KPIT Cummins
Infosystems Limited

Connected world

ANNUAL REPORT 2010-2011

Connected world

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.

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.Srikant 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.

Contents

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 cautiousness 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 automotives 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 Technovation 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 Parivartan 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 strong 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 investment 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

From the CEO and Managing Director

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 Y-o-Y USD 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.

SUSTAINABALE 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 Systime, 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 suit 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 semicon 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 (REVOLO) 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.

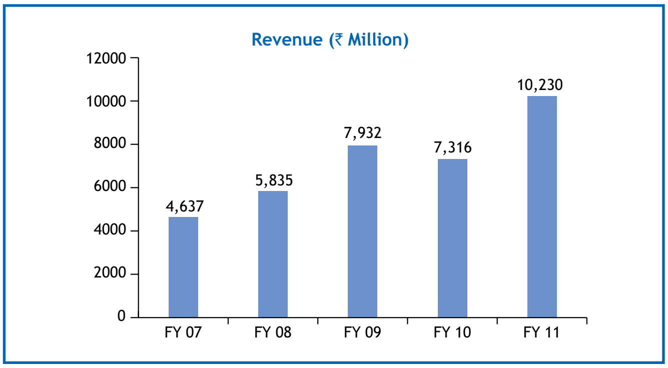
Warm Regards,
Sincerely yours,

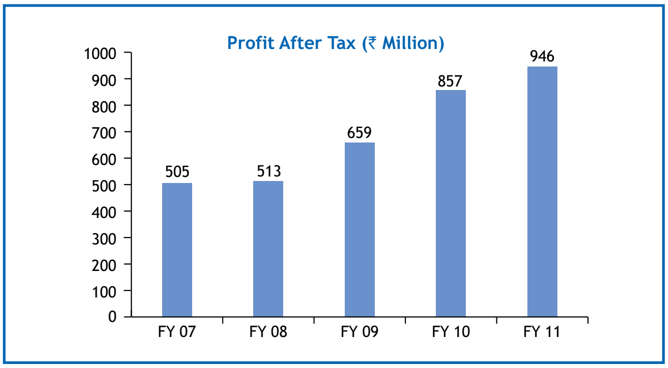
Kishor Patil
CEO & Managing Director

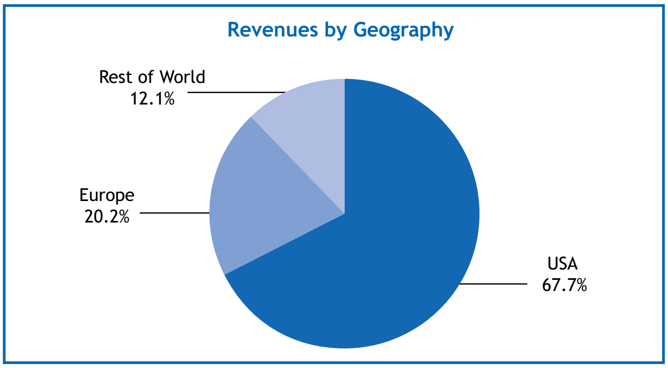
Financial highlights

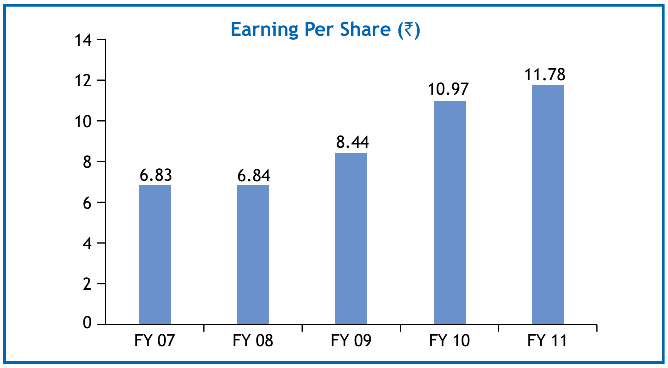
₹ Million

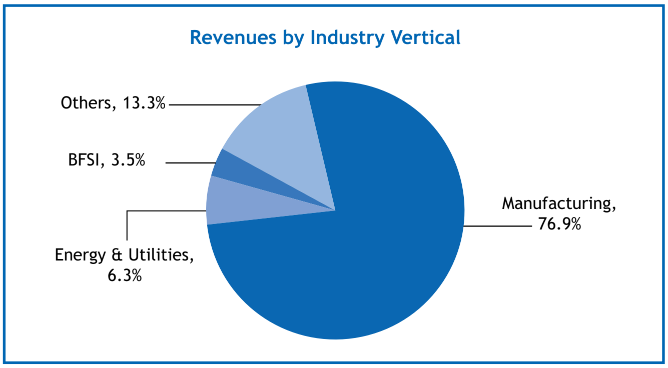
	FY11	FY10	FY09	FY08	FY07
CONSOLIDATED INCOME STATEMENT					
Sales (USD Million)	224.07	153.76	174.10	145.24	102.52
Sales	10,230.14	7,316.41	7,931.55	5,834.53	4,637.02
Gross Profit	3,630.8	3,225.91	3,464.35	2,104.27	1,753.34
EBITDA	1,522.08	1,614.43	1,833.55	732.97	707.81
Interest	13.02	27.41	45.47	75.47	44.64
Depreciation/Amortization	411.25	308.04	436.46	254.68	121.21
Other Income	4.77	(252.53)	(573.79)	198.82	12.90
Profit Before Tax	1,102.58	1,026.45	777.83	601.64	554.86
Profit After Tax	945.82	857.31	658.52	512.82	504.76
CONSOLIDATED BALANCE SHEET					
Share Capital	175.73	157.05	156.09	155.77	149.55
Application Money	2.61	0.62	-	28.05	25.54
Outstanding Employees Stock Options	4.85	16.68	-	-	-
Reserves & Surplus	5,848.72	3,696.66	1,474.50	2,454.15	1,815.27
Total Shareholders Funds	6,031.91	3,871.01	1,630.59	2,637.97	1,990.36
Loans	1,105.44	1,107.74	1,184.76	864.86	1,222.96
Minority Interest	8.73	-	3.16	5.15	4.51
Deferred Tax Liability	54.97	51.15	59.61	42.09	10.22
Total Sources of Funds	**7,201.05**	**5,029.90**	**2,878.12**	**3,550.07**	**3,228.05**
Fixed Assets	1,580.71	1,521.57	1,510.33	1,680.45	1,772.05
Goodwill on consolidation	1,299.91	949.97	284.69	-	-
Investments	476.50	746.98	0.31	1.09	48.81
Accounts Receivables	2,525.44	1,387.68	1,775.61	1,432.20	1,101.72
Cash and Bank Balances	2,096.01	1,052.29	1,671.17	739.79	625.35
Loans & Advances	1,097.20	677.03	449.30	529.55	345.13
less: current liabilities & provisions	1,874.72	1,305.62	2,813.29	833.06	665.12
Miscellaneous	-	-	-	0.04	0.11
Total Application of Funds	**7,201.05**	**5,029.90**	**2,878.12**	**3,550.07**	**3,228.05**
Key Ratios					
Revenue growth	39.82%	(7.76%)	35.94%	25.82%	45.72%
EBITDA Growth	(5.72%)	(11.95%)	150.15%	3.55%	53.24%
PAT Growth	10.32%	30.19%	28.41%	1.60%	55.00%
Gross Profit Margin	35.49%	44.09%	43.68%	36.07%	37.81%
EBITDA Margin	14.88%	22.07%	23.12%	12.56%	15.26%
PAT Margin	9.25%	11.72%	8.30%	8.79%	10.89%
SG&A to Revenue	20.61%	22.03%	20.56%	23.50%	22.55%
ROE	19.10%	31.17%	30.85%	22.16%	29.62%
Return on Capital	15.47%	21.68%	20.49%	15.13%	18.25%
Debt to Equity	0.22	0.42	0.48	0.45	0.62
Cash/ Total Assets	29.11%	20.92%	58.06%	20.84%	19.37%
Earning Per Share (₹)	11.78	10.97	8.44	6.84	6.83

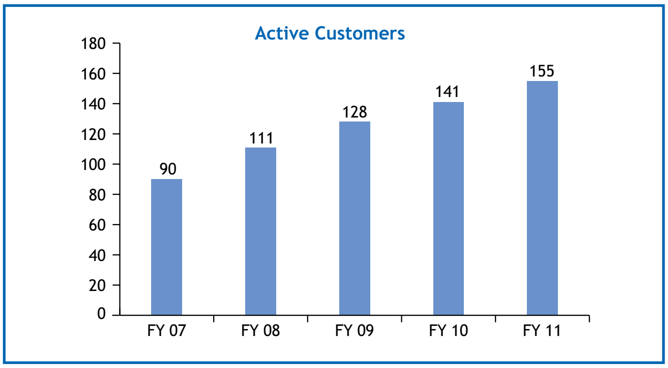

Revenue (₹ Million)
12000
10000
8000
6000
4000
2000
0
4,637
5,835
7,932
7,316
10,230
FY 07
FY 08
FY 09
FY 10
FY 11

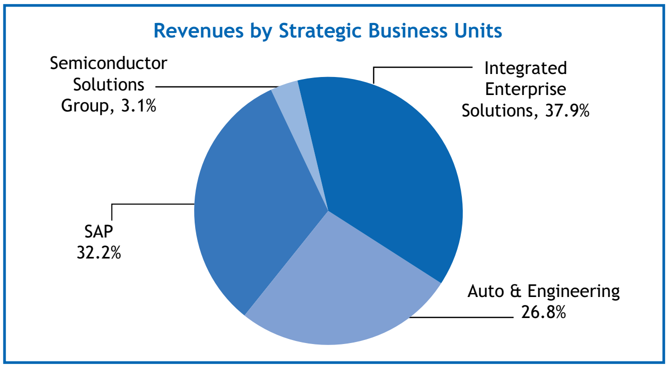

Profit After Tax (₹ Million)
1000
900
800
700
600
500
400
300
200
100
0
505
513
659
857
946
FY 07
FY 08
FY 09
FY 10
FY 11

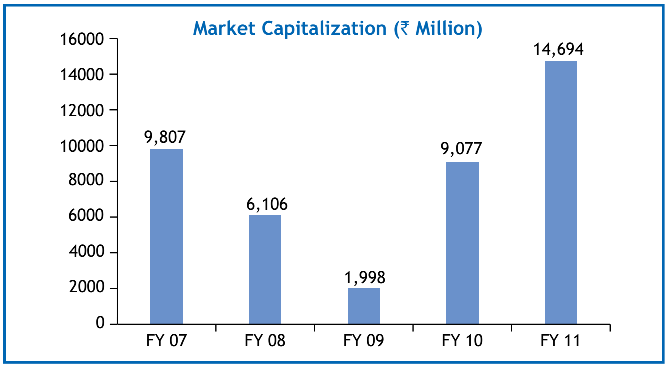

Revenues by Geography
Rest of World 12.1%
Europe 20.2%
USA 67.7%


Earning Per Share (₹)
14
12
10
8
6
4
2
0
6.83
6.84
8.44
10.97
11.78
FY 07
FY 08
FY 09
FY 10
FY 11


Revenues by Industry Vertical
Others, 13.3%
BFSI, 3.5%
Energy & Utilities, 6.3%
Manufacturing, 76.9%


Active Customers
180
160
140
120
100
80
60
40
20
0
90
111
128
141
155
FY 07
FY 08
FY 09
FY 10
FY 11


Revenues by Strategic Business Units
Semiconductor Solutions Group, 3.1%
Integrated Enterprise Solutions, 37.9%
SAP 32.2%
Auto & Engineering 26.8%


Market Capitalization (₹ Million)
16000
14000
12000
10000
8000
6000
4000
2000
0
9,807
6,106
1,998
9,077
14,694
FY 07
FY 08
FY 09
FY 10
FY 11

Management Discussion and Analysis

Industry Development:

Fiscal Year 2010-11 was seen as the year of recovery. The global economic meltdown had a lingering effect on the GDP growth and employment in developed markets. However with active government intervention across the world, the financial sector returned to achieve growth towards the end of CY 2009. While unemployment and consumer confidence were the major challenges for the developed economies, emerging markets like China and India led the way for global recovery.

Overall the IT industry performed better in terms of profitability, even during the difficult times. Now with pent up demand and return of discretionary spending, there is an increase in the overall IT spend which was seen across the markets; traditional and emerging economies. In view of the growth, expectations from the IT industry have also changed drastically. Customers have become more demanding in terms of services delivered, focusing not only on enhancing their technology usage but also aiming the services to contribute towards growing their business. The CIOs were specific about their requirements in terms of direct connect between their IT investments and the business results and this transformation demanded that they reconsider the IT vendor capabilities. However, the change was not only driven by customer preferences, but the service providers also started taking up different initiatives by bringing in new business models. This helped encourage the first time IT outsourcers and also re-invented value propositions for the matured customers.

Changing Market Scenario:

Considering the level of restructuring across industries along with the changes in consumer spending and behavior, the economic recovery process has become slow. Consolidation is already happening in different industries and the pressure to maintain margins is forcing companies to look for eco-system partners for their market and product development strategies.

Technology is moving beyond the core ERP applications and accounting systems to an area where higher emphasis is on capturing and analyzing the data across the eco-system to understand the direction of business and customer demand. IT services are seen not as just business applications, but means to add value to the customer's business and thus improve critical business metrics. This focus on predictive analytics comes at a time when firms are also implementing broader data governance initiatives to improve the accessibility and quality of information.

As firms become more adaptive in a broadening ecosystem of not just IT providers but also go-to-market partners and suppliers, governing the network of players becomes a key measure of success, similar to product quality and customer service.

Emergence of cloud and Software-As-A-Service is fast changing the way IT services are delivered. Market dynamics are prompting the use of "as a service" approach, which enables per-use pricing model with the ability to scale up and down as the business requires; more standardized offerings with lower management overhead for the customer; multitenant delivery to reduce costs; and the shifting from capex to opex outlays.

Industry Growth Estimates:

Worldwide technology products and services related spend is estimated to reach USD 1.6 Trillion in 2010, a growth of 4% over 2010, with emerging verticals and emerging geographies, in addition to US, driving growth. IT services spend increased by 1.4% in 2010, within which IT outsourcing grew by 2.4%.

The industry is estimated to aggregate revenues of USD 88.1 Billion in FY2011, with the IT software and services sector accounting for USD 76.1 Billion of revenues. Export revenues are estimated to gross USD 59 Billion in FY2011. During this period, direct employment is expected to reach nearly 2.5 Million, an addition of 240,000 employees, while indirect job creation is estimated at 8.3 Million. The engineering design and products development segments generated revenues of USD 9 Billion in FY2011 (growth of13.6%), driven by increasing use of electronics, fuel efficiency norms, convergence of local markets, and localized products.

For FY2012, the software services growth is expected to be 16%-18% aggregating revenues of USD 68 Billion-70 Billion. The domestic market is estimated to grow by 15%-17% to revenues of ₹ 900 Billion–920 Billion. Apart from existing growth areas, a vibrant start-up ecosystem, cloud, SAAS, analytics, mobile and products specifically designed for emerging economies, will be the additional drivers.

(Source: NASSCOM SR 2011)

Key Economic Trends:

In view of the improving macro-economic scenario, during the year we experienced growth back in our focus industries. Manufacturing industry was probably the worst affected during recession and possibly had the biggest cutback in IT spending. However in CY 2010, with a modest recovery, the technology spend has increased for the industry, with growth of 5.7% over last year. Worldwide enterprise software revenue is forecast to surpass USD 253.7 Billion in 2011, a 7.5% increase from 2010 revenue of USD 235.9 Billion. There would be growth in BI, Collaboration, Content Management, Social Software and SCM Applications. In the current marketplace, vendor differentiation is a key factor for survival and growth, which requires thorough understanding of the market forces and business models to achieve profitable growth. Emerging technologies like SaaS, Cloud based services, open-source software, consumerization and Web 2.0 technologies will expand, while developing economies i.e. BRIC nations will be the key center for innovation and growth. (Source : Gartner Report)

With the impact of the global economic meltdown gradually reducing, the automotive industry has emerged from its previous lows and has picked up renewed demand which is being majorly driven by the new demand centers of APAC and Middle East while it is more flattish in the mature markets of US and Europe. There is an increase in consumer demand for purpose built vehicles in Europe and North America and for low cost and safer cars in emerging markets like China. The global car makers are trying to adapt to this shift and evaluate strategies to meet these requirements. There is a greater emphasis on affordable hybrid & electric vehicles. The global market for hybrid vehicles is predicted to increase to more than 11 million a year by 2020, which will be around 23 times of the market size in 2008.

While growth in the mature markets has been flattish, auto companies are exploring emerging markets with low cost cars. As per estimates, cars priced lower than USD 5,000, have a very high volume potential in emerging markets such as India and China. This sector has seen high growth historically and is expected to reach 17.5 million units globally by 2020.(Source : IMAP Report)

The shifting focus towards fuel efficiency and growing popularity of in-vehicle entertainment systems, the market for software platforms in Infotainment/Telematics segment is also growing. On the other hand, there is a lot of push by different governments and car makers to ensure passenger safety systems, which leads to an increase in investment in embedded software to integrate various safety components in vehicles.

The growth in worldwide semiconductor market revenue was more than 24% to USD 282 Billion in 2010 according to an estimate by IDC. This was well supported by the demand from automotive sector, which grew by 39% Y-o-Y, due to increasing vehicle sales in US and in BRIC countries and growth in in-vehicle electronics and thus growth in semiconductor content in cars and hybrid vehicles.

Another focus industry vertical for us is Energy & Utilities, where the scope of IT is widening with lot of investments coming up for scaling the IT infrastructure. The American Recovery & Reinvestment Act of 2009 provided extra funding for spending on technology by utilities i.e. smart grids and smart meters. This has led to a marginal or zero cut in this industry's IT spending in 2009. The investments also continued in 2010 and are expected to continue going forward. IT spending at electric utilities in North America is expected to rise 5.3% over 2010 levels this year, after a flat 2010, according to a recent report by IDC. The constant push to provide better use of assets and labor resources, combined with the need to transform the traditional energy delivery infrastructure into a smart grid, is driving utility companies to consider the implementation of different technologies like asset management, supervisory control and data acquisition (SCADA) and energy management systems (EMS) that provide better visibility in asset performance, resource availability and end-user energy consumption.

The scope for IT services is growing in India, driven by new projects related to application development, virtualization, data center consolidation and green IT opportunities. Emerging segments for IT services like government and defense are creating huge market potential in large system integration services for application development. The government IT spend was USD 3.2 Billion in 2009 and is expected to reach USD 5.4 Billion by 2011. Further, there is USD 9 Billion business opportunity in e-governance in India. (NASSCOM)

Our Focus and Strategy:

During this year, as the entire world was slowly aligning itself to terms with the global economy post recession and adapting to the "New Normal" environment, we also took few vital steps within the organization. These steps involved organizational restructuring to prepare ourselves for the next wave of growth. We have a vision to be a USD 500 Million company in revenue by FY 2013 and in the below mentioned paragraphs, we have tried to bring forward the key steps, taken in this direction.

During the year we created and strengthened a Customer Focused Practice Led Organization Structure. Here the strategy is to develop focused best in class practices which would operate as independent business centers and achieve a significant size over the next two to three years, to help us achieve our growth targets. These practices in our focus verticals, will target creating best in class offerings to our customers and thus making the Company the partner of first choice to the target customers. This change was made in the beginning of the year where we divided the horizontals into four strategic business units (SBU)-Integrated Enterprise Solutions (IES), Automotive & Engineering (A&E), SAP (SAP) & Semiconductor Solutions Group (SSG).

The IES SBU provides Enterprise IT offerings and Oracle is the largest practice within this SBU. Other practices include Supply Chain Management (SCM), Oracle Transportation Management (OTM), Business Intelligence (BI), Manufacturing Execution Systems (MES), eBiz, Enterprise Software Support (ESS) and Consulting . During the year we acquired a US based Oracle Consulting company by the name of CPG Solutions, LLC and have completed the full integration by the end of the year. We have made investment for a 50% stake in Systime, world's largest JD Edwards solution provider and we also have one of the largest teams in the world in Oracle Transportation Management. These strategic intiatives have further strengthened our offerings in the IES SBU and have added the competitive edge which will help us to emerge as a specialized player for IT offerings in our focused verticals. We expect our Oracle practice to grow to a size of USD 125-150 Million by FY2013 from the current size of USD 45 Million.

The A&E SBU focuses primarily on embedded electronics and we are one of the largest third party vendors in automotive electronics in the world, certainly the largest in India. The key practices within A&E are Powertrain, Infotainment, Body Electronics, Clusters, AUTOSAR, In-Vehicle networks, Mechanical Engineering Design Services (MEDS) and Hybrid technologies. Automotive electronics and embedded software has always been the niche focus of the Company and we continue to maintain our leadership position in this area, which has recovered strongly from the recession phase. Our domain expertise has changed our strategic positioning as customers are now looking forward to KPIT Cummins as their co-partner in driving their technology road map, developing competition beating solutions and thus adding value and helping customers gain leadership in their markets. We expect some of our key practices to grow up to a significant size over the next few years. We completed an acquisition in the vehicle diagnostics & telematics practice, by acquiring Germany based company, In2soft GmbH. This acquisition will take us a step closer to the Auto OEMs, as diagnostics and telematics is a key OEM offering. The acquisition further strengthens our local presence in Germany.

Currently one of the salient changes happening in the automotive industry is the emergence of hybrid and electric vehicles. During the year, we launched REVOLO, which is a plug-in parallel hybrid solution for automobiles. This was a milestone for the Company, as it established new standards of frugal engineering, which can be a revolution for auto makers and vehicle owners around the world. It will benefit the entire automotive value chain and also contribute to the society as a whole, by introducing vehicles which will be fuel efficient, deliver better performance and reduce carbon emissions significantly. It also provides opportunity for the automotive aftermarket, as the service dealers can now offer their customers the opportunity to convert their conventional vehicles to fuel efficient hybrid vehicles.

The Semiconductor SBU (SSG), works with those semicon companies which provide services to the automotive industry. Our primary work is related to Chip Designing and Verification. Analog Mixed Signal (AMS) and System on Chip (SoC) are the key growing practices for this SBU. With the overall semiconductor industry showing visible signs of growth, we expect to leverage our automotive industry expertise in this SBU.

The SAP SBU mainly caters to SAP ERP along with related Business Intelligence (BI) and eBiz offerings. This SBU was formed by combining our SAP practice with the acquired SAP business of Sparta Consulting Inc. This acquisition also enabled our entry into Energy & Utilities vertical, which is an emerging area for IT investments. We have aligned our investments in this SBU with those of SAP. As a result, during the year we were the first partners signed by SAP for the SME segment where SAP is eyeing explosive growth over the next 3-5 years. We have made and will make significant investments for the SAP SME business and expect these investments to start giving returns by the second half of FY12. We expect our SAP practice to be a USD 100+ Million practice by FY2013.

We believe in developing strategic customer relationships in our focus industry verticals. We have identified certain target customer accounts with whom we would be working as partners and leveraging our expertise to bring in scalability in these accounts. We have identified 40 accounts from the current set of customers, which we believe can scale up and thus are in the process of appointing dedicated Global Account Managers, who would work towards acquiring large size deals from these customers and thus scale up the respective relationships.

During the year, overall, the emerging markets were on the growth forefront. In terms of percentage growth, the emerging markets led the growth for the Company. We added two new segments in our industry focus during the year- Energy & Utilities and Defense & Government. Energy & Utility companies are aligning their IT investments with regulatory initiatives, market restructuring, environmental issues, energy sustainability, infrastructure stability and compliance. This vertical is also typically shielded better than the manufacturing vertical from economic downturns. Over a period of time we expect Energy & Utilities vertical to provide a balance to our exposure in the manufacturing vertical. We have a significant presence in the US Energy & Utilities market through Sparta Consulting, while we will be working towards creating the same presence in other markets like Europe and APAC. In Defense, currently we are working with the Indian defense R&D labs in the areas of electronics and embedded software, more as an extension of our automotive offerings. The work here includes vision systems, navigation systems, unmanned vehicles and robotics among others. The government sector is a key catalyst for increased IT adoption. Government is investing in areas like mass transit and transportation, automated toll collection, vehicle tracking systems, traffic management and ERP applications in PSUs.

Among new markets, we have established a subsidiary in China, where we were able to close our first deal during the year. In Europe, besides UK, France and Germany, we have set up our footprint in Scandinivia and we see strong growth opportunities in this region. We have also started some projects in the Middle East during the year.

Innovation is another important growth driver for the Company. The aim is to develop a culture of innovation across the organization. The Company has been among the very few IT companies investing heavily in R&D. The employee DNA has to be that of innovation, which will help us bring in IP led growth resulting in non linear revenues. We will continue with our investments in the R&D work on an organization level as well as within respective business units.

With these growth drivers and the priorities set for FY2012, which revolve around Profitable growth, People and Innovation, we aim to achieve strong growth over the next few years.

FINANCIAL PERFORMANCE

Revenues:

At the start of the year we had released a guidance of 25% growth in revenue. As the year progressed, we increased the revenue guidance to 38%-40% at the end of Q3. We are glad to state that we have exceeded the higher end of the upward revised revenue guidance for the year. USD Revenues for the year stood at USD 224.07 Million. In Rupee terms, revenue was ₹ 10,230.14 Million as compared to ₹ 7,316.41 Million last year. During the year, we witnessed growth across all the SBUs and geographies. Overall the USD revenues grew by 45.73% with organic growth of 39.49%. Cummins returned to growth ways and grew by 5.59% during the year with revenues of ₹ 2,331.45 Million as compared to ₹ 2,208.09 Million in the last year. Comparatively the Non Cummins business grew significantly by 54.62% as compared to the last year. The share of Cummins revenue for the year was 22.79% as against 30.18% in the last year.

	FY2010	FY2011	Growth
Sales in USD Million	153.76	**224.07**	45.73%
Sales in ₹ Million	7,316.41	**10,230.14**	39.82%
Onsite Revenues (₹ Million)	2,941.93	**4,468.53**	51.89%
Offshore Revenues (₹ Million)	4,374.48	**5,761.61**	31.71%
Onsite FTEs	512	**569**	11.13%
Offshore FTEs	2,674	**3,234**	20.94%
Total FTEs	3,186	**3,803**	19.37%

From the geography perspective, US revenue share increased from 60.04% in the last year to 67.63% during this year registering a significant growth. A major factor for this increase was the full year consolidation of Sparta Consulting and the integration of newly acquired entity, CPG Solutions. Europe revenues marginally declined during the year, while we saw strong growth in APAC & India business. The APAC revenues registered a whopping 77% growth as compared to last year mainly driven by growth in Korea and India.

Revenues by Geography (₹ Million)	FY2010	FY2011	Growth
US	4,392.44	**6,918.55**	57.51%
Europe	2,223.56	**2,069.16**	(6.94%)
ROW	700.41	**1,242.43**	77.39%

During the year, there was growth across all the industry verticals, except BFSI which is a non focus vertical for the Company. With the acquisition of Sparta Consulting Inc, in FY 2010, we got a head start in the Energy & Utilities vertical. During the year, we have entered into a new segment – Defense and Government, which currently constitutes approximately 2% of the total Company revenues. The offerings for this segment are an extension of our automotive electronics and embedded software work. BFSI vertical has de-grown this year as compared to last year. For the past 2 years, we have not been making any investments in this vertical. However the previous established client relationships have been continuing.

Revenues by Vertical (₹ Million)	FY2010	FY2011	Growth
Manufacturing	6,057.99	**7,871.07**	29.93%
BFSI	496.05	**361.12**	(27.20%)
Energy and Utilities	221.69	**645.52**	191.19%
Others	540.68	**1,352.42**	150.13%

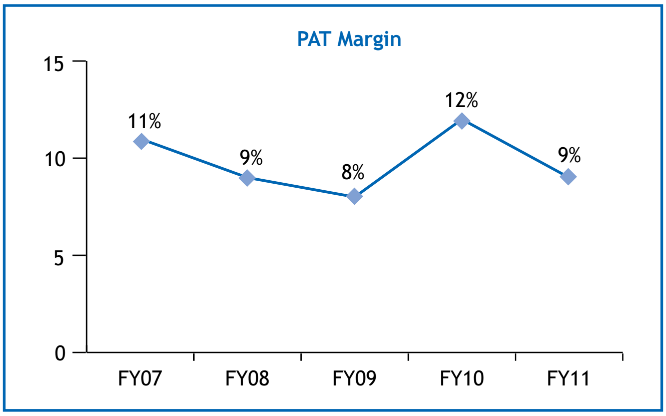
During the year, we discontinued the LOB wise reporting structure and in alignment with our practice based structure, we have started reporting revenues by Strategic Business Units (SBU). The Integrated Enterprise Solutions (IES) SBU, includes our Enterprise IT & BPO offerings, like Oracle, SCM, Business Intelligence (BI), and Enterprise Software Support (ESS) among others. The financials of CPG Solutions, LLC has been consolidated with this SBU from Q3 onwards. The Automotive & Engineering (A&E) SBU comprises of auto electronics and embedded software offerings which include practices like Powertrain, Infotainment, hybrid technologies, Mechanical Engineering Design Services (MEDS), AUTOSAR and Body Electronics. We have integrated the financials of In2soft GmbH, which was acquired during the year, with this SBU from Q3 onwards. SAP SBU was created post our acquisition and integration of Sparta Consulting Inc and focuses on SAP ERP along with BI & eBiz offerings. In alignment with our engineering services, SSG SBU primarily works with the semiconductor companies in the areas of chip designing and verification. SAP SBU led the growth for us followed by A&E SBU. On a like to like basis (annualizing Sparta revenues) the SAP SBU growth was 62%.

Revenues by SBU (USD Million)	FY2010	FY2011	Growth
Integrated Enterprise Solutions	75.45	**84.94**	12.58%
Auto & Engineering	42.61	**60.10**	41.05%
SAP	29.48	**72.04**	144.37%
Semiconductor Solutions Group	6.22	**6.99**	12.38%

Profitability:

As we increased our revenue guidance in Q3, we also increased the Profit guidance at the same time. Earlier we had guided for a 5% increase in Profit, which was later revised to an 8%-10% growth. We have exceeded the higher end of our upward revised Profit guidance for the year with Net profit at ₹ 945.82 Million, an increase of 10.32% over FY2010. PAT Margin for the year declined to 9.25% against 11.72% in the previous year.

Profits (₹ Million)	FY2010	FY2011	Growth
EBIDTA	1,614.43	**1,522.08**	(5.72%)
PAT	857.31	**945.82**	10.32%



EBITDA for the year has declined by 5.72% as compared to last year, while EBITDA margin was 14.88% for the year against 22.07% in FY 2010.

Our Profit growth for the year was lower than the revenue growth indicating a decline in the operating margins. As we had indicated at the start of the year, our profitability for the current year was going to be affected due to decreased forex realization rate, salary hikes and our intent to make certain investments for future growth.

The average ₹/USD rate for the year stood at ₹ 45.66 per USD as compared to ₹ 47.58 for FY2011. This meant that due to a 4.04% fall in the realized rate, our operating margins got affected to the tune of almost 3%. At a similar exchange rate as last year (all other things being same for FY11) we would have been at 17%+ EBITDA Margins for FY2011.

We gave salary hikes across the board at an average level of 12% for offshore and 2% for onsite, effective April 2010. This had a negative impact of again 3% on the operating margins.

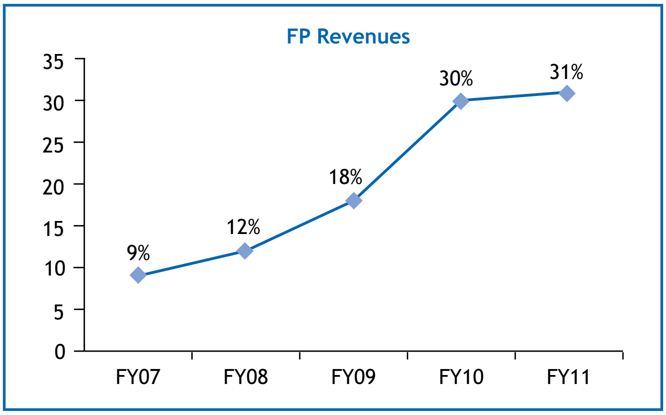
We added more than 800 freshers during the year which is certainly an investment for the next year but reduced our offshore utilization for the current year, which stood at 68.48% as compared to 71.24% last year and also increased training and other costs. We believe this investment will start bearing fruit in the next year. Attrition as an industry trend was higher this year as compared to last year and KPIT was no exception. This meant that the utilization further got dampened and also the fresher utilization onto customer projects did not pick up speed as we would have liked it to. We believe the attrition will continue on a higher level during the first 2 quarters of FY12 and then settle down.

Apart from the fresher investments we also invested heavily in R&D and Front End. The front end investments were majorly in Subject Matter Experts aligned to our Practice Led Structure. We believe some of these front end investments will continue in the next year also to further strengthen our Practices. We being more driven by technology, our R&D investments continued during the year. These investments were majorly targeted towards creating IPs and best in class solutions for our customers. We also entered into the SME partnership with SAP in the US during the 3rd quarter of the financial year and have invested heavily into the same during the last 2 quarters of the year. During the year we have capitalized some of the R&D investments but majorly written off these, as depicted in the table below. The total R&D spend expensed out during the year was ₹ 208 Mn.

₹ Million	FY2011
Total R&D Spend	281.88
R&D Capitalized	149.54
R&D Amortized in FY11	75.62
R&D Expensed out in FY11	132.35
R&D Total Debit to P&L	207.97

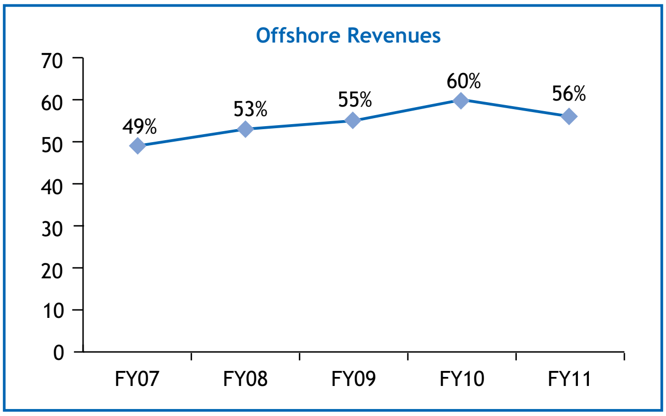
Fixed Price Revenues

In Fixed Price Projects, the billing is done based on achievement of predefined milestones delivered in the specific timeframes as decided at the start of the project. Total Cost, Specifications and deadlines for such projects are determined in advance. Over the last few years, as a part of our profitability improvement measures, we have taken certain steps to improve our productivity levels like asset re-use, reduced rework effects, improving zero defect deliveries among others. These initiatives have developed the confidence to deliver projects more profitably in a fixed price mode.



Offshore Revenues

The revenues derived from services delivered to the customer from remote locations, eg. India are classified as offshore revenues. Our offshore revenue share has increased over last few years to the 60% level, however during this year it has come down marginally. This can be attributed to the higher onsite business mix for our recently acquired entities, i.e. Sparta Consulting Inc., CPG Solutions, LLC and In2soft GmbH. Going forward we expect to maintain our offshore revenue share at 60%+ level and change the revenue mix for these entities by moving business offshore from onsite, which will also help us in improving the margins for these businesses.

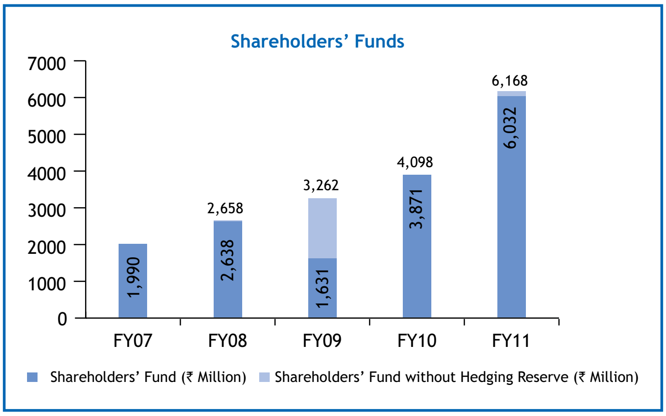


Forex loss for the year came down to ₹ 30.95 Million from ₹ 268.89 Million in the last year. This reduction in the forex loss was on account of rupee appreciation and a better hedge rate as compared to last year. We should continue to see the reduction in forex loss in the next year also.

Shareholders' Funds

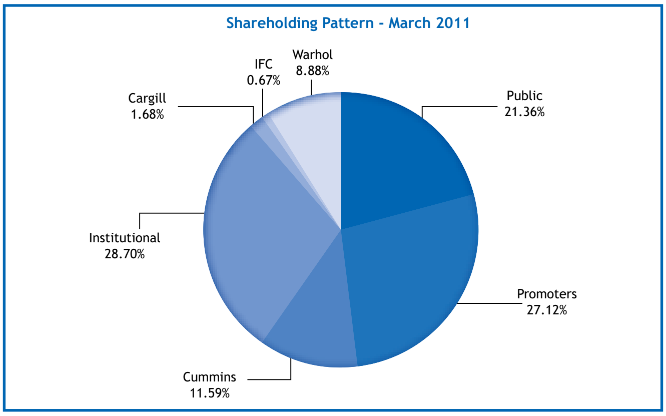
As a company we are always focused on maximizing shareholders' wealth and it is our prime objective to keep building on the Net Worth of the Company.

Hedging Reserve is the MTM gain/loss on all of the outstanding hedging contracts which are due for maturity beyond 90 days from the date of the Balance Sheet, as calculated with respect to the closing rate, as at the date of the Balance Sheet. As on March 31, 2011, these hedging reserves were ₹ 136 Million as compared to ₹ 227 Million as at March 31, 2010.



Shareholding Pattern

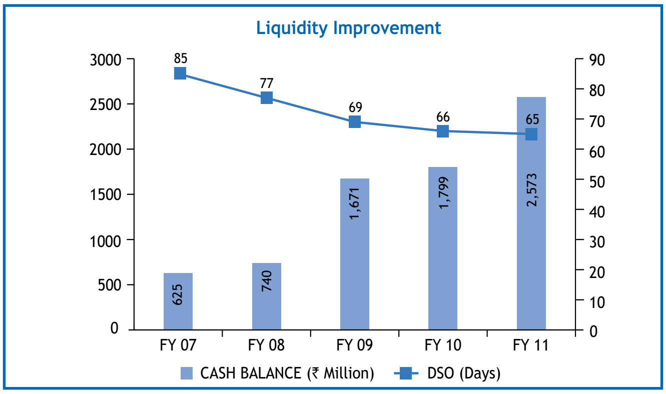
Our shareholders include Promoters, renowned domestic and financial institutional investors and individuals. As on March 31, 2011 our shareholding structure was as follows:



The chart above is based on the listed capital of the Company as on March 31, 2011 which was 87,335,160 equity shares.

Liquidity

Liquidity has been a priority area for the Company and we continuously work towards improving the cash balance. We were able to bring down the Debtor Days Outstanding to 65, which was the target we had set for ourselves at the start of the last year. During the year, we completed allotment of 7,758,621 shares to Warhol Limited, Mauritius, on a preferential basis at an issue price of ₹ 145 per equity share, which amounted to an aggregate consideration of ₹ 1,125 Million. The Cash Balance as at March 31, 2011 stood at ₹ 2,573 Million. The fixed assets capitalization for the year was ₹ 436.98 Million. The total debt outstanding as at March 31, 2011 was ₹ 1,105.44 Million, out of which the long term debt was ₹ 280.80 Million.

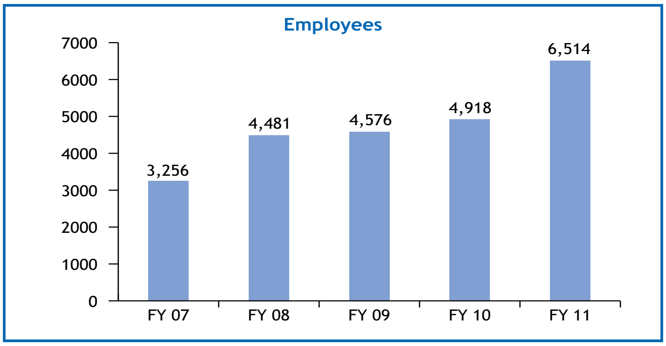


Internal control systems and their adequacy

The CEO & CFO certification provided elsewhere in this Annual Report discusses the adequacy of internal control systems and procedures in place.

Material developments in human resources/industrial relations front, including number of people employed

During this year, we have added 1,596 employees on a net basis. The total headcount increased from 4,918 as on March 31, 2010 to 6,514 as on March 31, 2011. In the last two years before FY11, the employee additions were not very significant. The growth visibility this year coupled with high attrition led to a strong employee addition. The two acquisitions during the year, CPG Solutions and In2soft added around 80 employees. Other people development initiatives have been covered in details in the Chairman and CEO & MD addresses.



Thus to conclude, your company's financial position continues to be strong. As we go into the next year, our top priorities are Profitable Growth, Innovation and People. With all our actions directed towards these and support from all the stakeholders, we are confident of success in the journey ahead.

Risk and Concerns

A separate report on Enterprise Risk Management is provided elsewhere in this Annual Report.

Cautionary Statement

Certain statements under 'Management Discussion & Analysis' describing the Company's objectives, projections, expectations may be forward looking statement within the applicable securities laws and regulations. Although the expectations are based on reasonable assumptions, the actual results could differ materially from those expressed or implied, since the Company's operations are influenced by external and internal factors beyond the Company's control. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Enterprise Risk Management Report

"We cannot quantify the future because it is unknown, but we have learned how to use the numbers to scrutinize what has happened in the past. But to what degree we should rely on the patterns of the past to tell us what the future will be like?"

Peter Bernstein

Identification of risks

While the Enterprise Risk Management (ERM) initiative in your Company looks at the past to derive valuable lessons for the future, it is equally conscious of the fact that the past events need not necessarily be a comprehensive guide to the future risks and looks for new or emerging trends that might potentially pose a risk to the business of the Company. With this view, the ERM team identifies the risks on a continuous basis by including new risks and keeping the list of risks managed up-to-date.

The risks are identified through a participative process in which the members of the executive management deliberate upon the risks to the business goals and narrow it down to most important risks which have to be closely monitored and managed. The idea here is to get the focus on the substantive risks and not to be distracted by insignificant risks.

Your Company believes that this process would bring better appreciation and ownership of the risk management initiative by the risk owners rather than adopting a top-down approach. This, in turn, is expected to imbibe a strong risk culture that would guide the management actions.

The ERM process is well supported and supplemented by an Internal Audit mechanism which is well aligned with the objectives of risk management and is scoped and conducted accordingly.

The risks currently being managed

Based on the continuous monitoring of the risks that might be encountered by your Company, we have identified scale of operations for some offerings and the rupee appreciation as the new risks. Some risks identified earlier have been dropped as they are not considered material any longer. The key areas in which risks have been identified and are being monitored and managed currently are:

1. **Customer relationships**
2. People cost and retention
3. Strategy based on focus
4. Scale of operations and
5. Currency appreciation

Management of risks

Following are the salient features – best practices – of the Risk Management Activities.

1. The ERM team is concentrating on entity-level risks only and that too on selected critical ones. This ensures that quality management time is available for managing the materials risks and the initiative is not distracted by transactional or momentary issues.

2. The risks and the risk indicators are identified by the risk owners themselves based on their knowledge and observation of the trends both within the Company as well as the external environment. The risk owners monitor and manage these risks based on objective data relating to risk indicators rather than being guided by perceptions and beliefs.

3. Data relating to the risk indicators is being monitored on a continuous basis to verify if the risks are under control and also to validate the efficacy of the mitigative actions already initiated. Additional mitigative actions are initiated or the mitigative actions previously initiated are fine-tuned depending upon the status of the risk indicators.

4. The status of various risks, risk indicators and mitigative actions are also reviewed by the management with the risk owners regularly as part of the normal internal reviews. This ensures that risk management is built into the normal operations of the Company instead of being treated as a separate and independent exercise which is likely to dilute the effectiveness of risk management. Risk management thus guides the operations of the company and the decisions, operational or strategic. This has also resulted in effectively imbibing the risk culture in the Company.

5. The status of risk management is also being presented to the executive council of the Company's management and the inputs and advice of the executive council are regularly sought and implemented. Addition of any new risks or dropping of any existing risks is also presented to the board committee on Enterprise Risk Management.

Community Contribution at KPIT Cummins

Our Philosophy

KPIT Cummins follows the below mentioned guiding principles for Community Contribution.

1. We strongly believe, Community Initiatives should not be restricted to just contribution of funds, it must necessarily involve the energies and efforts of people. We aim for achieving an employee involvement which is equal to or greater than 1.5 times of our employee strength in a year.

2. We also feel that Community Initiatives should be rendered in areas where the Company's core strengths are, in order to add maximum possible value. Therefore, we use our expertise and knowledge in the IT domain, to educate and enable communities.

3. We ensure that a large part of efforts is concentrated on one initiative, so as to ensure significant contribution will make a big difference.

4. Each initiative spans a wider region to benefit the society at large – not limiting to cultural and physical boundaries.

5. We believe that as a mature organization it is our responsibility to give back to the society and create happy communities in the regions that we operate in.

   At KPIT, all Community Contribution initiatives are metrics driven.

Focus Areas

1. Environment

As responsible global corporate citizens we believe, it is our duty to give our future generations a clean, green and sustainable world. KPIT's approach to being an environmentally friendly organization is founded on the belief that the interests of our future generations and the society at large is best served by the efficiency of our business operations. This in turn means that we are committed to protecting the environment along with the active involvement of our stakeholders.

Some Key projects under Environment are as follows:

- **Environment Week Celebration:** Community Initiatives Team Pune and Hyderabad celebrated "Environment Week" from 7th to 11th June 2010. The week started with the oath taking ceremony where hundreds of employees took oath and showed their determination towards Environment. During the entire week various initiatives such as distribution of cloth bags to colleagues as part of Plastic free KPIT campaign, Skit by our own volunteers on Water Conservation, Documentary film on Environment awareness, Cleanliness drive in our premises etc. were organized and they were enthusiastically supported by our colleagues.

- **Tree Plantation:** Nakshtra Garden @ Pune: As a part of our 'Go Green' initiative, we have sponsored the 'Nakshtra Garden' project at Rani Laxmibai Girls Military School, Pune. This is a theme based garden on Man, Mythology, Science and Environment. The objective of this project is to build a green pocket in the school premises, where families and students can spend some time relaxing and mingling with one another. The garden provides valuable information about celestial bodies, zodiac signs and medicinal plants through various sign-boards, which adds to the knowledge of the visitors. We also had Tree Plantation program in the school premises of Vijayangar Government School, Whitefield, Bangalore.

- Solar Water Heater Donation: KPIT is working with Swami Vivekanada Vidyalaya, Asde village in Mulshi Tehsil near Pune since last 3 years. Our volunteers visit the school and Hostel regularly to support them in their academics and in other extracurricular activities. Volunteers observed that students residing in hostels use dry wood available in the nearby jungle as fuel to boil the water. The hot water is required more in winter season when morning temperatures here are very low. Usually day begins with burning the wood to start the boiler which is also time consuming for the students. It also indirectly encourages use of less environment friendly fuel. As per the school authority they consume around 1 ton dry wood for cooking and bathing every year. Smoke due to burning of wood also affects health of the kids. To overcome these issues KPIT decided to look for more environment friendly options. One of the most suitable options is using Solar Energy. We have donated 3 solar water heater systems in Male and Shileshwar villages. Presently the systems are working in good condition and we are able to save around 1 ton dry wood every year.

- Tushar Juvekar who is the process owner of Community Initiatives at KPIT has completed the six sigma project on "Reduction in power consumption". Through this project we achieved 23% savings in electricity consumption at Rani Laxmibai Girls Military School.

2. Education

We believe that through the medium of education we can enable people to write their own destiny. KPIT Cummins has thus been dedicated to transforming the lives of people through both formal and non formal education support programs. While on one hand we have been directly engaged with education improvement programs, we have also been actively supporting NGOs/institutions who are committed to education improvement, by helping them operate more efficiently and effectively. We also donate Computers to various schools and NGOs.

Some Key projects under Education are as follows:

- In this fiscal year we have donated around 105 Computers to various Schools and NGOs. Out of 105 systems, 30 have been donated to Asha Kiran Institute and Lenyadri Vidyamandir, Ballalwadi which helped them to establish their computer Lab.
- **School Kit Donation Drive:** This year KPites contributed a total fund of ₹ 2,60,000/- which helped in donating 1,040 school kits. KPIT has been supporting this cause since last 3 years. Donation amount was highest this year since the campaign started.

- We are associated with 'Teach for India' wherein we have sponsored a 'Fellow' from their very first batch in India who is now actively engaged with a government school for the past 1 year. We are now strengthening our engagement with the school by way of infrastructure upgradation in the classrooms and non formal education support.
- **Surajya Connect:** Surajya is a NGO working for the well being of people from the slums of Yerwada. KPIT has been associated with the NGO since last 5 years. This is an initiative run by a team of committed and passionate KPites who are willing to make the difference. The entire team is very enthusiastic and eager to contribute as much as possible to the society. The team visits every weekend to the three slums in Yerawada, Pune namely, Ekata Nagar near Vishrantvadi, Jai Prakash Nagar in Yerawada and Darode Mala near Koregaon Park. With a defined guidelines and a structure for the weekly activities, employees conduct moral teaching, computer training, career counseling for the students. Apart from the regular weekend activities, volunteers participated in Independence/Republic Day celebrations, had fun with kids in Diwali and Holi festivals. The Team also organized picnic, drawing competition and residential camp with focus on personality development for the students.

3. Health

At KPIT Cummins, we strive to positively impact the health and wellness of our own people first and also that of the communities we engage with.

Some Key projects under Health are as follows:

- One of the most successful and sustainable drives we have undertaken has been the "Blood Donation Drive". Once in a quarter we organize a Blood Donation camp in our premises. We are happy to say that we donate more than 800 blood bags per year. Over the past 6 years we are running this campaign successfully.

- We have partnered with the Central Labor Institute, a Government of India organization, for making a documentary film on correct body posture while working on the computer. The documentary film is now being used for promoting awareness on this subject.

  We aim to achieve involvement from our employees equal to or greater than 1.5 times of total employee strength in a given year. We are happy to inform that we achieved this target. The total number of direct beneficiaries of our various initiatives were 5,230.

Voice of Beneficiaries

The Chief Co-ordinator of Surajya Prakalpa, Mr Vijay Shivale

"KPIT Surajya Connect team is working very closely with us since last February and are visiting Surajya Prakalpas every Saturday. KPIT team's dedication and their interaction with the children and parents has really boosted my confidence. They have relieved me to a certain extent and thus I am in a position to spend my time in some other improvement activities and new initiatives for Surajya Prakalpa."

Bharati from Darode Mala Vasti, Surajya Prakalpa

Since last few months, I desperately look forward to each and every Saturday. Do you know, why? Prajakta Tai, Sayali Tai and the entire team they all come at our vasti to play with us and teach us many good things. They teach us what we should do and what we should not. They also visit our homes and meet our parents occasionally. I really like Prajakta Tai and Sayali Tai very much. I want them to come to our vasti every day.

Rubina Sayyed, class 7 student from Surajya Prakalpa

I really like Manish dada, as he visits us every Saturday and plays various games with us. Sanjana Tai and Manish dada taught us various songs and general knowledge, also English.

Vishal Galpade, class 4 student on receiving school kit

I got a new school bag with lots of books and a compass box in it. I really liked my new school bag which I got from these uncles. I am very very happy.

Directors' report

Dear Shareholders,

The Directors are pleased to present the Twentieth Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2011.

Performance of the Company

Particulars	Standalone 2010-2011		Consolidated 2010-2011	
	USD Million	₹ Million	USD Million	₹ Million
Total Sales and Income	117.96	5,385.55	224.07	10,230.14
Total Expenses	92.37	4,217.22	190.73	8,708.06
PBDIT	25.59	1,168.33	33.34	1,522.08
Profit/(Loss) before Tax (PBT)	17.29	789.43	24.15	1,102.58
Profit/(Loss) after Tax (PAT)	15.22	694.88	20.72	945.82
Profit Available for appropriation	15.22	694.88	20.72	945.82

Result of Operations

There was a turnaround in the fiscal 2010-2011 for the IT industry and the economy at large and the Company has witnessed the effects of the same. With an improvement in the Revenue growth over the last fiscal the Company has progressed substantially as reported herein below.

Total consolidated revenue for the fiscal year 2010-11 (FY11) was ₹ 10,230.14 Million. Gross Profit and Earnings before interest, tax, depreciation and amortization (EBITDA) are ₹ 3,630.80 Million and ₹ 1,522.08 Million, respectively. Gross profit margin stands at 36% of the revenue. Net profit after tax grew by 10.32% to ₹ 945.82 Million.

The revenues for the year on a consolidated basis in USD terms are USD 224.07 Million as against USD 153.76 Million during the previous year. Average realization rate was ₹ 45.66 per US Dollar.

Standalone revenue for the fiscal year 2010-11 (FY11) was ₹ 5,385.55 Million. Gross profit stands at ₹ 2,033.59 Million. Net profit after tax decreased by 11.42% to ₹ 694.88 Million.

Transfer to Reserves

Your Directors propose to transfer ₹ 70 Million to the General Reserve. An amount of ₹ 594.10 Million is proposed to be retained in the Profit & Loss Account.

Your Directors propose to transfer an amount of ₹ 10 Million towards KPIT Cummins Infosystems Limited Community Foundation Reserve. This Reserve would be utilized for various community benefit schemes as may be approved by the Management.

Your Directors propose to transfer an amount of ₹ 100 Million towards KPIT Cummins Technology Fund. This fund would be utilized to drive high end innovative technology initiatives for promoting green growth and energy conservation, which will successively benefit the Company.

Your Directors propose to transfer an amount of ₹ 100 Million towards KPIT Employees' Welfare Fund. This Fund would be utilized to promote welfare of its employees in various forms such as Medical, Education, Housing, Holiday homes, Recreation facilities, Activities related to Sports, Music Research, Artistic Pursuits etc.

Dividend

The Directors are pleased to recommend a dividend @ 35% (₹ 0.70) per equity share of face value of ₹ 2/- each on the paid-up equity share capital of the Company.

Share Capital

Warhol Limited (Warhol) (an affiliate of ChrysCapital) is a Mauritius based, Foreign Institutional Investor. Warhol was issued 77,58,621 equity shares on preferential basis for an aggregate consideration of ₹ 112 crores, in terms of the Special Resolution passed by the shareholders of the Company in the Extra-Ordinary General Meeting held on February 8, 2011. The shares were issued at a price of ₹ 145/- . The proceeds of the issue will be utilized for bona fide business purposes and for funding the growth and operations of the Company and/or its subsidiaries, to meet the working capital and capital expenditure requirements of the Company/subsidiaries and for investment in subsidiaries and joint ventures. The shares were allotted to Warhol on February 17, 2011. Warhol currently holds approximately 8.83% of the paid up share capital of the Company.

The Company allotted 1,581,753 equity shares of ₹ 2/- each, to the employees under the ESOP schemes in the financial year 2010-11.

The outstanding issued, subscribed and paid-up capital of the Company as on March 31, 2011 is ₹ 175,726,830 consisting of 87,863,415 equity shares of ₹ 2/- each.

Manpower Strength

The Company had 6,514 employees as on March 31, 2011. During the year there was a net addition of 1,596 employees, which increased the employee strength by 32% over the previous year.

CRISIL Ratings

CRISIL has confirmed the financial credit rating of AA-/ stable for the revised bank limits of Cash Credit and Term Loan facilities and P1+ for Bank Guarantee & Letter of Credit, for the Company.

Quality

The Company is highly committed to International standards raised by the Industry. The Company has been awarded ISO 9001:2008 (Quality Management Systems), ISO 27001:2005 (Information Security Management Systems), ISO 20000:2005 (Information Technology Service Management) and BS25999:2007 (Business Continuity Management) certificates by TUV Nord Cert GmbH for providing Software Development, Product Engineering, Product Support and Enabling Services.

Institutional Holding

As on March 31, 2011, the Institutional Holding in the Company was 28.70% of the listed capital. This excludes the following

(i) approximately 8.88% held by Warhol Limited, (ii) approximately 0.67% held by International Finance Corporation, (iii) approximately 1.68% held by Cargill Mauritius Limited (CML). Including the aforementioned three shareholders, total institutional holding as on March 31, 2011 stood at 39.93%.

Information about the Subsidiary Companies

As on March 31, 2011 the Company had nine operational subsidiaries:

1. **KPIT Infosystems Inc. (KPIT US)** was incorporated in 1998, in the US, for catering to the demand of US based customers. The Company holds 100% of the share capital and voting power of KPIT US. KPIT US earned revenues of ₹ 3,763.04 Million (previous year ₹ 3,483.74 Million) and recorded a loss of ₹ 32.16 Million (previous year profit of ₹12.60 Million) ended on March 31, 2011. The loss above does not include translation loss of ₹ 32.97 Million.

2. **KPIT Infosystems Limited (KPIT UK**) was incorporated in 1996, in UK, for catering to the demand of customers based out of UK & Europe. The Company holds 100% of the share capital and voting power of KPIT UK. During the year, KPIT UK has earned revenues of ₹ 788.33 Million (previous year ₹ 872.60 Million) and registered a loss of ₹ 17.04 Million (previous year loss of ₹ 6.64 Million). The loss above does not include translation loss of ₹ 19.39 Million.

3. **KPIT Infosystems GmbH (KPIT Germany)** was added as a step down subsidiary in 2005. KPIT Germany is a 100% subsidiary of KPIT UK. This subsidiary is completely focused on huge automotive market in Germany to expand our customer base in this segment with a vision to become No. 1 global product engineering partner to the automotive industry. KPIT Germany reported a profit of ₹ 16.36 Million for the year ended March 31, 2011 (previous year a loss of ₹ 18.04 Million) on revenues of ₹ 555.45 Million (previous year ₹ 503.44 Million).

4. **KPIT Infosystems Inc. [a.k.a. SolvCentral.com Inc.] (SolvCentral)**, based in US was added as a step down subsidiary in 2005 when KPIT US acquired 90% of its shares. SolvCentral is a 100% subsidiary of KPIT US. SolvCentral is focused in the Business Intelligence (BI) space in the US market. SolvCentral reported a loss of ₹ 27.17 Million during the year ended March 31, 2011 (previous year loss of ₹ 0.66 Million) with revenues of ₹ 74.84 Million (previous year ₹ 128.90 Million).

5. **KPIT Infosystems France SAS (KPIT France)** was formerly known as Pivolis. KPIT France has provided direct presence in France which is an important market in European region from KPIT's growth perspective. In the Financial year 2010-11 KPIT France reported a profit of ₹ 1.22 Million during the year (Previous year a profit of ₹ 6.13 Million) with revenues of ₹ 325.99 Million (previous year ₹ 341.97 Million).

6. **Sparta Consulting Inc. (Sparta Inc.)** was added as a step down subsidiary in 2009, when KPIT US acquired 100% of its shares. Sparta Inc. is a leading provider of high end SAP solutions and is one of the fastest growing SAP consultancies in North America. Sparta Inc. (consolidated) reported a profit of ₹ 234.20 Million during the year ended March 31, 2011 (previous period profit of ₹ 29.85 Million) on revenues of ₹ 2,691.72 Million (previous period ₹ 578.70 Million).

7. **Sparta Infotech India Private Limited (Sparta India)**, was a subsidiary of Sparta Inc. Consequent upon the acquisition of 100% shares of Sparta Inc., by KPIT US, Sparta India is now a subsidiary of KPIT US. Sparta India was incorporated to cater Sparta's India based clientele. Sparta India reported a profit of ₹ 111.22 Million during the year ended March 31, 2011 (previous period profit of ₹ 3.46 Million) on revenues of ₹ 304.73 Million (previous period ₹ 50.29 Million).

8. **In2Soft GmbH (In2Soft)** is based in Munich, Germany, whose 74% share capital was acquired by KPIT Germany on October 1, 2010. The fixed consideration payable for acquisition of In2Soft is Euro 2.5 Million. In2Soft is an expert in diagnostics and telematics for the automotive industry. In2Soft develops the OBU software for the tolling systems in Germany, Europe and world- wide and provides with VisualODX, a modern and complete tool set for vehicle diagnostics. The objective of the acquisition was to have productized solutions for global automotive customers and to have an onsite German presence to potentially serve strategic automotive customers in Germany. In2Soft reported a profit of ₹ 7.33 Million during the period ended March 31, 2011 on revenues of ₹ 99.19 Million. *(In2soft's figures of revenue and profit have been taken into consideration for post acquisition period i.e. after October 1, 2010 till March 31, 2011).*

9. **CPG Solutions, LLC ('CPG')** is based in Florida, USA. KPIT US, the Company's wholly owned subsidiary in USA, acquired 100% shares in CPG. CPG became wholly owned subsidiary of KPIT US with effect from October 1, 2010. The total consideration payable for acquisition of CPG is USD 13.2 Million. CPG, an Oracle Gold Partner, is a focused player in solutions for companies in Manufacturing, Supply Chain and Engineering space with over a decade of specialized consulting experience in this focused area. The acquisition of CPG will strengthen the Company's strategic position as preferred Oracle partner for manufacturing companies and is designed to complement the Company's strengths in global ERP roll outs, implementation and support and maintenance services. CPG reported a profit of ₹ 46.61 Million during the period ended March 31, 2011 on revenues of ₹ 337.21 Million. *(CPG's figures of revenue and profit have been taken into consideration for post acquisition period i.e. after October 1, 2010 till March 31, 2011).*

Companies ceasing to be subsidiaries:

KPIT Infosystems Central Europe Sp. Z.o.o. ('KPIT Poland') and KPIT Cummins Global Business Solutions Limited ('KPIT GBS'): The Hon'ble High Court of Judicature at Mumbai passed the merger order and approved the Scheme of amalgamation of KPIT Infosystems Central Europe Sp. Z.o.o., Poland ('KPIT Poland') and KPIT Cummins Global Business Solutions Limited ('KPIT GBS') with the Company on January 28, 2011. The effective date of merger of KPIT Poland and KPIT GBS with the Company was March 1, 2011.

The operations of KPIT Poland were not commercially viable to run as a separate company, since its major customer had merged with another company. Hence it was decided to merge the same with the Company and close KPIT Poland's operations as per the Polish laws.

KPIT GBS was engaged in BPO activity and achieved its operational breakeven in FY10. Consolidation of the operations of KPIT GBS with the Company was aimed at improving operational efficiencies.

Particulars required as per Section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, a holding Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of all the subsidiaries. However the Government of India vide General Circular No: 2 /2011 has given a general exemption to the companies from attaching the annual reports of subsidiaries provided certain conditions are fulfilled. Accordingly, this annual report does not contain the financial statements of the subsidiaries. Statement pursuant to Section 212 of the Companies Act, 1956, is given elsewhere in this annual report. The Company will make available the audited annual accounts and related detailed information of the subsidiary companies, where applicable, upon request by any member of the Company. The Company will also upload the accounts of the individual subsidiaries on its official website. These documents will also be available for inspection during business hours at our registered office.

Directors

Pursuant to Article 72 of the Articles of Association of the Company read with Section 256 of the Companies Act, 1956, Dr. R. A. Mashelkar, Mr. Bruce Carver and Ms. Elizabeth Carey retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Girish Wardadkar, President and Executive Director resigned from the directorship of the Company with effect from April 25, 2011 after a tenure of 6 years with the Company. Mr. Girish Wardadkar has been instrumental in establishing strong systems with a focus on improving quality and productivity. He has also contributed significantly in building reporting and control systems. The Board places on record its sincere appreciation for his tremendous contribution towards the growth and success of the Company over the years.

Mr. Deepak Malik resigned from the directorship of the Company with effect from April 25, 2011. The Company has immensely benefitted from the expert professional guidance of Mr. Deepak Malik. The Board places on record its sincere appreciation for all the help and guidance provided by him.

Auditors

The Statutory Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report thereon is annexed to this annual report. The Auditors' Certificate in respect of compliance with the provisions concerning Corporate Governance, as required by Clause 49 of the Listing Agreement, is also annexed.

Management Discussion and Analysis

A detailed review of the operations, performance and future outlook of the Company and its business is given in the Management Discussion and Analysis Report, which forms a part of this Report.

Responsibility Statement of the Board of Directors

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

i) in the preparation of the accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed and there has been no material departure;

ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the said financial year and of the profit of the Company for the said financial year;

iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the Directors have prepared the accounts for the year ended March 31, 2011 on a 'going concern' basis.

Particulars of Employees

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, a statement showing the names and other particulars of employees forms a part of this report. However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid statement is being sent to all the members of the Company. Any member interested in obtaining a copy of this statement may write to the Company Secretary at the registered office of the Company.

Employees Stock Option Plan (ESOP)

Information relating to stock option programme of the Company is provided in the Annexure I of this report. The information is being provided in compliance with Clause 12 of the Disclosure in the Directors' Report of SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

Fixed Deposits

The Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Conservation of Energy - Our Company's primary business being Software services, our operations are conducted with energy conservation as a focus area. The Company has taken various initiatives for optimum utilization and conservation of resources. Some of the initiatives taken by the Company are as follows:

1. **Energy Conservation measures:**

   The facility at Hinjawadi Pune reflects KPIT's commitment to energy efficiency and "*Green Growth*". The features incorporated in building design are as follows:

   a. Buildings are clad with **Clay Tiles**, which prevent the ingress of heat inside the building, thus reducing the heat load and consequently, lessen load on AC.

   b. Facility is built in such a way wherein we make **maximum use of natural light** thus saving energy. Internal gardens make the facility cooler which helps in reducing dependency on AC.

   c. Internal lighting is integrated with **occupancy sensors** which reduces the energy consumption.

   d. AC system installed is of **VRF technology** which facilitates in the control of local cooling thus resulting in considerable saving vis-a-vis a conventional central AC system. The facility has won the Emerson Cup GOLD Award for the Lowest Energy Consumption in India and South East Asian Countries.

   e. Installation of **Ozonized air purification system** has considerably reduced load on AC system.

2. Two Six Sigma Green Belt projects completed on minimizing wastage in energy consumption for Pune Facility which has resulted in 15% savings.

3. **Various steps have been undertaken to utilize the energy in an optimum manner like:**

   a. All lights replaced with CFL;

   b. Lift lights replaced with LEDs;

   c. Correction done to capacitor bank to achieve 1.0 power factor to minimize the power losses;

   d. Shutting down UPS at night and on weekends;

   e. Defined AC working hours and temperatures to suit seasonal changes;

f. Optimization of LUX level in working areas by removing extra lights;

g. Changing over to LED lamp projectors.

4. PC Shut Down Drive undertaken to shut down PCs during non working hours resulting into considerable reduction in energy consumption.

Water Conservation measures:

1. **Hydro pneumatic system** of water supply installed there by ensuring minimum wastage of water.
2. Recycled water generated through **Sewage treatment plant used for gardening purpose.**

Environment Improvement initiatives:

1. **Tree plantation:** Initiated within and outside the premises.
2. **Vermi Compost Plant:** A vermi compost plant has been set up for treating the organic waste, which generates organic manure.
3. **Employee Transport:** Various steps taken in employee transport to reduce fuel consumption such as:

   a. Control on unscheduled cab requirements thereby ensuring optimum seat utilization.

   b. Use of buses in lieu of cabs.

Research and Development (R & D) Activities –

The Company has been laying thrust on Research & Development activities for the past few years. The Company has formed its own R&D center called 'Center for Research in Engineering Sciences and Technology' or CREST. A separate section on R&D activities undertaken by the Company, forms a part of this report.

Technology Absorption – The Company is constantly upgrading its technological excellence through its Infrastructure, Technology and Services (ITS) function. The Company has started building partnerships with leading technology vendors like Microsoft, SAP, Oracle, HP, IBM and VMware. Through these partnerships the Company has the advantage to create and build technical solutions for its customers and for its own consumption. The Company focuses on using the technology for its own use as well as creating showcase for customers.

Foreign Exchange Earnings and Outgo - The Company focuses on exports and undertakes all possible efforts to expand its presence in the export markets. Total foreign exchange earnings during the year have been ₹ 4,632.95 Million (previous year ₹ 3,714.09 Million) and foreign exchange outgo has been ₹ 633.55 Million (previous year ₹ 613.96 Million).

Awards/Recognition

- KPIT Cummins was awarded the Economic Times Zigwheels **'Automotive Idea of the Year Award'** for 2010, for its intelligent plug-in parallel hybrid solution, REVOLO.
- NASSCOM has awarded the **'Promising Innovation of the Year, 2011'** Award to KPIT Cummins for REVOLO. This award is an acknowledgement of KPIT's commitment to fostering automotive technology innovation.
- KPIT Cummins' REVOLO was also awarded **'Best Electronic Product of the Year 2011'** at Indian Semiconductor Association Technovation event. This award completes the hat-trick for REVOLO.
- KPIT Cummins has also won the global **'Cummins Chairman's Quality Award'** in Six-Sigma which has the top most recognition for Six Sigma in the Cummins family.
- Our Chairman & Group CEO, Mr. Ravi Pandit was recently felicitated with **'Vocational Excellence Award'** of the Rotary Club of Pune, for his vision and excellence in the field of profession and business. He received the award from noted scientist and innovation evangelist, Dr. Raghunath Mashelkar.
- Mr. Anil Patwardhan, our CFO was honored with the **'CFO in Information Technology Sector'** Award by the Institute of Chartered Accountants of India (ICAI) for exceptional performance and achievements as CFO in the Information Technology category for 2010.
- KPIT Cummins' REVOLO won a special recognition award for **exceptional leadership in catalyzing consumer adoption of sustainable solutions**, at the India Carbon Outlook's Parivartan Sustainability Leadership Awards, March 2011.
- KPIT Cummins' REVOLO has been selected as a winner in the knowledge@Wharton Innovation tournament in the **'Sustainable implemented Solution'** category, April 2011.

Acknowledgments

Your Directors take this opportunity to thank all the members and investors of the Company for their continued support.

Your Directors hereby place on record their appreciation for the co-operation and support received from all the customers, vendors, financial institutions including 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. and Kotak Mahindra Bank Ltd. and the Registrars and Share Transfer Agent viz. Link Intime India Pvt. Ltd. and also thank all the employees of the Company for their valuable contribution in the growth of the Company.

We also thank the Governments of United States of America, United Kingdom, Germany, France, Poland, Japan, Singapore, South Korea, South Africa and China. We further thank all the constituents of the Government of India, particularly Ministry of Communication and Information Technology, the Software Technology Parks of India, Pune and Bengaluru, the Department of Central Excise & Customs, Maharashtra Industrial Development Corporation, National Association of Software and Service Companies, Stock Exchanges (where our shares are listed), Securities and Exchange Board of India, Registrar of Companies, Pune, Ministry of Corporate Affairs, Reserve Bank of India, the State Governments, and other government agencies, and the Media and Press for their support during the year and look forward to their continued support in the future.

By Order of the Board of Directors
For **KPIT Cummins Infosystems Limited**

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

Pune, April 25, 2011

Annexure I to the Directors' report

Employee Stock Options (ESOPs)

The status of employee stock options, as on March 31, 2011 is as under:

1. Employee Stock Option Scheme - 1998 (through Employee Welfare Trust)

Sr. No.	Particulars	2010-11	2009-10
a.	No. of Options granted	NIL	NIL
b.	Exercise Price	₹ 5.00	₹ 5.00
c.	No. of Options vested	90	570
d.	Options exercised	1,800	NIL
e.	Total number of shares arising as a result of exercise of Options	1,800	NIL
f.	Options Lapsed/Cancelled	200	430
g.	Variation of terms of Options	NIL*	NIL
h.	Money realized by exercise of Options (in ₹)	900,000	NIL
i.	Total No. of Options in force	590	2,590

j. Employee wise details of Options granted:

i. No Options have been granted to the promoter Directors.

ii. There are no employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

* In the Annual General Meeting held on July 16, 2010, the Company has specified the limits of options that can be granted, offered and allotted to the employees (per employee and in aggregate) and to the directors (per director and in aggregate).

2. Employee Stock Option Plan — 2004

Sr. No.	Particulars	2010-11	2009-10
a.	No. of Options granted	1,816,050	NIL
b.	Exercise Price	Closing market price of the Company's equity share on National Stock Exchange of the day prior to the date of grant of Options	
c.	No. of Options vested	922,516	398,653
d.	Options exercised	1,073,375	248,695
e.	Total number of shares arising as a result of exercise of Options	1,073,375	248,695
f.	Options Lapsed/Cancelled	560,668	412,322
g.	Variation of terms of Options	NIL*	NIL
h.	Money realized by exercise of Options (in ₹)	82,903,564	17,825,353
i.	Total No. of Options in force	2,880,200	2,698,193

j. Employee wise details of Options granted:

i. No Options have been granted to the promoter Directors.

ii. There are no employees who have received a grant of Options amounting to 5% or more of Options granted during the year.

iii. There are no employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

* In the Annual General Meeting held on July 16, 2010, the Company has specified the limits of options that can be granted, offered and allotted to the employees (per employee and in aggregate) and to the directors (per director and in aggregate).

3. Employee Stock Option Plan — 2006

Sr. No.	Particulars	2010-11	2009-10
a.	No. of Options granted	263,014	1,439,192
b.	Exercise Price	Closing market price of the Company's equity share on National Stock Exchange of the day prior to the date of grant of Options	
c.	No. of Options vested	917,639	292,014
d.	Options exercised	508,378	231,385
e.	Total number of shares arising as a result of exercise of Options	508,378	231,385
f.	Options Lapsed/Cancelled	413,304	916,301
g.	Variation of terms of Options	NIL*	NIL
h.	Money realized by exercise of Options (in ₹)	23,806,388	8,145,400
i.	Total No. of Options in force	27,95,703	3,454,371

j. Employee wise details of Options granted:

i. No Options have been granted to the promoter Directors. List of employees belonging to the senior management, who have been granted Options, is given as Annexure II to this report.

ii. There are no other employees other than those given in Annexure II to this report, who have received a grant of Options amounting to 5% or more of Options granted during the year.

iii. There are no employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

* In the Annual General Meeting held on July 16, 2010, the Company has specified the limits of options that can be granted, offered and allotted to the employees (per employee and in aggregate) and to the directors (per director and in aggregate).

A certificate issued by the Auditors of the Company shall be placed at the ensuing Annual General Meeting of the Company certifying that the above schemes have been implemented in accordance with SEBI guidelines and in accordance with the resolution passed at the general meeting of the Company.

Statement pursuant to Clause 12 of 'Disclosure in the Directors' Report' of SEBI (Employees 'Stock Option Scheme and Employees' Stock Purchase Scheme) Guidelines, 1999:

<table>
<tr><th>Sr. No.</th><th></th><th>Employee Stock Option Scheme – 1998 (through Employee Welfare Trust)</th><th>Employee Stock Option Plan – 2004</th><th>Employee Stock Option Plan – 2006</th></tr>
<tr><td>k)</td><td>Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20</td><td>₹ 8.34</td><td>₹ 8.34</td><td>₹ 8.34</td></tr>
<tr><td>l)</td><td>The difference between employee compensation cost using intrinsic value and the fair value of the options and impact of this difference on profits and on EPS</td><td>The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2010-11 is ₹ 374,984. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the year 2010-11 would be ₹ 79,320,050. The effect of adopting the fair value method on the net income and earnings per share is presented below:
Profit as adjusted: ₹ 615,933,841
Adjusted Earnings per share
Basic: ₹ 7.66
Diluted: ₹ 7.39</td><td>The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2010-11 is ₹ 374,984. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the year 2010-11 would be ₹ 79,320,050. The effect of adopting the fair value method on the net income and earnings per share is presented below:
Profit as adjusted: ₹ 615,933,841
Adjusted Earnings per share
Basic: ₹ 7.66
Diluted: ₹ 7.39</td><td>The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2010-11 is ₹ 374,984. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the year 2010-11 would be ₹ 79,320,050. The effect of adopting the fair value method on the net income and earnings per share is presented below:
Profit as adjusted: ₹ 615,933,841
Adjusted Earnings per share
Basic: ₹ 7.66
Diluted: ₹ 7.39</td></tr>
<tr><td>m)</td><td>Weighted average exercise prices of Options granted during the year where exercise price is less than or equals the market price</td><td>No options were granted during the year</td><td><table><tr><th>Grant Date</th><th>July 21, 2010</th></tr><tr><td>Exercise Price (₹)</td><td>141.20</td></tr><tr><td>Fair Value (₹)</td><td>70.13</td></tr></table></td><td><table><tr><th>Grant Date</th><th>May 7, 2010</th><th>Oct. 29, 2010</th><th>Oct. 30, 2010</th><th>Jan.20, 2011</th></tr><tr><td>Exercise Price (₹)</td><td>118.00</td><td>167.10</td><td>157.10</td><td>154.15</td></tr><tr><td>Fair Value (₹)</td><td>55.61</td><td>74.67</td><td>67.00</td><td>75.54</td></tr></table></td></tr>
<tr><td>n)</td><td>Method and significant assumptions used to estimate the fair value of options during the year:
(a) Method
(b) Significant assumptions:
1. Risk Free Interest Rate
2. Expected Life
3. Expected Volatility
4. Dividend Yield
5. Price of the underlying share in market at the time of the option grant (₹)</td><td></td><td>Black Scholes Method
7.08%
3.54
65.79%
1.03%
141.20</td><td>Black Scholes Method
7.50%
3.46
63.44%
1.04%
150.58</td></tr>
</table>

Annexure II to the Directors' report

List of Option Grantees:

Employee Stock option plan 2006:

Sr. No.	Name	Options granted
1.	Anand Veerkar	18,000
2.	Anil Patwardhan	675
3.	David Bartlett	18,000
4.	Jon Lundstedt	18,000
5.	Masaru Igarashi	25,000
6.	Prabhakar Shetty	20,000
7.	Prashant Jain	20,000
8.	Sumit Bhattacharya	40,000
9.	Takashi Y Yamaguchi	391

By Order of the Board of Director
For **KPIT Cummins Infosystems Limited**

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

Pune, April 25, 2011

Research and Development (R & D) Activities

This year has been remarkable from an innovation perspective. KPIT Cummins won several awards for the revolutionary plug-in parallel hybrid solution REVOLO. These awards include the Economic Times, Zigwheels 'Automotive Idea of the Year' Award 2010, the NASSCOM Innovation Award for the Promising Innovation of the Year, and the Indian Semiconductor Association's (ISA's) Technovation Award for Best Electronic Product of the Year 2011 in the special category. To top it all KPIT Cummins won global award in the Knowledge@Wharton Innovation Tournament 2011 in the category 'Sustainable Implemented Solution' for REVOLO. In this tournament, 160 innovations were submitted from six continents. The Department of Science and Industrial Research, Government of India, has recently recognized and approved our R & D Centre, CREST.

Our contribution to intellectual property has been substantial. Starting with a modest 2 patents filed in 2007, we grew at an exponential pace and filed 4, 8 and 17 patents respectively in the next three years. To date we have filed for 34 patents, and have published over 30 papers in reputed journals and conferences.

On the technology front, we have developed many interesting solutions and applications. While driving at night tired driver may fall asleep at the wheel for few seconds. This could turn out be the most dangerous sleep. To overcome this problem, KPIT Cummins has come up with a system that monitors driver status. This system gives audible warning to the driver, if found sleepy, and wakes the driver up. Live demonstration of our Driver Status Monitoring (DSM) system received good attention from many of the OEMs and Tier-1 companies during the CONVERGENCE - 2010 event held in Detroit, as well as during the SIAT conference held at ARAI, Pune in Jan. 2011. Apart from drawing large crowds at the booths, there was ample coverage from the press as well.

Culture of Innovation

An important goal of the CREST team is to foster a culture of innovation across the organization. Towards that end, we organized **TecXpedition**, our annual technology conference. The event was held over two days in Pune and, for the first time in Bengaluru. Sessions included invited talks from industry experts, technical paper contests, demonstration stalls, and hands-on events for immersing oneself in technology. Efforts were made to include employees at all locations through live webcast as well as by holding online contests. Representatives of one of the companies were even impressed enough to replicate the event internally.

Innovation begins with ideas. We continue to exploit multiple avenues to encourage idea-generation in our employees. We held a company-wide online idea contest, "**My Big Idea**," using the TecXpedition platform.

"**Innovation Circle**" is our new forum with open-to-all brainstorming sessions on numerous topics of broad interest. This is held for two hours every Friday. The format includes a series of four to six group discussions on topics such as "Electric Vehicles" and "Energy." Top ideas were selected for developing business cases, and some of the promising ones were earmarked for development of a working proof-of-concept.

The CREST team held its own annual idea-generation workshop, "**Innovision**." This produced 117 new ideas, of which eight were selected for business cases. Four of these developed into R&D projects for the coming year, and two are being considered for patenting. Thus, a combination of idea generation and selection is being used to tap our collective potential for breakthrough ideas.

We held another unique event for idea generation specific to automotive industry. The event was called "**Carnama**". In this event, over 1000 employees participated in the survey. We had formed 25 focused groups, 10 graffiti walls, and 2 idea pots. Additionally, 45 sales representatives and 40 cab drivers participated in the idea generation. We invited car dealers as well as car manufacturers for the event. The outcome was whopping 1000 ideas. This idea database is valued a lot by our customers.

Nalanda and Budding Technologist Program

"**Nalanda**" is our International Student Internship Program. We hosted three students from reputed French and U.S. institutes last year. The program continues to be popular as we receive more nominations than we can accommodate.

"**Budding Technologist**" is an engineering student project program for students in India. We have significantly expanded our collaboration with local institutions by interviewing over 320 students this year, selecting over 80 students, and sponsoring over 20 student projects at the Bachelor's and Master's level. This partnership bore fruit in the form of tangible demonstrations, three conference papers, and the nurturing of industry-aware students. Our subject matter experts helped build strong technical skills amongst students through presentations, guiding student projects, paper reviews, mentoring students, and judging student contests.

'TechTalk' and 'Science, and Technology Newsletter'

TechTalk@KPITCummins is our quarterly technical journal. We are now in the fourth year of publishing the journal. We continue to receive very good response from our readers as well as authors. In the past year, we published issues covering topics in related to '*Reaching New Heights with Intellectual Property,*' '*Journey of the Wheel – Transportation,*' '*Advances in Driver Safety Applications,*' and '*User Interfaces.*' We are planning issues on '*Communication*', '*Nanotechnology*', *and 'Nature Inspired Innovations'* for the upcoming year.

At KPIT Cummins, we put emphasis on making sure that our employees receive interesting innovation related information happening around the world. With this in mind, we have started a monthly e-newsletter called "**Science and Technology News**".

R&D Projects by CREST

At KPIT, we continue to spearhead our efforts towards developing new technology and applications aimed at futuristic solutions for our customers. In lieu of this, multiple R&D projects have been undertaken at CREST focused on Driver Assist Systems (DAS), High Performance Computing and Cloud Computing. Some of the projects that we are working on are as given below:

1) Driver Status Monitoring System
2) New algorithms for night time pedestrian detection system
3) Blind Spot Detection System
4) Novel algorithms for image enhancement
5) Algorithms for Image Stabilization and fish eye correction
6) Setting up KPIT's cloud infrastructure
7) System for enabling automatic conversion of serial code into parallel

Our proactive research and development projects have continued to attract customer interest. We have taken on multiple revenue-earning specialized customer projects throughout the past year. We have been working with multiple automotive OEMs and TIER-1 companies, providing solutions for Driver Assist Systems (DAS). We have also been selected by non-automotive customers for R&D projects to improve manufacturing throughput and quality. We have brought GPGPU-based high-performance computing to bear on defect inspection and quality verification challenges.

Improving Internal Efficiency

Apart from continuous improvement in operations and process, we have deployed newly developed technologies to improve internal efficiencies. We deployed our first cloud computing solution to help our Mechanical Engineering Design Services (MEDS) team meet aggressive schedules set by customers. A second private cluster is helping a customer ODC team speed up its software testing by over 70%, saving valuable time and speeding up response to the customer. We have developed yet another private cloud setup to help our Technical Infrastructure Management Services (TIMS) and Learning Organization (LO) teams save efforts and allow them to launch new training sessions rapidly.

Investments in R&D

Innovation has been a key focus area for the Company and we have been making significant investments in the R&D activities, not just at the corporate level but for each respective business units. We are working on breakthrough & disruptive technologies, where the focus is to develop practice based frugal innovation across all the SBUs.

During the year, our R&D expenses amounted to ₹ 281.88 Million, of which ₹ 132.35 Million have been incurred and expensed out in the P&L account. We have capitalized and amortized ₹ 75.62 Million during the year. R&D expenditure amounting to ₹ 73.92 Million have been capitalized and will be amortized over the period of next three years. We have listed below the SBU wise break-up of our R&D expenses.

SBU	**KPIT R&D - Expenses in ₹ Million**			
	A&E BU	**IES SBU**	**SAP SBU**	**Total**
Expensed	111.29	21.06	-	132.35
Capitalized and amortized over three years	64.58	-	9.34	73.92
Capitalized and amortized in FY11	44.82	-	30.79	75.62
Total	**220.69**	**21.06**	**40.14**	**281.88**

Moving Forward

Next year we plan to have more tie ups with R&D institutes, file for more patents, develop technologies in key areas, and make a mark by having at least one solution that makes our customers think that KPIT did it again.

Report on Corporate Governance

KPIT's Corporate Governance Philosophy:

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved. (ASX Principles of Good Corporate Governance and Best Practices Recommendations, 2003)

We, at KPIT Cummins believe that the corporate governance framework is to encourage the optimum use of resources with a focus on transparency, responsibility, trust and accountability. It helps corporations in realizing their corporate objectives, protecting their stakeholders' rights, meeting legal requirements and demonstrating transparency in conducting business to a wider section of society and people at large. Good corporate governance therefore contributes to a sustainable economic development of corporations by enhancing their performance and increasing their access to outside world.

KPIT Cummins has been complying with the said provisions in letter and in spirit to ensure transparency in its corporate affairs. The Company is committed to continuously scaling up its corporate governance standards.

KPIT Cummins' corporate governance framework has been built on the value system evolved by the Company over a period of time. This value system depicts the Company's attributes established by the passage of time. The value system has been coined as CRICKET, which has the following meaning:

- Customer Focus
- Respect for Individual
- Integrity
- Community Contribution
- Knowledge, worship & Meritocracy
- Entrepreneurship
- Teamwork and bonundrylessness

KPIT Cummins' philosophy is aimed at conducting business ethically, efficiently and in a transparent manner; fulfilling its corporate responsibility to various stakeholders and enhancing and retaining investor trust. Our corporate governance philosophy is based on the following principles:

1. Compliance of Clause 49 of the Listing Agreement and conformity with globally accepted practices of corporate governance, secretarial standards provided by the Institute of Company Secretaries of India, and laws of India in true spirit;
2. Integrity in financial reporting and timeliness of disclosures;
3. Transparency in the functioning and practices of the Board;
4. Balance between economic and social goals;
5. Rights, and equitable treatment, of shareholders;
6. Maintenance of ethical culture within and outside the organization;
7. Establishing better risk management framework and mitigation measures; and
8. Maintaining independence of auditors.

I. BOARD OF DIRECTORS

A. Size and composition of the Board

In order to maintain independence of the Board, the Company has a judicious mix of Executive, Non-Executive and Independent Directors on its Board which is essential to separate the two main Board functions viz. governance and management. Out of the total strength of twelve Directors as on March 31, 2011, ten Directors (approx. 83.33%) are Independent/Non-Executive Directors and two Directors (approx. 16.67%) are Executive Directors. The Chairman of the Company is a Non-Executive Director and he renders professional services in the areas of strategic planning, external interface and Board matters. The Board periodically evaluates the need for increasing or decreasing its size. The composition of our Board and the number of Directorships held by each Director outside the Company is detailed in Table 1.

1. Definition of an Independent Director

Independent Director shall mean a Non-Executive Director of the Company who:

a) apart from receiving Director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director;

b) is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;

c) has not been an executive of the Company in the immediately preceding three financial years;

d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:

   i. the statutory audit firm or the internal audit firm that is associated with the Company, and

   ii. the legal firm(s) and consulting firm(s) that have a material association with the Company;

e) is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director;

f) is not a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares; and

g) is not less than 21 years of age.

Nominee Director appointed by an institution which has invested in or lent to the Company, shall be deemed to be an Independent Director.

Table 1: The composition of our Board and the number of Directorships held by them

Sr. No.	Name of Director	Category of Directorship at KPIT Cummins	Relationship with the Directors	No. of Directorships held in Public Companies as on March 31, 2011*	No. of Committee Membership in Companies@	No. of Committee Chairmanship in Committees@
1	Mr. S.B. (Ravi) Pandit, Chairman & Group CEO	Non-Executive	None	4	2	Nil
2	Mr. Kishor Patil, CEO & Managing Director	Executive	None	1	1	Nil
3	Mr. Girish Wardadkar, President & Executive Director **	Executive	None	1	Nil	Nil
4	Mr. Amit Kalyani	Independent	None	13	4	Nil
5	Mr. Anant Talaulicar	Non-Executive	None	7	4	Nil
6	Mr. Deepak Malik **	Independent	None	2	1	1
7	Mr. Sudheer Tilloo	Independent	None	1	2	2
8	Dr. Srikant Datar	Independent	None	1	Nil	Nil
9	Ms. Lila Poonawalla	Independent	None	4	3	1
10	Dr. R.A. Mashelkar	Independent	None	7	3	Nil
11	Mr. Bruce Carver	Non-Executive	None	1	Nil	Nil
12	Ms. Elizabeth Carey	Non-Executive	None	1	Nil	Nil
13	Mr. Mark Gerstle, Alternate Director	Non-Executive	None	1	Nil	Nil
14	Mr. Dwayne Allen, Alternate Director	Non-Executive	None	1	Nil	Nil

* Including Directorship in KPIT Cummins Infosystems Limited.

** Mr. Girish Wardadkar and Mr. Deepak Malik have resigned from the directorship of the Company w.e.f. April 25, 2011.

@ Includes only Audit & Investor Grievance Committee in all companies, as well as KPIT Cummins Infosystems Limited.

Mr. Floyd Rutan resigned w.e.f. July 21, 2010.

Mr. Dinesh Castellino was appointed as Alternate Director to Mr. Bruce Carver w.e.f. April 25, 2011.

2. Responsibilities of the Non-Executive Chairman and other Executive Directors

Chairman & Group CEO - Mr. S.B. (Ravi) Pandit, CEO and Managing Director - Mr. Kishor Patil, President and Executive Director - Mr. Girish Wardadkar. The authorities and responsibilities of each of the above Directors are clearly demarcated as under:

The Chairman & Group CEO is responsible for managing the external interface of the Company, as well as the formulation of corporate strategy and performance goal setting. He is also engaged in defining the corporate vision and goals of KPIT Cummins to transform the Company to build a global IT consulting organization of first choice. He plays a strategic role in the areas of Investor and Press Relations, community initiatives, board matters and corporate governance. He also interacts with global thought leaders to enhance our leadership position and various institutions to highlight and help bring about the benefits of IT to every section of the society.

The CEO and Managing Director is responsible for the overall management of the Company. He is specifically responsible for all day-to-day operational issues like planning and executing business, reviewing and guiding the country offices, customer delivery units and support functions, and ensuring efficient and effective functioning of the organization as a whole. He is also responsible for providing the strategic direction, building strategic partnerships and integration of acquired entities.

The President and Executive Director is responsible for service delivery and operations management and formulating the operational policy. He is also responsible for process excellence, and to attract and enhance the quality of talent in the Company.

3. Membership Term

As per the current laws in India, one-third of the Board members (who are liable to retire by rotation) are liable to retire every year and if qualified, may be re-appointed. As such Dr. R. A. Mashelkar, Mr. Bruce Carver and Ms. Elizabeth Carey, Directors constituting one-third of such Directors of the Company, are retiring at the ensuing Annual General Meeting of the Company. The Executive Directors are appointed by the shareholders of the Company for a maximum period of 5 years at a time, but are eligible for re-appointment upon completion of their respective term. The Non-Executive Directors have no specified period but they retire by rotation, as per the law. The Company also endeavours to specify a maximum term of 9 years for any Non-Executive Director.

4. Board & Committee Meeting Agenda and Minutes

The Company Secretary receives details on the matters which require the approval of the Board/Committees of the Board, from various departments of the Company; well in advance, so that they can be included in the board/Committee meeting agenda, if required. The information as required under Clause 49 of the Listing Agreement and the code of conduct has been made available to the members of the Board/Committee. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meetings. In compliance of the statutory requirements, the following information is included in the Agenda papers provided to the Board for every quarterly board meeting:

- Minutes of the previous board and committee meetings;
- Minutes of meetings of all subsidiaries of the Company;

- Quarterly results of the Company;
- Annual operating plans and quarterly variance analysis;
- Presentation on the financial results which generally includes the following:
  - Action tracker on implementation of decisions taken in last board meeting
  - Financials for the quarter and its analysis
  - Cash profit generated during the quarter
  - Yearly financial plan vs. actual
  - SBU (Strategic Business Unit) wise performance
  - Profitability drivers
  - Utilization of resources
  - Peer group analysis and analyst coverage
  - Enterprise Risk Management
  - Investments in the Company
  - Subsidiaries operations
  - Related party transaction
  - Corporate governance compliances
  - Statement on foreign exchange exposure and related mitigating activities.
- Presentations of Auditors' Report/Limited Review Report;
- Approvals for material transactions with subsidiaries;
- Legal compliance certificate by the Finance Head;
- Other statutory agenda;
- The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary, if any;
- Show cause, demand, prosecution notices and penalty notices which are materially important;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods/services sold by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company;
- Details of any joint venture or collaboration agreement and its compliance;
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property;
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business;
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

Every agenda and minutes of the meeting are prepared in compliance with Clause 49 of the Listing Agreement and the applicable standards issued by the Institute of Company Secretaries of India (ICSI) and the Companies Act, 1956. The draft minutes of the proceedings of each previous Board/Committee meeting are circulated along with the agenda. The Board also takes note of minutes of committee meetings and subsidiaries meetings at every board meeting.

B. Non-Executive Directors' compensation and disclosures

During the year, the Company has paid an amount of ₹ 8.70 Million (previous year ₹ 7.08 Million) to Mr. S. B. (Ravi) Pandit, Non-Executive Chairman, towards professional services rendered by him to the Company.It may be noted that the Company has received specific approval from Department of Company Affairs regarding his eligibility to render professional services.

The number of Equity Shares of ₹2/- each held by Non-Executive Directors in the Company as on March 31, 2011 are as follows:

Sr. No.	Name	Shareholding	
		No. of Shares	% of Total Paid up Capital
1	Mr. S. B. (Ravi) Pandit	162,000	0.18
2	Ms. Lila Poonawalla	37,000	0.04
3	Mr. Amit Kalyani	12,000	0.01
4	Mr. Sudheer Tilloo	12,000	0.01
5	Dr. R.A.Mashelkar	12,000	0.01
6	Dr. Srikant Datar	12,000	0.01
	Total	**247,000**	**0.26**

Details of compensation paid/payable to other Non-Executive Directors are disclosed elsewhere in this report.

C. Other provisions as to board and committees

i. Board meetings schedule:

As a good practice, the dates of the board meetings of the ensuing year are decided and circulated to all the Board members well in advance. These dates are also included in the 'Additional Shareholder Information', which forms a part of this annual report. Most of the board meetings are held at the Registered Office of the Company located in Pune. Every year the Company conducts a board meeting at a place other than its Registered Office ("Board Offsite") in the last quarter of the financial year. The agenda for each board meeting is drafted by the Company Secretary in consultation with the Chairman of the Board and distributed to the Board members in advance of the meetings. The Board meets at least once every quarter to review and approve the quarterly results and other items on the agenda. Additional board meetings are held, whenever necessary.

During the year eleven board meetings were held on the following dates:

i) May 7, 2010
ii) June 4, 2010
iii) July 13, 2010
iv) July 21, 2010
v) September 17, 2010
vi) September 27, 2010
vii) October 29, 2010
viii) December 24, 2010
ix) January 8, 2011
x) January 20, 2011
xi) February 17, 2011

Table 2: Number of Board meetings and the attendance of Directors during FY 2010-11

Sr. No.	Name of the Director	No. of Board meetings held during the tenure of each Director	No. of Board meetings attended*	Attendance at the last AGM
1	Mr. S.B.(Ravi) Pandit, Chairman & Group CEO	11	11	Yes
2	Mr. Kishor Patil, CEO & Managing Director	11	9	-
3	Mr. Girish Wardadkar, President & Executive Director	11	10	Yes
4	Mr. Amit Kalyani	11	5	-
5	Mr. Anant Talaulicar	11	1	-
6	Mr. Deepak Malik	11	1	-
7	Mr. Sudheer Tilloo	11	8	Yes
8	Dr. Srikant Datar	11	5	-
9	Ms. Lila Poonawalla	11	7	Yes
10	Dr. R.A. Mashelkar	11	7	-
11	Mr. Bruce Carver	11	3	-
12	Mr. Elizabeth Carey	11	3	-

*Including the attendance by teleconference and through their Alternate Directors.

(ii) Membership of Board committees

None of the Directors of the Company hold membership of more than ten committees nor is any Director a chairman of more than five committees of boards of all the companies where he holds Directorships. (Please refer Table No. 1).

(iii) Review of compliance reports

For monitoring and ensuring compliance with applicable laws by the Company and its subsidiaries located in and outside India and for establishing adequate management control over the compliances of all acts, laws, rules, regulations and regulatory requirements, the Company has set-up a comprehensive Regulatory Compliance Process within the organization. The compliance officer is the process owner of this process and is responsible for collecting compliance certificates from all departments/entities and reporting compliance to the Chief Financial Officer (CFO). The CFO of the Company thereafter presents a quarterly compliance certificate before the Board of Directors of the Company which reviews compliance reports of all laws applicable to the Company on a quarterly basis in their board meeting.

D. Code of conduct

The Company has adopted a Code of conduct for all its employees including its board members and senior managers and this code has been posted on the Company's website. All the board members and senior managers affirm the compliance with the code on an annual basis. The declaration of the CEO & CFO to this effect is disclosed under CEO & CFO certification section attached with this annual report.

II. COMMITTEES OF THE BOARD

Currently, the Board of the Company has five regular committees – Audit Committee, Investors'/Shareholders' Grievance Committee, HR & Compensation (Remuneration) Committee, Quality Council Committee and Share Transfer Committee. All these committees are chaired by Non-Executive/Independent Directors. The Board is responsible for constituting, assigning, co-opting, and fixing the terms of service for committee members. Normally, all the committees meet four times a year except Audit Committee, Investors'/Shareholders' Grievance Committee & the Share Transfer Committee, which meets as and when the need arises. Typically the committee meetings are held before the board meeting and the Chairman of each committee thereafter apprises the board members on business conducted in each such committee meeting. The quorum for committee meetings is either two members or one-third of the members of the committee, whichever is higher. Draft minutes of the committee meeting is circulated to the members of that committee for their comments and thereafter, confirmed in its next meeting. The Board of Directors also takes note of the minutes of the committee meetings, at their Board meetings.

A. Audit Committee

Composition

The Company has set-up an Audit Committee consisting of three Non-Executive Directors. The committee consists of Mr. Sudheer Tilloo, who is the chairman of this Committee; Ms. Lila Poonawalla & Mr. S.B. (Ravi) Pandit are its other members. All members of the Audit Committee are financially literate. A brief profile of all the members is provided in 'Additional shareholders information' section of this annual report. The Vice President - Finance attends all the meetings of the committee. The Company Secretary is the secretary to the committee. The Statutory Auditors and the Internal Auditors also make their presentations at the committee meeting.

Powers, role and review of information by Audit Committee

The Company has duly defined the role and objectives of the Audit Committee on the same lines as provided under Clause 49 of the Listing Agreement. The role and objectives of the Audit Committee, as defined by the Board, is as under:

Role and objectives

- Integrity of financial reports;
- Enterprise Risk Management;
- Compliance with laws;
- Reviewing the function of Whistle-Blower Policy;
- Related party transactions;
- Creditor obligation defaults;

- Senior management compensation, expense reimbursements and assets use;
- Internal accounting controls;
- Other controls for efficiency and economy;
- Financial reporting process:
  - ➢ Accounting policies
  - ➢ Judgements and estimates
  - ➢ Unusual transactions and adjustments
  - ➢ Disclosures and presentation
  - ➢ Companies view point on Auditors' remarks
  - ➢ Risk of financial reporting
  - ➢ All financial reports and their vehicles
- Recommending to the board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with Internal Auditors on any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with external auditors, before the audit commences the nature and scope of the audit as well as to have post-audit discussion to ascertain any area of concern.

Meetings of Audit Committee

During FY 2010-11 the Audit Committee met seven times – April 14, 2010, May 7, 2010, July 21, 2010, August 17, 2010, October 29, 2010, November 11, 2010 and January 20, 2011. The details of attendance at the meetings are given in Table 3.

Table 3: Audit Committee - meetings and attendance

Sr. No.	Name of the Committee Member	No. of meetings held during the tenure	No. of meetings attended
1	Mr. Sudheer Tilloo - Chairman	7	5
2	Ms. Lila Poonawalla	7	6
3	Mr. S. B.(Ravi) Pandit	7	6
4	Mr. Amit Kalyani	1	1

Note: Mr. Amit Kalyani was co-opted as a member of the Audit Committee for its meeting held on May 7, 2010.

B. Investors'/Shareholders' Grievance Committee

Composition

The Company has formed an Investors'/Shareholders' Grievance Committee. The committee consists of Mr. Sudheer Tilloo, an independent, Non-Executive Director as the Chairman of the committee and Mr. S. B. (Ravi) Pandit and Mr. Kishor Patil as the other members of the committee. The meetings of the committee are held to review and resolve only those cases which are pending for action for more than normal processing period. The details of complaints received, solved and pending from the shareholders/ investors are given elsewhere in this Annual report. The monthly review of the activities of Share Transfer Agent is undertaken regularly by Vice President - Finance and the Company Secretary who is the compliance officer of the Company.

The Company has a dedicated e-mail address grievances@kpitcummins.com for shareholders' convenience.

Role and objectives

The role and objectives of the committee are as under:

- Overview of share transfers, shareholder related issues like non-receipt of declared dividends, annual reports etc.
- Resolve Investors' grievances in other areas.
- Allotment of shares to option grantees of the Company who have exercised options under the ESOP schemes of the Company.

Meetings of the committee

During the year four meetings of the Investors'/Shareholders' Grievance Committee were held on June 30, 2010, September 15, 2010, December 16, 2010 and March 25, 2011. The details of attendance at the meetings are given in Table 4.

Table 4: Investor Grievance Committee - meetings and attendance

Sr. No.	Name of the Committee Member	No. of meetings held during the tenure	No. of meetings attended
1	Mr. Sudheer Tilloo - Chairman	4	4
2	Mr. S. B. (Ravi) Pandit	4	2
3	Mr. Kishor Patil	4	3

C. HR & Compensation (Remuneration) Committee

Composition

The Company has set-up a HR & Compensation (Remuneration) Committee consisting of three Independent Directors. The committee consists of Mr. Amit Kalyani, an Independent Director who chairs this Committee and Dr. R.A. Mashelkar and Dr. Srikant Datar, Independent Directors, as its other members.

Role and objectives

The role and objectives of the committee, as defined by the Board is as under:

All people-related matters including:

- Compensation policies;
- Compensation of Executive and Non-Executive Directors and senior management;
- Attraction and retention of talent;
- Stock options;
- Succession planning;
- Overseeing of performance appraisal systems;
- Evaluation of Executive Director performance; and
- Such other matters as may be decided by the committee from time to time.

Meetings of the HR & Compensation Committee (Remuneration Committee)

The Committee met thrice during the year – May 7, 2010, July 21, 2010 and January 20, 2011.

The detail of meetings and attendance is given in Table 5.

Table 5: HR & Compensation Committee (Remuneration Committee) - meetings and attendance

Sr. No.	Name of the Committee Member	No. of meetings held during the tenure	No. of meetings attended*
1	Mr. Amit Kalyani - Chairman	3	2
2	Dr. R.A. Mashelkar	3	2
3	Dr. Srikant Datar	3	3
4	Mr. Girish Wardadkar	1	1

Note: Mr. Girish Wardadkar was co-opted as a member of the HR & Compensation (Remuneration) Committee meeting held on January 20, 2011.

* Including the attendance by teleconference.

D. Quality Council Committee

Composition

The Quality Council Committee enables the Board to focus on quality aspect and resolve customer issues proactively. The committee is chaired by Non-Executive Director, Mr. Anant Talaulicar, the other members are Mr. Bruce Carver, Non-Executive Director, Mr. Sudheer Tilloo and Ms. Lila Poonawalla, both Independent Directors.

Role and objectives

The role and objectives of the committee, as defined by the Board of Directors of the Company, is as under:

To suggest measures to enhance quality and productivity and the means to optimise the use of the resources.

Meetings of the Quality Council Committee

The Committee has met thrice during the year- July 20, 2010, November 22, 2010 and January 19, 2011. The detail of meetings and attendance is given in Table 6.

Table 6: Quality Council Committee - meetings and attendance

Sr. No.	Name of the Committee Member	No. of meetings held during the tenure	No. of meetings attended*
1	Mr. Anant Talaulicar-Chairman	3	0
2	Mr. Bruce Carver	3	1
3	Ms. Lila Poonawalla	3	3
4	Mr. Sudheer Tilloo	3	3

*Including the attendance by teleconference.

E. Share Transfer Committee

The Company has a Share transfer Committee. Mr. S. B. (Ravi) Pandit is the Chairman of the Committee and Mr. Kishor Patil is the member of the Committee. The meetings of the committee are held to approve share transfers.

Meetings of the committee

The Committee has met six times during the year- April 16, 2010, July 9, 2010, August 11, 2010, September 20, 2010, November 18, 2010, and March 24, 2011. The detail of meetings and attendance is given in Table 7.

Table 7: Share Transfer Committee - meetings and attendance

Sr. No.	Name of the Committee Member	No. of meetings held during the tenure	No. of meetings Attended
1	Mr. S. B. (Ravi) Pandit - Chairman	6	6
2	Mr. Kishor Patil	6	6

III. SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian Subsidiary company, whose turnover or net worth (paid up capital and free reserves) exceeds 20% of the Consolidated turnover or net worth respectively, of the Company. Brief details of Company's nine operational subsidiaries are given in the Directors' Report attached with this annual report. The updates of major decisions of the unlisted Subsidiary Companies are regularly presented before the Audit Committee and the Board.

Following are the key points of subsidiaries which are regularly taken up in the audit committee/board meeting:

- Nomination of Directors on the board of each subsidiary;
- Minutes of all the meetings of subsidiaries held between two board meetings;
- Major dealings of subsidiaries' investment, fixed assets, loans etc.;
- Compliances by subsidiaries with all applicable laws of that country;
- Business plan of each subsidiary and its periodic update to the Company's board.

IV. DISCLOSURES

A. Basis of related party transactions

The related party transactions are placed before every quarterly audit committee and board meeting. There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors, management, subsidiary or relatives except for those disclosed in the financial statements for the year ended March 31, 2011.

B. Disclosure of accounting treatment

The Company has not followed any differential treatment from the prescribed accounting standards, for preparation of financial statements during the year.

C. Board disclosures - Risk management

The Company has an integrated approach to managing the risks inherent in the various aspects of business. As a part of this approach, the Company's Board is responsible for monitoring risk levels according to various parameters and ensuring implementation of mitigation measures, if required. A comprehensive Enterprise Risk Management report is provided separately in this annual report.

D. Proceeds from public issues, rights issues, preferential issues etc.

During the year the Company issued shares on preferential basis as disclosed in the Directors' Report.

E. Remuneration of Executive and Non-Executive Directors

The HR & Compensation (Remuneration) Committee determines and recommends to the Company's board the remuneration payable to Executive and Non-Executive Directors and thereafter the Board approves the payment, if it is within the permissible limit, as approved by the shareholders of the Company. The details of remuneration paid to the Executive Directors of the Company are given in Table 8.

Table 8: Remuneration paid to Executive Directors in FY 10-11

(Amount in ₹)

Name of Director/ Remuneration Details	Kishor Patil #	Girish Wardadkar
	CEO & Managing Director	President & Executive Director
Salary	3,048,500	5,163,792
PF	709,752	590,707
Leave Encashment	129,525	404,139
Variable Performance Incentive	2,485,000	2,516,940
Bonus	-	470,400
Notice Period	6 months	6 months
Total	**6,372,777**	**9,145,978**

Does not include GBP 16,966 (GBP 1,414 per month) paid to Mr. Kishor Patil from KPIT UK during FY 2010-11

Note: Managerial Remuneration excludes provision for gratuity, as separate actuarial valuation for the Directors is not available.

Under Section 309(4) of the Companies Act, 1956, a Director who is neither in the whole time employment of the Company nor a Managing Director (the 'Non-Executive Directors'), may be paid remuneration by way of commission if the members of the Company, by virtue of a special resolution, authorize such payment. However, the remuneration paid to all such Non-Executive Directors taken together should not exceed 1% of the net profit of the Company in any relevant financial year, if the company has a Managing or a Whole-time Director, unless approved by the Central Government. Shareholders of the Company approved payment of upto 1% of net profit for 5 years w.e.f. April 1, 2009. In accordance with this approval, the Board of Directors of the Company has approved payment of ₹ 5.30 Million (previous year ₹ 7.00 Million) as commission payable to the Non-Executive Directors of the Company for the FY11. There is no other pecuniary relationship with Non-Executive Directors, except sitting fees for the meetings, attended by them in person. The details of remuneration paid/payable to the Non-Executive Directors during FY11 are given in Table 9.

Table 9: Remuneration paid/payable to Non-Executive Directors

(Amount in ₹)

Name of Director	Commission (Payable)	Sitting Fees (Paid)
Mr. Sudheer Tilloo [Chairman – Audit Committee & Investor Grievance Committee]	1,375,000	337,500
Mr. Amit Kalyani [Chairman - Remuneration Committee]	1,000,000	127,500
Mr. Anant Talaulicar [Chairman - Quality Council Committee]	-	15,000
Mr. Deepak Malik	-	15,000
Dr. Srikant Datar	975,000	112,500
Ms. Lila Poonawalla	975,000	217,500
Dr. R.A. Mashelkar	975,000	130,000
Mr. Bruce Carver	-	42,500
Ms. Elizabeth Carey	-	15,000
Total	**5,300,000**	**1,012,500**

Basis for remuneration paid to Non-Executive Directors

Remuneration	Board member	Committee Chairman	Committee member
Sitting Fees	₹ 15,000/- per meeting	₹ 20,000/- per meeting	₹ 12,500/- per meeting
Commission	Total kitty for FY11 – ₹ 5.30 Million to be distributed as under:		
	a) 15% of the total kitty i.e. ₹ 0.80 Million to be divided equally among 2 Committee Chairmen.		
	b) Balance 85% of total kitty i.e. ₹ 4.50 Million to be distributed among the Non-Executive Directors (excluding alternate Directors).		
	Sitting fees and Commission of Mr. Anant Talaulicar, Mr. Bruce Carver and Ms. Elizabeth Carey amounting to ₹ 2.27 Million has been contributed to the Cummins Foundation.		

F. Management Discussion and Analysis

A detailed Management Discussion and Analysis is given as a separate section in this annual report. During the year, there have been no material financial and commercial transactions made by the management, where they have personal interest that may have a potential conflict with the interest of the Company at large.

G. Legal Compliance Reporting

The Company has a practice of obtaining a Statutory Compliance Report on a monthly basis from various functional heads for compliance with laws applicable to the respective function. A consolidated report on compliance with applicable laws is presented to the Board every quarter. The Company has developed a legal compliance reports system, which is comprehensive e-based legal/statutory compliance reporting system. This will enable the process owners to plan and monitor the compliance activities.

H. Reconciliation of Share Capital

As stipulated by the Securities and Exchange Board of India (SEBI), a qualified practising Company Secretary carries out Reconciliation of Share Capital Audit (previously known as "Secretarial audit" which was modified by SEBI vide its circular no. CIR/MRD/DP/30/2010) and provides a report to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This Reconciliation is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The Audit, *inter alia*, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

I. Shareholders

i) Disclosure regarding appointment or re-appointment of Directors

According to the provisions of the Companies Act, 1956 and Articles of Association of the Company, one-third of the Directors retire by rotation and, if eligible offer themselves for re-appointment at the Annual General Meeting of shareholders. Accordingly, Dr. R. A. Mashelkar, Mr. Bruce Carver and Ms.Elizabeth Carey, Directors shall retire at the ensuing Annual General Meeting of the Company. The Board has recommended the re-appointment of all the retiring Directors upon receipt of recommendation from certain shareholders of the Company. Detailed resumes of all these Directors are provided elsewhere in this Annual Report.

ii) Communication to shareholders

The Company's quarterly financial results, investor updates, and other investor related information are posted on the Company's website (www.kpitcummins.com). The quarterly financial results of the Company were published in the Economic Times/Financial Express/ Maharashtra Times and Loksatta. Financial results and all material information are also regularly provided to the Stock Exchanges as per the requirements of the Listing Agreement. Any presentation made to analysts and others are also posted on our website.

The Details of correspondence received from the Shareholders/Investors during the period April 1, 2010 to March 31, 2011 is given in the Additional shareholder information section in the report.

iii) General body meetings

Table 10: Details in respect of the last three Annual General Meetings (AGMs) of the Company

Date of the meeting (year)	Venue of the meeting	Time of the meeting	Special Resolution Passed
August 29, 2008 (2007-08)	KPIT Cummins Infosystems Ltd., Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase- 1, MIDC, Hinjawadi, Pune - 411 057	10.30 a.m.	Nil
July 10, 2009 (2008-09)	KPIT Cummins Infosystems Ltd. Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase - 1, MIDC, Hinjawadi, Pune - 411 057	10.30 a.m.	1) Re-appointment of Mr. Kishor Patil as the CEO & Managing Director of the Company. 2) Payment of Commission to Non-Executive Directors of the Company as a percent of profit. 3) Alteration of Articles of Association of the Company.
July 16, 2010 (2009-10)	KPIT Cummins Infosystems Ltd. Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase - 1, MIDC, Hinjawadi, Pune - 411 057	10.30 a.m.	1) Re-appointment of Mr. Girish Wardadkar as the President & Executive Director of the Company. 2) Appointment of Mr. Chinmay Shashishekhar Pandit as Senior Manager – Business Development u/s 314(1B) of the Companies Act, 1956. 3) Appointment of Ms. Jayada Chinmay Pandit, as Senior Executive – CAT u/s 314(1B) of the Companies Act, 1956. 4) Specified the limits of options that can be granted, offered and allotted to the employees (per employee and in aggregate) and to the directors (per director and in aggregate).

iv) Special Resolution through Postal Ballot

Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the Company passed the following resolutions through Postal Ballot:

a) Ordinary Resolution u/s 94 for Increasing the Authorized Capital of the Company and thereby altering the Memorandum of Association of the Company.

b) Special Resolution for altering the Articles of Association of the Company.

c) Special Resolution for issuing equity shares and/or other securities of the Company under Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956.

Mr. S. V. Deulkar, Practising Company Secretary, was appointed as the Scrutinizer for conducting the Postal Ballot. The results of the same were declared on January 14, 2011.

v) The details of Investors'/Shareholders' Grievance Committee are given elsewhere in this report.

vi) The details of Share transfer system is given elsewhere in this report.

V. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, the CEO/CFO certificate to the Company's Board is given elsewhere in this annual report.

VI. COMPLIANCE

As required by Clause 49 of the Listing Agreement, the Auditors' certificate on corporate governance is given elsewhere in this annual report.

COMPLIANCE AGAINST NON-MANDATORY REQUIREMENTS

1. The Board

Mr. S. B. (Ravi) Pandit, Chairman & Group CEO is a Non-Executive Director and occupies the Chairman's office which is maintained at the Company's expenses. He gets reimbursement of expenses incurred in performances of his duties.

2. Remuneration Committee

The Board had set-up a HR & Compensation (Remuneration) Committee, the details of which are given elsewhere in this report. All the members of the committee are Independent Directors and this committee is chaired by Mr. Amit Kalyani.

3. Training of Board members

Every year the Company conducts a board meeting at a place other than its Registered Office ('Board Offsite') in the last quarter of the financial year. The Board Offsite in the FY 2010-11 was held at Aamby Valley, Lonavala, during February 17, 2011 to February 19, 2011. At this Board Offsite, other than the statutory board and committee meetings, it is ensured that the Board members are provided a deep and thorough insight to the business model of the Company through detailed presentations of various Strategic Business Units (SBU). It is also endeavored that Board members get an open forum for discussion and share their experiences in both formal and informal manner. Efforts are also made to acquaint and train the Board members about the emerging trends in the industry through presentations by renowned external speakers.

4. Whistle Blower Policy

In an effort to demonstrate the highest standards of transparency, the Company has adopted the 'Whistle Blower Policy', which has established a mechanism for employees to express and report their concerns to the management about unethical behavior, fraud, violation of the code of conduct or ethics in a fearless manner. This mechanism also provides for adequate safeguards against victimization of employees who avail this mechanism and also provide direct access to the Chairman and members of the Audit Committee in exceptional cases. This policy has been uploaded on aSAP Portal of the Company for effective circulation and implementation. The purpose of this policy is to establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding financial statement disclosure issues, accounting, internal accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics; and (b) the submission by employees (all KPIT managers and employees, including managers and employees of its divisions, subsidiaries and other affiliates worldwide, as well as agents and contractors working on behalf of the Company, its subsidiaries and affiliates) and Directors of the Company, on a confidential and anonymous basis, of concerns regarding questionable financial statement disclosure, accounting, auditing matters or violations of the Company's Code of Business Conduct and Ethics.

The purpose of this policy is also to state clearly and unequivocally that the Company prohibits discrimination, harassment and/or retaliation against any employee or Director who (i) reports complaints regarding financial statement disclosure issues, accounting, internal accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics; or (ii) provides information or otherwise assists in an investigation or proceeding regarding any conduct which he or she reasonably believes to be a violation of employment or labour laws, securities laws, laws regarding fraud or the commission or possible commission of a criminal offence. Everyone in the Company is responsible for ensuring that the workplace is free from all forms of discrimination, harassment and retaliation prohibited by this policy. No employee or Director of the Company has the authority to engage in any conduct prohibited by this policy.

5. Corporate Sustainability Report

The Company has prepared a Corporate Sustainability Report giving detailed information of the Company's efforts towards managing sustainable growth. A copy of the report can be made available to the shareholders on request.

6. Secretarial Standards issued by the Institute of Company Secretaries of India

The Institute of Company Secretaries of India ('ICSI'), one of the premier professional bodies in India, has issued 10 Secretarial Standards as on March 31, 2011. These Secretarial Standards are recommendatory in nature. The Company observes Secretarial Standards to a large extent voluntarily as good corporate governance practice and for protection of interest of all stakeholders.

Auditors' certificate on corporate governance

To the Members of KPIT Cummins Infosystems Limited

We have examined the compliance of the conditions of Corporate Governance by KPITCummins Infosystems Limited (the Company) for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of themanagement. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
Registration No. 117366W

Khurshed Pastakia
Partner
Membership No. 31544

Place: Pune
Date: April 25, 2011

Declaration of the Chief Executive Officer & Managing Director

This is to certify that the Company has laid down code of conduct for all the board members and senior management personnel of the Company and the same is uploaded on the website of the Company www.kpitcummins.com.

Further, certified that the members of the board of directors and senior management personnel have affirmed the compliance with the code applicable to them during the year ended March 31, 2011.

Place: Pune
Date: April 25, 2011

Kishor Patil
CEO & Managing Director

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification

We, Kishor Patil, CEO & Managing Director and Anil Patwardhan, Vice President - Finance of KPIT Cummins Infosystems Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss accounts (consolidated and standalone), and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' report for the year ended March 31, 2011;

2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made;

3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations;

4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of conduct;

5. The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the Company, and we have:-

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

   c) evaluated the effectiveness of the Company's disclosure, controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

6. The Company's other certifying officers and we, have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies;

   b) instances of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls;

   c) significant changes in internal controls during the year covered by this report; and

   d) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.

7. In the event of any materially significant misstatements or omissions, we will return to the Company that part of any bonus or incentive or equity based compensation, which was inflated on account of such errors, as decided by the audit committee;

8. We affirm that we have not denied any personnel, access to the audit committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to the 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and

9. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Kishor Patil
CEO & Managing Director

Anil Patwardhan
Vice President - Finance

Pune, April 25, 2011

Additional shareholder information

1.	**Registered and Corporate Office**	:	35 & 36, Rajiv Gandhi Infotech Park, MIDC, Phase - I, Hinjawadi, Pune - 411 057. Tel. No.: +91 - 20 - 6652 5000, Fax No.: +91 - 20 - 6652 5001, Website: www.kpitcummins.com
2.	**Date of Incorporation**	:	December 28, 1990
3.	**Registration No./CIN**	:	L72200PN1990PLC059594
4.	**Date, Time and Venue of 20th AGM**	:	July 8, 2011, 10.30 a.m. at Auditorium, KPIT Campus, 35 & 36, Rajiv Gandhi Infotech Park, Phase - I, MIDC, Hinjawadi, Pune - 411 057. The Notice of the Annual General Meeting is being sent to the members along with this annual report.
5.	**Book Closure Dates**	:	July 2, 2011 to July 8, 2011 (both days inclusive)
6.	**Dividend Payment Date**	:	On or after July 8, 2011, but within the statutory time limit of 30 days, subject to shareholders' approval.
7.	**Financial Year**	:	April 01, 2010 - March 31, 2011.
8.	**Financial Calendar for 2011-2012 (tentative and subject to change)**		
	Financial reporting for the first quarter ending June 30, 2011	:	July 21, 2011
	Financial reporting for the second quarter ending September 30, 2011	:	October 20, 2011
	Financial reporting for the third quarter ending December 31, 2011	:	January 24, 2012
	Financial reporting for the last quarter and year ending March 31, 2012	:	April 30, 2012
	Annual General Meeting for the year ending March 31, 2012	:	July 2012
9.	**The shares of the Company are listed on the following Stock Exchanges:**		
	National Stock Exchange of India Ltd.	:	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 **NSE Code : KPIT**
	Bombay Stock Exchange Ltd.	:	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **BSE Code: 532400**
	ISIN Number of the Company	:	INE836A01035

* The Company has paid the Annual Listing Fee for the Financial Year 2011-12 to all the Stock Exchanges on which the shares of the Company are listed.

10. **Shareholders are requested to send all share transfers and correspondence relating to shares, dividend etc. to our Share Transfer Agent at:**

    Link Intime India Pvt. Ltd. Contact Person: **Mr. Bhagwant Sawant,** Block No. 202, Akshay Complex, Off Dhole Patil Road, Near Ganesh Temple, Pune 411 001 Telefax: +91-020-26050084 E-mail: bhagavant.sawant@linkintime.co.in. You can also contact Mr. Sandeep Phadnis, Company Secretary, at the Registered Office of the Company (Tel No.: +91-20-6652 5000 Extn. – 5010, Fax No.: +91-20-6652 5001, E-mail: sandeep.phadnis@kpitcummins.com), in case you need any further assistance. For any kind of grievance and for their speedy redressal, the shareholders may send their grievances to grievances@kpitcummins.com

11. **Share transfer system:**

    The share transfer work is carried out by our Share Transfer Agent, the details of which are given above. The documents are received at their office in Mumbai/Pune and also at the Registered Office of the Company. The share transfer is carried out within an average period of three weeks from the date of lodging, provided all the papers received, are in order. For improving the response time for completing the share transfers, Share Transfer Committee meetings of the Company are held as often as required.

12. **Dematerializations of shares and liquidity:**

    As on March 31, 2011, **98.41%** of the total issued share capital was held in electronic form.

    Since SEBI has included the shares of the Company in the list of companies for compulsory settlement of trades in de-materialized form effective June 26, 2000, shareholders are kindly requested to get their shares de-materialized at the earliest, if not already de-materialized.

13. **Shares allotted during the year:**

Date	Description of Allottee	No. of Shares	Face Value (₹)
7-May-10	Allotment to Employees against ESOP	130,880	2
30-June-10	Allotment to Employees against ESOP	149,825	2
21-July-10	Allotment to Employees against ESOP	85,800	2
15-Sep-10	Allotment to Employees against ESOP	153,689	2
29-Oct-10	Allotment to Employees against ESOP	143,021	2
16-Dec-10	Allotment to Employees against ESOP	285,331	2
20-Jan-11	Allotment to Employees against ESOP	104,952	2
17-Feb-11	Allotment on preferential basis to Warhol Limited	7,758,621	2
25-Mar-11	Allotment to Employees against ESOP	528,255	2
	Total	**9,340,374**	**2**

14. **Shareholding Pattern as on March 31, 2011**

Category	No. of Shares Held	% of Total Shares Capital
Promoters	23,681,542	26.95
Mutual Funds	9,169,943	10.44
FIIs	18,133,925	20.64
Bodies Corporate	7,999,254	9.10
Foreign Corporate Bodies	6,503,495	7.40
NRI	1,194,237	1.36
Insurance Companies	5,917,400	6.74
Public & Others	15,263,619	17.37
Total	**87,863,415**	**100**

As on March 31, 2011, the top ten shareholders of the Company were as under:

Sr. No.	Folio Number	Name of the Shareholder	Number of Shares held	% of total paid up share capital	Category
1	IN30027110086914	Proficient Trading & Investment Pvt. Ltd.	11,701,350	13.32	Promoter
2	IN30005410025062	Warhol Limited	7,758,621	8.83	Strategic Investor
3	IN30016710007299	ICICI Prudential Life Insurance Company Ltd.	5,917,400	6.74	Financial Institution
4	IN30005410005444	Cummins India Limited	5,091,330	5.79	JV Partner
5	IN30005410017536	Cummins Inc.	5,031,997	5.73	JV Partner
6	IN30027110086923	KPIT Systems Ltd. - Employees Welfare Trust	4,569,322	5.20	Person Acting in Concert
7	IN30027110086949	Mr. Kishor Patil	3,745,900	4.26	Promoter
8	IN30081210000471	SBI Mutual Fund - Magnum Tax Gain 1993	2,309,129	2.63	Financial Institution
9	IN30016710006358	The India Fund, Inc.	1,888,673	2.15	Foreign Institutional Investor
10	IN30016710014317	Cargill Mauritius Ltd.	1,471,498	1.67	Strategic Investor
		Total	**49,485,220**	**56.32**	

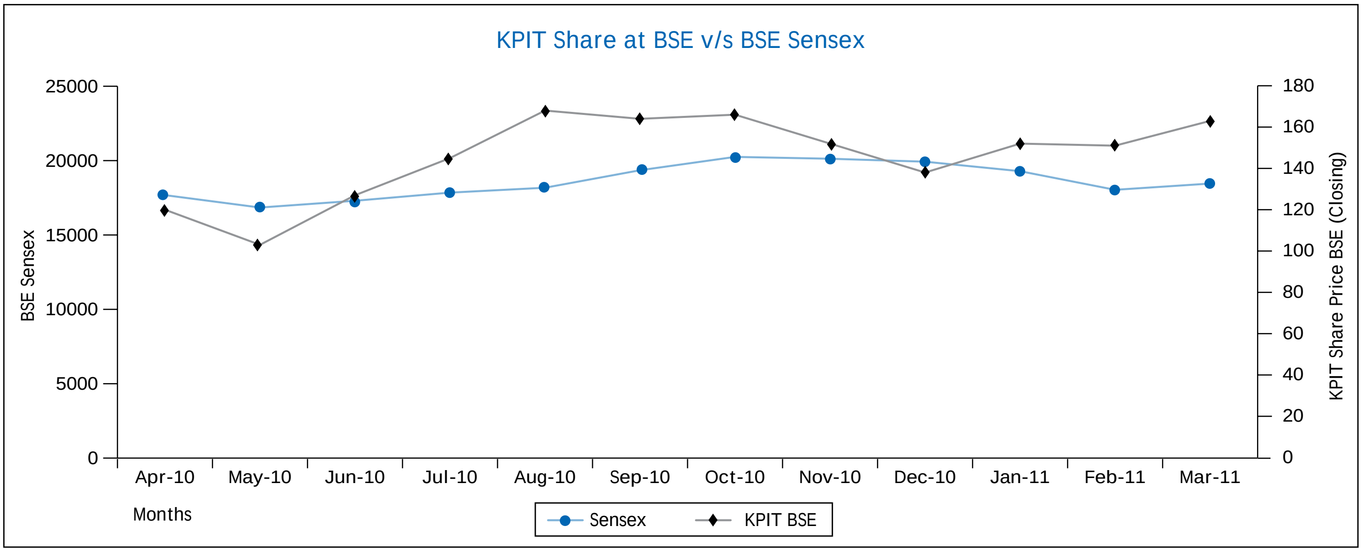
15. **Distribution Schedule as on March 31, 2011:**

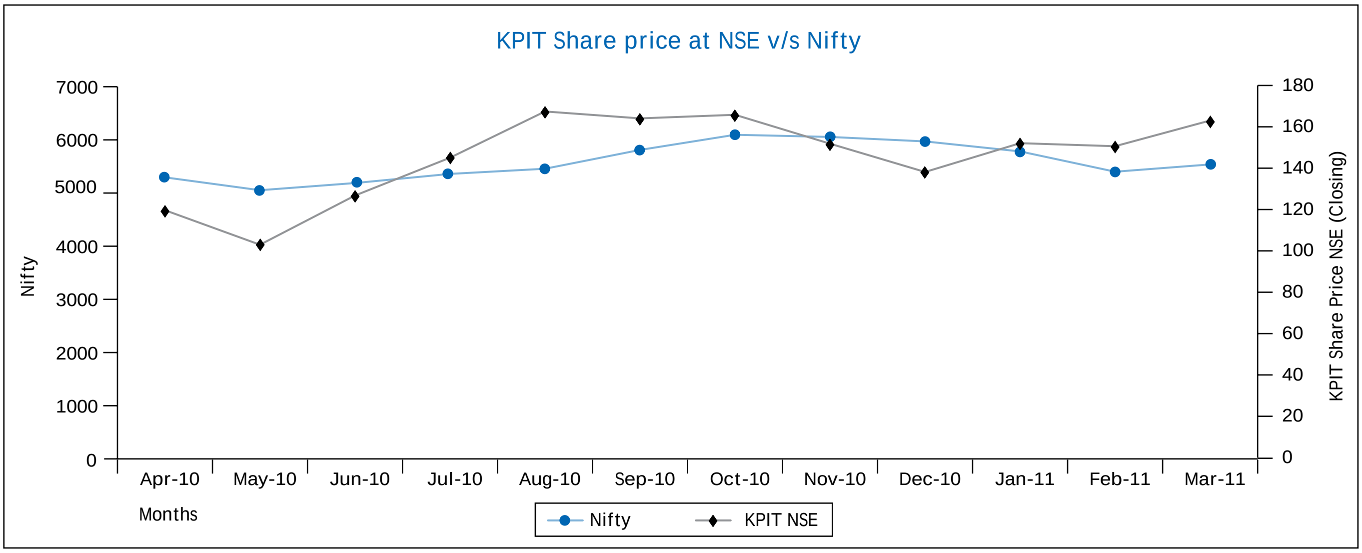
Quantity of Shares	Shareholders		Face Value of Shares held (₹)	%
From - To	Number	%		
1 - 100	21,886	61.87	2,299,884	1.31
101 - 1000	11,457	32.39	8,868,156	5.05
1001 - 5000	1,482	4.19	6,979,542	3.97
5001 - 10000	269	0.76	4,150,644	2.36
10001 - 50000	199	0.56	7,848,818	4.47
50001 - 100000	22	0.06	3,076,208	1.75
100001 & Above	62	0.17	142,503,578	81.09
Total	**35,377**	**100**	**175,726,830**	**100**

16. Monthly High/Low and Average of KPIT Cummins' Share Prices on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE):

	NSE				BSE				Total Volume
	High	Low	Average	Volume	High	Low	Average	Volume	NSE + BSE
Apr-10	129.00	114.30	119.66	5,054,065	129.25	113.05	119.65	2,123,368	7,177,433
May-10	124.60	88.00	102.97	3,954,909	124.70	88.00	103.08	1,351,147	5,306,056
Jun-10	144.80	98.50	126.76	30,166,770	144.90	99.50	126.86	12,435,660	42,602,430
Jul-10	159.60	128.40	145.06	15,131,623	159.50	128.50	145.18	5,816,891	20,948,514
Aug-10	192.80	138.50	167.43	22,441,328	192.90	142.50	167.55	11,395,371	33,836,699
Sep-10	177.40	155.75	164.08	10,752,722	177.40	155.60	163.91	9,351,328	20,104,050
Oct-10	182.90	155.55	165.82	9,507,990	182.75	155.95	165.63	4,044,227	13,552,217
Nov-10	169.90	112.95	151.83	5,274,191	170.40	114.10	151.89	2,374,606	7,648,797
Dec-10	151.00	125.00	138.16	6,557,777	150.90	125.00	138.33	164,943	6,722,720
Jan-11	165.45	140.05	152.09	11,624,189	165.70	140.25	151.79	4,911,931	16,536,120
Feb-11	164.00	132.10	150.62	3,727,571	164.00	132.35	150.65	1,347,893	5,075,464
Mar-11	184.00	145.50	163.05	7,087,071	183.45	146.00	162.96	2,694,453	9,781,524

17. Share performance chart of the Company in comparison to BSE Sensex and Nifty:





18. Details of dividend in the Unpaid/Unclaimed Dividend Accounts as on March 31, 2011:

(₹)

Year	Balance	Tentative date of transfer
For the financial year 2003-2004	110,352	September 6, 2011
For the financial year 2004-2005	155,137	August 25, 2012
For the financial year 2005-2006	83,080	August 19, 2013
For the financial year 2006-2007	260,428	August 13, 2014
For the financial year 2007-2008	341,038	October 6, 2015
For the financial year 2008-2009	323,015	August 17, 2016
For the financial year 2009-2010	224,614	August 23, 2017

During the year the Company transferred an amount of ₹ 78,821/-, being the unpaid dividend pertaining to the financial year 2002-03 to the Investors Education and Protection Fund (IEPF), in accordance with the provisions of Section 205A (5) of the Companies Act, 1956.

As per the captioned section, the dividend, if any, remaining unclaimed for a period of seven years from the date of declaration, is required to be transferred to IEPF. In view of this provision, the shareholders are kindly requested to get their pending dividend warrants, if any, pertaining to the above financial years, encashed at the earliest. Shareholders can send the unpaid dividend warrants to the Registered Office or to the Share Transfer Agent of the Company for the purpose of revalidation/reissue.

19. Details of correspondence received from the Shareholders/Investors during the period from April 01, 2010 to March 31, 2011:

No.	Nature of Request/Complaints	Opening as on April 01, 2009	No. of Requests/ Complaints Received	No. of Requests/ Complaints Processed	No. of Pending Requests/ Complaints
1	Non-Receipt of Share Certificate	Nil	2	2	Nil
2	Non-Receipt of Dividend Warrant	Nil	3	3	Nil
3	Non-Receipt of De-mat Credit/Re-mat Certificate	Nil	Nil	Nil	Nil
4	Non-Receipt of rejected De-mat Request Form	Nil	Nil	Nil	Nil
5	Non-receipt of Annual Report	Nil	Nil	Nil	Nil
6	Non-receipt of Exchange Certificate	Nil	Nil	Nil	Nil
7	Change of Address	Nil	20	20	Nil
8	Bank Details/Mandate/ECS	Nil	12	12	Nil
9	Exchange of Certificate	Nil	Nil	Nil	Nil
10	Stop Transfer/Procedure for duplicate Share Certificate	Nil	Nil	Nil	Nil
11	Indemnity/Affidavit - duplicate	Nil	Nil	Nil	Nil
12	Re-mat Request	Nil	Nil	Nil	Nil
13	Stock Split of Equity Shares	Nil	Nil	Nil	Nil
14	Indemnity with DRF	Nil	Nil	Nil	Nil
15	Revalidation/Replacement of Dividend Warrant	Nil	81	81	Nil
16	Procedure for Transfer/ Transmission/ Name Deletion	Nil	Nil	Nil	Nil
17	Correction in Name	Nil	1	1	Nil
18	Registration of Signature	Nil	Nil	Nil	Nil
19	Data Mismatch	Nil	Nil	Nil	Nil
20	Issue of Duplicate Share Certificate	Nil	1	1	Nil
21	Nominations	Nil	Nil	Nil	Nil
22	Confirmation of Details	Nil	Nil	Nil	Nil
23	SEBI Complaints	Nil	5	5	Nil
24	NSDL/CDSL Complaints	Nil	Nil	Nil	Nil
25	Others	Nil	14	14	Nil
	Total	**Nil**	**139**	**139**	**Nil**

20. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:

There are no outstanding GDRs/ADRs/Warrants or any convertible instruments as on March 31, 2011.

21. Publication of results and presentation made to institutional investors & analysts:

The Company has been regularly publishing its quarterly and yearly results in newspapers, detailed below, as per the requirement of Listing Agreement:

Date of Publication	Particulars	Newspaper
April 27, 2011	Audited financial results for quarter and Year ended March 31, 2011	Financial Express & Loksatta
January 22, 2011	Unaudited financial results for quarter ended December 31, 2010	Financial Express & Loksatta
October 30, 2010	Unaudited financial results for the quarter and half year ended September 30, 2010	Economic Times & Maharashtra Times
July 23, 2010	Unaudited financial results for quarter ended June 30, 2010	Economic Times & Maharashtra Times
May 8, 2010	Audited financial results for quarter and Year ended March 31, 2010	Economic Times & Maharashtra Times

The results and presentations made to institutional investors & analysts have also been regularly uploaded in Investor section of our website www.kpitcummins.com.

22. Human Resource Accounting:

In the software/IT industry, human resource is a significant asset utilized in generating revenues. Conventional accounting practice does not take any cognizance of this important asset in the organization.

There are various models to evaluate the value of human resources. We have used the widely accepted *Lev & Schwartz Model* to compute the value of human capital as at March 31, 2011. The value of human capital is based on the present value of the future earnings of the human resources on the following assumptions:-

- The future earnings have been discounted @ 16.43% (13.39% previous year), being the Weighted Average Cost of Capital for the Company.
- Only the Rupee earnings have been factored into the valuation.
- All those employees who do not have salary in Indian Rupees have been excluded from the valuation computation and hence the number of employees and the value is less to that extent.

VALUE OF HUMAN CAPITAL

	March - 2011				March - 2010			
	Employees		Value		Employees		Value	
	No.	%	₹ Million	%	No.	%	₹ Million	%
Development	5,043	93%	34,797	91%	3,941	92%	30,279	92%
Support	353	7%	3,289	9%	333	8%	2,717	8%
Total	**5,396**	**100%**	**38,086**	**100%**	**4,274**	**100%**	**32,996**	**100%**

23. Board members' profiles:

The Board of Directors of the Company consists of executive and non-executive members. The present Board consists of following members:

Chairman & Group CEO (Non-Executive)

Mr. S. B. (Ravi) Pandit, has been a Director on the Board of the Company since its incorporation. He holds a MS (Management) degree from Massachusetts Institute of Technology. He possesses extensive experience of over three decades in the fields of IT, Corporate Strategy Formulation and Management Consulting. Ravi was an Audit Professional at Alexander Grant & Co., USA, following which he became a partner at Kirtane & Pandit, Chartered Accountants (KPCA) from 1975-1990. Ravi is a Fellow member of the Institute of Chartered Accountants of India and an Associate member of the Institute of Cost and Works Accountants of India. He was the President of Maharatta Chamber of Commerce, Industries and Agriculture during 2004-2006. At KPIT Cummins, he leads the team in formulating corporate strategy, performance goal setting, investor relations, strategic transactions, external communication and other Board matters. He also plays a strategic role in Community Initiatives and Corporate Governance. Ravi is also a frequent speaker at various national and international seminars. Ravi is the Chairman of the Share Transfer Committee and member of the Audit and Shareholders'/Investors' Grievance Committee of the Company.

CEO & Managing Director

Mr. Kishor Patil is a Fellow member of the Institute of Chartered Accountants of India and an Associate member of the Institute of Cost and Works Accountants of India. He has 23 years of experience in various areas like Information Systems and Design, Marketing, Organization Methods and Systems etc. He is in-charge of the overall management of the Company. He is specifically responsible for all day-to-day operational issues like planning and executing business, reviewing and guiding the country offices, customer delivery units and support functions, and ensuring efficient and effective functioning of the organization as a whole. As a promoter of the Company, Kishor has provided strategic direction and spearheaded KPIT Cummins' foray into international markets, especially Europe & USA. He has been instrumental in building strategic partnerships and a strong and prestigious customer base for the Company in a short span of time. Kishor is a member of the Shareholders'/Investors' Grievance Committee and the Share Transfer Committee.

Non-Executive and Independent Directors

Mr. Sudheer Tilloo, is an Electrical Engineering Graduate from the Birla Institute of Technology, Pilani and holder of a Masters Degree in Electrical Engineering from the University of Wisconsin, Madison, USA. Sudheer advises the Company in defining business strategies, building close client relationship and managing people's performance which are critical areas for the Company's success. He is the Chairman of the Audit Committee and the Investor Grievance Committee and a member of the Quality Council Committee of the Company.

Ms. Lila Poonawalla, was awarded the Padmashree in 1989 - recognized for her exemplary contribution to the world of engineering and Industry. Lila is currently a Director on the Board of IDBI Bank, IDBI Intech, Techni Graphics, Blossom Brewery and Pragati Leadership. She has been on the governing body of organizations like the CII (Confederation of Indian Industries) and TIFAC (Technology Information Forecasting and Assessment Council formed by the Government of India). She was a member of the Scientific Advisory board of the Central Cabinet (SAC-C) and Chairperson of the Herbal and Floriculture Taskforce of SAC-C. Actively involved in social initiatives, Lila is on the board of trustees of two Pune-based NGOs. In 1994, she started the 'Lila Poonawalla Foundation' to promote education among women. She is the member of the Audit Committee and the Quality Council Committee of the Company.

Mr. Amit Kalyani has received his Bachelor's in Mechanical Engineering from Bucknell University, Pennsylvania, USA. He joined Kalyani Steels Limited in 1997 and was deputed to Carpenter Technology Corporation, USA for technical training and to oversee technology transfer to the new joint venture viz. Kalyani Carpenter Special Steels Limited. On successful completion of the assignment, he returned to India to join Bharat Forge Limited, in 1998 as Vice - President & Chief Technology Officer. Amit Kalyani is currently the Executive Director of Bharat Forge Ltd., the flagship company of Kalyani Group. Amit is involved in the Company's strategic planning and global business development initiatives and contributes significantly across functions such as manufacturing, marketing, exports and technology upgradation of the Company. He chairs the HR & Compensation (Remuneration) Committee of the Company.

Mr. Anant Talaulicar, holds a B.E. Mechanical degree from Mysore University, a M.S. degree from the University of Michigan in Ann Arbor and a MBA from Tulane University, USA. He has worked for Cummins for 17 years in the U.S. in varied fields like Finance, Manufacturing, Product Management, Strategy, Marketing and General Management. He has led the USD 300 Million North & South American Commercial Power Generation business. Anant Talaulicar is the Chairman of the Quality Council Committee of the Company.

Dr. Srikant Datar, is Arthur Lowes Dickinson Professor of Accounting & Senior Associate Dean of Harvard Business School. A Gold Medalist from Indian Institute of Management, Ahmedabad, Gold Medalist from Institute of Cost and Works Accountants of India and a Chartered Accountant, he also holds a Ph.D from Stanford University. Dr. Datar's areas of interest are Strategy Implementation and Execution, Cost management and management control areas and Corporate Governance. He has worked with many global corporations on consulting and field-based projects in management accounting and control. He is a winner of George Leland Bach Award for Excellence in the Classroom at Carnegie Mellon University and Distinguished Teaching Award at Stanford University. He is also the co-author of the leading text book on Cost Accounting. He is a member of the HR & Compensation (Remuneration) Committee of the Company.

Dr. Srikant Datar does not hold directorship in any other Indian company.

Dr. R.A. Mashelkar	–	Please refer the Explanatory Statement of the Annual General Meeting notice.
Mr. Bruce Carver	–	Please refer the Explanatory Statement of the Annual General Meeting notice.
Ms. Elizabeth Carey	–	Please refer the Explanatory Statement of the Annual General Meeting notice.

Auditors' Report

TO THE MEMBERS OF
KPIT CUMMINS INFOSYSTEMS LIMITED

1. We have audited the attached Balance Sheet of **KPIT CUMMINS INFOSYSTEMS LIMITED** ("the Company") as at 31st March, 2011, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003(CARO), issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;

      (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117 366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Place: Pune
Date: April 25, 2011

Annexure to the auditors' report

(Referred to in paragraph 3 of our report of even date)

(i) Having regard to the nature of the Company's business /activities, clauses (ii), (viii), (x), (xiii), (xiv) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered

(b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain sale for which comparable quotations are not available and in respect of which we are unable to comment.

(vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales-Tax, Service Tax, Wealth Tax, Custom Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.

(b) There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

(c) Details of dues of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Cess which have not been deposited as on March 31, 2011 on account of disputes are given below:

Name of the Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ in lakhs)
The Income Tax Act, 1961	Income-tax	Asst. Commissioner of Income Tax	A.Y. 2007-08	34.41
The Income Tax Act, 1961	Income-tax	Income Tax Officer	A.Y. 2007-08	26.99
The Karnataka Value Added Tax, 2003	Commercial Tax	Asst. Commissioner of Commercial Taxes	2005-09	91.30
The Karnataka Value Added Tax, 2003	Commercial Tax	High Court	2009-10	94.11

(ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.

(x) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xi) According to the information and explanations given to us the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

(xiv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xv) According to the information and explanations given to us, during the period covered by our audit report, the Company had not issued any secured debentures.

(xvi) According to the information and explanations given to us, the Company has not raised any money by public issue.

(xvii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117 366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Place: Pune
Date: April 25, 2011

Balance Sheet as at

	Schedule	March 31, 2011 ₹	March 31, 2011 ₹	March 31, 2010 ₹	March 31, 2010 ₹
SOURCES OF FUNDS					
Share Holders' Funds					
Share Capital	I	175,726,828		157,046,082	
Application Money		2,609,762		615,578	
Outstanding Employees' Stock Options		4,849,521		16,684,594	
Reserves and Surplus	II	5,635,681,474		3,709,867,128	
			5,818,867,585		3,884,213,382
Loan Funds					
Secured Loans	III		1,094,001,290		1,107,742,238
Deferred Tax Liability (Net)			56,292,632		51,672,174
[Refer Note No. 3.8 of Schedule XV]					
Total			**6,969,161,507**		**5,043,627,794**
APPLICATION OF FUNDS					
Fixed Assets	IV				
Gross Block		2,695,698,810		2,083,790,995	
Less: Accumulated Depreciation/Amortization		1,541,531,663		959,386,344	
Net Block		1,154,167,147		1,124,404,649	
Capital Work-in-Progress		282,200,357	1,436,367,504	277,625,061	1,402,029,710
Investments	V		2,265,824,793		2,265,539,523
Current Assets, Loans and Advances					
Sundry Debtors	VI	1,782,166,657		999,123,343	
Cash & Bank Balances	VII	1,496,845,041		578,734,953	
Loans & Advances	VIII	1,045,697,191		647,207,254	
		4,324,708,889		2,225,065,550	
Less: Current Liabilities and Provisions					
Current Liabilities	IX	863,470,155		672,366,797	
Provisions	IX	194,269,524		176,640,192	
		1,057,739,679		849,006,989	
Net Current Assets/(Liabilities)			3,266,969,210		1,376,058,561
Total			**6,969,161,507**		**5,043,627,794**
Significant Accounting Policies and Notes to the Financial Statements	XV				

The Schedules referred to above form an Integral Part of the Financial Statements

In terms of our report attached

For and on behalf of Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Anil Patwardhan
Vice President & Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Statement of Profit and Loss for the year ended

	Schedule	March 31, 2011 ₹	March 31, 2010 ₹
INCOME			
Software Services and Products			
- Overseas Sales		4,623,604,520	3,700,961,736
- Domestic Sales		761,947,335	569,484,971
		5,385,551,855	**4,270,446,707**
Software Development Expenses	X	3,351,966,412	2,324,495,770
Gross Profit		**2,033,585,443**	**1,945,950,937**
Selling and Marketing Expenses	XI	64,894,282	65,035,625
General and Administration Expenses	XII	800,358,775	560,333,341
Profit before interest, depreciation and exchange Gain/(Loss)		**1,168,332,386**	**1,320,581,971**
Interest	XIII	10,092,682	21,250,210
Depreciation/Amortization	IV	350,904,135	281,742,236
Profit After Interest, Depreciation and Before Tax and Exchange Gain/(Loss)		**807,335,569**	**1,017,589,525**
Other Income	XIV	(17,907,235)	(115,864,064)
Profit Before Tax		**789,428,334**	**901,725,461**
Provision for Taxation - Current Year		145,582,531	158,800,430
MAT Credit Entitlement		(55,429,677)	(42,347,329)
Provision for Taxation - Prior Years		-	9,599,906
Provision for Taxation - Deferred Tax		4,396,573	(8,825,976)
Profit After Tax		**694,878,907**	**784,498,430**
Profit Available for Appropriation		**694,878,907**	**784,498,430**
Dividend			
Final Dividend (Refer Note No. 4.8 of Schedule XV)		199,215	-
Dividend Tax on Final Dividend		33,087	-
Final (Proposed) Dividend		61,504,390	54,966,129
Dividend Tax on Final (Proposed) Dividend		9,977,550	9,129,187
Amount transferred to KPIT Cummins Infosystems Limited Community Foundation Reserve (Refer Note No. 4.1 of Schedule XV)		10,000,000	10,000,000
Amount transferred to KPIT Cummins Technology Fund (Refer Note No. 4.1 of Schedule XV)		100,000,000	-
Amount transferred to KPIT Employees' Welfare Fund (Refer Note No. 4.1 of Schedule XV)		100,000,000	-
Amount transferred to General Reserve		70,000,000	79,000,000
Amount transferred to Profit and Loss Account		343,164,665	631,403,114
		694,878,907	**784,498,430**
		694,878,907	784,498,430
EARNINGS PER SHARE [(Equity shares, par value ₹ 2/- each (Previous Year ₹ 2/- each)]			
Basic		8.64	10.04
Diluted		8.34	9.88
Number of shares used in computing Earnings Per Share			
Basic (weighted average)		80,451,854	78,166,731
Diluted (weighted average)		83,333,730	79,379,629
Significant Accounting Policies and Notes to the Financial Statements	XV		

The Schedules referred to above form an Integral Part of the Financial Statements

In terms of our report attached

For and on behalf of Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Anil Patwardhan
Vice President & Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Cash Flow Statement for the year ended

Particulars		March 31, 2011 ₹	March 31,2010 ₹
A]	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit/(loss) before tax	789,428,334	901,725,461
	Adjustments for		
	(Profit)/loss on sale of fixed assets (net)	1,749,134	15,632,948
	Depreciation/Amortization	350,904,135	281,742,236
	Employee Stock Option cost	374,984	16,684,594
	Interest and financial charges	40,730,424	61,677,340
	Interest income	(31,208,130)	(41,979,525)
	Provision for doubtful debts/(Write back of excess provision for bad and doubtful debts)	1,888,537	(727,210)
	Bad debts written off	630,910	2,617,488
	Provision for doubtful advances/(Write back of excess provision for doubtful advances)	(7,800,000)	11,800,000
	Dividend income	(33,940,152)	(10,462,448)
	Exchange differences on translation of foreign currency cash and cash equivalents	(23,988,038)	27,742,044
	Unrealised foreign exchange (Gain)/Loss	(27,592,743)	(131,647,054)
	Operating Profit before working capital changes	**1,061,177,395**	**1,134,805,874**
	Adjustments for		
	(Increase)/Decrease in Sundry Debtors	(609,800,335)	325,977,340
	(Increase)/Decrease in Loans and Advances	(309,741,713)	(80,811,082)
	Increase/(Decrease) in Current Liabilities and Provisions	253,412,060	(120,953,649)
	Cash generated from operations	**395,047,407**	**1,259,018,483**
	Taxes Paid	(171,880,225)	(160,517,578)
	Net cash from operating activities	**223,167,182**	**1,098,500,905**
B]	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of fixed assets and Intangible assets (including CWIP)	(380,948,538)	(220,747,117)
	Proceeds from the sale of fixed assets	2,602,541	465,354
	Increase in investments in subsidiaries	(447,806,830)	(811,686,461)
	Sale/(Purchase) of Mutual Fund Investments	271,625,701	(620,216,892)
	Interest received	20,700,549	48,161,951
	Dividend received from Mutual Fund Investments	33,940,152	10,462,448
	Fixed Deposit with banks (net) having maturity over three months	38,655,263	159,105,614
	Net Cash from/(used in) investing activities	**(461,231,162)**	**(1,434,455,103)**

Cash Flow Statement for the year ended

Particulars		March 31, 2011 ₹	March 31,2010 ₹
C]	CASH FLOW FROM FINANCING ACTIVITIES		
	Repayment of term loan (Net)	(225,504,850)	(237,075,648)
	Proceeds from issue of Share Capital	1,231,710,002	25,970,759
	Share Issue expenses for Preferential Allotment	(30,376,410)	-
	Application Money Received	1,994,184	615,578
	Proceeds from working capital loan (net)	134,968,062	202,817,602
	Proceeds from Short term loan	39,364,500	-
	Increase/(decrease) in finance lease obligation	5,967,513	(2,255,367)
	Dividend paid including corporate dividend tax	(64,327,618)	(54,783,817)
	Interest and finance charges	(41,088,138)	(62,451,399)
	Net cash from/(used in) financing activities	**1,052,707,245**	**(127,162,292)**
D]	Exchange differences on translation of foreign currency cash and cash equivalents	23,988,038	(27,742,044)
	Net Increase/(decrease) in cash and cash equivalents (A+B+C+D)	**838,631,303**	**(490,858,534)**
	Cash & cash equivalents at close of the year (refer note 1 below)	1,480,830,081	527,300,504
	Cash & cash equivalents at beginning of the year (refer note 1 below)	527,300,504	1,018,159,038
	Add : Cash & cash equivalents on account of amalgamation	114,898,275	-
	Cash surplus/(deficit) for the year	**838,631,303**	**(490,858,534)**
	Note 1:		
	Cash and cash equivalents include:		
	Cash on hand	99,839	75,392
	Cheques in Hand	5,985,893	5,025,935
	Balance with scheduled banks		
	- On current accounts	343,733,173	305,658,326
	- On deposit account	1,130,802,582	216,540,851
	Balance with non scheduled banks		
	- On current accounts	208,595	-
	Total	1,480,830,081	527,300,504
	Add : Deposits with original maturity over three months	-	38,655,263
	Add : Deposits under lien	16,014,960	12,779,186
	Cash and cash equivalents at the end of the year as per Schedule VII	**1,496,845,041**	**578,734,953**

Note 2:

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements

Note 3:

Previous year's figures have been rearranged/regroupped wherever necessary

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

For and on behalf of Board of Directors

Anil Patwardhan
Vice President & Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Schedules annexed to and forming part of the Balance Sheet as at

	March 31, 2011		March 31,2010	
	₹	₹	₹	₹
SCHEDULE - I SHARE CAPITAL				
Authorized				
375,000,000 equity shares (previous year 150,000,000) of ₹ 2 each		750,000,000		300,000,000
(Refer Note No. 4.7 of Schedule XV)				
Issued, Subscribed and Paid Up		175,726,828		157,046,082
[87,863,415 equity shares (previous year 78,523,041) of ₹ 2 each fully paid up [of the above shares 44,181,453 equity shares of ₹ 2 each post-split (Previous Year 44,181,453) are allotted as fully paid-up pursuant to contracts without payments being received in cash]				
(Refer Note No. 4.3 of Schedule XV)				
Total		**175,726,828**		**157,046,082**
Note:-				
Equity Shares 1,581,753 of ₹ 2 each (previous Year 480,080) have been issued during the year under the Employee Stock Option Plan of the Company.				
SCHEDULE - II RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet	19,404,500		19,404,500	
Additions during the year	-	19,404,500	-	19,404,500
Amalgamation Reserve				
(pursuant to the scheme of amalgamation)				
As per last Balance Sheet	51,398,256		51,398,256	
Additions during the year	-	51,398,256	-	51,398,256
General Reserve				
As per last Balance Sheet	353,878,750		274,878,750	
Add: Transferred from Profit & Loss Account	70,000,000		79,000,000	
Add: Adjustment under the scheme of amalgamation (Refer Note No. 4.2 of Schedule XV)	3,728,453			
Add: Amount transferred from Outstanding Employees Stock Options	1,221,006	428,828,209	-	353,878,750
Hedging Reserve		(136,241,095)		(226,688,046)
(Refer Note No. 3.1(ii)(c) of Schedule XV)				
Securities Premium				
As per last Balance Sheet	751,082,508		726,071,908	
Add: Premium on issue of shares under ESOP scheme	103,546,452		25,010,599	
Add: Amount transferred from outstanding Employees Stock Options	10,989,051			
Add: Premium on issue of Preferential allotment	1,109,482,803		-	
Less: Share issue expenses on Preferential Allotment	30,376,410	1,944,724,404	-	751,082,507
Profit & Loss Account				
As per last Balance Sheet	2,730,085,629		2,098,682,515	
Add: Acquired under the scheme of amalgamation (Refer Note No. 4.2 of Schedule XV)	14,934,664		-	
Add: Surplus for the year	343,164,665		631,403,114	
	3,088,184,958	3,088,184,958	2,730,085,629	2,730,085,629
KPIT Cummins Infosystems Limited Community Foundation Reserve Account				
As per last Balance Sheet	30,705,532		20,756,390	
Add: Contribution received from Employee	2,163,362		2,215,512	
Less : Utilisation	2,808,023		2,266,370	
Add: Transferred from Profit and Loss Account	10,000,000		10,000,000	
(Refer Note No. 4.1 of Schedule XV)		40,060,871		30,705,532

Schedules annexed to and forming part of the Balance Sheet as at

	March 31, 2011 ₹	₹	March 31,2010 ₹	₹
SCHEDULE - II RESERVES AND SURPLUS (CONTD.)				
KPIT Cummins Technology Fund				
As per last Balance Sheet	-		-	
Add: Transferred from Profit & Loss Account (Refer Note No. 4.1 of Schedule XV)	100,000,000		-	
Less: Utilisation during the year	678,629	99,321,371	-	-
KPIT Employees' Welfare Fund				
As per last Balance Sheet	-		-	
Add: Transferred from Profit & Loss Account	100,000,000		-	
(Refer Note No. 4.1 of Schedule XV)		100,000,000		-
Total		**5,635,681,474**		**3,709,867,128**
SCHEDULE - III SECURED LOANS				
Term Loan				
From banks		62,510,000		157,004,946
[The amount repayable within one year ₹ 62,510,000 (Previous year ₹ 93,086,670) Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets]				
From others		218,288,939		331,026,697
[The amount repayable within one year ₹ 109,144,425 (Previous year ₹ 110,342,202) Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets]				
Interest Accrued and Due		510,571		1,185,532
Working Capital Loan (from Banks)				
Cash credit		764,995,703		616,161,000
[Secured by hypothecation of current assets]				
Finance Lease Obligation				
[Finance Lease obligations are secured against fixed assets obtained under finance lease arrangements]		8,331,576		2,364,063
(Refer Note No. 3.6 of Schedule XV)				
Short Term Loan (from others)		39,364,500		-
[Secured by hypothecation of software obtained under the arrangement]				
Total		**1,094,001,290**		**1,107,742,238**

Schedules annexed to and forming part of the Balance Sheet as at

SCHEDULE - IV FIXED ASSETS

Particulars	Gross Block					Depreciation / Amortization					Net Block	
	As at April 1, 2010	Additions on account of Amalgamation	Additions for the Year 2010-11	Deletions for the Year 2010-11	As at March 31, 2011	Up to April 1, 2010	Additions on account of Amalgamation	For the Year 2010-11	On Deletions/ Discarded for the year 2010-11	Up to March 31, 2011	As on March 31, 2011	As on March 31, 2010
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Intangible Assets												
Goodwill	56,888,437	-	36,625,000	-	93,513,437	19,918,745		13,203,532	-	33,122,277	60,391,160	36,969,692
[Refer Note 4.5 of Schedule XV]												
Project Development Expenses	-	21,603,981			21,603,981	-	21,603,981			21,603,981	-	-
Rights to render Business Process												
Outsourcing Services	-	206,731,603			206,731,603	-	206,731,603			206,731,603	-	-
Internally Generated Intangible Assets	-	-	138,547,079	-	138,547,079	-		52,624,068		52,624,068	85,923,012	-
Software Package	521,846,013	3,240,870	74,090,878	-	599,177,761	229,346,278	2,832,794	138,430,401	-	370,609,473	228,568,288	292,499,735
Tangible Assets												
Land (Leasehold)	43,052,484	-	-	-	43,052,484	2,549,308	-	456,918	-	3,006,226	40,046,258	40,503,176
Building	459,580,566	-	519,232	-	460,099,798	129,423,817	-	34,913,831	-	164,337,648	295,762,150	330,156,749
Plant and Machinery	363,734,540	5,382,721	7,418,200	(8,571,399)	367,964,062	132,305,738	3,493,383	37,078,395	(4,627,079)	168,250,436	199,713,625	231,428,802
Computers	435,861,621	25,810,776	105,438,687	(14,116,763)	552,994,321	330,780,409	19,827,138	49,167,996	(14,228,063)	385,547,480	167,446,840	105,081,212
Furniture and fittings	192,794,603	546,680	2,906,248	(2,613,705)	193,633,826	108,502,943	182,668	22,431,504	(2,270,476)	128,846,638	64,787,187	84,291,660
Vehicles - Lease/Hire Purchase	7,063,375	-	9,878,549	(1,900,000)	15,041,924	5,039,166		2,255,631	(1,899,999)	5,394,798	9,647,126	2,024,209
Vehicles - Owned	2,969,356	-	949,369	(580,190)	3,338,535	1,519,940		341,860	(404,765)	1,457,034	1,881,501	1,449,416
TOTAL	**2,083,790,995**	**263,316,631**	**376,373,242**	**(27,782,058)**	**2,695,698,810**	**959,386,344**	**254,671,567**	**350,904,135**	**(23,430,383)**	**1,541,531,663**	**1,154,167,147**	**1,124,404,649**
Capital Work-in-Progress												
[Including Capital Advances of ₹ 913,212 (Previous Year ₹ 836,488)]											282,200,357	277,625,061
GRAND TOTAL	**2,083,790,995**	**263,316,631**	**376,373,242**	**(27,782,058)**	**2,695,698,810**	**959,386,344**	**254,671,567**	**350,904,135**	**(23,430,383)**	**1,541,531,663**	**1,436,367,504**	**1,402,029,710**
Previous Year	1,897,591,975	-	290,666,393	(104,467,373)	2,083,790,995	766,013,179	-	281,742,236	(88,369,071)	959,386,344	1,402,029,710	1,479,123,133

Schedules annexed to and forming part of the Balance Sheet as at

	March 31, 2011 ₹	₹	March 31,2010 ₹	₹
SCHEDULE - V INVESTMENTS				
LONG TERM INVESTMENTS (AT COST)				
Non trade (unquoted)				
Investment in Subsidiaries				
KPIT Infosystems Limited		430,052,879		285,851,629
A wholly owned subsidiary company incorporated in UK				
5,717,170 Equity Shares of £1/- each (Previous Year 3,701,000 Equity Shares of £1/- each)				
KPIT Infosystems Inc.		1,114,573,985		841,018,985
A wholly owned subsidiary company incorporated in USA				
10,892 Equity Stock at par (Previous Year 10,592 at par)				
KPIT Cummins GBS Limited				
A wholly owned subsidiary company incorporated in India		-		239,999,400
Nil (Previous Year: 4,399,940 Equity Shares of ₹ 10 each)				
(Refer Note No. 4.2 of Schedule XV)				
KPIT Infosystems France SAS		215,968,508		215,968,508
A wholly owned subsidiary company incorporated in France				
100,000 (Previous Year: 100,000) Equity Stock of Euro 1 each				
KPIT Infosystems Central Europe sp.z o. o.		-		62,384,109
A wholly owned subsidiary company incorporated in Poland				
Nil (Previous Year: 4,315) Equity Stock @ PLN 1000 each				
(Refer Note No. 4.2 of Schedule XV)				
Impact Automotive Solutions Private Ltd.		30,049,980		-
A Joint Venture with Bharat Forge Ltd.				
3,004,998 Equity shares of ₹ 10 each (Previous Year Nil)				
(Refer Note No. 4.6 of Schedule XV)				
SPARTA Infotech India Private Limited		100,000		100,000
10,000 shares of ₹ 10/- each (Previous Year 10,000)				
Sub-total		**1,790,745,352**		**1,645,322,631**
Current Investments				
Investment in Mutual funds (Refer Note No. 3.2 of Schedule XV)		475,079,441		620,216,892
Total		**2,265,824,793**		**2,265,539,523**
SCHEDULE - VI SUNDRY DEBTORS				
Unsecured (Refer Note No. 2.13 of Schedule XV)				
Outstanding for a period exceeding six months				
Considered good	121,275,108		41,975,153	
Considered doubtful	50,752,207		45,532,611	
	172,027,315		87,507,764	
Other Debts				
Considered good	1,660,891,549		957,148,191	
Considered doubtful	306,827		1,981,999	
	1,661,198,375		959,130,190	
Less: Provision for doubtful debts	51,059,034	1,782,166,657	47,514,611	999,123,343
Total		**1,782,166,657**		**999,123,343**

Schedules annexed to and forming part of the Balance Sheet as at

	March 31, 2011		March 31,2010	
	₹	₹	₹	₹
SCHEDULE - VII CASH AND BANK BALANCES				
Cash on hand		99,839		75,392
Cheques in Hand		5,985,893		5,025,935
Balance with scheduled banks				
On current accounts	343,733,173		305,658,326	
On deposit account	1,146,817,542	1,490,550,715	267,975,300	573,633,626
[includes ₹ 16,014,960 as Mergin Money (Previous year ₹ 12,779,186)]				
Balance with non scheduled banks				
On current account [maximum balance during the year ₹ 22,956,551 (Previous Year ₹ NIL)]	208,595		-	
	-	208,595	-	-
Total		**1,496,845,041**		**578,734,953**
SCHEDULE - VIII LOANS AND ADVANCES				
[Unsecured, considered good unless otherwise stated]				
Advances recoverable in cash or in kind or for value to be received (Refer Note No. 2.12 of Schedule XV)	526,330,851		271,775,331	
Due from Subsidiary Companies	91,601,101		37,371,487	
Advance Tax and Tax Deducted At Source (net of provision)	82,639,466		68,322,204	
MAT credit entitlement	205,322,303		127,135,108	
Advance Fringe Benefit Tax (net of provision)	3,211,730		2,986,060	
Prepaid expenses	59,928,444	969,033,894	26,083,283	533,673,473
Loans to Subsidiaries		-		56,803,550
Deposits		63,387,065		53,961,579
Interest accrued on fixed deposits		13,276,232		2,768,652
Total		**1,045,697,191**		**647,207,254**
SCHEDULE - IX CURRENT LIABILITIES AND PROVISIONS				
Current liabilities				
Sundry Creditors [Refer Note No. 2.10 of Schedule XV]				
For Goods and Services	263,577,611		126,844,206	
For Accrued Salaries and Benefits	258,905,236		185,371,412	
	522,482,847		312,215,618	
Other Liabilities	129,335,676		63,358,337	
Unearned Revenue	13,296,160		3,475,780	
Due to Subsidiary Companies	60,299,691		65,251,349	
Interest Accrued But Not Due	317,246		-	
Unclaimed Dividend	1,497,441		1,377,667	
	204,746,213		133,463,133	
Mark to Market loss on cash flow hedges (Refer Note No. 3.1(ii)(c) of Schedule XV)	136,241,095		226,688,046	
		863,470,155		672,366,797
Provisions				
for Taxation (net of advance tax)	16,603,785		28,783,888	
for Fringe Benefit Tax (net of advance tax)	3,324,719		2,899,379	
for Proposed Dividend	61,504,390		54,966,129	
for Dividend Tax	9,977,550		9,129,187	
for Staff Benefit Schemes	102,859,080	194,269,524	80,861,609	176,640,192
Total		**1,057,739,680**		**849,006,989**

Schedules annexed to and forming part of Statement of Profit and Loss for the year ended

		March 31, 2011 ₹	March 31, 2010 ₹
SCHEDULE - X SOFTWARE DEVELOPMENT EXPENSES			
Salaries and Bonus		2,360,200,903	1,563,008,723
Contribution to Providend and other funds		78,823,043	57,728,478
Consultancy Charges		494,594,464	452,385,965
Travel and Overseas Expenses		248,623,913	136,831,138
Employee Stock Option cost		-	6,200,000
Cost of Service Delivery		169,724,089	108,341,466
	Total	3,351,966,412	2,324,495,770
SCHEDULE - XI SELLING AND MARKETING EXPENSES			
Marketing services expenses		42,706,720	43,902,021
Marketing travel expenses		22,187,561	21,133,604
	Total	64,894,282	65,035,625
SCHEDULE - XII GENERAL AND ADMINISTRATION EXPENSES			
Salaries and Bonus		285,032,348	219,528,733
Contribution to Providend and other funds		10,154,310	9,833,482
Staff Welfare		10,002,173	5,731,875
Employee Stock Option cost		374,984	10,484,594
Foreign Travel Expenses		18,033,751	3,820,164
Travelling and Conveyance		57,857,024	30,738,125
Recruitment and Training Expenses		53,019,048	22,403,615
Rent		56,965,856	45,366,483
Rates and Taxes		2,486,157	1,741,395
Communication Expenses		35,515,000	24,545,592
Professional and Legal Expenses		33,859,855	28,972,186
Printing and Stationery		5,336,338	4,404,103
Repairs to Building		3,211,609	1,757,673
Repairs to Plant and Machinery		71,203,556	31,120,037
Repairs to Others		21,998,605	8,140,223
Power and Fuel		47,607,831	34,772,889
Insurance Charges		21,159,708	14,643,009
Auditors Remuneration			
Audit Fees		5,200,000	3,000,000
Taxation matters		1,879,206	223,357
Certification Charges		964,594	94,120
Other matters		1,588,469	-
Out-of-Pocket Expenses		465,043	106,543
Bad debts Written off		630,910	2,617,488
(Write back of excess provision)/Provision for bad and doubtful debts		1,888,537	(727,210)
Loss (net) on Sale of Assets		1,749,134	15,632,948
Other Miscellaneous Expenses		52,174,729	41,381,917
	Total	800,358,775	560,333,341
SCHEDULE - XIII INTEREST, NET			
Interest			
- Fixed Period Loans		18,828,915	34,815,732
- Others		16,889,269	20,008,179
Bank charges		5,012,240	6,853,429
Lease charges		570,388	1,552,395
	Sub Total	41,300,812	63,229,735
Less:			
Interest Income		31,208,130	41,979,525
	Total	10,092,682	21,250,210
SCHEDULE - XIV OTHER INCOME			
Dividend on Non-Trade Investments		33,940,152	10,462,448
Foreign exchange gain/(loss)		(52,287,390)	(147,706,117)
Miscellaneous Income		440,003	3,154,486
Rent Received from Subsidiary		-	18,225,119
	Total	(17,907,235)	(115,864,064)

Schedules XV - Notes to accounts

(All amounts in Rupees except otherwise stated)

Company Overview

The Company, along with its wholly owned subsidiaries in the USA, UK, Germany, France and branches at Japan, Singapore and South Africa provides software services and IT enabled services to its clients. The Company predominantly provides services in Manufacturing and Financial services sectors. Most of the revenue is generated from the export of services.

1. Significant Accounting Policies

Basis for preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis. All items of income and expenditure having a material bearing on the financial statements are recognized on the accrual basis. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the year.

1.1 Revenue recognition

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and billed to clients as per the contractual obligations. In case of fixed price contracts, revenue is recognized based on the milestone/s achieved as agreed upon in the contract on proportionate completion basis and where there is no uncertainty as to measurement or collect ability of consideration. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Interest income is recognized on time proportion basis.

Dividend income is recognized when the Company's right to receive dividend is established.

1.2 Expenditure

Expenses are accounted on the accrual basis and provisions are made for all probable losses and liabilities.

a) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which takes a substantial time in getting ready for its intended use are capitalized as part of cost of that asset till the date it is put to use. All other borrowing costs are charged to the Statement of Profit and Loss.

b) Provision for Doubtful Debts

The Company periodically carries out an exercise to evaluate recovery of its receivables. While making such provision, various other factors like probable recovery of the dues, business risks, economic factors, legal status of the customers/partners are taken into account.

1.3 Fixed Assets, Intangible Assets and Capital Work-in-Progress

a) Fixed Assets are stated at the cost of acquisition, less accumulated depreciation and impairment loss, if any. Direct costs are capitalized till the assets are put to use. Vehicles taken on Lease have been capitalized in accordance with the Accounting Standard (AS) 19 '*Accounting for Leases*'.

b) Intangible Assets

If Company incurs expenditure which meets criteria of intangible asset as mentioned in Accounting Standard (AS) 26, such expenditure is capitalized and is amortized over its useful life as estimated by the Management.

However, in some instances, technical feasibility is completed and the market release status is reached in the same period. Therefore, such intangible assets are amortized in the same period.

c) Capital Work-in-Progress

Capital Work-in-Progress includes capital advances and the cost of fixed assets that are not yet ready for the intended use at the reporting date.

1.4 Depreciation/Amortization

Depreciation on fixed assets is provided using straight-line method over the useful life of the fixed assets as estimated by the Management. Depreciation is charged on all assets purchased and sold during the year on a proportionate basis. The rates of depreciation are as per or above minimum rates prescribed under Schedule XIV of the Companies Act, 1956. The Rates of Depreciation are as follows:

Individual assets costing less than ₹ 5,000/- and mobile phones issued to employees are charged off to the Statement of Profit and Loss in the year of purchase.

- Leasehold land – Amortized over the lease period.
- Buildings – 1.63%
- Buildings (Hinjewadi) – 7.50%
- Plant and machinery
  - ➢ Office equipments – 4.75%
  - ➢ Office equipments (Hinjewadi) – 10.00%
  - ➢ Electrical systems – 33.33%
  - ➢ Electrical systems (Hinjewadi) – 10.00%
- Computers – 25.00%
  (including software and peripherals)
- Furniture and fittings – 6.33%
- Furniture and fittings (Hinjewadi) – 12.50%
- Vehicles – 9.50%
- Vehicles on lease – Amortized over the lease period

Perpetual Software licenses are amortized over their useful lives as stated above. However, time-based software licenses are amortized over their duration.

1.5 Goodwill

Goodwill on acquisition is amortized over a period of its useful life as estimated by the management.

1.6 Impairment of Fixed Assets

The Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal.

1.7 Investments

Investments are either classified as current or long-term, based on Management's intention at the time of purchase. Current investments are carried at lower of cost and fair value. Cost for overseas investment comprises the Indian rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term Investments are stated at cost less provisions recorded to recognise any decline, other than temporary, in the carrying value of each investment. Such costs are inclusive of acquisition costs directly attributable to the Investments such as legal expenses, professional fees etc. incurred during the course of such acquisition.

1.8 Leases

Assets leased by the Company in the capacity of their lessee, where the Company has substantially all the risks and rewards of ownership are classified as Finance Leases. Such leases are capitalized at the inception of lease at the lower of their fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are recognised as Operating Leases. Lease Rentals under operating leases are recognised in the statement of Profit and Loss on straight-line-basis

1.9 Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares.

1.10 Foreign currency transactions

a) Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. The gains or losses resulting from such transactions are included in the Statement of Profit and Loss. Income and Expenses denominated in foreign currencies are translated using exchange rate in effect on the date of transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining the net profit for the period in which the transaction is settled.

Premiums or discount on forward exchange contracts are amortized and recognized in the Statement of Profit and Loss over the period of the contract. Forward exchange contracts and currency option contracts outstanding at the balance sheet date, other than designated cash flow hedges, are stated at fair values and any gains or losses are recognized in the Statement of Profit and Loss.

b) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts and currency options to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard (AS) 30 "*Financial Instruments: Recognition and Measurement*" of the Institute of Chartered Accountants of India (ICAI).

The use of hedging instruments is governed by the Company's policy approved by the Board of Directors, which provides written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. The counter-party to the Company's foreign currency forward contracts is generally a bank.

Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in fair value of these derivatives that are designated and effective as hedges of future cash flow are recognized directly in shareholder's fund and the ineffective portion, if any is recognized immediately in the Statement of Profit and Loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Statement of Profit and Loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecast transactions any cumulative gain or loss on the hedging instrument recognized in shareholder's fund is retained there until the forecast transaction occurs. When a hedge transaction occurs or, is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to the Statement of Profit and Loss.

1.11 Retirement benefits to employees

Gratuity:

In accordance with the payment of Gratuity Act, 1972, the Company provides a liability for gratuity, a defined benefit retirement plan. The amount of gratuity is computed based on respective employee's salary and the tenure of employment with the Company. Gratuity is accrued based on actuarial valuation as at the balance sheet date, carried out by an independent actuary using projected unit credit method. The amount is funded from internal accruals.

For employees of erstwhile KPIT Cummins Infosystems (Bangalore) Pvt. Ltd. who were on the roll as at March 31, 2007 (before the date of the merger) the amount is funded through an employee's group gratuity trust, managed by Kotak Mahindra Old Mutual Life Insurance Limited.

Actuarial gains and losses in respect of defined benefit plans are recognized in the Statement of Profit and Loss for the year in which they occur.

Provident Fund:

Eligible employees receive benefits from provident fund, which is a defined contribution plan. Provident Fund Contribution of covered employee's basic salary is deducted and paid along with Company's Contribution of an equal amount on a monthly basis to the appropriate authority.

Leave Accrual:

The liability for leave carried forward has been accounted for on actual basis.

1.12 Accounting for Taxes on Income

a) Income Tax Provision

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Provisions are also recorded when it is estimated that a liability due to disallowances or other matters is probable.

The Company has provided for Minimum Alternate Tax (MAT) in accordance with the provisions of Section 115JB of the Income Tax Act, 1961.

In accordance with the Guidance Note on Accounting for Credit Available in Respect of Minimum Alternative Tax under the Income-tax Act, 1961 the Company recognizes MAT credit, where there is convincing evidence that the Company will pay normal tax after the tax holiday period.

The Company offsets, on an year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right to offset and where it intends to settle such assets and liabilities on a net basis.

Tax on distributed profits payable in accordance with the provisions of the Income Tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

b) Deferred Tax Provision

- Pursuant to the Accounting Standard (AS) 22 on "*Accounting for taxes on income*", the Company has considered the effect of timing differences in the tax expenses in the Statement of Profit and Loss as deferred tax asset/liability in the Balance Sheet.

  Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

  In respect of unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.
- As the Company is currently under the tax holiday period, no deferred tax asset/liability is recognized for the timing differences arising during the tax holiday period and reversing within the tax holiday period.
- However, deferred tax asset/liability is recognized on the timing differences which arise during the tax holiday period and reverse after the tax holiday period is over.

1.13 Provisions, Contingent Liabilities and Contingent Assets

As per Accounting Standard (AS) 29, '*Provisions, Contingent Liabilities and Contingent Assets*', the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No Provisions is recognized for –

A. Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

B. Present obligation that arises from past events but are not recognized because -

1. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

2. A reliable estimate of the amount of obligation cannot be made are disclosed as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

1.14 Research and Development

Costs incurred during the research phase of a project are expensed when incurred. Costs incurred in the development phase are recognised as an intangible asset if it is demonstrated that: the project is technically feasible, the Company has the intent and the ability to complete the development of the asset for use or sale, it is probable that the asset will generate future economic benefits, resources to complete the development and to use or sell the asset are available, and such costs are reliably measurable. Capitalized costs are amortized over a period depending upon the asset's market release status. Where the release is soon after the asset is completed, costs are amortized in the same period; otherwise, over the assets' useful life.

2. Disclosures as required by Schedule VI of the Companies Act, 1956

2.1 Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year is as under:

Particulars	FY 2010-11	FY 2009-10
Remuneration to Managing and Whole-time Director *		
Salary (including variable performance incentive)	**14,218,296**	**11,041,945**
Perquisites	—	—
Contribution to provident fund	1,300,459	1,300,459
Total	**15,518,755**	**12,342,404**
Sitting fees to Non-Whole-time Directors	1,012,500	1,067,500
Commission to Non-Whole-time Directors	7,500,000	7,500,000

* Managerial remuneration excludes provision for gratuity as the separate actuarial valuation for the directors is not available.

2.2 Computation of net profit in accordance with Section 349 of the Companies Act, 1956, and calculation of commission payable to Non-Whole time Directors:

Particulars	FY 2010-11	FY 2009-10
Profit before tax as per the statement of Profit and Loss	789,428,333	901,725,461
Add:		
Managing Director's and Whole-time Director's Remuneration	15,518,755	12,342,404
Directors sitting fees	1,012,500	1,067,500
Commission to Non-Whole-time directors	7,500,000	7,500,000
Depreciation as per books of account	350,904,135	281,742,236
Loss/(Capital Profit) on sale of assets (Net)	1,749,134	15,632,948
Provision/(Write back of excess provision) for bad and doubtful debts	1,888,537	(727,210)
Provision/(Write back of excess provision) for doubtful loans and advances	(7,800,000)	11,800,000
Less:		
Depreciation as envisaged under Section 350 of the Companies Act, 1956	350,904,135	281,742,236
Net profit on which commission is payable	809,297,258	949,341,103
Maximum commission payable to Non-Whole-time Directors @1% per annum of net profit	8,092,972	9,493,411
Commission restricted to	7,500,000	7,500,000

2.3 CIF Value of Imports:

Particulars	FY 2010-11	FY 2009-10
Capital Goods	112,662,663	43,324,646

2.4 Expenditure in foreign currency (on accrual basis):

Particulars	FY 2010-11	FY 2009-10
Consultancy charges	340,747,144	358,870,288
Cost of service delivery	114,459,279	54,172,535
Travelling Expenses	110,763,578	58,305,081
Marketing Expenses	23,383,169	66,711,461
Professional Expenses	13,809,905	15,725,711
Rent	740,879	13,800,535
Financial charges	9,464,222	23,304,964
Other Expenses	20,182,802	23,074,317
Total	**633,550,978**	**613,964,892**

2.5 Earnings in foreign currency (on accrual basis):

Particulars	FY 2010-11	FY 2009-10
Software services and Products - Exports	4,623,604,520	3,700,961,736
Interest on Fixed Deposits	994	33,273
Interest from Inter Company loans	87,537	3,535,594
Professional Fees-Inter Company	9,255,960	9,557,520
Total	**4,632,949,011**	**3,714,088,123**

2.6 Dividend remitted in Foreign Currency:

The Company remits the Dividend by way of Currency Drafts equivalent to the dividend amount in Indian Rupees to registered foreign shareholders of the Company as per mandate given by them. The details of dividend remitted during the year are:

Particulars	Number of shares to which dividend relate	FY 2010-11	FY 2009-10
Final Dividend for the financial year 2009-10	6,795,997	4,757,198	–
Final Dividend for the financial year 2008-09	6,944,822	–	4,166,893

2.7 Capital Commitments:

a) Tangible Assets

Estimated amounts of contracts remaining to be executed on Capital Account and not provided for (net of advances) is ₹ 19,586,026/- as at March 31, 2011 (Previous Year ₹ 1,802,992/-).

b) Intangible Assets

Estimated amounts of contracts remaining to be executed on Capital Account and not provided for (net of advances) is ₹ 4,555,716/- as at March 31, 2011 (Previous Year ₹ 3,184,906/-).

2.8 Contingent Liabilities

Sr. No.	Particulars	FY 2010-11	FY 2009-10
1.	Outstanding Bank Guarantees in routine course of business	32,297,391	8,839,799
2.	Income tax matters not acknowledged as debt (Refer 2.8 (a) below)	14,398,014	11,698,438
3.	VAT matters not acknowledged as debt (Refer 2.8 (b) below)	27,673,199	Nil
4.	Service tax matters not acknowledged as debt	Nil	49,927,768

a) Income Tax Cases

These relate to the cases of erstwhile KPIT Cummins Infosystems (Bangalore) Private Limited (KPIT Bangalore) which has been merged with the Company effective April 1, 2007

AY 2006-07

The Company has filed an appeal with the Commissioner of Income Tax (Appeals) - I, Bengaluru against an Order dated December 26, 2008 passed by the Asst. Commissioner of Income Tax Circle 11(5), Bengaluru. The total demand raised is ₹ 5,903,204/- vide this order, which is adjusted against refund for subsequent year, i.e. A.Y. 2007-08.

AY 2007-08

The Company has filed an appeal with Commissioner of Income Tax (Appeals) - I, Bengaluru pursuant to an Order dated December 21, 2009 passed by the Asst Commissioner of Income Tax Circle 11 (5), Bengaluru. The demand raised on KPIT Bangalore vide this order is ₹ 5,795,234/-. KPIT Bangalore has made a payment of ₹ 2,354,124/- towards this demand during the year ended March 31, 2010.

This relates to the cases of erstwhile KPIT Cummins Global Business Solutions Ltd. which has been merged with the Company effective March 1, 2011 (Refer Note No. 4.2 below).
AY 2007-08

An appeal relating to income tax dues amounting to ₹ 2,699,576 has been filed before Commissioner of Income Tax (Appeals)- I , Pune.

The Company and its advisers believe that the above matters would be decided in favour by higher appellate authorities.

b) VAT Matters

FY 2005-06 to FY 2008-09
During the current financial year, the Company has filed an appeal with the Joint Commissioner of Commercial Taxes - (Appeals)-2 against the order received from the Asst. Commissioner of Commercial Taxes dated December 28, 2010. The demand raised vide this order is ₹ 18,261,484/-. The Company has paid ₹ 9,130,742/- towards this demand, and has obtained stay for the balance amount against Bank Guarantee.

FY 2009-10
During the current financial year, the Company has filed a writ petition in Karnataka High Court against the notice received u/s 39(1) of KVAT Act, 2003 from Deputy Commissioner of Commercial Taxes dated February 23, 2011. The demand raised vide this notice is ₹ 9,411,715/-.

The Company and its advisers believe that the above matters would be decided in favour by higher appellate authorities.

2.9 Sundry debtors include amounts due from Companies under the same management.

Name of the Company	Balance due as on March 31, 2011	Balance due as on March 31, 2010
KP Corporate Solutions Ltd.	588,720	268,029
Total	**588,720**	**268,029**

2.10 As per requirement of Section 22 of the Micro, Small and Medium Enterprise Development Act, 2006, following information is disclosed :

The information as required to be disclosed under Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars	FY 2010-11	FY 2009-10
a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year included in Sundry Creditors.	321,895	241,726
(ii) The interest due on above	Nil	Nil
Total of (i) & (ii)	**321,895**	**241,726**
b) The amount of interest paid by the buyer in terms of Section 16 of the Act	Nil	Nil
c) The amount of the payment made to supplier beyond appointed day during the accounting year	Nil	Nil
d) The amount of interest accrued and remaining unpaid at the end of financial year.	Nil	Nil
e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this act.	Nil	Nil

2.11 Stock Option Plans

1. Employee Stock Option Scheme (ESOS) – 1998 (through Employee Welfare Trust)

The ESOS was approved by the Board of Directors of the Company on November 23, 1998 and thereafter by the shareholders on November 30, 1998 and is for issue of 18,000 Options representing 1,800,000 equity shares of the Company. A compensation committee comprising of independent directors of the Company administers the ESOS Plan. All options have been granted at a pre-determined rate of ₹ 5 per share.

Number of options granted, exercised and cancelled/lapsed during the financial year

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	2,590	3,020
Granted during the year	-	-
Exercised during the year	1,800	-
Cancelled/lapsed during the year	200	430
Options granted, end of year	590	2590

The compensation cost of stock options granted to employees has been accounted by the Company using the intrinsic value method.

2. Employee Stock Option Plan – 2004

The Board of Directors and the shareholders of the Company approved the Employees Stock Option Plan for grant of 5,163,800 options convertible into 5,163,800 equity shares, at their meeting in August 2001 and in September 2001, respectively. Pursuant to this approval, the Company instituted ESOP 2004, Plan in July, 2004. The compensation committee of the Company administers this Plan. The Options have been granted to employees of the Company and its subsidiaries at an exercise price that is not less than the fair market value.

Number of options granted, exercised and cancelled/lapsed during the financial year

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	2,698,193	3,359,210
Granted during the year	1,816,050	Nil
Exercised during the year	1,073,375	248,695
Cancelled/lapsed during the year	560,668	412,322
Options granted, end of year	2,880,200	2,698,193

3. Employee Stock Option Plan – 2006

The Board of Directors and the shareholders of the Company approved another Employees Stock Option Plan for grant of 5,000,000 options convertible into 5,000,000 equity shares, at their meeting in July 2006 and in August 2006, respectively. Pursuant to this approval, the Company instituted ESOP 2006, Plan in October, 2006. The compensation committee of the Company administers this Plan. The Options have been granted to employees of the Company and its subsidiaries at an exercise price that is not less than the fair market value.

Number of options granted, exercised and cancelled/lapsed during the financial year

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	3,454,371	3,162,865
Granted during the year	263,014	1,439,192
Exercised during the year	508,378	231,385
Cancelled/lapsed during the year	413,304	916,301
Options granted, end of year	2,795,703	3,454,371

Personnel expenditure includes ₹ 374,984/- (Previous Year: ₹ 16,684,594/-) being the amortization of intrinsic value for the year ending March 31, 2011.

Had the compensation cost for the Company's stock based compensation plan been determined as per fair value approach (calculated using Black Scholes Options Pricing Model), the Company's Profit after Tax would be lower by ₹ 78,945,066/- (PY ₹ 17,603,002) and earnings per share as reported would be lower as indicated below:

Particulars	FY 2010-11	FY 2009-10
Net Profit after Tax	694,878,907	784,498,430
Add: Total Stock based compensation expense determined under intrinsic value based method	374,984	16,684,594
Less: Total Stock based compensation expense determined under fair value based method	79,320,050	34,287,596
Adjusted net profit	615,933,841	766,895,428
Basic earnings per share (in ₹)		
- As reported	8.64	10.04
- Adjusted	7.66	9.81
Diluted Earnings per share (in ₹)		
- As reported	8.34	9.88
- Adjusted	7.39	9.66

The fair value of each option is estimated on the date of grant based on the following assumptions:

Particulars	March 31, 2011 ESOP 2004 scheme	March 31, 2011 ESOP 2006 scheme	March 31, 2010
1. Risk Free Interest Rate (%)	7.08%	7.50%	6.92%
2. Expected Life	3.54 years	3.46 years	3.61 years
3. Expected Volatility (%)	65.79%	63.44%	62.59%
4. Dividend Yield (%)	1.03%	1.04%	1.07%

2.12 Advances recoverable in cash or in kind or for value to be received is net of provision for doubtful advances of ₹ 4,000,000/- (Previous year ₹ 11,800,000/-).

2.13 Debtors include on account of unbilled revenue aggregating to ₹ 34,889,441/- (Previous year ₹ 35,849,669/-).

2.14 Quantitative details: The Company is engaged in software development and IT enabled services for various clients based in different geographies. The production and sale of such software cannot be expressed in any generic unit. Therefore it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of schedule VI to the Companies Act, 1956.

2.15 Amounts of loans and advances in nature of loans outstanding from subsidiaries for the year ended March 31, 2011.

Subsidiary Company	Outstanding as at March 31, 2011	Maximum balance outstanding during the Year
a) KPIT Infosystems Central Europe Sp. z.o.o, Poland	Nil	40,269,531
	(39,796,050)	(41,982,861)
b) KPIT Infosystems Ltd., UK	Nil	17,007,500
	(17,007,500)	(80,146,000)

Figures in respect of Previous Year are given in brackets ( ).

3. Disclosures as required by Accounting Standards and other announcements issued by The Institute of Chartered Accountants of India

3.1 i) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
Sundry Creditors/Dues to Subsidiaries	145,910	GBP	10,495,280
	(57,179)		(3,889,868)
	589,485	EURO	37,279,024
	(789,527)		(47,813,727)
	1,192,246	USD	53,183,206
	(366,137)		(16,527,430)
	400,000	JPY	216,000
	(Nil)		(Nil)
	Nil	CHF	Nil
	(1,170)		(49,898)
	Nil	DKK	Nil
	(13,000)		(105,847)
	132,400	AED	1,820,500
	(Nil)		(Nil)
	400	AUD	18,400
	(Nil)		(Nil)

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
	118,200 (Nil) 7,460 (Nil) 525 (Nil)	CNY SEK CAD	841,584 (Nil) 52,518 (Nil) 24,066 (Nil)
Sundry Debtors / Dues from Subsidiaries	34,475 (3,828) 57,749 (7,219) 304,456 (Nil) 4,499,651 (3,726,661) 1,257,799 (1,216,210) Nil (374,458)	AUD SGD CAD EUR GBP PLN	1,585,852 (157,415) 2,036,242 (231,008) 13,956,284 (Nil) 284,557,928 (225,686,599) 90,473,514 (82,738,779) Nil (5,848,729)
Loans – Availed Term Loan	6,288,890 (10,811,512)	USD	280,798,939 (488,031,641)
PCFC Loans	16,997,330 (13,650,000) 95,939 (Nil)	USD EURO	758,928,516 (616,161,000) 6,067,187 (Nil)
EEFC Accounts	1,358,494 (1,868,121) 278,844 (593,429) 1,089,962 (754,598)	USD GBP EURO	60,656,734 (84,326,987) 20,057,265 (40,370,195) 68,929,234 (45,698,433)
Bank Deposits	76,086 (76,072)	GBP	5,472,865 (5,175,178)
Loans - Given to Subsidiaries			
KPIT Infosystems Central Europe sp Z o o., Poland	Nil (2,547,893)	PLN	Nil (39,796,050)
KPIT Infosystems Limited, UK	Nil (250,000)	GBP	Nil (170,07,500)

Figures in respect of Previous year are given in brackets ( )

3.1 (ii) Cash Flow hedges

A) In accordance with its risk management policy and business plan the Company has hedged its cash flows. The Company enters into Derivative contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to the Company's foreign currency contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments and highly probable forecast transactions. The Management has assessed the effectiveness of its hedging contracts outstanding as on March 31, 2011 as required by AS-30 and accordingly the MTM loss of ₹ 136,241,095/-(Previous year ₹ 226,688,046) is recognized in the Hedging Reserve. Further the assessment of effectiveness as performed by the management of the Company is also confirmed by an independent expert.

B) The following are the outstanding GBP/USD/EUR: INR Currency Exchange Contracts entered into by the Company which have been designated as Cash Flow Hedges as on March 31, 2011:

Type of cover	Amount outstanding at year end in Foreign currency	Fair Value Gain/(Loss)	Amount outstanding at year end in ₹	Exposure to Buy/ Sell
Forward	EUR 2,025,000 [2,700,000]	(2,042,871) [2,626,943]	128,061,000 [163,512,000]	Sell
Forward	USD 61,500,000 [104,950,000]	(134,088,922) [(244,878,814)]	2,745,975,000 [4,737,443,000]	Sell
Forward	GBP 1,950,000 [550,000]	557,571 [464,964]	140,263,500 [37,416,500]	Sell

The forward contracts have been entered for a period between 15 days to 2 years.

C) The movement in hedging reserve during year ended March 31, 2011 for derivatives designated as Cash Flow Hedges is as follows:

Particulars	FY 2010-11	FY 2009-10
Balance at the beginning of the year	(226,688,046)	(1,631,303,249)
Gain/(Losses) transferred to the Statement of Profit and Loss on occurrence of forecasted hedge transaction	95,604,986	703,872,120
Changes in the fair value of effective portion of outstanding cash flow hedges	(51,58,035)	700,743,083
Net derivative gain/(losses) related to discounted cash flow hedge	-	-
Balance at the end of the year	(136,241,095)	(226,688,046)

3.2 Details of Current Investments required to be disclosed as per AS 13

Name of the Mutual Fund	Balance		Purchases/Dividend Reinvested		Sold		Balance	
	As at 01.04.2010		During the year		During the year		As at 31.3.2011	
	No. of units	Amt. in ₹	No. of units	Amt. in ₹	No. of units	Amt. in ₹	No. of units	Amt. in ₹
Birla Sun Life Savings Fund - IP - Dly Dividend [1015055287]	7,070,309	70,751,164	388,557	3,888,217	-	-	7,458,866	74,639,381
Birla Sun Life Short Term Fund - IP	6,015,464	60,187,720	6,590,903	65,945,277	-	-	12,606,366	126,132,997
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	8,113,224	81,387,806	55,45,811	55,632,808	4,784,927	48,000,000	8,874,108	89,020,614
Reliance Money Manager Fund - IP - Dly Dividend [405105825256]	101,929	102,065,191	3,565	3,569,449	105,493	105,634,640	-	-
LIC MF Savings Plus Fund - Dly Dividend [51111551993]	30,582,501	305,825,010	366,912	3,669,124	30,949,413	309,494,134	-	-
Tata Floater Fund - Daily Dividend (2616201/55)	-	-	5,180,657	51,991,002	-	-	5,180,657	51,991,002
Kotak Floater LT-Daily Dividend	-	-	10,162,280	102,433,756	10,162,280	102,433,756	-	-
Total		**620,216,892**		**287,129,633**		**565,562,530**		**341,783,994**

Name of the Mutual Fund	Added on account of amalgamation		Purchases/Dividend Reinvested		Sold		Balance	
			During the year		During the year		As at 31.3.2011	
	No. of units	Amt. in ₹	No. of units	Amt. in ₹	No. of units	Amt. in ₹	No. of units	Amt. in ₹
HDFC Cash Management Fund-Treasury Advantage Fund -(5950533/87)	7,589,417	76,133,233	408,346	4,096,325	-	-	7,997,763	80,229,559
Axis Treasury Advantage Fund - Daily Dividend (9072988654)	10,067	10,067,655	541	541,687	-	-	10,608	10,609,341
IDFC Money Manager Fund(1011264/77)	4,000,612	40,287,362	215,404	2,169,183	-	-	4,216,016	42,456,545
Total		**126,488,250**		**6,807,195**		**-**		**133,295,445**
Grand Total		**746,705,141**		**293,936,828**		**565,562,530**		**475,079,441**

3.3 Employee Benefits

a) Defined Benefit Plan - Gratuity

The Company provides for its liability towards gratuity as per the actuarial valuation report.

Change in defined benefit obligation

Particulars	Amount
Projected benefit obligation at the beginning of the year	39,173,178 [30,771,969]
Add: Liabilities added on amalgamation	1,645,405 [Nil]
Service cost	15,490,165 [14,836,771]
Interest cost	3,265,487 [2,154,038]
Actuarial loss/(Gain)	(1,033,865) [(6,279,342)]
Benefits paid	(8,929,763) [(2,310,258)]
Projected benefit obligation, end of the year	49,610,607 [39,173,178]

Change in fair value of plan assets

Particulars	Amount
Fair value at the beginning of the year	- [-]
Expected return on plan assets	- [-]
Contributions	8,929,763 [2,310,258]
Benefits paid	(8,929,763) [(2,310,258)]
Actuarial gain/(loss) on plan assets	- [-]
Fair value at the end of the year	- [-]

Amount Recognised in the Balance Sheet	Amount
Present value of obligation as at the end of the year	49,610,607 [39,173,178]
Fair Value of Plan Assets at the end of the year	- [-]
Difference	49,610,607 [39,173,178]
Amount Recognised in the Balance Sheet	49,610,607 [39,173,178]

Expenses recognised in the statement of Profit and Loss	Amount
Service cost	15,490,165 [14,836,771]
Interest cost	3,265,487 [2,154,038]
Net actuarial loss/(Gain)	(1,033,865) [(6,279,342)]
Expected return on plan assets	- [-]
Expenses recognised in the Statement of Profit and Loss	17,721,787 [10,711,467]

Experience adjustments as on plan assets & liabilities

	Year ended March 31,			
	2011	2010	2009	2008
Defined benefit obligation	49,610,607	39,173,178	31,673,922	27,972,069
Plan Assets	-	-	-	9,602,558
Surplus/(Deficit)	(49,610,607)	(39,173,178)	(31,673,922)	(18,369,511)
Experience adjustments on plan liabilities (Gain)/Loss	3,916,149	(6,453,016)	(12,996,391)	2,582,302
Experience adjustments on plan assets (Gain)/Loss	-	-	-	-

Assumptions:

Discount rate	8.25% [8%]
Rate of increase in compensation levels of covered employees	5.00% [5%]

Figures in respect of previous year are given in brackets [ ]

b) **Leave Encashment:**

The liability for leave carried forward has been accounted for on actual basis.

The movement in the said provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	51,290,990	84,249,773
Add: Added on amalgamation during the year	4,659,829	Nil
Additional provision made during the year	59,714,108	84,015,113
Amount Paid/Utilized during the year	46,809,867	25,642,292
Unused amount Reversed during the year	6,004,027	91,331,604
Carrying amount at the end of the year	62,851,033	51,290,990

3.4 Segment Information:

Where a financial report contains both consolidated financial statements and separate financial statements of the parent, segment information needs to be presented only in case of consolidated financial statements. Accordingly, segment information has been provided only in the consolidated financial statements.

3.5 Disclosure of transactions with Related Parties during the Financial Year 2010-11.

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2011 Debit/(Credit)
1.	KPIT Infosystems Ltd., UK	Subsidiary Company	- Investment in equity	144,201,250 [217,761,750]	430,052,879 [285,851,629]
			- Sales (Net of Service Tax)	697,621,922 [748,922,830]	
			- Outstanding amount		291,352,192 [183,044,313]
			- Reimbursement of Expenses	104,158,400 [35,496,944]	(8,164,748) [(3,618,925)]
			- Loan to Subsidiary and Interest on Loan	169,976 [703,033]	Nil [17,007,500]
			- Loan Repayment by Subsidiary	17,007,500 [Nil]	
2.	KPIT Infosystems France SAS, France (Formerly Known as Pivolis)	Subsidiary Company	- Investment in equity	Nil [Nil]	215,968,508 [215,968,508]
			- Sales	199,532,305 [209,379,366]	
			- Outstanding amount		186,905,239 [154,647,426]
			- Reimbursement of Expenses	7,428,181 [21,426,770]	(28,534,288) [(40,715,634)]
			- Loan to Subsidiary	Nil [529,594]	Nil [Nil]

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2011 Debit/(Credit)
3	KPIT Infosystems GmbH, Germany	Subsidiary Company	- Sales - Outstanding amount - Reimbursement of Expenses	481,496,869 [434,108,073] 61,201,137 [80,778,602]	 160,021,519 [175,957,877] (5,361,353) [(4,416,738)]
4	KPIT Infosystems Inc., USA	Subsidiary Company	- Investment in Equity - Sales - Outstanding amount - Reimbursement of Expenses	273,555,000 [596,781,250] 2,382,426,862 [1,541,490,898] 173,583,602 [203,153,516]	1,114,573,985 [841,018,985] 738,501,077 [230,410,822] 60,779,215 [32,220,760]
5	KPIT SolvCentral.Com	Subsidiary Company	- Reimbursement of Expenses	4,641,352 [7,982,310]	364,497 [1,065,451]
6	KPIT Infosystems Central Europe sp Zoo; (Merged with KPIT Cummins Infosystems Ltd. Effective March 1, 2011)	Subsidiary Company	- Investment in equity - Reimbursement of Expenses - Loan to Subsidiary and Interest on loan	Nil [Nil] Nil [1,770,867] Nil [2,472,729]	Nil [62,384,109] Nil [3,725,976] Nil [39,796,050]
7	KPIT Cummins Global Business Solutions Ltd., Pune (Merged with KPIT Cummins Infosystems Ltd. Effective March 1, 2011)	Subsidiary Company	- Investment in equity - Rent - Reimbursement of Expenses	Nil [Nil] Nil [18,225,119] Nil [35,970,424]	Nil [239,999,400] Nil [Nil] Nil [(546,883)]
9	Sparta Infotech India Pvt. Ltd.	Subsidiary Company	- Investment in Equity - Reimbursement of Expenses	Nil [100,000] 33,401,385 [Nil]	100,000 [100,000] 30,061,247 [Nil]
10	KP Corporate Solutions Ltd.	Common key management personnel	- Sales - Outstanding Amount - Professional Expenses	4,127,494 [871,250] 691,810 [3,082,292]	 588,720 [268,029] (99,270) [Nil]
11	Kirtane & Pandit Chartered Accountants	Common key management personnel	- Reimbursement of expenses - Sales - Professional Fees	65,514 [Nil] 64,605 [Nil] 165,449 [206,212]	Nil [Nil] Nil [Nil] Nil [Nil]
12	K & P Capital services Ltd.	Common key management personnel	- Professional Fees	Nil [14,606]	Nil [Nil]
13	Mr. S. B. (Ravi) Pandit	Key management personnel	- Management services fees	8,699,285 [7,078,677]	Nil [Nil]
14	KPIT Systems Ltd. Employee Welfare Trust	Common key management personnel	- Loan for rendering services to the employees for assistance in medical, housing and purchase of KPIT shares for ESOS, 1998. - Interest on Loan - Principal Loan Repayment	246,500,000 [179,500,000] 12,936,889 [8,820,001] 85,329,947 [Nil]	383,759,353 [222,589,301] Nil [4,329,863]
15	Impact Automotive Solutions Pvt. Ltd.	Joint Venture	- Investment in Equity - Reimbursement of Expenses	30,049,880 [Nil] 19,661,028 [Nil]	30,049,880 [Nil] 4,779,441 [Nil]

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2011 Debit/(Credit)
16	Mr. Kishor Patil	Key management personnel	- Reimbursement of Expenses	1,665,822 [2,789,326]	(114,967) [(34,892)]
	* Refer Clause 2.1 for details of remuneration				
17	Mr. Girish Wardadkar	Key management personnel	- Reimbursement of Expenses - Advance	139,938 [485,046] 19,074,022 [Nil]	(2,836) [(10,370)] 19,074,022 [Nil]
	* Refer Clause 2.1 for details of remuneration.				
18	Mr. Chinmay Pandit	Relative of Key management personnel	- Reimbursement of Expenses - Salary	154,089 [8,500] 550,662 [Nil]	142,655 [Nil] Nil [Nil}
19	Mrs. Jayada Pandit	Relative of Key management personnel	- Reimbursement of Expenses - Salary	4,013 [7,462] 651,487 [Nil]	[Nil] [Nil] [Nil] [Nil]

* Previous Year figures have been shown in the brackets [ ].

3.6 Lease Transactions:

Finance lease:

The Company has taken Vehicles under Finance Lease for a period ranging from 3 to 4 years. Upon payment of all sums due towards the agreement, the Company has the option of acquiring the Vehicles. During the lease period, the Company can neither sell, assign, sublet, pledge, mortgage, charge, encumber or part with possession of the assets, nor create or allow to create any lien on the Vehicles taken on Lease.

Reconciliation between future minimum lease payments and their present values under finance lease as at March 31, 2011 is as follows.

Particulars	FY 2010-11	FY 2009-10
Minimum lease Payments		
- Not later than one year	3,164,536	1,947,322
- Later than one year and not later than five years	6,588,291	707,986
- Later than five years	Nil	Nil
Total minimum lease Payments	**9,752,827**	**2,655,308**
Amount representing future Interest	1,421,251	291,245
Present value of minimum lease Payments	**8,331,576**	**2,364,063**
- Not later than one year	2,405,807	1,649,807
- Later than one year and not later than five years	5,925,769	714,256
- Later than five years	Nil	Nil

Operating lease -

Obligations towards non-cancellable operating Leases:-

The Company has taken facilities on lease in Bengaluru. The future lease payments for these facilities are as under:

Particulars	FY 2010-11	FY 2009-10
Minimum lease payments		
- Not Later than one year	22,976,532	48,297,753
- Later than one year and not later than five years	1,841,459	57,012,577
- Later than 5 years	Nil	Nil
Total	**24,817,991**	**105,310,330**

Rental expenses of ₹ 51,695,367/- (Previous year ₹ 42,661,414/-) in respect of obligation under operating leases have been recognised in the Statement of Profit and Loss.

3.7 Basic and Diluted Earnings Per Share:

Particulars		FY 2010-11	FY 2009-10
Basic Earnings Per Share			
Profit attributable to equity shareholders	₹	694,878,905	784,498,431
Weighted average number of equity shares	No. of Shares	80,451,854	78,166,731
Earnings Per Share - Basic	₹	8.64	10.04
Diluted Earnings Per Share			
Weighted average number of diluted equity shares	No. of shares	83,333,730	79,379,629
Earnings per share - Diluted	₹	8.34	9.88
Nominal value per Equity share	₹	2.00	2.00
Basic Earnings Per Share	₹	**8.64**	**10.04**
Diluted Earnings Per Share	₹	**8.34**	**9.88**

3.8 Deferred Tax

Particulars	FY 2010-11	FY 2009-10
Timing difference originating during the year on account of depreciation	301,076,391	239,133,318
Timing difference originating during the year on account of Leave encashment	(55,260,974)	-
Timing Differences Reversing during the tax holiday period on account of depreciation	76,952,390	84,301,017
Timing Differences Reversing during the tax holiday period on account of Leave encashment	-	-
Timing Differences Reversing after the tax holiday period	168,863,026	154,832,301
Timing Differences arising during the year for units which have exhausted 10A benefit	603,766	724,782
Total Timing Differences	169,466,792	155,557,083
Total Deferred Tax Liability on account of timing differences reversing after the tax holiday period	**56,292,632**	**51,672,174**
Total Deferred Tax Asset	-	-
Net Deferred Tax Liability	**56,292,632**	**51,672,174**

3.9 Provisions

The details of provision and movement in each class of provision are as follows -

1) Provision for Variable Pay

The annual salary of eligible employees comprise of a performance based payment, for which provision is made in the books. Such amount is paid to employees on the basis of employee's performance and additional criteria as decided by the management. The movement of such provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	120,136,484	105,787,616
Add: Addition on amalgamation during the year	6,426,501	Nil
Additional Provision made during the year	393,722,520	322,454,186
Amount Paid/Utilized during the year	278,976,289	112,235,582
Unused amount Reversed during the year	70,882,248	195,869,736
Carrying amount as at the end of the year	170,426,967	120,136,484

2) Provision for warranty obligations

The Company has an obligation by way of warranty to maintain the software during the period of warranty, which may vary from contract to contract, from the date of sale of license of Software to Tier 1 suppliers. The movement in the said provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	3,430,000	6,383,000
Additional Provision made during the year	276,000	Nil
Amount Paid/Utilized during the year	Nil	Nil
Unused amount Reversed during the year	Nil	2,953,000
Carrying amount as at the end of the year	3,706,000	3,430,000

4. Other Disclosures and Explanatory Notes

4.1 The Board has approved a transfer of ₹ 10,000,000/- towards KPIT Cummins Infosystems Limited Community Foundation Reserve. This Reserve would be utilized for various community benefit schemes as may be approved by the Management.

The Board has approved a transfer of ₹ 100,000,000 towards KPIT Cummins Technology Fund. This fund would be utilized to drive high end innovative technology initiatives for promoting green growth and energy conservation, which will successively benefit the Company.

The Board has approved a transfer of ₹ 100,000,000 towards KPIT Employees' Welfare Fund. This Fund would be utilized to promote welfare of its employees in various forms such as Medical, Education, Housing, Holiday homes, Recreation facilities, Activities related to Sports, Music Research, Artistic Pursuits etc.

4.2 The Hon'ble High Court of Bombay approved the Scheme of Amalgamation of KPIT Infosystems Central Europe Sp. z.o.o., Poland ('KPIT Poland') and KPIT Cummins Global Business Solutions Limited ('KPIT GBS') with the Company on January 28, 2011. The Scheme of Amalgamation became effective on March 1, 2011 being the date when the certified copies of the High Court order sanctioning the scheme was filed with the Registrar of Companies, Maharashtra Pune.

- KPIT Cummins Global Business Solutions Limited ('KPIT GBS') was engaged in BPO activity. Consolidation of the operations of KPIT GBS with the Company was aimed at improving operational efficiencies.
- KPIT Infosystems Central Europe Sp. Z.o.o., Poland ('KPIT Poland') was engaged as near shore centre of excellence for European Market to facilitate the customer work. The major customer since has merged with another company, an already existing customer of KPIT and was serviced and supported from India. Remaining operations were not commercially viable to run as a Company
- In line with Clause 1.8 of the Scheme, the appointed date of merger of KPIT Poland and KPIT GBS with the Company is April 1, 2010.
- This amalgamation is considered in the books of account as per Accounting Standard (AS) 14 "*Accounting for Amalgamation*" under pooling of interest method.
- In line with Clause 4 of the Scheme, with effect from the Appointed Date, the whole of the undertaking of KPIT Poland and KPIT GBS comprising of all properties and assets, debts, liabilities, contingent liabilities etc. be transferred to the Company. In line with Clause 11.1 of the Scheme, all assets and liabilities (including reserves) be recorded by the Company at the respective book values with effect from the Appointed Date.
- In line with Clause 11.3 of the Scheme, investments in share of KPIT Poland shall be adjusted against share capital of KPIT Poland. In line with Clause 11.4 of the Scheme, investments in share of KPIT GBS shall be adjusted against share capital of KPIT GBS and difference if any shall be adjusted against Securities Premium of the Company.
- There are no shares and consideration exchanged with either of the Transferor companies as both the companies were wholly owned subsidiaries of the Company.

Details of Assets and Liabilities as at April 01, 2010. All amounts in ₹

Particulars	KPIT GBS	KPIT Poland
Assets:		
Fixed Assets (net of accumulated depreciation)	8,645,064	-
Investments	126,488,250	-
Sundry Debtors	115,631,477	(194,550)
Cash and Bank Balances	93,899,928	20,998,347
Loans and Advances	43,007,367	248,575
Liabilities:		
Current Liabilities	32,009,367	9,010,518
Provisions	7,450,688	-
Unsecured Loans	-	38,982,774
Deferred Tax Liabilities (Net)	223,885	-
Profit and Loss Account	107,988,146	(93,053,482)
Difference between Cost of investment and equity capital as adjusted		
Cost of Investment	240,000,000	62,384,109
Less: Equity share Capital	44,000,000	62,384,109
Less: Securities Premium	196,000,000	
Adjusted in Reserves	-	3,728,453

4.3 Warhol Limited (Warhol) (an affiliate of Chrys Capital V LLC) is a Mauritius based, Foreign Institutional Investor. Warhol was issued 77,58,621 equity shares on preferential basis for an aggregate consideration of ₹ 11,250 lakhs, in terms of the Special Resolution passed by the shareholders of the Company in the Extra-Ordinary General Meeting held on February 8, 2011. The Equity shares of face value of ₹ 2/- each were issued at a premium of ₹ 143/- for cash. The proceeds of the issue will be utilized for bona fide business purposes and for funding the growth and operations of the Company and/or its subsidiaries, to meet the working capital and capital expenditure requirements of the Company/subsidiaries and for investment in subsidiaries and joint ventures. The shares were allotted to Warhol on February 17, 2011. Warhol currently holds approximately 8.83% of the paid up share capital of the Company.

There has been no utilization of the proceeds till March 31, 2011. The unutilized balance of ₹ 11,250 lakhs is lying in deposits with Banks.

4.4 The Company has been granted permission to set up SEZ in Pune on December 2, 2010.

4.5 a) During the year, the Company had taken over substantial part of the Supply Chain Management Business of 7 Hills Global Consulting Private Limited and Seven Hills Business Solutions Limited vide its business transfer agreement dated October 9, 2010 which has resulted in Goodwill of ₹ 11,625,000/- Goodwill on acquisition is being amortized over a period of three years.

The business transfer agreement also involves payment of contingent consideration which is based on the achievement of the performance targets set forth in the agreement over the performance period ending on December 31, 2011. As per the agreement, the total consideration including the initial consideration shall not exceed an amount of ₹ 50,000,000/-

b) During the year, the Company has taken over business assets of Nilson Technology vide its asset transfer agreement dated February 14, 2011 which has resulted in goodwill of ₹ 25,000,000/-. Goodwill on acquisition is being amortized over a period of three years.

The goodwill of ₹ 25,000,000 represents the fixed consideration. The asset transfer agreement also involves payment of contingent consideration i.e. Earn Out Payment not exceeding ₹ 46,500,000/-. The payment of contingent consideration is based on the achievement of the performance targets set forth in the agreement over the performance period which commences on January 1, 2011 and ending on December 31, 2013.

4.6 Subsidiaries/Joint Venture

The Company entered into 50:50 Joint-Venture agreement with Bharat Forge Limited during the current year. Pursuant to the joint venture agreement, a joint venture company in the name of Impact Automotive Solutions Private Limited has been incorporated. Capital raised by both the partners in this Joint Venture is ₹ 60,100,000/-

4.7 Increase in Authorized Equity Share Capital:

The Company increased its Authorized Equity Share Capital from ₹ 30 crores to ₹ 75 crores vide resolution passed by Postal Ballot dated January 14, 2011.

4.8 Final Dividend

The Company allotted 280,705 equity shares against exercise of options by the employees, after March 31, 2010 and before the Book closure for the Annual General Meeting held for FY 2009-10.The Company paid dividend of ₹ 199,215/- on these shares and tax on dividend of ₹ 33,087/- as approved by the shareholders at the Annual General Meeting held on July 16, 2010

Figures for the current year are not comparable with that of the previous year due to merger of KPIT Infosystems Central Europe Sp. Z.o.o., Poland and KPIT Cummins Global Business Solutions Limited with the Company.

The Previous year's figures have been regrouped/rearranged, wherever necessary, to conform to the current year's classification.

Signatories to Schedule I to XV

For and on behalf of Board of Directors

Anil Patwardhan
Vice President &
Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Annexure to Notes to Accounts
Balance Sheet Abstract and Company's General Business Profile

Statement pursuant to Part IV of the Companies Act, 1956

I. REGISTRATION DETAILS

Registration No.	L72200MH1990PLC059594	State Code	11
Balance Sheet Date	31 03 2011 (Date Month Year)		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RUPEES THOUSANDS)

Pubilc Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	18681

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RUPEES THOUSANDS)

Total Liabilities	6969162	Total Assets	6969162

SOURCES OF FUNDS

Paid-up Capital	175727	Reserves and Surplus	5635681
Share Application Money	2610	Outstanding Employee Stock Option	4850
Secured Loans	1094001	Unsecured Loans	NIL
Deferred Tax Liability	56293		

APPLICATION OF FUNDS

Net Fixed Assets	1436368	Investments	2265825
Net Current Assets	3266969	Miscellaneous Expenditure	NIL

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RUPEES THOUSANDS)

Turnover	5385552	Total Expenditure	4596124
+ Profit/(Loss) Before Tax	789428	+ Profit/(Loss) After Tax	694879
Earnings Per Share	8.64	Dividend Rate(%)	35

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS & SERVICES OF THE COMPANY

Item Code	NA
Product Description	COMPUTER
	SOFTWARE

Auditors' Report on consolidated accounts

TO THE BOARD OF DIRECTORS OF
KPIT CUMMINS INFOSYSTEMS LIMITED

1. We have audited the attached Consolidated Balance Sheet of **KPIT CUMMINS INFOSYSTEMS LIMITED** ("the Company"), its subsidiaries and jointly controlled entity (the Company, its subsidiaries and jointly controlled entity constitute "the Group") as at 31st March, 2011, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investment in a jointly controlled entity accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3.1 We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of ₹ 3,615.98 lakhs, as at 31st March, 2011, total revenues of ₹ 7,623.94 lakhs and net cash inflows amounting to ₹ 201.04 lakhs for the year ended on that date as considered in the Consolidated Financial Statements. As the audited financial statements of these subsidiaries are not available, we have relied upon the un-audited financial statements provided by the Management of the component for the purpose of our examination of the Consolidated Financial Statements.

3.2 Goodwill reflected in the Consolidated Financial Statements includes Goodwill on acquisition of certain subsidiaries amounting to ₹ 11,088.42 lakhs which is arrived at based on the un-audited financial statements as of the respective dates of acquisition.

3.3 We did not audit the financial statements of a subsidiary and a joint venture, whose financial statements reflect total assets of ₹ 1,783.49 lakhs, as at 31st March, 2011, total revenues of ₹ 3.25 Lakhs and net cash inflows amounting to ₹ 197.70 Lakhs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary and joint venture is based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiary and a joint venture, and to the best of our information and according to the explanations given to us, *subject to our comments in Para 3.1 & 3.2 above*, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;

   (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117 366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Place: Pune
Date: April 25, 2011

Consolidated Balance Sheet as at

	Schedule	March 31, 2011		March 31, 2010	
		₹	₹	₹	₹
SOURCES OF FUNDS					
Share Holders' Funds					
Share Capital	I	175,726,828		157,046,082	
Application Money		2,609,762		615,578	
Outstanding Employees' Stock Options		4,849,521		16,684,594	
Reserves and Surplus	II	5,848,720,007		3,696,663,484	
			6,031,906,118		3,871,009,738
Loan Funds					
Secured Loans	III		1,105,435,932		1,107,742,238
Minority Interest			8,733,496		-
Deferred Tax Liability			54,972,883		51,149,416
[Refer Note no. 3.8 of Schedule XV]					
Total			7,201,048,429		5,029,901,392
APPLICATION OF FUNDS					
Fixed Assets	IV				
Gross Block		2,941,369,100		2,513,805,095	
Less: Accumulated Depreciation/Amortization		1,678,052,234		1,278,138,392	
Net Block		1,263,316,866		1,235,666,703	
Capital Work-in-Progress		317,392,412	1,580,709,278	285,903,756	1,521,570,459
Goodwill on consolidation			1,299,906,268		949,973,994
Investments	V		476,503,542		746,982,160
Current Assets, Loans and Advances					
Sundry Debtors	VI	2,525,437,445		1,387,677,934	
Cash and Bank Balances	VII	2,096,007,290		1,052,293,072	
Loans and Advances	VIII	1,097,200,434		677,027,544	
		5,718,645,169		3,116,998,550	
Less: Current Liabilities and Provisions					
Current Liabilities	IX	1,636,458,602		1,076,023,297	
Provisions	IX	238,257,226		229,600,474	
		1,874,715,828		1,305,623,771	
Net Current Assets/(Liabilities)			3,843,929,341		1,811,374,779
Total			7,201,048,429		5,029,901,392
Significant Accounting Policies and Notes to the Consolidated Financial Statements	XV				

The Schedules referred to above form an Integral Part of the Financial Statements

In terms of our report attached

For and on behalf of Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Anil Patwardhan
Vice President &
Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Statement of Consolidated Profit and Loss for the year ended

	Schedule	March 31, 2011 ₹	March 31, 2010 ₹
INCOME			
Software Services and Products			
- Overseas Sales		9,468,194,851	6,715,945,859
- Domestic Sales		761,947,333	600,461,156
		10,230,142,184	**7,316,407,015**
Software Development Expenses	X	6,599,341,055	4,090,495,986
Gross Profit		**3,630,801,129**	**3,225,911,029**
Selling and Marketing Expenses	XI	762,468,728	663,730,762
General and Administration Expenses	XII	1,346,255,404	947,747,974
Profit Before Interest, Depreciation, Exchange Gain/(Loss), Tax and Minority Interest		**1,522,076,997**	**1,614,432,293**
Interest	XIII	13,023,638	27,414,946
Depreciation / Amortization		411,247,251	308,037,443
Profit After Interest, Depreciation and Before Exchange Gain/(Loss), Tax and Minority Interest		**1,097,806,108**	**1,278,979,904**
Other Income	XIV	4,774,162	(252,528,813)
Profit Before Tax and Minority Interest		1,102,580,270	1,026,451,091
Provision for Taxation - Current Year		206,440,999	232,771,425
Provision for Taxation - Prior Years		-	9,599,906
MAT Credit Entitlement		(55,429,677)	(65,104,848)
Provision for Taxation - Deferred Tax		3,844,425	(8,123,994)
Sub Total		154,855,747	169,142,489
Profit After Tax and Before Minority Interest		**947,724,523**	**857,308,602**
Add/Less : (Profits)/Losses to the extent of minority interest (net)		**(1,905,331)**	**-**
Profit for the year		**945,819,192**	**857,308,602**
Profit Available for Appropriation		**945,819,192**	**857,308,602**
Dividend			
Final Dividend		199,215	-
Dividend Tax on Final Dividend		33,087	-
Final (proposed) Dividend		61,504,390	54,966,129
Dividend Tax on Final (Proposed) Dividend		9,977,550	9,129,187
Amount transferred to KPIT Cummins Infosystems Limited Community Foundation Reserve		10,000,000	10,000,000
Amount transferred to KPIT Cummins Technology Fund		100,000,000	-
Amount transferred to KPIT Employees' Welfare Fund		100,000,000	-
Amount transferred to General Reserve		70,000,000	79,000,000
Amount transferred to Profit and Loss Account		594,104,950	704,213,286
		945,819,192	**857,308,602**
EARNINGS PER SHARE ((Equity Shares, par value ₹ 2/- each) (Previous Year ₹ 2/- each))			
Basic		11.78	10.97
Diluted		11.37	10.80
Number of shares used in computing Earnings Per Share			
Basic (Weighted Average)		80,451,854	78,166,731
Diluted (Weighted Average)		83,333,730	79,379,629
Significant Accounting Policies and Notes to the Consolidated Financial Statements	XV		

The Schedules referred to above form an Integral Part of the Financial Statements

In terms of our report attached

For and on behalf of Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Anil Patwardhan
Vice President &
Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Consolidated Cash Flow Statement for the year ended

PARTICULARS		March 31, 2011 ₹	March 31, 2010 ₹
A]	CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit/(loss) before tax	1,102,580,270	1,026,451,091
	Adjustments for		
	(Profit)/loss on sale of fixed assets (net)	2,064,641	18,115,045
	Depreciation/Amortization	411,247,251	308,037,443
	Interest and financial charges	42,125,121	66,993,799
	Interest income	(31,674,117)	(39,578,853)
	Provision for doubtful debts/(Write back of excess provision for bad and doubtful debts)	92,817	(257,951)
	Bad debts written off	7,532,340	3,595,554
	Provision for doubtful advances/(Write back of excess provision for doubtful advances)	(7,800,000)	11,800,000
	Employee Stock Option cost	374,984	16,684,594
	Dividend income	(33,940,152)	(11,950,698)
	Effect of exchange differences on translation of subsidiaries	(9,763,443)	(629,755)
	Exchange differences on translation of foreign currency cash and cash equivalents	(30,709,239)	36,736,233
	Unrealised foreign exchange (gain)/loss	19,276,462	22,676,152
	Operating Profit before working capital changes	**1,471,406,933**	**1,458,672,654**
	Adjustments for		
	(Increase)/Decrease in Sundry Debtors	(975,945,241)	487,615,841
	(Increase)/Decrease in Loans and Advances	(333,519,260)	(168,628,807)
	Increase/(Decrease) in Current Liabilities and Provisions	619,325,088	(488,371,711)
	Cash generated from operations	**781,267,520**	**1,289,287,976**
	Taxes Paid	(249,166,429)	(213,383,141)
	Net cash from operating activities	**532,101,090**	**1,075,904,835**
B]	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of fixed assets and Intangible assets (including CWIP)	(469,311,390)	(237,881,716)
	Proceeds from the sale of fixed assets	2,625,863	943,358
	Sale/(Purchase) of Mutual Fund Investments	270,478,618	(746,673,489)
	Interest received	21,156,467	45,859,381
	Acquisition of Sparta Consulting Inc.	-	(363,867,529)
	Acquisition of Minority shareholding of KPIT Infosystems GmbH	-	(182,353,258)
	Acquisition of Minority shareholding of KPIT Infosystems Inc. (SolvCentral)	-	(121,878,000)
	Acquisition of In2soft GmbH	(107,508,000)	-
	Acquisition of CPG Solutions Inc	(355,380,506)	-
	Dividend received from Mutual Fund Investments	33,940,152	11,950,698
	Fixed Deposit with banks (net) having maturity over three months	38,655,263	159,105,614
	Net Cash from/(used in) investing activities	**(565,343,533)**	**(1,434,794,941)**

Consolidated Cash Flow Statement for the year ended

PARTICULARS		March 31, 2011 ₹	March 31, 2010 ₹
C]	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Repayment of term loan (Net)	(225,504,851)	(237,075,649)
	Proceeds from issue of Share Capital	1,231,710,001	25,970,759
	Share Issue expenses for Preferential Allotment	(30,376,410)	-
	Application Money Received	1,994,184	615,578
	Proceeds from working capital loan (net)	128,158,410	202,817,602
	Increase/(Decrease) in finance lease obligation	5,967,513	(2,255,367)
	Proceeds from Short-term loan	39,364,500	-
	Dividend paid including corporate dividend tax	(64,327,618)	(54,783,817)
	Interest and finance charges	(42,482,836)	(67,767,858)
	Net cash from/(used in) financing activities	**1,044,502,894**	**(132,478,752)**
D]	**EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH AND CASH EQUIVALENTS**	30,709,240	(36,736,233)
	Net Increase/(Decrease) in Cash and cash equivalents (A + B+ C+ D)	**1,041,969,691**	**(528,105,091)**
	Cash and cash equivalents at close of the year (Refer Note No.1 below)	2,079,992,330	1,000,857,923
	Cash and cash equivalents at beginning of the year (Refer Note No.1 below)	1,000,857,923	1,460,256,998
	Cash and cash equivalents of In2soft GmbH as of date of acquisition	41,035	-
	Cash and cash equivalents of CPG Solutions Inc. as of date of acquisition	37,123,681	-
	Cash and cash equivalents of Sparta Consulting Inc. as of date of acquisition	-	68,706,016
	Cash Surplus/(deficit) for the year	**1,041,969,691**	**(528,105,091)**
	Note 1:		
	Cash and cash equivalents include:		
	Cash on hand	167,809	124,364
	Cheques on hand	5,985,893	7,325,604
	Balance with scheduled banks		
	- On current accounts	626,189,612	722,626,390
	- On deposit account	1,146,802,582	216,856,088
	Balance with non scheduled banks		
	- On current accounts	300,846,435	53,925,477
	Total	**2,079,992,330**	**1,000,857,923**
	Add: Deposits with original maturity over three months	-	38,655,263
	Add: Deposits under lien	16,014,960	12,779,886
	Cash and cash equivalents at the end of the year as per schedule VII	2,096,007,290	1,052,293,072

Note 2:

The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements

Note 3:

Previous year's figures have been rearranged/regroupped wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

For and on behalf of Board of Directors

Anil Patwardhan
Vice President &
Head - Corporate Finance & Governance

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

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Pune
April 25, 2011

Schedules annexed to and forming part of the Consolidated Balance Sheet as at

	March 31, 2011 ₹	₹	March 31 , 2010 ₹	₹
SCHEDULE - I SHARE CAPITAL				
AUTHORISED				
375,000,000 equity shares (Previous Year 150,000,000 of ₹ 2 each) of ₹ 2 each		750,000,000		300,000,000
ISSUED, SUBSCRIBED AND PAID-UP		175,726,828		157,046,082
[87,863,415 equity shares (Previous Year 78,523,041) of ₹ 2 each fully paid-up [of the above shares 44,181,453 equity shares of ₹ 2 each post-split (Previous Year 44,181,453) are allotted as fully paid-up pursuant to contracts without payments being received in cash]				
Total		**175,726,828**		**157,046,082**
Equity Shares 1,581,753 of ₹ 2 each (Previous Year 480,080) have been issued during the year under the Employee Stock Option Plan of the Company.				
SCHEDULE - II RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet	21,023,691		21,023,691	
Additions during the year	-	21,023,691	-	21,023,691
Amalgamation Reserve				
(pursuant to the scheme of amalgamation)				
As per last Balance Sheet	51,398,256		51,398,256	
Additions during the year	-	51,398,256	-	51,398,256
General Reserve				
As per last Balance Sheet	353,878,750		274,878,750	
Add: Transferred from Profit and Loss Account	70,000,000		79,000,000	
Add: Adjustment under the scheme of Amalgamation	3,728,453		-	
Add: Transferred from Outstanding Employees' Stock Option	1,221,006	428,828,209	-	353,878,750
Hedging Reserve		(136,241,095)		(226,688,046)
(Refer Note No. 3.1(ii)(c) of Schedule XV)				
Securities premium				
As per last Balance Sheet	751,082,508		726,071,909	
Add: Premium on issue of shares under ESOP scheme	103,546,452		25,010,599	
Add: Amount transferred from outstanding Employees Stock Options	10,989,051			
Add: Premium on issue of Preferential allotment	1,109,482,803			
Less: Share Issue Expenses of Preferential Allotment	30,376,410	1,944,724,404		751,082,508
Profit and loss account				
As per last Balance Sheet	2,707,108,185		2,002,894,899	
Add: Surplus/(deficit) for the year	594,104,950		704,213,286	
		3,301,213,135		2,707,108,185

Schedules annexed to and forming part of the Consolidated Balance Sheet as at

	March 31, 2011 ₹	₹	March 31 , 2010 ₹	₹
KPIT Cummins Infosystems Limited Community Foundation Reserve Account				
As per last Balance Sheet	30,705,532		20,756,390	
Add: Contribution received from Employees	2,163,362		2,215,512	
Less: Utilisation	2,808,023		2,266,370	
Add: Transferred from Profit and Loss Account	10,000,000		10,000,000	
		40,060,871		30,705,532
KPIT Cummins Technology Fund				
As per last Balance Sheet	-		-	
Add: Transferred from Profit & Loss Account	100,000,000		-	
Less: Utilisation during the year	678,629	99,321,371	-	-
KPIT Employees' Welfare Fund				
As per last Balance Sheet	-		-	
Add: Transferred from Profit & Loss Account	100,000,000		-	
	-	100,000,000	-	-
Foreign Currency Translation Reserve		(1,608,836)		8,154,608
Total		5,848,720,007		3,696,663,484

SCHEDULE - III SECURED LOANS

	March 31, 2011 ₹	₹	March 31 , 2010 ₹	₹
Term Loan				
From bank		62,510,000		157,004,946
[The amount repayable within one year ₹ 62,510,000 (Previous Year ₹ 93,086,670) Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets]				
From others		218,288,939		331,026,697
[The amount repayable within one year ₹109,144,425 (Previous Year ₹ 110,342,202) Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets]				
Interest Accrued and Due		510,571		1,185,532
Working capital loan (from banks)				
Cash Credit		776,430,343		616,161,000
[Secured by hypothecation of current assets]				
Finance Lease Obligation				
[Finance Lease obligations are secured against fixed assets obtained under finance lease arrangements]		8,331,576		2,364,063
(Refer Note No. 3.6 of Schedule XV)				
Short Term Loan (from others)		39,364,500		
[Secured by Hypothecation of Software obtained under the arrangement]				
Total		1,105,435,932		1,107,742,238

Schedules annexed to and forming part of the Consolidated Balance Sheet

SCHEDULE - IV FIXED ASSETS

Particulars	Gross Block								Depreciation / Amortization								Net Block	
	As at April 1, 2010	Adjustment on account of acquisition of Sparta Consulting Inc.	Adjustment on account of FE translation for the year	Additions for the Year 2010-11	Adjustment on account of acquisition of In2soft GmbH	Adjustment on account of acquisition of CPG Solutions LLC	Deductions for the Year 2010-11	As at March 31, 2011	Up to April 1, 2010	Adjustment on account of acquisition of Sparta Consulting Inc.	Adjustment on account of FE translation for the year	For the Year 2010-11	Adjustment on account of acquisition of In2soft GmbH	Adjustment on account of acquisition of CPG Solutions LLC	On Deletions/ Discarded for the year 2010-11	Up to March 31, 2011	As on March 31, 2011	As on March 31, 2010
	₹		₹	₹			₹	₹	₹		₹	₹	₹		₹	₹	₹	₹
Intangible Assets																		
Goodwill	69,116,660	-		36,625,000			-	105,741,660	30,107,913	-		15,545,108				45,653,021	60,088,639	39,008,747
Project Development Expenses	21,603,981	-					-	21,603,981	21,603,981	-		-				21,603,981	-	-
Rights to render Business Process Outsourcing Services	206,731,603	-					-	206,731,603	206,731,603	-		-				206,731,603	-	-
Internally Generated Intangible Assets	-	-	-	165,775,892	-	-	-	165,775,892	-	-	-	79,852,881				79,852,881	85,923,012	
Software Package	521,920,442	-	-	77,258,904	-	-	-	599,179,346	231,999,696	-	3,821	140,676,707				372,680,224	226,499,122	289,920,746
Tangible Assets																		
Land (Leasehold)	43,942,720	-	5,487	935,645			(272,524)	44,611,328	2,840,505	-	(505)	601,579			(85,757)	3,355,822	41,255,506	41,102,215
Building	528,185,888	-		4,028,312				532,214,200	138,422,878	-		39,819,871				178,242,749	353,971,451	389,763,010
Plant and Machinery	378,933,444	-	131,600	22,102,735	13,082,953		(8,622,170)	405,628,562	141,122,120	-	(13,584)	51,694,882	10,126,065		(4,640,613)	198,288,870	207,339,691	237,811,323
Computers	490,823,011	-	414,537	113,347,085	1,362,511	4,087,658	(14,661,687)	595,373,115	368,463,904	-	(521,487)	55,985,372	1,164,183	1,841,085	(14,658,163)	412,274,893	183,098,221	122,359,107
Furniture and Fittings	242,123,617	-	(25,391)	6,075,718		177,716	(2,613,705)	245,737,954	130,233,554	-	(21,358)	24,395,160		48,145	(2,270,476)	152,385,025	93,352,929	111,890,063
Vehicles - Owned	3,360,356	-		949,369			(1,900,000)	2,409,725	1,573,074	-		2,333,831			(1,899,999)	2,006,906	402,819	1,787,282
Vehicles - Lease / HP	7,063,375	-		9,878,549			(580,190)	16,361,734	5,039,165	-		341,860			(404,765)	4,976,259	11,385,475	2,024,210
TOTAL	**2,513,805,095**	**-**	**526,234**	**436,977,210**	**14,445,464**	**4,265,374**	**(28,650,277)**	**2,941,369,100**	**1,278,138,392**	**-**	**(553,114)**	**411,247,251**	**11,290,248**	**1,889,230**	**(23,959,773)**	**1,678,052,234**	**1,263,316,865**	**1,235,666,703**
Capital Work-in-Progress	-	-	-	-			-	-	-	-	-	-			-	-	317,392,412	285,903,756
[Including Capital Advances of ₹ 913,212 (Previous Year ₹ 836,488)]																		
GRAND TOTAL	**2,513,805,095**	**-**	**526,234**	**436,977,210**	**14,445,464**	**4,265,374**	**(28,650,277)**	**2,941,369,100**	**1,278,138,392**		**(553,114)**	**411,247,251**	**11,290,248**	**1,889,230**	**(23,959,773)**	**1,678,052,234**	**1,580,709,277**	**1,521,570,459**
Previous Year	2,204,644,554	131,332,077	(4,955,142)	296,797,536			(114,013,930)	2,513,805,095	1,041,861,928	28,717,721	(5,523,173)	308,037,443			(94,955,527)	1,278,138,392	1,521,570,459	1,510,326,963

Schedules annexed to and forming part of the Consolidated Balance Sheet as at

	March 31, 2011		March 31 , 2010	
	₹	₹	₹	₹
SCHEDULE - V INVESTMENTS				
Investment in shares of Findant Inc.				
A company incorporated in USA	17,431,829		17,431,829	
16,51,179 Equity Stock at par (Previous Year 16,51,179 at par)				
Less: Provision for decline in the value of investments	(17,431,829)	-	(17,431,829)	-
Current Investments				
Investment in Mutual funds (Refer Note No. 3.2 of schedule XV)		476,503,542		746,982,160
Total		**476,503,542**		**746,982,160**
SCHEDULE - VI SUNDRY DEBTORS				
Unsecured [Refer Note No. 2.4 of Schedule XV]				
Outstanding for a period exceeding six months				
Considered Good	26,717,990		8,337,689	
Considered Doubtful	50,752,207		51,301,050	
	77,470,197		59,638,739	
Other Debts				
Considered Good	2,498,719,455		1,379,340,244	
Considered Doubtful	224,590		1,981,999	
	2,498,944,045		**1,381,322,243**	
Less: Provision for Doubtful Debts	50,976,797	2,525,437,445	53,283,048	1,387,677,934
Total		**2,525,437,445**		**1,387,677,934**
SCHEDULE - VII CASH AND BANK BALANCES				
Cash on Hand		167,809		124,364
Cheques in Hand		5,985,893		7,325,604
Balance with Scheduled banks				
On Current Accounts	626,189,612		646,151,119	
On Deposit Account	1,162,817,542	1,789,007,154	268,291,237	914,442,356
[includes ₹ 16,014,960 As Margin Money (Previous year ₹ 12,779,186)]				
Balance with Non-Scheduled banks				
On current account		300,846,435		130,400,748
[Maximum balance during the year ₹ 433,493,249 (Previous Year ₹ 133,958,791)]				
Total		**2,096,007,290**		**1,052,293,072**
SCHEDULE - VIII LOANS AND ADVANCES				
[Unsecured, considered good unless otherwise stated]				
Advances recoverable in cash or in kind or for value to be received (Refer Note No. 2.3 of schedule XV)	586,987,418		310,982,501	
Advance Tax and Tax Deducted At Source (net of provision)	103,488,367		89,307,883	
MAT credit entitlement	205,322,303		149,892,626	
Advance Fringe Benefit Tax (net of provision)	3,211,730		3,313,060	
Prepaid Expenses	111,246,337	1,010,256,154	55,668,070	609,164,140
Deposits		73,619,690		65,056,464
Interest Accrued on Fixed Deposits		13,324,590		2,806,940
Total		**1,097,200,434**		**677,027,544**

Schedules annexed to and forming part of the Consolidated Balance Sheet as at

	March 31, 2011		March 31 , 2010	
	₹	₹	₹	₹
SCHEDULE - IX CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
For Goods and Services	584,905,247		269,135,453	
For Accrued Salaries and Benefits	533,465,116		374,894,127	
	1,118,370,361		644,029,580	
Interest Accrued But Not Due	317,246		-	
Other Liabilities	255,766,346		153,310,485	
Unearned Revenue	124,266,115		50,617,519	
Unclaimed Dividend	1,497,441		1,377,667	
	381,847,148		205,305,671	
Mark to Market loss on cash flow hedges (Refer Note No. 3.1(ii)(c) of Schedule XV)	136,241,095		226,688,046	
		1,636,458,602		1,076,023,297
Provisions				
for Taxation (net of advance tax)	12,036,367		40,771,059	
for Fringe Benefit Tax (net of advance tax)	3,324,719		3,236,299	
For Dividend	61,504,390		54,966,129	
For Dividend Tax	9,977,550		9,129,187	
For Staff Benefits	151,414,201		121,497,800	
		238,257,226		229,600,474
Total		**1,874,715,829**		**1,305,623,771**

Schedules annexed to and forming part of the Statement of Consolidated Profit and Loss for the year ended

	March 31, 2011 ₹	March 31, 2010 ₹
SCHEDULE - X SOFTWARE DEVELOPMENT EXPENSES		
Salaries and Bonus	3,416,323,736	2,193,008,353
Consultancy Charges	2,288,374,841	1,525,308,517
Travel and Overseas Expenses	632,907,655	227,378,212
Employee Stock Option cost	-	6,200,000
Cost of Service Delivery	261,734,823	138,600,904
Total	**6,599,341,055**	**4,090,495,986**
SCHEDULE - XI SELLING AND MARKETING EXPENSES		
Marketing Services Expenses	532,830,387	469,048,964
Marketing Travel Expenses	82,949,714	63,085,586
Salaries and Bonus	44,082,055	51,802,326
Staff Welfare	2,590,374	421,605
Foreign Travel Expenses	130,029	139,476
Travelling and Conveyance	7,337,577	6,968,756
Recruitment and Training Expenses	6,086,020	3,505,200
Rent, Rates and Taxes	26,406,161	14,198,482
Communication Expenses	13,476,056	12,702,634
Professional and Legal Expenses	29,973,828	20,453,212
Printing and Stationery	504,979	628,595
Repairs to Building	1,357	-
Repairs to Plant and Machinery	289,163	324,946
Repairs to Others	293,031	1,451,422
Power and Fuel	555,020	448,956
Insurance Charges	5,278,164	5,270,185
Miscellaneous Expenses	9,684,813	13,280,417
Total	**762,468,728**	**663,730,762**
SCHEDULE - XII GENERAL AND ADMINISTRATION EXPENSES		
Salaries and Bonus	644,647,750	401,392,147
Staff Welfare	21,291,589	11,652,099
Foreign Travel Expenses	38,309,516	6,908,272
Travelling and Conveyance	73,013,968	54,734,681
Employee Stock Option Cost	374,984	10,484,594
Recruitment and Training Expenses	71,758,839	33,960,903
Rent, Rates and Taxes	85,233,971	89,365,470
Communication Expenses	56,898,211	43,765,855
Professional and Legal Expenses	58,108,911	54,058,600
Printing and Stationery	8,986,080	6,453,979
Repairs to Building	4,168,371	2,646,911
Repairs to Plant and Machinery	85,767,155	43,390,931

Schedules annexed to and forming part of the Statement of Consolidated Profit and Loss for the year ended

		March 31, 2011 ₹	March 31, 2010 ₹
SCHEDULE - XII GENERAL AND ADMINISTRATION EXPENSES (Contd.)			
Repairs to Others		19,683,578	3,598,180
Power and Fuel		59,151,839	52,317,345
Insurance Charges		27,869,602	21,204,625
Auditors Remuneration			
Audit Fees		5,200,000	35,00,000
Taxation matters		1,879,206	223,357
Certification Charges		1,000,408	94,120
Other matters		1,588,469	-
Out-of-Pocket Expenses		577,166	107,315
Bad debts Written Off		7,532,340	3,595,554
Provision for Bad and Doubtful Debts/(Write back of excess provision)		92,817	(257,951)
Loss (net) on Sale of Assets		2,064,641	18,115,045
Miscellaneous Expenses		71,055,994	86,435,942
	Total	**1,346,255,404**	**947,747,973**
SCHEDULE - XIII INTEREST, NET			
Interest			
- Fixed Period Loans		18,828,915	34,334,279
- Others		17,137,088	20,588,221
Bank charges		6,159,119	9,783,934
Lease charges		2,572,635	2,287,365
		44,697,755	**6,699,380**
Less: Interest Income		31,674,117	39,578,853
	Total	**13,023,638**	**27,414,948**
SCHEDULE - XIV - OTHER INCOME			
Dividend on Trade Investments		33,940,152	11,950,698
Foreign exchange gain/(loss)		(30,953,694)	(268,889,619)
Miscellaneous Income		1,787,704	4,410,108
	Total	**4,774,162**	**(252,528,814)**

Schedule - XV - Notes to Consolidated Financial Statements

All amounts in Rupees except otherwise stated.

1. Significant Accounting Policies

1.1 Basis of consolidation

The Consolidated Financial Statements relate to KPIT Cummins Infosystems Limited (the Company), its subsidiary companies and Joint Venture which constitutes the "Group".

a) Basis of preparation of Financial Statements

i. The Consolidated Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

The Consolidated Financial Statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS) 21 "Consolidated *Financial Statements*" and Accounting Standard (AS) 27 "*Financial Reporting of Interests in Joint Venture*".

ii. The financial year of the subsidiaries have been aligned with the parent Company and are drawn up to the same reporting date as of the Company, i.e. year ended March 31, 2011.

iii. Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and reported amounts of income and expenditure during the year.

b) Principles of Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:

i. The Financial Statements of the Company, its subsidiaries and Joint Venture have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealized profits or losses have been fully eliminated.

ii. The excess of cost to the Company of its investments in the Subsidiary Companies over its share of equity of the subsidiary companies, at the dates on which the investment in the Subsidiary Companies are made, is recognized as 'Goodwill on Consolidation' being an asset in the Consolidated Financial Statements. Alternatively, where the share of equity in the subsidiary companies on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus' in the Consolidated Financial Statements.

iii. Minority interest in the net assets of the consolidated subsidiary Companies consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.

iv. Interest in a jointly controlled entity is reported using proportionate consolidation.

c) Following subsidiaries are considered in the Consolidated Financial Statements:

% voting power held

Sr. No.	Name of the Subsidiary	Country of Incorporation	As at March 31, 2011	As at March 31, 2010
1.	KPIT Infosystems Ltd.	United Kingdom	100.00	100.00
2.	KPIT Infosystems Inc.	United States of America	100.00	100.00
3.	KPIT Infosystems Inc. (SolvCentral.Com) (Subsidiary of KPIT Infosystems Inc.)	United States of America	100.00	100.00
4.	KPIT Infosystems GmbH (Subsidiary of KPIT Infosystems Ltd., UK)	Germany	100.00	100.00
5.	KPIT Cummins Global Business Solutions Limited (amalgamated into the Company effective March 1, 2011)	India	-	100.00
6.	KPIT Infosystems Central Europe Sp. z o.o. (amalgamated into the Company effective March 1, 2011)	Poland	-	100.00
7.	KPIT Infosystems France SAS France (Formerly known as Pivolis)	France	100.00	100.00

% voting power held

Sr. No.	Name of the Subsidiary	Country of Incorporation	As at March 31, 2011	As at March 31, 2010
8.	Sparta Consulting Inc. (Subsidiary of KPIT Infosystems Inc.)	United States of America	100.00	100.00
9.	Sparta Infotech India Private Limited (Subsidiary of Sparta Consulting Inc.)	Noida, India	100.00	100.00
10.	In2Soft GmbH (Subsidiary of KPIT Infosystems GmbH)	Germany	74.00	-
11.	CPG Solutions LLC (Subsidiary of KPIT Infosystems Inc.)	USA	100.00	-

The Joint Venture, which is included in the Consolidated Financial Statements along with Company's holding therein, is as under:

% voting power held

Sr. No.	Name of the Company	Country of Incorporation	As at March 31, 2011	As at March 31, 2010
1.	Impact Automotive Solutions Private Ltd. (JV with Bharat Forge Ltd.)	India	50%	Nil

1.2 Revenue recognition

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and billed to clients as per the contractual obligations. In case of fixed price contracts, revenue is recognized based on the milestone/s achieved as agreed upon in the contract on proportionate completion basis and where there is no uncertainty as to measurement or collectability of consideration. Revenue from the sale of software products is recognized when the sale is completed with the passing of the ownership.

Interest income is recognized on time proportion basis.

Dividend income is recognized when the Company's right to receive dividend is established.

1.3 Expenditure

Expenses are accounted on the accrual basis and provisions are made for all probable losses and liabilities.

a) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which takes a substantial time in getting ready for its intended use are capitalized as part of cost of that asset till the date it is put to use. All other borrowing costs are charged to the Statement of Profit and Loss.

b) Provision for Doubtful Debts

The Company periodically carries out an exercise to evaluate recovery of its receivables. While making such provision, various other factors like probable recovery of the dues, business risks, economic factors, legal status of the customers/partners are taken into account.

1.4 Fixed Assets, Intangible Assets and Capital Work-in-Progress

a) Fixed Assets are stated at the cost of acquisition, less accumulated depreciation and impairment loss, if any. Direct costs are capitalized till the assets are put to use. Vehicles taken on Lease have been capitalized in accordance with the Accounting Standard (AS) 19 'Accounting for Leases'.

b) Intangible Assets

If Company incurs expenditure which meets criteria of intangible asset as mentioned in Accounting Standard (AS) 26, such expenditure is capitalized and is amortized over its useful life as estimated by the Management.

However, in some instances, technical feasibility is completed and the market release status is reached in the same period. Therefore such assets are amortized in the same period.

c) Capital Work-in-Progress

Capital Work-in-Progress includes capital advances and the cost of fixed assets that are not yet ready for the intended use at the reporting date.

1.5 Depreciation/Amortization

Depreciation on fixed assets of the group is provided using straight-line method except stated otherwise over the useful life of the fixed assets as estimated by the Management. Depreciation is charged on all assets purchased and sold during the year on a proportionate basis. The following table indicates the depreciation rates and method followed.

SLM – Straight line method, RBM – Reducing balance method

Class of Asset	KPIT Cummins Infosystems Limited	KPIT Infosystems Ltd., UK	CPG Solutions LLC	In2Soft GmbH, Germany	KPIT Infosystems GmbH, Germany	KPIT Infosystems Inc.,USA	KPIT Infosystems France SAS, France (formerly known as Pivolis)	KPIT Infosystems Inc., (Solvcen tral.Com)	Sparta Consulting Inc.	Sparta Infotech India Private Ltd.
Leasehold land	Amortized over the period of Lease		-	-			-			
Buildings	1.63% SLM									Amortized over lease period of land
	7.50% SLM (Hinjawadi)		-	-			-			
Leasehold Improvement		Amortized over period of lease	-	-			Amortized over period of lease		Amortized over period of lease	
Computers (including software & peripheral)	25.00% SLM	33.33% SLM	25.00% SLM	33.33% SLM	20% SLM	20% SLM	33.33% SLM	33.33% SLM	33.33% SLM	33.33% SLM
Office Equipment	4.75% SLM	33.33% SLM	-	33.33% SLM		20% SLM		10% SLM	33.33% SLM	20% SLM
	10.00% SLM (Hinjawadi)									
Electrical Systems	33.33% SLM					10% SLM				20% SLM
	10.00% SLM (Hinjawadi)									
Plant & Machinery	-	33.33% SLM		33.33% SLM	33.33% SLM		10% SLM	33.33 % SLM	20 % SLM	
Furniture & Fittings	6.33% SLM	15% RBM	25.00% SLM	-	15% RBM	20% SLM	10% SLM	10% SLM		20% SLM
	12.50% SLM (Hinjawadi)									
Vehicles on lease	Amortized over the period of Lease			-						
Vehicles Owned	9.50% SLM									20% SLM

Perpetual Software licenses are amortized over their useful lives as stated above. However, time based software licenses are amortized over their duration.

The Company does not expect the difference on account of varying rates and methods of depreciation to be material.

Goodwill on acquisition is amortized over a period of its useful life as estimated by the Management.

1.6 Impairment of Fixed Assets

The Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment loss is recognized when the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal.

1.7 Investments

Investments are either classified as current or long-term, based on Management's intention at the time of purchase. Current investments are carried at lower of cost and fair value. Long-term Investments are stated at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Such costs are inclusive of acquisition costs directly attributable to the Investments such as legal expenses, professional fees etc. incurred during the course of such acquisition.

1.8 Leases

Assets leased by the Company in the capacity of their lessee, where the Company has substantially all the risks and rewards of ownership are classified as Finance Leases. Such leases are classified at the inception of lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to the ownership of an asset substantially vest with the lessor, are recognized as Operating Leases. Lease Rentals under operating lease are recognized in the Statement of Profit and Loss on straight line basis.

1.9 Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares.

1.10 Foreign currency transactions

a) Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. The gains or losses resulting from such transactions are included in the Statement of Profit and Loss. Income & expenses denominated in foreign currencies are translated using exchange rate in effect on the date of transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining the net profit for the period in which the transaction is settled.

Premiums or discount on forward exchange contracts are amortized and recognized in the Statement of Profit and Loss over the period of the contract. Forward exchange contracts and currency option contracts outstanding at the balance sheet date, other than designated cash flow hedges, are stated at fair values and any gains or losses are recognized in the Statement of Profit and Loss.

b) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts and currency options to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard (AS) 30 "*Financial Instruments: Recognition and Measurement*" of the Institute of Chartered Accountants of India (ICAI).

The use of hedging instruments is governed by the Company's policy approved by the Board of Directors, which provides written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. The counter party to the Company's foreign currency forward contracts is generally a bank.

Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in fair value of these derivatives that are designated and effective as hedges of future cash flow are recognized directly in shareholder's fund and the ineffective portion, if any is recognized immediately in Statement of Profit and Loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the Statement of Profit and Loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecast transactions any cumulative gain or loss on the hedging instrument recognized in shareholder's fund is retained there until, the forecast transaction occurs. When a hedged transaction occur or, is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to the Statement of Profit and Loss.

1.11 Foreign Operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary are translated at the closing rate, income and expense items are translated at average exchange rates and all resulting exchange difference are accumulated in a foreign currency translation reserve until disposal of the net investment in the non-integral foreign operation.

1.12 Retirement benefits to employees

Gratuity:

In accordance with the payment of Gratuity Act, 1972, the Company provides a liability for gratuity, a defined benefit retirement plan. The amount of gratuity is computed based on respective employee's salary and the tenure of employment with the Company. Gratuity is accrued based on actuarial valuation as at the balance sheet date, carried out by an independent actuary using projected unit credit method for the Company and its Indian Subsidiary. The amount is funded from internal accruals.

For employees of erstwhile KPIT Cummins Infosystems (Bengaluru) Pvt. Ltd. who were on the roll as at March 31, 2007 (before the date of the merger) the amount is funded through an employee's group gratuity trust, managed by Kotak Mahindra Old Mutual Life Insurance Limited.

Actuarial gains and losses in respect of defined benefit plans are recognized in the Statement of Profit and Loss for the year in which they occur.

Provident Fund:

Eligible employees of the Company and its Indian subsidiary receive benefits from provident fund which is a defined contribution plan. Provident Fund Contribution of covered employee's basic salary is deducted and paid along with Company's Contribution of an equal amount on a monthly basis to the appropriate authority.

Leave Accrual:

The liability for leave carried forward has been accounted for on actual basis. The provision for encashment of unavailed leave is made on actual basis for all its subsidiaries except for Sparta Consulting Inc. and Sparta Infotech India Private Limited, whereby leave encashment is accrued on an actuarial valuation carried out by an independent actuary at each balance sheet date using projected unit credit method.

1.13 Accounting for Taxes on Income

a) Income Tax Provision

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Provisions are also recorded when it is estimated that a liability due to disallowances or other matters is probable.

The Company has provided for Minimum Alternate Tax (MAT) in accordance with the provisions of Section 115JB of the Income-tax Act, 1961.

In accordance with the Guidance Note on Accounting for Credit Available in Respect of Minimum Alternative Tax under the Income-tax Act, 1961, the Company recognizes MAT credit, where there is convincing evidence that the Company will pay normal tax after the tax holiday period.

The Company offsets, on an year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right to offset and where it intends to settle such assets and liabilities on a net basis.

Tax on distributed profits payable in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

b) Deferred Tax Provision

- Pursuant to the Accounting Standard (AS) 22 on "Accounting for taxes on income", the Company has considered the effect of timing differences in the tax expenses in the Statement of Profit and Loss as deferred tax asset/liability in the Balance Sheet.

  Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

  In respect of unabsorbed depreciation and carry forward losses, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

- As the Company and its Indian Subsidiary are currently under the tax holiday period, no deferred tax asset/liability is recognized for the timing differences arising during the tax holiday period and reversing within the tax holiday period.
- However, deferred tax asset/liability is recognized on the timing differences which arise during the tax holiday period and reverse after the tax holiday period is over.

1.14 Provisions, Contingent Liabilities and Contingent Assets

As per Accounting Standard (AS) 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No Provisions is recognized for —

A. Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

B. Present obligations that arises from past events but are not recognized because -

1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

2) A reliable estimate of the amount of obligation cannot be made are disclosed as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

1.15 Research & Development

Costs incurred during the research phase of a project are expensed when incurred. Costs incurred in the development phase are recognised as an intangible asset if it is demonstrated that: the project is technically feasible, the Company has the intent and the ability to complete the development of the asset for use or sale, it is probable that the asset will generate future economic benefits, resources to complete the development and to use or sell the asset are available, and such costs are reliably measurable. Capitalized costs are amortized over a period depending upon the asset's market release status. Where the release is soon after the asset is completed, costs are amortized in the same period; otherwise, over the assets' useful life.

2. Disclosures as required by Schedule VI of the Companies Act, 1956

2.1 The aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI are as follows:

Particulars	FY 2010-11	FY 2009-10
Salaries and Bonus	688,729,805	453,194,473
Staff Welfare	23,881,963	12,073,704
Foreign Travel Expenses	38,439,545	7,047,707
Travelling and Conveyance	80,351,545	61,703,438
Employee Stock Option Cost	374,984	16,684,594
Recruitment and Training Expenses	77,844,858	37,466,103
Rent, Rates and Taxes	111,640,132	103,563,952
Communication Expenses	70,374,268	56,468,488
Professional and Legal Expenses	88,082,739	74,735,169
Printing and Stationery	9,491,059	7,082,573
Repairs to Building	4,169,728	2,646,911
Repairs to Plant and Machinery	86,056,318	43,715,777
Repairs to Others	19,976,609	5,049,602
Power and Fuel	59,706,859	52,766,301
Insurance Charges	33,147,765	26,474,810
Miscellaneous Expenses	80,740,807	99,716,359

2.2 Contingent Liabilities

Sr. No.	Particulars	FY 2010-11	FY 2009-10
1.	Outstanding Bank Guarantees in routine course of business	32,297,391	9,241,049
2.	Income tax matters not acknowledged as debt (Refer 2.2 a below)	14,398,014	11,698,438
3.	VAT matters not acknowledged as debt (Refer 2.2 b below)	27,673,199	Nil
4.	Service tax matters not acknowledged as debts	Nil	49,927,768

a) Income Tax Cases

These relate to the cases of erstwhile KPIT Cummins Infosystems (Bengaluru) Private Limited (KPIT Bengaluru) which has been merged with the Company effective April 1, 2007.

AY 2006-07

The Company has filed an appeal with the Commissioner of Income Tax (Appeals) - I, Bengaluru against an Order dated 26th December 2008 passed by the Asst. Commissioner of Income Tax Circle 11(5), Bengaluru. The total demand raised is ₹ 5,903,204/- vide this order, which is adjusted against refund for subsequent year, i.e. A.Y. 2007-08.

AY 2007-08

The Company has filed an appeal with Commissioner of Income Tax (Appeals) -I, Bengaluru pursuant to an Order dated December 21, 2009 passed by the Asst Commissioner of Income Tax Circle 11 (5), Bengaluru. The demand raised on KPIT Bengaluru vide this order is ₹ 5,795,234/-. KPIT Bengaluru has made a payment of ₹ 2,354,124/- towards this demand during the year ended March 31, 2010.

This relate to the cases of erstwhile KPIT Cummins Global Business Solutions Ltd., which has been merged with the Company effective March 1, 2011.

AY 2007-08

An appeal relating to income tax dues amounting to ₹ 2,699,576 has been filed before Commissioner of Income Tax (Appeals)- I , Pune.

The Company and its advisers believe that the above matters would be decided in favor by higher appellate authorities.

b) VAT Matters

FY 2005-06 to FY 2008-09

During the current financial year, the Company has filed an appeal with the Joint Commissioner of Commercial Taxes - (Appeals) -2 against the order received from the Asst. Commissioner of Commercial Taxes dated December 28, 2010. The demand raised vide this order is ₹ 18,261,484/-. The Company has paid ₹ 9,130,742/- towards this demand, and has obtained stay for the balance amount against Bank Guarantee.

FY 2009-10

During the current financial year, the Company has filed a writ petition in Karnataka High Court against the notice received u/s 39(1) of KVAT Act, 2003 from Deputy Commissioner of Commercial Taxes dated February 23, 2011. The demand raised vide this notice is ₹ 9,411,715/-.

The Company and its advisers believe that the above matters would be decided in favour by higher appellate authorities.

2.3 Advances recoverable in cash or in kind or for value to be received is net of provision for doubtful advances of ₹ 4,000,000/- (Previous year ₹ 11,800,000).

2.4 Debtors include on account of unbilled revenue aggregating to ₹ 236,960,491/-(Previous year ₹ 84,849,421/-).

2.5 Stock Option Plans

1. Employee Stock Option Scheme (ESOS) – 1998 (through Employee Welfare Trust)

The ESOS was approved by the Board of Directors of the Company on November 23, 1998 and thereafter by the shareholders on November 30, 1998 and is for issue of 18,000 Options representing 1,800,000 equity shares of the Company. A compensation committee comprising of independent directors of the Company administers the ESOS Plan. All options have been granted at a pre-determined rate of ₹ 5 per share.

Number of options granted, exercised and cancelled/lapsed during the financial year:

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	2,590	3,020
Granted during the year	-	-
Exercised during the year	1,800	-
Cancelled/lapsed during the year	200	430
Options granted, end of year	590	2,590

The compensation cost of stock options granted to employees has been accounted by the Company using the intrinsic value method.

2. Employees Stock Option Plan – 2004

The Board of Directors and the shareholders of the Company approved the Employees Stock Option Plan for grant of 5,163,800 options convertible into 5,163,800 equity shares, at their meeting in August 2001 and in September 2001, respectively. Pursuant to this approval, the Company instituted ESOP 2004 Plan in July 2004. The compensation committee of the Company administers this Plan. The Options have been granted to employees of the Company and its subsidiaries at an exercise price that is not less than the fair market value.

Number of options granted, exercised and cancelled/lapsed during the financial year:

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	2,698,193	3,359,210
Granted during the year	1,816,050	Nil
Exercised during the year	1,073,375	248,695
Cancelled/lapsed during the year	560,668	412,322
Options granted, end of year	2,880,200	2,698,193

3. Employees Stock Option Plan – 2006

The Board of Directors and the shareholders of the Company approved another Employees Stock Option Plan for grant of 5,000,000 options convertible into 5,000,000 equity shares, at their meeting in July 2006 and in August 2006, respectively. Pursuant to this approval, the Company instituted ESOP 2006 Plan in October 2006. The compensation committee of the Company administers this Plan. The Options have been granted to employees of the Company and its subsidiaries at an exercise price that is not less than the fair market value.

Number of options granted, exercised and cancelled/lapsed during the financial year:

Particulars	FY 2010-11	FY 2009-10
Options granted, beginning of the year	3,454,371	3,162,865
Granted during the year	263,014	1,439,192
Exercised during the year	508,378	231,385
Cancelled/lapsed during the year	413,304	916,301
Options granted, end of year	2,795,703	3,454,371

Personnel expenditure includes ₹ 374,984/- (PY: ₹ 16,684,594/-) being the amortization of intrinsic value for the year ending March 31, 2011.

Had the compensation cost for the Company's stock based compensation plan been determined as per fair value approach (calculated using Black Scholes Options Pricing Model), the Company's Profit after Tax would be lower by ₹ 78,945,066/- (PY ₹ 17,603,002) and earnings per share as reported would be lower as indicated below:

Particulars	FY 2010-11	FY 2009-10
Net Profit after Tax	947,724,523	857,308,602
Add: Total Stock based compensation expense determined under intrinsic value based method	374,984	16,684,594
Less: Total Stock based compensation expense determined under fair value based method	79,320,050	34,287,596
Adjusted net profit	868,779,457	839,705,600
Basic earnings per share (in ₹)		
- As reported	11.78	10.97
- Adjusted	10.80	10.74
Diluted Earnings per share (in ₹)		
- As reported	11.37	10.80
- Adjusted	10.43	10.58

The fair value of each option is estimated on the date of grant based on the following assumptions:

Particulars	March 31, 2011 ESOP 2004 scheme	March 31, 2011 ESOP 2006 scheme	March 31, 2010
1. Risk Free Interest Rate (%)	7.08%	7.50%	6.92%
2. Expected Life	3.54 years	3.46 years	3.61 years
3. Expected Volatility (%)	65.79%	63.44%	62.59%
4. Dividend Yield (%)	1.03%	1.04%	1.07%

3. Disclosures as required by Accounting Standards and other announcements issued by The Institute of Chartered Accountants of India

3.1 (i) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
Sundry Creditors	32,400	GBP	2,330,532
	(4,800)		(326,544)
	51,993	EURO	3,288,040
	(44,276)		(2,681,355)
	1,180,078	USD	52,690,522
	(208,193)		(9,397,882)
	Nil	CHF	Nil
	(1,170)		(49,901)
	Nil	DKK	Nil
	(13,000)		(105,820)
	400	AUD	18,400
	(Nil)		(Nil)
	132,400	AED	1,820,500
	(Nil)		(Nil)
	118,200	CNY	841,584
	(Nil)		(Nil)
	400,000	JPY	216,000
	(Nil)		(Nil)
	7,460	SEK	52,518
	(Nil)		(Nil)
	114,901	CAD	5,267,055
	(Nil)		(Nil)

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
Sundry Debtors	42,715	AUD	1,964,892
	(1,652)		(67,930)
	132,376	CAD	5,431,259
	(Nil)		(Nil)
	57,749	SGD	2,036,242
	(7,219)		(231,008)
	1,074,956	GBP	77,321,594
	(Nil)		(Nil)
	3,830,950	EURO	242,252,743
	(Nil)		(Nil)
Term Loan	6,288,890	USD	280,798,939
	(10,811,512)		(488,031,641)
PCFC Loans	16,997,330	USD	758,928,516
	(13,650,000)		(616,161,000)
	95,939	EURO	6,067,187
	(Nil)		(Nil)
EEFC Accounts	*1,738,231	USD	*77,612,029
	(3,735,150)		(168,604,671)
	278,844	GBP	20,057,265
	(593,429)		(40,370,195)
	1,107,070	EURO	70,011,095
	(1,111,867)		(67,334,693)
Bank Deposits	76,086	GBP	5,472,865
	(76,072)		(5,175,178)

* Previous Year figures have been shown in the brackets ( )

3.1 (ii) Cash Flow hedges

A) In accordance with its risk management policy and business plan the Company has hedged its cash flows. The Company enters into Derivative contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to the Company's foreign currency contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments and highly probable forecast transactions. The Management has assessed the effectiveness of its hedging contracts outstanding as on March 31, 2011 as required by AS-30 and accordingly the MTM loss of ₹ 136,241,095/-(Previous year ₹ 226,688,046) is recognized in the Hedging Reserve. Further the assessment of effectiveness as performed by the management of the Company is also confirmed by an independent expert.

B) The following are the outstanding GBP/USD/EUR: INR Currency Exchange Contracts entered into by the Company which have been designated as Cash Flow Hedges as on March 31, 2011:

Type of cover	Amount outstanding at year end in Foreign currency	Fair Value Gain/(Loss)	Amount outstanding at year end in ₹	Exposure to Buy/Sell
Forward	EUR 2,025,000 [2,700,000]	(2,042,871) [2,626,943]	128,061,000 [163,512,000]	Sell
Forward	USD 61,500,000 [104,950,000]	(134,088,922) [(244,878,814)]	2,745,975,000 [4,737,443,000]	Sell
Forward	GBP 1,950,000 [550,000]	557,571 [464,964]	140,263,500 [37,416,500]	Sell

The forward contracts have been entered for a period between 15 days to 2 years.

C) The movement in hedging reserve during year ended March 31, 2011 for derivatives designated as Cash Flow Hedges is as follows:

Particulars	FY 2010-11	FY 2009-10
Balance at the beginning of the year	(226,688,046)	(1,631,303,249)
Gain/(Losses) transferred to the Statement of Profit and Loss on occurrence of forecasted hedge transaction	95,604,986	703,872,120
Changes in the fair value of effective portion of outstanding cash flow hedges	(5,158,035)	700,743,083
Net derivative gain/(losses) related to discounted cash flow hedge	-	-
Balance at the end of the year	(136,241,095)	(226,688,046)

3.2 Details of Current Investments

Name of the Mutual Fund	Balance As at 31.3.2011		Balance As at 31.3.2010	
	No. of units	Amt. in ₹	No. of units	Amt. in ₹
Birla Sun Life Savings Fund - IP - Dly Dividend [1015055287]	7,458,866	74,639,381	7,070,308.58	70,751,164
Birla Sun Life Short Term Fund - IP	12,606,366	126,132,997	6,015,463.54	60,187,721
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	16,871,871	169,250,174	15,702,640.65	157,521,040
Reliance Money Manager Fund - IP - Daily Dividend [405105825256]	-	-	101,928.72	102,065,191
LIC MF Savings Plus Fund - Daily Dividend [51111551993]	-	-	30,582,501.02	305,825,010
Axis Treasury Advantage Fund	10,608	10,609,341	10,067.66	10,067,655
IDFC - Money Manager Fund TP Ins Plan B (D) (D)	4,216,016	42,456,545	4,000,611.90	40,287,362
Mutual funds at KPIT Infosystems France SAS, France	-	1,424,100		277,017
Tata Floater Fund-Daily Dividend(2616201/55)	5,180,657	51,991,004	-	-
Total		**476,503,542**		**746,982,160**

3.3 Employee Benefits

a) Defined Benefit Plan - Gratuity

The Company provides for its liability towards gratuity as per the actuarial valuation report.

Change in defined benefit obligation

Particulars	Amount
Projected benefit obligation at the beginning of the year	41,697,354 [32,010,402]
Service cost	16,254,806 [15,776,017]
Interest cost	3,335,789 [2,242,411]
Actuarial Loss/(Gain)	(1,126,526) [(5,993,452)]
Benefits paid	(8,929,763) [(2,338,026)]
Projected benefit obligation, end of the year	51,231,660 [41,697,354]

Change in fair value of plan assets

Fair value at the beginning of the year	- [-]
Expected return on plan assets	- [-]
Contributions	8,929,763 [2,338,026]
Benefits paid	(8,929,763) [(2,338,026)]
Actuarial gain/(loss) on plan assets	- [-]
Fair value at the end of the year	- [-]

Amount Recognised in the Balance Sheet	**Amount**
Present value of obligation as at the end of the year	51,231,660 [41,697,354]
Fair Value of Plan Assets at the end of the year	- [-]
Difference	51,231,660 [41,697,354]
Amount Recognised in the Balance Sheet	51,231,660 [41,697,354]

Expenses recognised in the Statement of Profit and Loss	**Amount**
Service cost	16,254,806 [15,776,018]
Interest cost	3,335,789 [2,242,411]
Net actuarial Loss/(Gain)	(1,126,526) [(5,993,452)]
Expected return on plan assets	- [-]
Expenses recognised in the Statement of Profit and Loss	18,464,069 [12,024,977]

Experience adjustments as on plan assets and liabilities

	Year ended March 31,			
	2011	**2010**	**2009**	**2008**
Defined benefit obligation	51,231,660	41,697,354	31,673,922	27,972,069
Plan Assets	-	-	-	9,602,558
Surplus/(Deficit)	(51,231,660)	(41,697,354)	(31,673,922)	(18,369,511)
Experience adjustments on plan liabilities (Gain)/Loss	3,825,998	(6,173,621)	(12,996,391)	2,582,302
Experience adjustments on plan assets (Gain)/Loss	-	-	-	-

Assumptions (other than for Sparta Infotech India Pvt. Ltd.):

Discount rate - 8.25% [8%]

Rate of increase in compensation levels of covered employees - 5.00% [5%]

Assumptions (Sparta Infotech India Pvt. Ltd.):

Discount rate - 8.00% [7.50%]

Rate of increase in compensation levels of covered employees - 5.50% [5.00%]

Figures in respect of previous year are given in brackets [ ]

Leave Encashment:

The liability for leave carried forward has been accounted for on actual basis. The provision for encashment of unavailed leave is made on actual basis for all its subsidiaries except for Sparta Consulting Inc. and Sparta Infotech India Private Limited, whereby leave encashment is accrued on an actuarial valuation carried out by an independent actuary at each balance sheet date using projected unit credit method.

The movement in the said provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	64,958,474	95,159,490
Add: On account of Sparta Consulting Inc., acquired during the year		10,803,805
Add: On account of In2Soft GmbH acquired during the year (Refer Note No. 4(d) below)	2 586,516	
Additional provision made during the year	73,285,728	113,127,064
Amount Paid/Utilized during the year	49,517,356	31,547,216
Unused amount Reversed during the year	12,304,163	101,317,970
Carrying amount at the end of the year	79,009,199	86,252,172

The difference between the carrying amount as at March 31, 2010 and opening carrying amount as at April 1, 2010 amounting to ₹ 21,293,698 is on account of Indian GAAP adjustment for a foreign subsidiary under actuarial valuation.

3.4 Segment Information:

The Company's operations predominantly relate to providing technology services globally. The revenues shown have been classified into regions to comprise the primary basis of the segment information. Segment wise revenue and net results for the year ended on March 31, 2011 are as follows:

	FY 2010-11	FY 2009-10
1] Segment revenue		
- USA	6,918,550,360	4,392,436,090
- UK and Europe	2,069,157,205	2,223,564,611
- Rest of the World	1,242,434,619	700,406,315
Total Revenue	**10,230,142,184**	**7,316,407,016**
2] Segment Results Profit/(Loss)		
- USA	1,845,490,620	1,750,021,682
- UK and Europe	555,180,866	656,570,364
- Rest of the World	270,453,234	85,061,439
Total	**2,671,124,720**	**2,491,653,485**
3] Less:		
- Interest	13,023,638	27,414,948
- Other unallocable expenditure net of unallocable income *	1,555,520,811	1,437,787,446
Total Profit before Tax and Minority Interest	**1,102,580,270**	**1,026,451,091**

* The expenses on common facilities in India inclusive of expenses of common staff used interchangeably for all geographies is shown as unallocable expenditure and the same has not been apportioned across the geographies.

Segmental Capital Employed

The fixed assets used in the Company's business or the liabilities contracted have not been identified to any of the reportable geographies as the fixed assets and support services are common for all reportable segments. Accordingly, no disclosure related to total segment assets and liabilities has been made. Further, the consolidated segment information given above includes the Company's sales and marketing costs incurred in the reportable geographies.

3.5 Disclosure of transactions with Related Parties during the Financial Year 2010-2011

Name of the Related Party	Description of Relationship	Nature of Transaction	Amount of Transaction during the year	Balance as on March 31, 2011 Debit/(Credit)
Mr. Kishor Patil	Key Management Personnel	Salary and Reimbursement of Expenses	3,264,144 [4,437,763]	(114,967) [(34,892)]
Mr. Pawan Sharma	Key Management Personnel	Salary and Reimbursement of Expenses	8,520,226 [8,275,097]	240,184 [49,320]
Mr. Sachin Tikekar	Key Management Personnel	Salary and Reimbursement of Expenses	7,824,558 [7,374,669]	747 [(24,882)]
Mr. Probodh Chiplunkar	Key Management Personnel	Salary and Reimbursement of Expenses	9,786,241 [12,032,905]	[Nil] [Nil]

Name of the Related Party	Description of Relationship	Nature of Transaction	Amount of Transaction during the year	Balance as on March 31, 2011 Debit/(Credit)
Mr. Sanjay Mandal	Key Management Personnel	Salary and Reimbursement of Expenses	3,357,158 [15,162,345]	[Nil] [Nil]
Mr. Pankaj Sathe	Key Management Personnel	Salary and Reimbursement of Expenses	23,758,167 [24,196,652]	1,116,555 [1,957,486]
		Advances	Nil [Nil]	1,150,879 [1,957,486]
Mr. Chinmay Pandit	Relative of Key Management Personnel	Salary and Reimbursement of Expenses	876,477 [8,825,843]	142,655 [Nil]
Ms. Jayada Pandit	Relative of Key Management Personnel	Salary and Reimbursement of Expenses	759,576 [1,736,817]	[Nil] [Nil]
KP Corporate Solutions Ltd.	Common Key Management Personnel	Sales	4,127,494 [4,531,250]	588,720 [268,029]
		Professional Fees	691,810 [3,082,292]	(99,270) [Nil]
Mr. Lokesh Sikaria	Key Management Personnel	Salary and Reimbursement of Expenses	17,177,060 [7,006,361]	Nil [Nil]
Mr. Vishal Jain	Key Management Personnel	Salary	7,009,433 [7,003,633]	Nil [Nil]
Mr. Rohit Kayal	Key Management Personnel	Salary	824,214 [1,020,379]	Nil [Nil]

Note: Amount in brackets [ ] represents previous year figures.

3.6 Lease Transactions

Finance lease:

The Company has taken Vehicles under Lease finance for a period ranging from 3 to 4 years. Upon payment of all sums due towards the agreement, the Company has the option of acquiring the Vehicles. During the lease period, the Company can neither sell, assign, sublet, pledge, mortgage, charge, encumber or part with possession of the assets, nor create or allow to create any lien on the Vehicles taken on Lease.

Reconciliation between future minimum lease payments and their present values under finance lease as at March 31, 2011 is as follows:

Particulars	FY 2010-11	FY 2009-10
Minimum lease payments		
- Not later than one year	3,164,536	1,947,322
- Later than one year and not later than five years	6,588,291	707,986
- Later than five years	Nil	Nil
Total minimum lease payments	**9,752,827**	**2,655,308**
Amount representing future Interest	1,421,251	291,245
Present value of minimum lease payments	**8,331,576**	**2,364,063**
- Not later than one year	2,405,807	1,649,807
- Later than one year and not later than five years	5,925,769	714,256
- Later than five years	Nil	Nil

Operating lease -

Obligations towards non-cancellable operating Leases:

The Company has taken facilities on lease in Bengaluru. The future lease payments for these facilities are as under:

Particulars	FY 2010-11	FY 2009-10
Minimum Lease Payments		
- Not Later than one year	22,976,532	48,297,753
- Later than one year and not later than five years	1,841,459	57,012,577
- Later than 5 years	Nil	Nil
Total	**24,817,991**	**105,310,330**

Rental expenses of ₹ 51,695,367./- (Previous year ₹ 42,661,414/-) in respect of obligation under operating leases have been recognised in the Statement of Profit and Loss.

3.7 Basic and Diluted Earnings Per Share

Particulars		FY 2010-11	FY 2009-10
Basic Earnings Per Share			
Profit attributable to equity shareholders	₹	947,724,524	857,308,602
Weighted average number of equity shares	No. of Shares	80,451,854	78,166,731
Earnings Per Share - Basic	₹	11.78	10.97
Diluted Earnings Per Share			
Weighted average number of diluted equity shares	No. of Shares	83,333,730	79,379,629
Earnings per share - Diluted	₹	11.37	10.80
Nominal value per Equity Share	₹	2.00	2.00
Basic Earnings Per Share	₹	11.78	10.97
Diluted Earnings Per Share	₹	11.37	10.80

3.8 Deferred Tax

Particulars	FY 2010-11	FY 2009-10
Timing difference originating during the year on account of depreciation	311,085,187	265,641,183
Timing difference originating during the year on account of Leave Encashment	(55,260,974)	
Timing Differences Reversing during the tax holiday period on account of depreciation	80,901,400	109,612,913
Timing Differences Reversing during the tax holiday period on account of Leave encashment	-	-
Timing Differences Reversing after the tax holiday period.	162,803,239	156,028,270
Timing Differences arising/(reversing) during the year for units which do not have 10 A benefits/have exhausted 10A benefit on account of depreciation/Provision for doubtful debts	2,229,339	(1,992,966)
Total Timing Differences	165,032,578	154,035,305
Total Deferred Tax Liability on account of timing differences reversing after the tax holiday period	54,972,883	51,149,416
Total Deferred Tax Asset	-	-
Net Deferred Tax Liability	54,972,883	51,149,416

3.9 Disclosure of interest in Joint Venture as per AS 27

The Company has the following joint ventures as on March 31, 2011 and its percentage holding is given below:

% voting power held

Sr. No.	Name of the Company	Country of Incorporation	As at March 31, 2011	As at March 31, 2010
1	Impact Automotive Solutions Private Ltd. (JV with Bharat Forge Ltd.)	India	50%	Nil

The proportionate share of assets, liabilities, income, expenditure, contingent liabilities and capital commitment of the above joint venture company included in these consolidated financial statements are given below:

Particulars	As at March 31, 2011	As at March 31, 2010
Assets:		
Capital Work-in-Progress	12,959,786	Nil
Cash and Bank Balances	16,881,789	Nil
Loans and Advances	2,696,981	Nil
Profit and Loss (Debit Balance)	317,199	Nil
Liabilities:		
Current Liabilities	2,786,452	Nil
Provisions	19,303	Nil

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Income:		
Interest Received	280,972	Nil
Expenses:		
Auditors' Remuneration	30,333	Nil
Preliminary Expenses	68,035	Nil
Share Issue Expenses	424,303	Nil
Profit/(Loss) before tax	(241,699)	Nil
Taxation	75,500	Nil
Profit/(Loss) after tax	(317,199)	Nil
Contingent Liabilities	Nil	Nil
Capital Commitments	Nil	Nil

3.10 Provisions

The details of provision and movement in each class of are as follows -

1) **Provision for Variable Pay**

The annual salary of eligible employees comprise of a performance based payment, for which provision is made in the books. Such amount is paid to employees on the basis of employee's performance and additional criteria as decided by the Management.

The movement of such provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	170,286,265	129,210,238
Additional Provision made during the year	487,805,031	451,101,164
Amount Paid/Utilized during the year	345,940,622	174,098,086
Unused amount Reversed during the year	98,685,849	235,927,040
Carrying amount as at the end of the year	213,464,826	170,286,265

2) **Provision for warranty obligations**

The Company has an obligation by way of warranty to maintain the software during the period of warranty, which may vary from contract to contract, from the date of sale of license of Software to Tier 1 suppliers. The movement in the said provision is as under:

Particulars	FY 2010-11	FY 2009-10
Carrying Amount as at the beginning of the year	7,895,000	6,383,000
Add: Addition on acquisition	-	4,465,000
Additional Provision made during the year	276,000	Nil
Amount Paid/Utilized during the year	Nil	Nil
Unused amount Reversed during the year	Nil	2,953,000
Carrying amount as at the end of the year	8,171,000	7,895,000

4. Other Disclosures and Explanatory Notes:

a) The Company entered into 50:50 Joint-Venture agreement with Bharat Forge Limited during the current year. Pursuant to the joint venture agreement, a joint venture company in the name of Impact Automotive Solutions Private Limited has been incorporated. Capital raised by both the partners in this Joint Venture is ₹ 60,100,000/-.

b) On October 1, 2010, the Company, through its wholly owned subsidiary, KPIT Infosystems Inc. USA, has acquired 100% shares of CPG Solutions LLC, USA, a provider of premium Oracle Consulting services to manufacturing and supply chain companies for an upfront consideration of USD 6,000,000. The agreement is for a total consideration of $13,200,000 which includes an upfront payment of USD 6,000,000 and a milestone based consideration of USD 7,200,000. The payment of milestone based consideration is based on the achievement of the performance target set forth in the agreement over the performance period which commences on October 1, 2010 and ending on October 1, 2012.

c) During 2009-10, KPIT Infosystems Inc. USA, had acquired 100% shares of Sparta Consulting Inc, USA (California based SAP solutions Firm) for initial merger consideration of USD 8,000,000 and the same is a wholly owned subsidiary of KPIT Infosystems Inc., USA. KPIT Infosystems Inc. USA shall pay Additional Merger Consideration to the equity holders of Sparta Consulting Inc. aggregate amount not exceeding USD 24,000,000. The payment of additional merger consideration is based on the achievement of the performance targets set forth in the agreement over the performance period which commences on January 1, 2010 and ending on December 31, 2012. KPIT Infosystems Inc., USA will also pay Deferred Merger Consideration on the second anniversary of the Closing Date, not exceeding an amount of USD 2,000,000.

d) On October 1, 2010, the Company, through its wholly owned subsidiary, KPIT Infosystems Ltd. UK and step subsidiary KPIT Infosystems GmbH Germany, has acquired 74% shares of In2Soft GmbH, Germany, vehicle diagnostics and telematics specialist in German market for consideration of EUR 1,700,000. In accordance with the terms of the acquisition agreement, the balance stake of 26% of In2Soft GmbH would be acquired by KPIT with effect as of March 1, 2012 for a consideration of EUR 800,000.

The previous year's figures have been regrouped/rearranged, wherever necessary to conform to the current year's classification.

Signatories to Schedules I to XV

For and on behalf of Board of Directors

Anil Patwardhan
Vice President &
Head - Corporate Finance & Governance

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

Pune
April 25, 2011

Sandeep Phadnis
Company Secretary

Kishor Patil
CEO & Managing Director

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	KPIT Infosystems Limited, UK	KPIT Infosystems Inc., USA	KPIT Infosystems GmbH, Germany	KPIT Infosystems Inc (a.k.a. Solvcentral .com), USA	KPIT Infosystems France SAS (Formerly Pivolis SAS)	Sparta Consulting Inc., USA	Sparta Infotech India Pvt. Ltd., Noida	CPG Solutions LLC , US	In2soft GmbH, Germany
Financial Year of the Subsidiary Company	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011	Ended on March 31, 2011
Holding Company's Interest	100%	100%	100% (through KPIT Infosystems Ltd.,UK)	100%(through KPIT Infosystems Inc.,USA)	100%	100% (through KPIT Infosystems Inc., USA)	100% (through Sparta Consulting Inc.,USA)	100% (through KPIT Infosystems Inc.,USA)	74% (through KPIT Infosystems GmbH, Germany)
Number of Shares held by KPIT Cummins Infosystems Limited in the Subsidiary Company	5,717,170 Ordinary shares of 1/- GBP each	10,892 Ordinary Stock at par	2 Share of Nominal Value Euro 20,000 & Euro 30,000 respectively (held through KPIT Infosystems Ltd., UK)	2,550 Share of Nominal Value USD 1 each (held through KPIT Infosystems Inc, USA)	100,000 Shares of Nominal value of Euro 1 each	5,105,200 Equity shares of Nominal Value USD 1 each (held through KPIT Infosystems Inc., USA)	5,487,890 Equity shares of Nominal Value ₹ 10 each (held through Sparta Consulting Inc., USA)	780,000 shares of USD 1 each (held through KPIT Infosystems Inc. USA)	50,000 shares of Euro 1 each (held through KPIT Infosystems GmbH, Germany)
The net aggregate of Profit/(loss) for the current financial year of Subsidiary Company, so far it concerns to the members of the Company:									
Dealt with in accounts of Holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Not dealt with in the accounts of Holding Company	Loss: GBP 240,087 Loss: (PY GBP 87,837)	Loss : USD 705,358 Profit : (PY USD 266,167)	Profit : EUR 271,048 Loss: (PY EUR 270,095)	Loss : USD 595,845 Loss: (PY USD 13,977)	Profit : EUR 20,214 Profit : (PY EUR 91,790)	Profit : USD 2,621,107 Profit : (PY USD 402,150)	Profit : ₹ 111,222,404 Profit : (PY ₹ 3,459,625)	Profit : USD 1,022,288 Nil	Profit : EUR 121,427 Nil
The net aggregate of profit/(loss) for the previous financial years of the Subsidiary Company, so far it concerns to the members of the Holding Company:									
Dealt with in the accounts of Holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Not dealt with in the accounts of Holding Company	Loss : GBP 883,210 Loss : (PY GBP 643,123)	Profit :USD 500,578 Profit :(PY USD 1,205,936)	Loss : EUR 372,232 Loss: (PY EUR 643,280)	Profit: USD 203,842 Profit: (PY 799,687)	Profit: EUR 264,939 Profit: (PY EUR 244,725)	Loss : USD 2,552,566 Loss : USD 5,173,672	Profit : ₹ 141,211,397 Profit : ₹ 29,988,995	Profit : USD 2,429,094 Nil	Profit : EUR 486,704 Nil

For and on behalf of the Board of Directors

Pune, April 25, 2011

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

Consolidated financial statement of Subsidiaries - 2010-11

(Amount in ₹ Million)

Sr. No.	Name of the Subsidiary	% of Holding	Share Capital	Reserves & Surplus	Total Assets	Total liabilities [excl. (3) & (4)]	Investment (except in case of investment in subsidiaries)	Sales	Other Income	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend (incl. dividend tax)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	KPIT Infosystems Limited, UK	100%	430.05	(82.68)	716.24	368.87	-	788.33	(20.70)	(36.42)	-	(36.42)	-
2	KPIT Infosystems Inc., USA	100%	1,114.57	(9.86)	1,998.68	893.97	-	3,763.04	(30.57)	(14.66)	50.47	(65.13)	-
3	KPIT Infosystems France SAS, (formerly Pivolis SAS.)	100%	6.32	16.75	280.97	257.89	-	325.99	0.56	1.17	(0.05)	1.22	-
4	KPIT Infosystems Inc.,(a.k.a. Solvcentral.com), USA (a)	100%	0.12	9.10	7.27	(1.95)	-	74.84	0.00	(25.81)	1.36	(27.17)	-
5	KPIT Infosystems GmBH, Germany (b)	100%	154.94	(23.54)	316.27	184.87	-	555.45	(0.15)	16.36	-	16.36	-
6	Sparta Consulting Inc., USA (c)	100%	227.95	(113.97)	539.56	425.58	-	2,691.40	-	123.14	3.64	119.51	-
7	Sparta Infotech India Pvt. Ltd., Noida (f)	100%	54.88	141.21	209.12	13.03	-	304.73	(4.97)	109.23	(2.00)	111.22	-
8	CPG Solutions LLC, US (d)	100%	34.83	108.46	200.12	56.84	-	337.21	-	46.61	-	46.61	-
9	In2soft GmbH, Germany (e)	74%	3.16	30.78	62.64	28.70	-	99.19	0.74	14.15	6.82	7.33	-

a) 100% owned by KPIT Infosystems Inc., USA
b) 100% owned by KPIT Infosystems Limited, UK
c) 100% owned by KPIT Infosystems Inc., USA
d) 100% owned by KPIT Infosystems Inc., USA
e) 74% owned by KPIT Infosystems GmbH, Germany
f) 100% owned by Sparta Consulting Inc., USA

Notice

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of KPIT Cummins Infosystems Limited will be held on Friday, the 8th day of July 2011, at 10.30 a.m. at KPIT Auditorium, SDB-II, 35 & 36, Rajiv Gandhi Infotech Park, Phase – I, MIDC, Hinjawadi, Pune – 411 057, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended as on that date together with the reports of the Directors and the Auditors thereon.
2. To declare dividend for the financial year ended March 31, 2011. The Board has recommended dividend @ 35 % [₹ 0.70 per equity share of ₹ 2/- each].
3. To appoint a Director in place of Dr. R. A. Mashelkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Bruce Carver, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Ms. Elizabeth Carey, who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

   "**RESOLVED THAT** M/s. Deloitte Haskins & Sells, Chartered Accountants, Regd. No. 117366W, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors in consultation with the Auditors."

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION:-**

   (a) "**RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s), who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, except an employee/director who is a promoter or belongs to the promoter group as defined in the SEBI Guidelines, options exercisable into not more than 25,00,000 (Twenty Five Lacs only) equity shares of the Company under ESOP 2006 Scheme of the Company, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one equity share of a face value of ₹ 2 each fully paid-up on payment of the requisite exercise price to the Company;

   RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any, additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 25,00,000 (Twenty Five Lacs only) equity shares shall be deemed to be increased to the extent of such additional equity shares issued;

   RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares upon exercise of options from time to time in accordance with the Employee Stock Option Scheme and such equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company;

   RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the scheme shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹ 2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees;

   RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said scheme(s) as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws;

   RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

   (b) "**RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the subsidiaries of the Company, existing or that may be created in future, including any Director of such subsidiary Company(ies), whether whole time or otherwise, or such other persons, as may from time to time be allowed under the prevailing laws, rules and regulations, and/ or amendments thereto from time to time, additional options exercisable into 750,000 (Seven Lacs Fifty Thousand only) equity shares of the Company out of 25,00,000 (Twenty Five Lacs only) equity shares mentioned in the resolution above, under one or more Employee Stock Option Scheme(s) in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one equity share of a face value of ₹ 2 each fully paid-up on payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the aforesaid ceiling shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares upon exercise of options from time to time in accordance with the Employee Stock Option Scheme(s) and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the scheme(s) shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹ 2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other applicable laws.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

By Order of the Board of Directors
For **KPIT Cummins Infosystems Limited**

Place: Pune
Date : April 25, 2011

Sandeep Phadnis
Company Secretary

NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. UNDER THE COMPANIES ACT, 1956, VOTING IS BY A SHOW OF HANDS UNLESS A POLL IS DEMANDED BY A MEMBER(S) PRESENT IN PERSON, OR BY PROXY, HOLDING ATLEAST ONE-TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTION OR BY THOSE HOLDING PAID –UP CAPITAL OF ATLEAST ₹ 50,000. A PROXY SHALL NOT VOTE EXCEPT ON A POLL. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will remain closed from, July 2, 2011 to July 8, 2011 (both days inclusive) for the purpose of Annual General Meeting and Dividend.

4. Members holding shares in physical form are requested to communicate immediately any change in address to the share transfer agents of the Company. Members holding shares in dematerialized form are requested to notify change in address, if any, to their respective Depository Participants (DPs).

5. Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their queries to the Vice President - Finance at anil.patwardhan@kpitcummins.com or to the Company Secretary at sandeep.phadnis@kpitcummins.com so as to reach at least seven days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent possible.

6. **SEBI has made it mandatory to distribute dividends through Electronic Clearing Service (ECS); now National-Electronic Clearing System (NECS). Members holding shares in electronic form may kindly note that their Bank account details, as furnished by their DPs to the Company, will be printed on their dividend warrants as per the applicable regulations of the DPs. Members are requested to notify change in their Bank account details, if any, to their DPs immediately and not to send the requests for the change in their Bank account details directly to the Company or to its Share Transfer Agent.**

   Members holding shares in physical form are requested to intimate to the share transfer agent of the Company under the signature of the sole/first joint holder(s), the following information to be incorporated on dividend warrants.

   i. Name of the sole/first joint holder(s) and the folio number.

   ii. Particulars of Bank account like name of the bank, name of branch, bank account number allotted by the bank, complete address of the bank with pin code.

7. Members are requested to:

   - quote Registered Folio numbers in their correspondence(s) to the Company.

- direct all correspondence related to shares to the Share Transfer Agent of the Company at Link Intime India Private Limited (Mr. Bhagwant Sawant) Block No. 202, Akshay Complex, Off Dhole Patil Road, Near Ganesh Temple, Pune - 411 001. Telefax: 91- 020-26053503 E-mail: bhagavant.sawant@linkintime.co.in or to the Registered Office of the Company.

- approach the Company for consolidation of folios, if shareholdings are under multiple folios.

- **bring copies of the Annual Report and the Attendance Slip duly filled in at the Annual General Meeting.**

- **take note that SEBI had included the securities of the Company in the list of companies for compulsory settlement of trades in dematerialized form for all the investors effective June 26, 2000. Accordingly, shares of the Company can be traded only in dematerialized form with effect from June 26, 2000. Members holding shares in physical form are, therefore, requested to get their shares dematerialized at the earliest.**

8. The certificate from Auditors of the Company certifying that the Company's Employee Stock Option Scheme, 1998, Employee Stock Option Plan, 2004 and 2006 are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and in accordance with the resolution passed at the general meeting(s) will be available for inspection by the members at the meeting.

9. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company Secretary at sandeep.phadnis@kpitcummins.com, or at the Company's registered office. Members are requested to note that dividends not en-cashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund (IEPF).

10. Register of Directors' Shareholding and Register of Contracts are open for the inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.

11. Members interested in availing transport facility are requested to register themselves at least five days before the meeting by contacting at sachin.chipade@kpitcummins.com or at +91 20 6652 5000 (Extn.: 5015).

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

[Pursuant to Clause 49.IV(G) of Listing Agreement with Stock Exchanges]

Item No. 3,4 and 5

Dr. R. A. Mashelkar, is deeply committed to the world of science and engineering, Dr. Mashelkar has been hugely instrumental in propagating a culture of innovation and balanced intellectual property rights regime for over a decade. Dr. Mashelkar is the President of Global Research Alliance, Chairman, National Innovation Foundation, Chairman – Marico Innovation Foundation, Chairman – Reliance Innovation Council and Chairman of Thermax Innovation Council. He was the third Indian engineer to have been elected as a Fellow of Royal Society(FRS), London and he was the first Indian President of the Institute of Chemical Engineers, UK and the first Indian Foreign Fellow of Australian Technological Science and Engineering Academy (2008). Twenty-eight universities have honoured him with honorary doctorates, which include Universities of London, Salford, Pretoria, Wisconsin and Delhi. Dr. Mashelkar served as the Director General of Council of Scientific and Industrial Research (CSIR).He was also the President of Indian National Science Academy (2005-2007). Dr. Mashelkar is a member of the HR & Compensation (Remuneration) Committee of the Company.

The details of his directorship and membership of committees in other Indian companies are as follows:

Sr. No.	Name of the Company	Nature of Interest
1	Reliance Industries Limited	Non-Executive Director
2	Thermax India Limited	Non-Executive Director
3	Tata Motors Limited	Non-Executive Director
4	KPIT Cummins Infosystems Limited	Non-Executive Director
5	Sakal Papers Limited	Non-Executive Director
6	Hindustan Unilever Limited	Non-Executive Director
7	Vyome Bioscience Pvt. Ltd.	Non-Executive Director
8	ICICI Knowledge Park	Non-Executive Director
9	Piramal Lifesciences Ltd.	Non-Executive Director
10	IKP Centre for Technologies in Public Health (ICTPH)	Chairman Board of Directors Non-Executive Director

Sr. No.	Name of the Company	Nature of Committee	Whether Member/ Chairman
1	Tata Motors Ltd.	Audit Committee	Member
2	Hindustan Unilever Ltd.	Audit Committee	Member
3	Reliance Industries Ltd.	Audit Committee	Member

Dr. R. A. Mashelkar holds 12,000 Equity Shares (0.01% of paid-up Equity Capital) in the Company.

The Directors commend the ordinary resolution set forth as Item No. 3 of the Notice for the approval of the shareholders.

None of the Directors, other than Dr. R. A. Mashelkar, are concerned or interested in the proposed resolution.

Mr. Bruce Carver, is currently the Vice President and Chief Information Officer at Cummins Inc. Prior to joining Cummins, he was the Vice President and Global Chief Information Officer at Dana Corporation and served on the Executive and Operating committees. Mr. Carver began his career as a Management Analyst with the Office of the Secretary of the U.S. Army in Washington, D.C., where he served from 1985 to 1990. From 1990 to 1996, he served in a variety of positions - culminating in his role as Assistant Vice President, Business Applications with Household International, a Chicago-based Fortune 500 consumer finance company. Mr. Carver earned a Bachelor of Science degree in Finance from Virginia Tech and a Master's degree in Human Resources and Organizational Development from DePaul University in Chicago. In 2000, Mr. Carver was listed among the top 100 Information Technology Executives by Computerworld magazine. Mr. Carver is a member of the Information Technology Senior Management Forum, the Society of Information Technology, the Black MBA Association and the Project Management Institute. Mr. Carver is the member of the Quality Council Committee of the Company.

Mr. Carver does not hold any equity shares in the Company and does not hold any directorship in any Indian company.

The Directors commend the ordinary resolution set forth as Item No.4 of the Notice for the approval of the shareholders.

None of the Directors, other than Mr. Carver, are concerned or interested in the proposed resolution.

Ms. Elizabeth Carey, has been the Chief Technical Officer of Cummins Power Generation since January 2003. She has been responsible for leading a global and diverse engineering business group to deliver product meeting or exceeding cost, quality, and delivery requirements. Directly responsible for the advanced research and development work, ten-year technical plan, product development, and engineering functional excellence. Ms. Elizabeth is presently the Sponsor of the Power Generation Corporate Social Responsibility (CSR) where she draws on her long personal history of volunteerism to guide Power Generation's CSR focus. Ms. Elizabeth is also the Sponsor of the Women's Affinity Group at Power Generation. Ms. Elizabeth started her engineering career with the Aerospace Corporation in California for eight years, followed by five years with TRW Space and Defense. She joined Cummins Inc. in 1993 as the Director of Electronic Controls. In 1998, Ms. Elizabeth became the Executive Director for High Horse Power Engineering where she led the development of the natural gas engines and functional responsibility for HHP diesel and natural gas engine design and analysis. In addition to Engineering, Ms. Elizabeth has enjoyed a wide range of experiences including market studies, finance, purchasing and human resources throughout her career. Ms. Elizabeth has a B.S. in Mathematics and B.S. in Statistics from the California Polytechnic State University, San Luis Obispo and completed MS requirements in 1990 for Electrical Engineering-emphasis on controls from the California State University, Long Beach.

Ms. Elizabeth Carey does not hold any Equity Shares in the Company and does not hold any directorship in any Indian company.

The Directors commend the ordinary resolution set forth as Item No.5 of the Notice for the approval of the shareholders.

None of the Directors, other than Ms. Elizabeth Carey, are concerned or interested in the proposed resolution.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 7

The Company has floated two market based Employees Stock Options schemes (ESOP 2004 and 2006). The Company recognizes the talent and contribution of its employees and has been rewarding such employees by way of grant of ESOPs. In line with its strategy, the Company proposes to grant ESOPs to employees of the Company across all grades with an objective of reward and recognition and part ownership. For this purpose, it is proposed that an additional fresh pool equivalent to another 25,00,000 (Twenty Five Lacs only) options convertible into 25,00,000 (Twenty Five Lacs only) equity shares of ₹ 2/- each under the ESOP 2006 Scheme of the Company be created. Out of the additional 25,00,000 (Twenty Five Lacs only) equity shares, 750,000 (Seven Lacs Fifty Thousand only) equity shares of the Company will be granted to the employees of the subsidiaries of the Company.

The Directors commend the special resolution set forth as Item No.7 of the Notice for the approval of the shareholders.

None of the Directors are concerned or interested in the proposed resolution.

By Order of the Board of Directors
For **KPIT Cummins Infosystems Limited**

Place: Pune
Date : April 25, 2011

Sandeep Phadnis
Company Secretary

Notes

Notes

KPIT Cummins Infosystems Limited

Registered & Corporate Office: 35 & 36, Rajiv Gandhi Infotech Park, MIDC, Phase 1, Hinjawadi, Pune - 411 057, INDIA.

PROXY FORM

I/We .... of ...., being member(s) of the above named Company hereby appoint .... of .... or failing him/her .... of .... as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on Friday, July 8, 2011, at 10:30 a.m. at SDB II Auditorium, KPIT Campus, 35 & 36, Rajiv Gandhi Infotech Park, MIDC, Phase-1, Hinjawadi, Pune - 411 057, INDIA.

Signed this .... day of 2011

Folio No.	
DP ID No.	
Client ID No.	
No. of shares	

Affix Re. 1 revenue stamp and sign across it

NOTE:
Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and the proxy need not be a member. The proxy form duly completed should be deposited at the Registered Office of the Company, not later than 48 hours before the time for holding the meeting.

KPIT Cummins Infosystems Limited

Registered & Corporate Office: 35 & 36, Rajiv Gandhi Infotech Park, MIDC, Phase 1, Hinjawadi, Pune - 411 057, INDIA.

ATTENDANCE SLIP

(Please complete this attendance slip and hand it over at the entrance of the meeting venue)

I/We hereby record my/our presence at the Annual General meeting of the Company held on Friday, July 8, 2011 at 10.30 a.m. at SDB II Auditorium, KPIT Campus, 35 & 36, Rajiv Gandhi Infotech Park, MIDC, Phase-1, Hinjawadi, Pune - 411 057, INDIA.

Folio No.		Signature
DP ID No.		
Client ID No.		
Full Name of Shareholder (in BLOCK LETTERS)		
Full Name of Proxy (in BLOCK LETTERS)		Signature

NOTES:

1. Interested Joint Members may obtain Attendance Slips from the Registered/Corporate office of the Company.
2. **Members/Joint Members/Proxies are requested to bring the attendance Slip with them. Duplicate attendance Slips will not be issued at the entrance of meeting room.**

Corporate Leadership Team

Ravi Pandit	Chairman & Group CEO
Kishor Patil	CEO & Managing Director
Sachin Tikekar	Chief of People Operations & Executive Sponsor - Cummins Partnership
Pankaj Sathe	Global Leader - Business Development & Head SemiConductor Solution Group (SSG) SBU
Pawan Sharma	President & Head- Integrated Enterprise Solutions (IES) SBU
Anup Sable	Sr. VP & Head- Auto and Allied Engineering (A&AE) SBU
Lokesh Sikaria	CEO Sparta Consulting & Head SAP SBU
Anil Patwardhan	VP & Head- Corporate Finance & Governance

REGISTERED OFFICE, CORPORATE OFFICE AND SOFTWARE DEVELOPMENT CENTRE

KPIT Cummins Infosystems Ltd.
Plot No. 35 &36,
Rajiv Gandhi Infotech Park,
Phase 1, MIDC, Hinjawadi,
Pune - 411057, India
Phone: +91 - 20 - 6652 5000
Fax: +91 - 20 - 6652 5001

SOFTWARE DEVELOPMENT CENTRES

Shailendra Techno Park,
Plot #116, EPIP Zone,
1st Stage, Whitefield,
Bangalore East - 560 066, India
Phone: +91 - 80 - 6606 6000

Adarsh Prime Projects Pvt.Ltd.,
No 20 & 21, SEZ, Sarjapura Outer Ring Road, (Near Intel Campus),
Devarabesanahalli,
Bangalore-560103, India
Phone: +91 - 80 - 3028 7500
Fax: +91 - 80 - 3028 7439

Regus Citi Centre,
Level 6, Chennai Citi Centre,
10/11, Dr.Radhakrishnan Salai,
Chennai - 600 004, India
Phone: +91 - 44 - 4221 8232
Fax: +91 - 44 - 4221 8222

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Uttar Pradesh, India
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Adams Lehman Strasse, 109,
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Fax: +49 -89 - 4623 583 19

Crimpage Corporation Building
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Fax: +812-379-1812

b) 9720 Cypresswood Dr,
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Houston, TX 77070
Phone: +1 - 281 - 720 0288
Fax: +1 - 281 - 720 0293

c) 30100 Telegraph RD, STE 366
Bingham Farms, MI 48025

d) 111 Woodmere Road, Suite 200,
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Phone: +1 - 916 - 985 0300

e) 1877, S. Federal Highway,
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Fax: +81 - 3 - 5205 2434

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Park - North Block 789 16th Road,
Randjesforntein, Midrand
1683, South Africa

South Korea
3-306 Eunma Apt.
Daechi-dong Gangnam-gu
Seoul 135-778 South Korea

SEZ Premises
KPIT Cummins Infosystems Limited
SEZ Unit, 3rd Floor, IT – 3, Flagship,
Rajiv Gandhi Infotech Park,
MIDC, Phase I, Hinjewadi,
Pune - 411057, India

DESIGN DIRECTIONS
www.designdirections.net