In today’s world, everyone is becoming sensitive to the impact of our lifestyles on our environment.

Rapid depletion of natural resources such as Energy, Minerals and even renewable resources like forests, creates serious impact on global climate and is a cause of concern.

In a world beset by these challenges, we have an opportunity and thus a major role to play in the form of new technologies which can make good quality human life become sustainable and inclusive.

As a company engaged in servicing domains such as Automotive, Transportation and Manufacturing as well as Energy and Utilities, we are in the midst of major opportunities and challenges.

We believe that automotives and most other manufactured items will have to become an integral part of global infrastructure of information, energy and natural resources. This infrastructure will combine bits (information) and atoms (physical items). Such an infrastructure can help us use our critical resources more efficiently and effectively. A world connected through this infrastructure can provide sustainable and inclusive growth.

We look forward to this connected world.

We want to help shape the connected world.

## Connected world

### Board Of Directors

- S.B. (Ravi) Pandit, Chairman & Group CEO
- Kishor Patil, CEO & Managing Director
- Girish Wardadkar, President & Executive Director (Upto April 25, 2011)
- Amit Kalyani, Director
- Anant Talaulicar, Director
- Bruce Carver, Director
- Deepak Malik, Director (Upto April 25, 2011)
- Elizabeth Carey, Director
- Lila Poonawalla, Director
- Dr. R.A. Mashelkar, Director
- Dr. Srikanth Datar, Director
- Sudheer Tilloo, Director
- Floyd Rutan, Alternate Director (Upto July 21, 2010)
- Mark Gerstle, Alternate Director
- Dwayne Allen, Alternate Director
- Dinesh Castellino, Alternate Director (With effect from April 25, 2011)
- Sandeep Phadnis, 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 - 23rd floor Nariman Point
Mumbai - 400 021

### FINANCIAL INSTITUTIONS

- State Bank of India
- International Finance Corporation
- HDFC Bank Ltd.
- The Hongkong and Shanghai Banking Corporation Ltd.
- Citibank N.A.
- Axis Bank Ltd.
- BNP Paribas
- Standard Chartered Bank
- ICICI Bank Ltd.
- DBS Bank Ltd.
- Kotak Mahindra Bank Ltd.

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Letter from the Chairman and Group CEO

My Dear Fellow Shareholders,

As we look back into the last year, we observe FY2011 as a year of mild recovery, as the overall macro environment showed positive signs of moving towards recovery though cautiously prevailed in the markets. To align ourselves with growth and requirements of the fast transforming business scenario, we took some crucial steps. We reorganized ourselves in terms of our go-to market strategies, customer approach and industry vertical focus. I would like to cover these aspects in this letter. I would also like to highlight some of the key milestones which we have been able to accomplish during the year.

During the year, we adopted a Practice Based Structure in respective business units and aligned the sales, delivery and people functions to the practices, with an objective of making each of these practices “Best in Class”. We also made changes in our sales organization, where we aligned a large part of sales with the practices with a view to deepen the focus for practice development and to scale customer accounts, in order to convert strategic customer relationships to large value strategic customer relationships. The aim is to build competence and win large value deals.

When we started the year, we gave a USD revenue growth guidance of 25% and then increased the same to 38% - 40% during the course of the year. I am pleased to state that we closed the year with USD revenues growing by 46%, to USD 224.07 Million. We crossed a significant landmark in the Company’s history, by crossing ₹ 1,000 Crore in revenues. Our growth rate for the year is amongst the best growth rates in the industry. Purely on an organic basis, we grew by 40% during the year. There was growth across all the markets and SBUs. Our largest client Cummins has also come back on the growth path. Cummins as an organization has been growing strongly since last year and they are very optimistic about the future growth, as they continue with their investments in emerging markets and R&D.

The second important milestone for the year was our positioning as an innovator in the industry verticals in which we focus. We launched REVOLO during the year, which has been a major accomplishment of our domain expertise and presence/investments in the automotive industry over the years. It has helped us in moving beyond just being a service provider and has repositioned us as a total solution provider, which was a key recognition of our focus, investments and work in the Research & Development area. This is the first attempt to monetize and commercialize our patents, which have been filed in different areas of our automotive related work. We currently have 34 patents registered in our name, including those for REVOLO.

Our strong performance during the year has been reflected not only in the financial growth of the Company, but also was mirrored in the stock performance of the Company. Our market capitalization has improved by more than 60% from USD 201.08 Million as on March 31, 2010 to USD 329.64 Million as on March 31, 2011 and the stock has given a return of 46% during this period. There was an increased interest in our stock from the domestic and global financial institutions as our Institutional shareholding increased from 25.35% as on March 31, 2010 to 39.93% as on March end 2011.

BUSINESS PERFORMANCE:

Over the last two-three years, some key terms have been driving the automotive industry like consolidation, overcapacity in different markets, fuel efficiency, environmental concerns, innovation, small cars, cost reduction, emerging markets. New Powertrain technologies, Alternative fuels, Safety aspects and infotainment innovations have emerged as key differentiation factors for auto companies. With the focal shift of this industry towards emerging markets and low cost small cars, the challenge for the car makers is to provide maximum features in a car at the lowest possible cost. This presents huge growth potential for our Company as we have been working on developing these systems and technologies at a comparable lower price point based on frugal engineering. Energy utility companies may also play a critical role in this ecosystem, as electricity will be one of the primary sources of power for mobility. Besides automotive, we have seen revival in the other related manufacturing segments, where customers have gradually released their budget spend for the new projects. The trend to increase fixed price projects has continued as a preferable option for the customers and their demand for productivity improvement has been one of the force for driving pricing strategies.

As we had stated in the beginning of the year, SAP has been the fastest growing area for the Company, where we have seen strong growth quarter-on-quarter right throughout the year. Our integration with Sparta Consulting has been seamless and as a result, we have been able to close a few multi-million dollar deals in SAP ERP implementation in US. Sparta Consulting has become a SAP Gold Channel Partner, authorized to resell SAP Business All-In-One and SAP BusinessObjects Solutions to midsize and high growth businesses in North America. Your Company is the first such partner for SAP. This partnership further accelerates the growth in our SAP business, as Sparta would be able to provide full range of SAP software solutions and services to the small & medium enterprise (SME) segment. This will also help our existing customers to maximize the value from their investments in SAP solutions with industry specific customizations.

The second growth engine for the Company was the automotive business, which has maintained consistent growth performance throughout the year. The automotive industry has been transforming as stated earlier and this is an appropriate time to strengthen our presence in this space. Currently a lot of work is happening in automotive electronics and its share is continuously increasing in the manufacturing budget of car makers. This trend is fast catching up irrespective of the size of the car, where consumers are demanding fuel efficient engines, safety features, advanced infotainment systems among others. Most of our IP development work is focused in the Auto & Engineering SBU and we have made significant R&D investments in the SBU during this year. To strengthen our offerings in this domain, we recently acquired a Germany based Vehicle diagnostics and telematics specialist company, In2soft Gmbh for a fixed consideration of Euro 2.5 Million.

Besides SAP and Automotive SBUs, we have seen growth in our Integrated Enterprise Solutions (IES) SBU, which was largely driven by the traction in Oracle practice. In IES, Oracle is the largest practice and it has registered good client wins during the year. We have signed a few multi-year agreements with strategic customers in Enterprise software support (ESS) which is worth USD 15+ Million and Oracle implementation deal which is in excess of USD 10 Million. We have achieved the certification of being an Oracle Accelerate Partner for Industrial Manufacturing sector and certified as Oracle Gold Partner for UK market. These industry associations further help us in strengthening our know-how and positioning and provide a competitive edge to the Company in front of the customers.

With the objective to make Oracle a USD 125-150 Million practice over the next three years, we have added three new pillars of strength to this practice. We have acquired CPG Solutions Inc., a US based firm in Oracle Consulting Services mainly to manufacturing and supply chain companies. The total consideration can go up to USD 13.20 Million, which includes guaranteed consideration of USD 6 Million and milestone based consideration of USD 7.20 Million, to be payable over
a period of three years. We have also added a senior team in Oracle Transportation Management (OTM) and thus have one of the largest teams in OTM in India. We have taken 50% stake in Systime, the world’s largest solution provider in JD Edwards marketplace and we believe it is completely aligned with our strategic objective. The synergies from all these strategic steps will deepen our engagement with the clients and enhance the market reach in Oracle related services.

The fourth growth engine for the Company was Emerging markets, which has been growing really fast over the last two years. Emerging markets grew by 77% during the year. The growth is widespread across markets like India, China, Japan, Korea and different SBUs. India market has grown by more than 50% during this year and this has been contributed by SAP, Engineering and Defense. The growth in China, Korea and Japan is driven by automotive and semiconductor offerings.

This was the first full year of operation in the Defense and government sector, which forms approximately 2% of our total revenues and with the current demand pipeline, we expect the number to increase significantly over the next 2-3 years. For defense, our offerings would be an extension of our embedded software work, while for government sector, we would be providing ERP applications and other related Enterprise IT services.

REVOLO

Globally, there is a lot of concern on reducing the carbon emissions from automobiles and bringing in more fuel efficient transportation systems, which is also pushing car makers towards developing hybrid technologies and promoting electric vehicles. We have been working in powertrain technology over the last few years and this solution represents a new standard of value that frugal engineering can deliver to car manufacturers and vehicle owners around the world. REVOLO is a plug in parallel hybrid solution which has been developed, designed and engineered by the Company. The solution will be manufactured through Impact Automotive Solutions Pvt. Ltd., a 50:50 Joint Venture (JV) formed with Bharat Forge Limited. We would be licensing our technology to the JV, while Bharat Forge will bring forth its manufacturing, assembly and distribution expertise.

The Automotive Research Association of India (ARAI) has tested this solution and certified fuel efficiency gains in between 40%-50% in semi urban driving conditions and reduction in Greenhouse Gas Emissions (GHG) of more than 30%. The solution is available in the form of a kit which can be retrofitted in any existing vehicles within 4-6 hours. Initially this will be offered for the fleet operators and individual vehicle owners as an aftermarket product. We are also in discussions with various OEMs for a factory fitted REVOLO. We have filed 14 global patents for this technology in areas like battery management, motor, algorithm code, power transmission coupling, mechanical mounting and assembly. The current price range for the kit is between ₹ 65,000 to ₹ 150,000 dependant on the car model. There are risks associated with any new cutting edge technology and REVOLO is no exception. We will put our best efforts forward to see the success of this product. We are hoping to reach revenues between ₹ 300 crores to ₹ 500 crores by FY2013. Since the company will license the technology to the JV, the JV will pay a royalty of 7.5% on the JV revenues, to the Company. We have recently appointed Mr. Sunil Gandhi as the Operations Head for Impact Automotive, who brings technical expertise in engineering, manufacturing operations, logistics, vendor development and quality management. We have already completed the engineering work and the government regulation requirements and now we are working towards bringing in more REVOLO fitted cars on the road.

INDUSTRY RECOGNITION:

We have received industry wide recognition and accolades for our R&D efforts which have resulted into development of REVOLO.

- NASSCOM has awarded the ‘Promising Innovation of the Year, 2011’ Award to KPIT Cummins for REVOLO.

- Our Hybrid Project Team has won an Award in the category of ‘Innovation’ in the Cummins CMD Awards 2009 for introducing REVOLO.

- We have won the Economic Times Zigwheels ‘Automotive Idea of the Year Award’ for 2010, for REVOLO.

- ‘Best Electronic Product of the Year 2011’ at Indian Semiconductor Association Technoovation event was awarded to REVOLO.

- REVOLO won a special recognition award for ‘exceptional leadership in catalyzing consumer adoption of sustainable solutions’, at the India Carbon Outlook’s Parvartan Sustainability Leadership Awards.

- We have recently won an award in the “Sustainable Implemented Solution” category at the Knowledge@Wharton Innovation Tournament 2011, sponsored by Wipro Technologies.

STRATEGIC INITIATIVES:

During the year we raised ₹ 1,125 Million through issue of 7,758,621 equity shares to Warhol Limited, Mauritius on a preferential basis at an issue price of ₹ 145 per equity share. We have been growing very strongly organically, but inorganic growth has also been a key growth strategy for the Company. As we continue to explore inorganic opportunities which fit well into our strategic focus areas, we have raised this additional capital to ensure that we maintain sufficient cash balance for any inorganic growth.

LEADERSHIP CHANGES:

Girish Wardadkar, who has been the President and Executive Director of the company and an integral part of our senior leadership team for more than 6 years now, has decided to pursue an alternate career outside of our organization. During all these years, he has been instrumental in establishing strong systems and business processes, with a focus on improving quality and productivity. Recently he was also involved in setting up engineering and manufacturing processes and operations for REVOLO. During his tenure, he made a significant impact to all the key functions of our organization, which has helped us manage growth. We sincerely thank him for his contribution towards the growth and success of our Company over the years and wish him great success in the future.

COMMUNITY INITIATIVES:

As part of our Go-Green initiative, we sponsored the “Nakshatra Garden” project at a military school in Pune and this is a theme garden, based on human beings, mythology, science and environment. We have been encouraging environmental improvement measures both within our campus and also outside. As a part of plastic free KPIT campaign, our volunteers have distributed cloth bags to all the employees of KPIT. We have distributed solar water heaters to two villages near Pune. We have been working with various schools and NGOs, to promote better education facilities and have donated computers, school kits to the associated schools. We organize Blood Donation drives within the campus once in a quarter and this has been running successfully over the past 6 years with encouraging participation across all employees. We have signed a MoU with the Lila Poonawalla Foundation as part of our Community Contribution program, to assist financially deserving and academically outstanding girls for their undergraduate program in engineering, by way of scholarships. Community Contribution is one of our core values and the Company is committed to keep on working towards making this world a better place to live in.

PRIORITIES FOR FY2012:

Profitable Growth- For next year, improving profits along with growth would be the most important goal for the Company. We need to excel in customer delivery, productivity and innovation to demand higher rates for our services. We will bring larger focus on
strategic revenues moving up the value chain, improving the quality of revenues, increasing offshore and fixed price revenues, driving stronger engineering & operational productivity and increasing the share of non-linear revenues.

**Innovation**- We have been able to accomplish well on this priority of last year, which has been successfully proven by the launch of REVOLO and the new patents which have been filed during the year. We will continue to invest in R&D, build in IPs and create innovative solutions. We have to explore opportunities to monetize our patents which will improve the non-linear revenue share for the Company. We consider R&D and innovation not just as investment and growth areas for the Company but also as differentiators for the betterment of the society as a whole.

**People**- In order to continue to service our customers better and reinforce our leadership in focus verticals, we will have a much larger thrust on improving the qualitative skills of our people. We will invest in learning organization to enable employees take up newer and higher roles and responsibilities. As we move ahead, we believe there are tremendous personal growth opportunities for our employees. Through various on-the-job and off-site learning initiatives, we intend to empower our people for faster professional growth. We are investing in strengthening our client facing capabilities and have deployed some of the best talent in the industry as subject matter experts across our practices. This will enable us to position the Company as a domain expert in the industry verticals in which we operate.

With the above mentioned factors and priorities for next year which will drive revenue and profitability growth, we are pleased to share our guidance for next year, FY 2012:

- USD Revenue to be in the range of USD 275 Million - USD 285 Million, implying a Y-o-Y growth of 23%-27%.
- PAT is expected to be in the range of ₹ 1,150 Million- ₹ 1,200 Million, implying a Y-o-Y growth of 22%-27%.

We are confident that with the sharp focus on the above three priorities and with continued support from our people and all stakeholders, we will maintain our growth momentum. I look forward to your continued support and goodwill.

Warm Regards,
Sincerely yours,

S. B. (Ravi) Pandit
Chairman & Group CEO
Dear Stakeholders,

Fiscal year 2010-11 began on an optimistic note with macroeconomic scenario gradually improving. Our first priority was to achieve the growth momentum which was prevalent in the pre-recession scenario and I am happy to share that we have been able to successfully achieve that momentum. The Yo-Y US$ revenue growth has been 45.73%, while we have grown by 39.82% in rupee terms. Even on an organic basis, we have grown by 39.49% over FY2010. This growth, which was among the best in the industry, was mainly contributed by SAP, Automotive and emerging markets. In % terms, Rest of World (ROW) has been the highest growing with 77.39%, while US closely followed with 57.51%. Europe has marginally de-grown for us by 6.94% as the economy has still not recovered.

The profitability growth for last year has been lower as compared to the revenue growth as profit after tax grew by 10.32%. Our EBITDA Margin was 14.88% as compared to 22.07% in FY2010. The fall in operating margins could be mainly attributed to few important factors- decline in forex realization rate, wage hikes, unfavorable people pyramid and investments made during the year.

In addition to fresher hiring, we made investments in R&D initiatives, hiring front-end people, Subject Matter Experts (SME) across our practices and we believe this will be an ongoing investment as we move towards higher growth. During the second half of last year, we have also made significant investments in adding front end and sales people for the recent Small & Medium Enterprises (SME) SAP strategic partnership in USA which would be very crucial from the future growth perspective. All these factors put together have impacted profitability growth in the last year, which we had predicted at the start of the year itself.

Our liquidity position has improved and the cash balance stood at ₹ 2,572.51 Million as on March 31, 2011 as compared to ₹ 1,799.27 Million as on March 31, 2010. We have been putting constant efforts for improving our receivables and our DSO has further come down to 65 days. The fixed assets capitalization for the year was ₹ 436.98 Million against ₹ 296.8 Million in FY2010. During last year, we have incurred capital expenditure for our R&D investment to the tune of ₹ 149.54 Million. We do not expect any major increase in capital expenditure for the next year.

SUSTAINABLE GROWTH:
This was the first year of our significant SBU-based business reporting structure and in the following paras, we have tried to cover the performance and major developments in the respective business units.

AUTO & ENGINEERING (A&E) SBU:
At A&E SBU, we cater to the domain intensive engineering requirements of automotive customers. We are one of the largest third party vendor for automotive embedded electronics in India. A&E SBU revenues have grown by 41.05% in FY2011 as compared to FY2010. The margin in this business has been higher at 19%-20% compared to all other SBUs since this is a very specialized and niche work, where IP forms a key part of the offerings. Most of the R&D investments have also been made in this SBU, and last year the total R&D expenses formed 6% of the total revenues of SBU. Post these R&D expenses, the margins are close to 20%.

This SBU has been one of the key contributors to growth during last year as demand has been very strong. USA and Europe markets have been growing for our auto business while emerging markets have been fast catching up the pace as they become the new growth destination for automakers worldwide.

The recent acquisition of In2Soft Gmbh, has extended our capabilities in the vehicle diagnostics space as In2Soft has developed tools and solutions which are being used by the development departments of different European OEMs and Tier-Is. This will also help us to expand our portfolio of automotive offerings for our customers based in USA, other parts of Europe and emerging markets and also provide a strong local presence to serve our German and European customers. It will help us in working closely with the auto OEMs, as diagnostics and telematics are important OEM offerings. The integration process has been completed with financial and sales integration.

We recently became a Premium Member of JASPAR consortium, making it the ONLY Indian company to be part of Premium Member group of both AUTOSAR and JASPAR. Our Company got featured in the list of 2010 Global Services 100 providers. We were also listed in the 2010 top 10 Engineering Services Vendors. These industry recognitions further strengthen our thought leadership in the automotive industry.

Last year we entered into the defense segment and the growth momentum has been strong. We are working with the defense R&D labs for various engineering services, outsourcing activities, supply chain sourcing and associated Maintenance Repair and Overhaul activities. The major projects are vision systems, hybridization, robotics, navigation systems and unmanned vehicles. Another significant development was entry into the China market by setting up a subsidiary and we expect growth uptick for our automotive business in the next couple of quarters.

INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU:
The IES SBU has a focus to offer integrated, end to end business IT solutions for the customers to optimize their business processes and systems. IES has grown by 12.58% in the last year, while operating margins for this business have been at an average level of 17%-18%. The business mix for recently acquired CPG Solutions has been mostly onsite with more implementation projects, which led to slightly higher onsite revenues for this SBU as compared to last year. During the year, we let go some revenues, which was accounted from non-strategic and non focused verticals which impacted the growth level in this SBU. For Cummins, majority of their work is categorized under this SBU and we have seen growth coming back in this account after a tough FY2010 as it grew by 5.59% in FY2011, while their revenue share stood at 22.79% for the year.

We have strengthen our Oracle consulting with the acquisition of CPG Solutions, which is an important development from our clients perspective mainly Cummins, as the combined team has been able to win couple of new transformational deals from our largest client, besides targeting other customers in the manufacturing segment. The integration process with CPG on people and systems has been completed. The combined Oracle practice will help us to better position ourselves for acquiring large business transformational projects in the manufacturing and Energy & Utilities industry segment. During the year, we also added the strength and capabilities of recently formed team in Oracle Transportation Management (OTM) practice, which also gives us expertise in Business Process Management (BPM), Manufacturing Execution Systems (MES), Enterprise Asset management (EAM) and Warehouse Management Systems (WMS) to our enterprise Solutions portfolio.
Recently we announced the investment for a 50% stake in Sytime, world’s largest JD Edwards solution provider. JD Edwards has been the preferred ERP for manufacturing, automotive and energy verticals and this investment will complete our Oracle suite of offerings and position us as a very strong player for large Oracle Solutions & Services deals in Manufacturing and Energy & Utilities industries. We believe the combined Oracle practice has the potential to be in the range of USD 125-150 Million by FY2013 and it will be a significant growth driver moving ahead.

Last year, we entered the government sector where we are focusing on business opportunities in related areas like mass transit and transportation, manufacturing and vehicle tracking systems as these new fields are expected to create huge market potential in the next few years. We are also working towards developing various productized mobility solutions for this segment.

SAP SBU:

To strengthen the growth in our SAP practice and deepen our focus and customer engagements, we have carved out SAP as a separate SBU. In FY2010, we acquired US based SAP consulting company, Sparta Consulting Inc., which primarily offers SAP ERP solutions along with Business Intelligence (BI) and eBiz. Prior to this acquisition, we had very strong presence in India for our SAP offerings in Automotive and Industrial segment and with acquisition of Sparta Consulting, we have been able to expand our geographical presence in US and in a new related industry segment i.e. Energy & Utilities. We have a healthy order pipeline around our practices like BI, Customer Relationship Management (CRM) and Application Maintenance and Support (AMS).

The SAP SBU has grown by 62% in FY2011 compared to FY2010. The business mix for this SBU is tilted more towards full implementation projects. We have also been investing for our SME business and these two factors have led to EBITDA margins in the range of 8%-9%. However these margins have improved from 5% EBITDA levels at the time of acquisition of Sparta Consulting. As we move ahead, we expect to increase our share of support and maintenance projects which will help us increase our offshore revenues and deliver better operating margins. The volume growth in SME-SAP business will also assist in improving margins.

In the second half of last year, we started investing in the new SME SAP strategic partnership formed with SAP recently and we expect the investments to continue during the first half of the next year. We also developed solutions targeting the Utilities market in North America and SAP ERP and BI Integrated solutions for the Indian market which is first of its kind in India. These solutions have been certified by SAP. We have also created an exclusive IP by developing an out of the box solution specifically focused on the utilities market of North America- Sparta Utilities North America Solution (SUNAS). SUNAS is the industry’s first componentized ERP and utility CIS management suite built on SAP®, priced and customized for mid-sized utilities. Other than R&D, we have also been investing in adding front end and sales people for targeting the SME segment and growing this business.

SEMICONDUCTOR SOLUTIONS GROUP (SSG) SBU:

We have been working with semiconductor companies who primarily offer services for automotive industry. In SSG SBU, our practices include Analog Mixed signal (AMS) and System on Chip (SoC) as we work with silicon companies for chip designing and verification process. Our SSG business has grown by 12.38% YoY, however margins have been lower in this SBU. We have directed our efforts to increase the operational productivity in this SBU which will help in managing costs and improve the quality of revenues and margins.

PEOPLE DEVELOPMENT:

Participation of employees and their ability to become entrepreneurs is the driving factor for people development in our organization. We have been working over the years to ensure the right DNA of people through modified recruitment practices, role based certifications, technical trainings and leadership programs, among others. During the year, we added 1,596 employees on a net basis of which 800 were freshers and we perceive this as an important investment for the next year. However, there were certain challenges in the people function, the prime concern being attrition. Attrition was very high throughout the last year for the whole industry and we also faced the music, as attrition levels of 30%+ have been the highest for the Company over last many years. We had not hired enough freshers in FY 2010 as growth visibility was very low and looking back we feel we would have been better placed, had we hired freshers in FY2010. The fresher addition during last year, created pressure on the offshore utilization levels which came down to 68.48% for the year against 71.24% in FY2010.

In such times, where companies started preparing for growth and everyone was hiring, picking up the right talent was a difficult task. As part of PACE, our initiative for academic connect, we have been working with the top engineering colleges including foreign universities on various areas like providing internships and summer projects to students on our related research topics.

Our training and development efforts have continued during the year. We introduced new initiatives to enable competency development at all levels. In our endeavor to expand the reach of our Learning Organization to various geographies of operations, we introduced e-learning for a select set of employees. As part of our PROMS and Tech Lead Certification courses, we provided online access of the recorded training session, to employees who were working at different client sites.

We launched a customized program LEAP for our senior leadership team, where the objective is to train and develop a selected set of employees from across the organization, for accepting higher roles and responsibilities. Our Corporate leadership team members have played an active role in successful completion of the first batch of training program by providing their guidance to the participants.

Another key initiative has been the introduction of Trainer Excellence Program under which we had arranged training programs for employees who have been actively engaged in training sessions to improvise their skills. As a result, majority of the training programs in Tech Lead and PROMS certifications are now anchored internally. We believe all these efforts will help us to develop our employee strength that will be capable enough to deliver best in class solutions to our target customers in the focus industry verticals, through a practice led organization.

CREST INITIATIVES:

Innovation has been the prime objective of our Center for Research in Engineering Services and Technology (CREST) organization where we are working on developing new solutions and technologies along with and for our customers. Every year, we have been expanding the coverage area for our R&D projects, so that we can be ahead in terms of meeting the expectations of our customers. This year the core research area was Green Technology, where we have been working on different areas related to hybrid technology (REVOL) like re-generative braking system and other projects for power saving in personal computers, developing ultra-capacitors for energy storage and so on. Our R&D initiatives have started paying off commercially as we have started work on a revenue sharing model for few of our customers on projects related to our R&D work, including driver assistance systems, night vision and other automotive safety applications.
In the last few years, our investments into R&D and developing solutions have increased with a focus to grow our non-linear revenue share. During last year, we have invested ~3% of our revenues in R&D. During the year, we filed for 20 new patents, including 14 patents filed for REVOLO, our plug-in parallel hybrid technology solution. This took the total number of patents filed for to 34. The other 6 patents are in different areas like multi-core processor programming, automotive infotainment, engine control system, driver assistance system and image processing. We have been organizing various innovation conferences and forums within the company like TechXpedition, Innovation circle and My Big Idea, which provides a platform for exchanging ideas, which are then shortlisted and further developed by our R&D team.

INFRASTRUCTURE:
During last year, we have acquired a leased facility in the flagship project of Paranjape Builders in Hinjewadi, Pune. The project is situated in the Special Economic Zone (SEZ).

BUSINESS OUTLOOK:
As we are moving into the next year, the order pipeline looks very strong and business visibility has also improved. The key growth drivers going into the next year are Automotive Electronics, SAP, Oracle and demand traction in emerging markets.

PRIORITIES FOR FY2012:
Profitable Growth
We have been able to register strong growth during the year and with the current order pipeline we expect the growth momentum to continue. We will target not only growth but also focus on improving profitability in the next year. We expect to get billing rate increase in some of our contracts, which are up for renewal in the next year. The freshers inducted during last year are ready to be absorbed on billable projects, which will help us improve utilization levels and broadening the employee pyramid base. The productivity improvement measures would continue which include operational productivity like better price realization, lower receivables, more fixed price projects, increased offshoring and SGA leverage and engineering productivity like re-usage of assets, rework reduction, tools & automation deployment etc. We want to bring in more offshoring in our revenues mainly in the acquired entities by doing more support and maintenance work. With increased scalability in our customer accounts, we would be able to leverage sales cost which will also improve the profitability. These steps will help us to increase the growth in our focused verticals & offerings, while improving profitability at respective business units and company level.

Innovation
As we have created a niche for us on account of developing innovative products and solutions, which are appreciated by the industry, we still believe there is a long way to go. We intend to engage everyone across the organization to start thinking innovatively. We have been adding value to our customer’s business through our R&D initiatives. We have won customer projects for our IP led work, where we are working on non-linear revenue models like joint IP development, revenue sharing or royalty based business model. The innovation culture is not only restricted at the corporate level but it has been embedded well across the business units and functions.

People
Our focus on people development will continue during the year as we want to inculcate leadership qualities and competency in our employees. As part of our budding leadership program, we encourage a group of employees to enter this program every year and we have proper assessment centers to track and analyze their performance and ability to cope up with challenging tasks as they move up to the next level of leadership. Our fresher hiring drive would continue for the next year. We expect attrition to be lower as compared to last year. We would be investing in adding more front end and domain expert practice people who would bring in their technical expertise which would be very critical for scaling up our practices and strategic customer accounts. The hiring target for next year would be an addition of 1,500 people on a net basis, and most of them would be freshers.

The entire KPIT team has been consistently raising the performance standard and demonstrating commitment to collaborate externally with customers and internally with fellow team members and business partners. We are in one of most exciting times and we thank all the KPITians for their efforts and our shareholders, clients and partners for their continued support, faith and encouragement which helped us to achieve our growth plans and we look forward to the same.

Warm Regards,
Sincerely yours,

Kishor Patil
CEO & Managing Director
# Annual Report 2010-2011

## Financial highlights

### CONSOLIDATED INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY10</th>
<th>FY09</th>
<th>FY08</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (USD Million)</td>
<td>224.07</td>
<td>153.76</td>
<td>174.10</td>
<td>145.24</td>
<td>102.52</td>
</tr>
<tr>
<td>Sales</td>
<td>10,230.14</td>
<td>7,316.41</td>
<td>7,931.55</td>
<td>5,834.53</td>
<td>4,637.02</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>3,630.8</td>
<td>3,225.91</td>
<td>3,464.35</td>
<td>2,104.27</td>
<td>1,753.34</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,522.08</td>
<td>1,614.43</td>
<td>1,833.55</td>
<td>732.97</td>
<td>707.81</td>
</tr>
<tr>
<td>Interest</td>
<td>13.02</td>
<td>27.41</td>
<td>45.47</td>
<td>75.47</td>
<td>44.64</td>
</tr>
<tr>
<td>Depreciation/Amortization</td>
<td>411.25</td>
<td>308.04</td>
<td>436.46</td>
<td>254.68</td>
<td>121.21</td>
</tr>
<tr>
<td>Other Income</td>
<td>4.77</td>
<td>(252.53)</td>
<td>(573.79)</td>
<td>198.82</td>
<td>12.90</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>1,102.58</td>
<td>1,026.45</td>
<td>777.83</td>
<td>601.64</td>
<td>554.86</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>945.82</td>
<td>857.31</td>
<td>658.52</td>
<td>512.82</td>
<td>504.76</td>
</tr>
</tbody>
</table>

### CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY10</th>
<th>FY09</th>
<th>FY08</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>175.73</td>
<td>157.05</td>
<td>156.09</td>
<td>155.77</td>
<td>149.55</td>
</tr>
<tr>
<td>Application Money</td>
<td>2.61</td>
<td>0.62</td>
<td>-</td>
<td>28.05</td>
<td>25.54</td>
</tr>
<tr>
<td>Outstanding Employees Stock Options</td>
<td>4.85</td>
<td>16.68</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reserves &amp; Surplus</td>
<td>5,848.72</td>
<td>3,696.66</td>
<td>1,474.50</td>
<td>2,454.15</td>
<td>1,815.27</td>
</tr>
<tr>
<td>Total Shareholders Funds</td>
<td>6,031.91</td>
<td>3,871.01</td>
<td>1,630.59</td>
<td>2,637.97</td>
<td>1,990.36</td>
</tr>
<tr>
<td>Loans</td>
<td>1,105.44</td>
<td>1,107.74</td>
<td>1,184.76</td>
<td>864.86</td>
<td>1,222.96</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>8.73</td>
<td>-</td>
<td>3.16</td>
<td>5.15</td>
<td>4.51</td>
</tr>
<tr>
<td>Deferred Tax Liability</td>
<td>54.97</td>
<td>51.15</td>
<td>59.61</td>
<td>42.09</td>
<td>10.22</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>7,201.05</td>
<td>5,029.90</td>
<td>2,878.12</td>
<td>3,550.07</td>
<td>3,228.05</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>1,580.71</td>
<td>1,521.57</td>
<td>1,510.33</td>
<td>1,680.45</td>
<td>1,772.05</td>
</tr>
<tr>
<td>Goodwill on consolidation</td>
<td>1,299.91</td>
<td>949.97</td>
<td>284.69</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>476.50</td>
<td>746.98</td>
<td>0.31</td>
<td>1.09</td>
<td>48.81</td>
</tr>
<tr>
<td>Accounts Receivables</td>
<td>2,525.44</td>
<td>1,387.68</td>
<td>1,775.61</td>
<td>1,432.20</td>
<td>1,101.72</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>2,096.01</td>
<td>1,052.29</td>
<td>1,671.17</td>
<td>739.79</td>
<td>625.35</td>
</tr>
<tr>
<td>Loans &amp; Advances</td>
<td>1,097.20</td>
<td>677.03</td>
<td>449.30</td>
<td>529.55</td>
<td>345.13</td>
</tr>
<tr>
<td>less: current liabilities &amp; provisions</td>
<td>1,874.72</td>
<td>1,305.62</td>
<td>2,813.29</td>
<td>833.06</td>
<td>665.12</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>0.04</td>
<td>0.11</td>
<td>-</td>
</tr>
<tr>
<td>Total Application of Funds</td>
<td>7,201.05</td>
<td>5,029.90</td>
<td>2,878.12</td>
<td>3,550.07</td>
<td>3,228.05</td>
</tr>
</tbody>
</table>

### Key Ratios

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY10</th>
<th>FY09</th>
<th>FY08</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>39.82%</td>
<td>(7.76%)</td>
<td>35.94%</td>
<td>25.82%</td>
<td>45.72%</td>
</tr>
<tr>
<td>EBITDA Growth</td>
<td>(5.72%)</td>
<td>(11.95%)</td>
<td>150.15%</td>
<td>3.55%</td>
<td>53.24%</td>
</tr>
<tr>
<td>PAT Growth</td>
<td>10.32%</td>
<td>30.19%</td>
<td>28.41%</td>
<td>1.60%</td>
<td>55.00%</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>35.49%</td>
<td>44.09%</td>
<td>43.68%</td>
<td>36.07%</td>
<td>37.81%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>14.88%</td>
<td>22.07%</td>
<td>23.12%</td>
<td>12.56%</td>
<td>15.26%</td>
</tr>
<tr>
<td>PAT Margin</td>
<td>9.25%</td>
<td>11.72%</td>
<td>8.30%</td>
<td>8.79%</td>
<td>10.89%</td>
</tr>
<tr>
<td>SG&amp;A to Revenue</td>
<td>20.61%</td>
<td>22.03%</td>
<td>20.56%</td>
<td>23.50%</td>
<td>22.55%</td>
</tr>
<tr>
<td>ROE</td>
<td>19.10%</td>
<td>31.17%</td>
<td>30.85%</td>
<td>22.16%</td>
<td>29.62%</td>
</tr>
<tr>
<td>Return on Capital</td>
<td>15.47%</td>
<td>21.68%</td>
<td>20.49%</td>
<td>15.13%</td>
<td>18.25%</td>
</tr>
<tr>
<td>Debt to Equity</td>
<td>0.22</td>
<td>0.42</td>
<td>0.48</td>
<td>0.45</td>
<td>0.62</td>
</tr>
<tr>
<td>Cash/ Total Assets</td>
<td>29.11%</td>
<td>20.92%</td>
<td>58.06%</td>
<td>20.84%</td>
<td>19.37%</td>
</tr>
<tr>
<td>Earning Per Share (₹)</td>
<td>11.78</td>
<td>10.97</td>
<td>8.44</td>
<td>6.84</td>
<td>6.83</td>
</tr>
</tbody>
</table>