

# Transcending Geographies. Driving Innovation.

AUTOMOTIVE & TRANSPORTATION | MANUFACTURING | ENERGY & UTILITIES

ANNUAL REPORT 2011-12

# Board Of Directors

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

**Kishor Patil**  
CEO & Managing Director

**Sachin Tikekar**, Whole - time Director  
*(With effect from October 20, 2011)*

**Prof. Alberto Sangiovanni Vincentelli**, Director  
*(With effect from April 30, 2012)*

**Amit Kalyani**, Director

**Anant Talaulicar**, Director

**Bruce Carver**, Director

**Elizabeth Carey**, Director

**Lila Poonawalla**, Director

**Dr.R.A.Mashelkar**, Director

**Dr.Srikant Datar**, Director

**Sudheer Tilloo**, Director

**Cariappa Chenanda**, Alternate Director  
*(With effect from April 30, 2012)*

**Dwayne Allen**, Alternate Director  
*(Upto February 18, 2012)*

**Dinesh Castellino**, Alternate Director  
*(Upto April 30, 2012)*

**Mark Gerstle**, Alternate Director

**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
- HDFC Bank Ltd.
- The Hongkong and Shanghai Banking Corporation Ltd.
- Citibank N.A.
- Axis Bank Ltd.
- BNP Paribas
- Standard Chartered Bank
- ICICI Bank Ltd.
- DBS Bank Ltd.
- Kotak Mahindra Bank Ltd.

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# Letter from the Chairman and Group CEO

Dear Fellow KPites,

We closed yet another successful year for KPIT Cummins. Our performance was above our guidance. We were also recognized for the value that we added to our customers, partners as well as to the industries that we specialize in.

I am happy to bring to you glimpses of the year that we just closed and the drivers for our growth in the coming year.

## "The year that went by"

Our Company registered industry-leading performance in FY2012, while doubling revenue within two years since FY2010.

In FY2012, our top line grew by 52% in rupee terms and the bottom line grew by 54%. In dollar terms, revenue grew by 43% out of which 37% was organic. This performance was better than the initial guidance that we had given in April 2011 which was USD 275 Million to USD 285 Million in revenues and ₹ 1,150 Million to ₹1,200 Million in profits. Our profitability has improved during the year as we started with 12.5% EBITDA margins while our exit rate for the year was 16% EBITDA. These margins include SYSTIME which is at a lower profitability than the Company average. Excluding SYSTIME our EBITDA margin exit rate was closer to 17%. The net profit also increased and our EPS grew by 47% while our Return on Equity improved from 19.1% to 22.09%.

During this year, we continued to focus on our core verticals, namely, Automotive, Transportation and Manufacturing which grew by 67% and Energy & Utilities which grew by 63%. Our aggregate growth was despite the fact that we sold off our non-core business of Diversified Financial Services and we also moved our semiconductor hardware business to another company in which we now hold a minority stake. The Company has always grown at a very high rate and we have been generating value for our shareholders with stock return CAGR of 29% since IPO while for last 10 years our stock return CAGR is 30%. During this year, we also issued bonus shares in the ratio of 1:1.

This year we have inducted Mr. Sachin Tikekar, Chief of People Operations and Executive Sponsor for Cummins engagement to our Board of Directors. Sachin is a founding member of KPIT Cummins and has played various leadership roles over the years. In the past, Sachin was Chief Operating Officer of our US operations, and was instrumental in building the Company's sales presence across US, Asia and Europe. We have also added Prof. Sangiovanni Vincentelli as an Independent Director to our Board. He is a professor with the University of California, Berkeley, Department of Electrical Engineering and Computer Sciences. He was a co-founder of Cadence and Synopsys, the two leading companies in the area of Electronic Design Automation. We are very excited to have Prof. Sangiovanni Vincentelli on our Board. This should significantly help us in bringing more innovative solutions to our customers.

Our focus on innovation and leadership in the areas that we work in fetched significant accolades and recognitions to the Company. Glimpses of the same are noted below:

The Company was awarded with the **2011 Wall Street Journal Innovation Award in the 'Transportation'** category. The award recognizes KPIT Cummins' commitment to advancing green and sustainable technology for automobiles. We won the **2012 SAP® North American Partner Impact Award for Momentum** and we have been recognized by SAP as fastest growing System Integrator in North America - **moved up from rank #49 in 2010 to #8 in 2011**. We achieved **Platinum Partner status in Oracle Partner Network** and this would

help us to differentiate ourselves in the Oracle solutions and services offerings and also give access to large deals. The Company is officially listed as a **compliant product supplier in GENIVI's website** for the In-Vehicle Infotainment platform. We are the first Independent Software Vendor company to achieve this.

On the internal operations front the Company received several honors. Mr. Shrikant Kulkarni, CIO, KPIT Cummins was selected amongst the **top 50 most respected CIO's in India**. SAP honored KPIT Cummins with **SAP ACE Awards 2011 "BEST - RUN End to End Business Process"**. The Company won the **EMC Cloud Pioneer Award 2011**, for early adoption, coverage, size and maturity of cloud deployment at KPIT Cummins. Mr. Anil Patwardhan, VP and Head Corporate Finance & Governance, was awarded with **"Recognition of Excellence"** at CFO India's 2nd Annual CFO 100 Roll of Honor. He received the award for **"Winning edge - in Mergers & Acquisitions"**.

## "The year ahead"

We are living in an uncertain world. While the US seems to have moved away from the precipice, Europe seems headed towards it, the social and political tensions created by the underlying economic factors seem to be taking a toll. The growth in China is slowing down and India is certainly faltering. In my opinion, the challenges in the developed world are largely driven by a wave of technological changes that seem to be sweeping through the world. This wave is upsetting the existing industrial structures across nations and thereby creating economic volatility leading to social tensions. The technological changes are driven by increasing energy prices, concern about climate change and are powered by significant disruptive technological advances in biology, nanotechnology and more than anything else, Information and Communication Technology (ICT).

ICT has significantly changed many industries in the last decade. Banking has changed enormously. Other digital-content industries are now driven largely by software companies - witness book-publishing being led by Amazon, telecom by Skype, Videoservices by Netflix and so on. While till recently the change was restricted to "bits and bytes industry", the change is now also happening in the "atoms" or physical-world industry.

The three core industries with which we are deeply concerned are in for a significant transformation.

I believe the automotive industry will change more in the next 30 years than it has changed in the last 100 years, when model T was introduced. Increasing amount of electronics in every sub-system in the car, increasing electrification, autonomous vehicles, active & vibrant infotainment, GPS, vehicle-to-vehicle connectivity and so on, are all changing the degree of information content in a car. Shared and multi-modal mobility will create an envelope of connectivity between the car and the rest of the environment - we have already started seeing new mobility business models like zip- car or car- to- go.

Similarly, when it comes to manufacturing, a new technology revolution is being brought in by 3D printing, collaborative manufacturing across the globe, rapid proto-typing as well as robotics, all of which can change the face of conventional manufacturing. This would mean a big change enabling mass customized manufacturing, distributed manufacturing as well as more energy-efficient and resource-efficient manufacturing. As you can see, these changes will be largely led by the ICT.

The scenario with the Energy & Utility industry, which is our third focus vertical, is no different. By virtue of advanced sensor technologies



and smart grid, it is undergoing major shifts. The implementation of ICT can bring about more efficient generation, distribution and consumption of energy.

We believe that all these changes would lead to a cleaner, greener and better world, while providing immense growth and leadership opportunities to flexible, ambitious and innovative software companies such as ours. Despite the gloom that seems to be pervading the world, we are not only very optimistic about the future, but we also believe that we can benefit from this future by staying focused on our mission of becoming the first choice for each of our stakeholders.

To deliver on our aspirations and stakeholders' expectations, our key thrust areas for the current year will be as follows:

1. **People** - Attraction, development, retention and growth of the right kind of people is one of our key focus areas. We have built and are implementing programs such as, PACE (fresher hiring program by mapping key colleges and universities to our focus practices), LEAP (leadership development program for middle management), ELEVATE (fast growth program for high potential and high performance candidates), SHINE (employee engagement and organizational connect program), PROMS (certification programs for regular upgradation of skilled professionals) and mentorship to support our people goals. You will read more about these initiatives in the letter by my colleague, Kishor Patil, MD & CEO.
2. **Innovation** - We have identified innovation as a strategic focus area that will provide us sustainable competitive advantage. Over the last two years, we have been investing in fostering innovation at KPIT Cummins and we will continue to do the same in the coming year. During FY2013, we will focus on monetization of patents that we have filed, further perpetuation of our initiatives to nurture innovative mindset among employees and towards the creation of a global innovation ecosystem which will transcend beyond the boundaries of the Company. We would focus on product initiatives, which will bring us non-linear growth and help us improve our profitability as we grow rapidly.
3. **Profitable Growth** - Apart from our focus on three core verticals and continued development in the three strategic business units (SBUs), we shall work on building newer propositions that can enhance value for our customers. We are working toward making "value-harvesting" a key tenet of our collaborative growth in future years. We will consciously create, quantify, measure and monitor value that we create for our customers and partake in

it. We have formed a separate Business Transformation Unit which will enable us partner with customers in strategizing and executing transformational business programs by leveraging information technology.

4. **One KPIT Experience** - Over the years, we have grown at a fast clip. The growth has been driven by fast organic growth across SBUs as well as through mergers & acquisitions. As a result of these factors, our growth has been diverse and therefore it has become imperative for us that we make focused investments to create a single well-defined corporate persona manifested in the behavior across all KPIT Cummins units. This year we would focus on creating "One KPIT Experience" both for our customers as well as our employees. We will run a number of campaigns towards this corporate initiative. We will make our Global Account Management processes more cohesive and disciplined, thereby helping customers derive benefits of our combined expertise.

I believe these actions will bring value to our customers and employees and support faster growth of the Company.

On the back of our current business visibility and the initial results of our above mentioned initiatives, we have guided for a top line of USD 408 Million to USD 418 Million and bottom line of ₹1,670 Million to ₹1,740 Million, i.e. a total growth of 32% to 35% and organic growth of 22%. This is a bit aggressive considering general despondent mood across the globe, but with our focus and leadership in key areas, we are hopeful of reaching this goal.

At the same time, our vision for the Company is broader and bigger. We would like to reach a run rate of USD 500 Million by end of FY2013 and aim to reach the goal of USD1 Billion in revenue with 18% EBITDA Margin, by the end of 2017.

I believe the future holds immense opportunities for us and our team has the competence and ambition to convert these opportunities into prosperity for all of us.

Thank you for your continued support through the years.

Warm Regards,  
Sincerely yours,

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

## From the CEO and Managing Director

Dear Stakeholders,

We are happy to report industry leading growth during last year led by greater differentiation, closer collaboration across the organization, sharper focus on pre-defined industry verticals and larger deals. Last year we have also made a strategic investment in SYSTIME which is the largest JD Edwards solutions and services provider to global corporations in the manufacturing and energy space. We have also added 14 new key customers during the year with total active customer base of 169 and we have 59 customers with revenue run rate of more than USD 1 Million as compared to 40 customers as on FY2011. Our average deal size has increased last year as we have won large deals in the range of USD 15 Million-USD 20 Million and this has been possible due to our focused industry approach. We have been able to expand operating margins across the business units. However our net cash generation has been lower with cash balance of ₹ 1,837.68 Million last year against ₹ 2,556.50 Million in FY2011 due to higher working capital needs on account of high growth and payments related to the earlier acquisitions.

### BUSINESS UPDATE

#### INTEGRATED ENTERPRISE SOLUTIONS (IES) SBU:

In IES SBU, we offer transformational Enterprise consulting, ERP implementation and follow-on support and e-Biz offerings across our focused industry verticals i.e. Automotive & Transportation, Manufacturing and Energy & Utilities. IES SBU contributes 40% to the total revenue share and last year it has grown by 57%. We have consolidated SYSTIME financials for last quarter of the year. We have won new customer deals worth cumulative value of USD 60 Million+ during the year. Our SYSTIME investment has definitely helped us to expand and strengthen our Oracle services portfolio to include JD Edwards and achieve the platinum partnership of Oracle.

We are the third largest partner to Oracle in North America in Industrial Manufacturing and the eighth largest partner across industries. We have also achieved a very significant Oracle Partner Network milestone by successfully completing Oracle's five advanced specializations and 20 specializations.

In line with our strategy to focus on Automotive, Manufacturing and Energy & Utilities industries, we have, over the years, not invested adequately in Diversified Financial Services (DFS) business. In the interest of our customers and DFS employees, we have agreed to transfer the existing DFS customer contracts along with corresponding account management to Infracore Technologies. Majority of the customer accounts along with corresponding account management and delivery teams have already been transferred to Infracore and the consideration is based on milestones spread over a period of time.

The current EBITDA margin for IES SBU including SYSTIME stands at 15%. At the time of acquisition, SYSTIME's EBITDA margin was closer to mid-single digit however by leveraging the operational efficiency measures we have been able to improve the operating margins to 10% at the closing of last year. We believe along with the growth in business volume and other available levers such as utilization improvement and change in the business mix as SYSTIME has large onsite presence which can be moved offshore, we can further expand the margins this year and drive it more closer to the sustainable EBITDA margin at around 17%-18% over the next few years.

#### AUTOMOTIVE & ENGINEERING (A&E) SBU:

A&E SBU primarily offers embedded software and automotive electronics related practices which caters to the high-end specialized engineering requirements of the automotive Original Equipment

Manufacturers (OEMs) and Tier I & II suppliers to these auto manufacturers. Our A&E SBU has grown by 50% as compared to FY2011 and its current share to the total revenue (including semiconductor business) is 29%. Last year we have won deals worth cumulative value of USD 50 Million+ and there had been good traction across all the practices like Powertrain, Infotainment, AUTOSAR, MEDS, Diagnostics and Telematics. As an extension of our relevant automotive related offerings, we are also working with the defense sector primarily with the R&D labs and we believe there is a strong growth potential in this segment with increasing requirement of advanced technologies.

We have achieved a significant development during the year as we became the first Indian company and the first Independent Software Vendor (ISV) globally to develop a GENIVI compliant In-Vehicle Infotainment (IVI) platform. This is a very key offering where we are working very closely with the OEMs as there is a growing need for GENIVI compliant IVI systems. With the convergence of consumer electronics and automotive products, it has become critical for automotive OEMs and Tier I's to accelerate innovation and integration of consumer technologies with the vehicles.

In our Semiconductor Solutions Group (SSG) SBU, we have decided to hive out the hardware design practice as a separate entity in partnership with Sankalp Semiconductor Pvt. Ltd. Sankalp is a key player for Analog Mixed Signal specializing in end-to-end solutions for IOs, analog and mixed signal chip design/layout. This will make it one of the largest practices in hardware design with best competence in Analog & Mixed Signal Design (AMS) area. Sankalp will provide the business leadership while it will leverage the stronger market presence of KPIT. However, the Software business of SSG will remain a part of our A&E SBU.

Another strategic update in A&E SBU was the acquisition of 20% strategic stake in GAIA Systems Solutions Inc. GAIA is a Japan based embedded software specialist company and this investment allows us to leverage the front end and direct access to Japanese OEMs and Tier I vendors as Japan is a key growth market for our automotive business.

In terms of profitability, our current EBITDA margin is around 20% for this business which is largely sustainable margin for this SBU. We have achieved this profitability after writing off R&D investment to the tune of approximately 2% of SBU's revenue which is a critical need to maintain our leadership and niche differentiation in the automotive domain.

#### REVOLO update:

During last year, as we have been running trials for quite few months on multiple cars of different models, we faced certain issues in the battery life cycle as we found it lower than what was warranted. To address this problem we started working with multiple manufacturers of lead acid and lithium ion batteries across India and abroad while internally we have also developed a battery testing equipment to optimize on battery usage and life. As a result of all these efforts we have been able to achieve the 2.5 years mark for useful life and performance of batteries.

As a next major milestone, we have started major trial project for conversion of 200 vehicles belonging to different fleet owners/ individuals into REVOLO fitted hybrid vehicles which would be running for a period of upto 6 months. We are also having positive discussions with OEMs/Tier I's. During last year we presented REVOLO at the Delhi Auto Expo 2012 and the response was overwhelming and very positive. Discussions with Government bodies related to approval for putting large number of vehicles on road and formation of rules and regulations for hybrid vehicles is progressing well.





## SAP SBU:

FY2012 has been one of the strongest years for SAP SBU as we registered significant growth of 57% while its revenue contribution increased to 31%. In SAP we offer transformational Core ERP implementation and support along with Business Intelligence and with special emphasis on Energies and Utilities. We are a key player for SAP in Energy & Utilities verticals mainly in the North America market however last year we have seen good business coming from across industries for SAP offerings. We have won new business with cumulative value of USD 100 Million in this SBU during the year. Through our unique proposition we continue to deliver higher value for our customers' investments and SAP recognizes our efforts as we recently won the **2012 SAP® North American Partner Impact Award for Momentum** and were recognized as fastest growing System Integrator in North America - **moved up from rank #49 in 2010 to #8 in 2011.**

In terms of new deal wins, last year we closed three deals in SAP which are more than USD 20 Million in size and these are from across industries while for one of the customer we would actually work across our two other SBUs — IES and A&E. We have won more than 6 deals this year with individual size of more than USD 5 Million and we see a good pipeline in the Utilities space. Since last 1.5 years we have been investing in the Small & Medium Enterprises segment (SME) to develop the front-end and solution capabilities and last year we got two customer engagements in SME however we were not able to achieve the expected business goals last year. SME market space is growing and large ERP players are making IP and people investment to capture this growth opportunity and we also see potential to build our pipeline by leveraging our investments.

Along with growth, we have also been able to improve the profitability in SAP as our current EBITDA margins stood at close to double digit from the break-even level during start of the year. Due to the above mentioned investments in SME segment, front end and development of productized solutions there had been a strain on the SAP margins as these investments were written off but leveraging the high business growth and revenue flow from these investments through customer wins, we have been able to improve the profitability as we moved along the year. We expect the margins to improve to a sustainable level of 16% over the next few years.

## PEOPLE INITIATIVES:

People Development was a key priority last year. We have aligned the individual performance of employees along with the strategic objectives of respective business units and with the organization's vision. The total employee net addition during the year was 1,405. We have been able to control the attrition challenge this year as attrition came down from last year's level of 30%+ to 20%. Since last two years we have increased the focus to add larger number of freshers. Our offshore utilization improved from 68.5% in FY11 to 72.6% in FY12 while onsite improved from 89.8% to 91.6%.

We have taken few key steps during last year to develop our people function and improve the capability and performance of our employees. Through SHINE initiative we are organizing various communication forums for our employees to ensure we Connect, Engage and Enable each one of us to relate not only to own roles but to a larger organizational landscape of Opportunities, Challenges and Achievements. This is a platform for the executive management team, function heads and practice/delivery heads to connect with one and all across the organization.

In view of our higher growth potential, we would like our people practices to attract best talent for specialized practices. With our academic program, PACE, we are developing a closer connect with selected colleges across India and globally for each of the practice areas. We work with the students and professors to design the

curriculum and get involved with them through facilitation of different industry guest lectures, live project workshops and internships throughout the year. This year we have added Indian colleges like RVCE Bangalore, VIT Vellore, MIT Manipal to name a few while we are also working with international colleges like University Paul Sabatier (France), MIT & Purdue University (USA) and RWTH Aachen University (Germany) among others.

As part of our Learning organization, we have taken initiatives to introduce two new programs which would be focusing on the mentoring and development of high potential employees for the next level of growth. One such program is ELEVATE which focuses on the senior leadership team while LIFT is another initiative started for the entry level management. Through PROMS (Project Management School) we are enabling quicker growth path for people with high skill set and potential and last year we also expanded the training base by inclusion of Mumbai and Delhi based employees. We have partnered with SkillSoft, a leading SaaS provider of On demand e-learning solutions to provide learning opportunities for employees across the global offices.

## INNOVATION AT KPIT:

Innovation in KPIT is being driven by three core areas — R&D for our customers; developing technologies based on R&D projects for key verticals and fostering the innovation culture to take benefit of new technology trends. We are working with customers on various projects to address issues which are major challenges in their relevant industries and we have come up with unique solutions to overcome such challenges and filing global patents. We are constantly exploring innovative ideas to develop technologies which can be then converted into patented solutions. Last year we have filed 7 patents taking the total number of patents to 38.

## GEOGRAPHY UPDATE:

Last year we saw good growth across all the three geographies as US & Rest of World grew by 57% and 53% respectively while Europe grew by 34%. We have set up subsidiaries in Brazil and Netherlands to strengthen our operations in these respective regions as we believe these are the upcoming markets for IT outsourcing and we are making required investments for developing the front end and delivery capabilities. The current growth in Europe is mainly out of Germany & Scandinavian markets while UK and France are bit more flattish. Among Rest of World, India, Japan & Korea are doing well for us while in China we have started working with two Chinese OEMs. Japan market would get further boost through the new investment in GAIA systems as we would get a Japanese front end team.

## LEADERSHIP TEAM UPDATE:

Mr. G.B. Prabhat has recently joined the Executive Management team as Principal-Business Transformation Unit. Mr. Prabhat is considered amongst the pioneers of off-shore consulting model, who went ahead to create the 'Second Generation Outsourcing' model.

Ms. Melissa Womack has been appointed as Global Head of Marketing. She is based in US and has 20 years of marketing leadership and corporate strategy experience in IT industry.

Ms. Sandria Miao has joined KPIT as COO — China Operations. Based in Shanghai, she would be leading the business development effort for SAP pursuits in China while also handling the entire operations of China business. She has worked for a long stint in US and China.

## INFRASTRUCTURE:

In order to enhance collaboration between our global teams and customers, we have implemented MPLS connectivity and High definition Video conferencing using Tele-presence facility across our 13 international and 7 India offices. This will enable us to connect

more effectively and cost efficiently with all employees and customers based across the globe. In Bangalore, we have consolidated our entire operations to Adarsh Tech Park SEZ with total area size of 1.2 lakh sq.ft.

During last year we became one of the first IT companies to set up private cloud infrastructure and revamped our critical network and security infrastructure. We have moved all corporate applications to private cloud bringing change in our infrastructure management to improve IT process and operational efficiency. On Private cloud, we have also migrated 800 users on Virtual desktop environment each having thin client. This has helped in improving operational efficiency, Information security, flexibility to work from anywhere and simplified compliance management.

#### CORPORATE FUNCTION UPDATE:

Within the organization, there is an increased focus on productivity improvement as we are analyzing measures to improve people productivity on a daily basis so as to generate better organizational level output. We invested into various automated tools and practices which are productivity management solutions designed to help organizations improve work output thereby increasing revenue, profitability and customer satisfaction through resource optimization.

#### BUSINESS OUTLOOK:

This year would be very important as we are creating a base towards our goal for USD 1 billion revenues by 2017 and we have identified the key steps which will help us to transform as a global organization.

- Focus would be the primary growth strategy as we want to establish domain expertise in Automotive & Transportation, Manufacturing and Energy & Utilities industry and develop offerings for customers across these industry segments and this would further help us to win large deals. To strengthen this focus we have been making investments in people and technology and we believe these investments would drive the growth.
- Last year we have won 3 large deals with size of USD 20 Million+ each which include PACCAR and two other deals in North America market. We would be working with PACCAR to set up its India Technical Centre in Pune.
- Customer mining would be very important as we are looking at building 50 accounts with USD 10 Million plus repeat revenues to create industry specific solutions and grow our global accounts significantly. This we can achieve through collaboration revenue, increasing annuity business and offering business transformation services.
- We want to build a One-KPIT experience for our customers which will be aligned to our philosophy of collaboratively growing business value for the customer. We would apply business transformation intent to as many engagements as possible, a consistent customer experience globally that spans across all of our capabilities & offerings and exploring innovative engagement models such as risk-reward based pricing.
- To maintain profitable growth we will work towards bringing changes in the business mix, increasing the offshore revenue component mainly in SAP and IES SBU by getting more support and maintenance business, driving EBITDA margins improvement at the SBU level through some of the above mentioned levers and the operational efficiency measures, leverage the employee pyramid base through freshers addition and increasing share of non-linear business.

We are excited about the future and the encouragement and enthusiasm that we see across the organization, we feel confident of our capabilities and our ability to grow in this challenging environment.

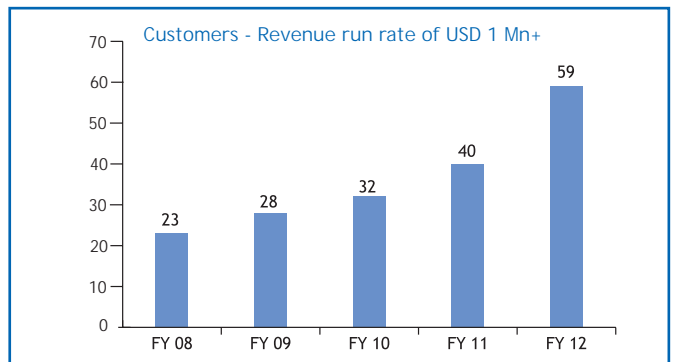
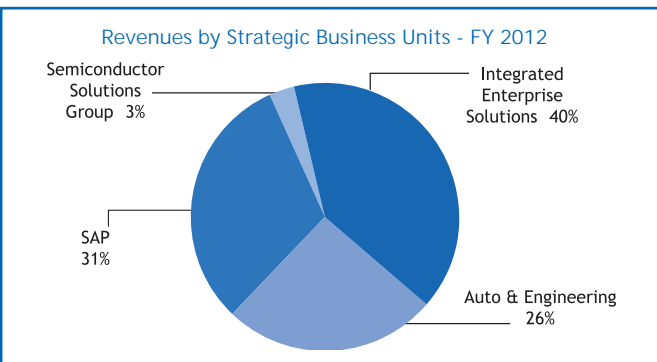
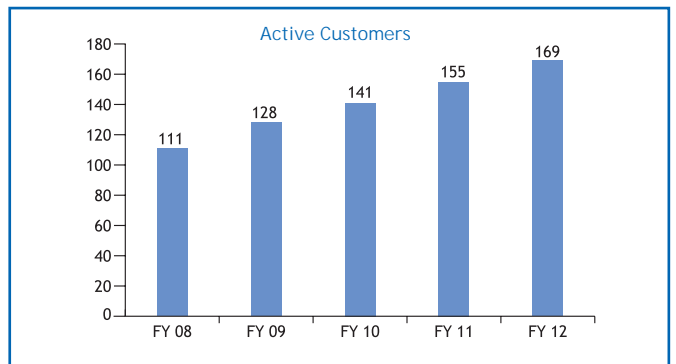
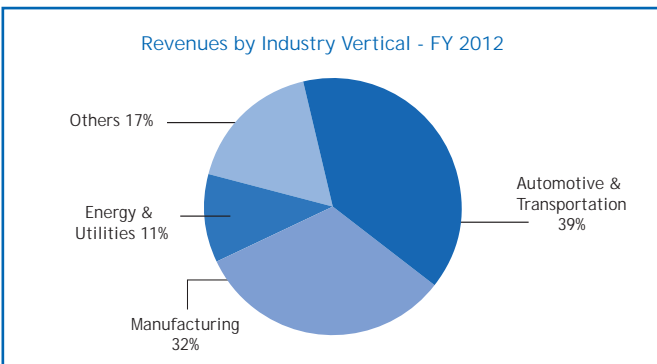
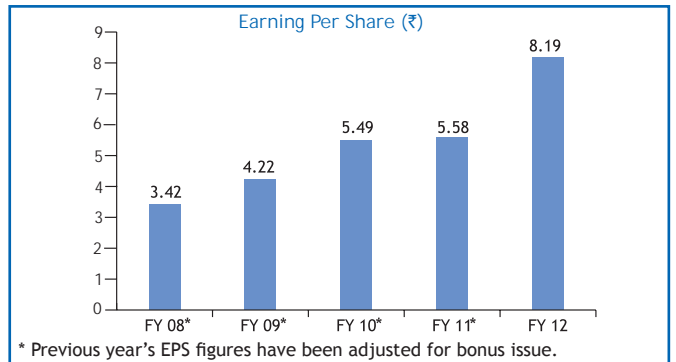
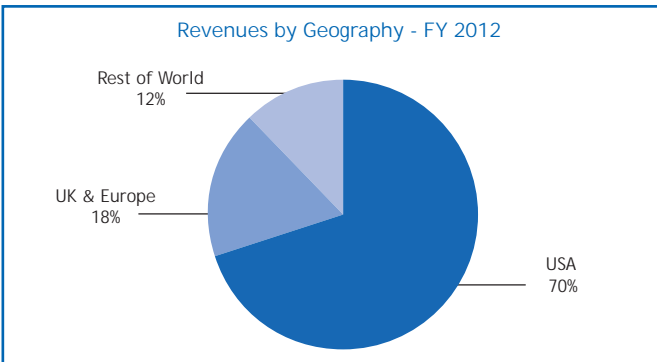
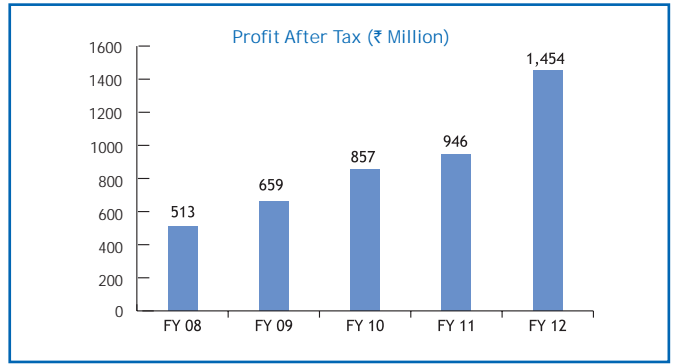
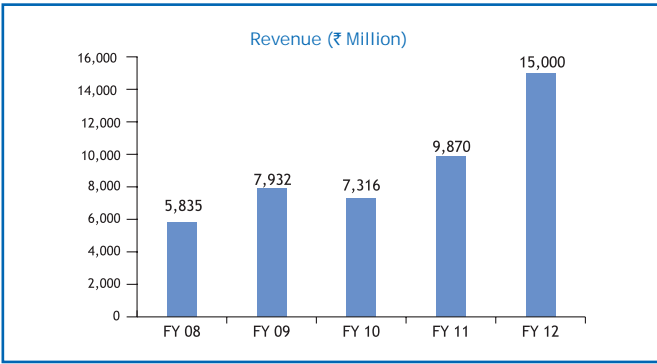
Warm Regards,  
Sincerely Yours,

**Kishor Patil**  
CEO & Managing Director

# Financial highlights

	₹ Million	
	FY 2012	FY 2011
<b>CONSOLIDATED INCOME STATEMENT</b>		
Sales (USD Million)	309.28	216.17
Sales	15,000.12	9,870.48
Gross Profit	5,065.69	3,622.34
EBITDA	2,165.76	1,484.22
Interest	73.24	37.79
Depreciation/ Amortization	444.86	411.25
Other Income	138.24	67.40
Profit Before Tax	1,886.35	1,102.58
Profit for the Period	1,453.54	945.82
<b>CONSOLIDATED BALANCE SHEET</b>		
Share Capital	355.89	175.73
Application Money	1.05	2.61
Reserves & Surplus	6,768.48	5,853.57
Total Shareholder's Funds	7,125.42	6,031.91
Loans	2,222.25	930.87
Minority Interest	326.01	8.73
Other Non- Current Liabilities	374.95	215.03
Other Current Liabilities	3,314.09	1,900.67
<b>Total Equity &amp; Liabilities</b>	<b>13,362.72</b>	<b>9,087.21</b>
Fixed Assets	1,852.69	1,579.80
Goodwill on Consolidation	3,622.54	1,299.91
Non- Current Investments	217.46	-
Trade Receivables	4,380.24	2,288.48
Cash and Cash Equivalents	1,472.98	2,079.99
Long Term Loans & Advances	617.20	755.05
Other Assets	1,199.61	1,083.98
<b>Total Assets</b>	<b>13,362.72</b>	<b>9,087.21</b>
<b>KEY RATIOS</b>		
Revenue growth	51.97%	34.91%
EBITDA Growth	45.92%	(8.07%)
Profit Growth	53.68%	10.32%
Gross Profit Margin	33.77%	36.70%
EBITDA Margin	14.44%	15.04%
PAT Margin	9.69%	9.58%
SG&A to Revenue	19.33%	21.66%
ROE	22.09%	19.10%
Return on Capital	17.55%	15.61%
Debt to Equity	0.26	0.22
Cash/ Total Assets	11.02%	22.89%
Earnings Per Share (₹)	8.19	5.58







# Management Discussion & Analysis

## Global Economic Scenario:

While the year 2011 was the year of recovery post the economic slowdown, 2012 was a year of mixed emotions. The year started on an encouraging note, continuing on the positive vibes of 2011. As the year progressed, clouds of uncertainty started looming over certain sections of the economy with lead macro indicators pointing towards a possible slowdown in the US economy and clear problems surfacing in the Euro zone. Thus from the middle of the year, the overall economic climate changed from the confident opening to a more cautious one. This continued on the same note throughout the remainder of the year. The Indian IT industry though, was a mixed bag with two traditionally larger IT outsourcing verticals viz. Banking & Financial Services (BFS) and Telecom displaying similar slowdown trends. On the contrary, verticals like Manufacturing, Automotive and Healthcare actually depicted increased IT spending. As a result the large Indian IT players, where BFS forms a major part of their business, reflected the negative sentiments, whereas the mid-size players focusing on the Manufacturing, Automotive or the Healthcare verticals showed progressive numbers and buoyancy in growth. These players also portrayed confidence for 'above average' growth in the near future.

Overall, the economic challenges have led corporations to redraft their IT policies and the benefits to be derived from IT outsourcing. Customers no longer intended to have IT outsourcing just as a cost arbitrage and efficiency improvement tool, but demanded business transformation and innovation as the focal point of IT outsourcing. This led the customers to work with the IT vendors on differentiated services and new business models like partnerships, business outcomes based pricing, profit sharing, pay per use, dedicated centres of excellence, IP sharing and so on. The thrust on innovation and the customer acceptance and adaptability of the same started happening at a faster pace than earlier. Imperatively, IT vendors who can fast acclimate with this phenomenon will lead the growth in the coming years.

## Industry Growth Estimates:

In calendar 2011, the worldwide spending for technology and services exceeded USD 1.7 Trillion, a growth of 5.4% over 2010. Software products, IT and BPO services continued to lead, accounting for over USD 1 Trillion - 63% of the total spend. Global sourcing grew by 12% over 2010, nearly twice the global technology spend growth.

The financial year 2012 is expected to be a landmark year for the Indian IT-BPO industry as the industry is expected to cross USD 100 Billion in aggregate revenues with the IT software and services revenue estimated at USD 88 Billion. Exports revenue is likely to reach USD 69 Billion, a growth of 16.3%. The ER&D, OSPD and software products segments are expected to generate exports of USD 13 Billion, a growth of nearly 14% over financial year 2011.

The IT exports are expected to grow 11%-14% in financial year 2013 while the domestic market is expected to grow faster at 13%-16%. New breakthrough technologies, innovation-centric approach, strengthening customer connect, deepening focus on new markets and adoption of new business models are some factors which will lead to this growth. Source: (NASSCOM SR 2012)

## Focus Industry Trends:

During the year we have seen growth across all our verticals and that has been primarily driven by the focus investments in technology, innovation and vertical specific solution creation.

The automotive industry has been registering good growth post recovery and auto companies are deeply focusing on delivering profitable & sustainable growth, operational & financial flexibility,

increased investments in new and futuristic technologies and capturing the market share in new high growth markets. The industry is going through a structural change due to issues like environmental challenges, growing urbanization and shifting consumer behaviour. There is a growing interest in alternative powertrain technologies like hybrid, electrification and alternate fuels. The transmission technology is being driven by the shift towards better fuel efficiency and stricter emission norms. New software design protocols and platform standardization initiatives are expected to grow as number of companies start adopting them. Cars are increasingly becoming a part of consumer's connected lifestyle and thus developing technologies & platforms for connected vehicles and new mobility service solutions is another key focus area of automotive innovation. Over the next few years, in-vehicle web connectivity would be a key criterion for vehicle purchases as consumers feel the need to extend their digital lifestyles into their vehicles and remain connected with other devices, businesses and outside world when they are on the move. Consumers in developed and developing economies have different mobility needs. Continued urbanization is likely to lead consumers in developed world to look for car availability and usage rather than car ownership, leading to newer business models like the Zip Car and Car To Go. While, developing economies' customers would want to buy more cars, demanding smaller but smarter cars. With increasing amount and complexity of software inside the cars, the need for architecture standardization and emergence of a Tier I Software vendor is gaining momentum. Besides green vehicles, governments are also promoting usage of safer vehicles with new technological developments like night vision and other advanced driver assistance safety systems. A new concept of 'driverless car' has been developed which can sense the environment and navigates on its own, thus addressing the rising safety concerns related to road accidents. Thus the Automotive Industry is witnessing a paradigm shift and will continue to do so in the coming years.

The global manufacturing environment is transforming as software and digitization will be running factories and manufacturing processes in the future. New concepts like 3D printing, collaborative manufacturing, increased use of robotics and social manufacturing through online communities, are revolutionizing this industry. Manufacturing makes up only about 11% of America's GDP, but it is responsible for 68% of domestic spending on research and development, indicating boosted spend on R&D and innovation by manufacturing firms. With the shift in demand markets, nature of products and complexity of supply chain systems, manufacturing companies are looking beyond the short term economic volatility and investing for the future. Manufacturing operations have to become more agile as processes across industries are fast replacing mechanical systems with more software controls. The investments made by manufacturers are to address key trends like data and analytical tools for better business performance assessment, collaboration & social networking software, enterprise applications to create connected environment and flexible business processes, social media and B2C applications to generate value propositions for end customers.

Globally E&U industry has been witnessing growth in the implementation of Information and Communication Technologies (ICT) as part of their modernization process, in both business and technology solutions and they will continue to make these investments in information, operational and consumer related technology solutions. In US, total ICT spending by utilities will reach USD 17 Billion in 2013 with CAGR of 9% over the five year period. Utilities are more focused on bringing in operational improvements and process efficiency, while addressing the impact of increasing compliance requirements. This trend is driven by a combination of internal needs arising from the increasing complexity of utilities business and also through the external opportunities created by technological innovation. E&U companies are therefore aligning their

IT investments with regulatory requirements, market restructuring, environmental concerns, customer needs and infrastructure reliability. This year ICT investments in E&U industry would broadly address - convergence of traditional IT (ERP, EAM, CRM) and operational technology (OT) applications (SCADA, Order Management systems); leveraging the social media platform for effective customer connect; development of energy storage technologies/ solutions which also impacts grid management and operational processes; mobile and location based technologies to remain connected with the field work force; cloud based technologies; effectively managing large amount of data generated by smart grid development which is driven by advanced IT and OT applications; management of energy load and usage during peak hours through programs such as Demand Response; Advanced Metering Infrastructure (AMI) technology to support meter data life cycle as they cover the entire phase from initial data storage to the final stage of providing consumption information to customers or IT applications.

(Source: Company Information and Independent Analyst Reports).

#### Our Strategy:

As we started financial year 2012, the key growth strategy for the Company was to strengthen the focus on specific industry verticals viz. Automotive & Transportation, Manufacturing and Energy & Utilities. Focus included delivering niche solutions for these industries, mining of selected customer accounts, winning large size deals, developing high quality people practices and establishing thought leadership. This strategy has helped us in registering strong growth during the year while also positioning us as a strong domain player in the industries that we operate in. In the below mentioned paragraphs, we have covered the initiatives and different steps taken by the respective Strategic Business Units (SBU) to drive this strategy.

In Integrated Enterprise Solutions (IES) SBU, Oracle is the key practice as we offer Consulting and core ERP implementation and other offerings in this eco-system which includes Business Intelligence (BI), Manufacturing Execution Systems (MES), JD Edwards (JDE), Oracle Transportation Management (OTM) and Supply Chain Management (SCM). Mobility applications have witnessed strong traction in the last year and we expect the trend to continue with growing requirement of mobility based solutions and services. To sharpen our focus on selected industries, during the year, we divested the Diversified Financial Services (DFS) business to Infracore Technologies.

At the beginning of the year, we invested 50% stake in SYSTIME, a leading JDE solutions & services provider which we increased to 57.5% by the end of the year. This has been a large and very strategic investment from the IES SBU growth perspective and the entire integration process has been on track as per the initial plan. Post sales integration, we have been exploring cross selling opportunities in existing customer accounts while the teams have been working together to acquire large value deals and we have been able to register some wins. Besides, we have also adopted various operational measures like consolidation of global offices, improving utilization mainly for offshore employees and exercising control on the recruitment of new employees which had contributed towards improving the profitability of SYSTIME.

Automotive & Engineering (A&E) SBU primarily works with the Auto Original Equipment Manufacturers (OEMs) and Tier I & II suppliers and the key practices within this SBU are powertrain, in-vehicle networking, body electronics, safety and chassis, diagnostics, infotainment and instrument clusters, AUTOSAR and Mechanical Engineering & Design services (MEDS). The growing requirement of embedded software and electronics in cars is driving the demand in this market and leading to new growth opportunities for the company. With our domain expertise and niche capabilities, we are working with the customers as their partners for full system projects and to create complete end to end solutions. Innovation, R&D Investments and development of

non-linear solutions has been an integral part of this SBU as most of the patents filed by the Company are for automotive related work areas. We organize various innovation forums and industry related events which involve participation of our employees and external eco-system partners and we leverage these platforms to explore ideas which have the potential to be converted into R&D projects for customers. We became the first Indian company and the first Independent Software Vendor (ISV) globally to develop a GENIVI Compliant In-Vehicle Infotainment (IVI) platform. This is a key OEM offering and there is a growing requirement for GENIVI compliant IVI systems. We are constantly putting in efforts to develop such non-linear offerings which would increase the IP based revenue share for this SBU. Our Semiconductor Solutions Group (SSG) SBU comprised of hardware business and software solutions. This year, we had hived of our Semiconductor Hardware Solutions business into a new company in partnership with Sankalp Semiconductors Private Limited. The software solutions business has been retained and merged with A&E SBU. This step was taken as part of our strategy to stay focused on the specific business areas and achieve leadership in those domains.

In SAP SBU, we witnessed good traction in Core ERP implementation, Business Intelligence (BI) & Analytics, Customer Relationship Management (CRM), Human Capital Management, Mobility and Application Maintenance & Support (AMS) projects. Energy & Utilities industry has been the growth driver for SAP business in the North American market and we are increasingly seeing traction in the two other core industries namely automotive and manufacturing. During the year, we achieved breakthrough in the Small & Medium Enterprises (SME) market as we closed few customer projects in this space. We have been able to scale up in terms of winning large deals in SAP as we have closed deals in the range of USD 10- 20 Million and the cumulative value of new deals won during the last year is worth USD 100 Million. As part of driving non-linearity in this business, we have been developing industry specific templated solutions targeting the midsize businesses across our focused industries. Currently we have 6 SAP certified solutions in US and 5 solutions for India market. These solutions can be deployed at effectively less cost and time as compared to traditional ERP implementations.

KPIT is focused on creating industry specific solutions for the focus industry verticals through Engineering and Business IT offerings. The recently formed Business Transformation Unit (BTU) aims to create holistic solutions and thus present a "One KPIT Experience" to the customer and all the stakeholders.

In terms of geography, US & Emerging markets have registered strong growth last year while in Europe we have seen growth in select markets like Germany for the automotive business. We have set up subsidiaries in Brazil and Netherlands to strengthen our operations in Latin American nations, Scandinavian and other European regions.

We have set the priorities for next year which includes People Development, Innovation, Profitable Growth and One KPIT Experience. We believe by achieving the strategic objectives for these priorities, we would continue to grow at a higher than industry pace over the next few years and move closer towards our vision of being a USD 1 Billion Company by FY2017.

#### FINANCIAL PERFORMANCE

##### Revenues:

In FY2012, we increased our guidance from USD 275 - USD 285 Million to USD 300 Million - USD 303 Million including SYSTIME revenues. However we exceeded our upward revised guidance as we closed the year with revenue of USD 309.28 Million, a growth of 43% as compared to USD 216.17 Million in FY2011, while in rupee terms revenue was ₹15,000.12 Million against ₹ 9,870.48 Million, a Y-o-Y growth of 52%. In the beginning of the year we made certain changes in the accounting

of revenues. The reimbursement expense billing has been netted off against the actual expenses while previously the reimbursement billing was accounted as revenue in revenues and as expense in the costs. The third party license sale amount now appear in revenues only to the tune of the margins on such sale (earlier the full sale amount used to appear as revenue and the cost of the license as direct cost). Amongst the customers, our largest client Cummins grew by 39% during the year while their revenue share for FY2012 was 21.5% against 23.5% in FY2011. Our Top 5 clients grew by 26.5% and the Top 10 clients' growth for the year was 28.2%.

	FY2011	FY2012	Growth
Sales in USD Million	216.17	309.28	43.06%
Sales in ₹ Million	9,870.48	15,000.12	51.97%
Onsite Revenues (₹ Million)	4,011.26	7,296.38	81.90%
Offshore Revenues (₹ Million)	5,859.22	7,703.74	31.48%

US geography revenue share during the year increased to 70% against 67.3% in the last year, which was largely contributed by the strong growth in our SAP business mainly in the North American market and one quarter consolidation of SYSTIME which has large part of revenue share from the US markets. In Europe the revenue contribution declined from 20.6% to 18.2% in FY2012 but the growth has been mainly in Germany for the automotive customers while UK & France were stable. APAC registered the second highest growth after US with 53% supported by India, Japan and Korea.

Revenues by Geography (₹ Million)	FY2011	FY2012	Growth
US	6,639.81	10,434.65	57.15%
UK & Europe	2,034.55	2,729.57	34.16%
ROW	1,196.12	1,835.90	53.49%

We have seen good growth across all the industry verticals and SBUs. IES SBU (including one quarter of SYSTIME consolidation) contributed 40% to the total revenue while SAP and A&E (including semiconductor business) contributed 31% and 29% respectively. SAP and A&E SBU were the key growth drivers for the year as we have closed few large value deals in the SAP business across different industry segments i.e. Utilities, Automotive and Manufacturing and the business traction still remains strong across the North American markets mainly in the utilities space. In Automotive, US and Emerging markets like India, Korea, Japan are doing well for us and we have also won few customer projects in the China market where we are expanding our footprint. In IES, along with SYSTIME we are working together to acquire large size deals while also leveraging the expertise in both Oracle and JD Edwards offerings to target cross selling opportunities in the existing customer accounts.

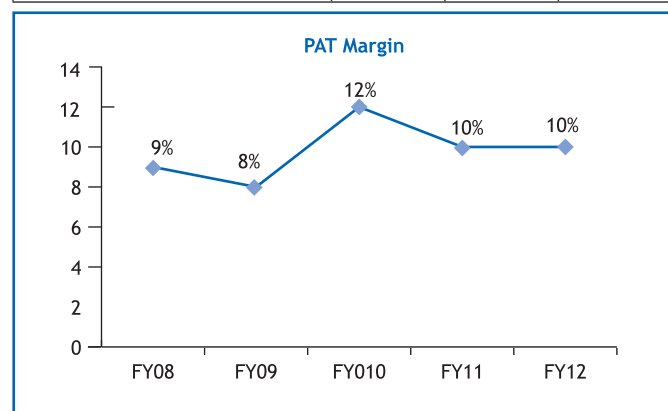
Revenues by SBU (₹ Million)	FY2011	FY2012	Growth
Integrated Enterprise Solutions	3,828.76	6,007.55	56.91%
Auto & Engineering	2,596.92	3,885.03	49.60%
SAP	3,011.48	4,720.54	56.75%
Semiconductor Solutions Group	433.32	387.00	(10.69%)

#### Profitability:

Our initial profit guidance for the year was ₹ 1,150 Million to ₹ 1,200 Million, a growth of 22%-27% while our reported Profit After Tax grew by 54% to ₹ 1,453.54 Million. PAT margin for the year marginally improved to 9.69% from 9.58% in FY2011. During the first quarter of FY2012 we had invested in SYSTIME, a leading provider of JDE Solutions & Services for 50% stake and by FY2012 end our holding in the Company

increased to 57.5%. The financials of SYSTIME have been consolidated only for one quarter (Q4) during the year. For the six months period (Q2 & Q3) we have added SYSTIME profit as Profit Share from Associate. There was also a component of exceptional item before the PAT figure which includes income from two different transactions. We hived off our hardware solutions part of Semiconductor Solutions business into a new entity with Sankalp Semiconductors Pvt. Ltd. and the income from this transaction has been accounted as exceptional item. KPIT hold 15% stake in the new entity where the business has been hived off. During the early part of the year we divested our Banking and Financial Services business to Infracore Technologies as a step towards enhancing the focus on our key industry verticals. The total consideration received from these two transactions during the year amount to ₹ 100.45 Million which has been added as exceptional item.

Profits (₹ Million)	FY2011	FY2012	Growth
EBIDTA	1,484.22	2,165.76	45.92%
PAT	945.82	1,453.54	53.68%



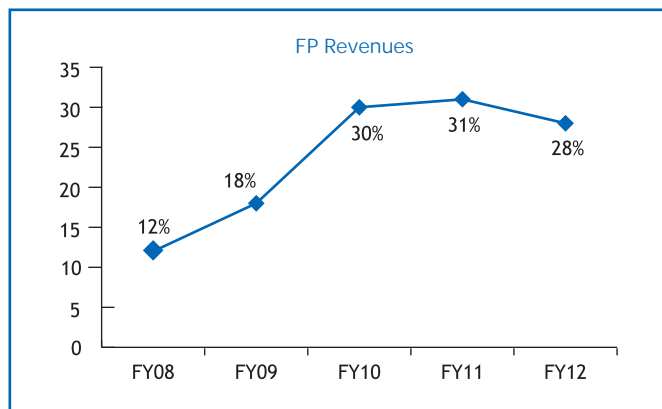
In terms of operating profit, our EBITDA margin for the year stood at 14.4% against 15% in FY2011, however during the year we have been able to improve the profitability as we started with 12.5% EBITDA margin while our exit rate for FY2012 was 15.84%. This improvement has been aided by better realization rate, leveraging the front end investments and execution of operational efficiency improvement levers.

We gave wage hikes to the tune of 13% for offshore and 4% for onsite employees effective April 2011 which created negative pressure on the margins. Our average realization rate for the year improved from ₹ 45.66/ USD in FY2011 to ₹ 48.50/ USD. Looking at the respective SBUs, in IES the EBITDA margin stood at around 15% including SYSTIME which operates at EBITDA margin of about 10%. Without SYSTIME, the margins in IES are closer to 17%+ and most of this margin improvement has come through the operational efficiencies as the growth rate was not very high in IES SBU. In A&E SBU, the exit EBITDA margin was 20%+ and these margins are post accounting for the R&D expenses which are largely done in this SBU. In SAP, we had been making certain investments for developing the front end team and the technology by creating industry specific templated solutions, specifically for the utilities vertical. Due to these investments SAP SBU started the year at break-even level while towards the closing of the year the EBITDA margins improved significantly to exit at close to double digit EBITDA.

#### Fixed Price Revenues:

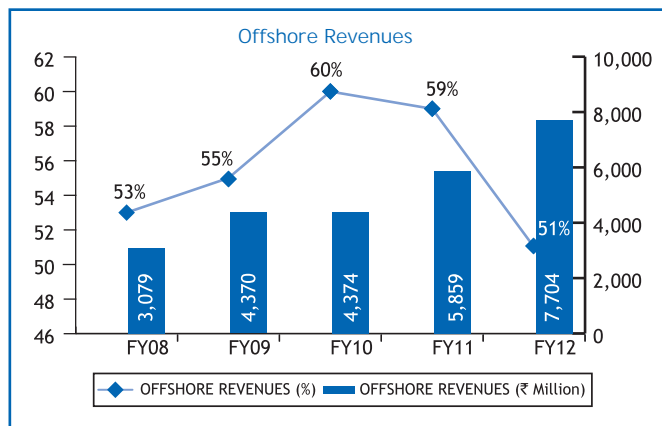
In Fixed Price Projects, the billing is done based on achievement of predefined milestones delivered in the specific timeframes as decided at the start of the project. Total Cost, Specifications and deadlines

for such projects are determined in advance. We have taken few steps to bring in productivity improvement which will strengthen our confidence to deliver fixed price projects. However this year there has been some fall in the FPP share of revenues as we have acquired large value implementation deals which are initially delivered as time & material based projects.



#### Offshore Revenues:

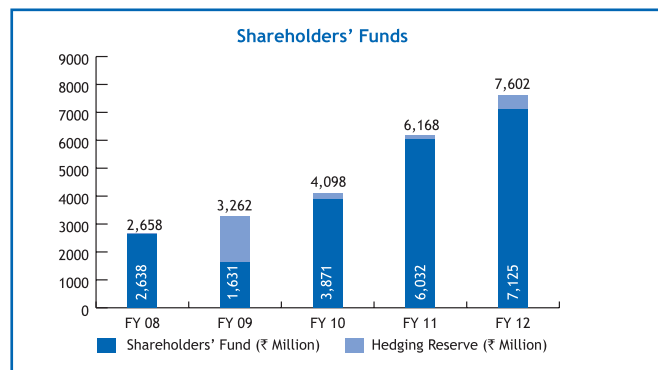
The revenues derived from services delivered to the customer from remote locations, eg. India are classified as offshore revenues. Our current onsite/offshore business mix is 49:51 as onsite revenue has increased during the year from 40.6% to 48.6%. This has been largely contributed by the significant growth in our SAP SBU which is primarily onsite business. We have won large value implementation deals during the year which would be onsite based implementations. We have also consolidated SYSTIME business which is again majorly driven by onsite revenues. Going forward we would like to increase our offshore revenue percentage by changing the revenue mix of these businesses towards offshore while also increasing the offshore component in the implementation projects.



#### Shareholders' Funds:

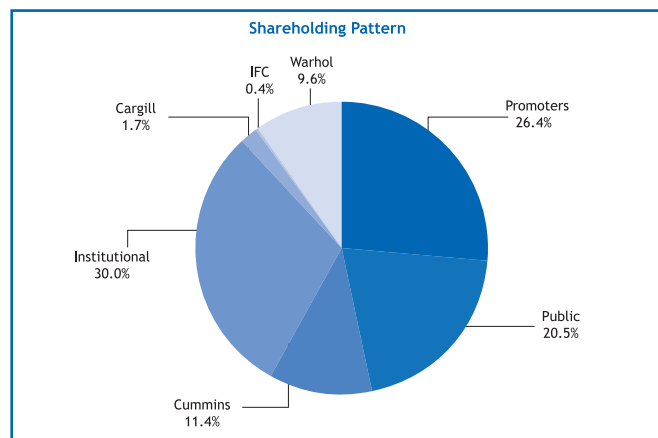
We are constantly working towards generating value for our shareholders and increasing the net worth of the Company. Hedging

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, 2012, the debit balance in hedging reserve was ₹477 Million as compared to ₹136 Million as at March 31, 2011.



#### Shareholding Pattern:

Our shareholders include Promoters, renowned domestic and financial institutional investors and individuals. As on March 31, 2012 our shareholding structure was as follows:



#### Institutional Holding of More than 1% as on March 2012

Domestic Institutional Investors	Foreign Institutional Investors
ICICI Prudential Life Insurance Company	Warhol Limited (Chrys Capital)
DSP Blackrock Mutual Fund	Acacia Partners (Ruane Cunniff)
SBI Mutual Fund	Government Pension Fund Global
Birla Sunlife Insurance Company	Mousseganesh Limited
Sundaram Mutual Fund	Altavista Capital India Fund

#### Liquidity:

As a company KPIT has been growing at a much faster rate as compared





to the average industry growth rates. During the year there is a significant quarter on quarter growth as evidenced in the quarterly revenues. In FY2012 Q1 we did revenues of USD 70.09 Million whereas the FY2012 Q4 revenues were USD 95.38 Million. Thus the growth of 36% in Q4 as compared to Q1 calls for larger investments in working capital which results in blockage of funds for working capital. The Cash Flow from Operations during the year was ₹ 1,004.53 Million as compared to ₹ 643.24 Million in FY2011. The DSO as of end of FY2012 stood at 76 days as compared to 65 days in FY2011, including SYSTIME DSO's which were significantly higher than the Company average.

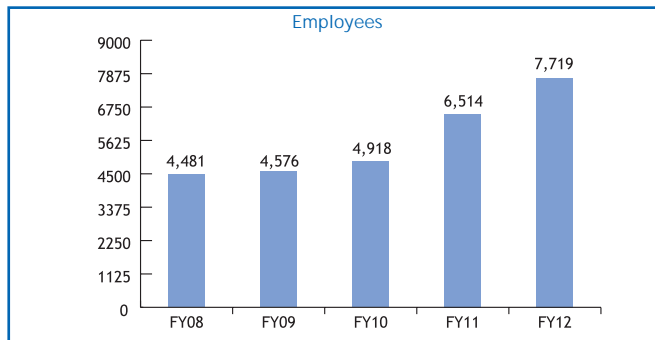
Liquidity is an important metric which we would like to certainly improve upon as we go into the next year. Having said that, we will be concentrating more on reducing the DSO and there will not be much concern if the operating cash flow gets blocked due to higher growth, as long as the collections are good.

**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 1,405 employees on a net basis including the 200 employees who were transferred as part of DFS deal and the 980 employees who got transferred from SYSTIME. The total headcount increased from 6,514 as on March 31, 2011 to 7,719 as on March 31, 2012. Since last two years we have been largely focusing on fresher additions as this will help us to expand our employee pyramid base and the trend will continue for next year also. All people development initiatives have been covered in detail in the Chairman and CEO & MD addresses.



**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

The environment in which the Company operates is strewn with various risks and is constantly evolving. Therefore, timely identification and management of the risks becomes imperative for the success of the Company. Based on the current business environment, the Company has identified the following risks as the top risks:

## Top risks being managed by the Company and the strategies for their mitigation

1. **Customer relationships:** Since we want to be a focused player in select verticals, we have to necessarily aim for leadership position in such verticals. This requires that we are engaged with the top customers in that vertical and in this context, managing these customer relationships becomes a critical success factor for our growth objectives. The Company continues to manage the customer relationships proactively and each major customer relationship is managed closely by an executive sponsor who is a member of the executive council.

2. **People cost and talent management:** The fast growth of the industry is expected to result in a scramble for attraction and retention of human resources, pushing up the cost of talent which may not be matched by the increase in the realizations from the customers. Immigration restrictions in key markets are also resulting in longer lead time for servicing the customers and higher costs.

Attraction and retention of top talent is also crucial for growth, particularly, for opening new customer accounts or for creation of new offerings. Our aggressive growth plans will also need a lot of home-grown talent to take up crucial positions within the organization in order to preserve and nurture the KPIT DNA. To address these risks, the Company has launched a number of initiatives aimed at retention of talent and grooming future leaders.

3. **Strategy based on focus, scale and business model:** Over-reliance on a single vertical (e.g. automotive) may make our business volatile or cyclical. Dependence on a few products (SAP, Oracle, etc.) also ties us to the fortunes of these products and the companies that own these products. On the other hand, too much of diversification has the potential to impair our competitive edge and may spread us too thin. The recent addition of Energy & Utilities and Government & Defence to the focus verticals is expected to mitigate this risk largely in addition to making our business less cyclical.

4. **Currency appreciation:** We derive more than 90% of our revenues in foreign currency and more than 60% of our costs are in Indian rupees. Any adverse movement in the foreign exchange rate will have a direct impact on our margins. The currency hedging policy of the Company can give us protection for two to four quarters only on a rolling basis beyond which we would continue to carry the currency risk which has to be managed through strategic and operational initiatives such as moving up the value chain, cost optimization, etc.

5. **Dependence on linear revenue streams:** Currently, almost all of the revenues of the Company are linked to the number of people we employ. This poses risks not only from the point of view of profitability but also from the sustainability perspective. With the kind of growth plans that the Company has chalked out, linearity of revenues may also raise scalability issues, particularly, in the context of shortage of skills in the marketplace. Development of non-linear streams of revenue is therefore being pursued as a strategy to counter this risk.

6. **Dependence on inorganic growth:** Over the years, the Company has followed a mix of organic and inorganic growth strategies successfully to achieve above-industry growth rates. However, the experience of majority of the companies with inorganic growth strategy has not been very reassuring and we are fully conscious of it. While we will continue to pursue inorganic growth opportunities selectively, we are aware that the risks concomitant to such pursuits will have to be managed even more proactively, particularly in the context of the size of the acquisitions and the geographies where these are done. Since most of the acquisitions, apart from the business risks that they bring along, also tend to be dilutive from the investor standpoint, maintaining good and above-average organic growth rates is an essential part of the mitigation strategy.

The last two risks detailed above were added during the last financial year. While new risks are being constantly identified and added, even in respect of risks already being managed, new risk metrics or parameters for their measurement, monitoring and management are being added based on the experience from managing these risks. The process is kept constantly evolutionary so that it stays relevant. Following is the process for managing the risks:

## Process for management of the risks

1. While risk management is an organizational and team activity, we are conscious of the fact that effective management of a risk will be possible only if there is a designated primary owner for each risk being managed. For each of the risks identified, there is a primary owner at the executive management level. This ensures that executive management attention is given constantly for each of the risks.
2. A more objective and metric-based risk management framework has been developed during the year with inputs from the executive management and the board of directors.
3. Management of the risks happens based on risk indicators or risk metrics, which in turn, are based on hard data. In order to keep this process current, relevant and focused, new metrics are added and some existing metrics dropped. For example, in the area of talent management, a new risk metric was added to track the quality of new personnel hired in addition to other metrics.
4. Risk indicators are being monitored on a continuous basis by the risk owners. The status of various risks, risk indicators and the 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 may dilute the effectiveness of risk management.
5. The status of risk management is also being presented to the executive council of the company 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 Initiatives

## Beyond Business

### Giving back to society

#### Our Philosophy

Creating a happy community around us, by way of giving back to the society has always been the philosophy of KPIT Cummins. As a result of this philosophy, "Community Contribution" has been an integral and important part of our value system and in order to spread the same vibes across hierarchies, all the initiatives are sponsored by the chairman's office. We at KPIT Cummins always believe that this contribution 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.

The aim within the organization is to involve energies and efforts of our people in Community Contribution. This year, the basic guiding principles for Community Contribution remained the same, at the same time one of the important goals was to penetrate and cultivate this value of ours, among our people.

In order to cultivate this important habit among our people, this year we introduced a unique initiative of "Company Induction @ an NGO". Under this initiative, every employee who comes on board now spends few hours actively with an NGO and contributes in various ways in "Giving back to the society".

In line with the guiding principles and the goals for the Community Initiatives, we were involved in various initiatives throughout the year. This year we also introduced various new initiatives, which helped us to involve more and more people to participate in the Community Contribution.

#### 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.

##### 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 the 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.

##### 3. Transportation:

At KPIT Cummins, we strive to create positive impact on the Transportation problems by supporting various Road safety and Traffic related initiatives.

In synchronization with our focus areas, following important initiatives were undertaken in this year.

#### Corporate Induction @ NGO place:

The objective behind this is to introduce the new joiner to

KPIT's community Contribution Value, at the entry stage itself and cultivate the habit of giving back to the society.

We introduced a visit to NGO in the "ARAMBH - Corporate Induction" program. Every batch of our new employees visit a NGO called Navkshitij - A Home for Mentally Challenged Adults. On similar lines, for our Bangalore location, we introduced a visit to "THAYIMANE-HOME FOR DESTITUTE CHILDREN".



*"We walked out with a smile on our faces from NGO place. We were touched by the warm welcome and the experience of community, joy and laughter. I realized that voluntary work is not a sacrifice, but a gain and is worth being considered"*

Barbara Bohley,

Designer A&E SBU

Chrysalis is the training program for our trainees who join us immediately after their graduation. We strongly believe that this is the right time to introduce this young blood to Community contribution as the energy level is very high.



The Chrysalis batch in Pune, this time was taken to Kalevadi village near 'Pavana Nagar'. The trainees planted saplings and also undertook various activities including cleaning and watering to maintain the existing verdure.

#### Executing Science Club in school:

Our education system does not encourage students to think beyond the textbooks and to understand that the presence of science and scientific principle is there in day to day life. At the same time some of the schools in and around Pune do not have science laboratories and equipments for better teaching. In association with Jana Prabodhini, we launched initiative called "Activating and strengthening Science Clubs

in schools" to educate students from these schools. This initiative also has a larger objective of establishing connect between school children and professionals in industrial world.

The initiative is helping the students to understand the science and learn it with fun. The volunteers are specially trained by the experts of Jana Prabodhini to carry out these activities.

So far in this year, more than 100 volunteers have visited 8 schools and have covered 10 classes to conduct various experiments, demonstrations, and quizzes etc, based on basics of Science.

We plan to continue with this initiative in coming years with involvement of more than 500 enthusiastic volunteers covering students from around 25 nearby schools.



*"I enjoyed the initiative. This was the new way of teaching method I experienced. It was "hasat khelat vidnyan", (learn science through fun)..."*

**Bajarang Kendre**

Class VII,

Hinjawadi Gram Panchayat School

The association with the Surajya Sarvangin Vikas Prakaalpa has now completed five years and is

now maturing. The relationship of the employee volunteers with the children from the slum area is very close and the employee volunteers undertake various initiatives for these children. The volunteers organized a residential personality development camp for girl students. This year 250 girls from 7 slums attended the camp.

KPIT has been supporting School Kit Donation drive since last 4 years. This year we have achieved a new milestone for this drive. The drive witnessed participation of 1050 colleagues across locations and we have raised a fund of ₹ 562,500/- that will benefit approximately 2,250 children from the underprivileged sections of society.

We are associated with 'Teach for India' for last three years under which we have sponsored a 'Fellow' from their very first batch in India. We are now strengthening our engagement with the school by way of involving our employee volunteers in various activities of the school.

**Lila Poonawalla Foundation sponsorship:**

**Thomas Jefferson said,**

*"Nothing can stop the man with the right attitude from achieving his goal"*

These words and their immortality seem to stare bluntly into your eyes when you speak to all eight girls, whose education till graduation is sponsored by KPIT Cummins in association with Lila Poonawalla Foundation.

All these eight girls will complete their graduation in June 2013. They are all clever girls and don't just want to thank the foundation, but want to work hard and become a part of the change for someone else just like them, who is in desperate need of support."

*"It's difficult for families like mine, with a girl child to be optimistic and to provide a quality education, solely because for most families a girl is a burden. The help provided by the foundation helps take away this burden, and empowers the girl's to prove their worth"*

Swapna Jadhav - A beneficiary of KPIT Community contribution through Lila Poonawalla Foundation (Pursuing her BE in Information Technology JSPM'S Rajarshri Shahu College of Engineering)

In association with "Lila Poonawalla Foundation" we have also organized Toys Donation drive-"JOYS THROUGH TOYS" at our Pune and Navi Mumbai location. The drive was well supported by our colleagues.



**Annadan:**

In a unique initiative of Annadan, we appealed our people across India locations to put aside just one handful of grain every day. Every handful contributed made a huge difference. We have donated 11,000 Kgs of food grains to 8 different NGOs which will take care of their 6 months of grocery needs.

We strive to show our gratitude to our environment and society, for the greater benefit of the community at large. June 5 being World Environment Day, we celebrated Environment week with various events during this period. The objective was to create awareness about issues affecting the environment and to encourage our colleagues to participate towards our "GO GREEN" initiatives. Events like Photography competition, "Inter BU competition of Performing Arts" was organized in Pune. We saw great enthusiasm amongst all for this Environment theme based competition. Followed by these competitions we also had Pledge day, Green Day and Nursery day at our Pune locations.

The Cummins Warranty Support team, Pune, visited a village called Sutarwadi, where they planted trees in order to develop green area and shelter for animals.

For Mercedes Benz International School, Pune we organized tree plantation program at Rani Lakshmbai Military School. 13 kids from class VII of MBIS participated in the activity.

**Guidance from eminent social workers to our employee volunteers:**

Community Initiatives team Pune organized a lecture on ' Donor Engagement and Strategic Giving' by Ms. Bibi Patel from Ottawa Community Foundation, Canada. The lecture was really interesting and was very useful for our volunteers who donate and volunteer regularly for NGOs.

Tushar Juvekar who is a process owner of Community Initiatives at KPIT has completed his second sigma project on "Financial Sustainability of Ankur School". Suggestions coming out as a result of this project is helping the school on financial front.

During the year, we were able to achieve our objective of involving more and more energies and efforts of our employees. The findings of our annual employee survey-"Pulse" also indicates that our employees believe that we as an organization are highly focused on community contribution .With the tremendous zeal from KPites, we helped 4,334 beneficiaries to be benefitted in various ways.

We at KPIT would continue to give back to the society and would always strive to build the bonding between the Company, the employees and the society.

# Directors' report

Dear Shareholders,

The Directors are pleased to present the Twenty First Annual Report together with the Audited Accounts of the Company for the Financial Year ended on March 31, 2012.

## Performance of the Company

Particulars	Standalone 2011-2012		Consolidated 2011-2012	
	USD Million	₹ Million	USD Million	₹ Million
Revenue from operations	126.37	6,128.92	309.28	15,000.12
Expenses	107.63	5,219.97	275.31	13,352.46
Profit before exceptional items and Tax	19.96	968.17	36.82	1,785.90
Profit before Tax (PBT)	22.03	1,068.62	38.89	1,886.35
Profit after Tax (PAT), but before Minority Interest and share of profit in Associate	15.40	746.68	29.89	1,449.67
Profit for the period	15.40	746.68	29.97	1,453.54

## Result of Operations

Total consolidated revenue for the fiscal year 2011-12 (FY12) was ₹15,000.12 Million. Gross Profit and Earnings before interest, tax, depreciation and amortization (EBITDA) are ₹5,065.69 Million and ₹2,165.76 Million, respectively. Gross profit margin is 33.77% of the revenue. Net profit after tax grew by 53.68% to ₹1,453.54 Million.

The revenues for the year on a consolidated basis in USD terms are USD 309.28 Million as against USD 216.17 Million during the previous year. Average realization rate was ₹48.50 per US Dollar.

Standalone revenue for the fiscal year 2011-12 (FY12) was ₹6,128.92 Million. Net profit after tax increased by 7.46% to ₹746.68 Million.

## Transfer to Reserves

Your Directors propose to transfer ₹75 Million to the General Reserve. An amount of ₹1,006.42 Million is proposed to be retained in the Profit & Loss Account.

Your Directors propose to transfer an amount of ₹27.20 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.

## 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

During the year the Company declared issue of bonus shares in the ratio of 1:1 (that is one equity share of ₹2/- each for every share of ₹2/- held). On March 15, 2012, the Company allotted 88,971,438 equity shares in the ratio 1:1 and a sum of ₹177,942,876 out of reserves and surplus was capitalized for distribution amongst the members.

The Company allotted 1,108,023 equity shares of ₹2/- each, to the employees under the ESOP schemes in the financial year 2011-12.

The outstanding issued, subscribed and paid-up capital of the Company as on March 31, 2012 is ₹355,885,752 consisting of 177,942,876 equity shares of ₹2/- each.

## Manpower Strength

The Company had 7,719 employees as on March 31, 2012. During the year there was a net addition of 1,405 employees, which increased the employee strength by 21.57% 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 BS2599:2007 (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, 2012, the Institutional Holding in the Company was 30.03% of the listed capital. This does not include approximately 9.55% held by Warhol Limited. The total institutional holding including that of Warhol Limited as on March 31, 2012 stood at 39.58%.

## Information about the Subsidiary Companies

As on March 31, 2012 the Company had twenty three 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 ₹4,970.94 Million (previous year ₹3,763.04 Million) and recorded a profit of ₹6.07 Million (previous year loss of ₹32.16 Million) ended on March 31, 2012. The above profit does not include translation gain of ₹131.52 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 ₹ 1,070.03 Million (previous year ₹ 788.33 Million) and registered a loss of ₹ 0.14 Million (previous year loss of ₹ 17.04 Million). The above loss does not include translation gain of ₹ 42.91 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 and was added 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 ₹ 37.71 Million for the year ended March 31, 2012 (previous year a profit of ₹ 16.36 Million) on revenues of ₹ 908.93 Million (previous year Rs 555.45 Million). The above profit does not include translation gain of ₹ 16.08 Million.
  4. KPIT Infosystems Inc. [a.k.a. SolvCentral.com Inc.] (SolvCentral), based in US was added as a step down subsidiary in 2005. SolvCentral is focused in the Business Intelligence (BI) space in the US market. SolvCentral reported a profit of ₹ 0.41 Million for the year ended March 31, 2012 (previous year loss of ₹ 27.17 Million) with revenues of ₹ 6.33 Million (previous year ₹ 74.84 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 2011-12 KPIT France reported a loss of ₹ 3.97 Million (previous year a profit of ₹ 1.22 Million) with revenues of ₹ 260.51 Million (previous year ₹ 325.99 Million).
  6. Sparta Consulting Inc. (Sparta Inc.) was added as a step down subsidiary in 2009. 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. reported a profit of ₹ 111.14 Million for the year ended March 31, 2012 (previous year profit of ₹ 119.51 Million) on revenues of ₹ 4,089.51 Million (previous year ₹ 2,691.40 Million).
  7. Sparta Infotech India Private Limited (Sparta India), is a subsidiary of Sparta Inc. Sparta India was incorporated to cater Sparta's India based clientele. Sparta India reported a profit of ₹ 130.61 Million for the year ended March 31, 2012 (previous year profit of ₹ 111.22 Million) on revenues of ₹ 373.73 Million (previous year ₹ 304.73 Million).
  8. In2Soft GmbH (In2Soft) based in Munich, Germany, is a wholly owned subsidiary of KPIT Germany. During the year, KPIT Germany acquired the remaining stake of 26% in In2Soft. 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. In2Soft reported a profit of ₹ 44.28 Million for the year ended March 31, 2012 (previous period a profit of ₹ 7.33 Million) on revenues of ₹ 294.03 Million (previous period ₹ 99.19 Million). *(Previous period's figures are for post acquisition period i.e. October 1, 2010 to March 31, 2011).*
  9. CPG Solutions, LLC ('CPG') is a wholly owned subsidiary of KPIT US. 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. CPG reported a profit of ₹ 102.84 Million for the year ended March 31, 2012 (previous period a profit of ₹ 46.61 Million) on revenues of ₹ 997.86 Million (previous period ₹ 337.21 Million). *(Previous period's figures are for post acquisition period i.e. October 1, 2010 to March 31, 2011).*
  10. KPIT (Shanghai) Software Technology Co., Ltd. (KPIT China) is a China based wholly owned subsidiary of the Company incorporated on January 12, 2011. KPIT China is formed to provide software development and consultancy to customers in China. During the Financial year 2011-12, KPIT China reported a loss of ₹ 8.88 Million on revenues of ₹ 3.87 Million.
  11. KPIT Infosystems Netherlands B.V. (KPIT Netherlands) is a wholly owned subsidiary of the Company based in the Netherlands and was incorporated on February 16, 2012. KPIT Netherlands is yet to commence its commercial operations.
  12. KPIT Infosystem (Brasil) Servicos De Tecnologia e Participacoes Ltda (KPIT Brazil) is a wholly owned subsidiary of the Company based in Brazil and incorporated on March 6, 2012. KPIT Brazil is yet to commence its commercial operations.
  13. SYSTIME Global Solutions Private Limited (SYSTIME) is one of the world's largest J D Edwards solution provider and Oracle Platinum partner. The Board of Directors of the Company, at their meeting held on May 24, 2011 had approved the proposal of investment in SYSTIME over a period of time. The Company has accordingly invested 57.5% in the shareholding of SYSTIME during FY2012. The objective of the investment in SYSTIME is to make a foray in the ERP space and thereby leverage Oracle relationship. J D Edwards is the leading ERP for certain Industry verticals including manufacturing, which is also the Company's largest vertical. As on March 31, 2012, SYSTIME has ten subsidiaries (including step down subsidiaries). SYSTIME (consolidated) reported a profit of ₹ 51.66 Million for the period ended March 31, 2012 on revenues of ₹ 688.05 Million. *(Figures of revenue and profit have been taken into consideration for the period January 1, 2012 till March 31, 2012 i.e. post SYSTIME becoming a subsidiary of the Company).*
- 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, Mr. S. B. (Ravi) Pandit and Ms. Lila Poonawalla retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. Sudheer Tilloo, Director, who is liable to retire by rotation, at the ensuing Annual General Meeting, has expressed unwillingness to be re-appointed as Director of the Company.
- During the year, Mr. Sachin Tikekar was appointed as a Whole-time Director for a period of 5 years with effect from October 20, 2011. Mr. Sachin Tikekar is a founding member of the Company and has played various leadership roles over the years. Prior to assuming the role of Chief of People Operations, Mr. Sachin Tikekar was the Chief Operating Officer of the US operations of the Company, and was instrumental in building the Company's sales presence across US, Asia and Europe. Mr. Sachin Tikekar has a Masters degree in Strategic Management and International Finance from Temple University's Fox School of Business and Management, Pennsylvania, USA.



Mr. Dwayne Allen, alternate director to Ms. Elizabeth Carey, resigned from the directorship of the Company with effect from February 18, 2012. Mr. Dinesh Castellino, alternate director to Mr. Bruce Carver, resigned from the directorship of the Company with effect from April 30, 2012. The Company has immensely benefited from the expert professional guidance of Mr. Dwayne Allen and Mr. Dinesh Castellino. The Board places on record its sincere appreciation for all the help and guidance provided by Mr. Dwayne Allen and Mr. Dinesh Castellino during their tenure as Directors of the Company.

#### 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.

#### 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.

#### 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, 2012, 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, 2012 on a 'going concern' basis.

#### 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:

In Electricity consumption the Company stands at 170 KWH/sqmt/yr as against the industry standard of 220 (published by NASSCOM). 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 where in 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.

##### 5. Computer hardware:

- i. Ratio of per employee hardware reduced from 1.35 to 1.15 within the last 3 years.



- ii. VDI deployment will increase life of old PCs.
  - iii. Thin client has got more life compared to PCs resulting in less consumption and waste generation in future.
6. **Water Conservation measures:**  
The Company's Hinjawadi site has reduced its water consumption by 26% over the last three years. This is largely attributable to the following measures taken by the Company:
- 1. **Hydro pneumatic system** of water supply installed there by ensuring minimum wastage of water.
  - 2. Almost 1.2 lakh litres of recycled water generated through **Sewage treatment plant used for gardening purpose.**
  - 3. Control over water usage for Housekeeping activities.
7. **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 3,500 kg vermin compost manure every year.
  - 3. Recycling or disposal of E-waste through authorized vendor.
  - 4. **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. This has resulted in achievement and utilization of 3.70 seats out of 4. i.e. 92%
    - b. Use of buses in lieu of cabs as well as optimization done through grouping and route selections achieving 95% occupancy.
    - c. Other operational control activities like vehicle check-ups, drivers training etc.

#### Occupational Health and Safety Assessment Services (OHSAS):-

The Company's Hinjawadi site was successfully certified for ISO 14001:2004 (Environmental Management System) & OHSAS 18001:2007 standards in July 2011. We are proud to mention that these certifications were won on the basis of independent efforts and without any external consultancy. The concerned functions have put in substantial efforts for a considerable period of time to obtain these certifications. The Company has won a number of accolades from various client audit teams since the certification.

#### 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 in the forefront of deploying leading edge technology while partnering with leading vendors in the IT domain. During the year, the Company successfully deployed private cloud, virtual desktop infrastructure and brought in work place flexibility and scalability. Amongst many other initiatives, the Company has deployed Digital Media System to communicate with employees across locations. The Company focuses on using these technologies 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 ₹ 5,158.17 Million (previous year ₹ 4,554.63 Million)

and foreign exchange outgo has been ₹ 434.56 Million (previous year ₹ 555.23 Million).

#### Awards/Recognition

- Mr. Anil Patwardhan, VP and Head Corporate Finance & Governance was awarded with "Recognition of Excellence" at CFO India's 2nd Annual CFO 100 Roll of Honour. He received the award for "Winning edge - in Mergers & Acquisitions."
- KPIT Cummins was awarded with the 2011 Wall Street Journal Innovation Award in the 'Transportation' category. The award recognizes KPIT Cummins' commitment to advancing green and sustainable technology for automobiles.
- SAP honored KPIT Cummins with SAP ACE Awards 2011 "BEST - RUN End to End Business Process". The award reflects KPIT Cummins' commitment to run business on smart and efficient systems that help deliver higher value to customers and employees.
- KPIT Cummins was awarded the EMC Cloud Pioneer Award 2011, for early adoption, coverage, size and maturity of cloud deployment at KPIT Cummins.
- Mr. Shrikant Kulkarni, Chief Information Officer was selected amongst the Top Fifty CIOs in the country. This was announced by CIO association of India in January 2012.
- In Automotive SBU, KPIT received the 'Best Paper' award for 'Fast and Accurate GHT (Generalized Hough Transform)' in ICoMec 2011 conference.
- The Company was shortlisted amongst the three finalists at the Bloomberg UTV CXO Awards 2011 in the "Best Innovative Use of Information Technology - Large Enterprise" category.
- KPIT Cummins won the 2012 SAP® North American Partner Impact Award for Momentum and we have been recognized by SAP as fastest growing System Integrator in North America - moved up from rank #49 in 2010 to #8 in 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, 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, Japan, Singapore, South Korea, South Africa, China, the Netherlands and Brazil. 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 30, 2012

## Annexure I to the Directors' report

### Employee Stock Options (ESOPs)

The status of employee stock options, as on March 31, 2012 is as under:

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

Sr. No.	Particulars	2011-12	2010-11
a.	No. of Options granted	250*	NIL
b.	Exercise Price	₹ 2.50	₹ 5.00
c.	No. of Options vested	500	90
d.	Options exercised	737.50	1,800
e.	Total number of shares arising as a result of exercise of Options	73,750	180,000
f.	Options Lapsed/Cancelled	(397.50)	200
g.	Variation of terms of Options	NIL	NIL
h.	Money realized by exercise of Options (in ₹)	368,750	900,000
i.	Total no. of Options in force	500	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.

\* Arising on account of Bonus issue during the year.

#### 2. Employee Stock Option Plan – 2004

Sr. No.	Particulars	2011-12	2010-11
a.	No. of Options granted	1,919,162	1,816,050
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	1,664,930	922,516
d.	Options exercised	531,348	1,073,375
e.	Total number of shares arising as a result of exercise of Options	531,348	1,073,375
f.	Options Lapsed/Cancelled	453,990	560,668
g.	Variation of terms of Options	NIL	NIL
h.	Money realized by exercise of Options (in ₹)	40,185,385	82,903,564
i.	Total no. of Options in force	3,814,024	2,880,200

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.

#### 3. Employee Stock Option Plan – 2006

Sr. No.	Particulars	2011-12	2010-11
a.	No. of Options granted	5,896,457	263,014
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	2,935,894	917,639
d.	Options exercised	576,675	508,378
e.	Total number of shares arising as a result of exercise of Options	576,675	508,378
f.	Options Lapsed/Cancelled	346,827	413,304
g.	Variation of terms of Options	NIL*	NIL
h.	Money realized by exercise of Options (in ₹)	26,375,598	23,806,388
i.	Total no. of Options in force	7,768,658	2,795,703

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 8, 2011, the members of the Company have approved a fresh pool of 2,500,000 options convertible into 2,500,000 equity shares of ₹2/- each under the ESOP 2006 scheme.

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:

Sr. No.	Employee Stock Option Scheme - 1998 (through Employee Welfare Trust)	Employee Stock Option Plan – 2004	Employee Stock Option Plan – 2006																								
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 ₹ 4.15	₹ 4.15	₹ 4.15																								
(l)	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 The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is ₹ 3,563,859. 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 2011-12 would be ₹ 76,763,983. The effect of adopting the fair value method on the net income and earnings per share is presented below: Profit as adjusted: ₹ 673,484,780 Adjusted Earnings per share Basic: ₹3.80 Diluted: ₹3.74	The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is ₹ 3,563,859. 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 2011-12 would be ₹ 76,763,983. The effect of adopting the fair value method on the net income and earnings per share is presented below: Profit as adjusted: ₹ 673,484,780 Adjusted Earnings per share Basic: ₹3.80 Diluted: ₹3.74	The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is ₹ 3,563,859. 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 2011-12 would be ₹ 76,763,983. The effect of adopting the fair value method on the net income and earnings per share is presented below: Profit as adjusted: ₹ 673,484,780 Adjusted Earnings per share Basic: ₹3.80 Diluted: ₹3.74																								
(m)	Weighted average exercise prices of Options granted during the year where exercise price is less than or equals the market price No options were granted during the year	<table border="1"> <thead> <tr> <th>Grant Date</th> <th>July 21, 2011</th> </tr> </thead> <tbody> <tr> <td>Exercise Price (₹)</td> <td>190.30</td> </tr> <tr> <td>Fair Value (₹)</td> <td>87.04</td> </tr> </tbody> </table>	Grant Date	July 21, 2011	Exercise Price (₹)	190.30	Fair Value (₹)	87.04	<table border="1"> <thead> <tr> <th>Grant Date</th> <th>Apr. 25, 2011</th> <th>Oct. 20, 2011</th> <th>Jan. 23, 2012</th> <th>Jan. 23, 2012</th> <th>Feb. 18, 2012</th> </tr> </thead> <tbody> <tr> <td>Exercise Price (₹)</td> <td>173.70</td> <td>165.60</td> <td>143.55</td> <td>143.55</td> <td>174.75</td> </tr> <tr> <td>Fair Value (₹)</td> <td>88.48</td> <td>75.62</td> <td>66.58</td> <td>66.58</td> <td>80.28</td> </tr> </tbody> </table>	Grant Date	Apr. 25, 2011	Oct. 20, 2011	Jan. 23, 2012	Jan. 23, 2012	Feb. 18, 2012	Exercise Price (₹)	173.70	165.60	143.55	143.55	174.75	Fair Value (₹)	88.48	75.62	66.58	66.58	80.28
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Exercise Price (₹)	173.70	165.60	143.55	143.55	174.75																						
Fair Value (₹)	88.48	75.62	66.58	66.58	80.28																						
(n)	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 (years) 3. Expected Volatility 4. Dividend Yield 5. Price of the underlying share in market at the time of the option grant. (₹)	No options were granted during the year	No options were granted during the year																								
		Black Scholes Method	Black Scholes Method																								
		8.28%	8.52%																								
		3.54	3.62																								
		59.65%	57.25%																								
		0.96%	0.97%																								
		184.80	159.15																								



## Annexure II to the Directors' report

### List of Option Grantees:

Employee Stock option plan 2004 & 2006:

Sr. No.	Name of the employee	Options Granted
1	Anup Sable	51,800
2	Denise Ferre	30,000
3	G. B. Prabhat	180,000
4	Melissa Womack	80,000
5	Pankaj Sathe	53,300
6	Pawan Sharma	2,200
	<b>Total</b>	<b>397,300</b>

By Order of the Board of Directors  
For KPIT Cummins Infossystems Limited

Pune, April 30, 2012

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

## Research and Development (R & D) Activities

### Center for Research in Engineering Sciences and Technology (CREST)

#### Enabling Innovation, Technology, Research and Development (R&D) at KPIT Cummins

The Center for Engineering Sciences and Technology (CREST) is KPIT Cummins' R&D center. CREST is focused on three fronts: R&D for customers, technology development, and fostering innovation.

#### R&D for customers includes:

- Knowing battery State of Charge (SOC) on a real time basis is very important for hybrid electric vehicles as well as electric vehicles. One of our tier 1 automotive customers gave us the challenging task of the development of a battery management system (BMS). Our teams used advanced mathematical modeling techniques to come up with solutions. In the end we developed three unique methods and we have filed three patents for the three methods.
- A major consumer electronics customer wanted us to develop specialized algorithms for computer vision-based automation solutions. These solutions were developed using a general-purpose graphics processor unit. In all four cases, the algorithm speedup of between 150 to 340% was achieved. The techniques developed to achieve this speed were so unique that we presented papers in four international conferences. One of these papers won best paper award. This award is unique since it is the first time at KPIT Cummins that we have won the best paper award.

#### Technologies developed included:

- Development of Video Stabilization Application Software: Often videos have jitters due to either the camera motion or due to hand motion. Removing these jitters has remained as one of the major challenges. If there is a jitter in videos taken in the past, one has no recourse but to continue to view them just the way they are. However, with this solution one can stabilize the video and watch it comfortably without straining eyes. The other major application is in the automotive advanced driver assistance systems (ADAS). In ADAS, it is important to get a stable video before processing through complex ADAS algorithms. It is not possible to get correct results from ADAS if the video is unstable due to car moving on a bumpy road. This software is easy to use and gives out results in real time.
- We have developed a special code analysis software called YUCCA for V&V. This application analyzes code and carries out Verification and Validation of software. YUCCA provides detailed reports as per customer requirements. YUCCA is so fast that it can analyze 100000 Lines Of Code (LOC) per day as opposed to 500 LOC per person per day. This application software is not only fast but it also improves accuracy of the analysis thereby improving software quality of the code under test.

#### Initiatives for fostering innovation include:

- We held the annual technology conference called TecXpedition.
- Through the Innovation Circle meetings held every Friday, we generated 286 ideas.
- We published four quarterly issues of TechTalk. The topics were Communications, Nanotechnology, Nature inspired innovation, and the Innovations from the edge.
- Under the lecture series by scientists, we organized eight scientist lectures.
- To provide opportunities to our employees for enhancing their

skills by pursuing higher education, we launched an integrated MTech-PhD program with University of Pune. In this year, three KPIT employees have enrolled.

- Our KPITes presented 19 papers in various international conferences.
- For the first time, we won a best paper award in the IEEE-sponsored International Conference.
- In this year we filed for 7 more patents taking the total count to 38 filed patents.

#### Annual Conference: TecXpedition

An important goal of the CREST team is to foster a culture of innovation across the organization. Towards the end of the financial year, we organized TecXpedition, our annual technology conference. The event was held on February 28, 2012 and February 29, 2012 in the KPIT Pune campus. The theme for TecXpedition for this year was 'Explore the Unexplored'. The event provided a platform for all KPITes to exchange knowledge and the lectures that were delivered by eminent personalities provided a different insight into different facets of business and engineering. Efforts were made to include employees at all locations through live webcast as well as by holding online contests. The events that were conducted during this year's TecXpedition were:

1. Technology Stalls
2. Paper presentation
3. Junkyard Innovation
4. Cross Your Boundaries
5. Future News 2025
6. Code in the Dark
7. My Wildest Technology Dream
8. Big Fight
9. Picture Talk
10. Quiz
11. KPIT Bigg Boss
12. The Bunked Labs
13. Bug Battle







We are happy to inform you that the Dept. of Science and Industrial Research (DSIR) from the Ministry of Science and Technology has approved and recognized KPIT Cummins' CREST as a R&D center.



# Report on Corporate Governance

## KPIT's Corporate Governance Philosophy:

"Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance." Organisation for Economic Co-operation and Development, April 1999.

We, at KPIT Cummins ('the Company') believe that good corporate governance is not just a 'good thing to have'. It is a 'must' for the functioning of a sound democracy. Good corporate governance benefits all stakeholders including shareholders, employees, customers, regulators, vendors as well as society. Corporate governance practices in a company are influenced and shaped by the missions and values of an organisation and actions of regulators, dominant shareholders, board members, major customers and social activists. Good Corporate Governance is more effective, when achieved through a judicious combination of statutory regulations, self- initiation and self-evaluation of progress.

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 boundarylessness

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 eleven Directors as on March 31, 2012, nine Directors (approx. 81.82%) are Independent/Non-Executive Directors and two Directors (approx. 18.18%) 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 the 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 relationship 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 per cent 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 the 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, 2012*	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. Sachin Tikekar, Whole-time Director**	Executive	None	1	Nil	Nil
4	Mr. Amit Kalyani	Independent	None	14	5	Nil
5	Mr. Anant Talaulicar	Non-Executive	None	7	5	Nil
6	Mr. Sudheer Tilloo	Independent	None	1	Nil	2
7	Dr. Srikant Datar	Independent	None	1	Nil	Nil
8	Ms. Lila Poonawalla	Independent	None	3	1	1
9	Dr. R.A. Mashelkar	Independent	None	8	4	Nil
10	Mr. Bruce Carver	Non-Executive	None	1	Nil	Nil
11	Ms. Elizabeth Carey	Non-Executive	None	1	Nil	Nil
12	Mr. Mark Gerstle, Alternate Director	Non-Executive	None	1	Nil	Nil
13	Mr. Dinesh Castellino***	Non-Executive	None	1	Nil	Nil

\* Including Directorship in KPIT Cummins Infossystems Limited.

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

\*\* Mr. Sachin Tikekar has been appointed as Whole-time Director w.e.f. October 20, 2011.

\*\*\* Mr. Dinesh Castellino who was appointed as an alternate director w.e.f. April 25, 2011 and has resigned w.e.f. April 30, 2012.

# Mr. Girish Wardadkar and Mr. Deepak Malik resigned w.e.f. April 25, 2011.

## Mr. Dwayne Allen has resigned w.e.f. February 18, 2012

### Prof. Alberto Sangiovanni Vincentelli was appointed as an 'Additional director' w.e.f. April 30, 2012.

#@ Mr. Cariappa Chenanda was appointed as an alternate director to Ms. Elizabeth Carey w.e.f. April 30, 2012.

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

Mr. S.B. (Ravi) Pandit, Chairman & Group CEO, Mr. Kishor Patil, CEO & Managing Director, Mr. Sachin Tikekar, Whole-time Director. 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 the Company 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 & 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 Whole-time Director is responsible for functions pertaining to aligning people policies, improving employee

touch points, imbibing KPIT culture in the organization, accelerating learning opportunities for employees globally and fostering innovation in attracting, nurturing and retaining superior talent.

## 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, are eligible for re-appointment. As such Mr. S. B. (Ravi) Pandit, Mr. Sudheer Tilloo and Ms. Lila Poonawalla, 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.

## 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 is 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 meetings 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 transactions
  - 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 judgment 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, 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 the 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 board meetings of the subsidiaries.

#### B. Non-Executive Directors' compensation and disclosures

During the year, the Company has paid an amount of ₹ 11.43 Million (previous year ₹ 8.70 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, 2012 are as follows:

Sr.No.	Name	Shareholding	
		No. of Shares*	% of Total Paid up Capital
1	Mr. S. B. (Ravi) Pandit	324,000	0.18
2	Ms. Lila Poonawalla	90,000	0.05
3	Mr. Amit Kalyani	40,000	0.02
4	Mr. Sudheer Tilloo	40,000	0.02
5	Dr. R.A. Mashelkar	40,000	0.02
6	Dr. Srikant Datar	40,000	0.02
<b>Total</b>		<b>574,000</b>	<b>0.31</b>

\*Include bonus shares allotted on March 15, 2012

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 seven Board meetings were held on the following dates:

- i. April 25, 2011
- ii. May 24, 2011
- iii. July 21, 2011

- iv. October 20, 2011
- v. October 22, 2011
- vi. January 23, 2012
- vii. February 18, 2012

**Table 2: Number of Board meetings and the attendance of Directors during FY 2011-12**

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	7	7	Yes
2	Mr. Kishor Patil, CEO & Managing Director	7	7	Yes
3	Mr. Girish Wardadkar, President & Executive Director#	1	1	-
4	Mr. Sachin Tikekar, Whole - time Director**	3	3	Yes
5	Mr. Amit Kalyani	7	2	-
6	Mr. Deepak Malik#	1	0	-
7	Mr. Anant Talaulicar	7	0	-
8	Mr. Sudheer Tiloo	7	7	Yes
9	Dr. Srikant Datar	7	4	-
10	Ms. Lila Poonawalla	7	7	Yes
11	Dr. R.A. Mashelkar	7	4	Yes
12	Mr. Bruce Carver	7	4	Yes
13	Ms. Elizabeth Carey	7	4	-

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

\*\* Mr. Sachin Tikekar has been appointed as Whole-time Director w.e.f. October 20, 2011.

# Mr. Girish Wardadkar and Mr. Deepak Malik resigned w.e.f. April 25, 2011.

**(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, senior managers and its board members 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, Stakeholders’ Relationship 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, Stakeholders’ Relationship 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 total strength of the committee, whichever is higher. Draft minutes of the committee meeting are circulated to the members of that committee for their comments and thereafter, confirmed in its next meeting. The Board of Directors also take note of the minutes of the committee meetings at its 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 Tiloo, who is the chairman of this Committee; Ms. Lila Poonawalla and Mr. S.B. (Ravi) Pandit are the 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 & Head - Corporate Finance & Governance 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 meetings.

#### 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
  - Judgments 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 2011-12 the Audit Committee met four times – April 25, 2011, July 21, 2011, October 20, 2011, & January 23, 2012. 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	4	4
2	Ms. Lila Poonawalla	4	4
3	Mr. S. B. (Ravi) Pandit	4	4

#### B. Stakeholders' Relationship Committee

##### Composition

The Company has formed an Investors' /Shareholders' Grievance Committee the Committee was rechristened as the Stakeholders' Relationship Committee to bring it in line with the proposals in the new Companies Bill. 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 Registrar and Share Transfer Agent is undertaken regularly by the Vice President & Head - Corporate Finance & Governance and the Company Secretary who is the compliance officer of the Company.

The Company has a dedicated e-mail address: [grievances@kpitcummins.com](mailto:grievances@kpitcummins.com) for shareholders' convenience.

##### Role and objectives

The role and objectives of the committee are as under:

- Oversee the share transfers, and other shareholder related issues like non-receipt of dividends, annual reports etc.
- Consider and resolve investors' grievances.
- Allotment of shares to option grantees of the Company who have exercised options under the ESOP schemes of the Company and to the Employee Welfare Trust of the Company for the benefit of option grantees under the ESOP schemes of the Company.

##### Meetings of the Committee

During the year four meetings of the Stakeholders' Relationship Committee were held on June 17, 2011, September 20, 2011, January 10, 2012 and March 15, 2012. The details of attendance at the meetings are given in Table 4.

**Table 4: Stakeholders' Relationship 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	4
3	Mr. Kishor Patil	4	3

\*Including the attendance by teleconference.

#### C. HR & Compensation (Remuneration) Committee

##### Composition

The Company has set-up a HR & Compensation (Remuneration) Committee. The committee was reconstituted on April 25, 2011 and consists of three Independent Directors and two Non-





Executive Directors. The members of the committee are Mr. Amit Kalyani, an Independent Director who chairs this Committee, Mr. Sudheer Tilloo and Dr. Srikant Datar, Independent Directors, Mr. S.B.(Ravi) Pandit and Ms. Elizabeth Carey, Non-Executive 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 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 (Remuneration) Committee**

The Committee met thrice during the year – July 21, 2011, October 20, 2011 and January 23, 2012.

The details of meetings and attendance are given in Table 5.

**Table 5: HR & Compensation (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	1
2	Mr. S. B. (Ravi) Pandit	3	3
3	Dr. Srikant Datar	3	2
4	Mr. Sudheer Tilloo	3	3
5	Ms. Elizabeth Carey	3	1

\* Including the attendance by teleconference.

**D. Quality Council Committee**

**Composition**

The Quality Council Committee enables the Board to focus on qualitative aspects and resolve customer issues proactively. This committee was reconstituted on April 25, 2011 and is chaired by an Independent Director, Ms. Lila Poonawalla; the other members are Mr. Sudheer Tilloo, Independent Director, Mr. Bruce Carver, Non-Executive Director and Mr. Kishor Patil, Executive Director.

**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 7, 2011,

October 20, 2011 & January 23, 2012. The details of meetings and attendance are 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	Ms. Lila Poonawalla - Chairperson	3	3
2	Mr. Sudheer Tilloo	3	3
3	Mr. Bruce Carver	3	0
4	Mr. Kishor Patil	3	3

**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 three times during the year – August 31, 2011, October 14, 2011, & December 5, 2011. The details of meetings and attendance are 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	3	3
2	Mr. Kishor Patil	3	3

**III. SUBSIDIARY COMPANIES**

The Clause 49 of the Listing Agreement defines a material non-listed Indian Subsidiary company as an unlisted subsidiary incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the Consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. SYSTIME Global Solutions Private Limited ('SYSTIME') one of the Company's Indian subsidiary is a material non-listed Indian subsidiary. Accordingly Mr. Sudheer Tilloo, an Independent director on the board of the Company, is on the board of SYSTIME. Brief details of the Company's subsidiaries, including step-down subsidiaries, are given in the Directors' Report which is a part of 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, 2012.

## 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 has not issued shares on preferential basis or rights basis.

## 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 11-12

(Amount in ₹)

Name of Director/ Remuneration Details	Kishor Patil #	Sachin Tikekar*	Girish Wardadkar##
	CEO & Managing Director	Whole-time Director	President & Executive Director
Salary	3,301,385	3,258,366	-
PF	995,790	158,575	-
Gratuity	-	-	678,462
Leave Encashment	86,350	-	244,009
Variable Performance Incentive	2,691,126	-	1,294,424
Bonus	-	125,415	-
Notice Period	6 months	6 months	6 months
<b>Total</b>	<b>7,074,651</b>	<b>3,542,356</b>	<b>2,216,895</b>

# Does not include GBP 16,729 paid to Mr. Kishor Patil from KPIT UK during FY 2011-12.

\* Mr. Sachin Tikekar was appointed w.e.f. October 20, 2011.

## Mr. Girish Wardadkar resigned from the directorship of the Company w.e.f. April 25, 2011.

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 ₹ 9.12 Million (previous year ₹ 5.30 Million) as commission payable to the Non-Executive Directors of the Company for the FY 2012. 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 FY 2012 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 Tiloo [Chairman - Audit Committee & Stakeholders' Relationship Committee]	2,300,000	340,000
Mr. Amit Kalyani [Chairman - HR & Compensation (Remuneration) Committee]	1,600,000	50,000
Mr. Anant Talaulicar	-	-
Dr. Srikant Datar	1,560,000	85,000
Ms. Lila Poonawalla [Chairman - Quality Council Committee]	2,100,000	215,000
Dr. R.A. Mashelkar	1,560,000	75,000
Mr. Bruce Carver	-	-
Ms. Elizabeth Carey	-	-
<b>Total</b>	<b>9,120,000</b>	<b>765,000</b>

## 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 FY2012 - ₹ 9.12 Million to be distributed as under:		
	a) 21% of the total kitty i.e. ₹ 1.92 Million to be divided equally among 3 Committee Chairmen.		
	b) Balance 79% of total kitty i.e. ₹ 7.20 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 ₹ 3.00 Million has been contributed to the Cummins Foundation.		

## F. Management Discussion &amp; 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 is in the process of developing a legal compliance reports system, which would be a 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 Practicing Company Secretary carries out audit of Reconciliation of Share Capital (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. 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.

**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
July 10, 2009 (2008-09)	KPIT Cummins Infossystems Ltd. Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase - 1, MIDC, Hinjawadi, Pune - 411057	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 per cent of profit. 3) Alteration of Articles of Association of the Company.
July 16, 2010 (2009-10)	KPIT Cummins Infossystems Ltd. Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase - 1, MIDC, Hinjawadi, Pune - 411057	10.30 A.M.	1) Re-appointment of Mr. Girish Wardadkar as the President & Executive Director of the Company. 2) Appointment of Mr. Chinmay Shashishekar 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).
July 8, 2011 (2010-11)	KPIT Cummins Infossystems Ltd. Auditorium SDB II, Plot No. 35 & 36, Rajiv Gandhi Infotech Park, Phase - 1, MIDC, Hinjawadi, Pune - 411057	10.30 A.M.	1) Creation of an additional fresh pool of 25 Lacs options under the ESOP 2006 Scheme of the Company.

- iv) Special Resolution through Postal Ballot  
During the year the Company has not passed any special resolution through postal ballot.
- v) The details of Investors'/Shareholders' Grievance Committee are given elsewhere in this report.

**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, Mr. S.B.(Ravi) Pandit, Mr. Sudheer Tilloo and Ms. Lila Poonawalla, 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 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](http://www.kpitcummins.com)). The quarterly financial results of the Company were published in Financial Express 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, 2011 to March 31, 2012 is given in the Additional shareholder information section in the report.

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

**V. CEO and CFO CERTIFICATION**

As required by Clause 49 of the Listing Agreement, the CEO and 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 Non-Executive Directors and Mr. Amit Kalyani is the Chairman of this Committee.

#### 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 2012 was held at Radisson Blu Resorts & Spa, Alibaug, during February 16, 2012 to February 18, 2012. 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 experience 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 the 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, 2012. 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 KPIT Cummins Infosystems Limited (the Company) for the year ended on March 31, 2012, 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 the management. 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

Place: Pune  
Date: April 30, 2012

Khurshed Pastakia  
Partner  
Membership No. 31544



## 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](http://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, 2012.

Place: Pune  
Date: April 30, 2012

**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 & Head - Corporate Finance & Governance of KPIT Cummins Infostechnologies 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, 2012;
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 & Head - Corporate  
Finance & Governance

Pune, April 30, 2012



## 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](http://www.kpitcummins.com)
2. **Date of Incorporation** : December 28, 1990
3. **Registration No./CIN** : L72200PN1990PLC059594
4. **Date, Time and Venue of 21st AGM** : July 27, 2012, 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 21, 2012 to July 27, 2012 (both days inclusive)
6. **Dividend Payment Date** : On or after July 27, 2012, but within the statutory time limit of 30 days, subject to shareholders' approval.
7. **Financial Year** : April 01, 2011 - March 31, 2012.
8. **Financial Calendar for 2012-2013 (tentative and subject to change)**
  - Financial reporting for the first quarter : July 24, 2012 ending June 30, 2012
  - Financial reporting for the second quarter : October 25, 2012 ending September 30, 2012
  - Financial reporting for the third quarter : January 28, 2013 ending December 31, 2012
  - Financial reporting for the last quarter and year ending March 31, 2013 : April 29, 2013
  - Annual General Meeting for the year ending : July 2013 March 31, 2013
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 2012-13 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 Registrar and 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- 20-26163503 E-mail: [bhagavant.sawant@linkintime.co.in](mailto: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](mailto: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](mailto:grievances@kpitcummins.com)

### 11. Share transfer system:

The share transfer work is carried out by our Registrars and 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, 2012, 99.20% of the total issued share capital was held in electronic form with National Securities Depository Limited and Central Depository Services (India) Limited.

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

Date	Description of Allottee	No. of Shares	Face Value (₹)
25-April-11	Allotment to Employees against ESOP	129,956	2
17-June-11	Allotment to Employees against ESOP	58,339	2
21-July-11	Allotment to Employees against ESOP	70,581	2
20-Sep-11	Allotment to Employees against ESOP	342,697	2
20-Oct-11	Allotment to Employees against ESOP	57,363	2
10-Jan-12	Allotment to Employees against ESOP	331,096	2
23-Jan-12	Allotment to Employees against ESOP	65,905	2
18-Feb-12	Allotment to Employees against ESOP	52,086	2
15-Mar-12	Bonus Issue (1:1)	88,971,438	2
	<b>TOTAL</b>	<b>90,079,461</b>	<b>2</b>

**14. Shareholding Pattern as on March 31, 2012**

Category	No. of Shares Held	% of Total Shares Capital
Promoters	47,053,314	26.44
Mutual Funds	17,455,666	9.81
FII's	37,768,349	21.22
Bodies Corporate	17,641,475	9.91
Foreign Company	13,784,820	7.75
NRI	2,911,766	1.64
Insurance Companies	11,853,692	6.66
Public and Others	29,473,794	16.57
<b>TOTAL</b>	<b>177,942,876</b>	<b>100</b>

As on March 31, 2012, 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	IN30005410025062	Warhol Limited	16,987,858	9.55	Strategic Investor
2	IN30027110086914	Proficient Trading & Investment Pvt. Ltd.	14,143,218	7.95	Promoter
3	IN30016710007299	ICICI Prudential Life Insurance Company Ltd.	11,853,692	6.66	Financial Institution
4	IN30005410005444	Cummins India Limited	10,182,660	5.72	JV Partner
5	IN30005410017536	Cummins Inc	10,063,994	5.66	JV Partner
6	IN30027110086923	KPIT Systems Ltd. - Employees Welfare Trust	8,994,144	5.05	Person Acting in Concert
7	IN30364710033334	Proficient Finstock LLP	8,867,590	4.98	Promoter
8	IN30027110086949	Mr. Kishor Patil	7,491,800	4.21	Promoter
9	IN30005410013042	Acacia Partners, LP	5,000,000	2.81	Foreign Financial Institution
10	IN30081210000471	SBI Mutual Fund - Magnum Tax Gain 1993	4,074,084	2.29	Financial Institution
		<b>TOTAL</b>	<b>97,659,040</b>	<b>54.88</b>	

**15. Distribution Schedule as on March 31, 2012:**

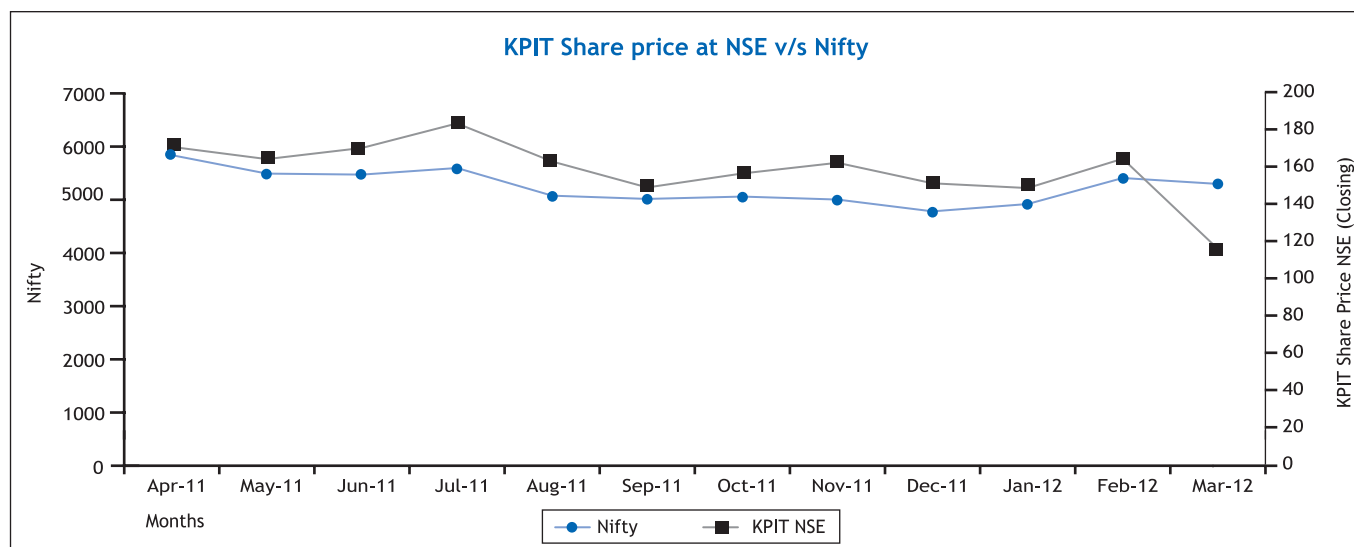
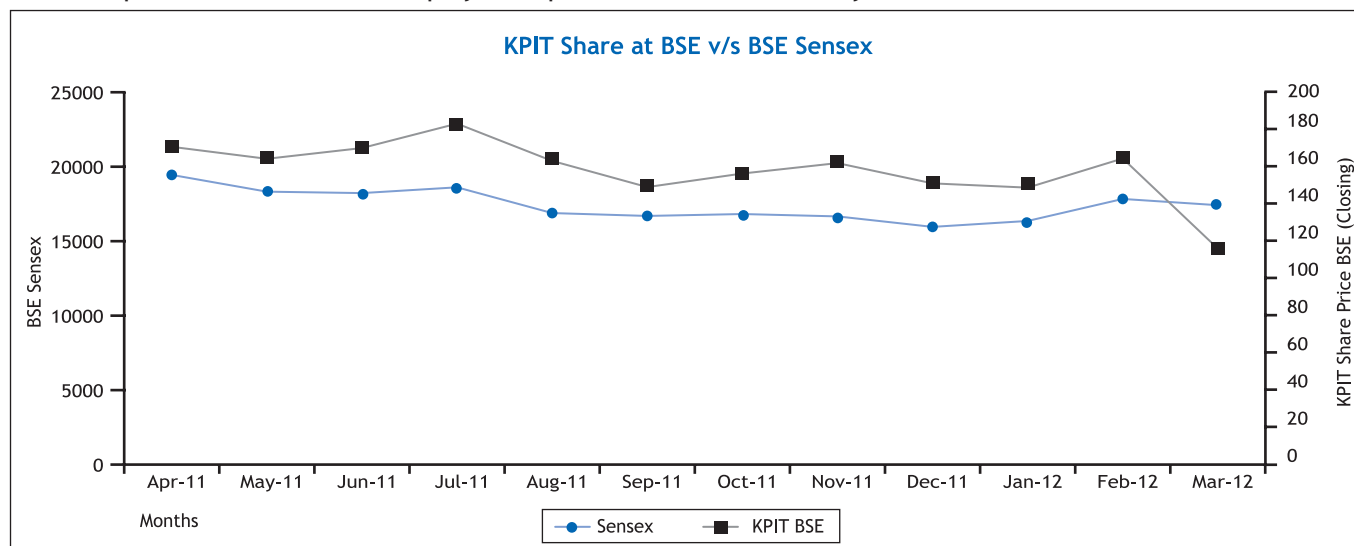
Quantity of Shares From - To	Shareholders		Face Value of Shares held (₹)	%
	Number	%		
1 - 100	14,427	42.48	1,639,942	0.46
101 - 1000	15,577	45.86	11,619,206	3.26
1001 - 5000	3,021	8.89	13,586,052	3.82
5001 - 10000	418	1.23	6,248,900	1.76
10001 - 50000	403	1.19	18,138,416	5.10
50001 - 100000	42	0.12	6,167,718	1.73
100001 & Above	78	0.23	298,485,518	83.87
<b>TOTAL</b>	<b>33,966</b>	<b>100</b>	<b>355,885,752</b>	<b>100</b>

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-11	182.40	158.25	170.61	4,640,562	183.90	158.20	170.43	1,582,820	6,223,382
May-11	173.80	155.30	164.03	3,749,368	173.90	155.10	163.99	1,378,973	5,128,341
Jun-11	181.70	162.00	170.02	2,703,244	181.50	162.00	169.77	680,050	3,383,294
Jul-11	198.80	171.00	183.20	6,023,989	198.80	170.10	182.88	1,900,919	7,924,908
Aug-11	192.05	140.15	162.74	2,781,554	192.80	140.00	162.86	672,771	3,454,325
Sep-11	156.85	140.10	148.80	2,326,827	156.65	141.00	148.80	1,231,084	3,557,911
Oct-11	172.60	145.00	156.32	2,411,829	172.50	144.10	156.08	730,681	3,142,510
Nov-11	171.70	151.15	162.06	2,480,155	171.50	152.00	161.68	676,041	3,156,196
Dec-11	167.00	136.50	151.03	995,664	163.85	136.60	150.79	183,021	1,178,685
Jan-12	158.60	142.60	148.48	5,625,535	159.00	142.00	148.50	1,400,700	7,026,235
Feb-12	187.70	146.25	164.24	7,966,775	187.70	147.20	164.16	2,220,611	10,187,386
Mar-12*	191.25	74.60	115.83	5,311,179	189.80	74.20	115.74	1,671,486	6,982,665

\* March 2012 Share Prices have an effect of the Bonus issue.

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



\* March 2012 Share Prices have an effect of the Bonus issue.

**18. Details of dividend in the Unpaid/Unclaimed Dividend Accounts as on March 31, 2012:**

(₹)

Year	Balance	Tentative date of transfer
For the financial year 2004-2005	153,037	August 25, 2012
For the financial year 2005-2006	80,980	August 19, 2013
For the financial year 2006-2007	258,818	August 13, 2014
For the financial year 2007-2008	336,729	October 6, 2015
For the financial year 2008-2009	319,082	August 17, 2016
For the financial year 2009-2010	220,299	August 23, 2017
For the financial year 2010- 2011	227,542	August 16, 2018

During the year the Company transferred an amount of ₹ 109,152/-, being the unpaid dividend pertaining to the financial year 2003-04 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, 2011 to March 31, 2012:**

No.	Nature of Request/Complaints	Opening as on April 01, 2011	No. of Requests/ Complaints Received	No. of Requests/ Complaints Processed	No. of Pending Requests/ Complaints as on March 31, 2012
1	Non-Receipt of Share Certificate	Nil	1	1	Nil
2	Non-Receipt of Dividend Warrant	Nil	6	6	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	7	7	Nil
8	Bank Details/Mandate	Nil	9	9	Nil
9	Exchange of Certificate	Nil	Nil	Nil	Nil
10	Stop Transfer/Procedure for duplicate Share Certificate	Nil	3	3	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	33	33	Nil
16	Procedure for Transfer/Transmission/Name Deletion	Nil	Nil	Nil	Nil
17	Correction in Name	Nil	Nil	Nil	Nil
18	Registration of Signature	Nil	1	1	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	10	10	Nil
24	NSDL /CDSL Complaints	Nil	Nil	Nil	Nil
25	Others	Nil	23	23	Nil
<b>TOTAL</b>		<b>Nil</b>	<b>94</b>	<b>94</b>	<b>Nil</b>

**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, 2012.

**21. Green Initiative by the Ministry of Corporate Affairs:**

To support the green initiative of the Ministry of Corporate Affairs in full measure, members are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

Members who hold shares in physical form are requested to register their e-mail addresses with the Company's Registrars, M/s. Link Intime India Pvt. Ltd. at the address mentioned in point No.10 of this section.

Members who wish to receive physical copies of documents need to make a written request to the Registrars, M/s. Link Intime India Pvt. Ltd. or e-mail at [investorassist@kpitcummins.com](mailto:investorassist@kpitcummins.com).

## 22. Unclaimed Shares:

As mandated under the Clause 5A of the Listing Agreement, the Company is required to transfer the unclaimed shares in the Demat Suspense Account to be opened with the Depository Participant.

The Company has sent first reminder notice to the shareholders in this regard.

## 23. 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
May 3, 2012	Audited financial results for the quarter and year ended March 31, 2012	Financial Express & Loksatta
January 25, 2012	Unaudited financial results for the quarter and nine months ended December 31, 2011	Financial Express & Loksatta
October 22, 2011	Unaudited financial results for the quarter and half year ended September 30, 2011	Financial Express & Loksatta
July 23, 2011	Unaudited financial results for the quarter ended June 30, 2011	Financial Express & Loksatta
April 27, 2011	Audited financial results for the quarter and year ended March 31, 2011	Financial Express & Loksatta

The results and presentations made to institutional investors and analysts have also been regularly uploaded in Investor section of our website [www.kpitcummins.com](http://www.kpitcummins.com).

## 24. 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** - Please refer the Explanatory Statement of the Annual General Meeting notice.

### 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 24 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 Stakeholders' Relationship Committee, Quality Council Committee and the Share Transfer Committee.

### Whole- time Director

**Mr. Sachin Tikekar** is a co-founder of KPIT Cummins and has played various leadership roles over the years. Prior to assuming the role of Chief of People Operations, Sachin was the Chief Operating Officer of the US operations of the Company, and was instrumental in building the Company's sales presence across US, Asia and Europe. He has previously worked with US Sprint and Strategic Positioning Group. Sachin has done his Masters in Strategic Management and International Finance from Temple University's Fox School of Business and Management, Pennsylvania.

### Non-Executive and Independent Directors

**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 has won over 50 awards and medals at national and international levels and was honoured by the President of India with the Padma Shri (1991) and with the Padma Bhushan (2000), in recognition of his contribution to nation building.

**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.

**Ms. Lila Poonawalla** - Please refer the Explanatory Statement of the Annual General Meeting notice.

**Mr. Sudheer Tilloo** - Please refer the Explanatory Statement of the Annual General Meeting notice.

**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.

**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.

**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 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 Quality Council Committee of the Company.

**Ms. Elizabeth Carey** has been the Chief Technical Officer of Cummins Power Generation since 2003. 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. 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. Carey is a member of the HR & Compensation (Remuneration) Committee of the Company.

# 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 March 31, 2012, 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 March 31, 2012;
    - (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 March 31, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 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)

Place: Pune  
Date: April 30, 2012

Khurshed Pastakia  
Partner  
Membership No. 31544

## 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), (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 of 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. Sub Clauses (b), (c), (d), (f) and (g) of the Order are not applicable.
- (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 to which the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (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 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 in arrears as at March 31, 2012 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, 2012 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)
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	A.Y. 2007-08	2,699,576
Karnataka Value Added Tax, 2003	Sales Tax	High Court	F.Y. 2009-10	9,411,715

- (ix) The Company does not have any accumulated losses as at March 31, 2012. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) 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.
- (xi) 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.
- (xii) 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, the terms and conditions of which are prejudicial to the interest of the Company.
- (xiii) According to the information and explanations given to us, in our opinion, the Company has not availed any term loan during the year.

- (xiv) 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.
- (xv) 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.
- (xvi) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures, and therefore the question of creating security or charge in respect thereof does not arise.
- (xvii) According to the information and explanations given to us, the Company has not raised any money by public issue, and therefore the question of disclosing the end use of money does not arise.
- (xviii) Based upon the audit procedures performed and according to the information and explanations given and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

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

Place: Pune  
Date: April 30, 2012

Khurshed Pastakia  
Partner  
Membership No. 31544



## Balance Sheet as at

	Note No.	March 31, 2012		March 31, 2011	
		₹	₹	₹	₹
<b>I. EQUITY AND LIABILITIES</b>					
(1) Shareholder's Funds					
(a) Share Capital	2	355,885,752		175,726,830	
(b) Reserves and Surplus	3	5,786,070,406		5,640,530,995	
			6,141,956,158	5,816,257,825	
(2) Share application money pending allotment	27		1,053,845	2,609,762	
(3) Non-Current Liabilities					
(a) Long-term borrowings	4	3,698,227		115,070,283	
(b) Deferred tax liabilities (Net)	5	7,464,940		56,292,632	
(c) Other Long-term liabilities	6	263,983,855		69,383,349	
(d) Long-term provisions	7	69,404,686		37,850,628	
			344,551,708	278,596,892	
(4) Current Liabilities					
(a) Short-term borrowings	8	1,400,045,429		804,360,203	
(b) Trade payables	9	543,158,994		443,187,211	
(c) Other current liabilities	10	595,696,036		521,764,397	
(d) Short-term provisions	11	261,398,454		169,727,456	
			2,800,298,913	1,939,039,267	
<b>Total</b>			<b>9,287,860,624</b>	<b>8,036,503,746</b>	
<b>II. ASSETS</b>					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	12A	1,167,853,986		779,284,690	
(ii) Intangible assets	12B	276,101,399		374,882,459	
(iii) Capital work-in-progress		73,083,382		280,579,628	
(iv) Intangible assets under development		92,618,464		707,517	
			1,609,657,231	1,435,454,294	
(b) Non-current investments	13	3,663,193,293		1,790,745,352	
(c) Long-term loans and advances	14	852,105,481		725,964,857	
(d) Other non-current assets	15	30,512,350		26,627,516	
			4,545,811,124	2,543,337,725	
(2) Current assets					
(a) Current investments	16	363,158,835		475,079,439	
(b) Trade receivables	17	1,945,892,790		1,747,277,216	
(c) Cash and Cash Equivalents	18	397,631,911		1,480,830,082	
(d) Short-term loans and advances	19	371,998,456		307,369,315	
(e) Other current assets	20	53,710,277		47,155,675	
			3,132,392,269	4,057,711,727	
<b>Total</b>			<b>9,287,860,624</b>	<b>8,036,503,746</b>	

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered AccountantsKhurshed Pastakia  
PartnerAnil Patwardhan  
Vice President & Head - Corporate  
Finance & GovernanceS.B. (Ravi) Pandit  
Chairman & Group CEOPlace: Pune  
Date: April 30, 2012Sandeep Phadnis  
Company SecretaryKishor Patil  
CEO & Managing Director



## Statement of Profit and Loss for the year ended

	Note No.	March 31, 2012 ₹	March 31, 2011 ₹
I. Revenue from operations	21	6,128,917,830	5,276,386,998
II. Other Income	22	59,217,503	65,588,285
III. Total Revenue		6,188,135,333	5,341,975,283
IV. Expenses:			
Employee benefit expense	23	3,340,062,713	3,053,358,352
Finance costs	24	45,493,470	35,614,670
Depreciation/ Amortization/ Diminution	12	395,676,906	350,904,135
Other expenses	25	1,438,732,979	1,112,669,792
Total Expenses		5,219,966,068	4,552,546,949
V. Profit before exceptional items and tax		968,169,265	789,428,334
VI. Exceptional Items (Refer Note 45(5) and 45(6))		100,451,233	-
VII. Profit before tax		1,068,620,498	789,428,334
VIII. Tax expenses:			
(1) Current tax		338,263,286	145,582,531
(2) Short/(Excess) provision in respect of earlier years		32,500,000	-
(3) MAT Credit Entitlement		-	(55,429,677)
(4) Deferred tax		(48,827,692)	4,396,573
		321,935,594	94,549,427
IX. Profit for the period		746,684,904	694,878,907
X. Earning per equity share(Face Value per share ₹ 2/-) (Refer Note 40)			
(1) Basic		4.21	4.10
(2) Diluted		4.15	4.03

### SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

In terms of our report attached to Balance Sheet

For Deloitte Haskins & Sells  
Chartered Accountants

Khurshed Pastakia  
Partner

Anil Patwardhan  
Vice President & Head - Corporate  
Finance & Governance

For and on behalf of Board of Directors

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

Place: Pune  
Date: April 30, 2012

Sandeep Phadnis  
Company Secretary

Kishor Patil  
CEO & Managing Director

# Cash Flow Statement for the year ended

PARTICULARS	March 31, 2012		March 31, 2011	
	₹	₹	₹	₹
<b>A] CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit/(loss) before tax		1,068,620,498		789,428,334
Adjustments for				
(Profit)/loss on sale of fixed assets (net)	(625,495)		1,749,134	
Depreciation/ Amortization/ Diminution	395,676,906		350,904,135	
Expense on Employee Stock Option Schemes	3,563,859		374,984	
Finance Cost	45,493,470		35,614,670	
Interest income	(18,411,441)		(31,208,130)	
Dividend income	(34,397,776)		(33,940,152)	
Exchange differences on translation of foreign currency cash and cash equivalents	26,602,392		(23,988,038)	
Unrealised foreign exchange (Gain)/Loss	(32,807,649)		(27,592,743)	
Profit on sale of Business Assets (Refer Note 3 below)	(100,451,233)	284,643,033	-	271,913,860
Operating Profit before working capital changes		1,353,263,531		1,061,342,194
Adjustments for changes in working capital:				
Increase/(Decrease) in Other Long-Term Liabilities	(1,346,700)		3,500,000	
Increase/(Decrease) in Long-Term Provisions	31,554,058		(1,322,550)	
Increase/(Decrease) in Trade Payables	99,971,783		157,471,727	
Increase/(Decrease) in Other Current Liabilities (Refer Note 3 below)	37,469,177		28,808,612	
Increase/(Decrease) in Short-Term Provisions	(2,719,754)		23,596,022	
(Increase)/Decrease in Long-term Loans and Advances	(42,590,147)		648,125	
(Increase)/Decrease in Other Non-Current Asset	(3,851,491)		8,020,462	
(Increase)/Decrease in Trade Recievables (Refer Note 3 below)	(275,703,711)		(608,241,115)	
(Increase)/Decrease in Short-term Loans and Advances	7,591,665		(175,144,805)	
(Increase)/Decrease in Other Current Assets	(18,318,405)	(167,943,525)	(10,296,008)	(572,959,530)
Cash generated from operations		1,185,320,006		488,382,664
Contribution to/(Utilisation from) Community Foundation Reserve and Employee Welfare Fund		(3,050,853)		-
Taxes Paid		(223,070,441)		(171,880,225)
Net cash from operating activities		959,198,712		316,502,439
<b>B] CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(523,165,255)		(333,742,773)	
Proceeds from Sale of Fixed Assets	4,913,097		2,602,541	
Investment in Equity Shares of Subsidiaries	(1,359,611,601)		(417,756,850)	
Investment in Equity Shares of Joint Venture	(19,000,000)		(30,049,980)	
Investment in Equity Shares of Associate	(98,151,970)		-	
Investment in Preference Shares of Subsidiary	(278,130,000)		-	
Sale of Mutual Fund Investments	111,920,604		271,625,701	
Proceeds from Sale of Business Assets (Refer Note 3 below)	64,985,000		-	
Loan (given to)/repaid by subsidiary	(272,204,045)		17,030,929	
Loan (given to)/repaid by Employee Welfare trust	3,000,000		(156,840,189)	
Interest received	30,141,901		20,700,549	
Dividend received from Mutual Fund Investments	34,397,776		33,940,152	
Fixed Deposit with banks (net) having maturity over three months	(5,671,216)		38,655,263	
Net Cash from/( used in ) investing activities		(2,306,575,709)		(553,834,657)
<b>C] CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long-term loan to other than banks	(218,887,490)		(225,504,850)	
Repayment of Long-term loan to banks	(62,510,000)		-	
Proceeds from issue of Share Capital and application money	65,006,748		1,233,704,186	
Share Issue expenses for Preferential Allotment	-		(30,376,410)	
Proceeds from Working Capital loan (Net)	657,220,176		134,968,062	
(Repayment of)/Proceeds from Short-Term Borrowings	(39,364,500)		39,364,500	
Dividend paid including corporate dividend tax	(71,539,331)		(64,207,621)	
Interest and finance charges	(44,815,601)		(35,972,384)	
Net cash from/(used in ) financing activities		285,110,002		1,051,975,483

## Cash Flow Statement for the year ended

PARTICULARS	March 31, 2012		March 31, 2011	
	₹	₹	₹	₹
<b>D] EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH AND CASH EQUIVALENTS</b>		(26,602,392)		23,988,038
Net Increase/(decrease) in cash and cash equivalents (A + B + C + D)		<u>(1,088,869,387)</u>		<u>838,631,303</u>
Cash & cash equivalents at close of the year (refer note 1 below)		391,960,695		1,480,830,082
Cash & cash equivalents at beginning of the year (refer Note 1 below)		1,480,830,082		527,300,504
Add: Cash and cash equivalents on account of amalgamation		-		114,898,275
<b>Cash surplus/(deficit) for the year</b>		<u>(1,088,869,387)</u>		<u>838,631,303</u>
<b>Note 1:</b>				
Cash and cash equivalents include:				
Cash on hand		67,130		99,839
Cheques in Hand		9,674,511		5,985,893
Balance with banks				
- In current accounts		380,622,567		342,444,104
- In deposit account		-		1,130,802,582
- In unpaid dividend account		1,596,487		1,497,664
<b>Total</b>		<b>391,960,695</b>		<b>1,480,830,082</b>
Add : Deposits with original maturity over three months		5,671,216		-
Cash and cash equivalents at the end of the year as per Schedule VI		<u>397,631,911</u>		<u>1,480,830,082</u>
<b>Note 2:</b>				
Figures in brackets represent outflows of cash and cash equivalents.				
<b>Note 3:</b>				
Adjustment made in cashflow for sale of business assets to Sankalp Semiconductor Pvt. Ltd. for a consideration other than cash:				
Adjustments made to:				
Increase/(Decrease) in Other Current Liabilities		5,000,000		
(Increase)/Decrease in Trade Recievables		77,088,137		
Purchase of long-term investments in equity instruments of other entities		(117,554,370)		
Profit on sale of business assets		35,466,233		
		-		
<b>Note 4:</b>				
The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on cash flow statements				

In terms of our report attached to Balance Sheet

For Deloitte Haskins & Sells  
Chartered Accountants

Khurshed Pastakia  
Partner

Anil Patwardhan  
Vice President & Head - Corporate  
Finance & Governance

For and on behalf of Board of Directors

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

Place: Pune  
Date: April 30, 2012

Sandeep Phadnis  
Company Secretary

Kishor Patil  
CEO & Managing Director

# Notes forming part of the Financial Statements

## Company Overview

The Company provides software and IT enabled services to its clients. The Company predominantly provides services in Automotive, Energy & Utilities and Industrial Equipment Industry. 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. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of Companies Act, 1956.

#### 1.1 Revenue recognition

Revenue from software development and services on time and material basis is recognized based on software development, services rendered and related costs are incurred i.e. based on certification of timesheets and are billed to clients as per the contractual obligations. In case of fixed price contracts, revenue is recognized over the life of contract 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.

#### 1.2 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

#### 1.3 Trade receivables and advances:

Specific debts and advances identified as irrecoverable or doubtful are written off or provided for, respectively.

#### 1.4 Fixed Assets

- (a) Fixed Assets are stated at the cost of acquisition, less depreciation/amortization/diminution. Costs comprises of the purchase price and other attributable costs.
- (b) Product development cost are recognised as fixed assets, when feasibility has been established, the Company has committed technical, financial and other resources to complete the development and it is probable that asset will generate probable future benefits.

#### 1.5 Depreciation/ Amortization/ Diminution

Depreciation on tangible fixed assets is provided for on the straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of the following assets where the rates are higher:

- |                                   |   |                              |
|-----------------------------------|---|------------------------------|
| • Certain Buildings               | - | 7.5%                         |
| • Plant and Equipment (Computers) | - | 25%                          |
| • Certain Office Equipments       | - | 10% and 33.33% as applicable |
| • Certain Furniture and Fixtures  | - | 12.5%                        |

Leasehold land and vehicles taken on lease are amortized over the period of the lease.

Intangible Assets are amortized on the straight line method at the following rates:

- |                            |   |                                     |
|----------------------------|---|-------------------------------------|
| • Goodwill                 | - | Amortized over period of 3/5 years. |
| • Product Development Cost | - | Amortized over period of 3/4 years. |

Perpetual Software licenses are amortized over 4 years. However, time- based software licenses are amortized over their duration.

#### 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. For the purpose of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### 1.7 Investments

Current investments are carried at lower of cost and fair value.

Long-term Investments are stated at cost less provision for diminution, other than temporary, in the value of such investments.

## Notes forming part of the Financial Statements

### 1.8 Leases

Assets acquired under finance leases are recognized at the lower of the fair value of the leased assets at inception of the lease and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

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

### 1.9 Earnings per share

Basic earnings per share is computed by dividing the profit for the period after tax by the weighted number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the period after tax by the weighted number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

### 1.10 Foreign currency transactions

(a) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realised exchange differences are recognised in the statement of profit and loss.

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 flows 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 hedged 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

Employee benefits includes gratuity, provident fund and leave encashment benefits under the approved schemes of the Company.

In respect of defined contribution plans, the contribution payable for the year is charged to the Statement of Profit and Loss.

In respect of defined benefit plans, the employee benefit costs are accounted for based on actuarial valuation as at the Balance Sheet date.

The liability for leave carried forward has been accounted for on actual basis for all eligible employees except for employees at the Bangalore location, where the leave liability is calculated on the basis of an actuarial valuation as of the Balance Sheet date, as per the policy of the Company.

### 1.12 Accounting for Taxes on Income

Tax expense comprises current and deferred tax.

(a) Income Tax Provision

Current tax is computed on taxable income determined in accordance with the provisions of the applicable tax rates and tax laws. Current tax is net of credit for entitlement for Minimum Alternative Tax (MAT).





## Notes forming part of the Financial Statements

### (b) Deferred Tax Provision

Deferred tax arising on account of timing differences and which are capable of reversal in one or more subsequent periods is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is virtual certainty with respect to the reversal of the same in future years.

### 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 obligations that arise 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.

Such obligations are recorded as Contingent Liabilities. These are assessed continually 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 Provision for Warranty:

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. Costs associated with such sale are accrued at the time when related revenues are recorded and included in cost of service delivery. The Company estimates such cost based on historical experience and the estimates are reviewed periodically for material changes in the assumptions.

### 1.15 Employee Stock Option:

In respect of stock options granted pursuant to the company's Employee Stock Option Scheme, the intrinsic value of the option is treated as discount and accounted as employee compensation cost over the vesting period.

### 1.16 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. Differences between actual results and estimates are recognized in the year in which the results are known/materialized.

## Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 2 - SHARE CAPITAL</b>		
<b>Authorised:</b>		
375,000,000 equity shares (Previous Year 375,000,000) of ₹ 2/- each.	750,000,000	750,000,000
	<u>750,000,000</u>	<u>750,000,000</u>
<b>Issued Subscribed and Fully Paid-up:</b>		
177,942,876 equity shares (Previous Year 87,863,415) of ₹ 2/- each fully paid-up	355,885,752	175,726,830
<b>Total</b>	<u>355,885,752</u>	<u>175,726,830</u>

(i) Reconciliation of the number of equity shares outstanding:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Number of shares outstanding at the beginning of the year	87,863,415	175,726,830	78,523,041	157,046,082
Add: Shares issued on exercise of employee stock options	1,108,023	2,216,046	1,581,753	3,163,506
Add: Issue of bonus shares	88,971,438	177,942,876	-	-
Add: Shares issued on preferential basis	-	-	7,758,621	15,517,242
Number of shares outstanding at the end of the year	177,942,876	355,885,752	87,863,415	175,726,830

(ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 2/- each shareholder of equity shares is entitled to one vote per share.

(iii) Number of equity shares held by each shareholder holding more than 5% shares in the Company are as follows:

Particulars	Number of shares as at March 31, 2012		Number of shares as at March 31, 2011	
	Number of shares	% of shares held	Number of shares	% of shares held
Warhol Limited	16,987,858	9.55%	7,758,621	8.83%
Proficient Trading & Investment Private Limited	14,391,740	8.09%	11,702,350	13.32%
ICICI Prudential Life Insurance Company Limited	11,853,692	6.66%	5,917,400	6.74%
Cummins India Limited	10,182,660	5.72%	5,091,330	5.79%
Cummins Inc.	10,063,994	5.66%	5,031,997	5.73%
KPIT Systems Ltd.- Employees Welfare Trust	8,994,144	5.05%	4,570,322	5.20%

(iv) 11,582,682 equity shares (Previous Year 5,675,903) of ₹ 2 each are reserved for issuance towards outstanding employee stock option granted (Refer Note 44)

(v) Aggregate number of equity shares allotted as fully paid-up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 88,971,438 (Previous Year 44,181,453)

(vi) Also refer note 26

# Notes forming part of the Financial Statements

	₹	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 3 - RESERVES AND SURPLUS</b>			
<b>Capital Reserve</b>			
Opening Balance	19,404,500		19,404,500
Add: Additions during the year	-		-
		19,404,500	19,404,500
<b>Amalgamation Reserve</b>			
Opening Balance	51,398,256		51,398,256
Add: Additions during the year	-		-
		51,398,256	51,398,256
<b>Securities Premium Account</b>			
Opening Balance	1,944,724,404		751,082,508
Add: Premium on issue of shares under ESOP scheme	64,346,619		103,546,452
Add: Amount transferred from outstanding Employees Stock Options	6,270,225		10,989,051
Add: Premium on issue of Preferential allotment	-		1,109,482,803
Less: Share issue expenses on Preferential Allotment	-		30,376,410
		2,015,341,248	1,944,724,404
<b>Employees Stock Options Outstanding</b>			
Opening Balance	4,849,521		16,684,594
Add: Amortized during the year	3,563,859		374,984
Less: Amount transferred to General Reserve	-		1,221,006
Less: Amount transferred to Securities Premium	6,270,225		10,989,051
		2,143,155	4,849,521
<b>General Reserve</b>			
Opening Balance	428,828,209		353,878,750
Add: Transferred from Statement of Profit and Loss	75,000,000		70,000,000
Less: Transferred for bonus issue	177,942,876		-
Add: Adjustment under the scheme of amalgamation	-		3,728,453
Add: Amount transferred from Outstanding Employees Stock Options	-		1,221,006
		325,885,333	428,828,209
<b>Hedging Reserve</b>			
Opening Balance	(136,241,095)		(226,688,046)
Add: Gain/(Losses) transferred to the Statement of Profit and Loss on occurrence of forecasted hedge transaction.	76,899,940		95,604,986
Less: Change in fair value of effective portion of outstanding cash flow hedges	420,039,207		5,158,035
		(479,380,362)	(136,241,095)
<b>Surplus/(Deficit) in Statement of Profit and Loss Account</b>			
Opening Balance	3,088,184,958		2,730,085,629
Add: Acquired under the scheme of amalgamation	-		14,934,664
Add: Profit/(Loss) for the period	746,684,904		694,878,907
Less: Final Dividend paid (Refer Note 45(7))	134,410		199,215
Less: Dividend Tax on final dividend paid (Refer Note 45(7))	21,804		33,087
Less: Proposed dividend	124,560,013		61,504,390
Less: Dividend Tax on proposed dividend	20,206,748		9,977,550
Less: Amount transferred to KPIT Cummins Infossystems Limited Community Foundation Reserve	27,200,000		10,000,000
Less: Amount transferred to KPIT Cummins Technology Fund	100,000,000		100,000,000
Less: Amount transferred to KPIT Employees' Welfare Fund	100,000,000		100,000,000
Less: Amount transferred to General Reserve	75,000,000		70,000,000
		3,387,746,887	3,088,184,958
<b>KPIT Cummins Infossystems Limited Community Foundation Reserve Account</b>			
Opening Balance	40,060,871		30,705,532
Add: contribution received from Employees	2,769,225		2,163,362
Add: Transferred from Statement of Profit and Loss	27,200,000		10,000,000
Less: Utilisation during the period (Refer Note No. 45 (1))	5,660,000		2,808,023
		64,370,096	40,060,871
<b>KPIT Cummins Technology Fund</b>			
Opening Balance	99,321,371		-
Add: Transferred from Statement of Profit and Loss	100,000,000		100,000,000
Less: Utilisation during the period (Refer Note No. 45 (1))	-		678,629
		199,321,371	99,321,371
<b>KPIT Employees' Welfare Fund</b>			
Opening Balance	100,000,000		-
Add: Transferred from Statement of Profit and Loss	100,000,000		100,000,000
Less: Utilisation during the period (Refer Note No. 45 (1))	160,078		-
		199,839,922	100,000,000
<b>Total</b>		<b>5,786,070,406</b>	<b>5,640,530,995</b>

## Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 4 - LONG-TERM BORROWINGS</b>		
Term Loans		
- From other than banks (Secured)		
(Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets)	-	109,144,514
<b>Long-term maturities of finance lease obligations (Secured)</b>		
(Secured against fixed assets obtained under finance lease arrangements) (Refer Note 39(1))	3,698,227	5,925,769
<b>Total</b>	<b>3,698,227</b>	<b>115,070,283</b>

## (i) Terms of repayment

Term Loan from other than banks - International Finance Corporation - External Commercial Borrowings

Date of repayment	As at March 31, 2012		As at March 31, 2011	
	Amount Repayable USD	Amount Repayable ₹	Amount Repayable USD	Amount Repayable ₹
September 11	-	-	1,222,222	54,572,213
March 12	-	-	1,222,222	54,572,212
September 12	-	-	1,222,223	54,572,257
March 13	-	-	1,222,223	54,572,257

(The above term loan has been prepaid during the year)

(ii) The term loan carries interest rate of 6 months LIBOR + 300 basis points.

(iii) There is no default as on the balance sheet date in repayment of loans and interest.

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 5 - DEFERRED TAX LIABILITIES (NET)</b>		
(i) Break-up of deferred tax liabilities as at year end		
Nature of timing difference		
Provision for Depreciation	49,910,940	74,648,946
<b>Total</b>	<b>49,910,940</b>	<b>74,648,946</b>
(ii) Break-up of deferred tax assets as at the year end		
Nature of timing difference		
Provision for doubtful debts and advances	23,467,000	-
Provision for leave encashment	18,979,000	18,356,314
<b>Total</b>	<b>42,446,000</b>	<b>18,356,314</b>
(iii) Deferred Tax Liability/(Asset) Net	<b>7,464,940</b>	<b>56,292,632</b>

**NOTE 6 - OTHER LONG-TERM LIABILITIES**

Other than Trade Payables:

Mark to market loss on cash flow hedges (Refer Note 35(1A))

Other Payables

261,830,555	65,883,349
2,153,300	3,500,000
<b>Total</b>	<b>69,383,349</b>

**NOTE 7 - LONG-TERM PROVISIONS**

Provision for employee Benefits (Refer Note 36)

Other Provisions:

Provision for Warranty (Refer Note 43)

65,399,286	37,850,628
4,005,400	-
<b>Total</b>	<b>37,850,628</b>

## Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 8 - SHORT-TERM BORROWINGS</b>		
Loans Repayable on demand		
- Working Capital Loans from Banks (Secured) (Secured by hypothecation of Trade Receivables)	1,400,045,429	764,995,703
Other Loans and Advances		
- Term Loans from other than banks (Secured) (Secured by hypothecation of software obtained under the arrangement)	-	39,364,500
<b>Total</b>	<b>1,400,045,429</b>	<b>804,360,203</b>
(i) There is no default as on the balance sheet date in repayment of loans and interest.		
<b>NOTE 9 - TRADE PAYABLES</b>		
Trade payables (Refer Note 29)	543,158,994	443,187,211
<b>Total</b>	<b>543,158,994</b>	<b>443,187,211</b>
<b>NOTE 10 - OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt		
From Banks (Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets)	-	62,510,000
From Others (Refer Note 4 - Term Loan from others for details of security and repayment terms)	-	109,144,425
Current maturities of finance lease obligations (Refer Note 39(1))	2,219,950	2,405,807
Interest Accrued and due	1,505,686	510,571
Interest Accrued and not due	-	317,246
Unearned Revenue	17,216,753	13,296,160
Unclaimed Dividend	1,596,487	1,497,664
Other Payables:		
Dues to Subsidiaries (Refer Note 38)	108,541,529	44,779,691
Statutory Remittances	109,749,348	129,245,678
Payables in respect of Fixed Assets	118,103,090	62,769,099
Advances from Customer	3,353,580	6,790,534
Mark to Market Loss on cash flow hedges (Refer Note 35(1A))	217,549,807	70,357,746
Others (Disputed matters, etc.)	15,859,806	18,139,776
<b>Total</b>	<b>595,696,036</b>	<b>521,764,397</b>
<b>NOTE 11 - SHORT-TERM PROVISIONS</b>		
Provision for employee benefits (Refer Note 36)	68,050,657	74,611,011
Provision others:		
For Current Tax (Net of advance tax)	170,811,214	16,603,786
Less: MAT Credit utilised	133,101,497	-
	37,709,717	16,603,786
For Fringe Benefit Tax (Net of advance tax)	3,324,719	3,324,719
Provision for Warranty (Refer Note 43)	7,546,600	3,706,000
Proposed Dividend	124,560,013	61,504,390
Tax on proposed dividend	20,206,748	9,977,550
<b>Total</b>	<b>261,398,454</b>	<b>169,727,456</b>



# Notes forming part of the Financial Statements

## NOTE 12 : FIXED ASSETS - TANGIBLE AND INTANGIBLE ASSETS

Particulars	GROSS BLOCK			DEPRECIATION/ AMORTIZATION/ DIMINUTION			NET BLOCK			
	As at April 1, 2011	Additions on account of Amalgamation	Disposals during the Year 2011-12	As at March 31, 2012	Up to April 1, 2011	During Year 2011-12	On Disposals during the year 2011-12	Up to March 31, 2012	As on March 31, 2011	As on March 31, 2012
<b>A. TANGIBLE ASSETS</b>										
Land (Leasehold)	43,052,484	-	-	254,264,444	3,006,226	-	-	3,475,493	250,788,951	40,046,258
Building	460,099,798	-	-	589,518,091	164,337,648	-	-	199,125,880	390,392,211	295,762,150
Plant and Equipment	552,994,321	-	32,704,610	633,897,175	385,547,480	-	32,054,777	431,896,224	202,000,951	167,446,841
Furniture and Fixtures	193,633,826	-	1,061,068	232,219,038	128,846,638	-	1,017,283	153,119,082	79,099,956	64,787,188
Vehicles										
- Lease/ Hire Purchase (Refer Note 39(i))	15,041,924	-	3,356,063	11,685,861	5,394,798	-	2,923,188	4,961,925	6,723,936	9,647,126
- Owned	3,338,535	-	947,263	2,391,272	1,457,034	-	792,053	1,111,011	1,280,261	1,881,501
Office Equipments	367,964,062	-	1,924,000	441,650,260	168,250,436	-	37,756,103	204,082,540	237,567,720	199,713,626
<b>TOTAL TANGIBLE ASSETS</b>	<b>1,636,124,950</b>	<b>-</b>	<b>39,993,004</b>	<b>2,165,626,141</b>	<b>856,840,260</b>	<b>-</b>	<b>180,076,068</b>	<b>997,772,155</b>	<b>1,167,853,986</b>	<b>779,284,690</b>
Previous Year	1,505,056,545	31,740,177	27,782,057	1,636,124,950	710,121,321	23,503,189	146,646,134	856,840,260	779,284,690	
<b>B. INTANGIBLE ASSETS</b>										
Internally Generated Intangible										
- Product Development Cost	138,547,079	-	-	175,255,600	52,624,068	-	39,229,342	91,853,410	83,402,190	85,923,011
Other Than Internally Generated Intangible Assets										
- Goodwill (Refer Note i below)	93,513,437	-	-	98,816,531	33,122,277	-	54,682,203	87,804,480	11,012,051	60,391,160
- Product Development Cost	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	-	-
- Software (Refer Note ii)	599,177,761	-	8,815,629	668,609,066	370,609,473	-	121,689,293	486,921,908	181,687,158	228,568,288
<b>TOTAL INTANGIBLE ASSETS</b>	<b>1,059,573,861</b>	<b>-</b>	<b>8,815,629</b>	<b>1,171,016,781</b>	<b>684,691,402</b>	<b>-</b>	<b>215,600,838</b>	<b>894,915,382</b>	<b>276,101,399</b>	<b>374,882,459</b>
Previous Year	578,734,450	231,576,454	-	1,059,573,861	249,265,023	231,168,378	204,258,001	684,691,402	374,882,459	

Notes :

- Depreciation / Amortization/ Diminution during the year includes ₹ 35,836,288/- (Previous Year ₹ Nil) on account of goodwill written off for Harita and Nilson Technologies. (Refer Note 45(8))
- Includes Software having ₹ Nil (Previous Year ₹ 39,364,500) pledged as security for short-term loans from other than banks.

# Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 13 - NON-CURRENT INVESTMENTS</b>		
<b>TRADE (UNQUOTED)</b>		
<b>Investments in Equity Instruments of subsidiaries (At Cost)</b>		
KPIT Infosystems Limited	482,052,879	430,052,879
A wholly owned subsidiary company incorporated in UK		
6,421,170 (Previous Year 5,717,170) Equity Shares of ₹1/- each fully paid-up		
KPIT Infosystems Inc.	1,310,973,985	1,114,573,985
A wholly owned subsidiary company incorporated in USA		
11,092 ( Previous Year 10,892) Equity Stock at par fully paid-up		
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 fully paid-up		
Sparta Infotech India Private Limited	100,000	100,000
A wholly owned subsidiary company of KPIT Infosystems Inc.		
10,000 (Previous Year 10,000) shares of ₹ 10/- each fully paid-up		
KPIT (Shanghai) Software Technology Co. Ltd.	11,242,000	-
A wholly owned subsidiary company incorporated in China		
1,626,060 ((Previous Year Nil) Equity shares of RMB 1 each fully paid-up		
SYSTIME Global Solutions Pvt. Ltd.	1,089,994,601	-
A subsidiary company incorporated in India		
5,504,198 (Previous Year Nil) Equity shares of ₹ 10 each fully paid-up		
KPIT Infosystems Netherlands B.V.	9,975,000	-
A wholly owned subsidiary company incorporated in Netherlands		
180 (Previous Year Nil) Equity shares of Euro 100 each fully paid-up		
<b>Investments in Equity Instruments of Associate (At Cost)</b>		
Investment in GAIA System Solution Inc.	98,151,970	-
550 (Previous Year Nil) Equity shares at par fully paid-up		
<b>Investments in Equity Instruments of Joint Ventures (At Cost)</b>		
Impact Automotive Solutions Private Ltd.	49,049,980	30,049,980
A Joint Venture company incorporated in India		
4,904,998 (Previous Year 3,004,998) Equity shares of ₹ 10 each fully paid-up		
<b>Investments in Equity Instruments of Other Entities (At Cost)</b>		
Investment in Sankalp Semiconductors Pvt Ltd.	117,554,370	-
(Refer Note 45(6))		
771,000 (Previous Year Nil) shares of ₹ 2 each fully paid-up		
<b>Investment in preference shares of subsidiaries (At Cost)</b>		
SYSTIME Global Solutions Pvt. Ltd.	278,130,000	-
A subsidiary company incorporated in India		
2,781,300 (Previous Year Nil) Preference shares of ₹ 100 each fully paid-up		
<b>Total</b>	<b>3,663,193,293</b>	<b>1,790,745,352</b>

## Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 14 - LONG-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties (Refer Note 38)		
Loan to KPIT Systems Ltd. Employee Welfare Trust	380,759,353	383,759,353
Loan to KPIT Infosystems Inc. USA	283,439,795	-
Loans and advances to other than related parties		
Capital Advances	2,831,614	913,212
Security Deposits	73,732,579	38,518,619
Other loans and advances		
- Advance payments against taxes (Net)	89,154,049	82,639,466
- Fringe benefit tax paid in excess of provision (Net)	3,211,730	3,211,730
- MAT Credit Entitlement	-	205,322,303
- Balances with government authorities	18,261,484	9,130,742
- Prepaid Expenses	714,877	2,469,432
<b>Total</b>	<b>852,105,481</b>	<b>725,964,857</b>
<b>NOTE 15 - OTHER NON-CURRENT ASSETS</b>		
(Unsecured, considered good unless otherwise stated)		
Others :		
Balance in Group Gratuity Trust Account (Refer Note 45(9))	12,244,464	9,602,558
Fixed Deposits under lien	17,224,545	16,014,960
Interest Accrued on fixed deposits	1,043,341	1,009,998
<b>Total</b>	<b>30,512,350</b>	<b>26,627,516</b>
<b>NOTE 16 - CURRENT INVESTMENTS</b>		
Investments in Mutual funds (Unquoted) (Non Trade)		
(At cost or market value whichever is lower)		
- 799,374 units (Previous Year 7,458,866 units) - Birla Sun Life Savings Fund - Institutional Plan - Daily Dividend	79,991,747	74,639,381
- 851,715 units (Previous Year 12,606,366 units) - Birla Sun Life Short-Term Fund - Institutional Plan	85,218,317	126,132,997
- 14,069,709 units (Previous Year 16,871,871 units) - HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	141,140,290	169,250,173
- Nil units (Previous Year 5,180,657 units) - Tata - Floater Fund Daily Dividend	-	51,991,002
- 11,369 units (Previous Year 10,609 units) - Axis Treasury Advantage Fund - Daily Dividend	11,370,501	10,609,341
- 4,512,079 units (Previous Year 4,216,016 units) - IDFC - Money Manager Fund TP- Ins Plan B	45,437,980	42,456,545
<b>Total</b>	<b>363,158,835</b>	<b>475,079,439</b>
<b>NOTE 17 - TRADE RECEIVABLES</b>		
(Unsecured unless otherwise stated)		
1) Trade receivables outstanding for a period exceeding six months from the date they were due for payment:		
Considered Good	164,121,910	121,275,108
Considered Doubtful	72,328,106	50,752,207
	236,450,016	172,027,315
2) Other Trade receivable:		
Considered Good	1,781,770,880	1,626,002,108
Considered Doubtful	-	306,827
	1,781,770,880	1,626,308,935
Less: Provision for Doubtful Debts	72,328,106	51,059,034
<b>Total</b>	<b>1,945,892,790</b>	<b>1,747,277,216</b>

## Notes forming part of the Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 18 - CASH AND CASH EQUIVALENTS</b>		
Cash on hand	67,130	99,839
Cheques in hand	9,674,511	5,985,893
Balances with banks -		
- In Current Account	380,622,567	342,444,104
- In Deposit Account	5,671,216	1,130,802,582
- In Unpaid Dividend Account	1,596,487	1,497,664
<b>Total</b>	<b>397,631,911</b>	<b>1,480,830,082</b>
Out of the above, the balances that meet the definition of Cash & Cash equivalents as per AS 3 - Cash Flow Statements is	391,960,695	1,480,830,082
<b>NOTE 19 - SHORT-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties (Refer Note 38)		
- Dues from Subsidiaries	142,946,669	91,601,101
- Dues from Joint Venture	17,002,387	4,779,441
Other loans and advances		
- Employee Advances		
- Considered good	23,322,935	75,567,059
- Considered doubtful	8,050,000	4,000,000
	31,372,935	79,567,059
Less: Provision for doubtful advances	8,050,000	4,000,000
	23,322,935	75,567,059
- Prepaid Expenses	58,220,868	57,459,012
- Balances with Government authorities	16,914,513	27,239,425
- Other Receivables from Customers	19,158,566	17,553,059
- Security Deposits	14,870,763	24,868,446
- Advance to Suppliers	7,340,949	8,301,772
- MAT Credit Entitlement	72,220,806	-
<b>Total</b>	<b>371,998,456</b>	<b>307,369,315</b>
<b>NOTE 20 - OTHER CURRENT ASSETS</b>		
Unbilled revenue	53,207,846	34,889,441
Interest Accrued on Fixed Deposits	502,431	12,266,234
<b>Total</b>	<b>53,710,277</b>	<b>47,155,675</b>

## Notes forming part of the Financial Statements

	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
<b>NOTE 21 - REVENUE FROM OPERATIONS</b>		
Income from Software Services	6,128,917,830	5,276,386,998
<b>Total</b>	<b>6,128,917,830</b>	<b>5,276,386,998</b>
<b>NOTE 22 - OTHER INCOME</b>		
Interest income	18,411,441	31,208,130
Dividend income	34,397,776	33,940,152
Sundry Credit balances no longer required written back (Net)	2,639,514	-
Profit on sale of fixed assets (Net)	625,495	-
Other Non-Operating Income (net of expenses directly attributable to such income) (including miscellaneous income)	3,143,277	440,003
<b>Total</b>	<b>59,217,503</b>	<b>65,588,285</b>
<b>NOTE 23 - EMPLOYEE BENEFIT EXPENSE</b>		
Salaries and wages	3,215,887,917	2,952,358,428
Contribution to provident and other funds (Refer Note 36 )	103,425,942	88,977,353
Expense on Employee Stock Option Schemes (Refer Note 44)	3,563,859	374,984
Staff welfare expenses	17,184,995	11,647,587
<b>Total</b>	<b>3,340,062,713</b>	<b>3,053,358,352</b>
<b>NOTE 24 - FINANCE COSTS</b>		
Interest expense	35,207,427	36,288,572
Net (gain)/loss on foreign currency transactions and translations (considered as finance costs)	10,286,043	(673,902)
<b>Total</b>	<b>45,493,470</b>	<b>35,614,670</b>
<b>NOTE 25 - OTHER EXPENSES</b>		
Travel and overseas expenses (Net)	236,516,841	201,583,268
Travelling and conveyance	90,982,417	88,205,303
Cost of service delivery (Net)	206,830,202	95,559,413
Cost of Professional Sub-contracting (Net)	137,747,017	150,111,432
Recruitment and Training expenses	40,045,888	63,118,326
Power and fuel	66,465,656	56,073,236
Rent	100,936,356	65,411,280
Repairs and maintenance -		
- Buildings	1,199,210	3,211,609
- Machinery	102,198,671	85,549,043
- Others	22,586,818	26,858,244
	125,984,699	115,618,896
Insurance	29,790,571	25,129,374
Rates and Taxes	2,608,173	2,998,985
Communication expenses (Net)	36,822,039	39,458,451
Professional and legal expenses	57,211,907	42,762,562
Marketing Expenses	31,722,327	27,220,184
Foreign exchange loss (Net)	126,184,124	52,961,292
Printing and Stationary	5,331,684	6,364,558
Auditors Remuneration (net of Service Tax)		
- Audit fees [includes ₹ 500,000/- (Previous Year - ₹ Nil) with respect to earlier year]	6,700,000	5,200,000
- Fees for other services	590,000	964,594
- Taxation matters	575,000	1,879,206
- Other Matters	669,825	1,588,469
- Out of pocket expenses reimbursed	315,206	465,043
Bad debts written off	26,447,261	630,910
Provision for doubtful debts and advances (Net)	25,319,072	1,888,537
Loss on sale of fixed assets	-	1,749,134
Miscellaneous expenses (Net)	82,936,714	65,727,339
<b>Total</b>	<b>1,438,732,979</b>	<b>1,112,669,792</b>



## Notes forming part of the Financial Statements

26. The Company declares and pays dividends in Indian rupees. The dividend purpose to be distributed to equity share holders for the period is ₹ 124,560,013/- i.e. ₹ 0.70 per share. (Previous Year - ₹ 61,504,390/- i.e. ₹ 0.70 per share). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

27. As at 31st March, 2012 the Company has received an amount of ₹ 1,053,845 (Previous Year ₹ 2,609,762) towards share application money for 34,016 shares (Previous Year 41,385 shares) at a premium of ₹ 985,813 (Previous Year ₹ 2,526,992). The share application money was received for proposed issue under the Employee Stock Option Plan of 2004 and 2006 at fair market value. The Company has sufficient authorized share capital to cover the allotment of these shares.

28. Contingent Liabilities and Commitments:

(i) Contingent Liabilities:

Sr. No.	Particulars	FY 2011-12	FY 2010-11
1	Outstanding Bank Guarantees in routine course of business	37,543,486	32,297,391
2	Corporate Guarantee provided by the Company for loan taken by KPIT Infosystems Inc. USA of USD 16,000,000	818,504,000	-
3	Income tax matters (Refer (a) below)	23,236,507	14,398,014
4	VAT matters (Refer (b) below)	27,673,199	27,673,199

a. Income Tax Cases

1. AY 2006-07

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

The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT), Bangalore, against an Order dated 28th July, 2011 from Commissioner of Income Tax (Appeals) - I, Bangalore. 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.

2. AY 2007-08

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

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.

3. AY 2008-09

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

The Company has filed an appeal with Dispute Resolution Panel on 30th January, 2012 against the draft assessment order passed by Assistant Commissioner of Income Tax, Circle 11(1), Pune for proposed demand of ₹ 13,977,983.

- This relates to KPIT Cummins Infosystems Limited

The Company has filed an appeal with Dispute Resolution Panel on 30th January, 2012 against the draft assessment order passed by Assistant Commissioner of Income Tax, Circle 11(1), Pune, for proposed demand of ₹ 655,744/-

b. VAT Matters

1. FY 2005-06 to FY 2008-09

During the previous year, the Company had filed an appeal with the Joint Commissioner of Commercial Taxes - (Appeals) - 2 against an 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 the entire amount towards this demand.

2. FY 2009-10

During the previous year, the Company had 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 (DCCT) dated February 23, 2011. The demand raised vide this notice is ₹ 9,411,715/-.

During the current year, High Court has reviewed the petition and has directed DCCT to pass a revised order taking into consideration the favorable decision by the Divisional Bench of Karnataka High Court in case of Sasken Communication Technologies Ltd.

The order from DCCT is awaited.

The Company and its advisers believe that the above matters would be decided in favor of the Company considering the Karnataka High Court's decision on a similar matter.

## Notes forming part of the Financial Statements

### (ii) Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for:-

- a. Tangible Assets - ₹ 57,543,172/- (Previous Year ₹ 19,586,026/-).
- b. Intangible Assets - ₹ 9,122,263/- (Previous Year ₹ 4,555,716/-).

### (iii) Other Commitments:

The company, during the year, has acquired 57.5% stake in Systime Global Solutions Pvt. Ltd. As per the share purchase agreement, the Company has to make a payment of ₹ 405,000,000/- towards fixed consideration in the year 2012-13 and a maximum additional consideration based on performance targets of Rs 959,040,000/- in the subsequent years for acquisition of the balance stake.

### 29. Disclosure as per the requirement of section 22 of the Micro, Small and Medium Enterprise Development Act, 2006:

- a. Principal amount payable to Micro and Small Enterprises (to the extent identified by the Company from available information) as at 31st March, 2012 is ₹ 378,767/- (Previous Year - ₹ 321,895/-) including unpaid amounts of ₹ 14,442/- (Previous Year - ₹ Nil) outstanding for more than 30 days. Estimated interest due thereon is ₹ 289/- (Previous Year - ₹ Nil).
- b. Amount of payments made to suppliers beyond 30 days during the year is ₹118,128/- (Previous year - ₹ Nil). Interest paid thereon is ₹ Nil (Previous Year - ₹ Nil) and the estimated interest due and payable thereon is ₹ 2,363/- (Previous year - ₹ Nil).
- c. The amount of estimated interest accrued and remaining unpaid as at 31st March, 2012 is ₹ 2,652/- (Previous Year - ₹ Nil)
- d. The amount of estimated interest due and payable for the period from 1st April, 2012 to actual date of payment or 20th April, 2012 (whichever is earlier) is ₹ 144/-.

### 30. Particulars of loans/advances required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement.

Name of party	FY 2011-12		FY 2010-11	
	Balance	Maximum amount outstanding	Balance	Maximum amount outstanding
KPIT Infosystems Inc., USA	281,360,750	281,360,750	Nil	Nil
KPIT Systems Ltd. Employee Welfare Trust	380,759,353	383,991,353	383,759,353	463,395,046

### 31. CIF Value of Imports:

Particulars	FY 2011-12	FY 2010-11
Capital Goods	145,422,572	112,662,663

### 32. Expenditure in foreign currency (on accrual basis) (net of recovery):

Particulars	FY 2011-12	FY 2010-11
Salaries and wages	255,919,689	327,250,297
Cost of service delivery	35,978,609	104,355,361
Travelling Expenses	88,848,665	69,218,442
Marketing Expenses	13,853,922	23,383,169
Professional Expenses	18,864,542	4,553,945
Rent	432,085	740,879
Financial charges	4,353,262	9,464,222
Other Expenses	16,306,659	16,266,179
	434,557,433	555,232,494

### 33. Earnings in foreign currency (on accrual basis):

Particulars	FY 2011-12	FY 2010-11
Export of Software Services and Products	5,156,093,860	4,554,541,995
Interest on Fixed Deposits	1,178	994
Interest from Inter Company loans given	2,079,045	87,537
	5,158,174,083	4,554,630,526

## Notes forming part of the Financial Statements

### 34. Remittances in foreign currency to non-resident shareholders on account of dividends:

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	FY 2011-12	FY 2010-11
Year to which the dividend relates	FY 2010-11	FY 2009-10
Number of non-resident shareholders to whom remittance was made	5	5
Number of shares on which remittance was made	5,367,997	6,795,997
Amount remitted (in ₹)	3,757,599	4,757,198

### 35. (1) Details of Derivative Instruments (for hedging)

- A) Cash Flow hedges: 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, 2012 as required by AS-30 and accordingly the MTM loss of ₹ 479,380,362/- (Previous year ₹ 136,241,095) 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 has been designated as Cash Flow Hedges as on March 31, 2012:

Type of cover	Amount outstanding at year end in Foreign currency	Fair Value Gain/(Loss) in ₹	Amount outstanding at year end in ₹	Exposure to Buy/Sell
Forward	EUR 14,250,000 [2,025,000]	(37,947,607) [(2,042,871)]	986,939,315 [128,098,250]	Sell
Forward	USD 103,550,000 [61,500,000]	(485,546,318) [(134,088,922)]	5,079,071,000 [2,780,700,000]	Sell
Forward	GBP 6,150,000 [1,950,000]	(43,170,910) [557,571]	485,263,125 [142,931,500]	Sell

The forward contracts entered have maturity between 15 days to 2 years from the Balance Sheet date.

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

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
Trade Payables/Dues to Subsidiaries	178,304	GBP	14,527,018
	[145,910]		[10,495,280]
	1,495,979	EURO	102,235,684
	[589,485]		[37,279,024]
	1,876,974	USD	96,019,425
	[1,192,246]		[53,183,206]
	522,000	JPY	325,885
	[400,000]		[216,000]
	-	AED	-
	[132,400]		[1,820,500]
14,266	AUD	750,392	
[400]		[18,400]	
-	CNY	-	
[118,200]		[841,584]	

## Notes forming part of the Financial Statements

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
	-	SEK	-
	[7,460]		[52,518]
	-	CAD	-
	[525]		[24,066]
	672	CHF	37,876
	[NIL]		[NIL]
Trade Receivables/Dues from Subsidiaries	203,758	AUD	10,717,689
	[34,475]		[1,585,852]
	47,469	SGD	1,917,735
	[57,749]		[2,036,242]
	-	CAD	-
	[304,456]		[13,956,284]
	-	EUR	-
	[4,499,651]		[284,557,928]
	75,521	GBP	6,177,521
	[1,257,799]		[90,473,514]
	3,758	CNY	30,936
	[Nil]		[Nil]
	1,072,073	USD	54,843,498
	[Nil]		[Nil]
	12,868	NZD	546,890
	[Nil]		[Nil]
Loans - Availed	Nil	USD	Nil
Term Loan	[6,288,890]		[280,798,939]
PCFC Loans	25,004,521	USD	1,279,143,779
	[16,997,330]		[758,928,516]
	1,769,112	EURO	120,901,645
	[95,939]		[6,067,187]
EEFC Accounts	1,363,355	USD	69,734,097
	[1,358,494]		[60,656,734]
	87,196	GBP	7,132,511
	[278,844]		[20,057,265]
	1,270,073	EURO	86,797,200
	[1,089,962]		[68,929,234]
	2,481	PLN	39,329
	[Nil]		[Nil]
Bank Deposits	76,101	GBP	6,225,036
	[76,086]		[5,472,865]
Loans - Given to Subsidiaries			
KPIT Infosystems Inc. USA.	5,540,641	USD	283,439,795
	[Nil]		[Nil]

### Notes:

1. Figures in respect of previous year are given in brackets [ ]
2. The above figures excludes amounts in local currency of foreign branches

## Notes forming part of the Financial Statements

### 36. Details of Employee benefits as required by Accounting Standard 15 (Revised) Employee benefits are as under:

1. Defined Contribution Plan - Provident Fund

Amount recognized as an expense in the Statement of Profit and Loss in respect of defined contribution plan is ₹ 103,425,942/- (Previous year ₹ 88,977,353/-)

2. Defined Benefit Plan

i) Actuarial gains and losses in respect of defined benefit plans are recognized in the statement of profit and loss.

ii) The defined benefit plans comprises of gratuity.

Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of service.

**Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:-**

Particulars	FY 2011-12	FY 2010-11
Present Value of defined benefit obligation at the beginning of the year	49,610,607	39,173,178
Adjustment on transfer of employees	-	1,645,405
Current Service cost	19,969,873	15,490,165
Interest cost	4,092,875	3,265,487
Actuarial loss/(Gain)	5,527,468	(1,033,865)
Benefits paid	(11,759,979)	(8,929,763)
Present Value of defined benefit obligation at the end of the year	67,440,844	49,610,607

Analysis of defined benefit obligation	2011-12	2010-11
Present value of obligation as at the end of the year	67,440,844	49,610,607
Fair Value of Plan Assets at the end of the year	-	-
Net (Asset)/Liability recognized in the Balance Sheet at 31st March, 2012	67,440,844	49,610,607

Components of employer expenses recognized in the Statement of Profit and Loss	2011-12	2010-11
Current Service cost	19,969,873	15,490,165
Interest cost	4,092,875	3,265,487
Actuarial loss/(Gain)	5,527,468	(1,033,865)
Expected return on plan assets	-	-
Expenses recognized in the Statement of Profit and Loss	29,590,216	17,721,787

Assumptions:	2011-12	2010-11
Discount rate	8.50%	8.25%
Salary Escalation	5.00%	5.00%

a. The discount rate is based on prevailing yields of Indian Government Securities as at the Balance Sheet date for the estimated terms of the obligations.

b. Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

#### Experience adjustments on plan assets & liabilities

	Year ended March 31,			
	2012	2011	2010	2009
Defined benefit obligation	67,440,844	49,610,607	39,173,178	31,673,922
Plan Assets	-	-	-	-
Surplus/(Deficit)	(67,440,844)	(49,610,607)	(39,173,178)	(31,673,922)
Experience adjustments on plan liabilities (Gain)/ Loss	(1,213,370)	3,916,149	(6,453,016)	(12,996,391)
Experience adjustments on plan assets (Gain)/ Loss	-	-	-	-

### 37. 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.



## Notes forming part of the Financial Statements

### 38. Related Party Disclosures:

#### A. Name of the related party and nature of relationship where control exists:

List of Related Parties:

Relationship	Name of related party
Subsidiary Companies	<ul style="list-style-type: none"> <li>- KPIT Infosystems Ltd. UK</li> <li>- KPIT Infosystems Inc. USA</li> <li>- KPIT Infosystems France SAS, France (Formerly known as Pivolis)</li> <li>- KPIT (Shanghai) Software Technology Co. Ltd. (From 7th April, 2011)</li> <li>- KPIT Infosystems Netherlands B.V. (From 16th March, 2012)</li> <li>- Systime Global Solutions Pvt. Ltd. (From 1st January, 2012)</li> <li>- KPIT Infosystems GmbH, Germany</li> <li>- In2soft GmbH, Germany</li> <li>- CPG Solutions, LLC USA</li> <li>- KPIT SolvCentral.Com</li> <li>- Sparta Consulting Inc., USA</li> <li>- Sparta Infotech India Pvt. Ltd, India</li> <li>- KPIT Infosystem (Brasil) Serviços De Tecnologia e Participações Ltda., Brazil (From 6th March, 2012)</li> <li>- Systime Computer Corporation, United States of America (USA) (From 1st January, 2012)</li> <li>- Systime Global Solutions Pty Limited, Australia (From 1st January, 2012)</li> <li>- Systime Global Solutions Pte Limited, Singapore (From 1st January, 2012)</li> <li>- Systime ME FZCO, United Arab Emirates (From 1st January, 2012)</li> <li>- Systime Global Solutions Japan Limited, Japan (From 1st January, 2012)</li> <li>- Systime Global Solutions Limited, United Kingdom (Formerly known as CMS Global Solutions Limited) (From 1st January, 2012)</li> <li>- VersaPOS Inc., USA (From 1st January, 2012)</li> <li>- SYSTIME Global Solutions Ltd, Brazil (From 1st January, 2012)</li> <li>- SYSTIME Global Solutions, Inc. Canada (From 1st January, 2012)</li> <li>- VersaPOS Group Inc., USA (From 1st January, 2012)</li> </ul>

#### B. Transactions with Related Parties:

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2012 Debit/(Credit)
1	KPIT Infosystems Ltd. UK	Subsidiary Company	-Investment in equity	52,000,000	482,052,879
				[144,201,250]	[430,052,879]
			-Sales	644,957,531	345,715,581
			(Net of Service Tax)	[697,621,922]	[291,352,192]
			-Reimbursement of Expenses	21,549,012	(6,187,682)
				[104,158,400]	[(8,164,748)]
			-Loan to Subsidiary and Interest on Loan	Nil	Nil
				[169,976]	[Nil]
			-Loan given	Nil	Nil
				[17,007,500]	[Nil]
2	KPIT Infosystems France SAS, France (Formerly Known as Pivolis)	Subsidiary Company	-Sales	107,631,296	41,140,654
				[199,532,305]	[186,905,239]
			-Reimbursement of Expenses	3,441,140	(16,729,632)
				[7,428,181]	[(28,534,288)]
3	KPIT Infosystems GmbH, Germany	Subsidiary Company	-Sales	794,921,905	313,112,534
				[481,496,869]	[160,021,519]
			-Reimbursement of Expenses	92,892,451	(78,640,240)
				[61,201,137]	[(5,361,353)]



## Notes forming part of the Financial Statements

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2012 Debit/(Credit)
4	KPIT Infossystems Inc., USA	Subsidiary Company	-Investment in Equity -Sales -Reimbursement of Expenses -Loan to Subsidiary	196,400,000 [273,555,000] 2,564,441,619 [2,382,426,862] 237,259,163 [173,583,602] 283,439,795 [Nil]	1,310,973,985 [1,114,573,985] 803,424,512 [738,501,077] 61,463,441 [60,779,215] 283,439,795 [Nil]
5	KPIT SolvCentral.Com	Subsidiary Company	-Reimbursement of Expenses	244,873 [4,641,352]	410,063 [364,497]
6	Sparta Infotech India Pvt. Ltd.	Subsidiary Company	-Reimbursement of Expenses	46,175,177 [33,401,385]	73,781,816 [30,061,247]
7	KPIT (Shanghai) Software Technology Co. Ltd.	Subsidiary Company (From 7th April, 2011)	-Investment in Equity -Reimbursement of Expenses	11,242,000 [Nil] 26,636 [Nil]	11,242,000 [Nil] 26,636 [Nil]
8	Systime Global Solutions Pvt. Ltd.	Associate Company (From 01/07/2011 to 31/12/2011)	-Investment in Equity -Investment in Preference shares -Consultancy Charges	912,820,875 [Nil] 278,130,000 [Nil] 6,917,342 [Nil]	Nil [Nil] 278,130,000 [Nil] Nil [Nil]
		Subsidiary Company (From 1st January, 2012)	-Investment in Equity -Reimbursement of Expenses -Consultancy Charges	177,173,726 [Nil] 3,784,804 [Nil] 28,372,622 [Nil]	1,089,994,601 [Nil] 3,900,487 [Nil] 32,648,659 [Nil]
9	KPIT Infossystems Netherlands B.V.	Subsidiary Company (From 16th March, 2012)	-Investment in Equity	9,975,000 [Nil]	9,975,000 [Nil]
10	GAIA System Solution Inc.	Associate Company (From 1st March, 2012)	-Investment in Equity	98,151,970 [Nil]	98,151,970 [Nil]
11	KP Corporate Solutions Ltd.	Enterprise over which key management personnel exercise significant influence	-Sales -Professional Expenses	4,631,237 [4,127,494] 783,334 [691,810]	12,576 [588,720] Nil [(99,270)]
12	Kirtane & Pandit Chartered Accountants	Enterprise over which key management personnel exercise significant influence	-Sales -Reimbursement of expenses -Professional Fees	361,390 [64,605] 84,290 [65,514] 226,115 [165,449]	61,217 [Nil] Nil [Nil] 5,329 [Nil]
13	Mr. S. B. (Ravi) Pandit	Key management personnel	-Management services fees -Reimbursement of expenses	11,433,582 [8,699,285] 1,882,340 [Nil]	(1,414,249) [Nil] (83,538) [Nil]

## Notes forming part of the Financial Statements

Sr. No.	Name of Related Party	Description of relationship	Nature of transaction	Amount of transactions during the year	Balance as on March 31, 2012 Debit/(Credit)
14	KPIT Systems Ltd. Employee Welfare Trust	Enterprise over which key management personnel exercise significant influence	-Loan for rendering services to the employees for assistance in medical, housing and purchase of KPIT shares for ESOS, 1998. -Principal Loan Repayment	232,000 [246,500,000]  3,232,000 [85,329,947]	380,759,353 [383,759,353]  Nil [Nil]
15	Impact Automotive Solutions Pvt. Ltd. (Jointly controlled entity)	Joint Venture	-Investment in Equity  -Reimbursement of Expenses	19,000,000 [30,049,880] 24,469,209 [19,661,028]	49,049,980 [30,049,880] 17,002,387 [4,779,441]
16	Mr. Kishor Patil	Key management personnel	-Salary  -Reimbursement of Expenses	7,074,651 [6,372,777]  2,751,270 [1,665,822]	Nil [Nil]  (102,248) [(114,967)]
17	Mr. Girish Wardadkar (till 25.04.2011)	Key management personnel	-Salary  -Advance recovered  -Reimbursement of Expenses	2,216,895 [9,145,978]  19,074,022 [19,074,022] 2,746 [139,938]	Nil [Nil]  Nil [19,074,022] Nil [(2,836)]
18	Mr. Sachin Tikekar (from 20.10.2011)	Key management personnel	-Salary  -Reimbursement of Expenses	3,542,356 [Nil] 672,872 [Nil]	Nil [Nil] Nil [Nil]
19	Mr. Chinmay Pandit	Relative of key management personnel	-Salary  -Reimbursement of Expenses	2,112,709 [550,662]  234,079 [154,089]	Nil [Nil]  Nil [142,655]
20	Mrs. Jayada Pandit	Relative of key management personnel	-Salary  -Reimbursement of Expenses	1,167,208 [651,487] Nil [4,013]	Nil [Nil] Nil [Nil]

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

### 39. Lease Transactions:

#### 1) 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, 2012 is as follows:

Particulars	FY 2011-12	FY 2010-11
Minimum lease Payments		
- Not later than one year	2,687,258	3,164,536
- Later than one year and not later than five years	4,038,593	6,588,291
- Later than five years	Nil	Nil
Total minimum lease Payments	6,725,851	9,752,827
Amount representing future Interest	807,674	1,421,251
Present value of minimum lease Payments	5,918,177	8,331,576
- Not later than one year	2,219,950	2,405,807
- Later than one year and not later than five years	3,698,227	5,925,769
- Later than five years	Nil	Nil

## Notes forming part of the Financial Statements

2) Operating lease:

Obligations towards non-cancellable operating Leases:-

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

Particulars	FY 2011-12	FY 2010-11
Minimum lease payments		
- Not later than one year	77,469,406	22,976,532
- Later than one year and not later than five years	163,711,417	1,841,459
- Later than 5 years	Nil	Nil
<b>Total</b>	<b>241,180,823</b>	<b>24,817,991</b>

Rental expenses of ₹ 100,936,356/- (Previous year ₹ 51,695,367/-) in respect of obligation under operating leases have been recognized in the Statement of Profit and Loss.

40. a) Basic and Diluted Earnings Per Share:

Particulars		FY 2011-12	FY 2010-11
Nominal value per Equity share	₹	2.00	2.00
Profit for the period	₹	746,684,904	694,878,907
Profit attributable to equity shareholders	₹	746,684,904	694,878,907
Weighted average number of equity shares	No. of shares	177,392,050	169,423,292
Earnings Per Share - Basic	₹	4.21	4.10
Dilutive number of shares -			
ESOP outstanding as at the year end	No. of shares	2,546,357	2,881,876
Weighted average number of diluted equity shares	No. of shares	179,938,407	172,305,168
Earnings per share - Diluted	₹	4.15	4.03

b) The Company has issued 88,971,438 bonus shares in the ratio of 1:1 in its Extra Ordinary General Meeting held on 1st March, 2012. These bonus shares were allotted on 15th March, 2012. The EPS figures for the previous year have been reworked to give effect of this allotment of bonus shares, as required by the Accounting Standard (AS) 20 - "Earning per share".

41. Research and Development expenditure debited to the Statement of Profit and Loss aggregating to ₹ 73,977,401/- (Previous Year ₹ 132,347,834/-) has been incurred by the Company and disclosed under appropriate account heads.

42. Disclosure of interest in joint venture as per AS 27:

The Company has the following joint ventures as on 31st March, 2012 and its percentage holding is given below:

Sr. No.	Name of the Company	Country of Incorporation	% voting power held	
			As at March 31, 2012	As at March 31, 2011
1.	Impact Automotive Solutions Private Ltd. (JV with Bharat Forge Ltd.)	India	50%	50%

The proportionate share of assets, liabilities, income, expenditure, contingent liabilities and capital commitment of the above joint venture company are given below:

Particulars	As at March 31, 2012	As at March 31, 2011
<b>RESERVES &amp; SURPLUS</b>	<b>(10,570,905)</b>	<b>(317,199)</b>
<b>Current Liabilities</b>		
(a) Trade Payables	20,317	Nil
(b) Other Current Liabilities	6,058,300	2,786,452
(c) Short-term Provisions	Nil	19,303
<b>TOTAL LIABILITIES</b>	<b>6,078,617</b>	<b>2,805,755</b>
<b>Non-Current Assets</b>		
(a) Fixed Assets	23,069,606	12,959,787
(b) Long-term Loans and advances	6,084,643	2,673,197
<b>Current Assets</b>		
(a) Inventories	18,137	Nil
(b) Cash and cash equivalents	10,503,400	16,881,798
(c) Short-term loans and advances	4,881,927	Nil
(d) Other Current Assets	Nil	23,784
<b>TOTAL ASSETS</b>	<b>44,557,713</b>	<b>32,538,556</b>

## Notes forming part of the Financial Statements

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue from operation	-	-
Other Income	594,908	280,972
<b>TOTAL REVENUE</b>	<b>594,908</b>	<b>280,972</b>
Expenses:		
Cost of Material Consumed	Nil	Nil
Depreciation and amortization expense	9,185	Nil
Other expenses	10,839,429	522,671
Tax Expense	Nil	(75,500)
<b>TOTAL EXPENSES</b>	<b>10,848,614</b>	<b>447,171</b>
Contingent Liabilities	Nil	Nil
Capital Commitments	942,892	Nil

43. Details of provisions and movements in each class of provisions as required by the Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard-29)

#### Warranty Provision:

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 I suppliers. The movement in the said provision is as under:

Particulars	FY 2011-12	FY 2010-11
Carrying Amount as at the beginning of the year	3,706,000	3,430,000
Additional provision made during the year	11,552,000	276,000
Amount Paid/Utilized during the year	3,706,000	Nil
Unused amount Reversed during the year	Nil	Nil
Carrying amount at the end of the year	11,552,000	3,706,000

44. 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. A compensation committee comprising of independent directors of the Company administers the ESOS Plan. Each option carries with it the right to purchase one hundred equity share of the Company. All options have been granted at a pre-determined rate of ₹2.5 per share.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	590	2,590
Granted during the year	250	-
Exercised during the year	737.5	1,800
Cancelled/lapsed during the year	(397.5)	200
Options granted, end of year	500	590

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



## Notes forming part of the Financial Statements

### 2. Employee Stock Option Plan - 2004

The Board of Directors and the shareholders of the Company approved the Employees Stock Option Plan 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. Each option carries with it the right to purchase one equity share of the Company. 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. The vesting of the options is 33%, 33% and 34% of total options granted after end of first, second and third year respectively from the date of grant. The maximum exercise period is 3 years from the date of vesting.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	2,880,200	2,698,193
Granted during the year	1,919,162	1,816,050
Exercised during the year	531,348	1,073,375
Cancelled/lapsed during the year	453,990	560,668
Options granted, end of year	3,814,024	2,880,200

### 3. Employee Stock Option Plan - 2006

The Board of Directors and the shareholders of the Company approved another Employees Stock Option Plan 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. Each option carries with it the right to purchase one equity share of the Company. 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. The vesting of the options is 30%, 30% and 40% of total options granted after end of first, second and third year respectively from the date of grant. The maximum exercise period is 3 years from the date of vesting.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	2,795,703	3,454,371
Granted during the year	5,896,457	263,014
Exercised during the year	576,675	508,378
Cancelled/lapsed during the year	346,827	413,304
Options granted, end of year	7,768,658	2,795,703

Personnel expenditure includes ₹ 3,563,859/- (Previous Year ₹374,984/-) being the amortization of intrinsic value for the year ending March 31, 2012.

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 ₹73,200,124/- (Previous Year ₹78,945,066) and earnings per share as reported would be lower as indicated below:

Particulars	FY 2011-12	FY 2010-11
Net Profit after Tax	746,684,904	694,878,907
Add: Total Stock based compensation expense determined under intrinsic value based method	3,563,859	374,984
Less: Total Stock based compensation expense determined under fair value based method	76,763,983	79,320,050
Adjusted net profit	673,484,780	615,933,841
Basic earnings per share (in ₹)		
- As reported	4.21	4.10
- Adjusted	3.80	3.64
Diluted Earnings per share (in ₹)		
- As reported	4.15	4.03
- Adjusted	3.74	3.57

(Also, refer note 40(b))

## Notes forming part of the Financial Statements

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

Particulars	31st March, 2012		31st March, 2011	
	ESOP 2004 scheme	ESOP 2006 scheme	ESOP 2004 scheme	ESOP 2006 scheme
1. Risk Free Interest Rate (%)	8.28%	8.52%	7.08%	7.50%
2. Expected Life	3.54 years	3.62 years	3.54 years	3.46 years
3. Expected Volatility (%)	59.65%	57.25%	65.79%	63.44%
4. Dividend Yield (%)	0.96%	0.97%	1.03%	1.04%

### 45. Other Disclosures and Explanatory Notes

- The Board has approved a transfer of ₹ 27,200,000/- (Previous Year ₹ 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/- (Previous Year ₹ 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/- (Previous Year ₹ 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.

- The Company, during the year, has acquired 57.5% stake in SYSTIME Global Solutions Pvt. Ltd. SYSTIME Global Solutions is one of the world's largest JDEdwards solution provider and Oracle Platinum partner.
- The Company, during the year, has acquired 20% stake in share capital of GAIA Systems Solutions Inc.; Japan on 23rd March, 2012. The acquisition is mainly for developing new customers in Japan.
- The Company, during the year, has incorporated two new subsidiaries namely KPIT Infosystems Netherlands B.V. on 16th March, 2012 and KPIT Infosystem (Brasil) Serviços De Tecnologia E Participações Ltda., Brazil on 6th March 2012. The acquisition is mainly for developing new customers in the respective countries.
- The Company has transferred its diversified financial services (DFS) division in entirety to Infracsoft Technologies under the business transfer agreement. This transfer has been done in second quarter of the current financial year. Under this agreement, the Company has agreed to transfer its existing DFS customer contracts along with corresponding account management and the price agreed is based on milestones spread over up to next three to four quarters. The Company has accounted ₹ 59,985,000/- as income in the current year based on the milestones achieved / terms of the agreement.
- During the year the Company has entered into a business partnership with Sankalp Semiconductor Pvt. Ltd. for the Hardware Business of Semiconductor Solutions Group (SSG). This agreement has been entered into in last quarter of the current financial year. Under this agreement, the Company has agreed to transfer all its existing Employees and customer contracts along with corresponding account management related to the Hardware Business of SSG. The purchase consideration for this is in the form of cash and stocks of Sankalp Semiconductor Pvt. Ltd., based on the milestones achieved/terms of the agreement. The Company has thus accounted ₹ 40,466,233/- as income in the current year.

Sankalp is a key player for Analog Mixed Signal services and solutions specializing in end-to-end solutions for IOs, analog and mixed signal chip design/layout. This association will make it one of the largest practices in hardware design with best competence in Analog and Mixed Signal design (AMS) area.

- Final Dividend

The Company allotted 188,295 equity shares against exercise of options by the employees, after 31st March, 2011 and before the Book closure for the Annual General Meeting held for FY 2010-11. The Company paid dividend of ₹ 134,410/- on these shares and tax on dividend of ₹ 21,804/- as approved by the shareholders at the Annual General Meeting held on July 8, 2011.

- During the FY 2009, the Company had acquired the Mechanical Engineering Design Services (MEDS) business of Harita TVS E-Technologies. This acquisition had helped in strengthening the Company's portfolio of Automotive-embedded and Mechanical Engineering services. The MEDS service has now been fully integrated with the Company's Automotive Business and it has been carved out as a key practice area as part of Company's Auto & Engineering (A&E) Strategic Business Unit.

Similarly, during the FY 2011, the Company had taken over business assets of Nilson Technology including the Intellectual Property (IP) for Vehicle Tracking system. This offering has now been integrated with the Company's Integrated Enterprise Solutions (IES) and Auto & Engineering (A&E) Strategic Business Unit.

With these integrations, it is not possible to report the value for the practices as separate businesses. Further these practices have not been generating the expected Profit After Tax (PAT) as per the initial business plan during their acquisitions. Hence as a prudent accounting practice, the Company has recognized impairment on the balance goodwill of ₹ 35,836,288/-



## Notes forming part of the Financial Statements

9. KPIT Cummins Infossystems (Bangalore) Pvt. Ltd. (KPIT Bangalore) was merged with KPIT Cummins Infossystems Limited (the Company) in the year 2007. Employees of erstwhile KPIT Bangalore who were on the rolls at 31st March, 2007 (being the date of merger) were also transferred to the Company. The gratuity liability of these employees was funded with Kotak Mahindra Old Mutual Life Insurance Limited. This fund balance of ₹ 12,244,464/- (Previous Year ₹ 9,602,558/-) is also transferred to the Company and is disclosed separately under “Other Non-Current Assets”.
10. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year’s figures have been regrouped/ reclassified wherever necessary to correspond with current year’s classification/disclosure.

Signatories to Notes 1 to 45

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

Place: Pune  
Date: April 30, 2012

# Auditors' Report

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 March 31, 2012, 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 investments in an associate accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the 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 certain subsidiaries and a joint venture, whose financial statements reflect total assets (net) of ₹ 317,247,338/-, as at March 31, 2012, total revenues of ₹ 12,854,532/- and net cash inflows amounting to ₹ 37,473,097/- 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 subsidiaries and joint venture is based solely on the reports of the other auditors.
- 3.2 The financial statement of an associate which reflect the Group's share of profit for the year ended March 31, 2012 of ₹ 1,758,279/- and Group's share of loss (net) of ₹ 17,783,107/- upto March 31, 2012 are incorporated in the Consolidated Financial Statement based on management's estimate and are not audited by their 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), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Subject to our comments in paragraph 3.2 above, based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and joint venture and to the best of our information and according to the explanations given to us, 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 March 31, 2012;
  - (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)

Place: Pune  
Date: April 30, 2012

Khurshed Pastakia  
Partner  
Membership No. 31544

# Consolidated Balance Sheet as at

	Note No.	March 31, 2012		March 31, 2011	
		₹	₹	₹	₹
<b>I. EQUITY AND LIABILITIES</b>					
(1) Shareholder's Funds					
(a) Share Capital	2	355,885,752		175,726,830	
(b) Reserves and Surplus	3	6,768,475,911		5,853,569,527	
			7,124,361,663	6,029,296,357	
(2) Share application money pending allotment	27		1,053,845	2,609,762	
(3) Minority Interest			326,005,784	8,733,496	
(4) Non-Current Liabilities					
(a) Long-term borrowings	4	822,202,227		115,070,283	
(b) Deferred tax liabilities	5	7,739,292		56,812,447	
(c) Other Long-term liabilities	6	263,983,855		106,988,084	
(d) Long-term provisions	7	103,228,332		51,231,660	
			1,197,153,706	330,102,474	
(5) Current Liabilities					
(a) Short-term borrowings	8	1,400,045,429		815,794,843	
(b) Trade payables	9	1,756,537,329		942,451,036	
(c) Other current liabilities	10	1,063,082,708		758,621,319	
(d) Short-term provisions	11	494,476,068		199,597,091	
			4,714,141,534	2,716,464,289	
<b>Total</b>			<b>13,362,716,532</b>	<b>9,087,206,378</b>	
<b>II. ASSETS</b>					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	12A	1,338,827,629		890,806,094	
(ii) Intangible assets	12B	328,808,635		372,510,772	
(iii) Capital work-in-progress		92,434,547		280,579,628	
(iv) Intangible assets under development		92,618,464		35,899,572	
			1,852,689,275	1,579,796,066	
(b) Goodwill (on consolidation)		3,622,544,438		1,299,906,268	
(c) Non-current investments	13	217,464,619		-	
(d) Deferred tax assets	5	35,025,749		1,839,564	
(e) Long-term loans and advances	14	617,200,653		755,054,281	
(f) Other non-current assets	15	34,345,161		26,627,516	
			4,526,580,620	3,663,223,695	
(2) Current assets					
(a) Current investments	16	364,697,789		476,503,540	
(b) Trade receivables	17	4,380,238,756		2,288,476,954	
(c) Cash and Cash Equivalents	18	1,472,981,468		2,079,992,330	
(d) Short-term loans and advances	19	601,952,696		329,734,776	
(e) Other current assets	20	163,575,928		249,275,083	
			6,983,446,637	5,423,982,683	
<b>Total</b>			<b>13,362,716,532</b>	<b>9,087,206,378</b>	

SEE ACCOMPANYING NOTES TO CONSOLIDATED 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

Place: Pune  
Date: April 30, 2012

Sandeep Phadnis  
Company Secretary

Kishor Patil  
CEO & Managing Director

# Consolidated Statement of Profit and Loss for the year ended

	Note No.	March 31, 2012 ₹	March 31, 2011 ₹
I. Revenue from operations	21	15,000,117,845	9,870,481,809
II. Other Income	22	138,237,170	67,401,974
III. Total Revenue		15,138,355,015	9,937,883,783
IV. Expenses:			
Employee benefit expense	23	7,717,837,130	5,299,532,674
Finance costs	24	73,238,211	37,785,098
Depreciation/ Amortization/ Diminution	12	444,857,437	411,247,251
Other expenses	25	5,116,525,418	3,086,738,490
Total Expenses		13,352,458,196	8,835,303,513
V. Profit before Exceptional Items and tax		1,785,896,819	1,102,580,270
VI. Exceptional Items (Refer Note 39(7) and 39(8))		100,451,233	-
VII. Profit before tax		1,886,348,052	1,102,580,270
VIII. Tax expense:			
(1) Current tax		472,432,743	206,440,999
(2) Short/(Excess) provision in respect of earlier years		32,500,000	-
(3) MAT Credit Entitlement		(25,698,008)	(55,429,677)
(4) Deferred tax		(42,552,616)	3,844,425
		436,682,119	154,855,747
IX. Profit after tax, but before Minority Interest and Share of Profit in Associate		1,449,665,933	947,724,523
X. Less: Profit to the extent of Minority Interest		31,464,648	1,905,331
XI. Add: Share of Profit in Associate		35,338,612	-
XII. Profit for the period		1,453,539,897	945,819,192
XIII. Earning per equity share(Face Value per share ₹ 2/-) (Refer Note 35)			
(1) Basic		8.19	5.58
(2) Diluted		8.08	5.49

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In terms of our report attached to the Balance Sheet

For and on behalf of Board of Directors

For Deloitte Haskins & Sells  
Chartered AccountantsKhurshed Pastakia  
PartnerAnil Patwardhan  
Vice President & Head - Corporate  
Finance & GovernanceS.B. (Ravi) Pandit  
Chairman & Group CEOPlace: Pune  
Date: April 30, 2012Sandeep Phadnis  
Company SecretaryKishor Patil  
CEO & Managing Director



# Consolidated Cash Flow Statement for the year ended

PARTICULARS	March 31, 2012		March 31, 2011	
	₹	₹	₹	₹
<b>A] CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit/(loss) before tax		1,886,348,052		1,102,580,270
Adjustments for				
(Profit)/loss on sale of fixed assets (net)	551,155		2,064,641	
Depreciation/ Amortization/ Diminution	444,857,437		411,247,251	
Expense on Employee Stock Option Schemes	3,563,859		374,984	
Finance costs	73,238,211		37,785,098	
Interest income	(17,190,850)		(31,674,117)	
Dividend income	(37,039,682)		(33,940,152)	
Exchange differences on translation of foreign currency cash and cash equivalents	20,299,379		(30,709,240)	
Unrealised foreign exchange (Gain)/Loss	(128,461,177)		9,513,022	
Profit on sale of Business Assets (Refer Note 3 below)	(100,451,233)	259,367,099	-	364,661,487
Operating Profit before working capital changes		2,145,715,151		1,467,241,757
Adjustments for changes in working capital:				
Increase/(Decrease) in Other Long-Term Liabilities	(38,951,435)		41,104,735	
Increase/(Decrease) in Long-Term Provisions	(30,296,566)		9,534,306	
Increase/(Decrease) in Trade Payables	514,916,508		350,822,607	
Increase/(Decrease) in Other Current Liabilities (Refer Note 3 below)	653,099		162,421,417	
Increase/(Decrease) in Short-Term Provisions	94,766,206		15,407,061	
(Increase)/Decrease in Long-term Loans and Advances	(45,072,377)		(4,696,088)	
(Increase)/Decrease in Other Non-Current Asset	(7,684,302)		(3,235,074)	
(Increase)/Decrease in Trade Receivables (Refer Note 3 below)	(1,438,409,398)		(816,209,014)	
(Increase)/Decrease in Short-term Loans and Advances	(10,888,151)		(176,547,910)	
(Increase)/Decrease in Other Current Assets	91,212,383	(869,754,033)	(152,111,070)	(573,509,030)
Cash generated from operations		1,275,961,118		893,732,727
Contribution to/(Utilisation from) Community Foundation Reserve and Employee Welfare Fund		(3,050,853)		(1,323,290)
Taxes Paid		(268,378,028)		(249,166,429)
Net cash from operating activities		1,004,532,237		643,243,008
<b>B] CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(608,976,441)		(422,105,625)	
Proceeds from Sale of Fixed Assets	6,042,602		2,625,863	
Investment in Equity Shares of Subsidiaries	(2,088,026,065)		(462,888,506)	
Investment in Equity Shares of Assosiate	(98,151,970)		-	
Investment in Preference Shares of Subsidiary	(278,130,000)		-	
Sale of Mutual Fund Investments	111,805,751		270,478,618	
Proceeds from Sale of Business Assets (Refer Note 3 below)	64,985,000		-	
Loan (given to)/repaid by Employee Welfare trust	3,000,000		(156,840,189)	
Interest received	28,805,244		21,156,467	
Dividend received from Mutual Fund Investments	37,039,682		33,940,152	
Fixed Deposit with banks (net) having maturity over three months	(6,371,834)		38,655,263	
Net Cash from/(used in) investing activities		(2,827,978,031)		(674,977,957)
<b>C] CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long-term loan to other than banks	(218,887,490)		(131,009,905)	
Proceeds from Long-term loan from banks	825,994,000		(94,494,946)	
Proceeds from issue of Share Capital and application money	65,006,748		1,233,704,185	
Share Issue expenses for Preferential Allotment	-		(30,376,410)	
Proceeds from Working Capital loan (Net)	595,785,536		128,158,410	
Proceeds/(Repayment) of Short-Term Borrowings	(42,970,101)		39,364,500	
Dividend paid including corporate dividend tax	(71,539,331)		(64,207,621)	
Interest and finance charges	(69,330,590)		(38,142,813)	
Net cash from/(used in) financing activities		1,084,058,772		1,042,995,400

## Consolidated Cash Flow Statement for the year ended

PARTICULARS	March 31, 2012		March 31, 2011	
	₹	₹	₹	₹
<b>D] EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY CASH AND CASH EQUIVALENTS</b>		(20,299,379)		30,709,240
Net Increase/(Decrease) in Cash and cash equivalents (A + B + C + D)		<u>(759,686,401)</u>		<u>1,041,969,691</u>
Cash & cash equivalents at close of the year (Refer Note No.1 below)		1,466,609,634		2,079,992,330
Cash & cash equivalents at beginning of the year (Refer Note No.1 below)		2,079,992,330		1,000,857,923
Add: Cash & cash equivalents on acquisition of subsidiaries		146,303,705		37,164,716
<b>Cash Surplus/(deficit) for the year</b>		<u>(759,686,401)</u>		<u>1,041,969,691</u>
<b>Note 1:</b>				
Cash and cash equivalents include:				
Cash on hand		286,993		167,809
Cheques in Hand		9,674,511		5,985,893
Balance with banks				
- In current accounts		1,412,253,201		925,538,382
- In deposit account		42,798,442		1,146,802,582
- In unpaid dividend account		1,596,487		1,497,664
<b>Total</b>		<u>1,466,609,634</u>		<u>2,079,992,330</u>
Add : Deposits with original maturity over three months		6,371,834		-
<b>Cash and cash equivalents at the end of the year as per Schedule VI</b>		<u>1,472,981,468</u>		<u>2,079,992,330</u>

**Note 2:**

Figures in brackets represent outflows of cash and cash equivalents.

**Note 3:**

Adjustment made in cash flow for sale of business assets to Sankalp Semiconductor Pvt. Ltd. for a consideration other than cash:

**Adjustments made to:**

Increase/(Decrease) in Other Current Liabilities	5,000,000
(Increase)/Decrease in Trade Receivables	77,088,137
Purchase of long-term investments in equity instruments of other entities	(117,554,370)
Profit on sale of business assets	35,466,233
	<u>-</u>

**Note 4:**

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

In terms of our report attached to the Balance Sheet

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of Board of Directors

Khurshed Pastakia  
Partner

Anil Patwardhan  
Vice President & Head - Corporate  
Finance & Governance

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

Place: Pune  
Date: April 30, 2012

Sandeep Phadnis  
Company Secretary

Kishor Patil  
CEO & Managing Director

# Notes forming part of the Consolidated Financial Statements

## 1. Significant Accounting Policies

### 1.1 Basis of consolidation

The Consolidated Financial Statements relate to KPIT Cummins Infosystems Limited (the Company), its subsidiary companies, joint venture and associate which constitutes 'the Group'.

#### a) Basis of preparation of Financial Statements

- i. The financial statements of the subsidiary companies/ joint venture/ associate, used in the consolidation, 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, 2012
- ii. The Consolidated Financial Statements have been 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 and the provisions of Companies Act, 1956.

#### b) Principles of Consolidation:

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

- i. The financial statements of the Company, its subsidiary companies 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. Interest in a jointly controlled entity is reported using proportionate consolidation.
- iii. The consolidated financial statements include the share of profit of an associate company which has been accounted as per the 'Equity method', and accordingly, the share of profit has been added to the cost of investments.

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

- iv. 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.
- v. 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.

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

Sr. No.	Name of the Subsidiary	Country of Incorporation	% voting power held	
			As at March 31, 2012	As at March 31, 2011
<b>Direct Subsidiaries</b>				
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 France SAS France (Formerly known as Pivolis)	France	100.00	100.00
4.	KPIT (Shanghai) Software Technology Co. Ltd.	China	100.00	Nil
5.	SYSTIME Global Solutions Pvt. Ltd.	India	57.50	Nil
6.	KPIT Infosystems Netherlands B.V.	The Netherlands	100.00	Nil
<b>Indirect Subsidiaries</b>				
7.	KPIT Infosystems GmbH (Subsidiary of KPIT Infosystems Ltd., UK)	Germany	100.00	100.00
8.	In2Soft GmbH (Subsidiary of KPIT Infosystems GmbH)	Germany	100.00	74.00
9.	KPIT Infosystems Inc. (SolvCentral.Com) (Subsidiary of KPIT Infosystems Inc., USA)	United States of America	100.00	100.00
10.	CPG Solutions LLC (Subsidiary of KPIT Infosystems Inc., USA)	United States of America	100.00	100.00

## Notes forming part of the Consolidated Financial Statements

Sr. No.	Name of the Subsidiary	Country of Incorporation	% voting power held	
			As at March 31, 2012	As at March 31, 2011
11.	KPIT Infosystem (Brasil) Servicos De Tecnologia E Participcoes Ltda. (Subsidiary of KPIT Infosystems Inc., USA) (Refer Note below)	Brazil	100.00	Nil
12.	Sparta Consulting Inc. (Subsidiary of KPIT Infosystems Inc., USA)	United States of America	100.00	100.00
13.	Sparta Infotech India Private Limited (Subsidiary of Sparta Consulting Inc., USA)	India	100.00	100.00
14.	Systime Computer Corporation. (Subsidiary of Systime Global Solutions Ltd., India)	United States of America	100.00	Nil
15.	Systime Global Solutions Pty. Limited. (Subsidiary of Systime Global Solutions Ltd., India)	Australia	100.00	Nil
16.	Systime Global Solutions Pte Limited (Subsidiary of Systime Global Solutions Ltd., India)	Singapore	100.00	Nil
17.	Systime ME FZCO. (Subsidiary of Systime Global Solutions Ltd., India)	United Arab Emirates	100.00	Nil
18.	Systime Global Solutions Japan Limited (Subsidiary of Systime Computer Corporation USA)	Japan	100.00	Nil
19.	Systime Global Solutions Limited (Subsidiary of Systime Computer Corporation USA)	United Kingdom	100.00	Nil
20.	VersaPOS Inc. (Subsidiary of Systime Computer Corporation USA)	United States of America	100.00	Nil
21.	SYSTIME Global Solutions Ltd. (Subsidiary of Systime Computer Corporation USA)	Brazil	100.00	Nil
22.	SYSTIME Global Solutions, Inc. (Subsidiary of Systime Computer Corporation USA)	Canada	100.00	Nil
23.	VersaPOS Group Inc., USA (Subsidiary of Systime Computer Corporation USA)	United States of America	100.00	Nil

**Note:**

KPIT Infosystem (Brasil) Servicos De Tecnologia E Participcoes Ltda. (KPIT Brazil) was incorporated on March 6, 2012 and the holding company is yet to infuse share capital into KPIT Brazil. There have been no transactions for the period March 6, 2012 to March 31, 2012.

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

Sr. No.	Name of the Company	Country of Incorporation	% voting power held	
			As at March 31, 2012	As at March 31, 2011
1.	Impact Automotive Solutions Private Ltd. (JV with Bharat Forge Ltd.)	India	50.00	50.00

- e) The Investment in Associate is accounted for in accordance with AS-23, "Accounting for Investment in Associates in Consolidated Financial Statements." The details of associates, ownership interest, etc. is given below:-

As at March 31, 2012:

Sr. No.	Name of the Associate and country of Incorporation	Ownership Interest (%)	Original Cost of Investment	Amount of Goodwill in original cost	Share of accumulated profit as at year end	Carrying cost of Investment
1.	GAIA Systems Solutions Inc., Japan	20%	98,151,970	117,693,356*	1,758,279	99,910,249

\* The goodwill is higher than the cost of acquisition as GAIA System Solution Inc. had a negative network as on the date of acquisition.

# Notes forming part of the Consolidated Financial Statements

As at March 31, 2011:

Sr. No.	Name of the Associate and country of Incorporation	Ownership Interest (%)	Original Cost of Investment	Amount of Goodwill in original cost	Share of accumulated profit as at year end	Carrying cost of Investment
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 related costs are incurred i.e. based on certification of timesheets and are billed to clients as per the contractual obligations. In case of fixed price contracts, revenue is recognized over the life of contract 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 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the Statement of Profit and Loss.

## 1.4 Trade receivables and advances

Specific debts and advances identified as irrecoverable or doubtful are written off or provided for, respectively.

## 1.5 Fixed Assets, Intangible Assets

- (a) Fixed Assets are stated at the cost of acquisition, less depreciation/amortization/diminution. Costs comprises of the purchase price and other attributable costs.
- (b) Product development cost are recognised as fixed assets, when feasibility has been established, the Company has committed technical, financial and other resources to complete the development and it is probable that asset will generate probable future benefits.

## 1.6 Depreciation/ Amortization/ Diminution

Depreciation on tangible fixed assets is provided for on the straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of the following assets where the rates are higher:

- Certain Buildings - 7.5% / over the lease period of land
- Plant and Equipment (Computers) - 20% to 33.33% as applicable
- Certain Office Equipments - 10% to 100% as applicable
- Certain Furniture and Fixtures - 10% to 100% as applicable
- Certain Vehicles - 20%

Leasehold land and vehicles taken on lease are amortized over the period of the lease.

Intangible Assets are amortized on the straight line method at the following rates:

- Goodwill - Amortized over period of 3/5 years.
- Product Development Cost - Amortized over period of 3/4 years.

Perpetual Software licenses are amortized over 4 years. However, time-based software licenses are amortized over their duration.

Certain Subsidiary companies of KPIT Cummins Infosystems Limited follow different accounting policy in respect of certain fixed assets. These fixed assets are depreciated on written down value method instead of the Company's accounting policy of the straight-line method. No adjustment has been made for the said difference in accounting policy as the said difference is not expected to have a material impact on the accounts of the Company.

## 1.7 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. For the purpose of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## 1.8 Investments

Current investments are carried at lower of cost and fair value.

# Notes forming part of the Consolidated Financial Statements

Long-term Investments are stated at cost less provision for diminution, other than temporary, in the value of such investments.

## 1.9 Leases

Assets acquired under Finance leases are recognized at the lower of the fair value of the leased assets at inception of the lease and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease terms at a constant periodic rate of interest on the remaining balance of the liability.

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 leases are recognized in the statement of Profit and Loss on straight line basis over the term of the lease.

## 1.10 Earnings per share

Basic earnings per share are computed by dividing the profit for the period 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 outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

## 1.11 Foreign currency transactions

a) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items are translated at the year-end rates and the exchange differences so determined as also the realized exchange differences are recognized in the statement of profit and loss.

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 flows 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 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.

## 1.12 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.

## 1.13 Retirement benefits to employees

Employee benefits includes gratuity, provident fund and leave encashment benefits under the approved schemes of the Company.

In respect of defined contribution plans, the contribution payable for the year is charged to the Statement of Profit and Loss.

In respect of defined benefit plans, the employee benefit costs are accounted for based on actuarial valuation as at the Balance Sheet date.

The liability for leave carried forward has been accounted for on actual basis for all eligible employees except for employees at the Bangalore location, where the leave liability is calculated on the basis of an actuarial valuation as of the Balance Sheet date, as per the policy of the Company.



# Notes forming part of the Consolidated Financial Statements

## 1.14 Accounting for Taxes on Income

Tax expense comprises current and deferred tax.

### a) Income Tax Provision

Current tax is computed on taxable income determined in accordance with the provisions of the applicable tax rates and tax laws. Current tax is net of credit for entitlement for Minimum Alternative tax (MAT).

### b) Deferred Tax Provision

Deferred tax arising on account of timing differences and which are capable of reversal in one or more subsequent periods is recognised using the tax rates and tax laws that have been enacted or substantively enacted. Deferred tax assets are not recognised unless there is virtual certainty with respect to the reversal of the same in future years.

## 1.15 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 arise 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.

Such obligations are recorded as Contingent Liabilities. These are assessed continually 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.

## 1.16 Provision for Warranty

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. Costs associated with such sale are accrued at the time when related revenues are recorded and included in cost of service delivery. The Company estimates such cost based on historical experience and the estimates are reviewed periodically for material changes in the assumptions.

## 1.17 Employee Stock Option

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the option is treated as discount and accounted as employee compensation cost over the vesting period.

## 1.18 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. Differences between actual results and estimates are recognized in the year in which the results are known/materialized.

## Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 2- SHARE CAPITAL</b>		
<b>Authorised:</b>		
375,000,000 equity shares (Previous Year 375,000,000) of ₹ 2/- each.	750,000,000	750,000,000
	<b>750,000,000</b>	<b>750,000,000</b>
<b>Issued Subscribed and Fully Paid-up:</b>		
177,942,876 equity shares (Previous Year 87,863,415) of ₹2/- each fully paid up	355,885,752	175,726,830
<b>Total</b>	<b>355,885,752</b>	<b>175,726,830</b>

## (i) Reconciliation of the number of equity shares outstanding:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Number of shares outstanding at the beginning of the year	87,863,415	175,726,830	78,523,041	157,046,082
Add: Shares issued on exercise of employee stock options	1,108,023	2,216,046	1,581,753	3,163,506
Add : Issue of bonus shares	88,971,438	177,942,876	-	-
Add: Shares issued on preferential basis	-	-	7,758,621	15,517,242
Number of shares outstanding at the end of the year	177,942,876	355,885,752	87,863,415	175,726,830

(ii) The Company has only one class of shares referred to as equity shares having a par value of ₹ 2/- Each shareholder of equity shares is entitled to one vote per share.

(iii) Number of equity shares held by each shareholder holding more than 5% shares in the company are as follows:

Particulars	Number of shares as at	% of shares held	Number of shares as at	% of shares held
	March 31, 2012		March 31, 2011	
Warhol Limited	16,987,858	9.55%	7,758,621	8.83%
Proficient Trading & Investment Private Limited	14,391,740	8.09%	11,701,350	13.32%
ICICI Prudential Life Insurance Company Limited	11,853,692	6.66%	5,917,400	6.74%
Cummins India Limited	10,182,660	5.72%	5,091,330	5.79%
Cummins Inc.	10,063,994	5.66%	5,031,997	5.73%
KPIT Systems Ltd. - Employees Welfare Trust	8,994,144	5.05%	4,570,322	5.20%

(iv) 11,582,682 equity shares (Previous Year 5,675,903) of ₹ 2 each are reserved for issuance towards outstanding employee stock option granted (Refer Note 38)

(v) Aggregate number of equity shares allotted as fully paid-up by way of bonus shares for the period of five years immediately preceding the Balance Sheet date - 88,971,438 (Previous Year 44,181,453).

(vi) Also refer Note 26

# Notes forming part of the Consolidated Financial Statements

	₹	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 3 - RESERVES AND SURPLUS</b>			
<b>Capital Reserve</b>			
Opening Balance	21,023,691		21,023,691
Add: Additions during the year	-		-
		21,023,691	21,023,691
<b>Amalgamation Reserve</b>			
Opening Balance	51,398,256		51,398,256
Add: Additions during the year	-		-
		51,398,256	51,398,256
<b>Securities Premium Account</b>			
Opening Balance	1,944,724,404		751,082,508
Add : Premium on issue of shares under ESOP scheme	64,346,619		103,546,452
Add : Amount transferred from outstanding Employees Stock Options	6,270,225		10,989,051
Add : Premium on issue of Preferential allotment	-		1,109,482,803
Less : Share issue expenses on Preferential Allotment	-		30,376,410
		2,015,341,248	1,944,724,404
<b>Employees Stock Options Outstanding</b>			
Opening Balance	4,849,521		16,684,594
Add : Amotized during the year	3,563,859		374,984
Less : Amount transferred to General Reserve	-		1,221,006
Less : Amount transferred to Securities Premium	6,270,225		10,989,051
		2,143,155	4,849,521
<b>General Reserve</b>			
Opening Balance	428,828,209		353,878,750
Add : Transferred from Statement of Profit and Loss	75,000,000		70,000,000
Less: Transferred for bonus issue	177,942,876		-
Add : Adjustment under the scheme of amalgamation	-		3,728,453
Add : Amount transferred from Outstanding Employees Stock Options	-		1,221,006
		325,885,333	428,828,209
<b>Hedging Reserve</b>			
Opening Balance	(136,241,095)		(226,688,046)
Add: Gain/(Losses) transferred to the Statement of Profit and Loss on occurrence of forecasted hedge transaction	76,899,940		95,604,986
Less: Change in fair value of effective portion of outstanding cash flow hedges	417,922,239		5,158,035
		(477,263,394)	(136,241,095)
<b>Surplus/(Deficit) in Statement of Profit and Loss Account</b>			
Opening Balance	3,301,213,135		2,707,108,185
Add: Profit/(Loss) for the period	1,453,539,897		945,819,192
Less: Final Dividend paid	134,410		199,215
Less: Dividend Tax on final dividend paid	21,804		33,087
Less: Proposed dividend	124,560,013		61,504,390
Less: Dividend Tax on proposed dividend	20,206,748		9,977,550
Less: Amount transferred to KPIT Cummins Infosystems Limited Community Foundation Reserve	27,200,000		10,000,000
Less: Amount transferred to KPIT Cummins Technology Fund	100,000,000		100,000,000
Less: Amount transferred to KPIT Employees' Welfare Fund	100,000,000		100,000,000
Less: Amount transferred to General Reserve	75,000,000		70,000,000
		4,307,630,057	3,301,213,135

## Notes forming part of the Consolidated Financial Statements

	₹	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 3 - RESERVES AND SURPLUS (Contd.)</b>			
<b>KPIT Cummins Infosystems Limited Community Foundation Reserve Account</b>			
Opening Balance	40,060,871		30,705,532
Add: Contribution received from Employees	2,769,225		2,163,362
Add: Transferred from Statement of Profit and Loss	27,200,000		10,000,000
Less: Utilisation during the period	5,660,000		2,808,023
		64,370,096	40,060,871
<b>KPIT Cummins Technology Fund</b>			
Opening Balance	99,321,371		-
Add: Transferred from Statement of Profit and Loss	100,000,000		100,000,000
Less: Utilisation during the period	-		678,629
		199,321,371	99,321,371
<b>KPIT Employees' Welfare Fund</b>			
Opening Balance	100,000,000		-
Add: Transferred from Statement of Profit and Loss	100,000,000		100,000,000
Less: Utilisation during the period	160,078		-
		199,839,922	100,000,000
<b>Foreign Currency Translation Reserve</b>			
Opening Balance	(1,608,836)		8,154,608
Add: Foreign Exchange Gain/(Loss) during the year	60,395,012		(9,763,444)
		58,786,176	(1,608,836)
<b>Total</b>		<b>6,768,475,911</b>	<b>5,853,569,527</b>
<b>NOTE 4 - LONG TERM BORROWINGS</b>			
<b>Term-Loans</b>			
- From banks (Unsecured) (Against Corporate Guarantee issued by the holding Company) (Refer Note (i) below)		818,504,000	-
- From other than banks (Secured) (Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets) (Refer Note (ii) below)		-	109,144,514
<b>Long-term maturities of finance lease obligations (Secured)</b>			
(Secured against fixed assets obtained under finance lease arrangements) (Refer Note 34(1))		3,698,227	5,925,769
<b>Total</b>		<b>822,202,227</b>	<b>115,070,283</b>

- (i) Term loan from bank carries interest rate of 6 months LIBOR + 150 basis points and is repayable over a period of 5 years.
- (ii) Term loan from other than banks carries interest rate of 6 months LIBOR + 300 basis points and was repayable over a period of 2 years. The term loan has been prepaid during the year.
- (iii) There is no default as on the balance sheet date in repayment of loans and interest.

# Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 5 - DEFERRED TAX</b>		
<b>Classified on Company-wise basis</b>		
a) Deferred Tax Liability	7,739,292	56,812,447
b) Deferred Tax Asset	35,025,749	1,839,564
Net Deferred Tax Liability/(Asset)	<u>(27,286,457)</u>	<u>54,972,883</u>
<b>Major Components of Deferred tax arising on account of timing differences</b>		
<b>(i) Break-up of deferred tax liabilities as at year end</b>		
Nature of timing difference		
Provision for Depreciation	50,750,830	74,648,946
Others	274,352	552,722
<b>Total</b>	<u>51,025,182</u>	<u>75,201,668</u>
<b>(ii) Break-up of deferred tax assets as at the year end</b>		
Nature of timing difference		
Provision for doubtful debts and advances	38,597,819	18,356,314
Provision for leave encashment	28,237,685	1,872,471
Others	11,476,135	-
<b>Total</b>	<u>78,311,639</u>	<u>20,228,785</u>
<b>(iii) Deferred Tax Liability/(Asset) Net</b>	<u>(27,286,457)</u>	<u>54,972,883</u>
<b>NOTE 6 - OTHER LONG-TERM LIABILITIES</b>		
<b>Other than Trade Payables :</b>		
Mark to market loss on cash flow hedges (Refer Note 30(1)(A))	261,830,555	65,883,349
Other Payables	2,153,300	41,104,735
<b>Total</b>	<u>263,983,855</u>	<u>106,988,084</u>
<b>NOTE 7 - LONG-TERM PROVISIONS</b>		
Provision for employee Benefits (Refer Note 31)	89,021,591	51,231,660
Other Provisions:		
Provision for Warranty (Refer Note 37)	14,206,741	-
<b>Total</b>	<u>103,228,332</u>	<u>51,231,660</u>
<b>NOTE 8 - SHORT-TERM BORROWINGS</b>		
<b>Loans Repayable on demand</b>		
- Working Capital Loans from Banks (Secured) (Secured by hypothecation of Trade Recivables)	1,400,045,429	776,430,343
<b>Other Loans and Advances</b>		
- Term Loans from other than banks (Secured) (Secured by hypothecation of software obtained under the arrangement)	-	39,364,500
<b>Total</b>	<u>1,400,045,429</u>	<u>815,794,843</u>
(i) There is no default as on the balance sheet date in repayment of loans and interest.		
<b>NOTE 9 - TRADE PAYABLES</b>		
Trade payables	1,756,537,329	942,451,036
<b>Total</b>	<u>1,756,537,329</u>	<u>942,451,036</u>

## Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 10 - OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt		
From Banks	70,000,000	62,510,000
(Secured by first charge by way of mortgage of certain movable and immovable current and future fixed assets)		
From Others	-	109,144,425
(Refer Note 4 - Term Loan from others for details of security and repayment terms)		
Current maturities of finance lease obligations (Refer Note 34(1))	4,477,712	2,405,807
Interest Accrued and due	4,735,438	510,571
Interest Accrued and not due	-	317,246
Unearned Revenue	41,434,562	124,266,115
Unclaimed Dividend	1,596,487	1,497,664
Other Payables:		
Statutory Remittances	275,390,686	262,307,599
Payables in respect of Fixed Assets	118,103,090	62,769,099
Advances from Customer	103,865,633	6,790,534
Mark to Market Loss on cash flow hedges (Refer Note 30(1)(A))	215,432,839	70,357,746
Others (Disputed matters, etc.)	228,046,261	55,744,513
<b>Total</b>	<b>1,063,082,708</b>	<b>758,621,319</b>
<b>NOTE 11 - SHORT-TERM PROVISIONS</b>		
Provision for employee benefits (Refer Note 31)	203,514,871	103,153,841
Provision others:		
For Current Tax (Net of advance tax)	271,752,406	12,036,367
Less: MAT Credit utilised	133,101,497	-
	138,650,909	12,036,367
For Fringe Benefit Tax (Net of advance tax)	3,538,127	3,324,719
Provision for Warranty (Refer Note 37)	4,005,400	9,600,224
Proposed Dividend	124,560,013	61,504,390
Tax on proposed dividend	20,206,748	9,977,550
<b>Total</b>	<b>494,476,068</b>	<b>199,597,091</b>





# Notes forming part of the Consolidated Financial Statements

## NOTE 12 : FIXED ASSETS - TANGIBLE AND INTANGIBLE ASSETS

Particulars	GROSS BLOCK					DEPRECIATION/ AMORTIZATION/ DIMINUTION					NET BLOCK		
	As at April 1, 2011	Additions on account of Acquisitions	Adjustment on account of FE translation during the year	Deletions during the Year 2011-12	As at March 31, 2012	Up to April 1, 2011	Additions on account of Acquisitions	During the Year 2011-12	Adjustment on account of FE translation during the year	On Disposals during the year 2011-12	Up to March 31, 2012	As on March 31, 2012	As on March 31, 2011
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>A. TANGIBLE ASSETS</b>													
Land (Leasehold)	44,611,328	-	-	-	255,823,288	3,355,822	-	469,267	-	-	3,825,089	251,998,199	41,255,506
Building	532,214,200	6,686,846	-	-	676,926,562	178,242,749	6,686,846	41,007,365	-	41,419	225,895,741	451,030,821	353,971,451
Plant and Equipment	595,373,115	47,232,839	5,932,553	33,588,200	751,678,111	412,274,893	26,231,543	88,978,580	4,205,103	32,557,253	499,132,866	252,545,245	183,098,222
Furniture and Fixtures	245,737,954	13,793,542	569,983	1,061,068	303,648,780	152,385,025	5,687,542	28,943,567	387,932	1,017,283	186,386,783	117,261,997	93,352,929
Vehicles													
- Lease/Hire Purchase (Refer Note 34(1))	16,361,734	-	-	3,356,063	13,005,671	4,976,259	-	2,923,188	-	3,356,061	4,543,386	8,462,285	11,385,475
- Owned	2,409,725	11,315,853	(21,497)	4,663,823	10,323,781	2,006,906	7,273,282	557,315	(16,273)	3,349,465	6,471,765	3,852,016	402,819
Office Equipment	405,628,562	27,880,402	64,523	3,093,111	513,194,634	198,288,970	15,542,417	55,073,475	57,167	2,513,831	266,448,098	246,746,536	207,339,692
Leasehold Improvement	-	11,580,831	-	228,033	13,666,658	2,313,860	2,466,143	4,186,005	83,980	-	6,736,128	6,930,530	-
<b>TOTAL TANGIBLE ASSETS</b>	<b>1,842,336,618</b>	<b>118,490,313</b>	<b>6,545,562</b>	<b>45,990,298</b>	<b>2,538,267,485</b>	<b>951,530,524</b>	<b>63,887,773</b>	<b>222,138,962</b>	<b>4,717,909</b>	<b>42,835,312</b>	<b>1,199,439,856</b>	<b>1,338,827,629</b>	<b>890,806,094</b>
Previous Year	1,694,432,411	18,710,838	157,317,412	28,650,276	1,842,336,618	787,695,200	13,179,478	175,172,555	(556,934)	23,959,775	951,530,524	890,806,094	-
<b>B. INTANGIBLE ASSETS</b>													
Internally Generated Intangible Assets													
- Product Development Cost	165,775,892	-	3,967,845	-	255,410,921	79,852,881	-	1,257,177	4,045,808	-	85,155,866	170,255,055	85,923,011
Other Than Internally Generated Intangible Assets													
- Goodwill (Refer Note (i) below)	105,741,660	-	5,303,094	-	111,044,754	45,653,021	-	54,682,203	-	-	100,335,224	10,709,530	60,088,639
- Product Development Cost	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	-	-
- Software (Refer Note (iii))	599,179,346	13,686,874	205,738	8,815,629	689,322,544	372,680,224	7,271,308	166,779,095	124,725	5,376,858	541,478,494	147,844,050	226,499,122
<b>TOTAL INTANGIBLE ASSETS</b>	<b>1,099,032,482</b>	<b>176,036,493</b>	<b>4,173,583</b>	<b>8,815,629</b>	<b>1,284,113,803</b>	<b>726,521,710</b>	<b>7,271,308</b>	<b>222,718,475</b>	<b>4,170,533</b>	<b>5,376,858</b>	<b>955,305,168</b>	<b>328,808,635</b>	<b>372,510,772</b>
Previous Year	819,372,686	-	-	-	1,099,032,482	490,443,193	-	236,074,696	3,821	-	726,521,710	372,510,772	-

Note :

- i) Depreciation / Amortization / Diminution during the year includes ₹ 35,836,288/- (Previous Year ₹ Nil) on account of goodwill written off for Harita and Nilson Technologies.
- ii) Includes Software having ₹ Nil (Previous Year ₹ 39,364,500) pledged as security for short-term loans from other than banks

# Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 13 - NON CURRENT INVESTMENTS</b>		
<b>TRADE (UNQUOTED)</b>		
Investments in Equity Instruments of Associate (At Cost)		
Investment in GAIA System Solution Inc. 550 (Previous Year Nil) Equity shares at par fully paid-up (Includes ₹ 117,693,356 (Previous Year ₹ Nil) of goodwill arising on acquisition of associate.) (Refer Note 1 (1.1) (e) and Note below)	99,910,249	-
Investments in Equity Instruments of Other Entities (At Cost)		
Investment in Sankalp Semiconductors Pvt. Ltd. 771,000 (Previous Year Nil) shares of ₹ 2 each fully paid-up	117,554,370	-
Investment in shares of Findant Inc. A company incorporated in USA 1,651,179 (Previous Year 1,651,179) Equity shares at par	17,431,829	17,431,829
Less: Provision for diminution in the value of investments	17,431,829	17,431,829
	-	-
<b>Total</b>	<b>217,464,619</b>	<b>-</b>
Note:		
The goodwill is higher than the cost of acquisition as GAIA System Solution Inc. had a negative networth as on the date of acquisition.		
<b>NOTE 14 - LONG-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties (Refer Note 33)		
Loan to KPIT Systems Ltd. Employee Welfare Trust	380,759,352	383,759,353
Loans and advances to other than related parties		
Capital Advances	3,572,414	913,212
Security Deposits	84,455,332	46,759,141
Other loans and advances		
- Advance payments against taxes (Net)	125,488,884	103,488,367
- Fringe benefit tax paid in excess of provision (Net)	3,948,310	3,211,730
- MAT Credit Entitlement	-	205,322,303
- Balances with government authorities	18,261,484	9,130,742
- Prepaid Expenses	714,877	2,469,433
<b>Total</b>	<b>617,200,653</b>	<b>755,054,281</b>
<b>NOTE 15 - OTHER NON-CURRENT ASSETS</b>		
(Unsecured, considered good unless otherwise stated)		
Others:		
Balance in Group Gratuity Trust Account	12,244,464	9,602,558
Fixed Deposits under lien	21,057,356	16,014,960
Interest Accrued on fixed deposits	1,043,341	1,009,998
<b>Total</b>	<b>34,345,161</b>	<b>26,627,516</b>

# Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 16 - CURRENT INVESTMENTS</b>		
Investments in Mutual funds (Unquoted) (Non-Trade) (At cost or market value whichever is lower)		
- 799,374 units (Previous Year 7,458,866 units) - Birla Sun Life Savings Fund - Institutional Plan - Daily Dividend	79,991,747	74,639,381
- 851,715 units (Previous Year 12,606,366 units) - Birla Sun Life Short Term Fund - Institutional Plan	85,218,317	126,132,997
- 14,069,709 units (Previous Year 16,871,871 units) - HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	141,140,290	169,250,174
- Nil units (Previous Year 5,180,657 units) - Tata - Floater Fund Daily Dividend	-	51,991,002
- 11,369 units (Previous Year 10,609 units) - Axis Treasury Advantage Fund - Daily Dividend	11,370,501	10,609,341
- 4,512,079 units (Previous Year 4,216,016 units) - IDFC - Money Manager Fund TP - Ins Plan B	45,437,980	42,456,545
Mutual Funds at KPIT Infosystems France SAS, France	1,538,954	1,424,100
<b>Total</b>	<b>364,697,789</b>	<b>476,503,540</b>
<b>NOTE 17 -TRADE RECEIVABLES</b>		
(Unsecured unless otherwise stated)		
1. Trade receivables outstanding for a period exceeding six months from the date they were due for payment:		
Considered Good	120,673,481	26,717,990
Considered Doubtful	274,364,588	50,752,207
	395,038,069	77,470,197
2. Other Trade receivable:		
Considered Good	4,259,565,275	2,261,758,964
Considered Doubtful	2,566,099	224,590
	4,262,131,374	2,261,983,554
Less: Provision for Doubtful Debts	276,930,687	50,976,797
<b>Total</b>	<b>4,380,238,756</b>	<b>2,288,476,954</b>
<b>NOTE 18 - CASH AND CASH EQUIVALENTS</b>		
Cash on hand	286,993	167,809
Cheques in hand	9,674,511	5,985,893
Balances with banks -		
- In Current Account	1,412,253,201	925,538,382
- In Deposit Account	49,170,276	1,146,802,582
- In Unpaid Dividend Account	1,596,487	1,497,664
<b>Total</b>	<b>1,472,981,468</b>	<b>2,079,992,330</b>
Out of the above, the balances that meet the definition of Cash and Cash equivalents as per AS 3 - Cash Flow Statements is	1,466,609,634	2,079,992,330

## Notes forming part of the Consolidated Financial Statements

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>NOTE 19 - SHORT-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
<b>Other loans and advances</b>		
- Employee Advances		
- Considered good	78,676,230	133,938,420
- Considered doubtful	10,872,101	4,000,000
	<u>89,548,331</u>	<u>137,938,420</u>
Less: Provision for doubtful advances	10,872,101	4,000,000
	<u>78,676,230</u>	<u>133,938,420</u>
- Prepaid Expenses	147,787,168	108,776,904
- Balances with Government authorities	89,186,833	27,239,425
- Other Receivables from Customers	19,839,130	18,151,511
- Security Deposits	84,452,168	26,860,549
- Claims Recoverable	8,592,305	5,174,283
- Advance to Suppliers	41,929,048	9,593,684
- MAT Credit Entitlement (Refer note below)	131,489,814	-
<b>Total</b>	<b><u>601,952,696</u></b>	<b><u>329,734,776</u></b>
Note: Includes ₹ 33,571,000 (Previous Year ₹ Nil) on account of acquisitions of Systime Global Solutions Pvt. Ltd.		
<b>NOTE 20 - OTHER CURRENT ASSETS</b>		
Unbilled revenue	162,909,073	236,960,491
Interest Accrued on fixed deposits	666,855	12,314,592
<b>Total</b>	<b><u>163,575,928</u></b>	<b><u>249,275,083</u></b>

# Notes forming part of the Consolidated Financial Statements

	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
<b>NOTE 21 - REVENUE FROM OPERATIONS</b>		
Income from Software Services	15,000,117,845	9,870,481,809
<b>Total</b>	<b>15,000,117,845</b>	<b>9,870,481,809</b>
<b>NOTE 22 - OTHER INCOME</b>		
Interest income	17,190,850	31,674,117
Dividend income	37,039,682	33,940,152
Sundry Credit balances no longer required written back (Net)	2,639,514	-
Foreign exchange gain (net)	77,605,724	-
Other Non Operating Income (net of expenses directly attributable to such income) (including miscellaneous income)	3,761,400	1,787,705
<b>Total</b>	<b>138,237,170</b>	<b>67,401,974</b>
<b>NOTE 23 - EMPLOYEE BENEFIT EXPENSE</b>		
Salaries and wages	7,558,729,643	5,182,487,718
Contribution to provident and other funds (Refer Note 31)	113,836,443	92,788,009
Expense on Employee Stock Option Schemes (Refer Note 39)	3,563,859	374,984
Staff welfare expenses	41,707,185	23,881,963
<b>Total</b>	<b>7,717,837,130</b>	<b>5,299,532,674</b>
<b>NOTE 24 - FINANCE COSTS</b>		
Interest expense	62,952,168	38,459,000
Net (gain)/loss on foreign currency transactions and translations (considered as finance costs)	10,286,043	(673,902)
<b>Total</b>	<b>73,238,211</b>	<b>37,785,098</b>
<b>NOTE 25 - OTHER EXPENSES</b>		
Travel and overseas expenses (Net)	714,524,485	421,404,709
Travelling and conveyance	102,259,712	118,791,090
Cost of service delivery (Net)	400,476,295	198,813,686
Cost of Professional Sub-contracting (Net)	2,582,742,553	1,435,443,007
Recruitment and Training expenses	60,492,602	77,844,858
Power and fuel	72,643,921	59,706,859
Rent	166,188,147	104,993,690
Repairs and maintenance -		
- Buildings	2,699,598	4,169,728
- Machinery	104,664,100	86,056,318
- Others	29,340,218	29,716,824
Insurance	44,860,471	33,147,765
Rates & Taxes	10,433,673	6,646,442
Communication expenses (Net)	86,879,451	63,514,688
Professional and legal expenses	129,420,762	88,082,739
Marketing Expenses	375,781,353	221,712,631
Foreign exchange loss (Net)	-	31,627,596
Printing & Stationery	10,874,838	9,491,059
Auditors Remuneration (net of Service Tax)		
- Audit fees [includes ₹ 500,000/- (Previous Year ₹ Nil) with respect to earlier year]	6,700,000	5,200,000
- Fees for other services	590,000	1,000,408
- Taxation matters	575,000	1,879,206
- Other Matters	3,159,825	1,588,469
- Out of pocket expenses reimbursed	315,206	577,166
Bad debts written off	38,133,551	7,532,340
Provision for doubtful debts and advances (Net)	29,600,870	92,817
Loss on sale of fixed assets (Net)	551,155	2,064,641
Miscellaneous expenses (Net)	142,617,632	75,639,754
<b>Total</b>	<b>5,116,525,418</b>	<b>3,086,738,490</b>

## Notes forming part of the Consolidated Financial Statements

26. The Company declares and pays dividends in Indian rupees. The dividend proposed to be distributed to equity shareholders for the period is ₹ 124,560,013/- i.e. ₹ 0.70 per share. (Previous year - ₹ 61,504,390/- i.e. ₹ 0.70 per share). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

27. As at 31st March 31, 2012 the Company has received an amount of ₹ 1,053,845 (Previous Year ₹ 2,609,762) towards share application money for 34,016 shares (Previous Year 41,385 shares) at a premium of ₹ 985,813 (Previous Year ₹ 2,526,992). The share application money was received for proposed issue under the Employee Stock Option Plan of 2004 and 2006 at fair market value. The Company has sufficient authorized share capital to cover the allotment of these shares.

28. Contingent Liabilities and Commitments:

(i) Contingent Liabilities:

Sr. No.	Particulars	FY 2011-12	FY 2010-11
1	Outstanding Bank Guarantees in routine course of business	41,936,985	32,297,391
2	Income tax matters not acknowledged as debt (Refer a below)	24,642,166	14,398,014
3	VAT matters not acknowledged as debt (Refer b below)	27,673,199	27,673,199

a) Income Tax Cases

1. AY 2006-07

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

The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT), Bangalore against an Order dated 28th July, 2011 from Commissioner of Income Tax (Appeals) - I, Bangalore. 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.

- This relates to the cases of erstwhile SYSTIME Computer Systems Limited, which has been merged with the Company, SYSTIME Global Solutions Private Limited, with effective from April 2008-09.

The Company had received notice of demand u/s 156 of the Income Tax Act, 1961 for ₹ 756,209 dated 3rd February, 2010 against which the Company had filed a rectification application with Assistant Commissioner of Income Tax, Mumbai.

2. AY 2007-08

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

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.

- This relates to the cases of erstwhile SYSTIME Computer Systems Limited, which has been merged with the company, SYSTIME Global Solutions Private Limited, with effective from April 2008-2009.

The Company had received notice of demand u/s 156 of the Income Tax Act, 1961 for ₹ 649,450 dated 6th May, 2009 against which the Company had filed a rectification application on 5th February 2010 with Assistant Commissioner of Income Tax, Mumbai.

3. AY 2008-09

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

The Company has filed an appeal with Dispute Resolution Panel on 30th January, 2012 against the draft assessment order passed by Assistant Commissioner of Income Tax, Circle 11(1), Pune for proposed demand of ₹ 13,977,983.

- This relates to KPIT Cummins Infosystems Limited

The Company has filed an appeal with Dispute Resolution Panel on 30th January 2012 against the draft assessment order passed by Assistant Commissioner of Income Tax, Circle 11(1), Pune for proposed demand of ₹ 655,744/-.



# Notes forming part of the Consolidated Financial Statements

## b) VAT Matters

### 1. FY 2005-06 to FY 2008-09

During the previous year, the Company had filed an appeal with the Joint Commissioner of Commercial Taxes - (Appeals) -2 against an 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 the entire amount towards this demand.

### 2. FY 2009-10

During the previous year, the Company had 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 (DCCT) dated February 23, 2011. The demand raised vide this notice is ₹ 9,411,715/-.

During the current year, High court has reviewed the petition and has directed DCCT to pass a revised order taking into consideration the favorable decision by the Divisional Bench of Karnataka High Court in case of Sasken Communication Technologies Ltd.

The order from DCCT is awaited.

The Company and its advisors believe that the above matters would be decided in favor of the Company considering the Karnataka High Court's decision on a similar matter.

## (ii) Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for:-

a) Tangible Assets - 64,871,506 (Previous Year ₹ 21,472,053)

b) Intangible Assets - 45,168,548 (Previous Year ₹ 4,555,716)

## (iii) Other Commitments:

a) The Company, during the year, has acquired 57.5% stake in Systime Global Solutions Pvt. Ltd. As per the share purchase agreement, the Company has to make a payment of ₹ 405,000,000/- towards fixed consideration in the year 2012-13 and a maximum additional consideration based on performance of ₹ 959,040,000/- in the subsequent years for acquisition of the balance stake.

b) The Company, during the earlier years, had acquired 100% stake in Sparta Consulting Inc. and CPG Solutions Inc. The Company has a commitment to make a payment of a maximum additional consideration of USD 17,481,166 based on performance targets set forth in the agreement, over the performance period of next two years.

## 29. Particulars of loans/advances required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the listing agreement.

Name of party	FY 2011-12		FY 2010-11	
	Balance	Maximum amount outstanding	Balance	Maximum amount outstanding
KPIT Systems Ltd. Employee Welfare Trust	380,759,353	383,991,353	383,759,353	463,395,046

## 30. (1) Details of Derivative Instruments (for hedging)

A) Cash Flow hedges: 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, 2012 as required by AS-30 and accordingly the MTM loss of ₹ 477,263,394/- (Previous year ₹ 136,241,095/-) 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 has been designated as Cash Flow Hedges as on March 31, 2012:

Type of cover	Amount outstanding at year end in Foreign currency	Fair Value Gain/(Loss) in ₹	Amount outstanding at year end in ₹	Exposure to Buy/ Sell
Forward	EUR 14,250,000 [2,025,000]	(37,947,607) [(2,042,871)]	986,939,315 [128,098,250]	Sell
Forward	USD 125,150,000 [61,500,000]	(478,445,150) [(134,088,922)]	6,184,051,400 [2,780,700,000]	Sell
Forward	GBP 6,150,000 [1,950,000]	(43,170,910) [557,571]	485,263,125 [142,931,500]	Sell

The forward contracts entered have maturity between 15 days to 2 years from the Balance Sheet date.

## Notes forming part of the Consolidated Financial Statements

(2) Details of foreign currency exposures those are not hedged by a derivative instrument or otherwise:

Particulars	Amount in Foreign Currency		Equivalent amount in ₹
Trade Payables	13,400	GBP	1,096,109
	(32,400)		(2,330,532)
	100,465	EURO	6,865,812
	(51,993)		(3,288,040)
	2,166,198	USD	110,815,102
	(1,180,078)		(52,690,522)
	43,754	AUD	2,301,460
	(400)		(18,400)
	-	AED	-
	(132,400)		(1,820,500)
	-	CNY	-
	(118,200)		(841,584)
	622,094	JPY	388,373
	(400,000)		(216,000)
	-	SEK	-
	(7,460)		(52,518)
12,522	CAD	605,252	
(114,901)		(5,267,055)	
53,524	SGD	2,162,370	
[Nil]		[Nil]	
672	CHF	37,876	
[Nil]		[Nil]	
Trade Receivables	208,558	AUD	10,970,169
	(42,715)		(1,964,892)
	213,767	CAD	10,891,192
	(132,376)		(5,431,259)
	54,451	SGD	2,199,820
	(57,749)		(2,036,242)
	-	GBP	-
	(1,074,956)		(77,321,594)
	-	EURO	-
	(3,830,950)		(242,252,743)
	12,868	NZD	546,890
[Nil]		[Nil]	
16,525	AED	228,855	
[Nil]		[Nil]	
Term Loan	Nil	USD	Nil
	(6,288,890)		(280,798,939)
PCFC Loans	25,004,521	USD	1,279,143,779
	(16,997,330)		(758,928,516)
	1,769,112	EURO	120,901,645
(95,939)		(6,067,187)	
EEFC Accounts	2,491,594	USD	127,298,655
	(1,738,231)		(77,612,029)
	87,195	GBP	7,132,511
	(278,844)		(20,057,265)
	1,365,715	EURO	93,333,391
	(1,107,070)		(70,011,095)
2,481	PLN	39,329	
[Nil]		[Nil]	
Bank Deposits	76,101	GBP	6,225,036
	(76,086)		(5,472,865)

Notes:

- Figures in respect of previous years are given in brackets [ ]
- The above figures excludes amounts in local currency of foreign branches.

# Notes forming part of the Consolidated Financial Statements

## 31. Details of Employee benefits as required by Accounting Standard 15 (Revised) Employee benefits are as under:

### 1. Defined Contribution Plan - Provident Fund

Amount recognized as an expense in the Statement of Profit and Loss in respect of defined contribution plan is ₹ 113,836,443/- (Previous Year ₹ 92,788,009/-)

### 2. Defined Benefit Plan

- i) Actuarial gains and losses in respect of defined benefit plans are recognized in the statement of profit and loss.
- ii) The defined benefit plans comprises of gratuity.

Gratuity is a benefit to an employee based on 15 days of last drawn salary for each completed year of service.

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:-

Particulars	FY 2011-12	FY 2010-11
Present value of defined benefit obligation at the beginning of the year	51,231,660	41,697,354
Add: Liabilities added on acquisition of SYSTIME	26,731,581	-
Current Service cost	27,273,445	16,254,806
Interest cost	6,369,191	3,335,789
Actuarial loss / (Gain)	(2,568,042)	(1,126,526)
Benefits paid	(16,916,359)	(8,929,763)
Present Value of defined benefit obligation at the end of the year	92,121,476	51,231,660

Analysis of defined benefit obligation	FY 2011-12	FY 2010-11
Present value of obligation as at the end of the year	92,121,476	51,231,660
Fair Value of Plan Assets at the end of the year	-	-
Net (Asset)/Liability recognized in the Balance Sheet at 31st March 2012.	92,121,476	51,231,660

Components of employer expenses recognized in the statement of Profit and Loss	FY 2011-12	FY 2010-11
Current Service cost	27,273,445	16,254,806
Interest cost	6,369,191	3,335,789
Actuarial loss/(Gain)	(2,568,042)	(1,126,526)
Expected return on plan assets	-	-
Expenses recognized in the Statement of Profit and Loss	31,074,594	18,464,069

Assumptions:	FY 2011-12	FY 2010-11
<b>For Sparta Infotech India Pvt. Ltd.</b>		
Discount rate	8.50%	8.00%
Salary Escalation	6.00%	5.50%
<b>For SYSTIME Global Solutions Pvt. Ltd.</b>		
Discount rate	8.75%	Nil
Salary Escalation	5.00%	Nil
<b>Others:</b>		
Discount rate	8.50%	8.25%
Salary Escalation	5.00%	5.00%

- a) The discount rate is based on prevailing yields of Indian Government Securities as at the Balance Sheet date for the estimated terms of the obligations.
- b) Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

# Notes forming part of the Consolidated Financial Statements

## Experience adjustments on plan assets and liabilities

	Year Ended March 31,			
	2012	2011	2010	2009
Defined benefit obligation	92,121,476	51,231,660	41,697,354	31,673,922
Plan Assets	-	-	-	-
Surplus/(Deficit)	(92,121,476)	(51,231,660)	(41,697,354)	(31,673,922)
Experience adjustments on plan liabilities (Gain)/Loss	(10,827,636)	3,825,998	(6,173,621)	(12,996,391)
Experience adjustments on plan assets (Gain)/Loss	-	-	-	-

## 32. Segment Information

The Company is engaged in providing technological services globally. The Company has identified geographical segments as its primary segment and business segment as its secondary segment. The information on geographical segments is given below:-

### A) Primary segment - Geographical segment

Segment information is based on geographical location of customers.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses incurred in india on behalf of other segments and not directly indentifiable to reportable segment have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

	March 31, 2012				March 31, 2011			
	USA ₹	UK & Europe ₹	Rest of World ₹	Total ₹	USA ₹	UK & Europe ₹	Rest of World ₹	Total ₹
a) Segment Revenue								
Revenue from External customers	10,434,650,238	2,729,569,902	1,835,897,705	15,000,117,845	6,639,805,920	2,034,549,024	1,196,126,865	9,870,481,809
Inter Segment Revenue	-	-	-	-	-	-	-	-
Total Segment Revenue	10,434,650,238	2,729,569,902	1,835,897,705	15,000,117,845	6,639,805,920	2,034,549,024	1,196,126,865	9,870,481,809
b) Segment Results	2,560,619,266	1,011,329,771	380,485,962	3,952,434,999	1,839,863,865	553,522,283	269,279,400	2,662,665,548
Unallocated Corporate expenses (Net)				(2,147,530,501)				(1,587,914,449)
Finance Cost				(73,238,211)				(37,785,098)
Interest income				17,190,850				31,674,117
Dividend income				37,039,682				33,940,152
Exceptional Items				100,451,233				-
Profit/(Loss) before Tax				1,886,348,052				1,102,580,270
Income tax				(479,234,735)				(151,011,322)
Deferred Tax				42,552,616				(3,844,425)
Profit/(Loss) after Tax				1,449,665,933				947,724,523
c) Segment Assets	3,538,273,634	816,312,522	652,740,710	5,007,326,866	1,686,043,238	654,332,897	268,343,859	2,608,719,994
Unallocated Segment Assets				581,353,880*				555,608,994*
Unallocated Corporate Assets				7,774,035,786				5,922,877,390
Total Assets				13,362,716,532				9,087,206,378
d) Segment Liabilities	-	-	-	-	-	-	-	-
Unallocated Segment Liabilities				41,434,562*				124,266,115*
Unallocated Corporate Liabilities				6,196,920,307				2,933,643,906
Total Liabilities				6,238,354,869				3,057,910,021
e) Non-cash expenses other than depreciation/amortisation/diminution				29,600,870#				92,817#

### B) Secondary segment - Business segments

	March 31, 2012					March 31, 2011				
	Auto ₹	IES ₹	SAP ₹	Other ₹	Total ₹	Auto ₹	IES ₹	SAP ₹	Other ₹	Total ₹
a) Segment Revenue	3,885,030,522	6,007,547,197	4,720,537,086	387,003,040	15,000,117,845	2,596,923,764	3,828,759,894	3,011,484,000	433,314,151	9,870,481,809
b) Segment Assets	-	-	-	-	5,588,680,746*	-	-	-	-	3,164,328,988*

\* The unallocable segment assets and liabilities are not identifiable separately to any reportable segment as these are used interchangeably between segments.

# The non-cash expenses are not attributable to any reportable segment.

## 33. Related Party Disclosure:

### A. Name of the related party and nature of relationship where control exists:

Relationship	Name of related party
None	

# Notes forming part of the Consolidated Financial Statements

## B. Transactions with Related Parties:

Sr. No.	Name of the Related Party	Description of Relationship	Nature of Transaction	Amount of Transaction during the year	Balance as on March 31, 2012 Debit / (Credit)
1.	Mr. S. B. (Ravi) Pandit	Key Management Personnel	-Management services fees	11,433,582 [8,699,285]	(1,414,249) [Nil]
			-Reimbursement of expenses	1,889,170 [Nil]	(83,538) [Nil]
2.	Mr. Kishor Patil	Key management personnel	-Salary	8,357,365 [7,687,561]	Nil [Nil]
			-Reimbursement of Expenses	3,106,106 [1,949,360]	(102,248) [(114,967)]
3.	Sachin Tikekar (from 20.10.2011)	Key Management Personnel	-Salary	3,542,356 [Nil]	Nil [Nil]
			-Reimbursement of Expenses	1,552,852 [Nil]	Nil [Nil]
4.	Mr. Girish Wardadkar (till 25.04.2011)	Key management personnel	-Salary	2,216,895 [9,145,978]	Nil [Nil]
			-Advance Recovered	19,074,022 [19,074,022]	Nil [19,074,022]
			-Reimbursement of Expenses	2,746 [139,938]	Nil [(2,836)]
5.	Chinmay Pandit	Relative of Key Management Personnel	-Salary	2,112,709 [1,427,139]	Nil [Nil]
			-Reimbursement of Expenses	234,079 [154,089]	Nil [142,655]
6.	Jayada Pandit	Relative of Key Management Personnel	-Salary	1,167,208 [1,411,063]	Nil [Nil]
			-Reimbursement of Expenses	27,223 [4,013]	Nil [Nil]
7.	KP Corporate Solutions Ltd.	Enterprise over which key management personnel exercise significant influence	-Sales	4,631,237 [4,127,494]	12,576 [588,720]
			Professional Fees	783,334 [691,810]	Nil [(99,270)]
8.	Kirtane & Pandit Chartered Accountants	Enterprise over which key management personnel exercise significant influence	-Reimbursement of expenses	84,290 [65,514]	Nil [Nil]
			-Sales	361,390 [64,605]	61,217 [Nil]
			-Professional Fees	226,115 [165,449]	5,329 [Nil]
9.	GAIA System Solution Inc.	Associate Company (From 1st March, 2012)	Investment in Equity	98,151,970 [Nil]	98,151,970 [Nil]
10.	KPIT Systems Ltd. Employee Welfare Trust	Enterprise over which key management personnel exercise significant influence	-Loan for rendering services to the employees for assistance in medical, housing and purchase of KPIT shares for ESOS, 1998.	232,000 [246,500,000]	380,759,353 [383,759,353]
			-Principal Loan Repayment	3,232,000 [85,329,947]	Nil [Nil]

### Notes:

1. Previous year figures have been shown in the brackets [ ].
2. Managerial remuneration excludes provision for gratuity as the separate actuarial valuation for the directors is not available.

## Notes forming part of the Consolidated Financial Statements

### 34. Lease Transactions

#### 1. 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, 2012 is as follows.

Particulars	FY 2011-12	FY 2010-11
Minimum lease Payments		
- Not later than one year	2,687,258	3,164,536
- Later than one year and not later than five years	4,038,593	6,588,291
- Later than five years	Nil	Nil
Total minimum lease Payments	6,725,851	9,752,827
Amount representing future Interest	807,674	1,421,251
Present value of minimum lease Payments	5,918,177	8,331,576
- Not later than one year	2,219,950	2,405,807
- Later than one year and not later than five years	3,698,227	5,925,769
- Later than five years	Nil	Nil

#### 2). Operating lease:

Obligations towards non-cancellable operating Leases:-

The Company has taken facilities and office premises on lease. The future lease payments for these facilities are as under:

Particulars	FY 2011-12	FY 2010-11
Minimum lease payments		
- Not Later than one year	105,918,024	22,976,532
- Later than one year and not later than five years	165,744,785	1,841,459
- Later than 5 years	Nil	Nil
Total	271,662,809	24,817,991

Rental expenses of ₹ 166,188,147/- (Previous year ₹ 104,993,690/-) in respect of obligation under operating leases have been recognised in the Statement of Profit and Loss.

### 35. a) Basic and Diluted Earnings per Share

Particulars		FY 2011-12	FY 2010-11
Nominal value per Equity share	₹	2.00	2.00
Profit for the period	₹	1,453,539,897	945,819,192
Profit attributable to equity shareholders	₹	1,453,539,897	945,819,192
Weighted average number of equity shares	No. of Shares	177,392,050	169,423,292
Earnings Per Share - Basic	₹	8.19	5.58
Dilutive number of shares			
ESOP outstanding as at the year end	No. of shares	2,546,357	2,881,876
Weighted average number of diluted equity shares	No. of shares	179,938,407	172,305,168
Earnings per share - Diluted	₹	8.08	5.49

- b) The Company has issued 88,971,438 bonus shares in the ratio of 1:1 in its Extra Ordinary General Meeting held on 1st March, 2012. These bonus shares were allotted on 15th March 2012. The EPS figures for the previous year have been reworked to give effect of this allotment of bonus shares, as required by the Accounting Standard (AS) 20 - "Earning per share".



# Notes forming part of the Consolidated Financial Statements

## 36. Disclosure of interest in joint venture as per AS 27:

The Company has the following joint ventures as on 31st March, 2012 and its percentage holding is given below:

Sr. No.	Name of the Company	Country of Incorporation	% voting power held	
			As at March 31, 2012	As at March 31, 2011
1.	Impact Automotive Solutions Private Ltd. (JV with Bharat Forge Ltd.)	India	50%	50%

The proportionate share of assets, liabilities, income, expenditure, contingent liabilities and capital commitment of the above joint venture company are given below:

Particulars	As at March 31, 2012	As at March 31, 2011
<b>RESERVES AND SURPLUS</b>	<b>(10,570,905)</b>	<b>(317,199)</b>
<b>Current Liabilities</b>		
(a) Trade Payables	20,317	Nil
(b) Other Current Liabilities	6,058,300	2,786,452
(c) Short-Term Provisions	Nil	19,303
<b>TOTAL LIABILITIES</b>	<b>6,078,617</b>	<b>2,805,755</b>
<b>Non-Current Assets</b>		
(a) Fixed Assets	23,069,606	12,959,787
(b) Long-Term Loans and advances	6,084,643	2,673,197
<b>Current Assets</b>		
(a) Inventories	18,137	Nil
(b) Cash and cash equivalents	10,503,400	16,881,798
(c) Short-term loans and advances	4,881,927	Nil
(d) Other current Assets	Nil	23,784
<b>TOTAL ASSETS</b>	<b>44,557,713</b>	<b>32,538,556</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue from operation	-	-
Other Income	594,908	280,972
<b>TOTAL REVENUE</b>	<b>594,908</b>	<b>280,972</b>
<b>Expenses:</b>		
Cost of Material Consumed	Nil	Nil
Depreciation and amortization expense	9,185	Nil
Other expenses	10,839,429	522,671
Tax Expense	Nil	(75,500)
<b>TOTAL EXPENSES</b>	<b>10,848,614</b>	<b>447,171</b>
Contingent Liabilities	Nil	Nil
Capital Commitments	942,892	Nil

## 37. Details of provisions and movements in each class of provisions as required by the Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard-29)

Warranty Provision:

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 I suppliers. The movement in the said provision is as under:

Particulars	FY 2011-12	FY 2010-11
Carrying Amount as at the beginning of the year	8,171,000	7,895,000
Additional provision made during the year	18,212,141	276,000
Amount Paid/Utilized during the year	8,171,000	Nil
Unused amount Reversed during the year	Nil	Nil
Carrying amount at the end of the year	18,212,141	8,171,000

## Notes forming part of the Consolidated Financial Statements

### 38. 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. A compensation committee comprising of independent directors of the Company administers the ESOS Plan. Each option carries with it the right to purchase one hundred equity share of the Company. All options have been granted at a pre-determined rate of ₹2.5 per share.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	590	2590
Granted during the year	250	-
Exercised during the year	737.5	1800
Cancelled/lapsed during the year	(397.5)	200
Options granted, end of year	500	590

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 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. Each option carries with it the right to purchase one equity share of the Company. 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. The vesting of the options is 33%, 33% and 34% of total options granted after end of first, second and third year respectively from the date of grant. The maximum exercise period is 3 years from the date of vesting.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	2,880,200	2,698,193
Granted during the year	1,919,162	1,816,050
Exercised during the year	531,348	1,073,375
Cancelled/lapsed during the year	453,990	560,668
Options granted, end of year	3,814,024	2,880,200

#### 3. Employee Stock Option Plan – 2006

The Board of Directors and the shareholders of the Company approved another Employees Stock Option Plan 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. Each option carries with it the right to purchase one equity share of the Company. 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. The vesting of the options is 30%, 30% and 40% of total options granted after end of first, second and third year respectively from the date of grant. The maximum exercise period is 3 years from the date of vesting.

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

Particulars	FY 2011-12	FY 2010-11
Options granted, beginning of the year	2,795,703	3,454,371
Granted during the year	5,896,457	263,014
Exercised during the year	576,675	508,378
Cancelled/lapsed during the year	346,827	413,304
Options granted, end of year	7,768,658	2,795,703

Personnel expenditure includes ₹ 3,563,859/- (Previous Year ₹374,984/-) being the amortization of intrinsic value for the year ending March 31, 2012.

## Notes forming part of the Consolidated Financial Statements

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 ₹ 73,200,124/- (Previous Year ₹ 78,945,066) and earnings per share as reported would be lower as indicated below:

Particulars	FY 2011-12	FY 2010-11
Net Profit after Tax	1,453,539,897	945,819,192
Add: Total Stock based compensation expense determined under intrinsic value based method	3,563,859	374,984
Less: Total Stock based compensation expense determined under fair value based method	76,763,983	79,320,050
Adjusted net profit	1,380,339,773	866,874,126
Basic earnings per share (in ₹)		
- As reported	8.19	5.58
- Adjusted	7.78	5.12
Diluted Earnings per share (in ₹)		
- As reported	8.08	5.49
- Adjusted	7.67	5.03

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

Particulars	March 31, 2012		March 31, 2011	
	ESOP 2004 scheme	ESOP 2006 scheme	ESOP 2004 scheme	ESOP 2006 scheme
1. Risk Free Interest Rate (%)	8.28%	8.52%	7.08%	7.50%
2. Expected Life	3.54 years	3.62 years	3.54 years	3.46 years
3. Expected Volatility (%)	59.65%	57.25%	65.79%	63.44%
4. Dividend Yield (%)	0.96%	0.97%	1.03%	1.04%

### 39. Other Disclosures and Explanatory Notes:

- The Company, during the year has acquired additional 26% shares of In2soft GmbH, Germany thereby making it 100% subsidiary as on 31st March 2012.
- The Company, during the year, has incorporated two new subsidiaries namely KPIT Infosystems Netherlands B.V. on 16th March 2012 and KPIT INFOSYSTEM (BRASIL) SERVIÇOS DE TECNOLOGIA E PARTICIPAÇÕES LTDA., Brazil on 6th March 2012. The acquisition is mainly for developing new customers in the respective countries.
- KPIT Cummins Infosystems (Bangalore) Pvt. Ltd. (KPIT Bangalore) was merged with KPIT Cummins Infosystems Limited (the Company) in the year 2007. Employees of erstwhile KPIT Bangalore who were on the rolls at 31st March, 2007 (being the date of merger) were also transferred to the Company. The gratuity liability of these employees was funded with Kotak Mahindra Old Mutual Life Insurance Limited. This fund balance of ₹ 12,244,464/- (Previous Year ₹ 9,602,558/-) is also transferred to the Company and is disclosed separately under "Other Non-Current Assets."
- The Board has approved a transfer of ₹ 27,200,000 /- (Previous Year ₹ 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/- (Previous Year ₹ 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 /- (Previous Year ₹ 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.

- The Company has invested in 50% shareholding of Systime Global Solutions Pvt. Ltd., as per the board approval in its meeting held on 24th May, 2011. SYSTIME is one of the world's largest JDEdwards solution provider and Oracle Platinum partner. The Company has acquired additional 7.5% equity shares effective 1st January, 2012 and subsequently the total shareholding in the acquired company is 57.5%. Systime was thus accounted for as an associate till 31st December, 2011 (share of profit accounted ₹ 33,580,333/-) and as subsidiary from 1st January, 2012.

## Notes forming part of the Consolidated Financial Statements

The Consolidated Financial Statements include total assets of ₹ 1,733,582,318/- and total liabilities of ₹ 705,277,604/- as on 31st March, 2012 and total revenues of ₹ 653,243,308/- and Profit after Tax of ₹ 16,852,788/- for the period from 1st January, 2012 to 31st March, 2012, consequent to acquisition of SYSTIME with effect from 1st January, 2012.

6. The company, during the year, has acquired 20% stake in share capital of GAIA Systems Solutions Inc.; Japan on 23rd March 2012. The acquisition is mainly for developing new customers in Japan.

An amount of ₹ 1,758,279/- is accounted for as share of profit in associate in respect of this investment for the year ended 31st March, 2012.

7. The Company has transferred its diversified financial services (DFS) division in entirety to Infracsoft Technologies under the business transfer agreement. This transfer has been done in second quarter of the current financial year. Under this agreement, the Company has agreed to transfer its existing DFS customer contracts along with corresponding account management and the price agreed is based on milestones spread over upto next three to four quarters. The Company has accounted ₹ 59,985,000/- as income in the current year based on the milestones achieved/terms of the agreement.
8. During the year the Company has entered into a business partnership with Sankalp Semiconductor Pvt. Ltd. for the Hardware Business of Semiconductor Solutions Group (SSG). This agreement has been entered into in last quarter of the current financial year. Under this agreement, the Company has agreed to transfer all its existing Employees and customer contracts along with corresponding account management related to the Hardware Business of SSG. The purchase consideration for this is in the form of cash and stocks of Sankalp Semiconductor Pvt. Ltd., based on the milestones achieved / terms of the agreement. The Company has thus accounted ₹ 40,466,233/- as income in the current year.

Sankalp is a key player for Analog Mixed Signal services and solutions specializing in end-to-end solutions for IOs, analog and mixed signal chip design/layout. This association will make it one of the largest practices in hardware design with best competence in Analog and Mixed Signal design (AMS) area.

9. Final Dividend

The Company allotted 188,295 equity shares against exercise of options by the employees, after 31st March, 2011 and before the Book closure for the Annual General Meeting held for FY 2010-11. The Company paid dividend of Rs 134,410/- on these shares and tax on dividend of ₹21,804/- as approved by the shareholders at the Annual General Meeting held on July 8, 2011.

10. During the FY 2009, the Company had acquired the Mechanical Engineering Design Services (MEDS) business of Harita TVS E-Technologies. This acquisition had helped in strengthening the Company's portfolio of Automotive-embedded and Mechanical Engineering services. The MEDS service has now been fully integrated with the Company's Automotive Business and it has been carved out as a key practice area as part of Company's Auto & Engineering (A&E) Strategic Business Unit.

Similarly, during the FY 2011, the Company had taken over business assets of Nilson Technology including the Intellectual Property (IP) for Vehicle Tracking system. This offering has now been integrated with the Company's Integrated Enterprise Solutions (IES) and Auto & Engineering (A&E) Strategic Business Unit.

With these integrations, it is not possible to report the value for the practices as separate businesses. Further these practices have not been generating the expected Profit After Tax (PAT) as per the initial business plan during their acquisitions. Hence as a prudent accounting practice, the Company has recognized impairment on the balance goodwill of ₹ 35,836,288/-

11. The Revised Schedule VI has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classification/disclosure.

Signatories to Notes 1 to 39

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

Place: Pune  
Date: April 30, 2012



Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	KPIT Infossystems Limited, UK	KPIT Infossystems Inc., USA	KPIT Infossystems GmbH, Germany	KPIT Infossystems Inc ( a.k.a. Solventral .com) , USA	KPIT Infossystems France SAS (Formerly Pivolis SAS)	Sparta Consulting Inc., USA	Sparta Infotech India Pvt. Ltd., Noida	CPG Solutions LLP , US	In2soft GmbH, Germany	KPIT (Shanghai) Software Technology Co. Ltd.	KPIT Infossystems Netherlands B.V.
Financial Year of the Subsidiary Company	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012
Holding Company's Interest	100%	100%	100%(through KPIT Infossystems Ltd., UK)	100%(through KPIT Infossystems Inc., USA)	100%	100%(through KPIT Infossystems Inc., USA)	100%(through Sparta Consulting Inc., USA)	100%(through KPIT Infossystems Inc., USA)	100%(through KPIT Infossystems GmbH , Germany)	100%	100%
Number of Shares held by KPIT Cummins Infossystems Limited in the Subsidiary Company	6,421,170 Ordinary shares of 1/- GBP each	11,092 Ordinary Stock at par	2 Share of Nominal Value Euro 20,000 & Euro 30,000 respectively (held through KPIT Infossystems Ltd., UK)	2,550 Share of Nominal Value USD 1 each (held through KPIT Infossystems 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 Infossystems USA)	10,000 Equity shares of Nominal Value of ₹ 10 each. 5,477,890 Equity shares of Nominal Value of ₹ 10 each (held through Sparta Consulting Inc., USA).	780,000 shares of USD 1 each ( through KPIT Infossystems Inc, USA)	50,000 shares of Euro 1 each ( through KPIT Infossystems GmbH, Germany)	1,626,060 Shares of Nominal value of RMB 1 each	180 Shares of Nominal Value of Euro 100 each
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	Nil	Nil
Not dealt with in the accounts of Holding Company	Loss : GBP 1,854 Loss : PY (GBP 240,087)	Profit : USD 126,116 Loss : PY (USD 705,358)	Profit : EUR 566,722 Profit : PY (EUR 271,048)	Profit : USD 8,609 Loss : PY (USD 595,845)	Loss : EUR 59,671 Profit : PY (EUR 20,214)	Profit : USD 2,309,982 Profit : PY (USD 2,621,107)	Profit : ₹ 130,605,894 Profit : PY (₹ 111,222,404)	Profit : USD 2,137,561 Profit : PY (USD 1,022,288)	Profit : EUR 449,598 Profit : PY (EUR 89,856)	Loss : RMB 1,187,320 PY : Nil	Profit : EUR Nil PY : 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	Nil	Nil
Not dealt with in the accounts of Holding Company	Loss : GBP 885,064 Loss : PY (GBP 883,210)	Profit : USD 626,694 Profit : PY (USD 500,578)	Profit : EUR 194,490 Loss : PY (EUR 372,232)	Profit : USD 212,451 Profit : PY (USD 203,842)	Profit : EUR 190,227 Profit : PY (EUR 249,898)	Loss : USD 242,580 Loss : PY (USD 2,552,562)	Profit : ₹ 271,817,291 Profit : PY (₹ 141,211,397)	Profit : USD 3,159,849 Profit : PY (USD 1,022,288)	Profit : EUR 539,454 Profit : PY (EUR 89,856)	Loss : RMB 1,187,320 PY : Nil	Profit : EUR Nil PY : Nil

## Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	SYSTEME Global Solutions Pvt Ltd.	SYSTEME Global Solutions Pte Ltd. Singapore	SYSTEME Global Solutions Pty Ltd. Australia	SYSTEME ME FZCO	SYSTEME Computer Corporation USA	SYSTEME Global Solutions Japan Ltd.	SYSTEME Global Solutions Inc. Canada	SYSTEME Global Solution Brazil	Versapos Group Incorporation	Versapos Incorporation	SYSTEME Global Solutions Ltd UK
Financial Year of the Subsidiary Company	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012	Ended on March 31, 2012
Holding Company's Interest	57.50%	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)	100% (through Systeme Global Solutions Pvt. Ltd.)
Number of Shares held by KPIT Cummins Infosystems Limited in the Subsidiary Company	5,504,199 Equity shares of Nominal Value ₹ 10 each	60,002 Equity shares of SGD 1 each (through Systeme Global Solutions Pvt. Ltd.)	1,000 Equity shares of AUD 1 each (through Systeme Global Solutions Pvt. Ltd.)	5 share of AED 1,000,000 (through Systeme Global Solutions Pvt. Ltd.)	204,082 shares of USD 1 each (through Systeme Global Solutions Pvt. Ltd.)	60 shares at par (through Systeme Global Solutions Pvt. Ltd.)	100 common shares of CAD 1 each (through Systeme Global Solutions Pvt. Ltd.)	1000 shares (through Systeme Global Solutions Pvt. Ltd.)	100,000 shares (through Systeme Global Solutions Pvt. Ltd.)	10,000 shares of USD 1 each (through Systeme Global Solutions Pvt. Ltd.)	2 shares of GBP 1 each (through Systeme Global Solutions Pvt. Ltd.)
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	Nil	Nil
Not dealt with in the accounts of Holding Company	Profit : ₹ 113,415,179 PY : Nil	Loss : SGD 917,347 PY : Nil	Loss : AUD 208,788 PY : Nil	Loss : AED 216,672 PY : Nil	Loss : USD 1,417,250 PY : Nil	Profit : JPY 910,616 PY : Nil	Profit : CAD 405,818 PY : Nil	Profit : BRL 2,105,298 PY : Nil	Nil	Loss : USD 141,634 PY : Nil	Loss : GBP 132,765 PY : 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	Nil	Nil
Not dealt with in the accounts of Holding Company	Profit : ₹ 113,415,179 PY : Nil	Loss : SCD 917,347 PY : Nil	Loss : AUD 208,788 PY : Nil	Loss : AED 216,672 PY : Nil	Loss : USD 1,417,250 PY : Nil	Profit : JPY 910,616 PY : Nil	Profit : CAD 405,818 PY : Nil	Profit : BRL 2,105,298 PY : Nil	Nil	Loss : USD 141,634 PY : Nil	Loss : GBP 132,765 PY : Nil

For and on the behalf of the Board of Directors

Place: Pune  
Date: April 30, 2012S.B. (Ravi) Pandit  
Chairman & Group CEO





# CONSOLIDATED FINANCIAL STATEMENT OF SUBSIDIARIES-2011-12

Sl No.	Name of the Subsidiary	(Amount in ₹ Million)											
		% 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)
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	KPIT Infosystems Limited, UK	100%	482.05	(29.48)	894.57	441.99	-	1,070.03	36.01	42.77	-	42.77	-
2	KPIT Infosystems Inc., USA	100%	1,311.57	164.82	3,791.94	2,315.55	-	4,970.94	132.47	236.92	99.33	137.58	-
3	KPIT Infosystems France SAS (Formerly Pivolis SAS)	100%	6.83	14.03	180.67	161.35	1.54	260.51	1.18	(4.62)	(0.65)	(3.97)	-
4	KPIT Infosystems Inc (a.k.a. Solvcentral.com), USA (a)	100%	0.13	10.87	23.29	12.29	-	6.33	-	0.41	-	0.41	-
5	KPIT Infosystems GmbH, Germany (b)	100%	206.94	28.35	538.00	302.72	-	908.93	13.70	65.51	11.72	53.78	-
6	Sparta Consulting Inc., USA (a)	100%	261.16	(12.41)	936.11	687.36	-	4,089.51	0.27	111.14	-	111.14	-
7	Sparta Infotech India Pvt. Ltd., Noida (d)	100%	54.88	271.82	438.92	112.22	-	373.73	24.98	130.66	0.06	130.61	-
8	CPG Solutions LLC, US (a)	100%	39.90	233.38	354.57	81.29	-	997.86	0.31	102.84	-	102.84	-
9	In2soft GmbH, Germany (c)	100%	3.42	78.72	166.40	84.26	-	294.04	2.08	52.32	8.04	44.28	-
10	KPIT (Shanghai) Software Technology Co. Ltd.	100%	11.24	(7.64)	7.46	3.86	-	3.87	0.98	(7.64)	-	(7.64)	-
11	KPIT Infosystems Netherlands B.V.	100%	9.98	0.28	10.25	-	-	-	0.28	0.28	-	0.28	-
12	SYSTIME Global Solutions Pvt. Ltd	57.5%	373.86	644.52	1,320.98	302.61	-	346.77	(10.53)	135.33	(21.92)	113.41	0.03
13	SYSTIME Global Solutions Pte Ltd. Singapore (e)	100%	2.42	37.83	40.26	-	-	3.83	(2.14)	(37.37)	3.17	(40.54)	-
14	SYSTIME Global Solutions Pty Ltd. Australia (e)	100%	0.05	(0.05)	-	-	-	0.59	(0.03)	(11.06)	0.54	(10.52)	-
15	SYSTIME Global Solutions Japan Ltd. (f)	100%	1.87	32.27	32.40	1.74	-	(0.18)	0.56	0.56	-	0.56	-
16	SYSTIME ME FZE (e)	100%	16.42	33.08	62.15	(12.65)	-	3.92	0.26	(2.97)	-	(2.97)	-
17	SYSTIME Global Solutions Inc. Canada (f)	100%	-	39.04	75.08	(36.04)	-	31.41	(0.02)	19.62	-	19.62	-
18	SYSTIME Global Solution Brazil (f)	100%	0.03	75.19	100.65	(25.43)	-	115.82	2.65	35.41	24.27	59.69	-
19	SYSTIME Computer Corporation USA (e)	100%	5.63	(104.99)	696.20	(795.56)	-	410.91	(3.17)	(63.71)	(4.48)	(68.19)	-
20	Versapos Group Incorporation (f)	100%	-	49.33	6.00	43.33	-	-	-	-	-	-	-
21	Versapos Incorporation (f)	100%	2.56	21.92	11.62	12.86	-	(4.36)	-	(6.81)	-	(6.81)	-
22	SYSTIME Global Solutions Ltd UK (f)	100%	-	(105.11)	30.52	(135.63)	-	4.91	5.96	(10.18)	(0.04)	(10.22)	-

- a. 100% owned by KPIT Infosystems Inc., USA
- b. 100% owned by KPIT Infosystems Limited, UK
- c. 100% owned by KPIT Infosystems GmbH, Germany
- d. 100% owned by Sparta Consulting Inc., USA
- e. 100% owned by Systime Global Solutions Pvt. Ltd.
- f. 100% owned by Systime Computer Corporation, USA

## Notice

**NOTICE** is hereby given that the Twenty First Annual General Meeting of the Members of KPIT Cummins Infosystems Limited will be held on Friday, the 27th day of July 2012, 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, 2012 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, 2012.  
The Board has recommended dividend @ 35% [₹ 0.70 per equity share of ₹ 2/- each].

3. To appoint a Director in place of Ms. Lila Poonawalla, who retires by rotation and being eligible, offers herself for re-appointment.

4. To appoint a Director in place of Mr. S.B. (Ravi) Pandit, who retires by rotation and being eligible, offers himself for re-appointment.

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT Mr. Sudheer Tiloo, Director who retires by rotation at this Annual General Meeting and who has expressed his unwillingness to be re-appointed, be not re-appointed as a Director of the Company.

RESOLVED FURTHER THAT the casual vacancy that may be caused by such retirement of Mr. Sudheer Tiloo be not filled.”

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 Statutory 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 an **ORDINARY RESOLUTION**:

“RESOLVED THAT Professor Alberto Sangiovanni Vincentelli who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing the appointment of Professor Alberto Sangiovanni Vincentelli for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT the Directors of the Company be and are hereby authorized, to take all necessary steps expedient or desirable to give effect to this resolution.”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in terms of remuneration of Mr. Kishor Patil, Chief Executive Officer (CEO) and Managing Director of the Company, as set out in the explanatory statement, up till his tenure of appointment i.e. July 1, 2014.

RESOLVED FURTHER THAT the remaining terms and conditions of appointment of Mr. Kishor Patil, Chief Executive Officer (CEO) and Managing Director, will be as per the Agreement entered into between the Company and the Chief Executive Officer (CEO) and Managing Director.

RESOLVED FURTHER THAT the Board or a Committee of Board be and is hereby authorized to take all such steps as may be necessary and expedient to give effect to this resolution.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in terms of remuneration of Mr. Sachin Tikekar, Whole-time Director of the Company, as set out in the explanatory statement, up till his tenure of appointment i.e. October 19, 2016.

RESOLVED FURTHER THAT the remaining terms and conditions of appointment of Mr. Sachin Tikekar, Whole-time Director, will be as per the Agreement entered into between the Company and the Whole-time Director.

RESOLVED FURTHER THAT the Board or a Committee of Board be and is hereby authorized to take all such steps as may be necessary and expedient to give effect to this resolution.”

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

Place: Pune  
Date : April 30, 2012

**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 AT LEAST ONE-TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTION OR BY THOSE HOLDING PAID -UP CAPITAL OF AT LEAST ₹ 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 21, 2012 to July 27, 2012 (both days inclusive).



4. Members holding shares in physical form are requested to communicate immediately any change in address to the Registrar and 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 and Head - Corporate Finance and Governance at [anil.patwardhan@kpitcummins.com](mailto:anil.patwardhan@kpitcummins.com) or to the Company Secretary at [sandeep.phadnis@kpitcummins.com](mailto: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 Registrar and Share Transfer Agent.

Members holding shares in physical form are requested to intimate to the Registrar and 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 Registrar and 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- 20-26163503 E-mail: [bhagavant.sawant@linkintime.co.in](mailto: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](mailto: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 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](mailto: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 Nos. 3,4 and 5**

**Ms. Lila Poonawalla**, was awarded the Padmashree in 1989 -recognized for her exemplary contribution to the world of engineering and Industry. She is currently a Director on the Board of IDBI Intech, NobleTek PLM Solutions Pvt. Ltd., 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 Chairperson of the Quality Council Committee and member of the Audit Committee of the Company.

Ms. Lila Poonawalla holds 90,000 Equity Shares (0.05% of paid-up Equity Capital) in the Company.

The details of her directorship and membership of committees in other Indian Public companies are as follows:

Sr. No.	Name of the Company	Nature of Interest
1	Blossom Breweries Limited	Non-Executive Director
2	IDBI Intech	Non-Executive Director

Sr. No.	Name of the Company	Nature of Committee	Whether Member/ Chairman
1	IDBI Intech	Audit Committee	Chairperson

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 Ms. Lila Poonawalla, are concerned or interested in the proposed resolution.

**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 Maharashtra 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 Committee, Stakeholders' Relationship Committee and of the HR & Compensation (Remuneration) Committee of the Company.

Mr. S.B.(Ravi) Pandit holds 324,000 Equity Shares (0.18% of paid up Equity Capital) in the Company.

The details of his directorship in other Indian Public companies are as follows:

Sr. No.	Name of the Company	Nature of Interest
1	Finolex Cables Limited	Non-Executive Director
2	K & P Capital Services Ltd.	Non-Executive Director
3	KP Corporate Solutions Ltd.	Non-Executive Director

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. S.B. (Ravi) Pandit, are concerned or interested in the proposed resolution.

**Mr. Sudheer Tiloo** who retires by rotation at this Annual General Meeting has expressed his unwillingness to be re-appointed as a Director of the Company. It is proposed not to fill the causal vacancy that may be caused by the retirement of Mr. Sudheer Tiloo.

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 are concerned or interested in the proposed resolution.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

##### Item No. 7

**Professor Alberto Sangiovanni Vincentelli** was a co-founder of Cadence and Synopsis, the two leading companies in the area of Electronic Design Automation. He is the Chief Technology Adviser of Cadence. Prof. Alberto is a member of the Board of Directors of Cadence and chairs its Technology Committee. He was a member of the HP Strategic Technology Advisory Board. He is currently a member of the Science and Technology Advisory Board of General Motors, as well as a member of the Technology Advisory Council of United Technologies Corporation. He is also a Professor with University of California, Berkeley, Department of Electrical Engineering & Computer Sciences.

The Company has received notice in writing from a member along with a deposit of ₹ 500/- proposing the candidature of Professor Alberto Sangiovanni Vincentelli for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Professor Alberto Sangiovanni Vincentelli 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. 7 of the Notice for the approval of the shareholders.

None of the Directors, other than Professor Alberto Sangiovanni Vincentelli, are concerned or interested in the proposed resolution.

##### Item No. 8

The members of the Company in the Annual General Meeting held on July 10, 2009 had appointed Mr. Kishor Patil as CEO & Managing Director of the Company for a period of 5 years with effect from July 2, 2009 and had approved the remuneration payable to Mr. Kishor Patil during the abovementioned period.

Taking into consideration the growth of the Company and valuable contribution of Mr. Kishor Patil in the growth of the Company so far and considering the future growth prospects of the Company, it is proposed to amend the remuneration payable to Mr. Kishor Patil, CEO & Managing Director, for the remaining period of his tenure i.e. up till July 1, 2014.

The revised remuneration payable to Mr. Kishor Patil, CEO & Managing Director will be as follows, subject to the provisions of Sections 198, 269, 309, 310, Schedule XIII of the Companies Act, 1956 ('Act'):

##### (a) Salary:

The aggregate of salary and other allowances payable to Mr. Kishor Patil, CEO & Managing Director, shall be upto ₹ 79 lacs per annum, with authority to the Board or a Committee thereof to revise the salary within the said maximum amount.

##### (b) Perquisites:

The limit of perquisites shall be in addition to the limit of salary mentioned above, subject to a maximum of ₹ 23 lacs per annum.

##### (c) The CEO & Managing Director shall be entitled to annual revisions in salary upto 15% of the remuneration inclusive of salary, perquisites and other allowances.

##### (d) Commission/Variable Performance Incentive:

Commission/Variable Performance Incentive will be paid based on the performance criteria to be laid down by the Board or a Committee thereof.

##### (e) Minimum Remuneration:

Where in any financial year, during the tenure of Mr. Kishor Patil as CEO & Managing Director, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Kishor Patil, the above remuneration by way of salary, performance bonus and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government, from time to time, as minimum remuneration.

##### (f) Encashment of leave as per the rules of the Company in force from time to time.

Remaining terms and conditions of appointment of Mr. Kishor Patil shall remain unchanged.

The Board of Directors commends the Ordinary Resolution, for the approval of the Members.



A copy of the 'Managing Director's Agreement' is available for inspection at the Registered Office of the Company between 11.00 a.m. to 1 p.m. on any working day and also at the venue of the Annual General Meeting on the date of the meeting during the meeting hours.

The Explanatory Statement together with the accompanying Notice should be treated as an Abstract of the Terms and Memorandum of interest of the Directors under Section 302 of the Companies Act, 1956.

None of the Directors of the Company is, in any way, concerned or interested in the resolution, except Mr. Kishor Patil.

#### Item No. 9

The members of the Company in the Extra-Ordinary General Meeting held on March 1, 2012 had appointed Mr. Sachin Tikekar as Whole-time Director of the Company for a period of 5 years with effect from October 20, 2011 and had approved the remuneration payable to Mr. Sachin Tikekar during the abovementioned period.

Taking into consideration the growth of the Company and valuable contribution of Mr. Sachin Tikekar in the growth of the Company so far and considering the future growth prospects of the Company, it is proposed to amend the remuneration payable to Mr. Sachin Tikekar, Whole-time Director, for the remaining period of his tenure i.e. up till October 19, 2016.

The revised remuneration payable to Mr. Sachin Tikekar, Whole-time Director will be as follows, subject to the provisions of Sections 198, 269, 309, 310, Schedule XIII of the Companies Act, 1956 ('Act'):

(a) Salary:

The aggregate of salary and other allowances payable to Mr. Sachin Tikekar, Whole-time Director, shall be upto ₹ 118 lacs per annum, with authority to the Board or a Committee thereof to revise the salary within the said maximum amount.

(b) Perquisites:

The limit of perquisites shall be within the overall limit of salary as stipulated in clause (a) above.

(c) The Whole-time Director shall be entitled to annual revisions in salary upto 20% of the remuneration inclusive of salary, perquisites and other allowances.

(d) Commission/Variable Performance Incentive:

Commission/Variable Performance Incentive will be paid based on the performance criteria to be laid down by the Board or a Committee thereof.

(e) Minimum Remuneration:

Where in any financial year, during the tenure of Mr. Sachin Tikekar as Whole-time Director, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Sachin Tikekar, Whole-time Director, the above remuneration by way of salary, performance bonus and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government, from time to time, as minimum remuneration.

(f) Encashment of leave as per the rules of the Company in force from time to time.

Remaining terms and conditions of appointment of Mr. Sachin Tikekar shall remain unchanged.

The Board of Directors commends the Ordinary Resolution, for the approval of the Members.

A copy of the 'Whole-time Director's Agreement' is available for inspection at the Registered Office of the Company between 11.00 a.m. to 1 p.m. on any working day and also at the venue of the Annual General Meeting on the date of the meeting during the meeting hours.

The Explanatory Statement together with the accompanying Notice should be treated as an Abstract of the Terms and Memorandum of interest of the Directors under Section 302 of the Companies Act, 1956.

None of the Directors of the Company is, in any way, concerned or interested in the resolution, except Mr. Sachin Tikekar.

By Order of the Board of Directors  
For KPIT Cummins Infossystems Limited

Place: Pune  
Date: April 30, 2012

Sandeep Phadnis  
Company Secretary





## KPIT Cummins

Registered & Corporate Office: 35 & 36, Rajiv Gandhi Infotech Park, Phase 1, MIDC,  
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 Twenty First Annual General Meeting of the Company to be held on Friday, July 27, 2012, at 10:30 a.m. at SDB II Auditorium, KPIT Campus, 35 & 36, Rajiv Gandhi Infotech Park, Phase-1, MIDC, Hinjawadi, Pune - 411 057, INDIA.

Signed this ..... day of 2012

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

Registered & Corporate Office: 35 & 36, Rajiv Gandhi Infotech Park, Phase 1, MIDC,  
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 27, 2012 at 10.30 a.m. at SDB II Auditorium, KPIT Campus, 35 & 36, Rajiv Gandhi Infotech Park, Phase-1, MIDC, 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:

- Interested Joint Members may obtain Attendance Slips from the Registered/Corporate office of the Company.
- 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

S.B. (Ravi) Pandit	Chairman & Group CEO
Kishor Patil	CEO & Managing Director
Sachin Tikekar	Whole-time Director & Chief of People Operations
Anil Patwardhan	Sr. VP & Head-Corporate Finance & Governance
Anup Sable	Sr. VP & Head-Auto and Allied Engineering (A&AE) SBU
Lokesh Sikaria	CEO-Sparta Consulting & Head-SAP SBU
Pankaj Sathe	Global Leader-Business Development & Head-Semiconductor Solutions Group (SSG) SBU
Pawan Sharma	President & Head-Integrated Enterprise Solutions (IES) SBU

**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, Sarjapur 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

5th Floor, Three Cube Towers, No. 2-93/8 & 2-93/9, Survey no. 9, Kondapur (v) Ser Lingampally (Mandal), RR District, Hyderabad - 500 081

Crimpage Corporation Building, Plot No. 57, Street No. 17 MIDC, Andheri (East) Mumbai - 400093, India  
Phone : +91-22 6671 8746

155, Millenium Business Park, MIDC, Mahape, Navi Mumbai - 400710  
Phone : +91-22-2778 3110  
Fax : +91-22-2778 2291

Adams Lehman Strasse, 109, 80797, Munich, Germany  
Phone: +49-89-4523 583 18  
Fax: +49-89-4623 583 19

35, Noida Special Economic Zone, Phase II, Noida 201305, Uttar Pradesh, India  
Phone: +91-120-307355

**OVERSEAS OFFICES  
USA**

a) 3 Wood Avenue South, Suite 720, Iselin, NJ 8830, USA  
Phone: +732 - 321 - 0921  
Fax: +732 - 321 - 0922

b) 1266 Washington Street, Columbus, IN 7201, USA  
Phone: +812-379-1811/1816/1308/1319  
Fax: +812-379-1812

c) 9720 Cypresswood Dr, Suite # 226, Houston, TX 77070, USA  
Phone: +1 - 281 - 720 - 0288  
Fax: +1 - 281 - 720 - 0293

d) 111 Woodmere Road, Suite 200, Folsom, California 95630, USA  
Phone: +1-916-985-0300

e) 34705 Arboretum Office Park, W. 12 Mile road, Suite #301, Farmington Hills, MI 48331, USA  
Phone: +1-812-350-5889

f) 1515 S. Federal Hwy Suite 200 Boca Raton, FL 33432, USA  
Phone: +1-561-988-8611  
Fax: +1-877-201-7402

g) 595 Market ST, STE 2400, San Francisco, CA 94105, USA  
Phone: 405-369-9900  
Fax: 415-284-0300

**Canada**  
8120-128 Steret, Surrey BC V3W 1R1  
Canada

**Brazil**

a) Rua Itapeva, n.º 240, Cj 907, CEP 01332-000, São Paulo, Brazil

b) 726, Avenida Paulista, Cj 809, 8th Floor, CEP 01310-100, São Paulo, Brazil  
Phone: +55 - 11 - 3254 7452

**UK**

Ground Floor, The Annexe, Hurst Grove, Sandford Lane, Hurst, Berkshire RG10 0SQ, UK  
Phone: +44 - 118 - 934 - 5656

**Sweden**  
Box 1208, 164 28 Kista, Sweden

**France**  
50, Avenue des Champs-Élysées, 75008, Paris  
France  
Phone: +33 (0) 147 178 190  
Fax: + 33 (0) 147 178 197

**The Netherlands**  
Prins Hendriklaan 19, 1075 AZ Amsterdam, The Netherlands.  
Phone: +31 (0)88 25 00 558

**China**  
A: Unit 504, 5/F, Liziyuan Building, 4711 Jiaotong Road, Shanghai 200331, China  
Phone: +86-21 5631 5785  
Fax: +86-21 5631 3925

**Japan**  
Muromachi CS Bldg. 7F, 4-5-6, Nihonbashi - Muromachi, Chuo-KU, Tokyo, 103-0022, Japan  
Phone : +81-3-6913 8501  
Fax: +81-3-5205 2434

**Singapore**  
9 Temasek Boulevard #09-01 Suntec Tower Two  
Singapore 038989  
Phone: +65 6407 1497

**South Korea**  
Korea Liaison Office 3-306 Eunma Apt., Daechi-dong Gangnam-gu, Seoul - 135 778, South Korea

**Dubai**  
DAFZA Area, West Wing 2, Office 2W, P.O. Box 54931, Dubai  
United Arab Emirates

**South Africa**  
C/o R W Irish - Alliot Inc. Fernridge Office Park, 5 Hunter Street, Ferndale, Randburg, Johannesburg Gauteng 2194,  
South Africa  
Phone: +27 (11) 886-0018  
Fax: +27 (11) 886-0151

**SEZ Premises**  
SEZ Unit, 3rd Floor, IT - 3, Flagship, Rajiv Gandhi Infotech Park, MIDC Phase I, Hinjawadi, Pune - 411057, India

**Head office**

**Our offices**

KPIT Cummins Infosystems Ltd.  
Plot No. 35 & 36,  
Rajiv Gandhi Infotech Park,  
Phase 1, MIDC, Hinjawadi,  
Pune - 411057, India

Phone: +91 - 20 - 6652 5000  
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