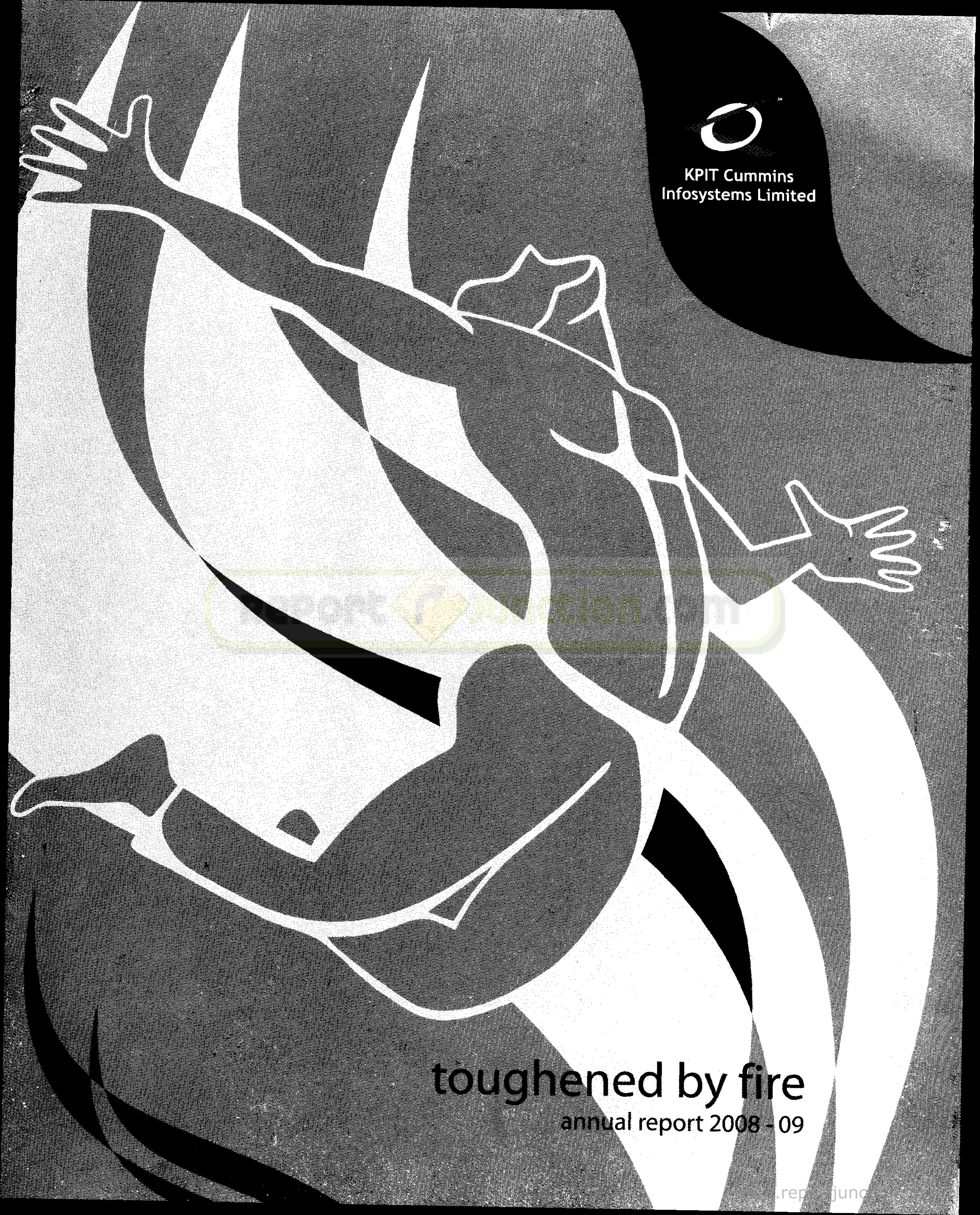


KPIT Cummins Infosystems Limited

toughened by fire

annual report 2008 - 09

Board of Directors

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

Ajay Bhagwat
Director
(Resigned with effect from May 30, 2008)

Amit Kalyani
Director

Anant Talaulicar
Director

Bruce Carver
Director
(Appointed with effect from August 29, 2008)

Deepak Malik
Director

Elizabeth Carey
Director
(Appointed with effect from April 27, 2009)

K.V. Krishnamurthy
Director

Lila Poonawalla
Director

Dr. R.A. Mashelkar
Director

Dr. Srikant Datar
Director

Steve Spaulding
Director
(Resigned with effect from March 23, 2009)

Sudheer Tilloo
Director

Floyd Rutan
Alternate Director
(Appointed with effect from August 29, 2008)

Mark Gerstle
Alternate Director

Ron Lannan
Alternate Director
(Vacated Office with effect from March 23, 2009)

Shrikrishna Patwardhan
Director Technology
(Resigned with effect from May 30, 2008)

Girish Wardadkar
President and Executive Director

Kishor Patil
CEO and Managing Director

Anil Khatri
Company Secretary

Auditors

Deloitte Haskins & Sells
Chartered Accountants
706, " B" wing, 7th Floor,
ICC Trade Tower,
International Convention Centre,
Senapati Bapat Road, Pune - 411016

Legal Advisors

AZB & Partners
Advocates & Solicitors
Express Towers - 23 rd floor
Nariman Point
Mumbai - 400 021

Financial Institutions

State Bank of India
International Finance Corporation
HDFC Bank Ltd.
The Hong Kong and Shanghai Banking Corporation Ltd.
Citibank N.A.
ABN Amro Bank N.V.
BNP Paribas
Standard Chartered

Contents

From the Chairman and the Managing Director

My Dear Fellow Shareholders,

Last year was an extraordinary year by any measure.

The world of our customers and therefore our own world changed dramatically. In this letter, I would like to spend some time explaining to you what the changes have been, how have we responded to these changes, how do we see the year ahead of us and how are we getting ready to address the next year.

We began the year under the shadow of the challenge of the appreciating rupee. In the previous year, the Indian rupee appreciated by almost 11% against the USD and the threat of the rupee reaching 38 to a dollar hung on our heads. Global growth was decent. India and China were growing at an extraordinary speed and our only concern was to keep our cost structure in line with the appreciating rupee.

During the year, many things changed. The financial sector suffered a meltdown. Major financial institutions faced existential problems. The stock markets collapsed. Liquidity became tight the world over. What started as a problem in the housing sector became a problem of the financial sector. Very shortly, it hit the real world economy. Because the funds to the real world economy got choked, our customers found their business shrinking, their supply chains and inventory ballooning and their profitability and liquidity under serious strain. The problems whose possibility loomed on the horizon in the first quarter of the last year only deepened as the year progressed. We are not yet out of these problems. By the most favorable estimates, the world economy may hit the rock bottom in another 2/3 quarters, but the recovery will take a long time.

The manufacturing industry which constitutes almost 90% of our revenues suffered significantly. The Automotive Industry which is our focus also suffered significantly. The global automotive production declined by 39% in Quarter 1 of CY09 as compared to Quarter 1 CY08. Many auto companies, not just the American, but Japanese & German companies as well, suffered. Outside of the automotive companies, the other manufacturing sector also witnessed a significant volume drop. The pressure of liquidity and profitability forced our customer to save his cost, to postpone his discretionary spend and to make sure that he got more through every dollar that he spent.

Our actions last year were in response to these environmental conditions. The focus of our actions was to deliver better services while keeping our costs in control. The actions related to closer alignment with our customer's needs, focus on bringing more value to the customer's table, improve our profitability and keep our costs low. We intensified some of the actions that we had started in the earlier year under the threat of a stronger rupee. We focused on customer satisfaction scores and improved them across all our customers. We invested additional efforts in knowledge creation, filed for 8 patents till date for the new work that we did. We enhanced our investments on people training and people performance measurement processes. We improved our utilization through better control of our recruitment and release of low performance people. We invested significantly in process improvements, implementation of tools, and capture of reusable components.

We added 17 customers. We increased our revenues from fixed price project from 13.35% in the first quarter to 25.89% in the last quarter. We enhanced our utilization of people from 74% to 74.6%. We increased the speed of absorption of freshers, and improved our people pyramid. We made our hardware and software as well as infrastructure investments more efficient. We cut down receivable levels from 77 days to 69 days. We won extremely high client satisfaction scores from many of our global customers. We significantly improved our project health management systems. We started initiatives on process competency mapping, asset based development, work product quality, and tools and automation. We increased our interactions with engineering colleges. Our people presented papers at many international conferences and seminars and we continued to win awards and accolades in the area of Corporate Governance, Innovation and Quality.

Our efforts on productivity improvement as well as customer alignment yielded good results. Our revenues increased by 36% making us one of the fastest growing companies in the country. Our profits increased by 28.4% year over year. Our operating margins improved from 15.70% in the first quarter to 29.44% in the last quarter. During this period, our profit margins stayed lower than our potential margins, because of our conservative foreign exchange hedging policy. While the rupee was in the range of 50 to 52 per dollar during the year, our actual realization was around Rs. 45.56 per dollar thereby showing a potential upside in the future, if rupee continues to be weak.

While our profitability improved, revenues have been volatile. From USD 42.57 Million in Quarter 1, revenues increased to USD 46.80 Million in Quarter 2, declined to USD 42.36 Million in Quarter 3 and USD 42.37 Million in Quarter 4. Our profitability and profits have held despite this reduction in the top line. Along with profitability, we kept focus on liquidity. Our liquid assets, net of our short term borrowings, increased from Rs. 472 Million to Rs.1,240 Million. I believe we are now in a solid cash position.

In a sense, last year we emerged toughened by the fire of the global economic challenges and I believe we came out as a distinctly better company at the end of the year as compared to what we were at the beginning of the year.

How do we see the next year and beyond? As mentioned earlier, the worst is not yet over. We believe that the economies of the developed world will continue to slide for the next 2 to 3 quarters. The recovery thereafter may end up being slow. We believe that the Indian economy and possibly the Chinese economy will turn around earlier.

While we will go through these uncertain times for the next couple of years, our target industries will emerge from this period significantly different than what they were when the times turned turbulent. The automotive Industry, for example, will change very significantly. A larger percentage of cars will be manufactured and sold in China and India than before. The new vehicles will be driven by more fuel efficient technologies. The new vehicles will be smaller, lighter, and more intelligent. While we will continue to use cars for our personal transportation, they will be significantly different than the cars that we see today. What applies to automobiles would also apply to commercial vehicles as well as to off-highway vehicles. Similar changes would also affect other industrial sectors. We believe that all these changes will offer great opportunities for a focused company like ours. We all continue to partner with our clients for improving their operational efficiency and also for improving the products that they sell. We will be able to combine our knowledge of Information Technology and our knowledge of the Industry to present a unique value proposition to our customers.

We believe that there is a significant potential for growth within our current focus industry verticals. We also believe that there are adjacent spaces which we can tap into to increase our size and to give us more stability. We also believe that in the next few years, we should be able to increase our size significantly while keeping the same focus. It would be our endeavor to gain market leadership in some of our service offerings, while reaching a critical mass size in the case of some other service offerings. This should help us bring an unbeatable proposition to our clients.

Our efforts during the current year would be towards building a company of a larger size with a vision and focus, with efficient processes and a high focus on knowledge. Emphasis on productivity, liquidity and non-linear revenues would continue.

We may have a tough year or two, but I am certain that we will emerge stronger and better.

Warm Regards,

Sincerely yours,

S. B. (Ravi) Pandit
Chairman & Group CEO

Kishor Patil
CEO and Managing Director

From the President and Executive Director

Dear Shareholders,

We are happy to report a good set of results, in spite of the unprecedented challenges we all experienced in FY09. Shrinking customer spending leading to lower growth and unfavorable currency vagaries increased uncertainties in estimating revenues and costs. We grew by 36% over the previous year, generated over Rs.1,205 Million in cash from operations and our profitability improved every quarter during the year. At the end of the year, our liquidity position improved by 125% over the previous year. Thanks to all KPITians for the tremendous focus on execution of our initiatives.

For FY09, we had set the following priorities for ourselves:

1. Customer Satisfaction: Improve Customer Satisfaction scores, focus on Zero-defect delivery, increase On-time delivery performance and deliver projects to customers within targeted costs.
2. Growth: Focus on identified customers from our industry segments, namely Automotive & Transportation, Industrial and Farm Equipments, High Tech and Diversified Financial Services with specific offerings and solutions.
3. Productivity: Establish Asset Based Development infrastructure, improve engineering productivity, Leverage SIX SIGMA and align business processes to our strategy.
4. Profitability: Get better price realization, higher utilization of engineering resources, lower support costs and increase asset utilisation.

We are happy to report that our Company has done well on all above priorities. The results are the evidences. We established control on engineer in-take from April 08 onwards and planned weekly in-take based upon order visibility. This helped us improve utilization and also helped maintain high levels of resource utilization, in spite of lower order inflow especially in second half of the year. Cost budgets were established on monthly basis and closely monitored to ensure no over-run. While the company cut down on expenditures across the board, we in fact increased them in two functions - namely Learning Organisation and CREST, our R&D function.

- **Customer-centricity**

  Customer satisfaction across the board improved drastically with our teams focus on Relationship management and Operational delivery excellence.

  We expanded into South Africa, made inroads in China and Scandinavia. We drew India strategy and established sales focus to address domestic needs. We experienced good success especially in SAP implementations for Auto components customers in India and in a short time implemented at over 50 customers!

  We expanded our offerings. We added competencies in new vehicle development programs, AUTOSAR, analog-mixed signal projects, in power management, full chip design for specific application, web based solutions for payment gateways and solidified our practice in ERP. The year also saw our practice in Enterprise Software Support consolidate and grow. Best in Industry practices are established by us.

  FY09, saw a change in customer engagement models. Greater partnership with customers to help reduce their total cost of ownership and participating in their asset utilization efforts helped us gain new engagements and improve customer confidence.

  We developed a joint go-to-market partnership with SAP to provide customized solutions for the automotive customers. KPIT Solutions for Automotive and Hi-tech industries - AUTODash and IMCDadsh - were certified by SAP. We also partnered with Dassault System to bring customized PLM solutions to our Industrial Equipment and Hi-tech customers. One of world's best software packages being customized with our relevant domain expertise created significant value addition for our customers.

  Our active customer base grew from 111 at the end of the previous year to 128 at the end of March'09. Consistent with our strategy of adding customers from a pre-identified list of customers, the new customer additions are from the same list and within our three focus industry-verticals. Cummins continues to be our largest customer accounting for 39% of revenues. It grew by 35% over the previous year. Non-Cummins star customers constituted 43% of revenues and grew by 39% over the previous year. During FY09, our top 10 customers constituted 67% of total revenues compared to 70% in the previous year, reflecting a consistent and healthy trend which will bring us revenues from a broader base of customers in future.

- **Employee-centricity**

  Our employee-centric programs during the year were focused on creating a leaner but much more competent employee base. We focused on development of skills and competencies to enable our employees to not only take on additional responsibilities but also to deliver greater value to the customer. Some of the programs continued from the previous year, with some new ones getting added during the year.

  Some of the major programs can be categorized as follows:

a) Skill and competence development: Employees were encouraged to participate in skill development training programs started by the Company. PROMS, one of the major initiatives in this area focuses on improving project management skills.

b) Budding Leaders program: We initiated this to identify KPIT Cummins' future leaders. The program is designed to groom the budding leaders to take higher roles and responsibilities in shorter time span, accelerating their career growth in the Company.

c) Campus connect: We signed a Memorandum of Understanding in Teaching, Training & Research with Cummins College of Engineering for women, Pune and also with MIT College of Engineering, Pune. We have offered courses at VIT College, Vellore. We hosted a visit for students of WOSY (World Organization of Students and Youth), which comprised of 92 students from 18 developing countries, at our Hinjawadi Campus. We also hosted industrial visits for and gave seminars, lectures etc. at several colleges. The objective of campus connect is to get engineers trained and ready for deployment when they join and in reducing the wait time to engage with customers.

d) Community initiatives: Some of the major initiatives were active participation in Rain Water Harvesting Project at a village which is facing a major water crunch, helping representatives of NGOs to learn more about computer and internet tools, providing basic computer education to a team of 25 security guards, 'Family at work' program, 'Gao Chale Hum', development of e-budgeting software for Pune Municipal Corporation together with an NGO called 'Janwani'.

During the year we welcomed about 120 new KPIT family members who joined us from Harita TVS. Even though our revenues grew by 36%, our employee strength did not have to grow proportionately.

Productivity improvement ensured this non linearity.

- **Technology and Offerings:**

  Center for Research in Engineering Sciences and Technology (CREST) has been our main vehicle for development of technology and new offerings. In spite of over all cost control, we continued our investments in CREST projects.

  We filed for 6 more patents during the year, taking the total patents filed to 8. These patents are in the fields of battery management, vehicle safety, tools for efficient software development etc. We are working on several other programs which we believe will result in creating more intellectual property (IP).

  We are working on many cutting edge technologies as multi-core microprocessor application developments, implementation of vision primitives that are required for development of the Lane Departure Warning System on a 128 core processor, new technology for data parallelization, vision management and the like.

  We teamed up with Microsoft & College of Engineering to start Microsoft Innovation Center at College of Engineering, Pune. This is aimed at creating a Center of Excellence (COE) in the automotive domain. We have started building COE for SAP. We are already running a COE for Oracle technologies.

  The result of these initiatives was evident in the following:

  - We were elected as finalist for the NASSCOM Innovation Awards 2008.
  - Technical committee of EAEC 2009 Congress, organized by Slovak Society of Automotive Engineers (SAITS), Educational & Conference Centre INTENZÍVA, Ltd and International Federation of Automotive Engineering Societies (FISITA), accepted our draft paper on "Vehicle Communication Network Design - A Case Study for Hybrid Electric Vehicles" for publication.
  - Our paper on "Image Restoration Using Wigner Distribution for Night Vision System" was accepted in the 9th IEEE International Conference on Signal Processing (ICSP '08).

- **Profitability**

  During the year we strengthened our efforts in reducing 'Revenue Leakage' to improve our profitability. We kicked off various projects to address Resource planning in the slow down scenario, asset based development, tool based estimation and tool based code reviews- all to increase productivity.

  Our success in these projects has been good. Revenue leakage has reduced significantly. Utilization has improved. Revenue from fixed price contracts reached 26% in the fourth quarter of last year. Use of productivity tools and rework reduction has enabled us to tighten our expenditure and costs and therefore improve our profitability.

  Our gross profit grew by 65% over the previous year with margins improving by 8% from 36% to 44%. Operating profit, or EBITDA (Earnings before interest, taxes, depreciation and amortization), grew by 150%. EBITDA margins improved from 12.6% in FY08 to 23.1% in FY09.

- **Infrastructure**

  Our new facility in Bangalore's Adarsh Tech Park, was inaugurated on January 30, 2009. Special Economy Zone (SEZ) status of this facility will give us long term benefits on tax and duty exemptions.

  We initiated a major drive on IT asset utilization to ensure cost control and optimization of infrastructure. Next year we will consolidate our Bangalore operations and derive some more benefits.

  All in all the KPITians demonstrated agility, perseverance and rose up to the occasion to support the Company's priorities and helped post good results. I take this opportunity to thank our Customers, supplier-partners and employees in helping us succeed in the most challenging times.

  For the year FY10, we have laid out following priority areas with the theme of CUSTOMER VALUE DELIVERY through LEADERSHIP OFFERINGS & INNOVATION delivered by PRACTICES:

1. QUALITY & PRODUCTIVITY - Continue to invest in Improving customer satisfaction, zero-defect and on time delivery. Focus on Value addition to customers.
2. LIQUIDITY - by managing cash well, reducing receivables, controlling capital expenditure.
3. PROFITABILITY - bring about improvement in net profit margins through better productivity, reuse of assets, rework reduction and deployment of tools, improve operational efficiency through better utilization and people pyramid.
4. PEOPLE DEVELOPMENT - broad base our Talent Management Initiatives including certification based competency improvement.
5. GROWTH - continue to focus on identified list of customers including must win list, India strategy implementation.
6. PRACTICES and OFFERINGS - building specific practices and offerings mapped on to specific customers and geographies.

As we write this report, markets continue to be soft and Rupee is showing signs of strengthening. However, we are confident of emerging as winners with our focused strategy and prioritization, and get toughened by the fire of challenges.

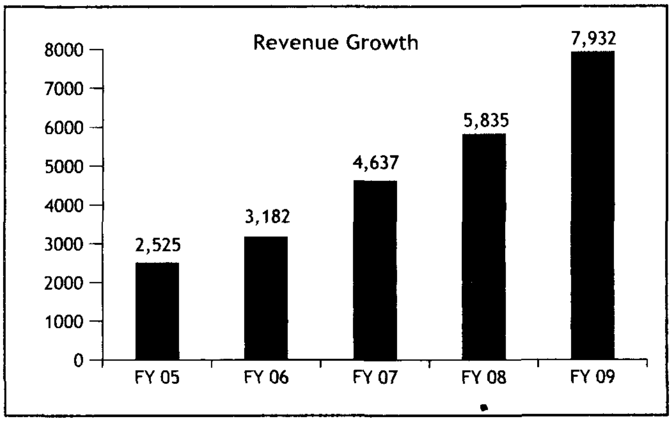
Warm Regards,

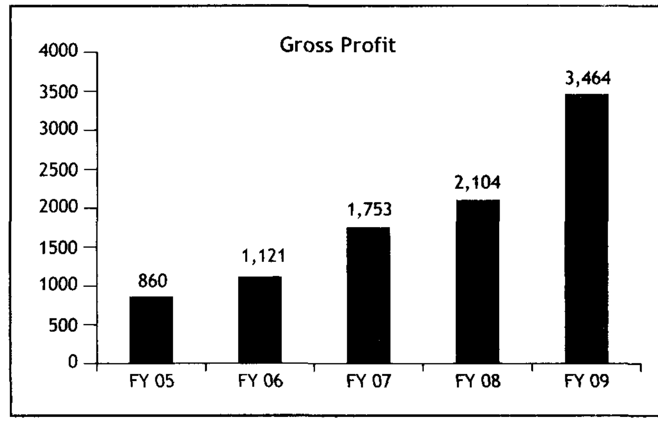
Sincerely yours,

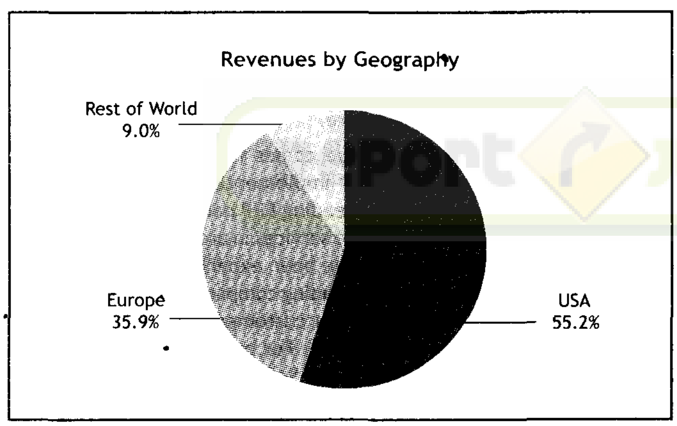
Girish Wardadkar
President & Executive Director

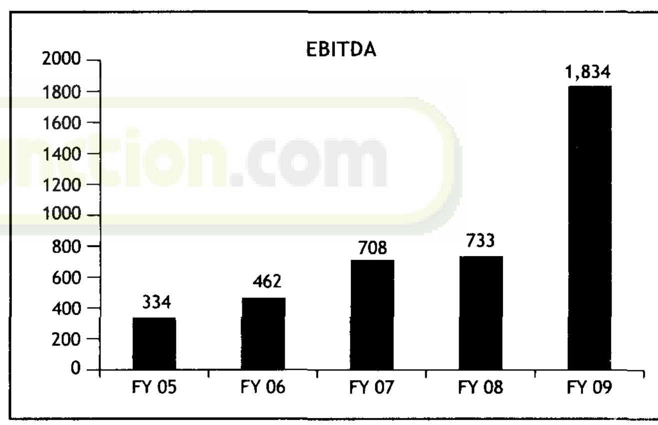
Financial highlights

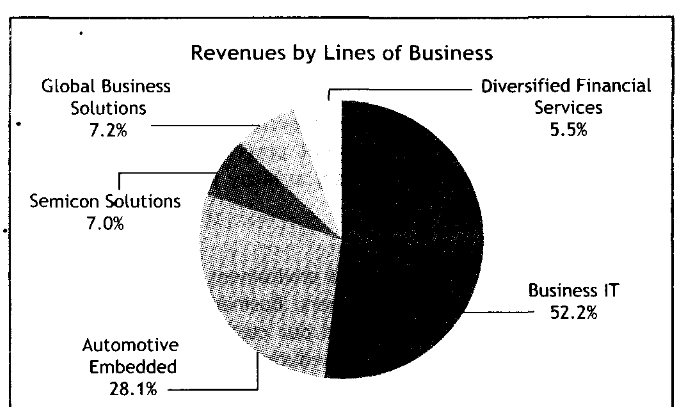
Rs. Million	FY 05	FY 06	FY 07	FY 08	FY 09
CONSOLIDATED INCOME STATEMENT					
Sales (USD Million)	56.57	72.93	102.52	145.24	**174.1**
Sales	2,524.53	3,182.15	4,637.02	5,834.53	**7,931.55**
Gross Profit	859.98	1,121.02	1,753.34	2,104.27	**3,464.34**
EBITDA	334.44	461.91	707.8	732.97	**1,833.55**
Interest	9.43	19.18	44.64	75.47	**45.47**
Depreciation/Amortization	32.07	84.2	121.21	254.68	**436.46**
Other Income	0.79	0.13	12.9	198.82	**(573.79)**
Profit Before Tax	293.73	358.66	554.85	601.63	**777.83**
Profit After Tax	280.83	325.65	504.75	512.81	**658.52**
CONSOLIDATED BALANCE SHEET					
Share Capital	70.45	72.8	149.55	155.77	**156.09**
Reserves and Surplus	990.85	1,344.57	1,840.80	2,482.20	**1,529.29**
Total Shareholders Funds	1,061.30	1,417.37	1,990.36	2,637.97	**1,685.37**
Loans	369.63	874.51	1,212.95	864.86	**1,184.76**
Minority Interest	-	4.39	4.51	5.15	**3.16**
Deferred Tax Liability	5.53	7.75	10.22	42.09	**59.61**
Total Sources of Funds	1,436.47	2,304.02	3,228.05	3,550.07	**2,932.90**
Fixed Assets	537.54	953.38	1,772.05	1,680.45	**1,795.02**
Investments	0.11	0.11	48.81	1.09	**0.31**
Accounts Receivables	500.53	867.74	1,101.72	1,432.20	**1,775.60**
Cash & Bank Balance	546.2	411.35	625.35	739.79	**1,671.17**
Loans and Advances	126.51	442.22	345.13	529.55	**742.3**
Less: Current Liabilities & Provisions	274.42	370.95	665.12	833.06	**3,051.50**
Miscellaneous	-	0.17	0.11	0.04	**-**
Total Application of Funds	1,436.47	2,304.02	3,228.05	3,550.07	**2,932.90**
KEY RATIOS					
Revenue Growth	98.79%	26.05%	45.72%	25.82%	**35.94%**
EBTIDA Growth	70.96%	38.11%	53.23%	3.56%	**150.15%**
PAT Growth	94.71%	15.96%	55.00%	1.60%	**28.41%**
Gross Profit Margin	34.06%	35.23%	37.81%	36.07%	**43.68%**
EBITDA Margin	13.25%	14.52%	15.26%	12.56%	**23.12%**
PAT Margin	11.12%	10.23%	10.89%	8.79%	**8.30%**
Return on Equity	39.48%	26.27%	29.59%	22.16%	**30.46%**
Return on Capital	24.25%	17.22%	18.25%	15.13%	**20.32%**
Cash/Total Assets	38.02%	17.85%	19.37%	20.84%	**56.98%**
Earnings per share (Rs.)	22.14	22.71	6.83	6.67	**8.44**

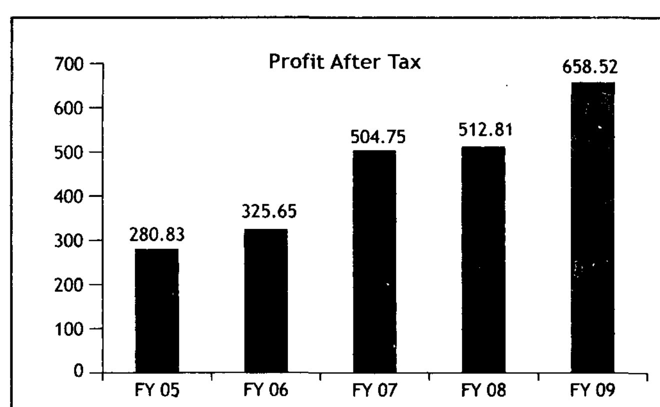

Revenue Growth
8000
7000
6000
5000
4000
3000
2000
1000
0
2,525
3,182
4,637
5,835
7,932
FY 05
FY 06
FY 07
FY 08
FY 09


Gross Profit
4000
3500
3000
2500
2000
1500
1000
500
0
860
1,121
1,753
2,104
3,464
FY 05
FY 06
FY 07
FY 08
FY 09


Revenues by Geography
Rest of World
9.0%
Europe
35.9%
USA
55.2%


EBITDA
2000
1800
1600
1400
1200
1000
800
600
400
200
0
334
462
708
733
1,834
FY 05
FY 06
FY 07
FY 08
FY 09


Revenues by Lines of Business
Global Business Solutions
7.2%
Diversified Financial Services
5.5%
Semicon Solutions
7.0%
Business IT
52.2%
Automotive Embedded
28.1%


Profit After Tax
700
600
500
400
300
200
100
0
280.83
325.65
504.75
512.81
658.52
FY 05
FY 06
FY 07
FY 08
FY 09

Management Discussion and Analysis

I) About the IT Industry

IT industry across the world is going through a phase of 'cautious optimism'. Most industries have been affected by the massive and unprecedented financial crisis across the world and the resultant global economic recession. Slowdown in demand for products and services, availability of credit for growth and expansion have affected the business plan and budget outlays for most consumers of IT-BPO services. IT projects are therefore being postponed or cancelled. Customers are seeking greater 'value' in IT projects.

Despite these challenges, in 2008, global IT-BPO industry grew by 6.3% in 2008 and global BPO spending increased by 12% (source: Nasscom). According to Nasscom, Indian IT-BPO industry is expected to achieve revenues of USD 71.7 Billion in FY09 as compared to the estimate of USD 52 Billion in FY08. More importantly, the contribution of IT sector to the GDP has also increased.

In many ways, IT industry went through several changes, which, in the near future will redefine the characteristics of the Indian IT industry. Faced with volatile cross-currency movement and uncertainty of revenues on account of global economic downturn, Indian IT industry increasingly diversified its geographic base and industry verticals, improved its productivity, rationalized its costs and modified its offerings portfolio. Investments are being made on building competencies, technology development and hiring 'right' people. As a market too, India is becoming more relevant for the industry. Led by the growth of the domestic economy over the last several years, many companies in the corporate sector, government and other sectors are increasingly accepting and adopting IT as a growth enabler.

Indian IT industry's value proposition continues to be strong and relevant for the customers. With the initiatives of many of the players in the industry to bring about more value to the customers, Indian IT industry will continue to maintain its leadership position globally.

In our niche areas of work too, our customers and industry verticals - automotive, industrial and hi-tech - have also been impacted by the global economic crises and are going through several transformational changes. Automotive sector, one of our major focus areas, is redefining its strategies, looking at consolidation and partnerships, making investments in more relevant types of automobiles, shifting production bases to cost effective locations and getting closer to the growing emerging markets. Industrial sector, faced with overcapacity and asset underutilization is also focusing heavily on efficiency improvement, inventory reduction etc. Global semiconductor industry has also been hard hit, especially those who are focused on the consumer electronics industry. This industry is also looking at long-term growth from sectors such as automotive, healthcare, infrastructure etc and higher growth from the emerging markets.

Opportunities:

Unprecedented challenges are creating opportunities too. Outsourcing is increasingly being adopted by the smaller and medium sized businesses also - specially those models of outsourcing which do not require heavy upfront investment and yet offer significant cost savings. Offshoring is also growing, primarily to benefit from cost-savings.

Automotive companies continue to make investments in engineering services and R&D services, in areas which will improve their competitive positioning in the industry. Investments are being made in smaller cars, in hybrid and battery operated vehicles, more fuel efficient and safer vehicles, in areas of infotainment and connectivity etc. Dealers, in collaboration with the OEMs, are looking at improving their lead management capabilities with the use of CRM initiative. Industrial equipment sector too, is looking at enterprise solutions which help improve manufacturing and plant management efficiencies, more automation solutions and achieving significant cost reduction. Global semiconductor industry is looking at India as a base for design services. With lower success in the captive models, outsourced design services partners are being preferred. Currently, cost saving is the greatest value proposition, but in the near future, value proposition will lean more towards proximity to the growth geography and additional value to their customers in automotive, infrastructure, healthcare etc.

How are we positioned to take advantage of these opportunities?

Our strategy continues to be to focus on a small set of industry verticals and a small number of named target customers. In our focus verticals of automotive, industrial and high-tech verticals, we are a niche player with relatively high-end offerings for the CIO, CTO and CFO of the customers. We also continue to expand our offerings base in line with the expected needs of the customers.

We have a strong positioning in the automotive vertical. We are the only company in the world to be a premium member of Autosar, a member of Jaspar and have Automotive SPICE™ Level 5 certification. We have relationships with over 13 different OEMs and over 30 Tier I vendors in the automotive industry. With the largest team in the world in the field of automotive embedded software, we provide services to the automotive industry in the areas of hybrid engines, Autosar and related tools, infotainment and mechanical engineering design services. Our services are futuristic and help our automotive customer in retaining their competitive edge in the future.

The largest portion of our revenue comes from the industrial and farm equipment sector. We offer implementation, consulting and customization services for all the leading ERP packages being used by the industrial sector. We also provide services in areas of PLM, PDM, MES etc. and these service offerings have been expanded during the year. We have partnered with two of the leading companies in the world - SAP and Dassault Systems - to bring to our customer value added services in the ERP and PLM areas respectively. For our customers we extend BPO services in the field of Enterp rise Software Support too.

In the semiconductor industry too, we offer design, testing and validation services to customers across the world. We have offshore development centres for some of our key customers and we have the capability to offer these ODCs for other customers too. Our customers have benefited significantly from our expertise in the area of analog-mixed signal, in the design of chips upto 45nm and also from the cost-advantage from an offshore development centre. Along with a global semiconductor company, we are building a next-generation infotainment platform.

With our niche offerings, our mix of onsite and offshore services, technology and people development programs, presence in our customers eco-systems, we are very strongly positioned to deliver value to our customers.

Threats:

General uncertainty in the business enviroment has led to extreme caution among most of our customers. Business planning cycle has shortened significantly and pushed our customers to revisit cost elements. IT expenditure is being reduced, especially those which are discretionary and can be postponed. Customers are looking for short-term payback of their investments. Vendor consolidation at the customers end has put some companies on the verge of their existence.

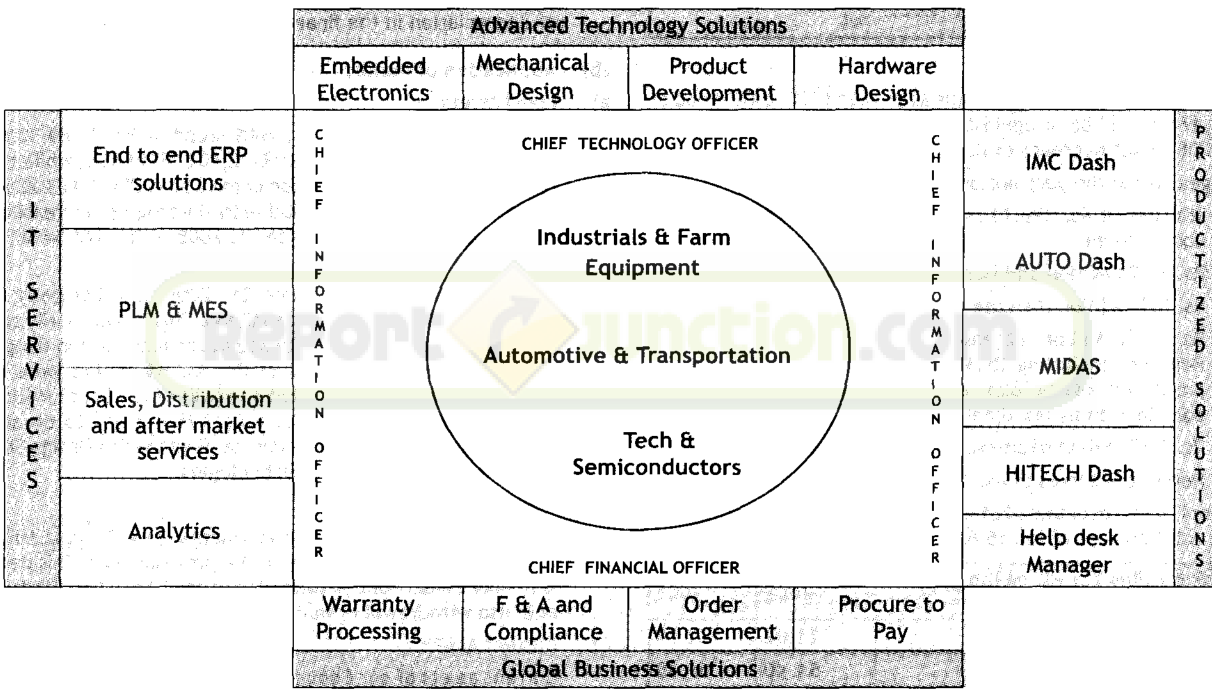
We are working with our customers to meet their requirements. Through our mix of onsite and offshore services, we bring significant cost savings to our customers. With our solutions, we have assisted our customers in rationalizing costs. Our services and solutions have reduced inventory by 30% across the supply chain, reduced order fulfilment cycle time by 33%, reduced cost of software in a vehicle and helped save upto USD 2 Million per program for automotive customer and helped improve sales by 10%.

We also address our customers medium to long-term business needs by providing value-add solutions in niche areas. We support our customers to invest in innovation that will assist them in emerging leaner and stronger. Our automated procure to pay process (purchase process) improved productivity by 10% and resulted in 20% cost savings. We helped a customer achive USD 2.2 Million annual saving by reducing the mean time to create estimation. Our efforts increased the engine building capacity of plant for an automotive supplier from 750/day to 1,100/day, i.e. 46% higher capacity. All these efforts and more, will help us in maintaining and expanding our competitive edge and at the same time remain a partner of first choice for our customers.

Way ahead

The challenges for the IT industry are far from over. Pricing pressures and delays in project decisions on part of our customers, shift in business mix towards offshore may result in a decline in revenues. Our focus will continue to be on internal efficiency and productivity improvement, better corporate governance, technology and employee's skill development and to improve our relevance to our customers. We will continue to be a partner of first choice for our customers.

Our Offerings:



II) Financial performance

Financial Year 2009 (FY09) means Fiscal Year beginning April 1, 2008 and ending on March 31, 2009. The discussions and analyses hereunder are based on our Company's consolidated financials for FY09.

1. Balance sheet

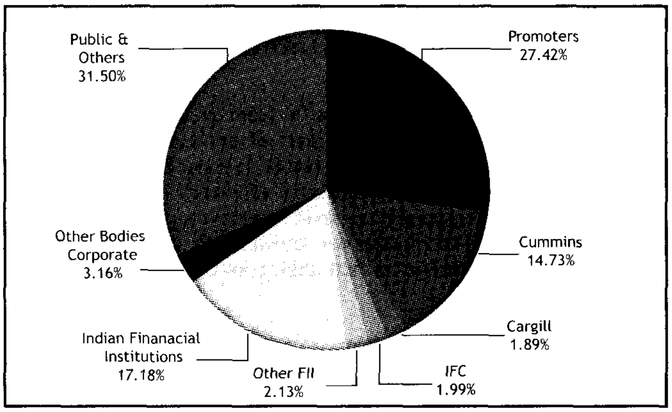
(A) Sources of Funds:

a) Share Capital

Our Company's authorised share capital is Rs. 300 Million, divided into 150 Million shares of Rs. 2 each. As of March 31, 2009, our share capital was Rs. 156.09 Million, comprising 78,042,961 shares of Rs. 2 each. During the year, we issued 160,020 shares on conversion of stock options issued to our employees under our Employees Stock Option Plans.

March 31,	**2009**		2008	
Details	**No. of shares**	**Rs. Million**	No. of Shares	Rs. Million
Share Capital - beginning	**77,882,941**	**155.77**	74,775,861	149.55
Shares issued to Cargill	-	-	1,471,498	2.94
Shares issued to Cummins Inc.	-	-	1,510,877	3.02
Shares issued under ESOPs	**160,020**	**0.32**	124,705	0.25
Share Capital - end	**78,042,961**	**156.09**	**77,882,941**	**155.77**

Our shareholders include Promoters, renowned domestic and financial institutional investors and individuals. As on March 31, 2009 our shareholding structure was as follows:



b) Reserves & Surplus

Our Company's reserves & surplus as on March 31, 2009 stood at Rs. 1,474.51 Million as against Rs. 2,454.15 Million as on March 31, 2008, a net decrease of Rs. 979.65 Million.

Changes during the year are on account of following:

- Transfer of Rs. 593.73 Million surplus from the Profit and Loss account
- Rs. 19.24 Million addition in the Capital Reserve
- Rs. 9.31 Million increase in Securities Premium account.
- Rs. 10.76 Million increase in the Community Foundation Reserve, including Rs.10 Million transferred from the profit and loss account and Rs.0.76 Million coming from contribution by our employees.
- Rs. 1.37 Million decrease due to translation adjustment.
- Hedging Reserves of Rs. 1,611.32 Million.

Our Directors have recommended dividend of 30% i.e. Rs. 0.60 per share, or a total amount of Rs. 46.82 Million.

Reserves & Surplus (in Rs. Million) as on March 31,	2009	2008
Capital Reserve	**21.02**	1.78
Amalgamation Reserve	**51.40**	51.40
General Reserve	**274.88**	211.88
Hedging Reserve	**(1,631.30)**	(19.98)
Securities Premium	**726.07**	716.76
Profit & loss account	**2,002.89**	1,472.16
KPIT Cummins Infosystems Ltd. Community Foundation Reserve Account	**20.76**	10.00
Cumulative Translation Adjustments	**8.78**	10.15
Total	**1,474.51**	2,454.15

c) Secured Loans

At the end of March 31, 2009, we had total secured loans of Rs. 1,180.14 Million against Rs. 857.79 Million as on March 31, 2008. Secured loans included the following:

i. Term loans of Rs. 748.01 Million as on March 31, 2009 as compared with Rs. 587.00 Million on March 31, 2008. Amount repayable within one year is Rs. 289.66 Million. The balance amount has a maturity greater than one year. Term loans are secured by mortgage of some movable and immovable assets.

ii. Working capital loans, which increased by Rs. 162.92 Million to Rs. 431.18 Million. These loans are secured by the hypothecation of current assets of our Company.

iii. Interest accrued and due on the loans. As on March 31, 2009 this amount was Rs. 0.94 Million as compared to Rs. 2.53 Million in the previous year.

d) Unsecured Loans

Unsecured loans comprise finance lease obligations, towards lease rentals of vehicles. Unsecured loans decreased during the year to Rs. 4.62 Million from Rs. 7.08 Million in the previous year.

e) Minority interest

Minority interest as on March 31, 2009 was Rs. 3.16 Million.

f) Deferred tax Liabilities

Deferred tax liabilities increased by Rs. 17.52 Million during the year to Rs. 59.61 Million at the end of March 31, 2009. This amount arises from the timing differences in the accounting treatment of depreciation in the financial books and tax books.

(B) Application of Funds:

a) Fixed Assets

Gross Block as on March 31, 2009 stood at Rs. 2,489.33 Million compared with previous year Rs. 2,102.29 Million, while the net block was Rs. 1,447.47 Million compared to Rs. 1,473.20 Million as on March 31, 2008. Capital work-in-progress increased from Rs. 207.25 Million as on March 31, 2008 to Rs. 347.54 Million as on March 31, 2009.

During the year ended March 31, 2009, our Company added tangible assets worth Rs. 60.39 Million. This was primarily towards the setting up of new facility at Adarsh Tech Park in Bangalore. Intangible assets of a total of Rs. 237.68 Million were added during the year. This included goodwill of Rs. 56.89 Million and software packages worth Rs. 180.79 Million added on account of our acquisition of the Mechanical Engineering Design Services business of 'Harita' TVS-E Technologies.

b) Investments

As on March 31 2009, total investments were Rs. 0.31 Million as compared to Rs. 1.08 Million in the previous year. This decrease is mainly on account writing off our investment in Findant Inc. and also withdrawal of mutual fund investments.

c) Current Assets

Current assets of our Company include sundry debtors, cash and bank balance and loans and advances.

Current Assets in Rs. Million as on March 31,	2009	2008
Sundry Debtors	**1,775.60**	1,432.20
Cash & Bank Balances	**1,671.18**	739.79
Loans & Advances	**742.30**	529.55
Total Current Assets	**4,189.08**	2,701.55

i. Sundry Debtors

The amount classified under sundry debtors is the amount receivable by our Company from our customers. Customers usually follow a billing cycle - invoices received by a certain date are cleared on a predetermined day of the month and those received after the dates are cleared in the next cycle. Considering the billing cycle, which is unique to each customer, it is considered normal for a company to have about 60 days outstanding. For any doubtful debt or a very old debt, companies make provisions.