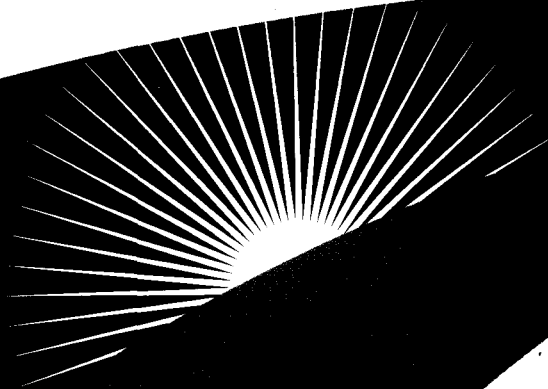




**KPIT Cummins  
Infosystems Limited**



# **Keeping Promises**

**ANNUAL REPORT 2006-2007**



## **Vision**

To build a global  
IT consulting organization  
of first choice.

## **Mission**

US\$ 250 Million company  
with a profits of US\$ 40 Million  
by 2009-2010.



## KPIT Cummins Infosystems Limited

Last financial year we achieved our first milestone which was set five years ago.

In this Annual Report, we look at our journey over the last five years. We track how we have evolved in our customer relations, our offerings and our leadership areas, our employees and our people initiatives, our strategic alliances, and our community initiatives.



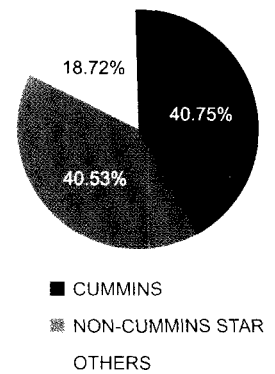
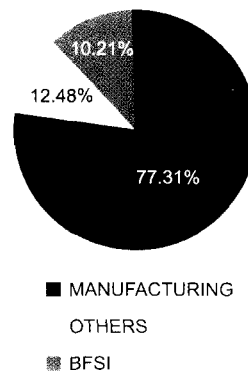
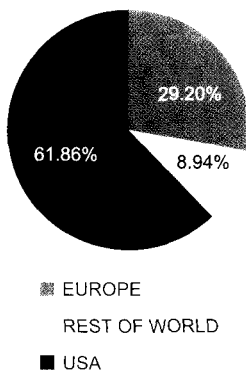
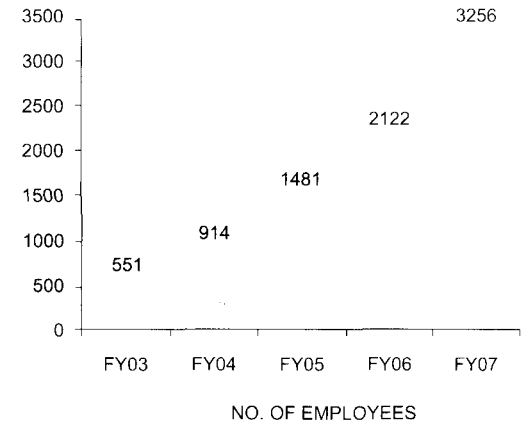
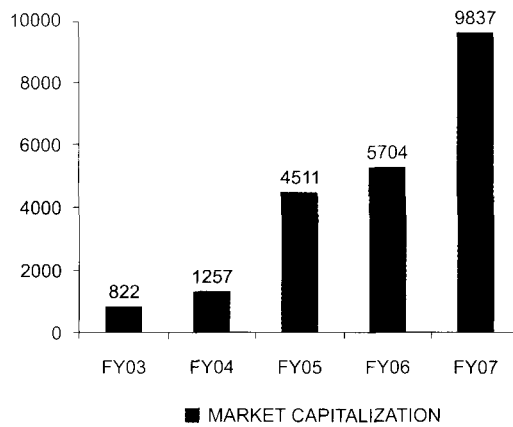
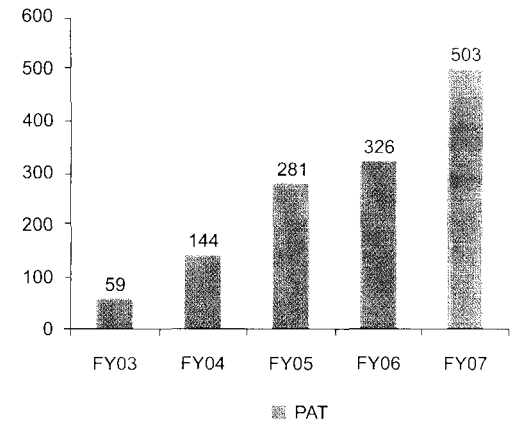
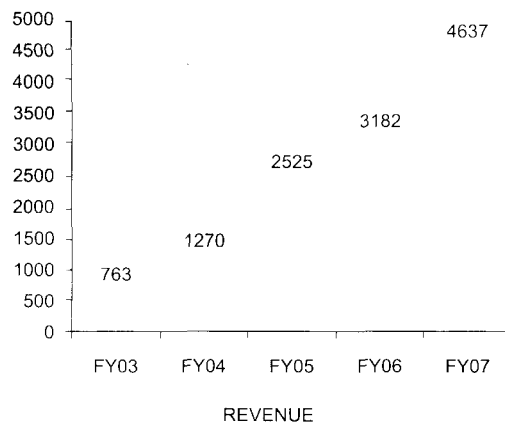
# Contents

Financial Highlights	4
Board and Management	6
Letter from the Chairman and the Managing Director	8
Letter from the President and Executive Director	12
Management discussion and Analysis	17
Community Initiatives	52
Directors' Report	54
Auditors' Certificate on Corporate Governance	64
Report on Corporate Governance	65
Additional Shareholder Information	83
Standalone Financial Statements	93
Consolidated Financial Statements	125
Consolidated Financial Statements of Subsidiaries	151

## Financial Highlights

Particulars	2006-2007		2005-2006		2004-2005		2003-2004		2002-2003	
	US\$ Million	Rupees Million	US\$ Million	Rupees Million	US\$ Million	Rupees Million	US\$ Million	Rupees Million	US\$ Million	Rupees Million
<b>INCOME STATEMENT</b>										
Total Sales and Income	102.52	4,637.02	72.93	3,182.15	56.57	2,524.53	27.72	1,269.95	15.91	763.07
Total Expenses	86.87	3,929.22	62.35	2,720.23	49.12	2,192.16	23.45	1,074.32	13.86	664.71
<b>PBDIT</b>	<b>15.65</b>	<b>707.80</b>	<b>10.59</b>	<b>461.92</b>	<b>7.45</b>	<b>332.37</b>	<b>4.27</b>	<b>195.63</b>	<b>2.05</b>	<b>98.36</b>
Interest and Financial Expenses	0.99	44.64	0.44	19.18	0.21	9.43	0.36	16.32	0.43	20.52
Depreciation	2.68	121.21	1.93	84.22	0.72	32.07	0.63	28.91	0.34	16.17
Other Income	0.29	12.90	-	0.13	0.06	2.86	-	0.03	0.05	2.57
<b>Profit/(Loss) before Tax (PBT)</b>	<b>12.27</b>	<b>554.85</b>	<b>8.22</b>	<b>358.65</b>	<b>6.58</b>	<b>293.74</b>	<b>3.28</b>	<b>150.42</b>	<b>1.34</b>	<b>64.23</b>
Provision for Tax (incl. Deferred tax)	1.14	51.75	0.76	32.98	0.29	12.90	0.14	6.19	0.12	5.71
<b>Profit/(Loss) after Tax (PAT)</b>	<b>11.13</b>	<b>503.10</b>	<b>7.46</b>	<b>325.67</b>	<b>6.29</b>	<b>280.83</b>	<b>3.15</b>	<b>144.23</b>	<b>1.22</b>	<b>58.52</b>
Prior Year Expenses	-	-	-	-	(0.07)	(3.12)	-	-	0.02	1.13
Minority Interest	0.04	1.66	0.00	(0.03)	-	-	-	-	-	-
<b>Profit Available for appropriation</b>	<b>11.17</b>	<b>504.76</b>	<b>7.46</b>	<b>325.64</b>	<b>6.36</b>	<b>283.95</b>	<b>3.15</b>	<b>144.23</b>	<b>1.20</b>	<b>57.39</b>
<b>BALANCE SHEET</b>										
<b>Sources of Funds</b>										
Share Capital	3.43	149.55	1.63	72.80	1.61	70.45	1.28	58.68	1.22	58.68
Reserves and Surplus	42.33	1,845.32	30.11	1,344.57	22.67	990.85	6.95	318.40	4.03	193.36
<b>Shareholders Funds</b>	<b>45.76</b>	<b>1,994.87</b>	<b>31.74</b>	<b>1,417.37</b>	<b>24.29</b>	<b>1,061.30</b>	<b>8.23</b>	<b>377.08</b>	<b>5.26</b>	<b>252.04</b>
Secured Loans	27.92	1,217.15	18.72	835.82	8.24	360.23	5.69	260.85	1.44	69.03
Unsecured Loans	0.13	5.80	0.88	39.29	0.22	9.40	0.11	5.23	0.11	5.18
Deferred Tax Liability	0.25	10.22	0.17	7.75	0.13	5.53	0.14	6.51	-	-
<b>Total</b>	<b>74.06</b>	<b>3,228.04</b>	<b>51.60</b>	<b>2,304.61</b>	<b>32.87</b>	<b>1,436.47</b>	<b>14.18</b>	<b>649.67</b>	<b>6.80</b>	<b>326.25</b>
<b>APPLICATION OF FUNDS</b>										
Net Fixed Assets	36.50	1,590.87	15.07	672.95	11.54	504.27	3.04	139.37	2.12	101.77
Capital Work in Progress	4.16	181.28	6.28	280.60	0.76	33.27	0.59	26.92	-	-
Investments	1.12	48.81	-	0.11	-	0.11	-	0.11	-	0.11
Net Current Assets	32.28	1,407.08	30.25	1,350.95	20.57	898.82	10.55	483.27	4.68	224.37
<b>Total</b>	<b>74.06</b>	<b>3,228.04</b>	<b>51.60</b>	<b>2,304.61</b>	<b>32.87</b>	<b>1,436.47</b>	<b>14.18</b>	<b>649.67</b>	<b>6.80</b>	<b>326.25</b>
<b>KEY RATIOS</b>										
PBDIT/Sales		15.26%		14.52%		13.17%		15.40%		12.89%
PBIT/Sales		12.93%		11.87%		11.90%		13.13%		10.77%
PAT/Sales		10.89%		10.23%		11.25%		11.36%		7.52%
Return on Average Network (ROANW)		29.59%		26.27%		39.48%		45.85%		29.11%
Return on Average Capital Employed (ROACE)		18.25%		17.22%		24.25%		27.85%		24.41%
Debt/Equity		0.62		0.62		0.35		0.71		0.29
Cash & Equivalents/Total Assets		0.19		0.18		0.38		0.29		0.21

(Rs. in Millions)





**KPIT Cummins  
Infosystems Limited**

**Board of Directors**

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

**Ajay Bhagwat**  
Director

**Amit Kalyani**  
Director  
(Appointed with effect from 30th May 2006)

**Anant Talaulicar**  
Director

**Gail Farnsley**  
Director

**Dr. Naushad Forbes**  
Director  
(Resigned with effect from 26th April 2007)

## Board & management

**Srikant Datar**  
Director  
(Appointed with effect from 26th March 2007)

**Steven Spaulding**  
Director

**Sudheer Tilloo**  
Director

**Dr. Vijay Kelkar**  
Director

**Floyd Rutan**  
Alternate Director

**Ron Lannan**  
Alternate Director

**Steven Chapman**  
Alternate Director

**Shrikrishna 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  
706, "B" wing, 7th Floor,  
ICC Trade Tower,  
International Convention Centre,  
Senapati Bapat Road, Pune - 411 016

### Financial Institutions

ABN Amro Bank N.V.  
Citi Bank NA  
HDFC Bank Ltd  
International Finance Corporation, Washington  
State Bank of India  
The HongKong and Shanghai Banking Corp Ltd.

**Audit Committee**

Dr. Naushad Forbes  
Chairman  
(Resigned with effect from 26th April 2007)

Anant Talaulicar  
Member

Gail Farnsley  
Member

Sudheer Tilloo  
Member

Dr. Vijay Kelkar  
Member  
(Appointed as Chairman with effect from  
26th April 2007)

**Shareholders' / Investors' Grievance Committee**

Ajay Bhagwat  
Chairman

Kishor Patil  
Member

S.B. (Ravi) Pandit  
Member

**HR & Compensation (Remuneration) Committee**

Amit Kalyani  
Chairman

Ajay Bhagwat  
Member

Floyd Rutan  
Member

Steven Chapman  
Member

**Operations Review Committee**

Sudheer Tilloo  
Chairman

Ajay Bhagwat  
Member

Ron Lannan  
Member

Steven Spaulding  
Member

**Share Transfer Committee**

S.B. (Ravi) Pandit  
Chairman

Kishor Patil  
Member

Shrikrishna Patwardhan  
Member

**MANAGEMENT TEAM**

Anil Patwardhan  
Vice President  
Finance

Anup Sable  
Vice President  
ATS Tools and Embedded

Hemant Gandhi  
Executive Vice-President  
Business Development  
(Resigned with effect from 1st February 2007)

Hiroshi Okuzaki  
Head Japan

Jean Yves Grisi  
CEO - KPIT France

Kanwar Singh  
Vice President  
USA Marketing

Myles O'Connor  
Account Director - UK

Nitin Tarte  
President - KPIT Panex  
(Resigned with effect from 31st March 2007)

Pankaj Sathé  
Director  
Business Development, Europe

Pawan Sharma  
President  
KPIT Cummins GBS and Head - DFS

Prabhakar Bendre  
Sr. Vice President  
Manufacturing LoB

Praveen Acharya  
Vice President  
Semiconductor Solutions LoB

Pravin Mulay  
Chief Risk Officer

Probodh Chiplunkar  
Executive Vice President  
and General Manager  
Business Intelligence LoB

Pushpahas Joshi  
Associate Vice President  
Corporate Marketing & Bidwin

Rajneesh Kalawant  
Director  
Poland Operations

Rohan Sohoni  
Head Business Development  
Asia Pacific

Sachin Tikekar  
Chief Operating Officer  
KPIT US

Sanjay Mandal  
Managing Director  
KPIT Germany GmbH, Germany

Sanjay Sinha  
Head Business Development  
and Investor Relations

Shekhar Sonsale  
General Manager - Commercial

Shriharsh Ghate  
Vice President

Shrikant Kulkarni  
Sr. Vice President  
Corporate Services

Uma Thomas  
Associate VP  
PEG

Dr. Vinay Vaidya  
Vice President  
Business & Technology Solutions



## From the chairman and managing director

Dear Fellow Shareholders,

### **1. A milestone reached**

The year 2006-2007 was an important year for us.

Way back in 2002 when we were a small company with revenue in the region of US\$ 10 Million, we defined our vision and our mission. We laid down our vision of becoming an IT company of first choice for our customers, employees and shareholders. We laid down a mission of customer closeness, employee relationships, community participation and approach of partnership. We said, by the year 2006-2007, we will hit revenue of US\$ 100 Million with profitability in the top 20 percentile of the industry.

Last year was momentous because it was the year of fulfilling the promise, of achieving our dream and of accomplishing a mission. I am happy to say that our revenue crossed the US\$ 100 Million milestone.

While we hit our quantitative goals, we have changed in a number of ways.

Here is how we have changed:

#### Customers

From fewer than 10 customers 5 years ago, our current customer base is now around 90. The base includes fortune 500 customers, many of them leaders in their own industries, 12 of the top Auto OEMs, 29 of the Tier I and II vendors in the Automotive industry, 6 of the world's top 20 Semiconductor companies, and some of world's leading companies in manufacturing and financial services industries. We are proud of our customers and we strive harder to service our customers better. As a result, we rank quite high in the customer satisfaction surveys of our customers.

#### Offerings

Our offerings have grown from generic IT services to package implementation, customized application development and maintenance, IT consulting, business intelligence, embedded software solutions, chip design and business processing solutions.

#### Infrastructure

From a rented place and a solitary international office, we now have a large development centre in

Pune, 2 development centers in Bangalore, 1 in Poland, apart from 17 sales offices in 10 countries across the globe.

#### Employees

From an employee base of 327 in March 2002, we have grown almost 10 times. Apart from software engineers, we now have MBAs, CAs, and PhDs from India and abroad. We recruit people globally and invest significantly in training them.

#### Shareholders

In the last five years our shareholder base has grown from around 2,000 to around 47,000. Institutional shareholding has grown from 12% to 32% and market capitalization has grown from US\$ 15 Million to approximately US\$ 226 Million.

With revenue CAGR of 58% in the last five years and profit CAGR of 227% over the same period, we are amongst the fastest growing companies in the country. Our Return on Net Worth is in the top 20 percent of all the IT service companies in India. Our margins are lower than the best in the industry and are still amongst the top 20 IT service companies in the industry.

We are now firmly placed amongst the focus players in the industry. We have been recognized for our