SHAPE OF THINGS TO COME

Annual Report 2005 - 2006

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KPIT Cummins
Infosystems Limited

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In times of change,
learners inherit the Earth,
while the learned find themselves
beautifully equipped to deal with a
world that no longer exists.

Eric Hoffer

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SHAPE OF THINGS TO COME

Rapid changes in technology and global business environment make IT industry very dynamic.

Indian IT industry is at a critical point of inflection. Strategies and business models which made sense in the past may not be relevant in the future. It is important, therefore, to try to look into the future and to be prepared for the changing environment.

In this report we take a peek into the future and try to catch a glimpse of the shape of things to come.

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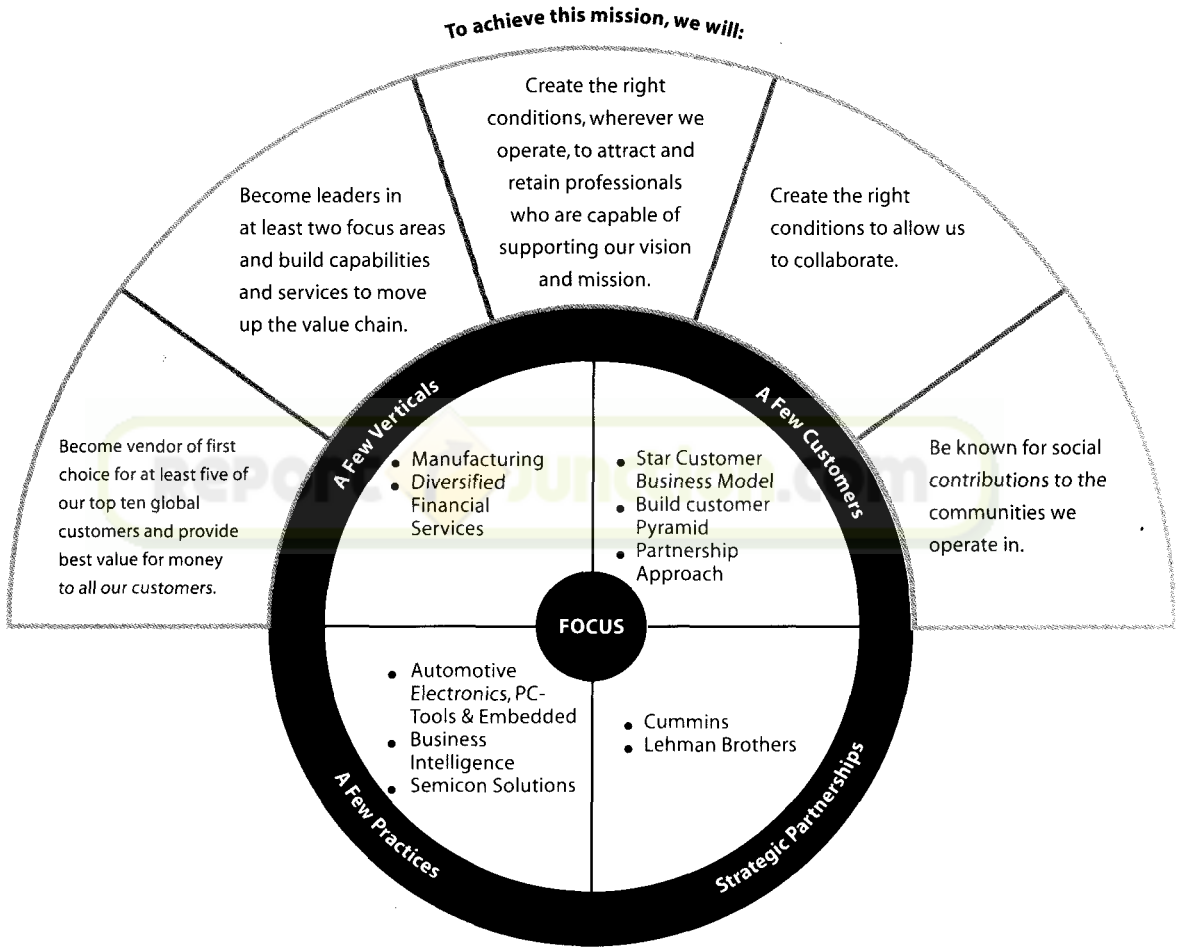
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VISION

To build a global IT consulting organization of first choice.

MISSION

USD 100 Million company with a profitability in the top 20 percentile by 2006-2007.



This mission was articulated 4 yeas back when KPIT was approximately US $ 12 Million.

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Financial Highlights

Particulars	Consolidated Results							
	2005-2006		2004-2005		2003-2004		2002-2003	
	USD Million	Rupees Million	USD Million	Rupees Million	USD Million	Rupees Million	USD Million	Rupees Million
INCOME STATEMENT								
Total Sales and Income	72.93	3,182.15	56.57	2,524.53	27.72	1,269.95	15.91	763.07
Total Expenses	62.35	2,720.23	49.12	2,192.16	23.45	1,074.32	13.86	664.71
PBDIT	**10.59**	**461.92**	**7.45**	**332.37**	**4.27**	**195.63**	**2.05**	**98.36**
Interest and Financial Expenses	0.44	19.18	0.21	9.43	0.36	16.32	0.43	20.52
Depreciation	1.93	84.22	0.72	32.07	0.63	28.91	0.34	16.17
Other Income	0.00	0.13	0.06	2.86	0.00	0.03	0.05	2.57
Profit /(Loss) before Tax (PBT)	**8.22**	**358.65**	**6.58**	**293.74**	**3.28**	**150.42**	**1.34**	**64.23**
Provision for Tax (incl. Deferred tax)	0.76	32.98	0.29	12.90	0.14	6.19	0.12	5.71
Profit /(Loss) after Tax (PAT)	**7.46**	**325.67**	6.29	**280.83**	**3.15**	**144.23**	**1.22**	**58.52**
Prior Year Expenses	-	-	(0.07)	(3.12)	-	-	0.02	1.13
Minority Interest	(0.00)	(0.03)	-	-	-	-	-	-
Profit Available for appropriation	**7.46**	**325.64**	**6.36**	**283.95**	**3.15**	**144.23**	**1.20**	**57.39**
BALANCE SHEET								
Sources of Funds								
Share Capital	1.63	72.80	1.61	70.45	1.28	58.68	1.22	58.68
Reserves and Surplus	30.11	1,344.57	22.67	990.85	6.95	318.40	4.03	193.36
Shareholders' Funds	**31.74**	**1,417.37**	**24.29**	**1,061.30**	**8.23**	**377.08**	**5.26**	**252.04**
Secured Loans	18.72	835.82	8.24	360.23	5.69	260.85	1.44	69.03
Unsecured Loans	0.88	39.29	0.22	9.40	0.11	5.23	0.11	5.18
Deferred Tax Liability	0.17	7.75	0.13	5.53	0.14	6.51	-	-
Total	**51.60**	**2,304.61**	**32.87**	**1,436.47**	**14.18**	**649.67**	**6.80**	**326.25**
APPLICATION OF FUNDS								
Net Fixed Assets	15.07	672.95	11.54	504.27	3.04	139.37	2.12	101.77
Capital Work in Progress	6.28	280.60	0.76	33.27	0.59	26.92	-	-
Investments	0.00	0.11	0.00	0.11	0.00	0.11	0.00	0.11
Net Current Assets	30.25	1,350.95	20.57	898.82	10.55	483.27	4.68	224.37
Total	**51.60**	**2,304.61**	**32.87**	**1,436.47**	**14.18**	**649.67**	**6.80**	**326.25**
KEY RATIOS								
PBDIT / Sales		14.52%		13.17%		15.40%		12.89%
PBIT / Sales		11.87%		11.90%		13.13%		10.77%
PAT / Sales		10.23%		11.25%		11.36%		7.52%
Return on Average Networth (ROANW)		26.27%		39.48%		45.85%		29.11%
Return on Average Capital Employed (ROACE)		17.22%		24.25%		27.85%		24.41%
Debt / Equity		0.62		0.35		0.71		0.29
Cash & Equivalents / Total Assets		0.18		0.38		0.29		0.21

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Board & Management

Board of Directors

S B (Ravi) Pandit
Chairman and Group CEO

Ajay Bhagwat
Director

Anand Khandekar
Director
(Resigned with effect from April 27, 2006)

Dr. Naushad Forbes
Director

Dr. Vijay Kelkar
Director
(Appointed with effect from March 14, 2006)

Sudheer Tilloo
Director

Gail F. Farnsley
Director

Steven A. Spaulding
Director

Anant J. Talaulicar
Director

Floyd Rutan
Alternate Director

Steven M. Chapman
Alternate Director

Ron Lannan
Alternate Director

Shrikrishna M. Patwardhan
Director - Technology

Girish Wardadkar
President and Executive Director

Kishor Patil
CEO and Managing Director



Puneet Bansal
Company Secretary

Auditors
Deloitte Haskins & Sells
Chartered Accountants
5 ,The Landmark, Rangehills
42, Aundh Road
Khadki, Pune 411020, India

Financial Institutions
HDFC Bank Limited
State Bank of India
ABN-AMRO Bank N.V.
The Hongkong and Shanghai
Banking Corporation Ltd.
International Finance
Corporation,Washington

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Board Committees

Audit Committee

Dr. Naushad Forbes
Chairman

Gail Farnsley
Member

Sudheer Tilloo
Member

Anant Talaulicar
Member

Shareholders' / Investors' Grievance Committee

Ajay Bhagwat
Chairman

S. B. (Ravi) Pandit
Member

Kishor Patil
Member

Remuneration / Compensation Committee

Anand Khandekar
Chairman

Ajay Bhagwat
Member

Floyd Rutan
Member

Steven Chapman
Member

Operations Review Committee

Sudheer Tilloo
Chairman

Steven Spaulding
Member

Ajay Bhagwat
Member

Ron Lannan
Member

Share Transfer Committee

S B (Ravi) Pandit
Chairman

Shrikrishna Patwardhan
Member

Kishor Patil
Member

Management Team

Anil Kulkarni
Sr. Vice President
Learning Organisation

Anil Patwardhan
Vice President
Finance

Anup Sable
Vice President
ATS-Tools & Embedded

Hemant Gandhi
Executive Vice President
Business Development

Hiroshi Okuzaki
Head - Japan

Jean Yves Grisi
CEO - KPIT France

Myles O'Connor
Account Director - UK

Nitin Tarte
President - Panex KPIT

Pankaj Sathe
Director
Business Development, Europe

Pawan Sharma
President
KPIT Cummins GBS
& Head - DFS

Prabhakar Bendre
Senior Vice President
Manufacturing LOB

Pravin Acharya
Vice President
Semiconductor Solutions Group

Pravin Mulay
Chief Risk Officer

Probodh Chiplunkar
Executive Vice President & General Manager
Business Intelligence

Pushpahas Joshi
Head
Corporate Marketing

Rohan Sohoni
Head
Business Development, Asia Pacific

Sachin Tikekar
Chief Operating Officer - KPIT US

Sanjay Mandal
Managing Director
KPIT GmbH, Germany

Sanjay Sinha
Head
Business Development & Investor Relations

Satish Ranade
General Manager
DFS

Shrikant Kulkarni
Senior Vice President
Corporate Services

Uma Thomas
General Manager
Process Excellence Group

Shaunak Ashtaputre
Head – Bid & Win

Ram Ramakrishnan
Head
Facilities & Logistics Management

Shekhar Sonsale
Commercial Leader

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BPO IT converge

The customer wants processed information, delivered when she wants it, where she wants it and in the form in which she wants it. The technology and the processes used in the generation of that information are only incidental from the customer's perspective. The future, therefore, lies in convergence of IT and transaction processing. Business Processing Services will provide a stronger engine for growth in the future for Indian IT companies.

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Letter from the Chairman and the Managing Director

Dear Fellow Shareholders,

Last year was a year of mixed achievements.

After rapid growth of three years, our growth slowed down last year. For FY06, total revenues were Rs. 3,182.15 Million and net profit was Rs.325.64 Million. Compared to FY05, our revenues grew by 26% and net profits grew by 16%. While our operating margins actually improved, the net margin reduced as a result of additional outlay on facilities. This was certainly not a good performance if we compare it with our performance in the three earlier years where our CAGR during FY03-FY05 was 87%.

Last year was a year of paradigm shift for us. The customers who had brought us growth in the earlier years did not bring us growth. In some cases, this was a

BIPTO BIPTO BIPTO BIPTO

Building on the strength of our Accounting and Consulting heritage, we have begun offering High-End Business Solutions to our customers. Our knowledge of Applications and Processes are adding value to our IT development abilities. We are now in the process of building integrated offerings, in both IT and transaction processing, for our customers.

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