from Rs.57.4 Million (USD 1.2 Million) to Rs.144.2 Million (USD 3.15 Million), showing 151% growth.

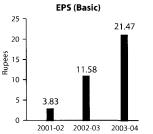


We were ranked 6th by Dataquest magazine amongst

the fastest growing software companies in India. We sharpened our focus on key verticals and key clients. We enhanced our geographies. We increased our offerings and practices. We significantly enhanced our footprint in Embedded Technologies. We enhanced our processes and got SEI CMM Level 5 certification. We added 450 employees since the beginning of last year till today: almost all of them were recruitments at middle or senior levels. We started construction of our new facility at Hinjewadi.

Our investor relation activity picked up. Many research analysts now track our stock. More than 15 funds have invested in our company and institutional investment has grown over 0.5% last year to 17% as of now. Our return on net worth increased from 15.46% to 30.20%, placing us amongst the top 10 percentile of listed software services companies.

Our share prices reflected all these happenings.



All in all, it was a satisfying year.

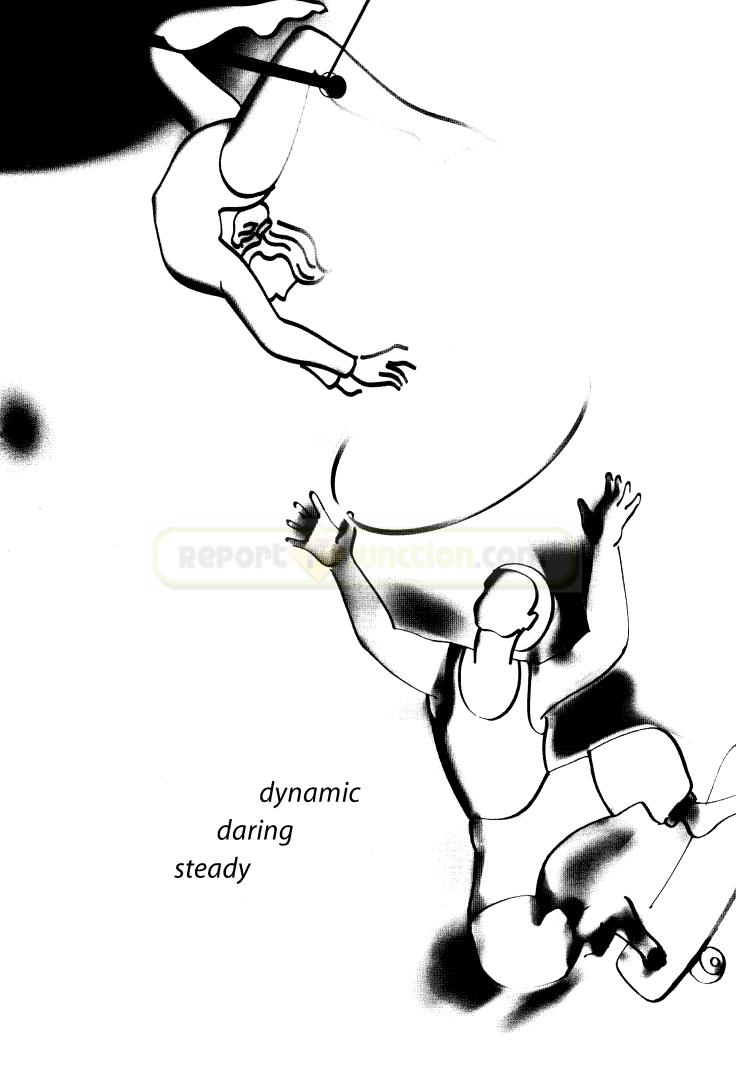
#### How do we look at the year ahead and the years to come?

I would like to share with you my thoughts in this regard. In particular, let me speak about the current industry trends, our opportunities and challenges and actions that we are planning for the years to come.

Globally, the demand for IT services has begun to pick up. The growth in the US economy, the turn-around in the Japanese economy and the consequent beneficial impact on the rest of the world economy augurs well for the IT sector. We do see general increase in demand. The IT budgets, so far held back, are being released. Demand for new technologies and new applications is also evident. The acceptance of internet and e-commerce has grown much beyond the earlier so-called "wild" forecasts. The benefits of IT-led productivity are being felt by all. The usage of embedded software is growing in many application areas. The new requirements for better corporate governance and stringent security considerations are creating a demand for IT solutions. There is higher investment in Business Intelligence software. All these trends spell growth for IT services. Research reports from various consulting and market research agencies also predict sustained growth.

So certainly there are many opportunities.

But there are also many challenges. The media reports talk about growing resentment against offshoring. The unfavourable trend in the rupee-dollar parity points towards reduction in profitability or pressure on business opportunities. There is also a potential threat from emerging service providers from Eastern Europe, Russia and the Far East. And finally, there is a



threat that customers may choose to work only with large vendors and consequently midsized companies like ours might get squeezed out. These are some of the challenges that we face.

#### How do we want to address these challenges?

We believe that in the short term, the media backlash will subside as developed economies gather steam. We believe, however, that in the long run, we need to become global companies with delivery centers in many countries, rather than be Indian companies with local offices in other countries. We need to integrate within every market in which we operate. Surely, this will put pressure on our cost structure but we need to enhance our productivity in such a way that our customer value proposition is attractive irrespective of where the delivery is made from.

The unfavourable movements in rupee-dollar parity as well as the threats from emerging countries in Europe and the Far East are the challenges which can only be addressed through high productivity. We are increasing our productivity through sharp focus on our verticals and on our key clients. We are also increasing our productivity by investment in technologies and through knowledge management.

We are addressing the threats of vendor consolidation by increasing our customer interface and by adding practice areas which are relevant to our customers. We are also rapidly expanding in order to achieve the necessary size. We are actively pursuing organic as well as inorganic growth. As you know, twice during the last two years, we have executed strategic transactions. Both these transactions have proved beneficial to us. We have now built a framework for selecting an appropriate partner and we have also built a framework for integrating the operations post-merger.

I believe that growth through inorganic means would be an important part of our strategy. I would like to share with you our thought-process in this regard.

Our core business strategy is to focus. We focus on two verticals. We focus on our customers. We build special offerings/practices, which help us address the full spectrum of needs of our verticals and our customers. Our strategy for inorganic growth is aligned with the strategy of focus. Every strategic initiative that we have taken is in the context of this strategic focus. We define this as "Strategic Fit". Secondly, all the acquisitions that we undertake are essentially in the nature of "Mergers". We don't acquire companies, we get partners. Every strategic transaction is intended to add to our offerings and our team. This necessarily means that the people who join us through such acquisitions have to be culturally aligned with us. Both of us need to be convinced that we "want" to work together for many years to come. We, therefore, look for "a cultural fit". Finally, we look for "a financial fit". We use our own guidelines regarding Return on Investment that we need. The purpose of our acquisition is never to just add to our top line but to ensure that there is a sound financial justification for the merger. We invest time in the pre-acquisition phase and we invest even greater time in the post-acquisition phase. We believe that the real test of the acquisition lies in making sure that the two companies post-merger create more value then the total of the values created by the two companies individually before the merger. This, to a large extent, depends on the successful integration. We invest time in this.

Our vision is to build a global IT consulting organization, which will be the first choice of its customers, employees and shareholders. We believe that we are putting in place a good business model, a good set of values and an excellent team.

We look forward to sharing a bright future with you.

Warm Regards,

Ravi Pandit Chairman & Group CEO

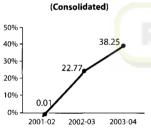


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**Return on Shareholders' Funds**