PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated February 10, 2004
100% Book Building Issue

Patni Computer Systems Limited

(Our Company was incorporated on February 10, 1978 as a private limited company under the Companies Act, 1956. In 1988, our Company became a deemed public company and was converted into a private limited company on April 15, 1991. On July 1, 1995, our Company became a deemed public company and on June 27, 2002, our Company was converted into a private limited company. Our Company became a public limited company on September 18, 2003)

Registered Office: S-1A Irani Market Compound, Yerawada, Pune 411 006
Tel: +91 20 669 3457; Fax: +91 20 669 3859; Website: www.patni.com

Corporate Office: Akruti Softech Park, MIDC Cross Road No. 21, Andheri East, Mumbai 400 093
Tel: +91 22 5693 0500; Fax: +91 22 5693 0211; Email: patniipo@patni.com

PUBLIC ISSUE OF 18,724,000 EQUITY SHARES COMPRISING FRESH ISSUE OF 13,400,000 EQUITY SHARES OF Rs.2 EACH AT A PRICE OF Rs.230 FOR CASH AGGREGATING Rs.3,082.0 MILLION AND OFFER FOR SALE OF 5,324,000 EQUITY SHARES OF Rs.2 EACH AT A PRICE OF Rs.230 FOR CASH AGGREGATING Rs.1,224.5 MILLION (COLLECTIVELY REFERRED TO AS THE "OFFER").

THE OFFER WOULD CONSTITUTE 15% OF THE FULLY DILUTED POST OFFER PAID-UP CAPITAL OF THE COMPANY.

The Offer is being made through the 100% book building process wherein 60% of the Offer shall be offered on a discretionary basis to qualified institutional buyers. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non Institutional bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to retail bidders, subject to valid bids being received within the Price Band. If at least 60% of the Offer cannot be allotted to qualified institutional bidders then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

RISK IN RELATION TO FIRST OFFER

This being the first offer of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The Offer Price (as determined by the Company, in consultation with the Book Running Lead Managers ("BRLMs"), on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offering. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the summarised and detailed statements in Risk Factors beginning on page i.

COMPANY'S ABSOLUTE RESPONSIBILITY

Patni Computer Systems Limited, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to Patni Computer Systems Limited and the Offer, which is material in the context of the Offer, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on The Stock Exchange, Mumbai ("BSE") and the National Stock Exchange of India Limited ("NSE"). We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated November 18, 2003 and December 2, 2003, respectively.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE OFFER
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021 Tel: +91 22 5632 8000 Fax: +91 22 2204 8518 Email: patniipo@ml.com	**Kotak Mahindra Capital Company Limited** Bakhtawar, 3rd Floor 229, Nariman Point Mumbai 400 021 Tel: +91 22 5634 1100 Fax: +91 22 2284 0492 Email: patni.ipo@kotak.com	**Karvy Consultants Limited** Karvy House 46, Avenue 4, Street No. 1, Banjara Hills Hyderabad 500 034 Tel: +91 40 2331 2454 Fax: +91 40 2331 1968 Email: patni@karvy.com

OFFER PROGRAM

BID/OFFER OPENED ON	JANUARY 27,2004	BID/OFFER CLOSED ON	FEBRUARY 5,2004

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SECTION I: RISK FACTORS

Certain Conventions; Use of Market Data

In this Prospectus, the terms "we", "us", "our", the "Company", "our Company", or "Patni", unless the context otherwise indicates or implies, refers to Patni Computer Systems Limited and its subsidiaries. All references to the "Selling Shareholders" shall mean, collectively, Mr. Gajendra K. Patni, Mr. Ashok K. Patni and GE Capital Mauritius Equity Investment ("GE Capital"). Unless stated otherwise, the financial data in this Prospectus is derived from our consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") included elsewhere in this Prospectus. Also see "Currency of Presentation" on page C of this Prospectus for information on translation of U.S. Dollar amounts presented herein. Our fiscal year commences on January 1 and ends on December 31. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

All references herein to the "GE Group" refer collectively to General Electric International Inc., and its affiliates, references to "Hitachi Group" refer collectively to Hitachi and its affiliates and references to the "HP Group" or "HP" refer collectively to the Hewlett-Packard Company and its affiliates. All references to "India" contained in this Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

In this Prospectus, all references to "allotment" of Equity Shares in this Offer, unless the context otherwise indicates or implies, also includes a reference to "transfer" of Equity Shares.

For additional definitions used in this Prospectus, see the section "Definitions and Abbreviations" on page 279 of this Prospectus. In the section entitled "Main Provisions of Articles of Association of Patni Computer Systems Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Prospectus was obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Increasing competition in and the conditions of the global and Indian IT industry;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations that apply to the Indian and global IT industry.

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” beginning on page i of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, the Selling Shareholders, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, “Dollars”, “US$” and “$” are to the legal currency of the United States, all references to “Pounds”, “£” and “U.K. Pound” are to the legal currency of the United Kingdom and all references to “Euro” and “€” are to the legal currency of the European Union.

In this Prospectus, U.S. Dollar amounts have been translated into Rupees for each period and presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the financial data derived from our consolidated financial statements prepared in accordance with U.S. GAAP for each period at the noon buying rate in the City of New York on the last business day of such period. We have translated certain other data which is not derived from our consolidated financial statements prepared in accordance with U.S. GAAP, at the noon buying rate in the City of New York on October 31, 2003, which was Rs.45.33 on such date. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			Nine months ended September 30,	
	2000	**2001**	**2002**	**2002**	**2003**
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations (as per U.S. GAAP)” and elsewhere in this Prospectus, unless otherwise indicated, have been calculated on the basis of the U.S. Dollar amounts derived from our consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. Dollar amounts.

We have also translated Euro and Pound amounts into Rupees for each period presented, as indicated elsewhere in this Prospectus, solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The translations should not be considered as a representation that such Euro or Pound amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated elsewhere in this Prospectus, or at all.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Internal Risk Factors

Our revenues are highly dependent on a small number of clients, including the GE Group and State Farm Mutual Automobile Insurance Company ("State Farm Insurance"). The loss of any one of our major clients, a decrease in the volume of work they outsource to us or a decrease in the price at which we offer our services to them may adversely impact our revenues and profitability.

We derive a significant portion of our revenues from a limited number of clients. In 2001, 2002 and the nine months ended September 30, 2003, our largest client, the GE Group, accounted for 56.8%, 50.7% and 42.5% of our revenues, respectively. During the same periods, our second largest client, State Farm Insurance, accounted for 11.5%, 16.0% and 17.4% of our revenues, respectively, and our top ten clients accounted for 82.6%, 84.9% and 80.7% of our revenues, respectively. As a result of our reliance on a limited number of clients, including the GE Group and State Farm Insurance, we may face pricing pressure. The volume of work performed for specific clients is likely to vary from year to year, especially since we are not the exclusive external service provider for our clients. We also expect revenues from these two clients as a percentage of total revenues to decline in future periods. In addition, there are a number of factors, other than our performance, that could cause the loss of a client and that may not be predictable. Our clients may also decide to reduce spending on IT services due to a challenging economic environment and other factors, both internal and external, relating to their business. The loss of any one of our major clients, a decrease in their volume of work they outsource to us or a decrease in the price at which we offer our services to them may adversely impact our revenues and profitability.

Our success depends in large part upon our highly skilled software professionals and our ability to attract and retain these personnel. Recently, there has been a significant increase in attrition of our employee base.

Our ability to execute projects and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled software professionals, particularly project managers and other mid-level professionals. Our attrition rates have been negatively affected due to a highly competitive labour market. Our attrition was 15.6% and 11.1% in 2001 and 2002, respectively. Our attrition, on an annualised basis, was 15.7%, 20.5% and 26.7% in the three months ended March 31, 2003, June 30, 2003 and September 30, 2003, respectively. We define attrition as the ratio of the number of employees that have left us during a defined period to the total number of employees that are on our payroll at the end of such period. If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects will be impaired and our revenues could decline. In addition, we may not be able to expand our business effectively. We believe that there is significant worldwide competition for software professionals with the skills necessary to perform the services we offer. Additionally, we may not be able to redeploy and retrain our software professionals to keep pace with continuing changes in technology, evolving standards and changing client preferences. Our inability to attract and retain software professionals may have a material adverse effect on our business, results of operations and financial condition.

Our revenues and profits are difficult to predict and can vary significantly from quarter to quarter. This could cause our share price to decline.

Our quarterly operating results may fluctuate from quarter to quarter. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. It is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and our investors, which could lead to a significant decline of the share price of our Equity Shares.

Factors which affect the fluctuation of our revenues and profits include:

- the proportion of services we perform on a fixed-price or time and material basis;
- the size, timing and profitability of our projects, particularly with our major clients;
- changes in our pricing policies or those of our clients;
- the proportion of services that we perform in our development centres in India as opposed to outside India;

- the effect of seasonal hiring patterns, unanticipated attrition and the time required to train and productively utilise our new employees, particularly software professionals;
- the size and timing of expansion of facilities;
- unanticipated cancellations, non-renewal of our contracts by our clients, contract terminations or deferrals of projects; and
- unanticipated variations in the duration, size and scope of our projects.

A significant part of our expenses, particularly those related to personnel and facilities, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects or employee utilisation rates, may cause significant variations in our operating results in any particular quarter. There are also a number of factors other than our performance that are not within our control, that could cause fluctuations in our operating results from quarter to quarter. These include:

- the duration of tax holidays or exemptions and the availability of other Government of India incentives;
- currency exchange rate fluctuations, particularly when the Rupee appreciates in value against the U.S. Dollar since the majority of our revenues are in U.S. Dollars and a significant part of our costs are in Rupees; and
- other general economic factors.

We have not been able to sustain our previous profit margins.

Our net income increased 18.7% in 2001 compared to 2000 and increased 36.8% in 2002 compared to 2001. However, our net income margin was 21.9%, 18.5% and 19.1% in 2000, 2001 and 2002, respectively. Our net income increased 3.9% in the nine months ended September 30, 2003 compared to the corresponding period in the prior year, and our net income margin was 20.1% and 15.7% in the nine months ended September 30, 2002 and 2003, respectively. As we continue to experience higher subcontractor costs, increased wage pressure, higher immigration and foreign travel costs, and high selling, general and administration expenses, we may not be able to sustain our profit margin or level of profitability.

Any inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced significant growth in revenues in recent years. Our revenues have grown at a compound annual growth rate of 36.4% from $101.2 million (Rs.4,731.6 million) in 2000 to $188.3 million (Rs.9,037.1 million) in 2002. Our revenues grew 33.0% from $135.7 million (Rs.6,567.3 million) in the nine months ended September 30, 2002 to $180.5 million (Rs.8,263.8 million) in the nine months ended September 30, 2003. The number of our total employees has grown at a compound annual growth rate of 28.7% from 3,365 as at December 31, 2000 to 5,570 as at December 31, 2002. We expect this growth to place significant demands on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organisation.

In particular, continued expansion increases the challenges involved in:

- recruiting, training and retaining sufficient skilled technical, sales and management personnel;
- adhering to our high quality and process execution standards;
- maintaining high levels of client satisfaction;
- preserving our culture, values and entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Any inability to manage growth may have an adverse effect on our business, results of operation and financial condition.

We derive a significant proportion of our revenues from the insurance, manufacturing and financial services industries. Factors that affect the economic health or information technology ("IT") needs of our clients in these industries may adversely affect our business.

We derive a significant proportion of our revenues from clients in certain industries. In 2001, 2002 and the nine months ended September 30, 2003, we derived 34.2%, 38.0% and 34.1% of our revenues from the insurance industry, 26.9%, 27.1% and 28.5% of our revenues from the manufacturing industry, and 14.9%, 13.9% and 15.9% of our revenues from the financial services industry, respectively. Any significant decrease in IT services spending by clients in these industries may reduce the demand for our services and negatively affect our revenues and profitability.

Our fixed-price contracts may expose us to additional risks, many of which are beyond our control, which could reduce our profitability.

As an important element of our business strategy, we provide a high proportion of our services on a fixed-price basis rather than on a time-and-material basis. Our fixed-price contracts also comprise service level driven fixed-price agreements ("fixed-price SLAs"). In 2002 and the nine months ended September 30, 2003, we derived 51.7% and 48.7% of our revenues, respectively, from fixed-price contracts, including fixed-price SLAs. In certain fixed-price SLA contracts, revenues are conditional upon predetermined performance levels which, if unsatisfactory, could result in lower revenue than anticipated. Although we use our software engineering processes, knowledge management systems and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns and completion delays in connection with these projects. Many of these risks may be beyond our control. Any failure to accurately estimate the resources and time required for a project or any failure to complete our contractual obligations within the time frame committed could adversely affect our profitability.

Our success depends in large part upon our senior management and key personnel and our ability to attract and retain them.

We are highly dependent on the senior management of Patni and its subsidiaries, including Mr. Narendra K. Patni, our Chairman and Chief Executive Officer. Our future performance will be affected by the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

Our revenues are highly dependent on clients located in the United States. Economic slowdowns and other factors that affect the economic health of the United States may affect our business.

A significant proportion of our revenues is derived from clients located in the United States. In 2001, 2002 and the nine months ended September 30, 2003, 84.4%, 87.6% and 88.9% of our revenues, respectively, were derived from clients located in the United States. This calculation of revenues by client geography is based on the location of the specific client entity for which services are performed, irrespective of the location where a billing invoice may be rendered. Consequently, if an economic slowdown in the United States continues, our clients may reduce or postpone their IT spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability.

We operate in a highly competitive environment and this competitive pressure on our business is likely to continue.

The market for IT services is rapidly evolving and highly competitive. We expect that competition will continue to intensify. We face competition from:

- Indian IT services companies, such as HCL Technologies Limited, Infosys Technologies Limited, Satyam Computer Services Limited, Tata Consultancy Services and Wipro Limited;
- International IT services companies, such as Accenture Limited, Cognizant Technology Solutions, Computer Sciences Corporation and Electronic Data Systems;
- Divisions of large multinational technology firms such as International Business Machines Corporation and Hewlett-Packard Company, and in-house IT departments of large corporations; and
- Other international, national, regional and local firms from a variety of market segments, including major international accounting firms, systems consulting and implementation firms, applications software firms, service groups of computer equipment companies, general management consulting firms, programming companies and temporary staffing firms.

A number of our international competitors are setting up operations in India. Further, a number of our international competitors with existing operations in India are ramping up their presence in India as offshore operations in India have become an important element of their delivery strategy. This has resulted in increased employee attrition among Indian vendors and increased wage pressure to retain software professionals and contain such attrition.

Clients who presently outsource a significant proportion of their IT services requirements to vendors in India may seek to reduce their dependence on one country. We expect that future competition will increasingly include firms with operations in other countries, especially those countries with labour costs similar to or lower than India, such as China. A significant part of our competitive advantage has historically been the cost advantage relative to service providers in the United States and Europe.

Since wage costs in this industry in India are presently increasing at a faster rate than those in the United States and Europe, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific markets.

Many of our competitors have significantly greater financial, technical and marketing resources and generate greater revenues than us. Clients may prefer vendors that have delivery centres located globally. Therefore, we cannot assure you that we will be able to retain our clients while competing successfully against such competitors. We believe that our ability to compete also depends in part on a number of factors beyond our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical employees, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to client needs.

We may be liable to our clients for damages caused by system failures. This could damage our reputation and lead to the loss of clients.

Many of our contracts involve projects that are critical to the operations of our clients' businesses. They also provide benefits that may be difficult to quantify. Any failure in a client's system or breach of security could result in a claim for substantial damages against us. Although we attempt to limit our contractual liability for damages arising from negligent acts, errors, mistakes or omissions in rendering our services, we cannot assure you that the limitations of liability set forth in our service contracts will be enforceable in all instances or will otherwise protect us from liability for damages. While we maintain insurance coverage for errors and omissions, we may not be covered for such claims or damages. Assertions of one or more large claims against us could have an adverse effect on our business, results of operation and financial condition.

Our client contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenues and profitability.

Our clients typically retain us through non-exclusive master services agreements ("MSAs"). Most of our client project contracts, including those that are on a fixed-price and fixed-price SLA basis, can be terminated with or without cause, with 0 to 90 days notice and without termination-related penalties. Additionally, our MSAs with clients are typically without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our clients, and there are a number of factors relating to our clients that are outside our control that might result in the termination of a project or the loss of a client. Our clients may demand price reductions, change their outsourcing strategy by moving more work in-house or to our competitors or replace their existing software with packaged software supported by licensors. Any of these factors could adversely affect our revenues and profitability.

We may face difficulties in providing new and existing service offerings, which could lead to clients discontinuing or delaying their work with us.

We have been expanding the nature and scope of our engagements by extending the breadth of services we offer. We have recently added new service offerings such as business process outsourcing ("BPO") and new capabilities in enterprise systems management and research and development services. The success of these new service offerings is dependent, in part, upon continued demand for such services by our existing and new clients and our ability to meet this demand in a cost-competitive and effective manner. We cannot be certain that we will be able to attract existing and new clients for such new services or effectively meet our clients' needs.

The increased breadth of our service offerings may result in larger and more complex projects for our clients. This will require us to establish closer relationships with our clients, which may increase our sales costs, and also requires a thorough understanding of their operations. Our ability to establish such relationships will depend on a number of factors including the proficiency of our management personnel and our software professionals as well as our ability to compete effectively and win large engagements in competition with larger or well-established firms.

Larger projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our clients or the general economy, as opposed to factors related to the quality of our services. Such cancellations or delays make it difficult to plan for project resource requirements, and inaccuracies in such resource planning may have a negative impact on our profitability.

In order to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage, we may undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful.

We may pursue strategic acquisition opportunities to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage. It is possible that we may not identify suitable acquisition or investment candidates or joint venture partners, or if we do identify suitable candidates or partners, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or joint ventures or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

If we acquire another company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work with us. In some cases, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. As at the date of this Prospectus, we have not entered into a letter of intent or any definitive commitment or agreement for any material acquisition, investment or joint venture transaction.

Our business will suffer if we fail to keep pace with the rapid changes in technology and the industries on which we focus. We need to anticipate and develop new services and enhance existing services in order to keep our clients satisfied.

The IT services market is characterised by rapid technological changes, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new service offerings to meet client needs. We may not be successful in anticipating or responding to these advances on a timely basis or, if we do respond, the services or technologies we develop may not be successful in the marketplace. Furthermore, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Mr. Narendra K. Patni, Mr. Gajendra K. Patni, Mr. Ashok K. Patni, General Atlantic Mauritius Limited ("GA") and their affiliates have significant shareholdings in the Company. They have the ability to exercise significant control over us, including pursuant to the terms of our Articles of Association. Their interests may conflict with your interests as a shareholder.

Our promoters, Mr. Narendra K. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni, together with their families and entities controlled by them, including iSolutions Inc., will collectively own 51.3% of our outstanding Equity Shares upon completion of the Offer. In addition, GA will own 28.3% of our issued Equity Shares upon completion of the Offer.

Our Articles of Association confer certain rights on our promoters and GA relating to the governance of the Company, including representation on our board of directors and an ability to adjourn a shareholder or board of director meeting for lack of quorum if their representative is not present at the first such meeting. In addition, our Articles of Association can only be amended if members holding not less than 75% of the Equity Shares (and who are entitled to vote) cast votes in favour of such amendments and such votes include the favourable votes of each of the AKP Group, GKP Group, NKP Group and GA so long as the respective Groups hold at least 10% of the Equity Shares and vote on such amendment. Pursuant to the terms of our Articles of Association, Mr. Narendra K. Patni is the permanent Chairman of our Board, with a casting vote in the event of a tied vote. Also, pursuant to the terms of our Articles of Association and a consultancy agreement entered into between the Company and Patni Computer Systems, Inc., our U.S. subsidiary, Mr. Narendra K. Patni will be the Chief Executive Officer of the Company. As the Chief Executive Officer, Mr. Narendra K. Patni is entitled to appoint and remove all other key senior personnel and the senior management team of the Company following consultation with GA. As long as he is the CEO of the Company, Mr. Narendra K. Patni may also elect to be appointed as the Managing Director of the Company. See the discussion beginning on page 266 of this Prospectus for a discussion on certain terms of our Articles of Association.

Accordingly, the promoter group and GA persons have the ability to exercise significant influence over matters requiring shareholder approval or approval by our board of directors. This could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, take-over or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company.

In addition, Mr. Gajendra K. Patni and Mr. Ashok K. Patni, who are executive directors in our Company, also have management control of all of our promoter group companies. While these companies are currently not competing with us in a material manner, we cannot assure you that, in future, they would not compete for our business and that their interests may not conflict with the interests of our Company. Under our Articles of Association, our promoters have agreed not to promote or participate in any business competing with the Company's business of developing computer software (including internet applications). However, this non-compete will not be applicable after a period of one year following the Offer. Also, the non-compete does not apply to the promoters' participation and interest in PCS Industries Limited, Patni Computer Systems, Inc. and their subsidiaries. Further the objects clauses of PCS Industries Limited (a promoter group company) and Raay Software Private Limited and Raay Global Investment Private Limited (companies controlled by a relative of Mr. Gajendra K. Patni) permit activities similar to the business of the Company. We currently do not have separate non-compete agreements with any of these companies. See the section “Group Companies” on page 60 of this Prospectus. Certain of our shareholders also have certain additional rights with respect to registration, or causing the registration of our Equity Shares with the U.S. Securities and Exchange Commission. See the discussion beginning on page 44 for a discussion on certain terms of our registration rights agreement.

Our client’s proprietary rights may be misappropriated by our employees in violation of applicable confidentiality agreements. We may also be subject to third party claims of intellectual property infringement. Unauthorised parties may infringe upon or misappropriate our intellectual property.

We require our employees and subcontractors to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our client’s proprietary and confidential information as well as our own. We can give no assurance that the steps taken by us in this regard will be adequate to enforce our clients or our intellectual property in this regard. If our client’s proprietary rights are misappropriated by our employees or our subcontractors or their employees, in violation of any applicable confidentiality agreements, our clients may consider us liable for that act and seek damages and compensation from us. In addition to these confidentiality agreements, our client contracts may require us to comply with certain security obligations including maintenance of network security, back-up of data, ensuring our network is virus free and ensuring the credentials of those employees that work with our clients. We cannot assure you that we will be able to comply with all such obligations and that we will not incur liability or have a claim for substantial damages against us.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. There are currently no material pending or threatened intellectual property claims against us. However, if we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages and be forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all.

We rely on a combination of copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, including our brand identity. However, the laws of India may not protect proprietary rights as effectively as laws in the United States. Therefore, our efforts to protect our intellectual property may not be adequate. Unauthorised parties may infringe upon or misappropriate our services or proprietary information.

We are in the process of registering our trademark and servicemark in the U.S. and in India. However, there can be no assurance that we shall be successful in having the same registered or that a third party may not infringe or challenge such trademark or service mark prior to such registration.

Any future equity offerings by us or the issue of Equity Shares pursuant to exercise of stock options under our employee stock option plan may lead to dilution of your shareholding in us or affect the market price of our Equity Shares.

We have recently adopted an employee stock option plan as a means to reward and motivate our employees. As a purchaser of Equity Shares in this Offer, you may experience dilution of your shareholding to the extent that we make future equity offerings or issue Equity Shares pursuant to the exercise of stock options under our employee stock option plan.

There are a number of legal proceedings against us, our subsidiaries and our directors that we believe, even if finally determined against us, will not have a material adverse effect to our business.

We are defendants in a number of legal proceedings incidental to our business and operations. We are also subject to claims against us by the Income Tax and Sales Tax authorities in India. There are a total of 3 cases, with claims aggregating approximately Rs.3.3 million pending against the Company and 1 case with claim aggregating approximately £53,500 (Rs.4.0 million) pending against our subsidiary, Patni Computer Systems (UK) Limited. We believe these claims, even if finally determined against us, will not result in a material adverse effect to our business. For more information regarding litigations involving us, our subsidiaries and our directors, see “Outstanding Litigations” on page 91 of this Prospectus.

We have not entered into any definitive agreements to utilise the proceeds of the Fresh Issue.

We intend to use the net proceeds of the Fresh Issue for strategic initiatives, increased sales, marketing and promotional activities and other general corporate purposes. See “Objects of the Offer” on page 26 of this Prospectus. We have not entered into any definitive agreements to utilise such net proceeds. Pending any use of the net proceeds of the Fresh Issue, we intend to invest the funds in high quality, interest bearing liquid instruments including deposits with banks.

There are a number of outstanding litigations against some of our promoters and one of our group companies.

Some of our promoters and one of our group companies are defendants in a number of legal proceedings incidental to their business and operations. They are also subject to claims from Income Tax and Sales Tax authorities. There are also a number of civil and criminal cases filed against some of our promoters and one of our group companies. We believe these claims, even if finally determined against the promoters or the group companies, will not result in a material adverse effect to our business. There is no outstanding litigation against Mr. Narendra K. Patni, the Chairman and CEO of the Company. For more information regarding litigations against some of our promoters and one of our group companies, see "Outstanding Litigations" on page 91 of this Prospectus.

One of our promoters, iSolutions Inc., which is an investment company, and two of our subsidiaries are loss making.

One of our promoters, iSolutions Inc., which is an investment company, incurred a loss of $0.2 million (Rs.10.5 million) and $0.3 million (Rs.13.1 million) in 2000 and 2001, respectively. The Reference Inc., one of our U.S. subsidiaries, incurred a loss of $0.4 million (Rs.20.0 million) and $0.04 million (Rs.1.8 million) in 2002 and during the period January 1, 2003 to April 17, 2003, respectively. Patni Computer Systems GmbH, our German subsidiary, incurred a loss of €0.1 million (Rs.2.3 million), €0.1 million (Rs.5.3 million) and €0.1 million (Rs.4.6 million) in 2000, 2001 and the nine months ended September 30, 2003, respectively. Financial data for iSolutions Inc. and The Reference Inc. has been derived from their financial statements prepared in accordance with U.S. GAAP. Financial data for Patni Computer Systems GmbH has been derived from such entity's financial statements prepared in accordance with the provisions of the third book of the German Commercial Code (HGB) and the Limited Liability Companies Law (GmbHG).

As at September 30, 2003, we had contingent liabilities as disclosed in our unconsolidated statement of assets and liabilities under Indian GAAP.

As at September 30, 2003, our contingent liabilities as disclosed in our unconsolidated statement of assets and liabilities, as restated under Indian GAAP, were as follows:

- Our Company has obligations under a number of contracts relating to capital expenditure. Estimated amounts remaining to be executed on such contracts (net of advances) aggregated Rs.73.9 million as at September 30, 2003;
- Guarantees given by a bank on behalf of our Company were Rs.11.4 million as at September 30, 2003; and
- Corporate guarantees issued by our Company for PCS Industries Limited were Rs.150.0 million as at September 30, 2003.

The registration as a "Registrar and Share Transfer Agent" of one of our group companies, PCS Industries Limited was suspended by SEBI for a period of three months from December 24, 2001 to March 24, 2002.

The registration as a "Registrar and Share Transfer Agent" of one of our group companies, PCS Industries Limited was suspended by SEBI for a period of three months from December 24, 2001 to March 24, 2002. For more information regarding litigations against PCS Industries Limited, see the section on "Outstanding Litigations" on page 91 of this Prospectus.

Further, 205 suits have been filed against PCS Industries Limited's clients for whom PCS Industries Limited was acting as Registrar and Transfer Agent and also against PCS Industries Limited and some of its Directors, claiming compensation for not registering the transfer of securities/for delaying transfer of securities/for not issuing duplicate securities/for not issuing bonus shares/for delaying issue of dividend or interest warrants and related matters pertaining to the securities of the respective client companies. The aggregate principal amount claimed under the above suits is Rs.2.3 million exclusive of any claim for interest, costs and other relief. In addition, there are 69 similar suits which have been certified as settled by the new registrars and transfer agents of the respective client companies, but for which PCS Industries Limited is still to ascertain from the relevant courts/forums whether the settlement has been taken on record and whether the suit has been dismissed. The aggregate monetary value of these 69 suits is Rs.0.5 million.

External Risk Factors

An economic downturn may negatively impair our operating results.

Discretionary spending on IT products and services in most parts of the world has significantly decreased due to a challenging global economic environment. This may result in cancelled, reduced or deferred expenditures for IT services. In an economic downturn, our utilisation and billing rates for our software professionals could be adversely affected which may result in lower gross and operating profits.

Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States which may be affected materially by such legislation. Offshore outsourcing has come under increased scrutiny by various state governments in the United States.

Most of our employees are Indian nationals. The ability of our software professionals to work in the United States, Europe and in other countries depends on our ability to obtain the necessary visas and work permits. As at September 30, 2003, a majority of our software professionals in the United States held H-1B visas (approximately 1,208 persons), a temporary visa which allows the employee to remain in the United States while he or she remains an employee of the sponsoring firm, and L-1 visas (approximately 95 persons), an intra company transfer visa allowing the employee to stay in the United States only temporarily. An H-1B visa is granted to certain categories of persons in several "speciality occupations" including software professionals such as our employees, so long as their compensation meets annually-adjusted minimums. Those adjustments may force gradual increases in H-1 wages at a rate exceeding the rate of inflation, with resulting narrowing of profit margins. Although there is currently no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that may be approved in any United States government fiscal year. Such annual limit increased from 65,000 in 1998 to 115,000 in 1999 and 2000, and to 195,000 in 2001, 2002 and 2003. Effective fiscal year commencing October 1, 2003, the annual limit on the number of new H-1B permits has reverted to 65,000. We believe that the demand for H-1B visas will continue to be high. Further, the United States government has increased the level of scrutiny in granting visas. This may also lead to limits on the number of L-1 visas granted. The U.S. immigration laws also require us to meet certain levels of compensation and to comply with other legal requirements including those relating to displacement and secondary displacement of U.S. workers and recruiting and hiring of U.S. workers, as a condition to obtaining or maintaining work visas for our software professionals working in the United States.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a significant number of software professionals makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with software professionals who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining the condition of such visas.

Recently, offshore outsourcing has come under increased government scrutiny within the United States and Europe due to its perceived association with loss of jobs in such countries. Within the last 12 months, certain U.S. states have or may propose legislation restricting government agencies from outsourcing their back office processes to companies outside the United States. It is also possible that U.S. private sector companies that work with these states may be restricted from outsourcing their work related to government contracts. We currently do not provide any significant back office services for U.S. federal or state government entities, and do not have any significant contracts with such entities. However, there can be no assurance that these restrictions will not extend to private companies, such as our clients. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States and thus adversely affect our revenues and profitability.

Wage pressures in India may prevent us from sustaining our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on our business, results of operation and financial condition.

Our net income would decrease if the Government of India reduces or withdraws tax benefits and other incentives it currently provides to us.

Presently, we benefit from the tax holidays given by the Government of India for the export of IT services from specially designated software technology parks and special economic zones in India. As a result of these incentives, which include a 10-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT services, our operations have been subject to relatively low tax liabilities.

The Finance Act, 2000, phases out the 10-year tax holiday over a ten-year period from March 31, 2000 through March 31, 2009. Additionally, the Finance Act, 2002 required that ten percent of all income derived from services performed in software technology parks be subject to income tax for a one-year period which ended March 31, 2003. There can be no assurance that similar or greater reductions in tax benefits would not be introduced in future. For companies opting for the partial taxable income deduction for profits derived from exported IT services, the Finance Act, 2000, phases out the deduction over five years beginning on April 1, 2000 through March 31, 2004. When our tax holiday and taxable income deduction expire or terminate, our tax expense will materially increase, reducing our profitability.

We are subject to risks arising from exchange rate fluctuations.

The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. During the three-year period ended December 31, 2002, the value of the Rupee against the U.S. Dollar declined by approximately 10.3%. In the nine months ended September 30, 2003, the value of the Rupee against the U.S. Dollar rose by approximately 4.6%. We expect that a majority of our revenues will continue to be generated in U.S. Dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Rupees. While we enter into forward contracts to minimise the impact of fluctuating exchange rates, we cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operations.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001 and New Delhi on December 13, 2001 and Bali on October 12, 2002, and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Travel restrictions as a result of such attacks may have adverse impact on our ability to operate effectively.

More generally, any of these events could adversely affect client confidence in India as a outsourcing base and increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has, from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is higher due to recent terrorist incidents in India, recent troop mobilisations along the border, and the aggravated geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our services.

Our performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Since 1996, the government of India has changed five times. The current Government of India, which was formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalisation policies that had been pursued by the previous governments. We cannot assure you that these liberalisation policies will continue in the future. Recent government corruption scandals and protests against privatisation could slowdown the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India thus, affecting our business.

The current Indian government is a coalition of several parties. The withdrawal of one or more of these parties could result in political instability. In addition, general elections will be held in 2004, and different parties may be elected to the Indian government. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares and on the market for our services.

After this Offer, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop.

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Offer as a result of several factors, including:

- volatility in the Indian and global securities market;
- our results of operations and performance;
- performance of our competitors, the Indian IT industry and the perception in the market about investments in the IT sector;
- adverse media reports on the Company or the Indian IT industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal and environmental regulations.

Further, valuations in the IT services sector have appreciated over the last several months and current valuations may not be sustainable in the future and may also not be reflective of future valuations for the industry.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Offer. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Offer, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Offer.

Any disruption in the supply of power, IT infrastructure and telecom lines could disrupt our business process or subject us to additional costs.

Any disruption in basic infrastructure could negatively impact our business since we may not be able to provide timely or adequate services to our clients. Such disruptions may also cause harm to our clients' business. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure or telecom lines is disrupted. This may result in the loss of a client and a substantial claim for damages against us, impose additional costs on us and have an adverse effect on our business, results of operations and financial condition.

Note to Risk Factors

- The book value per Equity Share of Rs.2 each is Rs.72.7 and Rs.62.0 as at September 30, 2003 and as at December 31, 2002, respectively, as per our restated unconsolidated financial statements under Indian GAAP.
- The net worth of our Company is Rs.8,104.3 million and Rs.6,912.9 million as at September 30, 2003 and as at December 31, 2002, respectively, as per our restated unconsolidated financial statements under Indian GAAP.
- Public issue of 18,724,000 Equity Shares comprising Fresh Issue of 13,400,000 Equity Shares of Rs.2 each at a price of Rs.230 for cash aggregating Rs.3,082.00 million and offer for sale of 5,324,000 Equity Shares of Rs.2 each at a price of Rs.230 for cash aggregating Rs.1,224.52 million.
- The average cost of acquisition of our Equity Shares by our promoters, iSolutions Inc., Mr. Narendra K. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni is Rs.9.50, Rs.137.13, Rs.0.01, and Rs.0.01, respectively.
- For related party transactions, please refer to the section entitled "Related Party Transactions" on page 65 of this Prospectus.
- Investors may note that in case of over-subscription in the Offer, allotment to Non Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see "Basis of Allotment" on page 258 of this Prospectus.
- Investors are free to contact the BRLMs for any clarification or information relating to the Offer who will be obliged to provide the same to the investor.
- Investors may contact the BRLMs for any complaints pertaining to the Offer.
- Investors are advised to refer to the paragraph entitled "Basis for Offer Price" on page 133 of this Prospectus.

SECTION II: INTRODUCTION

SUMMARY

You should read the following summary together with the risk factors and the more detailed information about us and our financial data included elsewhere in this Prospectus.

Company Overview

We are one of the leading Indian providers of integrated IT services. We are led by one of the most experienced management teams in the Indian IT industry. Our mature global delivery model has enabled us to acquire and develop long-term relationships with clients that include several Fortune 1000 companies. Our service offerings span the entire software services lifecycle, including application development and integration, application maintenance, enterprise application systems, e-Business, enterprise systems management, research and development services and business process outsourcing. We believe that our ability to manage large client relationships, deliver complex outsourcing services through innovative engagement models and maintain high quality standards are some of our important differentiators.

We believe we are one of the few Indian IT services companies to manage an engagement with annual revenues in excess of $95 million (Rs.4,306.4 million) for a client entity. Our largest client, the GE Group, accounted for $95.5 million (Rs.4,583.5 million) and $76.8 million (Rs.3,513.9 million) in revenues in 2002 and the nine months ended September 30, 2003, respectively, while our second largest client, State Farm Insurance, accounted for $30.1 million (Rs.1,443.7 million) and $31.5 million (Rs.1,441.4 million) in revenues, respectively, during such periods. Our other top ten clients in the nine months ended September 30, 2003 include The Guardian Life Insurance Company of America (“Guardian Life Insurance”), Hitachi Group, HP and Southern California Edison. The revenues derived by us from our top 10 clients were $159.8 million (Rs.7,670.1 million) and $145.7 million (Rs.6,670.5 million) in 2002 and the nine months ended September 30, 2003, respectively.

We have in-depth knowledge and experience in the insurance and financial services industries where we market our services through our industry experts. We also have extensive experience in the manufacturing industry. We intend to continue to develop our knowledge and experience in these industries and enhance our knowledge and domain expertise in other industries. Our top three industries, insurance, manufacturing and financial services, together accounted for 79.0% and 78.5% of our revenues in 2002 and the nine months ended September 30, 2003, respectively.

With our strong domain skills and customer-centric approach, we have developed several strategic client relationships. We have invested in building a strong sales team and as of September 30, 2003, we had 107 sales personnel in 22 sales offices in North America, Europe, Japan and the Asia-Pacific region. In addition, several of our senior executives are based in client geographies and are focused on developing client relationships at senior levels. With our sales and marketing team organised by industry, service offerings and geography, we are able to effectively cross-sell services to our existing client base as well as successfully win new business.

We deliver high quality and cost effective services to our clients through our mature delivery processes, scalable infrastructure and skilled global resource base. Our service offerings are delivered through a mix of onsite resources located in the client geography and offshore resources at our facilities in India. We believe we are one of the leading Indian providers of IT services on a fixed-price, including fixed-price SLA, basis. In 2002 and the nine months ended September 30, 2003, 51.7%, and 48.7% of our revenues, respectively, were derived from fixed-price, including fixed-price SLA based contracts. We believe these fixed-price engagements allow productivity gains to our clients and us.

We have experienced substantial growth in revenues in recent years. Our revenues grew at a compound annual growth rate of 36.4% over the last three years, from $101.2 million (Rs.4,731.6 million) in 2000 to $188.3 million (Rs.9,037.1 million) in 2002. Our net income grew at a compound annual growth rate of 27.5% over the last three years, from $22.2 million (Rs.1,036.1 million) in 2000 to $36.0 million (Rs.1,728.6 million) in 2002. Our revenues were $135.7 million (Rs.6,567.3 million) and $180.5 million (Rs.8,263.8 million) in the nine months ended September 30, 2002 and 2003, respectively, and our net income was $27.3 million (Rs.1,322.8 million) and $28.4 million (Rs.1,299.8 million) in the nine months ended September 30, 2002 and 2003, respectively. Our total employees grew from 3,365 as at December 31, 2000 to 5,570 as at December 31, 2002. We had 6,695 employees as at September 30, 2003.

Our Competitive Strengths

We believe that the following aspects of our business help differentiate us from some of our competitors:

Ability to Manage Large Client Relationships. We have successfully demonstrated the ability to manage large client relationships. This is reflected in the long duration of our relationships with some of our large clients and in the joint development of engagement models that have resulted in the sharing of productivity gains between our clients and us. For example, we have a thirteen-year relationship with our largest client, the GE Group. In our client engagements we leverage our industry experience with our high quality processes, project management capabilities and breadth of technical expertise. Our ability to rapidly service client requirements both onsite in client geographies and offshore in India enables us to effectively respond to the demands of our large clients. Our senior executives and dedicated account managers continuously maintain and develop these relationships through multiple contacts at different levels in the client organisation. In addition, for strategic clients, an identified senior executive has responsibility for the overall client relationship and leads periodic reviews with the client.

Delivery Excellence. Our proven processes and methodologies are important elements of our mature global delivery model. These allow us to seamlessly deliver high quality and cost-effective IT services from multiple locations in a reduced timeframe. We seek to approach delivery from a process perspective rather than an employee resource perspective. As a result, in certain of our contracts, we have flexibility in structuring the composition of our employee resource pool, in terms of seniority and location, to maximise productivity and efficiency in our client engagements. The processes and methodologies that we use at our delivery centres in six offshore locations in India conform to ISO 9001 standards and are assessed at SEI-CMM Level 5, which help us in delivering services in a timely, consistent and accurate manner, maintain a high level of client satisfaction and focus on improvements in all aspects of delivery.

Engagement Models. We have demonstrated the ability to successfully work with our clients to develop engagement models that tie into their business objectives. We deliver services on a range of fixed-price and time and material driven engagement models, through short-term as well as multi-year contracts. We believe our ability to manage projects on a fixed-price and fixed-price SLA basis to achieve our clients' business objectives is an important differentiator in our long-term client relationships. We believe we are one of the leading Indian providers of fixed-price engagements and believe that clients with large outsourcing requirements will increasingly demand services on a fixed-price basis.

Industry Specific Knowledge and Experience. Our extensive experience in the insurance, manufacturing and financial services industries allows us to accurately define and deliver customised services that effectively address the business challenges faced by our clients in these industries. With the convergence of IT and corporate strategy, we believe clients will increasingly demand in-depth industry experience.

Broad Range of IT Services. We provide a broad range of IT services, including application development and integration, application maintenance, enterprise application systems, e-Business, enterprise systems management, research and development services and business process outsourcing. We have developed knowledge and experience across multiple systems and technologies that we believe allows us to address a range of business needs and function as a virtual extension of our clients' IT departments.

Investment in Sales Organisation. We have invested in developing a strong client-centric sales approach. As at September 30, 2003, we had a 107 person strong sales team operating out of 22 sales offices, complemented by 38 marketing personnel. Our sales team is comprised of focused sales personnel responsible for accounts in specific industries and service offerings, regional sales experts responsible for accounts in specified geographies, account managers responsible for mature accounts and sales specialists that support focused pre-sales and sales efforts in specific industry and service offerings. We believe that by moving towards an industry led go-to-market strategy, we will be able to expand our share of our clients' outsourcing budgets.

Scalable Organisational Structure. As we seek to increasingly structure our business along industry verticals, our strategic business unit ("SBU") structure enables us to assemble the necessary industry experience, solution architecture skills and delivery processes in an integrated, flexible and responsive manner. Our SBU structure combines the benefits of a large organisation with the flexibility and speed of a small one, and has been a key enabler of our rapid growth over the past three years. The SBUs are supported by global sales, marketing and delivery co-ordination and shared services. Our industry specific SBU heads and domain experts are located primarily in client geographies and maintain responsibility on a global basis. Our SBU structure has helped us create multiple leadership positions to attract and groom talent.

Our SBUs are designed to drive growth in selected areas on an integrated and global basis. This structure also enables us to incubate new industries or service offerings without disrupting the rest of the organisation. Our SBU structure can be broadly classified into three categories:

- Client and geography focused SBUs, which currently comprises the General Electric SBU serving the GE Group, the key accounts and growth customers SBU serving identified growth clients and emerging industry practices, and the Japan SBU, serving Japanese clients;
- Industry focused SBUs, which currently comprise the insurance SBU and the financial services SBU; and
- Service offerings focused SBUs, which currently comprise the e-Business, enterprise systems management, enterprise application systems, embedded technology services, engineering services and business process outsourcing SBUs.

Our Strategy

We seek to further enhance our position as a leading Indian provider of integrated IT services. We intend to accomplish this through:

- ***Penetrating and Growing Strategic Accounts***. We intend to continue to grow our business by diversifying our existing client base with the addition of new strategic clients and enhancing our existing relationships. We intend to focus on adding large clients, typically Fortune 1000 companies, which offer us the potential to scale our relationship with them to $4.0 million (Rs.181.3 million) or higher in annual revenues over a 24 to 30 month period. We aim to achieve this by effectively leveraging our sales and marketing team and expanding the scope of our engagements through our delivery excellence, innovative engagement models, industry experience and breadth of services.
- ***Enhancing Industry Expertise***. We intend to continue to enhance our understanding of select industries by adding industry experts, business analysts and solutions architects as well as considering select acquisitions. We believe that such industry expertise will help us proactively address our clients' needs by offering IT services that best suit their specific requirements.
- ***Strengthening and Effectively Leveraging our Sales and Marketing Teams.*** We intend to continue strengthening our sales and marketing teams. We address our larger relationships through dedicated account managers who have responsibility for increasing the size and scope of our service offerings with such clients. We are increasingly aligning our sales and marketing teams to focus on specific industries.
- ***Enhancing our Service Offerings.*** We aim to deepen our existing client relationships and enter into new client relationships through new and enhanced service offerings. We have recently commenced offering business processing outsourcing services and have enhanced our capabilities in enterprise systems management and research and development services.
- ***Focusing on Brand Building.*** We continue to invest in developing the "Patni" brand in our client markets, within selected industries and in India. We seek to achieve this through targeted analyst outreach programs, trade shows, white papers, events, workshops, road shows, speaking engagements and global public relations management. We believe that a strong brand will contribute to attracting and retaining talented manpower and enhancing our lead generation process and client acquisition.
- ***Pursuing Selective Strategic Acquisitions.*** We seek to pursue strategic acquisition opportunities to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage. We intend to focus on strategic acquisitions that are of appropriate size and that minimise our integration risk.

THE OFFER

Equity Shares offered:	
Fresh Issue	13,400,000 Equity Shares
Offer for Sale by Selling Shareholders	5,324,000 Equity Shares
Of which:	
Qualified Institutional Buyers portion	11,234,400 Equity Shares *(Allocation on a discretionary basis)*
Non Institutional portion	At least 2,808,600 Equity Shares *(Allocation on a proportionate basis)*
Retail portion	At least 4,681,000 Equity Shares *(Allocation on a proportionate basis)*
Equity Shares outstanding prior to the Offer	111,420,849 Equity Shares
Equity Shares outstanding after the Offer	124,820,849 Equity Shares
Objects of the Offer	The net proceeds of the Fresh Issue will be used for strategic initiatives, increased sales, marketing and promotional expenses and other general corporate purposes. For more information, see "Objects of the Offer" on page 26 of this Prospectus.

SUMMARY FINANCIAL DATA

Summary Unconsolidated Financial Data under Indian GAAP

The following summary unconsolidated financial data has been extracted from our audited unconsolidated financial statements prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the Auditors Report of Bharat S. Raut & Co. dated November 6, 2003 in the section "Unconsolidated Financial Statements under Indian GAAP (including Subsidiaries)". You should read this summary unconsolidated data in conjunction with our audited unconsolidated financial statements for the years ended March 31, 1998, nine months ended December 31, 1998, years ended December 31, 1999, 2000, 2001 and 2002, and for the nine months ended September 30, 2003, including the significant accounting policies and notes thereto and the reports thereon and the "Management's Discussion and Analysis of Financial Condition and Results of Operations (as per Unconsolidated Financial Statements under Indian GAAP)" included in this Prospectus. During the year 1998, the Company changed its fiscal year end from March 31 to December 31, the first such period being the nine months ended December 31, 1998. Unconsolidated financial statements prepared in accordance with Indian GAAP differ in certain significant respects from consolidated financial statements prepared under Indian GAAP and financial statements prepared under U.S. GAAP.

Summary of Profits and Losses, as Restated

(Rs. in thousands)

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Income							
Sales and service income	824,963	918,462	1,414,004	1,977,608	3,289,609	4,482,148	3,856,562
Other income	14,358	30,840	41,043	196,916	50,786	46,748	121,676
Total income	839,321	949,302	1,455,047	2,174,524	3,340,395	4,528,896	3,978,238
Expenditure							
Staff costs	370,254	449,457	760,370	855,131	1,337,818	1,666,975	1,665,992
Depreciation	55,095	49,516	85,050	126,084	231,449	297,338	287,244
Selling, general and administration expenses	129,603	125,902	198,670	311,854	512,692	635,554	652,070
Interest	11,653	15,241	26,676	49,625	51,476	19,254	955
Total expenditure	566,605	640,116	1,070,766	1,342,694	2,133,435	2,619,121	2,606,261
Net profit before tax and adjustments	272,716	309,186	384,281	831,830	1,206,960	1,909,775	1,371,977
Provision for taxation	456	-	4,815	65,317	63,710	268,301	208,856
Net profit before adjustments	272,260	309,186	379,466	766,513	1,143,250	1,641,474	1,163,121
Adjustments							
Impact of changes in accounting policies	2,817	33,533	33,400	(125,076)	(23,937)	(3,337)	-
Other adjustments	(1,402)	(1,078)	(479)	18,875	(12,956)	(10,222)	28,304
Tax impact of adjustments	734	(13,216)	(6,672)	29,489	-	-	-
Total adjustments	2,149	19,239	26,249	(76,712)	(36,893)	(13,559)	28,304
Net profit after adjustments	**274,409**	**328,425**	**405,715**	**689,801**	**1,106,357**	**1,627,915**	**1,191,425**

Summary of Assets and Liabilities, as Restated

(Rs. in thousands)

	As at March 31, 1998	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
Fixed assets	292,246	386,372	569,995	843,282	1,309,700	1,611,137	1,773,797
Current assets, loans and advances	650,941	795,132	824,701	1,320,977	2,336,113	2,680,496	3,316,258
Other assets(1)	115,026	225,730	441,954	676,229	525,255	3,651,672	4,357,634
Total liabilities and provisions	327,907	398,153	539,623	626,012	927,093	1,030,385	1,343,344
Net worth	730,306	1,009,081	1,297,027	2,214,476	3,243,975	6,912,920	8,104,345

(1) Other assets includes deferred tax asset and investments

Accounting Ratios

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Earnings per share (Rs.) [(1)]							
Pre Split	15.2	18.3	20.8	36.0	57.1	81.7	53.5
Post Split	3.1	3.7	4.2	7.2	11.4	16.4	10.7
Weighted average number of equity shares outstanding							
Pre Split	18,000,000	18,000,000	18,000,000	18,138,787	18,747,000	19,811,834	22,284,170
Post Split	90,000,000	90,000,000	90,000,000	90,693,934	93,735,000	99,059,168	111,420,849

(1) On June 26, 2001, the Company's board of directors approved a sub division of equity shares of Rs.10 each into 5 equity shares of Rs.2 each. Accordingly, earnings per share and weighted average number of shares outstanding are presented on a pre-split and post-split basis.

Summary Financial Data under U.S. GAAP

You should read the following summary consolidated financial data in conjunction with our audited (and for the nine months periods, unaudited) consolidated financial statements prepared under U.S. GAAP and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations (As per U.S. GAAP)" included elsewhere in this Prospectus.

The summary consolidated financial data as at, and for the years ended December 31, 2000, 2001 and 2002 are derived from our audited consolidated financial statements under U.S. GAAP included elsewhere in this Prospectus. The summary consolidated financial data as at, and for the nine months ended September 30, 2002 and 2003, are derived from our unaudited consolidated financial statements under U.S. GAAP included elsewhere in this Prospectus. Our unaudited consolidated financial statements from which such data has been derived have been prepared on the same basis as our audited consolidated financial statements and reflect all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair statement of the financial data for such period.

The financial statements as at, and for the years ended, December 31, 2000 and 2001 reflect the results of operations and financial condition of Patni Computer Systems Limited and its subsidiaries, and Patni Computer Systems, Inc. on a combined basis since they were entities under common control of the Patni family. The financial statements as at, and for the nine months ended September 30, 2002, as at, and for the year ended December 31, 2002, and as at, and for the nine months ended September 30, 2003, reflect the results of operations and financial condition of our Company on a consolidated basis, as a result of our 100% acquisition of Patni Computer Systems, Inc. See note 1.1.3 of the notes to our unaudited and audited consolidated financial statements under U.S. GAAP.

Summary of Statement of Income

(US$ in thousands, except per share data)

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Revenues	**101,211.5**	**142,563.0**	**188,273.8**	**135,688.6**	**180,510.4**
Cost of revenues	59,073.0	82,115.2	101,372.2	73,242.8	108,197.2
Gross profit	**42,138.5**	**60,447.8**	**86,901.6**	**62,445.8**	**72,313.2**
Selling, general and administrative expenses	17,070.3	28,585.0	41,462.9	29,110.3	40,195.7
Provision for doubtful debts and advances	1,143.8	1,071.2	1,747.9	1,378.5	415.2
Foreign exchange gain/(loss), net	(1,102.5)	(616.2)	(317.5)	(569.7)	(234.0)
Operating income	**25,026.9**	**31,407.8**	**44,008.3**	**32,526.7**	**31,936.3**
Other income/(expense)					
Interest and dividend income	1,179.3	1,221.2	705.6	592.5	992.9
Interest expense	(1,857.9)	(1,793.0)	(579.3)	(556.9)	(20.7)
Gain/(loss) on sale of investments, net	2,463.8	(91.6)	390.9	56.2	1,114.8
Other income (expense), net	58.2	(12.8)	75.3	78.8	41.2
Income before income taxes	26,870.3	30,731.6	44,600.8	32,697.3	34,064.5
Income taxes	4,706.8	4,414.9	8,588.9	5,366.4	5,672.3
Net Income	**22,163.5**	**26,316.7**	**36,011.9**	**27,330.9**	**28,392.2**
Basic and diluted earnings per share [(1), (2)]	$0.24	$0.25	$0.27	$0.18	$0.25
Weighted average number of common and redeemable shares used in computing earnings per share	90,693,934	93,735,000	99,059,168	95,581,325	111,420,849

1. *In the event an initial public offering of our equity shares does not occur within 36 months after September 2002, we are obligated to buy back shares issued to certain shareholders at a price as detailed in the shareholders' agreement. As a result, in our financial statements under U.S. GAAP we classify such shares as redeemable common shares and recorded accretion to these shares for each period covered thereby. Our basic and diluted earning per share under U.S. GAAP is calculated on the basis of excluding in the numerator such accretion amount from the net income, while the denominator includes common and redeemable common shares. See notes 15 and 20 on pages 228 and 233, respectively, to our unaudited financial statements under U.S. GAAP and notes 14 and 19 to our audited financial statements under U.S. GAAP on pages 248 and 255, respectively, of this Prospectus. Immediately upon completion of this initial public offering, these redeemable common shares will be re-classified as common shares and accordingly in such an event the Company will not need to record accretion in future period. Therefore the net income will not exclude accretion for purposes of calculating basic and diluted earnings per share.*

   Had the Company calculated earnings per share without deducting the accretion, the proforma basic and diluted earnings per share amounts would have been as follows:

	For the year ended December 31, 2000	*For the year ended December 31, 2001*	*For the year ended December 31, 2002*	*For nine months ended September 30, 2002*	*For nine months ended September 30, 2003*
Income available to common and redeemable common shareholders as per consolidated financial statements (A)	*$21,654,175*	*$23,622,021*	*$26,259,371*	*$17,578,276*	*$28,392,223*
Add: Accretion in relation to redeemable common shareholders (B)	*$509,392*	*$2,694,613*	*$9,752,506*	*$9,752,506*	*-*
Proforma income for the purposes of computing proforma earnings per share as mentioned above (C) = (A) + (B)	*$22,163,567*	*$26,316,634*	*$36,011,877*	*$27,330,782*	*$28,392,223*
Weighted average number of common and redeemable common shares outstanding during the period (D)	*90,693,934*	*93,735,000*	*99,059,168*	*95,581,325*	*111,420,849*
Basic and diluted earnings per share as per consolidated financial statements (A)/(D)	*$0.24*	*$0.25*	*$0.27*	*$0.18*	*$0.25*
Proforma basic and diluted earnings per share (C)/(D)	*$0.24*	*$0.28*	*$0.36*	*$0.29*	*$0.25*

2. *In September 2003, we granted certain options to our employees to acquire shares under our employee stock option plan. These stock options did not have a dilutive effect on the common and redeemable common shares outstanding during the period ended September 30, 2003, under the treasury stock method for the purpose of computing dilutive earnings per share.*

Summary of Balance Sheet

(US$ in thousands)

	As at December 31, 2000 (Combined)	As at December 31, 2001 (Combined)	As at December 31, 2002 (Consolidated)	As at September 30, 2002 (Consolidated) (Unaudited)	As at September 30, 2003 (Consolidated) (Unaudited)
Total current assets	51,904.2	72,685.1	122,651.6	118,885.6	152,410.1
Total assets	71,376.6	102,515.1	159,698.4	153,914.1	199,685.9
Total liabilities	23,223.2	29,575.0	32,827.0	29,780.6	39,855.5
Total liabilities and shareholders' equity	71,376.6	102,515.1	159,698.4	153,914.1	199,685.9

Convenience Translation. Please refer to "Currency of Presentation" on page C of this Prospectus for information on translation of all periods presented, which is being done solely for SEBI purposes, and should not be relied upon.

Summary of Statement of Income

(Rs. in thousands, except per share data)

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Exchange Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78
Revenues	**4,731,639.5**	**6,881,513.8**	**9,037,140.6**	**6,567,326.5**	**8,263,767.8**
Cost of revenues	2,761,661.0	3,963,702.4	4,865,867.5	3,544,951.0	4,953,267.1
Gross profit	**1,969,978.5**	**2,917,811.4**	**4,171,273.1**	**3,022,375.5**	**3,310,500.7**
Selling, general and administrative expenses	798,036.2	1,379,800.2	1,990,218.6	1,408,938.9	1,840,161.3
Provision for doubtful debts and advances	53,471.0	51,706.7	83,898.1	66,718.4	19,005.7
Foreign exchange gain/(loss), net	(51,540.4)	(29,746.4)	(15,238.0)	(27,571.2)	(10,714.1)
Operating income	**1,170,011.7**	**1,516,050.9**	**2,112,394.4**	**1,574,289.4**	**1,462,047.8**
Other income/(expense)					
Interest and dividend income	55,132.2	58,947.8	33,869.9	28,675.5	45,454.4
Interest expense	(86,858.3)	(86,549.5)	(27,806.8)	(26,956.1)	(948.4)
Gain/(loss) on sale of investments, net	115,180.8	(4,421.1)	18,761.7	2,720.7	51,035.1
Other income (expense), net	2,722.8	(617.5)	3,616.0	3,812.5	1,885.5
Income before income taxes	1,256,189.2	1,483,410.6	2,140,835.2	1,582,542.0	1,559,474.4
Income taxes	220,042.5	213,106.6	412,265.1	259,732.2	259,678.6
Net Income	**1,036,146.7**	**1,270,304.0**	**1,728,570.1**	**1,322,809.8**	**1,299,795.8**
Basic and diluted earnings per share (Rs.)	11.22	12.07	12.96	8.71	11.45
Weighted average number of common and redeemable shares used in computing earnings per share	90,693,934	93,735,000	99,059,168	95,581,325	111,420,849

Summary of Balance Sheet

(Rs. in thousands)

	As at December 31, 2000 (Combined)	As at December 31, 2001 (Combined)	As at December 31, 2002 (Consolidated)	As at September 30, 2002 (Consolidated) (Unaudited)	As at September 30, 2003 (Consolidated) (Unaudited)
Exchange Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78
Total current assets	2,426,521.9	3,508,508.8	5,887,275.3	5,754,066.2	6,977,334.8
Total assets	3,336,853.5	4,948,407.1	7,665,524.7	7,449,444.5	9,141,617.5
Total liabilities	1,085,681.9	1,427,586.5	1,575,699.8	1,441,382.6	1,824,580.2
Total liabilities and shareholders' equity	3,336,853.5	4,948,407.1	7,665,524.7	7,449,444.5	9,141,617.5

EXCHANGE RATES

The following table sets forth, for the years indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last business day of each month during the period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled "Average" in the table below is the average of the daily noon buying rate on the last business day of each month during the year.

(Rs. per U.S. Dollar)

Year ended December 31	Period End	Average	High	Low
1998	42.52	41.43	42.65	38.80
1999	43.51	43.20	43.59	42.50
2000	46.75	45.14	46.90	43.65
2001	48.27	47.28	48.27	46.44
2002	48.00	48.62	49.06	48.00
Nine months ended September 30, 2003	45.78	46.85	47.83	45.78

On October 31, 2003, the noon buying rate in the City of New York was Rs.45.33.

GENERAL INFORMATION

Authority for the Offer

The Fresh Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the extraordinary general meeting of the shareholders of the Company held on October 27, 2003. Mr. Gajendra K. Patni, pursuant to letters dated September 12, 2003 and October 9, 2003 and Mr. Ashok K. Patni, pursuant to letters dated September 12, 2003 and October 9, 2003, have given their consent to offer for sale of 1,872,000 and 1,872,000 Equity Shares, respectively, held by them through this Offer. The board of directors of GE Capital Mauritius Equity Investment at its meeting held on October 10, 2003 has approved the offer for sale of 1,580,000 Equity Shares held by them through this Offer. The Offer has been authorised by a resolution of our board of directors dated November 12, 2003.

Prohibition by SEBI

Our Company, our directors, our promoters, the directors and persons in control of our promoters, our subsidiaries, our group companies, other companies promoted by our promoters and companies with which our Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Offer

The Company is eligible for the Offer as per Clause 2.2.1 of the SEBI Guidelines as explained under, with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs.30 million in each of the preceding three full years of which not more than 50% is held in monetary assets;
- The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three of the immediately preceding five years;
- The Company has a net worth of at least Rs.10 million in each of the three preceding full years; and
- The proposed Offer size, including all previous public issues in the same financial year, is not expected to exceed five times the pre-Offer net worth.

The net profit, dividend, net worth, net tangible assets and monetary assets derived from the auditor's report included in this Prospectus under the section "Unconsolidated Financial Statements under Indian GAAP (Including Subsidiaries)", as at, and for the last five years ended December 31, 2002 and as at, and for the nine months ended September 30, 2003, is set forth below:

(Rs. in millions)

	As at and for year ended March 31, 1998	As at and for nine months ended December 31, 1998	As at and for year ended December 31, 1999	As at and for year ended December 31, 2000	As at and for year ended December 31, 2001	As at and for year ended December 31, 2002	As at and for nine months ended September 30, 2003
Net tangible assets(1)	833.9	1,014.4	1,148.5	2,349.0	3,627.2	5,287.6	5,791.1
Monetary assets(2)	192.0	326.6	496.5	266.8	200.1	1,802.9	2,747.9
Net profits, as restated	274.4	328.4	405.7	689.8	1,106.4	1,627.9	1,191.4
Net worth	730.3	1,009.1	1,297.0	2,214.5	3,244.0	6,912.9	8,104.3

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

(2) Monetary assets include cash on hand and bank and quoted investments

Further, the Offer is subject to the fulfilment of the following conditions as required by the Securities Contracts (Regulations) Rules, 1957:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Offer size, which is the Offer Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs.1,000 million; and

- The Offer is made through the Book Building Method with allocation of 60% of the Offer size to the Qualified Institutional Buyers as specified by SEBI.

The Company undertakes that the number of transferees and allottees in the Offer shall be at least 1000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay. Further, if at least 60% of the Offer cannot be allotted to QIBs then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

The promoters, their relatives (as per the Companies Act, 1956), the Company, group companies and associate companies are not detained as wilful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this Prospectus.

Disclaimer Clause

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBL IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO

EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGERS, DSP MERRILL LYNCH LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBL A DUE DILIGENCE CERTIFICATES DATED NOVEMBER 13, 2003, JANUARY 16, 2004 AND FEBRUARY 10, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID OFFER.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

(A) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBL THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(Q THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER;

WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-EM AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED /SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE REGISTRAR OF COMPANIES, PUNE, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

GE Disclaimer

GE Capital is acting severally not jointly, with the other Selling Shareholders in this Offer and takes responsibility for only those statements with respect to GE Capital as a Selling Shareholder. GE Capital assumes no responsibility for any of the statements made by the Company in this Prospectus including without limitation all information clauses relating to the Company, its businesses, its affairs and its disclosures.

Caution

The Company, the Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our website, www.patni.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by our Company and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Disclaimer in Respect of Jurisdiction

This Offer is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs and FIIs. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited. NSE has given vide its letter dated December 2, 2003 permission to the Company to use the exchange's name in this Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than Rs.10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of the listing). The exchange has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever,

Disclaimer Clause of BSE

The Stock Exchange Mumbai ("BSE") has given vide its letter dated November 18, 2003 permission to this company to use BSE's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Prospectus, along with the documents required to be filed under 60B of the Companies Act, would be delivered for registration to the Registrar of Companies Maharashtra, Pune ("RoC") and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. A copy of this Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Offer Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation and adoption of the Basis of Allotment for the Offer.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue amount, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Offer Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

Withdrawal of the Offer

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Offer anytime after the Bid/Offer Opening Date without assigning any reason thereof.

Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary Account with Depository Participants within two working days of finalisation of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allocation and transfer of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Offer Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Offer Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Offer.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

Offer Program

BID/OFFER OPENED ON	:	JANUARY 27, 2004
BID/OFFER CLOSED ON	:	FEBRUARY 5, 2004

Bids and any revision in bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Offer Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Offer Closing Date.

In case of revision in the Price Band, the Bidding/Offer Period will be extended for three additional days after revision of Price Band. However, the Bidding/Offer Period, consequent to such a revision, shall not exceed 13 days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing

a press release, and also by indicating the change on the web site of the Company and/or the BRLMs and at the terminals of the members of the Syndicate.

Book Running Lead Managers

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor
Nariman Point, Mumbai 400 021
Tel: +91 22 5632 8000, Fax: +91 22 2204 8518
Email: patniipo@ml.com

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor
229, Nariman Point, Mumbai 400 021
Tel: +91 22 5634 1100, Fax: +91 22 2284 0492
Email: patni.ipo@kotak.com

Co Book Running Lead Manager

Citigroup Global Markets India Private Limited
Bakhtawar, 4th Floor
229, Nariman Point, Mumbai 400 021
Tel: +91 22 5631 9999
Fax: +91 22 5631 9803
Email: patni.ipo@citigroup.com

Syndicate Members

Kotak Securities Limited
Bakhtawar, 1st Floor
229, Nariman Point
Mumbai 400 021
Tel: +91 22 5634 1100
Fax: +91 22 5630 3927

Enam Financial Consultants Private Limited
Khatau Building, 2nd Floor
44, Bank Street
Off Shahid Bhagat Singh Road
Fort, Mumbai 400 023
Tel: +91 22 2266 2631
Fax: +91 22 2266 5613
Email: patniipo@enam.com

Statement of Inter-Se Allocation of Responsibility

The responsibilities and co-ordination for various activities in this Offer have been distributed between the BRLMs and CBRLM as under:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	DSPML, KMCC	DSPML
2.	Due diligence of our Company's operations/management/business plans/legal etc. Drafting and Design of Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	DSPML, KMCC	DSPML
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	DSPML, KMCC	DSPML
4.	Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Offer.	DSPML, KMCC	KMCC

Sr. No.	Activities	Responsibility	Co-ordinator
5.	Marketing of the Offer, which will cover, *inter alia,* Formulating marketing strategies, preparation of publicity budget; Finalise Media & PR strategy; Finalise centers for holding conferences for brokers etc.; Finalise collection centers; and Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Offer material.	DSPML, KMCC, Citigroup	QIB Portion : DSPML Retail/Non Institutional: KMCC
6.	Finalise the list and division of investors for one on one meetings, deciding pricing and institutional allocation in consultation with the Company, finalisation of Prospectus and RoC filing.	DSPML, KMCC	DSPML
7.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc.	DSPML, KMCC	DSPML
8.	The post offer activities for the offer will involve essential follow up steps, which include the finalisation of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Offer and Bankers to the Offer and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	DSPML, KMCC	DSPML

The selection of various agencies like the Registrar to the Offer, Bankers to the Offer, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies, Public Relations agencies etc. will be finalised by the Company.

Registered Office of the Company

S-1A, Irani Market Compound
Yerawada, Pune 411 006
Tel: +91 20 669 3457
Fax: +91 20 669 3859

Corporate Office of the Company

Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093
Tel: +91 22 5693 0500
Fax: +91 22 5693 0211

Company Secretary and Compliance Officer

Mr. Arun Kanakal
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093
Tel: +91 22 5693 0500
Fax: +91 22 5693 0211
Email: arun.kanakal@patni.com

Investors can contact the Compliance Officer in case of any pre-Offer/post-Offer related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Registrar to the Offer

Karvy Consultants Limited
Karvy House
46, Avenue 4, Street No. 1, Banjara Hills
Hyderabad 500 034
Tel: +91 40 2331 2454
Fax: +91 40 2331 1968

Investors can contact the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Legal Advisors to the Underwriters

Indian Law

P & A Law Offices
Dr. Gopal Das Bhavan, 1st Floor
28, Barakhamba Road
New Delhi 110 001
Tel: +91 11 2335 7345
Fax: +91 11 2335 3761

U.S. Law

Jones Day
Edinburgh Tower, 31st Floor
The Landmark, 15 Queen's Road Central
Hong Kong
Tel: +852 2526 6895
Fax: +852 2826 5871

Legal Advisor to the Company

Bhaishanker Kanga & Girdharlal
Manekji Wadia Building, 3rd Floor
127, Mahatma Gandhi Road
Fort, Mumbai 400 023
Tel: +91 22 2267 0404
Fax: +91 22 2267 2525

Gagrat & Co.
Ali Chambers
Nagindas Master Road
Fort, Mumbai 400 023
Tel: +91 22 2265 0057
Fax: +91 22 2265 7876

Auditors to the Company

Bharat S. Raut & Co.
Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Tel: +91 22 2491 3030
Fax: +91 22 2491 4355

U.S. GAAP Accountants

KPMG
Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Tel: +91 22 2491 3131
Fax: +91 22 2491 3132

Bankers to the Offer and Escrow Collection Banks

Citibank N.A.
Bombay Mutual Building, Mezannine Floor
293, Dr. D. N. Road
Fort, Mumbai 400 021
Tel: +91 22 2269 1713
Fax: +91 22 2269 1715

HDFC Bank Limited
2nd Floor, Trade World
New Building, Kamala Mills
Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Tel: +91 22 2498 8484
Fax: +91 22 2496 3871

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Fort, Mumbai 400 001
Tel: +91 22 2265 5285
Fax: +91 22 2261 1138

Kotak Mahindra Bank Limited
Mittal Court, "C" Wing
Nariman Point, Mumbai 400 021
Tel: +91 22 5698 6022
Fax: +91 22 2281 7527

Standard Chartered Bank
90, Mahatma Gandhi Road
Fort, Mumbai 400 023
Tel: +91 22 2268 3887
Fax: +91 22 2209 6067

Banker to the Company

Standard Chartered Bank
90, Mahatma Gandhi Road
Fort, Mumbai 400 023

Credit Rating

As this is an Offer of equity shares there is no credit rating for this Offer.

Trustees

As this is an Offer of equity shares, the appointment of Trustees is not required.

Book Building Process

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Offer Price being finalised after the Bid/Offer Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. Book Running Lead Managers;
3. Co Book Running Lead Manager; and
4. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLMs appoint Syndicate Members.

SEBI, through its guidelines, has permitted an offer of securities to the public through the 100% Book Building Process, wherein 60% of the Offer shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price. The Company will comply with these guidelines for this Offer. In this regard, the Company has appointed the BRLMs to procure subscriptions to the Offer.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgement about investment through this process prior to making a Bid in the Offer. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Offer Closing Date. See page 117 for the section on "Terms of the Offer" in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Offer Price and prior to filing of the Prospectus with RoC, the Company, on its behalf and on behalf of the Selling Shareholders, will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer to the Retail and Non-Institutional Bidders. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and the CBRLM shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfil their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
DSP MERRILL LYNCH LIMITED Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021	3,079,000	708.2
KOTAK MAHINDRA CAPITAL COMPANY LIMITED Bakhtawar, 3rd Floor, 229 Nariman Point, Mumbai 400 021	2,694,150	619.7
CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED Bakhtawar, 4^{th} Floor, Nariman Point, Mumbai 400 021	1,154,650	265.6
KOTAK SECURITIES LIMITED Bakhtawar, 1st Floor, 229 Nariman Point, Mumbai 400 021	100	0.0
ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED Khatau Building, 2nd Floor, 44, Bank Street, Off Shahid Bhagat Singh Road, Fort, Mumbai 400 023	561,700	129.2

The above Underwriting Agreement is dated February 10, 2004.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors have passed a resolution on January 21, 2004 authorising the acceptance and entry into the Underwriting Agreement mentioned above on behalf of the Company and the Selling Shareholders.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs, the Co Book Running Lead Manager ("CBRLM") and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/ subscribe to the extent of the defaulted amount upto 7,489,600 equity shares. Allocation to QIBs is discretionary as per the terms of this Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE

Financial data presented in this section is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP. Unless otherwise indicated, the data in the tables presented below assume no exercise of any outstanding stock option grants.

Share capital as at the date of filing of Prospectus with SEBI is set forth below :

(Rs. in million, except share data)

		Aggregate nominal value	Aggregate value at Offer Price
A.	**Authorised Capital**		
	250,000,000 Equity Shares of Rs.2 each	500	
B.	**Issued, Subscribed and Paid-Up Capital before the Offer**		
	111,420,849 Equity Shares of Rs.2 each fully paid-up	222.8	
C.	**Present net offer to the public in terms of this Prospectus**		
	Fresh Issue		
	13,400,000 Equity Shares of Rs.2 each fully paid-up	26.8	3,082.0
	Offer for Sale		
	5,324,000 Equity Shares of Rs.2 each fully paid-up	10.6	1,224.5
D.	**Equity Capital after the Offer**		
	124,820,849 Equity Shares of Rs.2 each fully paid-up (also refer to note c below)	249.6	
E.	**Share Premium Account**		
	Before the Offer	2,426.1	
	After the Offer	5,481.3	

a) The authorised share capital of our Company was changed from Rs.500 million divided into 125 million Equity Shares of Rs.2 each and 2.5 million preference shares of Rs.100 each to Rs.500 million divided into 250 million Equity Shares of Rs.2 each through a special resolution passed at our annual general meeting held on June 30, 2003.

b) A share split was approved at the extraordinary general meeting of the shareholders of our Company held on March 30, 1995 resulting in each equity share of Rs.100 being subdivided into ten equity shares of Rs.10 each. Further, at the annual general meeting of the shareholders of our Company held on June 29, 2001, a share split was approved resulting in each equity share of Rs.10 each being subdivided into five Equity Shares of Rs.2 each.

c) On June 30, 2003, our shareholders adopted an Employee Stock Option Plan ("ESOP"). Pursuant to the ESOP, up to 11,142,085 Equity Shares may be issued to eligible employees and directors of the Company and its subsidiaries. On September 1, 2003, an initial grant of options to acquire an aggregate of 2,743,400 Equity Shares has been made to certain employees and directors of the Company and its subsidiaries. The equity capital of our Company after the Offer, assuming full exercise of all the outstanding options issued under the ESOP, will comprise 127,557,549 Equity Shares. For details please refer to note 7 of the Notes to the Capital Structure on page 23 of this Prospectus.

d) On August 30, 2003, 37,140,283 Equity Shares were allotted by way of bonus in the ratio of one Equity Share for every two Equity Shares held.

e) Pursuant to the respective authorisations, the following shareholders have offered for sale 5,324,000 Equity Shares of Rs.2 each.

Offeror	Authority	Number of shares	Date of allotment/transfer
GE Capital Mauritius Equity Investment	Board resolution dated October 10, 2003	1,580,000	August 22, 2001 (allotment pursuant to bonus issue)
Mr Gajendra K. Patni	Consent letters dated September 12, 2003 and October 9, 2003	1,872,000	July 9, 2002 (transferred)
Mr Ashok K. Patni	Consent letters dated September 12, 2003 and October 9, 2003	1,872,000	July 9, 2002 (transferred)

Notes to the Capital Structure

1. Share Capital History of our Company:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Conside-ration	Reasons for Allotment	Cumulative Paid -up Capital (Rs. in million)	Cumulative Share Premium (Rs. in million)
February 10, 1978	3	100	100	Cash	Subscription on signing of Memorandum of Association	0.0003	0
May 26, 1978	4,997	100	100	Cash	Allotment to promoters and their families	0.5	0
January 22, 1980	5,000	100	100	Cash	Allotment to promoters and their families	1.0	0
March 30, 1995	90,000	10	One equity share of Rs.100 each subdivided into 10 equity shares of Rs.10 each				
March 30, 1995	2,900,000	10	Nil	Bonus	29:1 Bonus	30	0
October 24, 2000	124,500	10	2209.4	Cash	Allotted to GE Capital Mauritius Equity Investment	31.3	273.8
June 29, 2001	12,498,000	2	One equity share of Rs.10 each subdivided into 5 Equity Shares of Rs.2 each				
August 22, 2001	46,867,500	2	Nil	Bonus	3:1 Bonus	125.0	180.1
September 5, 2002	13,441,245	2	205.7	Cash	Equity Shares issued to the Bank of New York, which issued ADRs reflecting the underlying Equity Shares to General Atlantic Mauritius Limited	151.9	2,836.7
January 2, 2003 [(a)]	(1,650,679)	2	205.7	Cash	Buyback of Equity Shares as per Section 77A of Companies Act	148.6	2,500.4
August 30, 2003	37,140,283	2	Nil	Bonus	1:2 Bonus	222.8	2,426.1
Total	**111,420,849**	**2**					

(a) date of extinguishment of Equity Shares

2. Promoters Contribution and Lock-in

Name of Promoter	Date of Allotment	Number of Equity Shares	Conside-ration	Percentage of Pre Offer paid-up Capital (%)	Percentage of Post Offer paid-up Capital (%)[a]	Lock-in period
iSolutions Inc.[(b)]	August 30, 2003	6,085,132	Bonus			3 years
	August 22, 2001	2,422,925	Bonus			3 years
	Sub Total	8,508,057		7.6%	6.7%	3 years
Mr. Gajendra K. Patni	August 30, 2003	3,645,000	Bonus			3 years
	July 9, 2002	1,728,000	Transfer			3 years
	August 22, 2001	2,767,500	Bonus			3 years
	June 29, 2001	367,557	Split			3 years
	Sub Total	8,508,057		7.6%	6.7%	3 years
Mr. Ashok K. Patni	August 30, 2003	3,654,000	Bonus			3 years
	July 9, 2002	1,728,000	Transfer			3 years
	August 22, 2001	2,781,000	Bonus			3 years
	June 29, 2001	345,057	Split			3 years
	Sub Total	8,508,057		7.6%	6.7%	3 years
	Total	**25,524,171**		**22.9%**	**20.0%**	3 years

(a) Assuming all the granted options are exercised

(b) iSolutions Inc. is owned by Mrs. Poonam Patni, Mr. Narendra K. Patni's wife, and Mr. Anirudh Patni, Mr. Narendra K. Patni's son.

Other than (i) the above Equity Shares which are locked in for three years from the date of allotment in this Offer, (ii) the Equity Shares held by General Atlantic Mauritius Limited (which as per SEBI Guidelines, is exempt from the statutory lock-in as it is a SEBI registered foreign venture capital investor), which are subject to lock-in by the BRLMs, for 180 days after the date of listing as described below (refer note 3 below), and (iii) the Equity Shares being offered for sale in this Offer, which are exempt from lock-in, the entire pre-Offer share capital of our Company shall be locked in for the period of one year from the date of allotment in this Offer. Under the existing SEBI Guidelines, shares held by persons (other than promoters) may be transferred to any other person holding shares prior to the Offer, subject to continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) ("SAST") Regulations, 1997, as applicable. Equity Shares allotted through bonus issues are not ineligible to be considered as promoters' contribution as per SEBI Guidelines. Under the existing SEBI Guidelines, shares held by promoter which are locked in, may be transferred to and among promoter/promoter group or to a new promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SAST Regulations as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

Shareholding pattern of our Company before and after the Offer:

	Pre-Offer		Post-Offer	
Shareholder(s)	**Number of Equity Shares**	**Percentage**	**Number of Equity Shares**	**Percentage**
Promoter Group[(a)]	**67,736,802**	**60.8%**	**63,992,802**	**51.3%**
Promoters	42,261,198	37.9%	38,517,198	30.9%
Mr. Narendra K. Patni	2,108,802	1.9%	2,108,802	1.7%
Mr. Gajendra K. Patni	10,935,000	9.8%	9,063,000	7.3%
Mr. Ashok K. Patni	10,962,000	9.8%	9,090,000	7.3%
iSolutions Inc.	18,255,396	16.4%	18,255,396	14.6%
Relatives of Promoters	25,475,604	22.9%	25,475,604	20.4%
Others	**43,684,047**	**39.2%**	**42,104,047**	**33.7%**
General Atlantic Mauritius Limited[(b)]	35,371,698	31.7%	35,371,698	28.3%
GE Capital Mauritius Equity Investment	5,659,472	5.1%	4,079,472	3.3%
GE APC Technology Investments II (Mauritius) Limited	2,652,877	2.4%	2,652,877	2.1%
Public			**18,724,000**	**15.0%**
Total	**111,420,849**	**100.0%**	**124,820,849**	**100.0%**

(a) The promoter group comprises the three brothers, Mr. Narendra K. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni together with their relatives and entities controlled by them, including iSolutions Inc. Mr. Narendra K. Patni together with his relatives and entities controlled by them including iSolutions Inc., owns 18.3% of our issued Equity Shares prior to the Offer (16.3% upon completion of the Offer), Mr. Gajendra K. Patni together with his relatives and entities controlled by them, owns 21.3% of our issued Equity Shares prior to the Offer (17.5% upon completion of the Offer) and Mr. Ashok K. Patni together with his relatives and entities controlled by them, owns 21.3% of our issued Equity Shares prior to the Offer (17.5% upon completion of the Offer).

(b) Includes 20,161,868 ADRs representing 20,161,868 Equity Shares held by The Bank of New York as depositary.

3. GA Lock-up: GA has agreed not to sell or transfer any of its Equity Shares or American Depository Shares representing Equity Shares of the Company ("ADSs"), representing in the aggregate 28.3% of our outstanding Equity Shares after the Offer, for 180 days after the date the Equity Shares are publicly traded on the Stock Exchanges in India, without obtaining the prior written consent of the BRLMs. Specifically, GA has agreed not to (and has agreed not to announce any intention to) (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ADSs or Equity Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ADSs or Equity Shares, or any other securities convertible into or exercisable or exchangeable for ADSs or Equity Shares, whether any such transaction describer in clause (1) or (2) above is settled by delivery of ADSs or Equity Shares or such other securities, in cash or otherwise or (3) make any demand for or exercise any right with respect to, the registration of any ADSs or Equity Shares or any other securities convertible into or exercisable or exchangeable for ADSs or Equity Shares. The foregoing restriction shall not apply to any sale by GA to its Affiliate (as defined in the Company's Articles of Association) provided such Affiliate also agrees to be bound by such restriction.

4. Our top ten shareholders and the number of Equity Shares held by them ten days prior to date of filing and on the date of filing this Prospectus with RoC is as follows:

		Number of Equity Shares	
Sr. No.	**Name of Shareholders[(a)]**	**As at date of filing**	**Ten days prior to date of filing**
1	General Atlantic Mauritius Limited [(b)]	35,371,698	35,371,698
2	iSolutions Inc.	18,255,396	18,255,396
3	Mr. Ashok K. Patni	10,962,000	10,962,000
4	Mr. Gajendra K. Patni	10,935,000	10,935,000
5	Mrs. Sadhana A. Patni	8,365,500	8,365,500
6	GE Capital Mauritius Equity Investment	5,659,472	5,659,472
7	Mr. Amit Kumar Patni	4,890,000	4,890,000
8	Mrs. Rajnikanta G. Patni	4,597,500	4,597,500
9	Mr. Apoorva Patni	4,358,802	4,358,802
10	GE APC Technology Investments II (Mauritius) Limited	2,652,877	2,652,877

(a) Holdings of individuals are held either solely or in joint names.

(b) Includes 20,161,868 ADRs representing 20,161,868 Equity Shares held by The Bank of New York as depositary.

Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of this Prospectus with RoC is as follows:

Sr. No.	Name of Shareholders [(a)]	Number of Equity Shares
1	iSolutions Inc.	15,000,000
2	Mr. Apoorva A. Patni	10,160,000
3	Mr. Arihant G. Patni	6,315,000
4	GE Capital Mauritius Equity Investment	6,240,000
5	Mrs. Sadhana A. Patni	5,577,000
6	Mr. Ashok K. Patni	3,888,000
7	Mr. Gajendra K. Patni	3,810,000
8	Mrs. Ruchi A. Patni	3,220,000
9	Mr. Amit Kumar Patni	3,215,000
10	Mrs. Rajnikanta G. Patni	3,065,000

(a) All holdings of individuals are held either solely or in joint names or as Karta of HUF

5. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, other than outstanding options granted under the ESOP.

6. None of our Promoters, members of our Promoter Group or our directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Prospectus is filed with SEBI, except as stated below:

Sr. No.	Date of Transfer	Transferor	Transferee	Number of Equity Shares	Price per Equity Share	Mode
1	August 30, 2003	iSolutions Inc.	GE Capital Mauritius Equity Investment	1,414,868	$4.2 (Rs. 194.6)	Pursuant to the Share Purchase Agreement dated July 11, 2003
2	August 30, 2003	Mrs. Ruchi A. Patni	General Atlantic Mauritius Limited	30,000	Rs. 194.2	Pursuant to the Share Purchase Agreement dated July 18, 2003

Except as discussed elsewhere in this Prospectus, our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person.

7. On June 30, 2003, our shareholders adopted the ESOP. Under the ESOP up to 11,142,085 Equity Shares may be issued to eligible employees and directors of the Company and its subsidiaries. The ESOP will be administered by our Compensation Committee, which shall determine the terms and conditions of the stock options granted from time to time. On September 1, 2003, an initial grant of options to acquire an aggregate of 2,743,400 Equity Shares has been made to certain employees and directors of the Company and its subsidiaries. The equity capital of our Company upon completion of the Offer, assuming full exercise of all the outstanding options issued under the ESOP, will comprise 127,557,549 Equity Shares. Pursuant to the initial grant, we have issued the following options:

	Particulars (As at October 31, 2003)		
a.	Options granted		2,743,400
b.	Exercise price		Rs.145
c.	Options vested		Nil
d.	Options exercised		Nil
e.	The total number of Equity Shares arising as a result of exercise of options		2,743,400
f.	Options lapsed		6,700
g.	Variation of terms of options		Nil
h.	Money realised by exercise of options		Nil
i.	Total number of options in force		2,736,700
j.	Person-wise details of options granted to;		
	i.	Directors and key managerial employees [(1)]	Detailed as below
	ii	any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	Nil

Particulars (As at October 31, 2003)		
	iii. identified employees who are 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	Nil
k.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	Not Applicable
l.	Vesting schedule	25% each on completion of 12, 24, 36 and 48 months respectively from the date of grant of options
m.	Lock-in	Not Applicable

(1) Details regarding options granted to directors and key managerial employees of the Company and the wholly owned subsidiaries are set forth below:

These options were granted in compliance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and the issuance of Equity Shares pursuant to exercise of these options shall be done in compliance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Sr. No.	**Name of Director or key managerial employees of our Company**	**Number of Equity Shares issuable upon exercise of options**
Directors		Nil
Key managerial employees		
1.	Mr. Satish M. Joshi	62,000
2.	Mr. Vijay P. Khare	63,300
3.	Mr. Deepak Sogani	52,600
4.	Mr. Ajay Chamania	34,700
5.	Mr. Sunil Chitale	37,200
6.	Mr. Sanjiv Kapur	20,000
7.	Mr. Milind S. Padalkar	31,700
8.	Mr. C. R. Krishna Shastri	30,100
9.	Mr. NandKumar S. Pradhan	18,000
10.	Mr. Kiran Patwardhan	17,000
11.	Mr. Milind Jadhav	19,000

Sr. No.	**Name of key managerial employees of our subsidiaries**	**Number of Equity Shares issuable upon exercise of options**
1.	Mr. Mrinal R. Sattawala	58,300
2.	Mr. Douglas W. Fallon	25,000
3.	Mr. Sumedh Mehta	25,000
4.	Mr. Sukumar G. Namjoshi	20,000
5.	Mr. Parag S. Patel	15,000

8. We received approval from Ministry of Finance and Company Affairs (Department of Economic Affairs), Government of India vide their letter no. 3/70/SIA/NFC/99/NRI dated October 23, 2003 and in-principle approval from RBI vide their letters numbered EC.Mumbai.FID/6210/04.02/01/2003-04 and EC.Mumbai.FID/04.02.01/6456/P-77/2003-04 dated December 24, 2003 and January 7, 2004, respectively, for the transfer of Equity Shares in this Offer to domestic investors, NRIs and FIIs. We will apply for final approval from RBI subsequent to closure of the offering.

9. In this Offer, in case of over-subscription in all categories, 60% of the Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, a minimum of 15% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and a minimum of 25% of the Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Offer Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs.

10. An investor cannot make a bid for more than the number of Equity Shares offered through the Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
11. An over-subscription to the extent of 10% of the Offer can be retained for the purposes of rounding off to the nearest multiple of 50 Equity Shares while finalising the basis of allotment.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, grant or exercise of employee stock options or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares offered have been listed.
13. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Offer, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to the ESOP or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
14. We have not revalued any of our assets since our inception, except on January 1, 1995, land and building were revalued from Rs.11.4 million to Rs.142.9 million, thereby creating a revaluation reserve of Rs.131.5 million. Out of this reserve, Rs. 81.4 million was reversed on January 1, 1999 pursuant to a Scheme of Reconstruction. As per the Scheme of Reconstruction, the Company had hived-off specified non-core business assets of the Company, i.e. investments and properties to three transferee companies viz. Ashoka Computer Systems Private Limited, PCS Finance Private Limited (then PCS Finance Ltd.) and PCS Cullinet Private Limited with effect from January 1, 1999. The Honourable Bombay High Court approved the Scheme of Reconstruction on November 22, 1999. Consequently, an amount of Rs. 81.4 million representing revaluation reserve on buildings transferred to the three transferee companies was reversed and credited to the respective building accounts.
15. There shall be only one denomination of the Equity Shares of our Company, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
16. We had 13 shareholders as at October 31, 2003, excluding The Bank of New York, which holds 20,161,868 Equity Shares for the beneficial interest of General Atlantic Mauritius Limited and has issued ADRs reflecting the underlying Equity Shares to General Atlantic Mauritius Limited.

OBJECTS OF THE OFFER

The objects of the Offer are to achieve the benefits of listing and to raise capital. We believe that listing will enhance our brand name and provide liquidity to our existing shareholders and our employees under our ESOP. The Company will not receive any proceeds from the sale of Equity Shares by the Selling Shareholders.

The Offer is also being made in compliance with the shareholders agreement between the Company, Mr. Narendra K. Patni and iSolutions Inc., Mr. Gajendra K. Patni and certain of his family members, Mr. Ashok K. Patni and certain of his family members, GE Capital and GE APC Technology Investments II (Mauritius) Limited and GA dated July 15, 2002, as amended on August 1, 2003 and October 25, 2003.

The net proceeds from the Fresh Issue will be used for strategic initiatives, increasing sales, marketing and promotional activities and general corporate purposes.

Requirements and Utilisation of Funds

Activity	Use of funds (Rs. million)
Strategic initiatives, increasing sales, marketing and promotional activities and general corporate purposes	2,882
Offer expenses	200
Total use of funds	3,082

The above requirement of funds is proposed to be met as follows:

Activity	Funds required (Rs. million)
Proceeds from Fresh Issue	3,082
Total	3,082

The main objects clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables us to undertake our existing activities and the activities for which the funds are being raised by us in the Fresh Issue.

Strategic initiatives and general corporate purposes

We seek to further enhance our position as a leading Indian provider of integrated IT services in select industries. In addition to continued investments in developing our technological expertise, industry experience and delivery infrastructure, we intend to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage through strategic acquisitions, investments or joint ventures. We also plan to continue investing in and developing the “Patni” brand in our client markets, within selected industries and in India.

As at the date of this Prospectus, we have not entered into any letter of intent or any definitive commitment for any such acquisition or investments or joint ventures.

The management, in accordance with the policies set up by the board of directors of the Company, will have flexibility in applying the net proceeds received by us from the Fresh Issue. Pending any use as described above, we intend to invest the funds in high quality, interest bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with investment policies as approved by our board of directors from time to time.

Offer Expenses

The expenses of this Offer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Offer expenses are as under:

Activity	Expense (Rs. million)
Lead management, underwriting and selling commission	130
Advertising budget	30
Printing and stationery	30
Others (Registrars fee, legal fee, listing fee, etc.)	10
Total estimated Offer expenses	200

All expenses with respect to the Offer will be borne by the Company.

Our Company confirms that we had cash and liquid assets, defined as the sum of cash and bank balances; and quoted investments, of Rs.2,747.9 million as at September 30, 2003, in accordance with our unconsolidated financial statements under Indian GAAP, which is sufficient to meet the immediate requirements of funds, excluding the amount to be raised through the Fresh Issue.

SECTION III: ABOUT US

INDUSTRY

According to a February 2003 Gartner report, worldwide IT services spending is expected to grow from $556.9 billion in 2002 to $736.7 billion by 2006. During the global economic downturn in 2001 and 2002, corporations reduced their IT budgets and focused on managing discretionary spending, with IT budgets redirected towards improving the returns on past IT investments and outsourcing. Despite the difficult economic environment, the long-term growth prospects for outsourced IT services remain positive. We believe that the following trends will continue to be an integral part of the industry's growth and development.

Alignment between Corporate Strategy and IT Strategy. IT has transformed the way enterprises conduct their business and has evolved into a strategic necessity from being a support function. As IT assumes a central role in the enterprise's ability to respond to changing market trends, drive productivity across the value chain and increase competitiveness, IT decisions are taking place to help drive business strategy.

Increasing Size and Complexity of IT Requirements. Corporate IT requirements have become increasingly complex. Existing systems generate enormous amounts of data, which need to be utilised effectively and shared with other systems and applications. The rapid proliferation of non-traditional computing devices has led to an increased need to integrate applications and unify end-user platforms and devices. The critical nature of IT is increasing the importance of quality and business continuity considerations. Enterprises are increasingly selecting IT services companies that can effectively manage complexity, IT related risks and costs.

Industry Familiarity Becoming Important. IT services clients have moved from staff augmentation and generic technology services to more strategic business needs. We believe a strong industry familiarity is becoming an important element in winning, retaining and growing clients. According to a Gartner report dated February 5, 2003 ("Management Update: Application Outsourcing. Trends for 2003 and 2004", by R. Terdiman and A. Young) clients are looking for services to be delivered by organisations with a deep understanding of their particular business challenges and problems.

The Financial Services (including Insurance, Banking, Securities and Other Financial Services) and Manufacturing Industries Constitute a Large Part of Global IT Services Spending. According to a Gartner Dataquest report of January 2003, the financial services (including insurance, banking, securities and other financial services industries) and manufacturing (including process and discrete manufacturing) industries contributed approximately 37% of global IT spending in 2001. IT spending by clients in these industries is expected to grow at a combined compound annual growth rate of approximately 4.8% over the period 2001 to 2006 and the share of these industries as a proportion of global IT spending is expected to increase to approximately 38%. The table below illustrates the relative contribution to global IT spending by various industries as well as their estimated growth rates over the period 2001 to 2006.

	IT Spending in US$ billion in the year		
Industry	**2001**	**2006**	**2001-2006 Compound Annual Growth Rate (%)**
Agriculture, Mining and Construction	33.7	44.3	5.62
Discrete Manufacturing	227.7	279.3	4.17
Process Manufacturing	167.6	207.8	4.39
Retail	103.2	132.5	5.13
Wholesale	76.0	98.3	5.28
Transportation	89.0	114.4	5.15
Communications	419.2	430.8	0.55
Utilities	81.6	109.5	6.06
Education	42.9	58.6	6.44
Local and Regional Government	102.1	134.4	5.65
National and International Government	125.2	168.6	6.13
Healthcare	69.4	102.7	8.15
Financial Services	366.9	475.0	5.30
Services	136.9	173.6	4.86
Global Total IT Spending, All Industries	**2,041.5**	**2,529.9**	**4.38**

Source: Gartner, January 2003

Offshore Becoming Increasingly Important. The economic downturn, globalisation and increased competition are forcing corporations to seek high quality IT services at more competitive costs. Concurrently, select offshore vendors have created the process expertise necessary to quickly ramp up operations while maintaining quality levels. Corporations are increasingly using these offshore vendors for a definitive costvalue benefit. This has resulted in offshore services becoming mainstream, and the ability to manage global delivery processes has become important to competing in the global IT services outsourcing market. According to a Gartner report dated July 15, 2003 ("US Offshore Outsourcing: Structural Changes, Big Impact", by D. Morello), it is estimated that 0.5 million of the 10.3 million U.S. technology jobs could move offshore by year end 2004.

The India Advantage. India has consolidated its position as the destination of choice for corporations seeking offshore IT services. India's National Association of Software and Service Companies ("NASSCOM") estimates that export revenues generated from the software and services industry in India was approximately $7.5 billion in the year ended March 31, 2003 and expects these revenues to reach $36.0 billion in the year ended March 31, 2008. India is also an emerging destination for global IT enabled services and business process outsourcing. NASSCOM estimates that export revenues from the Indian IT enabled services industry were $2.4 billion in the year ended March 31, 2003 and expects revenues to reach $21.0 billion in the year ended March 31, 2008. The key factors contributing to this rapid growth include the availability of skilled resources, lower personnel costs and high quality processes.

The top six IT Software and Service Exporters from India by export revenues in the year ended March 31, 2003 are:

Rank	Company	Revenue in Rs. million (US$ million)
1.	Tata Consultancy Services	45,453 (963.0)
2.	Infosys Technologies Ltd	35,435 (750.7)
3.	Wipro Technologies	27,874 (590.5)
4.	Satyam Computer Systems Ltd	20,033 (424.4)
5.	HCL Technologies Ltd	15,305 (324.3)
6.	Patni Computer Systems Ltd	9,140 (193.6)

Source: NASSCOM, www.nasscom.org, US$ million numbers are as at the exchange rate used by NASSCOM

Development of Complex Engagement Models. Clients are becoming increasingly astute in managing their IT budgets and are demanding higher value from their IT projects. Complex engagement models have evolved to realise continuous productivity gains. These include one or more combinations of time and material, fixed-price, fixed-price and fixed-time, fixed-price and service level agreements, build operate transfer and asset and resource transfers. Further, maturity with the outsourcing and off-shoring process has resulted in clients becoming increasingly sophisticated in the vendor selection processes. Clients are also turning to third-party consultants to manage their outsourcing and/or off-shoring vendor selection process. In order to provide the necessary expertise, risk mitigation and cost advantage, these vendors must have:

- A world-class global delivery infrastructure;
- Process maturity to meet quality commitments;
- Depth of managerial talent;
- The ability to ramp up delivery capabilities;
- The ability to reduce costs consistently; and
- The financial stability to continuously invest in resources.

BUSINESS

Company Overview

We are one of the leading Indian providers of integrated IT services. We are led by one of the most experienced management teams in the Indian IT industry. Our mature global delivery model has enabled us to acquire and develop long-term relationships with clients that include several Fortune 1000 companies. Our service offerings span the entire software services lifecycle, including application development and integration, application maintenance, enterprise application systems, e-Business, enterprise systems management, research and development services and business process outsourcing. We believe that our ability to manage large client relationships, deliver complex outsourcing services through innovative engagement models and maintain high quality standards are some of our important differentiators.

We believe we are one of the few Indian IT services companies to manage an engagement with annual revenues in excess of $95 million (Rs.4,306.4 million) for a client entity. Our largest client, the GE Group, accounted for $95.5 million (Rs.4,583.5 million) and $76.8 million (Rs.3,513.9 million) in revenues in 2002 and the nine months ended September 30, 2003, respectively, while our second largest client, State Farm Insurance, accounted for $30.1 million (Rs.1,443.7 million) and $31.5 million (Rs.1,441.4 million) in revenues, respectively, during such periods. Our other top ten clients in the nine months ended September 30, 2003 include The Guardian Life Insurance Company of America ("Guardian Life Insurance"), Hitachi Group, HP and Southern California Edison. The revenues derived by us from our top 10 clients were $159.8 million (Rs.7,670.1 million) and $145.7 million (Rs.6,670.5 million) in 2002 and the nine months ended September 30, 2003, respectively.

We have in-depth knowledge and experience in the insurance and financial services industries where we market our services through our industry experts. We also have extensive experience in the manufacturing industry. We intend to continue to develop our knowledge and experience in these industries and enhance our knowledge and domain expertise in other industries. Our top three industries, insurance, manufacturing and financial services, together accounted for 79.0% and 78.5% of our revenues in 2002 and the nine months ended September 30, 2003, respectively.

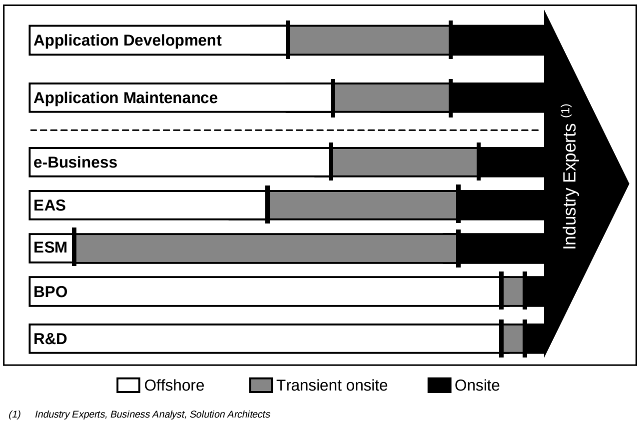
With our strong domain skills and customer-centric approach, we have developed several strategic client relationships. We have invested in building a strong sales team and as of September 30, 2003, we had 107 sales personnel in 22 sales offices in North America, Europe, Japan and the Asia-Pacific region. In addition, several of our senior executives are based in client geographies and are focused on developing client relationships at senior levels. With our sales and marketing team organised by industry, service offerings and geography, we are able to effectively cross-sell services to our existing client base as well as successfully win new business.

We deliver high quality and cost effective services to our clients through our mature delivery processes, scalable infrastructure and skilled global resource base. Our service offerings are delivered through a mix of onsite resources located in the client geography and offshore resources at our facilities in India. We believe we are one of the leading Indian providers of IT services on a fixed-price, including fixed-price SLA, basis. In 2002 and the nine months ended September 30, 2003, 51.7% and 48.7% of our revenues, respectively, were derived from fixed-price, including fixed-price SLA based contracts. We believe these fixed-price engagements allow productivity gains to our clients and us.

We have experienced substantial growth in revenues in recent years. Our revenues grew at a compound annual growth rate of 36.4% over the last three years, from $101.2 million (Rs.4,731.6 million) in 2000 to $188.3 million (Rs.9,037.1 million) in 2002. Our net income grew at a compound annual growth rate of 27.5% over the last three years, from $22.2 million (Rs.1,036.1 million) in 2000 to $36.0 million (Rs.1,728.6 million) in 2002. Our revenues were $135.7 million (Rs.6,567.3 million) and $180.5 million (Rs.8,263.8 million) in the nine months ended September 30, 2002 and 2003, respectively, and our net income was $27.3 million (Rs.1,322.8 million) and $28.4 million (Rs.1,299.8 million) in the nine months ended September 30, 2002 and 2003, respectively. Our total employees grew from 3,365 as at December 31, 2000 to 5,570 as at December 31, 2002. We had 6,695 employees as at September 30, 2003.

Our Business Model

We have developed an industry specific approach as a core element of our business strategy. Our goal is to address our clients' outsourcing needs by complementing our domain experience in select industries with an integrated service offering rather than by focusing on discrete service offerings. The essence of this approach is captured in the diagram given below, which is for illustrative pusposes only:



The shaded areas are for illustrative purposes only and do not represent actual onsite, transient onsite and offshore percentages. Transient onsite are personnel who work onsite on a temporary basis.

In each industry where we provide services, our domain experience is brought to bear through our "domain wedge" (represented by the forepart of the arrow in the diagram above) which consists of industry experts, business analysts and solutions architects located primarily in client geographies. These resources provide strong delivery capabilities and are an integral part of our sales and marketing strategy, providing accelerated client acquisition. To complement this "domain wedge", we are increasingly aligning our sales and marketing team to focus on specific industries.

Typically, at the initial stage of a project, we provide our services through our onsite personnel (depicted in black toward the right end of the horizontal bars in the diagram above) and our transient onsite delivery resources (depicted in grey in the diagram above) that provide immediate and scaleable delivery skills. These resources are brought on location temporarily from our offshore facilities in India. The ability to move resources between onsite and offshore locations allows us to maintain high utilisation rates in high-cost onsite client locations. As the client relationship matures, we focus on enhancing the value proposition of our service offerings by moving work offshore, as depicted by the white area in the horizontal bars towards the left in the diagram above. We invest significant effort, including the involvement of our senior executives, in building partnerships with our clients and working together to move resources offshore, which we believe benefits our clients and us.

Our Competitive Strengths

We believe that the following aspects of our business help differentiate us from some of our competitors:

Ability to Manage Large Client Relationships. We have successfully demonstrated the ability to manage large client relationships. This is reflected in the long duration of our relationships with some of our large clients and in the joint development of engagement models that have resulted in the sharing of productivity gains between our clients and us. For example, we have a thirteen-year relationship with our largest client, the GE Group. In our client engagements we leverage our industry experience with our high quality processes, project management capabilities and breadth of technical expertise. Our ability to rapidly service client requirements both onsite in client geographies and offshore in India enables us to effectively respond to the demands of our large clients. Our senior executives and dedicated account managers continuously maintain and develop these relationships through multiple contacts at different levels in the client organisation. In addition, for strategic clients, an identified senior executive has responsibility for the overall client relationship and leads periodic reviews with the client.

Delivery Excellence. Our proven processes and methodologies are important elements of our mature global delivery model. These allow us to seamlessly deliver high quality and cost-effective IT services from multiple locations in a reduced timeframe. We seek to approach delivery from a process perspective rather than an employee resource perspective. As a result, in certain of our contracts, we have flexibility in structuring the composition of our employee resource pool, in terms of seniority and location, to maximise productivity and efficiency in our client engagements. The processes and methodologies that we use at our delivery centres in six offshore locations in India conform to ISO 9001 standards and are assessed at SEI-CMM Level 5, which help us in delivering services in a timely, consistent and accurate manner, maintain a high level of client satisfaction and focus on improvements in all aspects of delivery.

Engagement Models. We have demonstrated the ability to successfully work with our clients to develop engagement models that tie into their business objectives. We deliver services on a range of fixed-price and time and material driven engagement models, through short-term as well as multi-year contracts. We believe our ability to manage projects on a fixed-price and fixed-price SLA basis to achieve our clients' business objectives is an important differentiator in our long-term client relationships. We believe we are one of the leading Indian providers of fixed-price engagements and believe that clients with large outsourcing requirements will increasingly demand services on a fixed-price basis.

Industry Specific Knowledge and Experience. Our extensive experience in the insurance, manufacturing and financial services industries allows us to accurately define and deliver customised services that effectively address the business challenges faced by our clients in these industries. With the convergence of IT and corporate strategy, we believe clients will increasingly demand in-depth industry experience.

Broad Range of IT Services. We provide a broad range of IT services, including application development and integration, application maintenance, enterprise application systems, e-Business, enterprise systems management, research and development services and business process outsourcing. We have developed knowledge and experience across multiple systems and technologies that we believe allows us to address a range of business needs and function as a virtual extension of our clients' IT departments.

Investment in Sales Organisation. We have invested in developing a strong client-centric sales approach. As at September 30, 2003, we had a 107 person strong sales team operating out of 22 sales offices, complemented by 38 marketing personnel. Our sales team is comprised of focused sales personnel responsible for accounts in specific industries and service offerings, regional sales experts responsible for accounts in specified geographies, account managers responsible for mature accounts and sales specialists that support focused pre-sales and sales efforts in specific industry and service offerings. We believe that by moving towards an industry led go-to-market strategy, we will be able to expand our share of our clients' outsourcing budgets.

Scalable Organisational Structure. As we seek to increasingly structure our business along industry verticals, our SBU structure enables us to assemble the necessary industry experience, solution architecture skills and delivery processes in an integrated, flexible and responsive manner. Our SBU structure combines the benefits of a large organisation with the flexibility and speed of a small one, and has been a key enabler of our rapid growth over the past three years. The SBUs are supported by global sales, marketing and delivery co-ordination and shared services. Our industry specific SBU heads and domain experts are located primarily in client geographies and maintain responsibility on a global basis. Our SBU structure has helped us create multiple leadership positions to attract and groom talent.

Our SBUs are designed to drive growth in selected areas on an integrated and global basis. This structure also enables us to incubate new industries or service offerings without disrupting the rest of the organisation. Our SBU structure can be broadly classified into three categories:

- Client and geography focused SBUs, which currently comprises the General Electric SBU serving the GE Group, the key accounts and growth customers SBU serving identified growth clients and emerging industry practices, and the Japan SBU, serving Japanese clients;
- Industry focused SBUs, which currently comprise the insurance SBU and the financial services SBU; and
- Service offerings focused SBUs, which currently comprise the e-Business, enterprise systems management, enterprise application systems, embedded technology services, engineering services and business process outsourcing SBUs.

Our Strategy

We seek to further enhance our position as a leading Indian provider of integrated IT services. We intend to accomplish this through:

- ***Penetrating and Growing Strategic Accounts.*** We intend to continue to grow our business by diversifying our existing client base with the addition of new strategic clients and enhancing our existing relationships. We intend to focus on adding large clients, typically Fortune 1000 companies, which offer us the potential to scale our relationship with them to $4.0 million (Rs.181.3 million) or higher in annual revenues over a 24 to 30 month period. We aim to achieve this by effectively leveraging our sales and marketing team and expanding the scope of our engagements through our delivery excellence, innovative engagement models, industry experience and breadth of services.

- ***Enhancing Industry Expertise.*** We intend to continue to enhance our understanding of select industries by adding industry experts, business analysts and solutions architects as well as considering select acquisitions. We believe that such industry expertise will help us proactively address our clients' needs by offering IT services that best suit their specific requirements.
- ***Strengthening and Effectively Leveraging our Sales and Marketing Teams.*** We intend to continue strengthening our sales and marketing teams. We address our larger relationships through dedicated account managers who have responsibility for increasing the size and scope of our service offerings with such clients. We are increasingly aligning our sales and marketing teams to focus on specific industries.
- ***Enhancing our Service Offerings.*** We aim to deepen our existing client relationships and enter into new client relationships through new and enhanced service offerings. We have recently commenced offering business processing outsourcing services and have enhanced our capabilities in enterprise systems management and research and development services.
- ***Focusing on Brand Building.*** We continue to invest in developing the "Patni" brand in our client markets, within selected industries and in India. We seek to achieve this through targeted analyst outreach programs, trade shows, white papers, events, workshops, road shows, speaking engagements and global public relations management. We believe that a strong brand will contribute to attracting and retaining talented manpower and enhancing our lead generation process and client acquisition.
- ***Pursuing Selective Strategic Acquisitions.*** We seek to pursue strategic acquisition opportunities to enhance our capabilities and address gaps in industry expertise, technical expertise and geographic coverage. We intend to focus on strategic acquisitions that are of appropriate size and that minimise our integration risk.

Industry Practices and Service Offerings

We currently have three developed and three evolving industry practices. We also provide services to clients in other industries and intend to set up industry practices in these other industries as we develop our experience in these industries. Our industry practices are complemented by our service offerings, which we develop in response to client requirements and technology life cycles. We provide multiple service offerings to many of our clients and also provide services to certain large clients across various industries. We intend to continue to increase our industry knowledge and expand our range of services.

Industry Practices

Insurance. We offer a range of integrated services to global insurance companies. We have an insurance SBU focused on clients in the insurance industry. Our offerings include complete life-cycle services to life and health, property and casualty and reinsurance carriers. The IT services we provide span the sales and marketing, distribution, policy services, claims, compliance, accounting and reinsurance functions. Our core services include systems consolidation and integration of mergers and acquisitions, policy administration conversions, developing frameworks that reduce the cycle time and cost for policy issue and claim handling, new product (life and retirement) introductions, batch system optimisation, data mining and development of business intelligence applications as well as legacy support of several applications. We have insurance industry experts who have deep domain knowledge and support our insurance practice. We are a member of insurance industry organisations such as Life Office Management Association ("LOMA"), ACORD and the Insurance and Accounting Systems Association ("IASA"). Several of our business analysts are LOMA certified and INS certified by the American Institute for Chartered Property and Casualty Underwriters. Our insurance clients include Conseco, Inc., Fireman's Fund Insurance Company, Fortis Benefits Insurance Company, the GE Group, the Guardian Life Insurance Company of America, MetLife and State Farm Insurance.

The following case studies describe our relationship with two of our clients in the insurance industry:

- ***State Farm Insurance***. Our relationship with State Farm Insurance began in 1999 with an assignment on non-mission critical applications delivered onsite at State Farm Insurance's premises in the U.S. Our initial projects were predominantly in the property and casualty segment. Since then we have developed relationships with other business segments of State Farm Insurance. Our service offerings to State Farm Insurance have also become more sophisticated as we focus on increasingly leveraging our offshore delivery capabilities and utilising our industry practice experts to deliver services relating to legacy claims, third party product testing, technology migration, life insurance services and business information systems.
- ***Guardian Life Insurance***. We began our relationship with Guardian Life Insurance in 2001. Our initial engagement was to support a specific product, predominantly from an onsite base. Subsequently, we increased our service offerings by leveraging our life insurance domain skills and supporting other products such as Cyberlife and solutions such as STP. Our collaborative management model and quality processes have resulted in further developing this relationship over a two-year period and increasing the offshore component of our work with this client.

Manufacturing. We offer a range of services in manufacturing applications, product design and engineering, and embedded systems. We have experience in the consumer goods and durables, electronics, engineering and food processing and products industries. We provide full-lifecycle support to manufacturing applications including core manufacturing systems (including packaged applications), supply chain, demand chain and business intelligence. Our R&D service offerings are geared towards the product design and engineering requirements of the automotive, consumer electronics and wireless telecommunications sectors. We have expertise in industrial automation and control systems based on embedded technologies. Our manufacturing clients include Electrolux IT Solutions, the GE Group, HP, Schindler Elevator Ltd. and the VF Corporation.

The following case studies describe certain projects delivered by us to with three of our clients in the manufacturing industry:

- ***Pitney Bowes***. Pitney Bowes, a leader in the business communications industry, engaged our Company as their development partner for an extensive web redesign effort, leveraging our expertise in development process and delivery. We migrated the code to Broadvision 7.0 and the database to the Struts framework. This development effort is part of a major web redesign to improve and personalise the Pitney Bowes on-line experience.
- ***Company A***. This client, a consumer goods company, engaged us in 2001 to develop a business solution for improved inventory management involving sales, logistics, supply chain, finance and accounts, business intelligence and warehousing. We helped this client integrate point of sale systems with back-end systems, we also consolidated vendor managed and owned warehouses, consolidated accounting systems and developed sales data warehouse and analysis tools. Our work reduced stock-outs from 12% to 2% and data warehouse job failures down from 30 a day to 1 a day.
- ***VF Corporation***. In 2003, VF Corporation took a strategic decision to cut down its internal helpdesk transaction costs without compromising on the quality levels required to service its complex helpdesk needs. We rapidly mobilised a team, set up customised infrastructure at our delivery centre in Noida, and negotiated service level agreements to ensure process improvement and quality of deliverables, thereby improving transaction quality and resulting in cost savings for the client.

Financial Services. Within financial services, we offer a wide range of services in retail and consumer banking, corporate and investment banking, treasury and risk management, banking operations and process management, card business solutions, mutual funds and capital market solutions, stock exchange and brokerage house solutions. We have a financial services SBU focused on clients in the banking, financial services and securities industries. Our financial services practice is supported by a team of experienced sales specialists and solutions architects. In April 2003, we acquired The Reference Inc, a U.S. corporation with 44 personnel, to enhance our financial services industry practice. Our financial services clients include ABN AMRO Services Company, the GE Group and several U.S. financial services companies.

The following case study describes our relationship with one of our significant clients in the financial services industry:

- ***Company B***. Our relationship with this client an investment management company, began in 1994 and involved software professionals working on discrete engagements. By the end of 2001, our relationship had enhanced with us assuming complete responsibility of projects encompassing development and enhancement of middleware systems, although we continued to service this client predominantly through onsite personnel in the U.S. In 2002, we expanded our relationship with this client by increasing the offshore component of our work.

Other Practices. In addition to the industry practices described above, we offer services to clients in the energy and utilities, retail and hospitality industries.

- ***Energy and Utilities.*** Our experience in the energy and utilities industry includes product development support, concept to implementation project expertise and automated mapping/facility mapping/geographic information systems services (AM/FM/GIS). Our principal energy and utilities client is Southern California Edison.
- ***Retail***. Our experience in the retail practice includes speciality and national chains, and catalogue and Internet retailing. We also offer standards services such as global trade item number assessment and redemption. Our principal retail client is Ann Taylor, Inc.
- ***Hospitality.*** Our experience in the hospitality industry includes property management systems, reservation and support applications and industry specific product enhancement and maintenance. Our expertise extends across hotels and resorts, travel and transport, gaming and entertainment and food services. Our hospitality clients include Le Méridien, Passkey and New Market.

Service Offerings

Application Development and Integration. We custom design, develop and install software for a variety of client needs. Our projects range from single-platform, single-site systems to multi-platform, multiple-site systems and typically include new development and/or functional enhancements to existing software applications. We have developed expertise in mainframe, client-server and Internet technologies and on emerging platforms such as .NET and J2EE. We offer services across the full development lifecycle, including requirements analysis, design, implementation, integration and testing for our projects. In specific situations, we may work jointly with our clients' teams. We perform application design, implementation and testing primarily in our offshore delivery centres located in India, while requirements analysis, transition planning, user training and deployment are performed at our clients' sites.

Application Maintenance. Our application maintenance services include optimising performance and modifying our clients' systems; product and system support; preventive maintenance; and migration to newer technologies and platforms. We perform diagnostics to assess offshore outsourcing potential and prepare a customised offshore road-map. We share the benefits of our continuous improvement initiatives to reduce recurring maintenance cost for our clients. Our application maintenance projects are typically long-term in nature. We perform most of our maintenance and re-engineering assignments at our offshore delivery centres located in India. In addition, we maintain small teams at our clients' premises to co-ordinate support functions.

Enterprise Application Systems. We assess, evaluate, implement and maintain packaged software developed by global vendors in the areas of enterprise resource planning ("ERP"), client relationship management ("CRM"), supply chain management ("SCM"), business intelligence and enterprise application integration. Our offerings comprise:

- consulting services, which include functional and technical assessment, architecture and technology consulting and training;
- implementation services which include product implementation and rollout;
- application care services, which include post-implementation support, product customisation, interface development and version upgrade; and
- functional extensions and integration of diverse enterprise applications.

We have expertise in ERP packages from BaaN, JD Edwards, Oracle, PeopleSoft and SAP; CRM packages from Siebel; SCM packages from Manugistics, Oracle and SAP; business intelligence packages including COGNOS, Business Objects, Oracle Express and SAP BW; and enterprise application integration packages including IBM MQ Series, TIBCO and Webmethods.

Enterprise Systems Management. We offer a comprehensive range of support services for managing the IT infrastructure of our clients. We specialise in mainframe and client-server operating systems; a wide range of data and voice networks; enterprise management systems; infrastructure products from vendors like IBM, Sun, HP, Cisco, 3Com and Lucent; web-server products; network security products; disaster recovery and business continuity management. These services are delivered from our offshore facilities located in India and onsite locations. We intend to create service offerings for several managed services configurations such as traditional, integrated and automated remote monitoring, and management and reporting for enterprise wide infrastructure environments that include servers, desktops, routers, other network equipment and software applications.

e-Business. Our services in the e-Business offering include:

- needs assessment, formulation of strategy and implementation plans;
- development and re-engineering of Internet front-ends;
- implementation of e-Business application frameworks;
- integration of web front-ends to enterprise applications;
- building and integrating enterprise information portals;
- implementation of content management solutions; and
- multiple computing languages, frameworks, servers, standards and middle-ware.

Research and Development Services. Currently, our primary services in the research and development services offering are embedded technology services, software product lifecycle management services and engineering services.

We currently offer embedded technology services to clients in industries comprising automation and instrumentation, consumer electronics, information automation, automotive, mobile applications, software tools and semiconductors. Our services include product development and sustenance; re-engineering; verification, validation and testing; and migration and porting. Our technology expertise spans multiple computing languages including assembly language for various micro-controllers and processors, real-time operating systems and digital signal processing.

The following case study describes one of our embedded systems engagements:

- ***Schindler Elevator Ltd.,*** a manufacturer of escalators and elevators, engaged us to develop intelligent elevator control systems with zero defect fault tolerant design and coding. We set up an offshore development centre consisting of engineers and domain experts in providing solutions such as real-time middleware, traffic movement optimisation and supervision system for large installation. We have developed a research and development relationship with this client and continually share best practices.

We offer engineering services primarily to our clients in the manufacturing and energy and utilities industries. Our services include AM/FM/GIS, document conversion services and computer aided design ("CAD"), computer aided manufacturing ("CAM") and computer aided engineering services ("CAE").

We have recently started a more comprehensive research and development services practice, and intend to extend our service offerings to provide hardware design, including very large scale integration ("VLSI") and field programmable gate array ("FPGA") design and packaging in the electronic products segment, product life-cycle management and product development management and services in the mechanical and electro-mechanical product segments.

Business Process Outsourcing. We commenced our BPO service offering in 2002. Our strategy is initially to enhance our domain expertise and concentrate on transaction processing for our insurance and financial services clients and business processes in the areas of finance and accounting, payment processing, human resources and technical help-desk.

We have invested in the following facilities: a 544-seat state of the art facility in Noida which serves as our primary delivery centre; a nascent centre in Woburn, U.S.; and a mail room and imaging centre in Hounslow, United Kingdom.

The following case study describes one of our BPO engagements:

- ***CompuCredit Corporation***. CompuCredit Corporation ("CompuCredit"), a leading issuer of credit cards, outsources non-core operations such as data entry of credit card applications to our Company. We re-engineered the business process to take complete process ownership, including mailroom functions, scanning, data entry and reporting. We successfully completed migration of processing offshore in three weeks to prevent any business disruption to CompuCredit. Subsequent to migration, we improved the process quality through Six Sigma initiatives which helped increase accuracy to 99%. Further, the productivity improved from data entry of 28 credit card applications per hour to 50 applications per hour through focused training and automation and we reduced the turn-around time from 3 days to same-day.

Quality and Project Management

A strict quality assurance and control program forms an integral part of our delivery model. Our delivery centres were assessed at SEI-CMM Level 4 in 1999, SEI-CMM Level 5 in 2000 and P-CMM Level 3 in 2002. Our delivery centres at offshore locations in India have also been awarded the ISO 9001-2000 certification in 2001. Our quality management system involves, among other things, a review and continuous improvement of software development and allied processes, validation and verification of work products and regular internal as well as external quality audits. We have developed and applied a sophisticated project management methodology to help ensure timely, consistent and accurate delivery of our IT services to our clients. Through this methodology, we are able to provide our clients with customised status reports. Our established and structured methodologies, tools and techniques are often backed by our five-year old Six Sigma programs.

Sales and Marketing

Our growth in recent years has been driven by new client acquisitions as well as an increase in our share of our existing clients' outsourcing budgets. We undertake a detailed exercise periodically to identify existing clients and prospective clients that can develop into large clients. Typically, these clients are Fortune 1000 companies and are identified as clients with the potential to scale up to $4.0 million (Rs.181.3 million) or higher in annual revenues over a 24 to 30 month period. We aim to develop our client relationships into partnerships by working closely with our clients' managers and senior executives. We work with them to formulate and execute an offshore driven outsourcing strategy, implement fixed price and fixed-price SLA engagement models and explore new service offerings.

Our sales teams target certain industries and service offerings through focused sales executives, geographies through regional sales executives and large clients through account managers. In addition to the sales executives, we have industry experts, sales specialists and solution architects who complement our sales efforts by providing specific industry and service offering expertise. Our sales efforts are also complemented by our marketing professionals, who assist in marketing efforts and brand building. Our senior management and dedicated account managers are actively involved in managing client relationships and business development through targeted interaction with multiple contacts at different levels in the client organisation. In addition, for strategic clients, an identified senior executive has responsibility for overall client development and leads periodic reviews with the client. We have 22 sales offices across North America, Europe, Japan and the Asia-Pacific region. As at December 31, 2000, 2001 and 2002 our sales and marketing teams comprised 55, 87 and 115 personnel, respectively. As at June 30, 2003 and September 30, 2003, our sales and marketing teams comprised 139 and 145 personnel, respectively, of which 28 and 38, respectively, were marketing personnel. We set targets for our sales personnel at the beginning of each year, which are subject to periodic reviews. In addition to a base salary, our compensation package for sales personnel includes an incentive based compensation plan driven by achievement of the prescribed targets.

We have invested in, and plan to continue to invest in, developing the “Patni” brand in our client markets, within selected industries and in India, through targeted analyst outreach programs, trade shows, white papers, events, workshops, road shows, speaking engagements and global public relations management. We believe that a strong brand will contribute to attracting and retaining talented manpower and enhancing our lead generation process and client acquisition.

Clients

We market our services to clients located in the United States, Europe (including the United Kingdom), Japan, the Asia-Pacific region (excluding Japan) and the rest of the world. A significant proportion of our revenues is derived from clients located in the United States, as illustrated in the table below:

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
United States	81.4%	84.4%	87.6%	87.4%	88.9%
Europe (including the UK)	11.3%	9.1%	7.2%	7.1%	7.2%
Japan	5.6%	5.0%	3.5%	3.8%	2.8%
Others	1.7%	1.5%	1.7%	1.7%	1.1%
Asia-Pacific (excluding Japan)	1.3%	1.4%	1.0%	1.0%	0.7%
Rest of the World	0.4%	0.1%	0.7%	0.7%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Further, a significant proportion of our revenues is derived from the insurance, manufacturing and financial services industries, as illustrated in the table below. We also derive a small proportion of our revenues from clients in other industries, which include the energy and utilities, retail and hospitality industries.

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Insurance	33.6%	34.2%	38.0%	38.9%	34.1%
Manufacturing	23.3%	26.9%	27.1%	26.3%	28.5%
Financial Services	15.7%	14.9%	13.9%	13.7%	15.9%
Others	27.4%	24.0%	21.0%	21.1%	21.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

A significant proportion of our revenues is derived from a small number of clients, as illustrated in the table below:

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
GE Group	52.2%	56.8%	50.7%	51.4%	42.5%
State Farm Insurance	9.8%	11.5%	16.0%	15.8%	17.4%
Top 5 Clients	76.4%	75.9%	76.2%	77.1%	70.3%
Top 10 Clients	81.8%	82.6%	84.9%	85.0%	80.7%

In the nine months ended September 30, 2003, our top ten clients included the GE Group, The Guardian Life Insurance Company of America ("Guardian Life Insurance"), Hitachi Group, HP, State Farm Insurance and Southern California Edison.

The General Electric Relationship. Our relationship with the GE Group commenced in 1990. During the initial phase of our engagement, from 1990 to 1994, we executed application support and development assignments, primarily on IBM mainframe systems. Most of the engagements were priced on a time and material basis. In 1995, we entered the next phase of our relationship through the establishment of a dedicated offshore development center for the GE Group in Mumbai. We also saw an increase in the work done on a fixed-price basis. In 1999, we became one of GE Group's strategic partners in its offshore outsourcing initiatives. Starting 2001, most of the work that Patni has delivered to the GE Group has been priced using a fixed-price SLA based engagement model. Our performance under this model during the second half of 2001 was recognised when we bagged three of the six awards given by the GE Group across all its global development centers.

We primarily service GE Consumer Finance, GE Consumer Products, GE Insurance, GE Aircraft Engines, GE Plastics, GE Supply and ERC, for whom we undertake projects in the areas of multi-year application support, new program development, infrastructure management, business intelligence solutions and software package implementation. Patni delivers these services in most of the technology areas deployed at various businesses of the GE Group.

To further strengthen our relationship with the GE Group, we:

- Continuously enhance our processes and methodologies using the Six Sigma framework;
- Deliver significant portion of the effort from our offshore centers;
- Commit and deliver on service levels on a fixed fee basis;
- Build centers of excellence that help deliver solutions in new and emerging technology areas;
- Develop expertise in various industry domains such as insurance, financial services and manufacturing.

GE Capital, a subsidiary of General Electric Capital Corporation, became a shareholder of our Company in 2000 and presently owns 5,659,472 Equity Shares representing 5.1% of our issued and paid up share capital. GE Capital proposes to sell 1,580,000 Equity Shares in this Offer and, upon completion of this Offer, will own 4,079,472 Equity Shares representing 3.3% of our post Offer issued and paid up share capital. We derived revenues of $80.9 million (Rs.3,906.0 million), $95.5 million (Rs. 4,583.5 million) and $76.8 million (Rs.3,513.9 million) in 2001, 2002 and in the nine months ended September 30, 2003, respectively, from the GE Group. Our current MSA with the GE Group expires on December 31, 2004. On November 12, 2003, we entered into a new MSA, whose term is valid from January 1, 2004 to December 31, 2006, with the GE Group.

Competition

The market for IT services is rapidly evolving and highly competitive. We expect that competition will continue to intensify. We face competition from:

- Indian IT services companies, such as HCL Technologies Limited, Infosys Technologies Limited, Satyam Computer Services Limited, Tata Consultancy Services and Wipro Limited;
- International IT services companies, such as Accenture Limited, Cognizant Technology Solutions, Computer Sciences Corporation and Electronic Data Systems;
- Divisions of large multinational technology firms such as International Business Machines Corporation and Hewlett-Packard Company, and in-house IT departments of large corporations; and

- Other international, national, regional and local firms from a variety of market segments, including major international accounting firms, systems consulting and implementation firms, applications software firms, service groups of computer equipment companies, general management consulting firms, programming companies and temporary staffing firms.

A number of our international competitors are setting up operations in India and we expect that future competition will increasingly include firms with operations in other countries, especially those countries with lower labour costs than India. We believe that our mature global delivery model, focus on offshore services and lower operating costs help differentiate us from some of our international competitors. We believe that price alone is not a sustainable competitive advantage in an environment where IT is becoming increasing critical to clients' core corporate strategy. We have therefore endeavoured to build our competitive positioning on our ability to manage large client relationships, delivery excellence, engagement model innovation, industry specific knowledge and experience, broad range of IT services, investment in sales organisation and scalable organisation structure.

Research and Development: Product and Technology Initiatives, Delivery Innovation

We have two groups looking at our research and development activity initiatives, the product and technology initiatives group and the delivery innovation group.

The product and technology initiatives group is focused on applied research and development initiatives and keeps track of new technology trends and creates new focused technology service offerings and intellectual property. The group has established systems to harness talent among our employees by providing a framework for idea generation, evaluation and development of products or solutions. The group is responsible for identifying, evaluating and incubating new technology service offerings and later converting the relevant ones into centres of excellence. The group also looks at new potential areas for service offerings. As at September 30, 2003, this group consisted of approximately 50 professionals supported by specialists from industry practices and service offerings from time to time. The current focus areas of the group include VLSI design services, enterprise integration and middleware, business intelligence, web services, security and wireless telecommunications.

The delivery innovation group is focused on operational excellence and serving our customers in the most efficient manner. This group's activities include developing and refining our methodologies, tools and techniques, implementing metrics, improving estimation processes and adopting new technologies. The delivery innovation group also acts as a resource centre for two of our nascent service offerings, process consulting practice and validation, verification and testing. As at September 30, 2003, this group consisted of approximately 63 professionals who are experts in process improvement and automation.

Human Resources

We employed 4,900, 5,570 and 6,695 employees as at December 31, 2001, December 31, 2002 and September 30, 2003, respectively. We believe that our ability to maintain our growth depends to a large extent on our strength in attracting, training, motivating and retaining our employees. The key elements of our human resource management strategy include:

Recruitment. We have developed processes to evaluate and recruit large numbers of employees. Our hiring is driven by annual manpower plans, which are adjusted based on business visibility on a monthly basis. We recruit talent from premier universities, colleges and institutes in India, including the Indian Institutes of Technology ("IITs"), regional engineering colleges ("RECs"), and Indian Institutes of Management ("IIMs"). For our offshore facilities located in six cities in India, our campus recruiting team visited over 50 campuses in 2002. Our rigorous selection process involves a series of activities including case and group interviews, and technical and psychometric tests. We also hire laterally on a global basis. All new hires are inducted into our organisation through a structured program, which involves extensive training as well as mentoring.

Our software employees have a diverse education background and as at September 30, 2003, graduate engineers comprised 47.8%, post graduates engineers comprised 8.5%, Masters in Computer Applications/Masters in Computer Management comprised 7.5%, Masters in Business Administration and equivalent qualifications comprised 7.9% and other degrees comprised 28.3% of our software employee base. We believe that we have a balanced mix of experience with approximately 36.8%, 28.5% and 34.7% of our software employees with work experience of under 3 years, 3 to 6 years and over 6 years, respectively, as at September 30, 2003.

Training and Development. We have a transparent evaluation system for both performance and potential that results in individual development plans that help build capabilities and recognise preferences of our employees. We offer our employees multiple avenues and choices for personal and professional growth, including six distinct career paths. In addition, our innovative program, "Leadership Excellence At Patni", communicates leadership attributes and helps us identify and develop future leaders necessary for our growth. Our training plans are customised for each employee and address both technical and soft-skill requirements. For each software professional, we plan a minimum of 10 working days of training per year. As at September 30, 2003, we had 24 faculty members in our training division, 11 dedicated classrooms and 9 computer labs.

Compensation. We believe our software professionals currently receive competitive salaries and benefits. Our compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. Compensation also includes a variable component which is linked to our Company performance. Senior employees are eligible for variable compensation depending upon attainment of pre-defined quarterly objectives.

Our employees are also eligible for stock option grants. To reward, motivate and retain our employees, our shareholders approved the ESOP on June 30, 2003. For more information on the terms of our stock option plan, see "Capital Structure" on page 20 of this Prospectus.

Retention. We endeavour to provide a challenging and entrepreneurial work environment and multiple growth opportunities for all of our people. Through the various programs described above, we seek to identify and develop high-performers from early in their careers. Our attrition rates were 15.6% and 11.1% in 2001 and 2002, respectively. Our attrition has increased and was 15.7%, 20.5% and 26.7%, on an annualised basis, in the three months ended March 31, 2003, June 30, 2003 and September 30, 2003, respectively. The increase in attrition is due, in part, to increased competition for our employees and our offshore compensation levels being lower than certain competitors. We have implemented certain measures to limit our attrition, including an increase in wages of our offshore employees in April 2003, the implementation of the "Leadership Excellence At Patni" program, the introduction of skill related bonuses, the creation of an on-line grievance redressal mechanism, and the adoption of an employee stock option plan in June 2003.

Facilities and Infrastructure

Our corporate headquarters is located at Mumbai, India. This facility includes software employees and those in other support functions such as sales, marketing and general administration. We have delivery centres at the following six offshore locations in India:

Sr. No.	Property	Owned/ Leased[1]	Year of Acquisition	Total Seats
1	Mumbai and Thane			
	Akruti Softech Park, Andheri, Mumbai	Owned	2001 to 2003	632
	SEEPZ, Andheri, Mumbai	Leased	1981, 1988, 1989, 1992, 1994, 1995, 1997, 1998, 1999, 2002	702
	SEEPZ - SDF-VII, Andheri, Mumbai	Owned[1]	2000 and 2002	762
	TTC Part A and B, Thane	Owned	1998 and 1999	1,425
	Millennium Park, TTC, Thane	Leased	2001 and 2002	628
	Total Mumbai and Thane			4,149
2	Pune			
	Software Unit, Pune	Leased	1994	136
	Conversion Unit, Pune	Owned[1], [2]	1996 and 1997	338
	Chinchwad, Pune	Owned[1], [3]	1998	867
	Pimpri, Pune	Leased	2003	436
	Total Pune			1,777
3	Navi Mumbai			
	International Infotech Park, Vashi, Navi Mumbai	Leased	2002	445
4	Gandhinagar			
	GIDC, Gandhinagar	Owned[1], [4]	1998, 1999 and 2000	409
5.	Chennai			
	Guna Complex, Teynampet, Chennai	Leased	2000, 2001 and 2002	709
6.	Noida			
	Sector 16, Noida	Leased	2000	318
	Sector 58, Noida	Leased	2002	544
	Total Noida			862
	Total			**8,351**

(1) In this table, properties in respect of which we have entered into lease agreements with a term of 30 years or longer have been characterised as owned properties.However, ownership does not automatically vest in us after such period.

(2) The Company entered into lease agreements with Maharashtra Industrial Development Corporation ("MIDC") in 1996 and 1997 for initial periods of two years in respect of these properties. The lease agreements provided that, once a co-operative society was formed, the parties would enter into a new lease for a period of 90 years with a nominal annual rent. The Company has paid the initial premium in respect of the 90-year lease. No co-operative society has been formed as of the date hereof and the new lease has not yet been entered into.

(3) The Company entered into a lease agreement with MIDC in 1996 for an initial period of three years in respect of this property. The lease agreement required the Company to construct an electronic unit on the property and provided that, upon completion of the electronic unit, the parties would enter into a new lease for a period of 95 years with a nominal annual rent. The Company has completed the construction of a software facility on the property and paid the initial premium in respect of the 95-year lease. However, the new lease agreement has not yet been entered into.

(4) The Company acquired approximately 73 sq. metres of land from Gujarat Industrial Development Corporation in 1999, with a condition that, upon the construction of substation on the property, the parties would enter into a new lease for a period of 99 years at an annual rent to be agreed upon between the parties. The Company has paid the initial cost of acquisition in respect of this property and completed the construction of a substation on the property. However, the new lease agreement has not yet been entered into.

A key component of our global delivery model is the telecommunication linkages between client sites and our sites and between our distributed sites. We have designed a global network architecture which provides client connectivity, offshore development center connectivity and internet connectivity. This network provides seamless access across the backbone and uses high availability mechanisms, triangulation features and meshed networks and advanced routing protocols for redundancy and availability. Although we rely on third parties, such as telecom providers and internet service providers to provide such services, we ensure that we have multiple service providers using multiple routes and media to attain high levels of redundancy, availability and performance. The network infrastructure is managed 24 X 7 by a dedicated team, which utilises industry standard network management tools and procedures.

The terms of our client contracts often impose particular confidentiality and security standards. We have independently established a system of security measures to protect our computer systems from security breaches and computer viruses that may attempt to gain access to our communications network. We have deployed advanced technology and process based methods to ensure a high level of security. Some of these components include clustered and multilevel firewalls, intrusion detection mechanisms, vulnerability assessments, content filtering, antivirus and access control mechanisms. We use encryption techniques for confidentiality of data as required.

Intellectual Property

We rely on a combination of copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, including our brand identity. We are in the process of registering our trademark and servicemark in the U.S. and in India. However, there can be no assurance that we shall be successful in having the same registered. We have registered the trade mark "Patni" in Australia, Germany, Japan, Sweden and UK. However, we cannot assure that our efforts to protect our intellectual property will be adequate.

We require our employees and subcontractors to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our client's proprietary and confidential information as well as our own. In addition to these confidentiality agreements, our client contracts require us to comply with certain security obligations including maintenance of network security, back-up of data, ensuring our network is virus free and ensuring the credentials of those employees that work with our clients. We cannot assure you that we will be able to comply with all such obligations and not incur any liability.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. There are currently no material pending or threatened intellectual property claims against us.

Legal Proceedings

As of the date of this Prospectus, we are not party to any pending material legal proceeding. See "Legal and Regulatory Information" on page 91 of this Prospectus.

OUR HISTORY AND CERTAIN CORPORATE MATTERS

Patni Computer Systems Limited was incorporated as Patni Computer Systems Private Limited on February 10, 1978 under the Companies Act, 1956. In 1988, by virtue of Section 43A of the Companies Act, the Company became a "deemed public company" and subsequently on April 15, 1991 it was converted into a private limited company. By virtue of its turnover exceeding prescribed limits under the then-applicable Section 43A of the Companies Act, on July 1, 1995, the Company became a deemed public company and consequent to the deletion of Section 43A from the Companies Act, 1956, the Company was converted to a private limited company on June 27, 2002. The Company was again converted to a public limited company on September 18, 2003.

The original activities of the Company were computer time rental, the resale of imported computer hardware, and software exports. In 1981, the Company promoted PCS Data Products (Private) Limited ("PCSDP") for the sale and marketing of computer equipment and hardware maintenance. In 1987, the Company promoted PCS Data General India ("PCSDG"), a joint venture with The Data General Corporation, USA, for the manufacture and maintenance of computer hardware. In 1994, the name of PCSDP was changed to PCS Industries Limited ("PCSIL") and PCSDG was merged into PCSIL. Since 1994, our Company has been entirely focused on software exports. In 1999, the shares of PCSIL held by our Company and other non-operating assets were de-merged into other group companies and our Company emerged as a focused IT services company. Patni Computer Systems Limited is a separate entity from PCS Industries Limited, which is a group company.

Main Objects of the Company

The Company's main objects as set forth by its Memorandum of Association include, *inter alia*:

1. To acquire and takeover the Industrial and Import licenses concessions and privileges from Messrs Ravi & Ashok Enterprises on payment of all costs, charges and expenses incurred by them.
2. To manufacture, purchase, sell or otherwise transfer, lease, import, export, hire, license, use, dispose off, operate, fabricate, construct, distribute, assemble, design, charter, acquire, market, recondition, work upon or otherwise, generally deal in any electronic, electrical, mechanical and electromechanical product, machine, apparatus, appliance, custom products, merchandise, systems, software procedures, peripheral products, computers, tabulators, data processing machines and systems and components thereof, electronic calculators, electric and electromechanical accounting systems, terminal products and systems, machines for registering data preparation, recording, perforating, tabulating, sorting, printing, typewriting products which possess an internal intelligence for recognising and co-relating any type of data or information to be processed recognition and memory systems, optical scanning machine transmission lines, transmission equipment, terminals, copying, reproducing and distributing machines, check signing, protecting and disbursing equipment machines for facsimile reproduction, facsimile transmission and word processions facilities and accessories and devices of all kinds, and for all purposes and any products and component parts thereof or materials or articles used in connection therewith, and any-all other machinery, appliance, apparatus, devices, materials, substances, business firms and supplies, articles or things of a character similar or analogous to the foregoing, or any of them or connected therewith.
3. To establish, maintain and conduct training schools, courses and programmes in connection with the use, purchase, sale, import, export, license, distribution, design, manufacture or rental of the aforesaid types of machines, apparatus, appliances, systems and merchandise and of the articles required in the use thereof or used in connection therewith.
4. To carry on the business of developing, improving, designing, marketing, selling and licensing software and program-products of any and all description.
5. To carry on the business of electricians, electrical, electronic engineers and manufacturers of and dealers in electrical, mechanical, chemical, optical and electronic machines, appliances and apparatus of every description.
6. To carry on the business of consultants in computers, computer-oriented systems all branches of computer science, civil, electrical, electronic, mechanical, chemical, optical, metallurgical and all other branches of engineering.
7. To carry on the business of consultancy services related to the preparation and maintenance of accounting, statistical, scientific or mathematical, information and reports, data conversion, data processing, programming, collecting, storing, processing and transmitting information and data of every kind and description, systems analysis and machine services for solving or aiding commercial, industrial, scientific and research problems and for all other related business.

8. To carry on the business of advisers and consultants and collaborators on all matters and problems relating to the administration, organisation, finance management, personnel, commencement or expansion of industry and business (including construction of plants and buildings production, purchases, sales marketing, advertisement, publicity, personnel export and import) and of institutions, concerns, bodies, associations (incorporated and unincorporated), departments and services of the government, public or local authorities, trusts, scientific research and development centres.
9. To act as service organisation or bureau for providing advise and services in various fields general, administrative, secretarial, consultancy, commercial, financial, legal, economic, labour, industrial, public relations, scientific, technical, direct and indirect taxation and other levies, statistical, accountancy, quality control and data processing.
10. To supply and provide, maintain and operate, design any engineering consultancy services applicable over the whole range of industry, trade, commerce and agriculture.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of shareholder approval	Changes
January 14, 1980	Our authorised capital was increased from Rs.0.5 million to Rs.1 million
April 12, 1982	Certain additional objects were inserted in the Memorandum of Association
March 30, 1995	Our authorised capital was increased from Rs.1 million to Rs.50 million Subdivision of equity shares.
November 6, 1998	Our authorised capital was increased from Rs.50 million to Rs.300 million. 2.5 million preference shares of Rs.100 each added in authorised capital.
May 22, 2000	Our authorised capital was increased from Rs.300 million to Rs.500 million
June 29, 2001	Subdivision of equity shares.
June 27, 2002	Conversion into a private limited company
June 30, 2003	2.5 million preference shares of Rs.100 each deleted from authorised capital of Rs.500 million. Our authorised capital to comprise of 250 million Equity Shares of Rs.2 each.
August 18, 2003	Conversion into a public company

The details of the capital raised by our Company are given in the section "Capital Structure" on page 20 of this Prospectus.

Shareholders Agreement

The Company, Mr. Narendra K. Patni and iSolutions Inc., Mr. Gajendra K. Patni and certain of his family members (the "GKP Group"), Mr. Ashok K. Patni and certain of his family members (the "AKP Group"), GE Capital and GE APC Technology Investments II (Mauritius) Limited ("GE Tech") (collectively, the "GE Entities") and GA have entered into a shareholders agreement dated July 15, 2002, as amended on August 1, 2003.

Pursuant to a letter agreement dated October 25, 2003 entered into by each party to the shareholders agreement, such parties have agreed that the shareholders agreement will stand terminated immediately upon the listing of the Equity Shares on the BSE or the NSE. A copy of the shareholders agreement, as amended, and a copy of the letter agreement terminating the shareholders agreement are available for inspection as material documents at the corporate offices of the Company.

Articles of Association

As used in this section, the term "NKP Group" means Mr. Narendra K. Patni, certain of his family members, iSolutions Inc. and certain of their named entities, and the term "Significant Shareholder" means each of GA, the NKP Group, the GKP Group and the AKP Group.

ADR Facility

Subject to applicable law, the Articles of Association permit each shareholder to elect to deposit any Equity Shares held by such shareholder in exchange for American Depositary Shares representing such underlying Equity Shares and provides that the Company shall procure such arrangement at the request of such shareholder.

At the time a shareholder elects to deposit his equity shares and hold ADRs, such conversion of equity shares into ADRs will be in compliance with the applicable Indian requirements of law.

Shareholders Meetings

The Articles of Association provide that a notice of at least 21 days, with the agenda of the meeting, is required to be given to each shareholder for every shareholder meeting, unless a shorter notice is unanimously agreed to by all the shareholders in case of an annual general meeting and by shareholders holding not less than 95% of the paid-up voting capital of the Company in case of any other meeting. Five shareholders present in person or by proxy, which includes at least one representative of each Significant Shareholder (until such Significant Shareholder holds at least 5% of the Equity Shares), shall be required to form a quorum at any meeting. If a quorum is not present on the date the meeting is convened, it shall be adjourned to a date 15 days after the original meeting and the shareholders who are present at the adjourned meeting shall constitute the quorum.

Quorum

Subject to Section 287 of the Companies Act, the quorum for a meeting of the Board shall be the presence of at least four Directors which must include at least one nominee Director (or his or her alternate) of each of the AKP Group, the GKP Group, the NKP Group, and GA (unless the absent nominee Director consents in writing to a quorum requirement being satisfied despite his or her absence) as such terms are defined in the Articles of Association.

Provided that where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

The presence of independent directors is not mandatory for quorum under Section 287 of the Companies Act or as per Clause 49 of the listing agreement.

Board of Directors; Committees

The Articles of Association provide that the board of directors of the Company (the “Board”) shall be comprised of not less than three directors and not more than 10 directors. Eight directors on the Board shall be appointed as follows:

- three permanent directors nominated by each of the AKP Group, the GKP Group and the NKP Group so long as the relevant Group holds 5% or more of the Equity Shares;
- one rotating director nominated by GA, so long as GA holds 5% or more of the Equity Shares; and
- four non-permanent independent directors. Each of the four directors nominated by the Significant Shareholders shall be (so long as each Significant Shareholder continues to hold 5% or more of the Equity Shares) entitled to propose the name of one candidate who is willing to act in the capacity of an independent director on the Board.

Each director nominated by a particular Group shall hold office at the pleasure of that Group. In the event any Group wishes to remove a director who has been appointed as its nominee, the other Significant Shareholders have agreed in the Articles of Association to vote for the removal of such director. Except in the event of the removal of a director for a breach of duty, fraud, bankruptcy or unless contrary to law, all the Significant Shareholders have agreed in the Articles of Association that the independent directors shall not be removed except by at a general meeting by the votes of shareholders (present and voting) holding not less than 51% of the Equity Shares, which includes the votes of at least three Significant Shareholders in a general meeting and except by a majority of the directors of the Company, which includes at least three nominee director appointed by the Significant Shareholders.

GA is also entitled to nominate one of the members to each committee of the Board of Directors, including the Audit Committee, the Compensation Committee and such other committees, until GA holds 5% or more of the Equity Shares.

The Articles of Association require that at least 15 clear days notice be provided for any Board meeting unless a shorter notice period is agreed by a majority of the directors. The quorum for a meeting of the Board is the presence of at least four directors, which must include at least one director nominated by each of the AKP Group, the GKP Group, the NKP Group and GA (unless the absent nominee director consents in writing to a quorum requirement being satisfied despite his or her absence). If a quorum is not present on the date on which a meeting is convened, the meeting will automatically stand adjourned and be reconvened seven days after the original meeting and the directors present at the reconvened meeting shall constitute a valid quorum.

Under the Articles of Association of the Company, Mr. Narendra K. Patni shall be the permanent Chairman of the Board. The Chairman shall preside at all meetings of the Board and the Company. In the absence of Mr. Narendra K. Patni at any meeting of the Board, a GA nominee shall preside as Chairman. The Chairman has a casting vote in case of a tie. If for any reason Mr. Narendra K. Patni is unable to continue as the Chairman, the Board shall appoint the Chairman.

The composition of our Company's Board of Directors is in compliance with Clause 49 of listing agreement, except presently for the Boards of the 100% subsidiaries of the Company, all of which are incorporated outside India, and which are not governed by the listing agreement.

Chief Executive Officer; Executive Directors

Pursuant to a consultancy agreement entered into on October 24, 2000, between Patni Computer Systems, Inc., our U.S. subsidiary, and the Company, as amended on August 19, 2003, Patni Computer Systems, Inc. has agreed to provide certain services to the Company and second Mr. Narendra K. Patni, its President and Chief Executive Officer, to the Company as its Chief Executive Officer ("CEO") during the term of the agreement. The consultancy agreement can be terminated:

(i) on or after December 31, 2008;

(ii) if Mr. Narendra K. Patni cannot continue as the CEO;

(iii) if Mr. Narendra K. Patni is no longer employed by Patni Computer Systems, Inc.; or

(iv) if either the Company or Patni Computer Systems, Inc. is adjudicated as guilty of wilful misconduct or gross negligence under the consultancy agreement.

The Articles of Association of the Company also provide that until Mr. Narendra K. Patni is the Managing Director or CEO or Manager, he has the right to appoint and remove all key senior personnel and senior management of the Company following consultation with GA. Under the Articles of Association, Mr. Narendra K. Patni may, while serving as CEO of the Company, elect to become the Managing Director of the Company, and each Significant Shareholder and their respective nominee directors are required under the Articles of Association to ensure that Mr. Narendra K. Patni is appointed as the Managing Director of the Company for such periods and on such terms as have been agreed upon by Patni Computer Systems, Inc. and Mr. Narendra K. Patni. See also the section "Statutory and Other Information" for additional information on the employment agreement between Mr. Narendra K. Patni and Patni Computer Systems, Inc.

The Articles of Association of the Company provide that Mr. Gajendra K. Patni and Mr. Ashok K. Patni will continue as executive directors of the Company pursuant to their terms and conditions of employment. Each of Mr. Gajendra K. Patni's and Mr. Ashok K. Patni's employment agreements with the Company are valid for an initial term until October 23, 2005, and the agreements are automatically renewed for a further period of five years. See also the section "Statutory and Other Information" for additional information on the employment agreements.

Promoter Group Covenants

Subject to GA holding at least 5% of the issued Equity Shares and except for the promoters' interest and participation in PCS Industries Limited, Patni Computer Systems, Inc. and their subsidiaries, each promoter has agreed that, until the first anniversary of our initial public offering, he shall not, except with the prior consent of GA, promote or participate in any business competing with the Company's business of developing computer software (including internet applications). Additionally, if any promoter voluntarily sells his shareholding in the Company, such promoter will execute a non-competition and non-solicitation agreement with the Company for a period of one year from the date of its sale of the shareholding.

Amendment to Articles of Association

Our Articles of Association can only be amended if members holding not less than 75% of the Equity Shares (and who are entitled to vote) cast votes in favour of such amendment and such votes include the favourable votes of each of the AKP Group, GKP Group, NKP Group and GA so long as each of the respective Group holds at least 10% of the Equity Shares and votes on such amendment.

Registration Rights Agreement

The Company, GA, the GE Entities, Mr. Ashok K. Patni, Mr. Gajendra K. Patni and certain of their relatives (collectively, the "Patni RRA Shareholders"), Mr. Narendra K. Patni and iSolutions Inc. have entered into a registration rights agreement dated July 15, 2002, certain provisions of which are summarised below. GA, the GE Entities and the Patni RRA Shareholders are collectively referred to in this section as the "Holders". Registration rights have been granted only to the shareholders who are party to the Registration Rights Agreement. Accordingly, the shareholders who will acquire the shares in the proposed Offer are not be eligible to enjoy such registration rights.

Pursuant to the registration rights agreement, each of GA, the GE Entities and any other Holder(s) (holding, individually or collectively with other Holders) of more than 20% of the Registrable Securities (as defined below) (the "Initiating Holders") have the right to cause the Company to register the equity shares and any American Depositary Shares representing such equity shares ("ADSs" and collectively with the equity shares, the "Registrable Securities"), held by each such person with the U.S. Securities and Exchange Commission (the "SEC") under the U.S. Securities Act of 1933, as amended ("Securities Act"), at any time after the earlier of (a) sixteen (16) months after the closing of our initial public offering or (b) 180 days after the Company becomes a reporting company under the U.S. Securities Exchange Act of 1934, as amended. In the event such Holder "demands" the registration of the Registrable Securities held by it pursuant to the immediately preceding sentence, the other Holders may also require the Company to include the Registrable Securities held by them in the registration statement filed by the Company. In the event a Holder transfers the Registrable Securities held by it the demand registration right conferred on the Holder is transferred automatically to the transferee in case the transferee is an affiliate of the Holder and the demand registration right is transferred only with the consent of the Company (which consent shall not be unreasonably withheld) in case the transferee is not an affiliate of the Holder.

In addition, if at any time the Company proposes to register with the SEC any Registrable Securities in connection with an offering by the Company for its own account or for the account of any shareholder of the Company, then each Holder shall have the right to have all or any portion of its Registrable Securities included in such registration. The incidental or "piggy-back" registration rights conferred on the Holder is transferred automatically to the transferee in case of a transfer of Registrable Securities.

The Company has also agreed that, at any time after it becomes eligible to use a Form S-3 or F-3 registration statement in connection with a public offering of securities, each of GA, the GE Entities and any other Holder(s) of more than 20% of the Registrable Securities may make a written request to the Company to register, and the Company shall file with the SEC a registration statement in Form S-3 or F-3, as applicable, with respect to the number of Registrable Securities specified in such request for an offering on a continuous basis pursuant to Rule 415 under the Securities Act ("Form 3 Initiating Holders"). In the event a Form 3 Initiating Holder demands the registration of the Registrable Securities held by it, the other Holders may also require the Company to include the Registrable Securities held by them in the registration statement filed by the Company. In the event a Holder transfers the Registrable Securities held by it, this "Form 3" registration right conferred on the Holder is transferred automatically to the transferee in case the transferee is an affiliate of the Holder and the Form 3 registration right is transferred only with the consent of the Company (which consent shall not be unreasonably withheld) in case the transferee is not an affiliate of the Holder. If a majority of the Initiating Holders or the Form 3 Initiating Holders so elect, the Company is required to use commercially reasonable efforts to cause the "demand" or "Form 3" registration to be in the form of a firm commitment underwritten offering.

There are certain limitations on the number of "demand" or "Form 3" registration rights available to any Holder. Whenever registration of Registrable Securities has been requested pursuant to the registration rights agreement, the Company is required to use commercially reasonable efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method of distribution as soon as reasonably practicable. The Company is required to pay all expenses arising from or incident to its performance of, or compliance with, the registration rights agreement. In addition, the Company is required to bear the fees, disbursements and other charges of one counsel to the Holders in connection with any registration of Registrable Securities in an amount not exceeding $50,000 for the first such registration and $15,000 for any subsequent registration. The Company is required, *inter-alia,* to keep a registration statement effective for the lesser of 120 days and when Registrable Securities covered by the registration statement are sold.

The Registration Rights Agreement was executed and will be acted upon in compliance with Indian requirements of law and directives issued by Government of India and RBI in relation to ADR/GDR as may be applicable at the time of the exercise of the registration rights.

Deposit Agreement

The Company, The Bank of New York (the "Depositary") and the owners of and beneficial owners of ADRs have entered into a deposit agreement dated July 15, 2002, pursuant to which 13,441,245 Equity Shares have been issued to the Depositary by the Company. The Depositary has issued to GA 13,441,245 American Depositary Shares representing such Equity Shares. Consequent to our bonus issue on August 30, 2003, an additional 6,720,623 Equity Shares have been issued to the Depositary by the Company and the Depositary is in the process of issuing a similar number of ADRs representing these additional Equity Shares. The holders of ADRs can, at any time, convert their ADRs into Equity Shares of the Company. Under the deposit agreement, the Company has agreed to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary in accordance with agreements entered into in writing between the Depositary and the Company from time to time.

MANAGEMENT

Board of Directors

Our Chairman, Mr. Narendra K. Patni, is also our Chief Executive Officer. We currently have nine directors.

The following table sets forth details regarding our Board of Directors as at November 12, 2003:

Name, Designation, Father's Name, Address, ***Occupation and Term***	**Age (years)**	**Other Directorships**
Mr. Narendra K Patni Chairman and Chief Executive Officer (Son of Mr. Sobhagmal M. Patni) 100 Memorial Drive #5-1B Cambridge, MA 02142 USA *Business* *Permanent*	61	iSolutions Inc. Patni Computer Systems, Inc. PCS Industries Limited The Reference Inc.
Mr. Gajendra K. Patni Executive Director (Son of Mr. Sobhagmal M. Patni) 42-A Jolly Maker Apartments 1 Cuffe Parade, Mumbai 400 005 *Business* *Permanent*	62	PCS Cullinet Private Limited PCS Industries Limited PCS International Limited
Mr. Ashok K. Patni Executive Director (Son of Mr. Sobhagmal M. Patni) 22-A Jolly Maker Apartments 1 Cuffe Parade, Mumbai 400 005 *Business* *Permanent*	52	Ashoka Computer Systems Private Limited Patni Computer Systems (UK) Limited PCS Cullinet Private Limited PCS Finance Private Limited PCS Industries Limited PCS International Limited
Mr. Arun Duggal Independent Director (Son of Mr. S L Duggal) A-3, West End Colony New Delhi 110 021 *Retired*	57	International Asset Reconstruction Company Zuari Industries Limited
Ms. Susan G. Esserman Independent Director (Daughter of Mr. Ronald Esserman) 9513 Brooke Drive Bethesda, MD 20817 USA *Legal Counsel*	51	Nil
Mr. William O. Grabe Director (Son of Mr. William Friedrich Grabe) 1179 Pequot Avenue Southport, CT 06890 USA *Investment Manager*	65	Ai Metrix Bottomline Technologies, Inc. Cancer Research Institute Compuware Corporation Digital China Holdings Exact Holdings, NV Firepond, Inc. Gartner, Inc. Lifecare, Inc. Outward Bound USA The Anderson School at UCLA The Nature Conservancy Connecticut Chapter
Mr. Anupam Puri Independent Director (Son of Mr. Yogender Krishan Puri) 17 East 16th Street New York, NY 10003 USA *Retired*	58	Dr. Reddy's Laboratories Limited Daksh e-Services Private Limited Godrej Consumer Products Limited ICICI Bank Limited Mahindra & Mahindra Limited Mahindra-British Telecom Limited

Name, Designation, Father's Name, Address, *Occupation and Term*	Age (years)	Other Directorships
Mr. Pradip Shah Independent Director (Son of Mr. Panalal Shah) 72 Embassy Apartments 46 Napean Sea Road Mumbai 400 006 *Investment Advisor*	50	AMP IndAsia Fund Advisors (Mauritius) Limited Asset Reconstruction Company (India) Limited BASF India Limited Bharatiya Reserve Bank Note Mudran Limited Gujrat Positra Port Infrastructure Limited Hardy Oil & Gas Limited IndAsia Fund Advisors Private Limited Matsushita Lakhanpal Battery India Limited Pfizer Limited Prudential ICICI Asset Management Limited Shah Foods Limited Sonata Software Limited Supra Advisors (BVI) Limited (British Virgin Islands) The Shipping Corporation of India Limited Tata Infomedia Limited Taib Bank EC Wartsila India Limited Zip Global Network Limited
Mr. Ramesh Venkateswaran Independent Director (Son of Mr. Sekhripuram Subbaraman Venkateswaran) F 003 Adarsh Palace 47 Cross, 5th Block, Jayanagar Bangalore, 560 041 *Management Consultant*	51	Almak Management Services Private Limited

Brief Biography of the Directors

Mr. Narendra K. Patni, 61, Chairman and CEO, has a Master's degree in Electrical Engineering from the Massachusetts Institute of Technology ("MIT") and a Master's degree in Management from the Sloan School of Management at MIT. He has a Bachelor's degree in Electrical Engineering from IIT, Roorkee. He is a founder promoter of the Company and has led the Company since its inception in 1978. As an entrepreneur, he has played an integral role in the development of the Indian IT industry through his various ventures. He was instrumental in initiating the offshore outsourcing business model for the software industry. Prior to founding his first company, Data Conversion Inc. in 1972, he was President and Director of the Forrester Consulting Group and was previously with the US Trust Company of New York and was a consultant to Arthur D. Little, Inc.

Mr. Gajendra K. Patni, 62, Executive Director, is one of the founder promoters of our Company. He is a Chemical Engineer. He has over 34 years of experience in finance, banking, legal and personnel functions. He has contributed significantly in the past to the growth of the computer rental business of our Company, which led to the formation of PCSDP in 1981, and PCS DG in 1987. These companies were merged to form PCS Industries Limited in 1994. He is a Joint Managing Director of PCS Industries Limited. Previously he was the Managing Director of Industrial Oxygen Company Limited.

Mr. Ashok K. Patni, 52, Executive Director, is one of the founder promoters of our Company. He is a Mechanical Engineer from IIT, Mumbai. He has over 21 years of experience in computer hardware and systems software. He has contributed significantly in the past to the growth of the hardware business of our Company which led to the formation of PCSDP in 1981, and PCSDG in 1987. These companies were merged to form PCS Industries Limited in 1994. He is a Joint Managing Director of PCS Industries Limited.

Mr. Arun Duggal, 57, has a Bachelor's degree in Mechanical Engineering from IIT, Delhi, and a post graduate diploma in management from IIM, Ahmedabad. Mr. Duggal has over 20 years experience with Bank of America, in positions including Managing Director of Bank of America in India and Chief Executive Officer of Bank of America Asia, Hong Kong. He was most recently Chief Financial Officer of HCL Technologies Limited.

Ms. Susan G. Esserman, 51, has a JD degree from the University of Michigan Law School and a Bachelor of Arts degree from Wellesley College. She is currently a partner in the Washington, D.C. office of the law firm Steptoe & Johnson LLP, where she is Chair of the firm's International Department. Ms. Esserman previously held four senior-level positions in the Office of the U.S. Trade Representative and the Commerce Department. As Deputy U.S. Trade Representative, she was responsible for U.S. trade policy and negotiations with Europe, India, Russia and the former Soviet Union, Africa, the Middle East and in the WTO. She also held the positions of USTR General Counsel and Assistant Secretary of Commerce for Import Administration.

Mr. William O. Grabe, 65, has a BS degree in Engineering from New York University and an MBA from the University of California, Los Angeles. He is a Managing Member at General Atlantic Partners, LLC, a worldwide private equity fund, where he has worked since 1992. Prior to that, he was also head, North America Sales and Marketing at IBM.

Mr. Anupam Puri, 58, has an M. Phil. and a Master of Arts in Economics from Oxford University and a Bachelor of Arts in Economics from Delhi University. Mr. Puri was previously a director and elected member of the board of directors of McKinsey & Company. During his 30-year tenure, he served in a number of global companies and governments and led the development of McKinsey's India practice and oversaw their Asian and Latin American offices.

Mr. Pradip Shah, 50, a Chartered Accountant, has a Master's degree in Business Administration from the Harvard Graduate School of Business and a degree from The Institute of Cost & Works Accountants of India. He was responsible for introducing credit ratings in India and is a founder of The Credit Rating Information Services of India Limited (CRISIL). He is currently the Chairman of the Board at IndAsia Fund Advisors Private Limited.

Mr. Ramesh Venkateswaran, 51, has a Bachelor's degree in Mechanical Engineering from IIT, Mumbai and a post graduate diploma in management from IIM, Bangalore. He is a Management Consultant and is currently the Managing Director of Almak Management Services Private Limited. He is also a founder member of a non profit organisation, 'Vishwas'.

As per our Articles of Association, the Board can appoint an alternate director pursuant to the provisions of the Companies Act. Mr. Abhay Havaldar is presently the alternate director to Mr. William O. Grabe.

Compensation of Our Directors

For details of compensation of Mr. Narendra K. Patni, our Chairman and CEO, and Mr. Gajendra K. Patni and Mr. Ashok K. Patni, our Executive Directors, please refer to the section "Statutory and Other Information" on page 258 of this Prospectus. Our independent Directors on the Board are entitled to sitting fees as may be permissible under the Companies Act, apart from actual boarding and lodging expenses for attending the Board/Committee meetings. The independent directors may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Companies Act and any other applicable Indian laws and regulations.

Shareholding of Our Directors in our Company

The following table details the shareholding of our Directors, as at the date of this Prospectus:

Name of Directors	Number of Equity Shares (1) (Pre-Offer)	Number of Equity Shares (2) (Post-Offer)
Mr. Narendra K. Patni	2,108,802	2,108,802
Mr. Gajendra K. Patni	10,935,000	9,063,000
Mr. Ashok K. Patni	10,962,000	9,090,000

(1), (2) All holdings include shares held either individually or in joint names. For details regarding Equity Shares held by these promoters and their families and entities controlled by them, please see "Capital Structure" on page 20 of this Prospectus.

Term of Office

Mr. Narendra K. Patni is the Chairman and Chief Executive Officer of our Company. He is also the President and Chief Executive Officer of Patni Computer Systems, Inc. Mr. Narendra K. Patni has been seconded as CEO of our Company pursuant to the Consultancy Agreement, dated October 24, 2000, as approved by the Board Resolution dated October 24, 2000, as amended by the Deed of Amendment dated August 19, 2003, as approved by the Board Resolution dated August 12, 2003. For the terms of Mr. Narendra K. Patni's appointment see "Remuneration of CEO/Executive Directors" on page 261 of this Prospectus.

Mr. Gajendra K. Patni and Mr. Ashok K. Patni are Executive Directors of our Company for the term of five years ("First Term") up to October 23, 2005, which will be renewed for a further period of five years ("Second Term"). For the terms of Mr. Gajendra K. Patni's and Mr. Ashok K. Patni's appointment as Executive Directors, see "Remuneration of CEO/Executive Directors" on page 261 of this Prospectus.

Changes in Our Board of Directors during the last three years

Changes to our Board of Directors during the last three years are as follows:

Name Date of Appointment	Date of Cessation	Reason	
Mr. Sobhagmal M. Patni	N.A.	October 24, 2000	Resigned
Mr. Chandmal J. Bandi	N.A.	October 24, 2000	Resigned
Mr. K. K. Barjatya	N.A.	October 24, 2000	Resigned
Mr. Scott R. Bayman	October 24, 2000	November 12, 2003	GE Capital Nominee, Resigned
Mr. Puneet Bhatia	February 14, 2001	February 22, 2002	Appointment of Mr. Anil Chawla as an Alternate Director to Mr. Scott R. Bayman
Mr. Anil Chawla	August 29, 2002	November 12, 2003	Alternate Director to Mr. Scott R. Bayman
Mr. William O. Grabe	September 5, 2002		GA Nominee
Mr. John Wong	September 5, 2002	November 12, 2003	GA Nominee, Resigned due to reduced number of Board seats to GA, pursuant to reduction in size of Board
Mr. Christopher Lanning	September 5, 2002	October 30, 2002	Appointment of Mr. Abhay Havaldar as an Alternate Director to Mr. William O. Grabe

Name	Date of Appointment	Date of Cessation	Reason
Mr. Abhay Havaldar	October 30, 2002	—	Alternate Director to Mr. William O. Grabe
Ms. Susan G. Esserman	November 12, 2003	—	Independent Director
Mr. Anupam Puri	November 12, 2003	—	Independent Director
Mr. Pradip Shah	November 12, 2003	—	Independent Director
Mr. Ramesh Venkateswaran	November 12, 2003	—	Independent Director
Mr. Arun Duggal	November 12, 2003	—	Independent Director

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We intend to comply with such provisions, including with respect to the appointment of independent directors to our Board and the constitution of the following Board committees: the Audit Committee; the Remuneration Committee; and the Investors Grievances Committee. We undertake to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Audit Committee

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The committee consists of all non-executive directors, with the majority being independent directors. The Audit Committee currently comprises Mr. Arun Duggal, as the Chairman, Mr. William O. Grabe (alternate Director, Mr. Abhay Havaldar) and Mr. Pradip Shah.

The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of non-executive directors, with the Chairman being an independent director. The Committee currently comprises Mr. Anupam Puri, as the Chairman, Mr. William O. Grabe (alternate Director, Mr. Abhay Havaldar) and Mr. Ramesh Venkateswaran. The Committee performs the functions of Remuneration Committee as recommended in the listing agreement to be entered into with the Stock Exchanges. It will determine the company's policy on specific packages for executive directors.

Investors Grievances Committee

The Investors Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities. The Investors Grievances Committee currently comprises of Mr. Arun Duggal, as the Chairman, Mr. Narendra K Patni and Mr. William O. Grabe (alternate Director, Mr. Abhay Havaldar).

In addition to the committees described above, we also have a Board committee called the Compensation Committee.

The Compensation Committee

The Compensation Committee consists of the CEO and other Directors. The Committee currently comprises Mr. Anupam Puri, as the Chairman, Ms. Susan G. Esserman, Mr. William O. Grabe (alternate Director, Mr. Abhay Havaldar), and Mr. Narendra K. Patni. The Committee determines the grant of stock options and also reviews the overall compensation structure including managerial remuneration (other than to executive directors) and related policies aimed at attracting, motivating and retaining personnel.

Key Managerial Employees of our Company

The details of our key managerial employees are as follows:

Mr. Narendra K. Patni, ***the Chairman and Chief Executive Officer***, please refer to page 47 of this Prospectus under the section "Brief Biography of the Directors".

Mr. Satish M. Joshi, 48, Senior Vice President and Chief Technology Officer, has a Bachelor's degree in Electrical Engineering from IIT, Mumbai and a Master's degree in Computer Science. He has been employed with Patni for 21 years. His responsibilities include internal management information systems ("MIS"), global disaster recovery planning ("DRP") and business conitnuity planning ("BCP"), facilities and communications. In addition, Satish also supervises the Enterprise Application Systems, Japan, and eBusiness business units. Prior to Patni, he worked with the Tata Institute of Fundamental Research ("TIFR") in areas including concurrent programming languages, storage techniques for large databases, compiler optimization and data communication networks. His gross compensation in 2002 was Rs.3.0 million.

Mr. Vijay P. Khare, 46, Senior Vice President, has a Bachelor's degree in Engineering from the Regional Engineering College ("REC") Nagpur and a Masters degree in Computer Science from IIT, Mumbai. He has been employed with Patni for 23 years. His responsibilities include managing key accounts, co-ordinating global delivery, operational planning and review co-ordination. In addition, Vijay also supervises the GE and Insurance strategic business units. Vijay began his career with Patni in 1980. During his initial years, he worked on several projects in areas like distribution, manufacturing, and office automation in technologies ranging from Data General ("AOS/VS") to Unix and IBM ("MVS"). He was later involved in the customer relationship management of several accounts including Data General, Waterland BV, and RBS. He managed the GE relationship from 1995 to 2000. His gross compensation for 2002 was Rs.3.2 million.

Mr. Deepak Sogani, 37, Chief Financial Officer, has a Bachelor's degree in Electrical Engineering from IIT, Delhi and a post graduate diploma in management from IIM Ahmedabad. He has been employed with Patni for 6 years. He is also a CFA charterholder (AIMR, VA, USA). His responsibilities include managing global financial operations, corporate finance, treasury, global reporting and international taxation, financial and business planning, and enterprise-wide risk management. Deepak started his career at SBI Capital Markets and has worked in areas including money markets, structured finance, cross-border finance and investment banking. His subsequent assignments were in the financial and management consultancy area, with a focus on reengineering for mid-size corporates. His gross compensation in 2002 was Rs.2.5 million. In addition a one-time bonus of Rs.2.0 million was given to him in 2002.

Mr. Ajay Chamania, 41, Head of the Embedded Technology Solutions business unit, has a Bachelor's degree in Electronics and Telecommunications from REC, Bhopal. He has been employed with Patni for 17 years. Ajay has over 17 years of experience in technology, research and development, and embedded systems. He was previously employed with Tata Infotech Limited (formerly Tata Unisys Limited). His gross compensation in 2002 was Rs.2.3 million.

Mr. Sunil Chitale, 40, Head of GE business unit, has a Bachelor's degree in Electronics Engineering from the Institute of Technology, Benares Hindu University. Sunil started his career at Patni and has extensive experience in the development of large systems for financial management, inventory management, billing and order management. He has been employed with Patni for 18 years. His gross compensation in 2002 was Rs.2.6 million.

Mr. Sanjiv Kapur, 44, Head of the BPO business unit, is a graduate from the University of Bombay. Sanjiv has more than 20 years of experience in the IT, Telecom and BPO industries and has been with Patni for over 2 years. Prior to joining Patni, Sanjiv was an Executive Vice-President with e-Serve and was responsible for international sales and strategic initiatives including mergers and acquisitions. Previously, he was the Chief Executive Officer of Easy Call. His gross compensation in 2002 was Rs.2.7 million.

Mr. Milind S. Padalkar, 45, Head of the Enterprise Application Systems business unit, has a Bachelor's degree in Engineering from IIT, Delhi and a post graduate diploma in management from IIM, Ahmedabad. He has been employed with Patni for 15 years. He has more than 20 years of experience in the IT industry and has worked in many industries including manufacturing, banking and telecom. He was previously employed with Zensar Technologies Limited (formerly International Computers India Manufacture Limited). His gross compensation in 2002 was Rs.2.8 million.

Mr. C. R. Krishna Shastri, 44, Head of the eBusiness business unit, has a Bachelor's degree in Electrical Engineering from IIT, Kharagpur and a Masters degree in Computer Science from IIT, Madras. He has been employed with Patni for 18 years. He has over 20 years of experience in the IT industry, out of which more than 15 years are at Patni. He has received professional training in ISO 9001 and Six-Sigma processes and is skilled in managing large client relationships. He was previously employed with Intime Computers. His gross compensation in 2002 was Rs.2.3 million.

Mr. NandKumar S. Pradhan, 47, Vice President Sales and Marketing, Asia Pacific, South Africa and the Middle East, has a Bachelors degree in Electrical Engineering from the College of Engineering, Pune, and a Masters degree in Marketing Management from the Jamnalal Bajaj Institute of Management Studies, Mumbai. He has been employed with Patni for around 1 year. Prior to joining Patni, NandKumar was an Executive Director with Onward Novell Software (India) Limited and has held senior management positions in Hinditron Computers, Tata Exports and Crompton Greaves Limited.

Mr. Kiran Patwardhan, 50, Vice President-Japan Regional Office, has a Bachelor's degree in Chemical Engineering from IIT, Mumbai and a post graduate diploma in management from IIM, Calcutta. He has been employed with Patni for over 4 years. Prior to joining Patni, Kiran held senior management positions in Nelco, Tata Elxsi, Taj Exports, Mahindras and Zenith Computers. Kiran has extensive experience in international business and sales and marketing. His gross compensation in 2002 was Rs.1.9 million.

Mr. Milind Jadhav, 45, Vice President, Human Resources, is a post graduate in personnel management and industrial relations from the Tata Institute of Social Sciences, Mumbai. He has been employed with Patni for over 2 years. Prior to joining Patni, Milind worked with Mascot Systems, Zensar Technologies, Emirates Airlines and Elpro International Limited. His experience of over two decades in Human Resources Management cuts across a wide spectrum of HR activities and IT Operations. His gross compensation in 2002 was Rs.1.9 million.

The gross compensation of Mr. NandKumar S. Pradhan is not provided since he joined the Company after the year ended December 31, 2002, being the last audited fiscal year of the Company.

Our business relies on the services of key management employees of our subsidiaries also. See below for details of key management employees of our subsidiaries.

Key Managerial Employees of our Subsidiaries

Mr. Mrinal R. Sattawala, 49, Senior Vice President, has a Bachelor's degree in Electrical Engineering from IIT, Mumbai and an MBA from MacMaster University, Canada. Mrinal is a member of the Dean's Honors List and holds the DM Hedden Gold Medal for the outstanding student of his graduating class. His responsibilities include managing the America's sales region and co-ordinating global sales and marketing. Additionally, Mrinal supervises several of Patni's emerging industry practices. These include energy and utilities, retail, and hospitality. Mrinal has been with Patni since 1989 and previously worked as a software developer for the Computer Maintenance Corporation and as an IT consultant with the ICI group of companies in India. His gross compensation in 2002 was US$0.3 million (Rs.12.4 million).

Mr. Douglas W. Fallon, 40, Head of Enterprise Systems Management business unit, has a BS in Business Administration from Plymouth State College. Douglas has over 16 years experience in IT consulting and has previously held senior leadership positions at Nortel Networks, Cambridge Technology Partners and Siemens. His gross compensation for part of 2002 was US$0.1 million (Rs.4.1 million)

Mr. Sumedh Mehta, 38, Head of Financial Services business unit, has a BS degree in Electronic Engineering from Southampton University; an MS degree in Computer Science from Columbia University; and an MBA from Babson College. Prior to joining Patni, Sumedh was the President and Chief Executive Officer of The Reference Inc., where he was responsible for the growth of the firm and establishing it as a preferred vendors of consulting services to leading financial institutions. Sumedh has also held senior management positions in Fidelity Investments and The Mathworks.

Mr. Sukumar G. Namjoshi, 55, Vice President Sales and Marketing, Europe and UK, has a Bachelor's degree in Computer Science from IIT, Mumbai and post-graduate qualifications in Business, Industrial Management and International Marketing. Sukumar started his career with Crompton Greaves Limited and last worked for Blue Star Limited His experience spans over three decades during which he has handled international sales and marketing, business development, and manufacturing assignments, including starting new ventures and building delivery infrastructure. His gross compensation in 2002 was U.K. Pounds 0.1 million (Rs.9.3 million).

Mr. Parag S. Patel, 36, Head of Mergers and Acquisitions and Alliances, has an MBA from Harvard University, and a BAS in Electrical Engineering and History from Stanford University. Parag manages Patni's inorganic growth and aligns the organisation strategically with industry partners. Prior to joining Patni, Parag worked with Bowstreet Software in a number of executive positions, Trilogy Software, where he developed the financial services business, and National Semiconductor, where he was a marketing manager.

Interest of Promoters, Directors and Key Managerial Employees

Except as stated in "Related Party Transactions" on page 65 of this Prospectus and to the extent of shareholding on our Company, the Promoters do not have any other interest in our business.

Our promoters have significant rights in our Company under the terms of our Articles of Association. For additional information, see page 266 of this Prospectus.

Except to the extent of their compensation to the extent of ESOP, if any, as mentioned on page 24 of this Prospectus and their shareholding or shareholding of companies they represent, the directors, other than promoter directors, do not have any other interest in our Company.

The key managerial employees of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any, and options granted to them under the ESOP.

As long as Mr. Narendra K. Patni is the Chief Executive Officer of our Company, he shall, following consultation with GA, have the right to appoint and remove all the other senior personnel and the senior management team of our Company.

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreements or arrangement during the preceding two years from the date of this Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in our Key Managerial Employees of the Company during the last three years

Following are the changes in our key managerial employees during the last three years:

Manager Name	Designation	Date of Appointment	Date of Cessation	Reason
Mr. Milind Jadhav	Vice President – Human Resources	September 3, 2001	—	Appointed
Mr. Sanjiv Kapur	Head – Business Process Outsourcing	December 12, 2001	—	Appointed
Mr. NandKumar S. Pradhan	Vice President – Asia Pacific, South Africa and the Middle-East	February 3, 2003	—	Appointed

PROMOTERS

The Company, incorporated in 1978, is promoted by Mr. Narendra K. Patni, Mr. Gajendra K. Patni, Mr. Ashok K. Patni and iSolutions Inc.

Mr. Narendra K Patni, 61, (Voter ID No. NA, Driving License No. 011406198/Massachusetts) Chairman and CEO, has a Master's degree in Electrical Engineering from MIT and a Master's degree in Management from the Sloan School of Management at MIT. He has a Bachelor's degree in Electrical Engineering from IIT, Roorkee. He is a founder promoter of the Company and has led the Company since its inception in 1978. As an entrepreneur, he has played an integral role in the development of the Indian IT industry through his various ventures. He was instrumental in initiating the offshore outsourcing business model for the software industry. Prior to founding his first company, Data Conversion Inc. in 1972, he was President and Director of the Forrester Consulting Group and was previously with the US Trust Company of New York and was a consultant to Arthur D. Little, Inc.

Mr. Gajendra K. Patni, 62, (Voter ID No.MT/04/019/040024, Driving License No. 5580/N.Delhi) Executive Director, is one of the founder promoters of our Company. He is a Chemical Engineer. He has over 34 years of experience in finance, banking, legal and personnel functions. He has contributed significantly in the past to the growth of the computer rental business of our Company, which led to the formation of PCSDP in 1981, and PCSDG in 1987. These companies were merged to form PCSIL in 1994. He is a Joint Managing Director of PCSIL. Previously he was the Managing Director of Industrial Oxygen Company Limited.

Mr. Ashok K. Patni, 52, (Voter ID No. NA, Driving License No. NA) Executive Director, is one of the founder promoters of our Company. He is a Mechanical Engineer from the IIT, Mumbai. He has over 21 years of experience in computer hardware and systems software. He has contributed significantly in the past to growth of the hardware business of our Company, which led to the formation of PCSDP in 1981, and PCSDG in 1987. These companies were merged to form PCSIL in 1994. He is a Joint Managing Director of PCSIL.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to NSE and BSE at the time of filing this Prospectus with them.

iSolutions Inc.

iSolutions Inc., a corporation incorporated in Massachusetts, USA on October 1, 1999, is an investment company wholly-owned by Mrs. Poonam Patni, Mr. Narendra K. Patni's wife, and Mr. Anirudh Patni, Mr. Narendra K. Patni's son. The share capital of iSolutions Inc. comprises 15,000 shares of US$1.0 each.

Board of Directors

The Board of Directors of iSolutions Inc. comprise Mr. Narendra K. Patni, Mrs. Poonam Patni, Mr. Anirudh Patni, Ms. Ambika Patni and Mr. John Ganick.

Financial Performance

The operating results of iSolutions Inc. for 2000, 2001 and 2002 are set forth below:

(US$)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales and other income	47	52,858	5,798,927
Profit after tax	(224,135)	(271,197)	4,208,770
Equity capital	15,000	15,000	15,000
Reserves(1)	(224,135)	(495,332)	2,563,438
Earnings per share ($)	(14.9)	(18.1)	280.6
Book value per share ($)	(13.9)	(32.0)	171.9

(1) excludes revaluation reserves

Convenience Translation. Please refer to “Currency of Presentation” on page C of this Prospectus.

	Year ended December 31,		
	2000	**2001**	**2002**
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00

(Rs. thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Sales and other income	2.2	2,551.5	278,348.5
Profit after tax	(10,478.3)	(13,090.7)	202,021.0
Equity capital	701.3	724.1	720.0
Reserves	(10,478.3)	(23,909.7)	123,045.0
Earnings per share (Rs.)	(698.6)	(872.7)	13,468.1
Book value per share (Rs.)	(651.8)	(1,545.7)	8,251.0

(1) excludes revaluation reserves

SUBSIDIARIES

The Company currently has four wholly-owned subsidiaries, comprising Patni Computer Systems, Inc., a U.S. corporation, The Reference Inc., a U.S. corporation, Patni Computer Systems (UK) Limited, a U.K. company, and Patni Computer Systems GmbH, a German company. In this section, financial data for iSolutions Inc. and The Reference Inc. has been derived from their financial statements prepared in accordance with U.S. GAAP. Financial data for Patni Computer Systems (UK) Limited has been derived from such entity's financial statements prepared in accordance with generally acceptable accounting principles in the U.K. Financial data for Patni Computer Systems GmbH has been derived from such entity's financial statements prepared in accordance with the provisions of the third book of the German Commercial Code (HGB) and the Limited Liability Companies Law (GmbHG).

Patni Computer Systems, Inc.

Patni Computer Systems, Inc. (formerly known as Data Conversion, Inc.), was incorporated in the State of Massachusetts, USA, on October 12, 1972. It provides consultancy, software development, maintenance and data conversion services to a variety of industries and clients located in North America, primarily in the United States.

The Company acquired a 25% equity interest in Patni Computer Systems, Inc., from Mr. Narendra K. Patni, Mrs. Poonam Patni, Mr. Anirudh Patni and the Narendra K. Patni Qualified Annuity Trust 2000 in November 2000 and the remaining 75% equity interest in September 2002.

Board of Directors

The Board of Directors of Patni Computer Systems, Inc. comprises Mr. Narendra K. Patni, Mr. Mrinal R. Sattawala and Mr. John Ganick.

Financial Performance

The restated operating results of Patni Computer Systems, Inc. for 2000, 2001, 2002 and the nine months ended September 30, 2003, as per U.S. GAAP, are set forth below:

(US$ in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the months ended September 30, 2003(1)
Sales and other income	85,722.8	122,689.2	164,123.6	160,409.3
Profit after tax	5,863.1	2,883.8	2,423.0	2,802.0
Equity capital (no par value)	5.0	5.0	5.0	5.0
Reserves(2)	14,745.3	17,554.0	19,902.0	22,704.1
Earnings per share ($)	1,172.6	576.8	484.6	560.4
Book value per share ($)	2,950.1	3,511.8	3,981.4	4,541.8

(1) includes The Reference Inc., from April 18, 2003; (2) excludes revaluation reserves

These financial statements of Patni Computer Systems, Inc., have been reported in U.S. Dollars and have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the statements of income and balance sheet data for each period at the noon buying rate on the last business day of such period. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			
	2000	2001	2002	Nine months ended September 30, 2003
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.45.78

Convenience Translation. Please refer to “Currency of Presentation” on page C of this Prospectus.

(Rs. in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the nine months ended September 30, 2003
Sales and other income	4,007,538.7	5,922,206.8	7,877,935.1	7,343,536.4
Profit after tax	274,100.4	139,199.4	116,304.8	128,275.7
Equity capital (no par value)	233.8	241.4	240.0	228.9
Reserves(1)	689,341.2	847,333.1	955,298.4	1,039,391.5
Earnings per share (Rs.)	54,819.1	27,842.1	23,260.8	25,655.1
Book value per share (Rs.)	137,917.2	169,514.6	191,107.2	207,923.6

(1) excludes revaluation reserve

The Reference Inc.

The Reference Inc., was incorporated in the State of Massachusetts, U.S.A, on January 12, 1994, for the purpose of developing, researching, testing, marketing and distributing computer software. The company is primarily an information technology professional services firm serving a variety of clients in the financial services industry.

On April 17, 2003, all of the outstanding common and preferred shares of the company were acquired by Patni Computer Systems, Inc. Accordingly, as of April 17, 2003, the company became a wholly-owned subsidiary of Patni Computer Systems, Inc.

Board of Directors

The Board of Directors of The Reference Inc., comprises Mr. Narendra K. Patni and Mr. John Ganick.

Financial Performance

The restated operating results of The Reference Inc., for 2000, 2001, 2002 and the period ended April 17, 2003, as per U.S. GAAP, are set forth below:

(US$ in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the period ended April 17, 2003
Sales and other income	12,246.2	14,671.1	8,677.0	2,077.4
Profit after tax	240.4	80.4	(416.8)	(37.9)
Equity capital (par value $0.01 per share)(1)	3,205.3	3,580.3	3,864.6	3,697.8
Reserves(2)	408.7	236.6	(365.8)	(403.7)
Earnings per share ($)	0.0	(0.0)	(0.1)	(0.0)
Book value per share ($)	0.5	0.5	0.4	0.4

(1) Equity capital includes series A preferred stock; (2) excludes revaluation reserve

These financial statements of The Reference Inc., have been reported in U.S. Dollars and have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the statements of income and balance sheet data for each period at the noon buying rate on the last business day of such period. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			
	2000	2001	2002	Period ended April 17, 2003
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.47.34

Convenience Translation. Please refer to "Currency of Presentation" on page C of this Prospectus.

(Rs. in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the period ended April 17, 2003
Sales and other income	572,510.3	708,172.4	416,496.0	98,343.1
Profit after tax	11,240.9	3,881.1	(20,007.1)	(1,794.2)
Equity capital (par value $0.01 per share)(	149,845.7	172,819.7	185,501.9	175,053.7
Reserves(1)	19,108.7	11,422.0	(17,556.8)	(19,109.6)
Earnings per share (Rs.)	0.9	(0.5)	(3.4)	(0.5)
Book value per share (Rs.)	21.0	22.2	19.7	18.5

(1) excludes revaluation reserves

Patni Computer Systems (UK) Limited

Patni Computer Systems (UK) Limited was incorporated as a wholly-owned subsidiary of the Company in UK on October 1, 1993. The principal activity of the company is providing IT services primarily in UK and other parts of Europe.

Board of Directors

The Board of Directors of Patni Computer Systems (UK) Limited comprises Mr. Phiroze J. Kutar, Mr. Ashok K. Patni, Mr. Robert B. Pady and Mr. Sukumar G. Namjoshi.

Financial Performance

The restated operating results of Patni Computer Systems (UK) Limited for 2000, 2001, 2002 and the nine months ended September 30, 2003, as per UK GAAP, are set forth below:

(£ in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the nine months ended September 30, 2003
Sales and other income	6,316.0	8,421.3	7,199.9	5,484.2
Profit after tax	381.0	335.7	183.7	116.2
Equity Capital	50.0	50.0	50.0	50.0
Reserves (1)	1,010.5	1,346.2	1,529.9	1,646.1
Earnings per share (£)	7.6	6.7	3.7	2.3
Book value per share (£)	21.2	27.9	31.6	33.9

(1) excludes revaluation reserves

These financial statements of Patni Computer Systems (UK) Limited have been reported in Pounds and have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. We have translated Pound amounts into Rupee amounts at the following rates, which were the average transfer rates prescribed by Standard Chartered Bank on the last business day of the particular period. The translations should not be considered as a representation that such Pound amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			
	2000	2001	2002	Nine months ended September 30, 2003
Exchange Rate	Rs.69.95	Rs.70.20	Rs.77.40	Rs.74.78

Convenience Translation **:** Please refer to “Currency of Presentation” on page C of this Prospectus.

(Rs. in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the nine months ended September 30, 2003
Sales and other income	441,801.5	591,172.2	557,273.4	410,109.1
Profit after tax	26,650.5	23,565.1	14,220.0	8,690.7
Equity capital	3,497.5	3,510.0	3,870.0	3,739.0
Reserves (1)	70,685.7	94,503.5	118,416.1	123,098.4
Earnings per share (Rs.)	531.6	470.3	286.4	172.0
Book value per share (Rs.)	1,482.9	1,958.6	2,445.8	2,535.0

(1) excludes revaluation reserve

Patni Computer Systems GmbH

Patni Computer Systems GmbH was incorporated as a wholly-owned subsidiary of the Company in Germany on September 12, 2000. The company provides consultancy, software development, maintenance and data conversion services to a variety of industries and clients primarily in Germany and other parts of Europe.

Board of Directors

The Board of Directors of Patni Computer Systems GmbH comprises Mr. Phiroze J. Kutar and Mr. Sukumar G. Namjoshi.

Financial Performance

The restated operating results of Patni Computer Systems GmbH for 2000, 2001, 2002 and the nine months ended September 2003, in accordance with the provisions of the third book of the German Commercial Code (HGB) and the Limited Liability Companies Law (GmbHG), are set forth below:

(Euro in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the nine months ended September 30, 2003
Sales and other income	-	992.3	2,323.2	1,994.3
Profit after tax	(52.6)	(123.6)	108.8	(88.7)
Equity contribution	150.0	150.0	150.0	150.0
Reserves(2)	(52.6)	(176.2)	(67.4)	(156.1)
Earnings per share (€) (1)	(52,581.0)	(123,641.0)	108,800.0	(88,700.0)
Book value per share (€)(1)	97,419.0	(26,222.0)	82,578.0	(6,100.0)

(1) Since investment in Patni Computer Systems GmbH has been made as contribution, earnings per share and book value per share have been calculated assuming the number of shares to be one.

(2) excludes revaluation reserve

These financial statements of Patni Computer Systems GmbH have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. We have translated the Euro amounts into Rupee amounts at the following rates, which were the average transfer rates prescribed by Standard Chartered Bank on the last business day of the particular period. The translations should not be considered as a representation that such Euro amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			
	2000	2001	2002	Nine months ended September 30, 2003
Exchange Rate	Rs.43.95	Rs.42.52	Rs.50.40	Rs.51.88

(Rs. in thousands, except per share data)

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002	As at and for the nine months ended September 30, 2003
Sales and other income	-	42,194.0	117,088.9	103,464.4
Profit after tax	(2,310.9)	(5,257.2)	5,483.5	(4,600.7)
Equity contribution	6,592.5	6,378.0	7,560.0	7,782.0
Reserves(2)	(2,310.9)	(7,493.0)	(3,398.1)	(8,098.6)
Earnings per share (Rs.)(1)	(2,310,935.0)	(5,257,215.3)	5,483,520.0	(4,600,718.4)
Book value per share (Rs.)(1)	4,281,565.1	(1,114,959.4)	4,161,931.2	(316,571.8)

(1) Since investment in Patni Computer Systems, GmbH has been made as contribution, earnings per share and book value per share have been calculated assuming number of shares to be one.

(2) excludes revaluation reserve

GROUP COMPANIES

Mr. Gajendra K. Patni and Mr. Ashok K. Patni have management control of all the group companies described herein. Mr. Narendra K. Patni does not have any management responsibilities in any of these group companies. Transactions, if any, between our Company and any group company are conducted on an arms-length basis. In this section, financial data for each group company, other than PCS International Limited, has been derived from such company's financial statements prepared in accordance with Indian GAAP. Financial data for PCS International Limited is derived from its financial statements prepared in accordance with U.S. GAAP.

PCS Industries Limited

PCS Industries Limited was incorporated as PCS Data Products Private Limited on April 22, 1981 in Maharashtra, India. It was converted into a public limited company on July 22, 1987 and the name was changed to PCS Data Products Limited. Subsequently, the company obtained a fresh certificate of incorporation upon change of its name to PCS Industries Limited on March 25, 1994. On April 1, 1994, PCS Data General India Limited merged with PCS Industries Limited. It is engaged in the manufacture of computer hardware products and also offers hardware maintenance services. This company may compete with our Company for the provision of IT services.

Shareholding

PCS Industries Limited is a public company listed in India. Mr. Sobhagmal M. Patni and Mrs. Kanchanbai S. Patni own 0.9% of shareholding, Mr. Gajendra K. Patni and Mr. Ashok K. Patni along with their families own 34.8%, Mr. Narendra K. Patni and his family own 6.0% and private holding companies controlled by Mr. Gajendra K. Patni and Mr. Ashok K. Patni own 27.2% of the shareholding of the company.

Board of Directors

The Board of Directors of PCS Industries Limited comprises Mr. Gajendra K. Patni, Mr. Ashok K. Patni, Mr. Dadi B. Engineer, Mr. Satish Ajmera, Mr. Prakash V. Mehta, Mr. Girish M. Dave, Mr. Amit Kumar Patni, Mr. Narendra K. Patni, Mr. Kamal Kumar Barjatya, Mr. Mukund Y. Kulkarni, Mr. Harish C. Tandon and Mr. Biswanath N. Agarwal.

Financial Performance

The operating results of PCS Industries Limited as at and for the years ended March 31, 2001, 2002 and 2003 are set forth below:

(Rs. in thousands, except share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	2,289,699.0	2,068,737.0	2,290,615.7
Profit after tax	9,109.0	(34,683.4)	12,050.9
Equity capital	131,607.0	131,610.0	131,721.4
Reserves(1)	352,924.3	289,819.3	303,658.6
Earnings per share (Rs.)	0.7	(2.6)	0.9
Book value per share (Rs.)	36.7	31.9	33.3

(1) excludes revaluation reserve

The rights issue of PCS Industries Limited, which opened on May 26, 2003, was an issue of 78,59,279 shares of Rs.10 each, for cash at a premium of Rs.15 per share, aggregating Rs.196.5 million. The shares were allotted in the ratio of three equity shares for every five equity shares held. The date of allotment of shares in the rights issue was July 19, 2003 and the refund orders were despatched on July 21, 2003. As at October 31, 2003, the closing price of the shares on the BSE was Rs.22.7.

PCS Industries Limited is listed on the BSE and the Pune Stock Exchange. The highest and the lowest market price of shares of the company on the BSE during the preceding six months are as under:

Month	Highest (Rs.)	Lowest (Rs.)
October 2003	26.0	22.7
September 2003	25.6	20.8
August 2003	25.7	24.3
July 2003	29.6	23.7
June 2003	28.4	22.8
May 2003	23.5	18.0

Investor Grievance Status

Investor grievances pertaining to the rights issue was handled by the Registrars to the Issue, Bigshare Services Private Limited. Fortnightly status report of the complaints received and redressed by them are forwarded to PCS Industries Limited. PCS Industries Limited has appointed Mr. J. T. Shah as the Compliance Officer and is required by applicable regulation to address all investor grievances within a maximum period of two weeks. The Investor Grievances Redressal report for the period April 1, 2003 to September 25, 2003 is detailed below:

Category	Received	Replied	Pending
Transfer Shares	5	5	0
Transmission of petition	6	6	0
Total	11	11	0
Duplication Procedure	20	20	0
Dematerialisation	12	12	0
Consolidation	3	3	0
Dividend	13	13	0
Annual Report	1	1	0
Any other	23	23	0
Interest Warrant	3	3	0
Issue of Duplicates	11	11	0
Total	**86**	**86**	**0**

PCS International Limited

PCS International Limited was incorporated on September 3, 1999 in Mauritius. The company manufactures computer hardware including personal computers, notebooks and network systems at Jebel Ali Free Trade Zone, UAE.

Shareholding

PCS Industries Limited holds a 100% equity interest in PCS International Limited.

Board of Directors

The Board of Directors of PCS International Limited comprises Mr. Gajendra K. Patni, Mr. Ashok K. Patni, Mr. Amit Patni, Mr. Louis Emmanuel Ng Cheong Tin and Mr. Yuvraj Kumar Juwaheer.

Financial Performance

The operating results of PCS International Limited as at and for the years ended March 31, 2001, 2002 and 2003 are set forth below:

($ in thousands, except per share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	3,016.8	3,221.7	4,121.4
Profit after tax	(139.9)	(75.9)	(37.3)
Equity capital	735.0	735.0	735.0
Reserves[(1)]	(300.4)	(376.3)	(413.6)
Earning per share ($)	(1.9)	(1.0)	(0.5)
Book value per share ($)	5.9	4.9	4.4

(1) excludes revaluation reserve

These financial statements of PCS International Limited have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the statements of income and balance sheet data for each period at the noon buying rate on the last business day of such period. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended March, 31,		
	2001	2002	2003
Noon Buying Rate	Rs.46.85	Rs.48.83	Rs.47.53

(Rs. in thousands, except per share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	141,335.3	157,315.5	195,889.0
Profit after tax	(6,552.6)	(3,704.6)	(1,773.6)
Equity capital	34,434.8	35,890.1	34,934.6
Reserves[(1)]	(14,074.7)	(18,374.2)	(19,658.6)
Earning per share (Rs.)	(89.2)	(50.4)	(24.1)
Book value per share (Rs.)	277.0	238.3	207.8

(1) excludes revaluation reserve

PCS Cullinet Private Limited

PCS Cullinet Private Limited was incorporated on March 28, 1988 in India. The company's principal activity is the ownership and management of listed and unlisted shares and units and real estate

Shareholding

The entire issued share capital of PCS Cullinet Private Limited is owned by Mr. Sobhagmal M. Patni, Mr. Gajendra K. Patni, Mr. Ashok K. Patni and their families, and the family of Mr. Narendra K. Patni.

Board of Directors

The Board of Directors of PCS Cullinet Private Limited comprises Mr. Gajendra K. Patni, Mr. Ashok K. Patni, Mr. Chandmal J. Bandi and Mr. Sushil Kumar Pahariya.

Financial Performance

The operating results of PCS Cullinet Private Limited as at and for the years ended March 31, 2001, 2002 and 2003 are set forth below:

(Rs. in thousands, except per share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	3,608.1	4,383.9	6,010.6
Profit after tax	1,813.8	2,569.2	3,165.9
Equity capital	2,800.0	2,800.0	2,800.0
Reserves [1]	44,993.7	45,711.6	48,877.5
Earning per share of Rs. 100 each	64.8	91.8	113.1
Book value per share	1,706.9	1,732.6	1,845.6

(1) excludes revaluation reserve

PCS Finance Private Limited

PCS Finance Private Limited was incorporated on August 10, 1994 as a public limited company in India. It was subsequently converted into a private limited company on February 11, 2003. Its principal activity is the ownership and management of listed and unlisted shares and units, and real estate.

Shareholding

The entire issued share capital of PCS Finance Private Limited is owned by Mr. Sobhagmal M. Patni, Mr. Gajendra K. Patni, Mr. Ashok K. Patni and their families and the family of Mr. Narendra K. Patni.

Board of Directors

The Board of Directors of PCS Finance Private Limited comprises Mr. Ashok K. Patni, Mr. Mir Prakash Jain and Mr. Amit Patni.

Financial Performance

The operating results of PCS Finance Private Limited as at and for the years ended March 31, 2001, 2002 and 2003, are set forth below:

(Rs. in thousands, except per share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	3,561.1	4,343.0	5,980.6
Profit after tax	2,246.3	2,979.6	3,631.5
Equity capital	2,107.0	2,107.0	2,107.0
Reserves[1]	36,554.7	37,676.8	41,308.3
Earning per share of Rs. 10 each (Rs.)	10.7	14.1	17.2
Book value per share (Rs.)	183.5	188.8	206.1

(1) excludes revaluation reserve

Ashoka Computer Systems Private Limited

Ashoka Computer Systems Private Limited was incorporated on October 14, 1982 in India. Its principal activity is the ownership and management of listed and unlisted shares and units and real estate.

Shareholding

The entire issued share capital of Ashoka Computer Systems Private Limited is owned by Mr. Sobhagmal M. Patni, Mr. Gajendra K. Patni, Mr. Ashok K. Patni their families and the family of Mr. Narendra K. Patni.

Board of Directors

The Board of Directors of Ashoka Computer Systems Private Limited comprises Mr. Amit Patni and Mr. Ashok K. Patni.

Financial Performance

The operating results of Ashoka Computer Systems Private Limited as at and for the years ended March 31, 2001, 2002 and 2003, are set forth below:

(Rs. in thousands, except share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	3,573.7	4,382.5	6,138.9
Profit after tax	2,271.1	3,034.5	3,803.5
Equity capital	2,220.0	2,220.0	2,220.0
Reserves(1)	36,649.8	37,725.9	41,529.4
Earning per share (Rs.)	102.3	136.7	171.3
Book value per share (Rs.)	1,750.9	1,799.4	1,970.7

(1) excludes revaluation reserve

Ravi and Ashok Enterprises

Ravi and Ashok Enterprises is a partnership firm registered on September 2, 1987 in India. Its principal activity is investment in real estate.

The entire partnership of Ravi and Ashok Enterprises is owned by Mr. Sobhagmal M. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni.

Partners

The partners of Ravi and Ashok Enterprises are Mr. Sobhagmal M. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni.

Financial Performance

The operating results of Ravi and Ashok Enterprises as at and for the years ended March 31, 2001, 2002 and 2003, are set forth below:

(Rs. in thousands, except share data)

	As at and for the year ended March 31, 2001	As at and for the year ended March 31, 2002	As at and for the year ended March 31, 2003
Total income	484.01	225.0	225.0
Profit after tax	350.4	133.4	135.0
Equity capital (Partner's Capital)	1,798.9	1,870.1	1,965.1
Earning per share (Rs.)	NA	NA	NA
Book value per share (Rs.)	NA	NA	NA

Disassociated Companies

There are no companies from which the promoters have disassociated themselves over the last five years.

RELATED PARTY TRANSACTIONS

Our Company has various transactions with related parties, including the following parties:

- our group companies, including PCS Industries Limited, PCS Cullinet Private Limited, PCS Finance Private Limited, PCS International Limited and Ashoka Computer Systems Private Limited;
- our shareholders; and
- our promoters, directors and employees, including their relatives.

These transactions have comprised the following:

- sale of hardware to group companies;
- providing corporate guarantee to a group company;
- entering into operating leases for residential property from group companies and the relatives of our promoters;
- placing deposits with group companies;
- lending monies to shareholders, secured by promissory notes;
- granting personal loans to employees;
- payments to the GE Group for data link connections;
- entry into a shareholders agreement, which will terminate upon the listing of the Equity Shares on the BSE or the NSE, with our promoters, GA, GE Capital and GE Tech, pursuant to which certain significant rights have been granted to each such shareholder;
- entry into a consultancy agreement with Patni Computer Systems, Inc., our U.S. subsidiary, for, *inter-alia*, the secondment of Mr. Narendra K. Patni; and
- entry into other agreements, such as a registration rights agreement and a deposit agreement, which grants rights to certain of our shareholders.

For more detailed information on our related party transactions, see note 21 to our unaudited consolidated financial statements under U.S. GAAP for the nine months ended September 30, 2002 and 2003, and note 20 to our audited consolidated financial statements under U.S. GAAP for the years ended December 31, 2000, 2001 and 2002. In addition, note 21 to our audited consolidated financial statements under Indian GAAP also contains information relating to our transactions with related parties. For more detailed information relating to our shareholders agreement, consultancy agreement, registration rights agreement and deposit agreement, see pages 42, 261, 44 and 45, respectively, of this Prospectus.

SECTION IV: SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA (AS PER UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP)

The following selected unconsolidated financial data has been extracted from our audited unconsolidated financial statements prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the Auditors Report of Bharat S. Raut & Co. dated November 6, 2003, in the section "Unconsolidated Financial Statements under Indian GAAP (including Subsidiaries)". You should read this selected unconsolidated data in conjunction with our audited unconsolidated financial statements for the year ended March 31, 1998, nine months ended December 31, 1998, years ended December 31, 1999, 2000, 2001 and 2002, and for the nine months ended September 30, 2003, including the significant accounting policies and notes thereto and the reports thereon and the "Management's Discussion and Analysis of Financial Condition and Results of Operations (as per Unconsolidated Financial Statements under Indian GAAP)" included in this Prospectus. During the year 1998, the Company changed its fiscal year end from March 31 to December 31, the first such period being the nine months ended December 31, 1998. Unconsolidated financial statements prepared in accordance with Indian GAAP differ in certain significant respects from consolidated financial statements prepared under Indian GAAP and financial statements prepared under U.S. GAAP.

Summary of Profits and Losses, as Restated

(Rs. in thousands)

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Income							
Sales and service income	824,963	918,462	1,414,004	1,977,608	3,289,609	4,482,148	3,856,562
Other income	14,358	30,840	41,043	196,916	50,786	46,748	121,676
Total income	839,321	949,302	1,455,047	2,174,524	3,340,395	4,528,896	3,978,238
Expenditure							
Staff costs	370,254	449,457	760,370	855,131	1,337,818	1,666,975	1,665,992
Depreciation	55,095	49,516	85,050	126,084	231,449	297,338	287,244
Selling, general and administration expenses	129,603	125,902	198,670	311,854	512,692	635,554	652,070
Interest	11,653	15,241	26,676	49,625	51,476	19,254	955
Total expenditure	566,605	640,116	1,070,766	1,342,694	2,133,435	2,619,121	2,606,261
Net profit before tax and adjustments	272,716	309,186	384,281	831,830	1,206,960	1,909,775	1,371,977
Provision for taxation	456	-	4,815	65,317	63,710	268,301	208,856
Net profit before adjustments	272,260	309,186	379,466	766,513	1,143,250	1,641,474	1,163,121
Adjustments							
Impact of changes in accounting policies							
(Increase) /decrease in depreciation	28,618	17,879	28,300	(96,900)	-	-	-
Increase /(decrease) in revenue	(29,484)	22,203	5,660	(25,915)	-	-	-
(Increase) /decrease in amortisation of preliminary expenses	25	(1,138)	(4,876)	(454)	2,037	4,579	
(Increase) /decrease in consumables	(624)	(34)	(2,122)	3,284	-	-	-
Deferred tax credit/(expense)	4,282	(5,377)	11,041	(9,694)	(25,974)	(7,916)	-
Change in treatment of deferred revenue expenditure	-	-	(4,603)	4,603	-	-	-
Other adjustments							
(Increase) /decrease in property tax expense	-	-	983	(4,516)	(6,424)	9,957	-
(Increase) /decrease in pension expense	(1,402)	(1,078)	(1,462)	24,984	-	-	-
(Increase)/ decrease in provision for U.S. branch office taxes	-	-	-	(1,593)	(6,532)	(20,179)	28,304
Total impact of adjustments	**1,415**	**32,455**	**32,921**	**(106,201)**	**(36,893)**	**(13,559)**	**28,304**

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September30, 2003
Tax impact of adjustments	734	(13,216)	(6,672)	29,489	-	-	-
Total of adjustments after tax impact	**2,149**	**19,239**	**26,249**	**(76,712)**	**(36,893)**	**(13,559)**	**28,304**
Net profit, as restated	**274,409**	**328,425**	**405,715**	**689,801**	**1,106,357**	**1,627,915**	**1,191,425**
Profit and Loss account, beginning of the period	349,360	579,062	824,087	632,912	1,174,885	2,090,059	3,500,942
Profits available for appropriation, as restated	623,769	907,487	1,229,802	1,322,713	2,281,242	3,717,974	4,692,367

Accounting Ratios

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Earnings per share(1) (Rs.)							
Pre Split	15.2	18.3	20.8	36.0	57.1	81.7	53.5
Post Split	3.1	3.7	4.2	7.2	11.4	16.4	10.7
Weighted average number of equity shares1 outstanding							
Pre Split	18,000,000	18,000,000	18,000,000	18,138,787	18,747,000	19,811,834	22,284,170
Post Split	90,000,000	90,000,000	90,000,000	90,693,934	93,735,000	99,059,168	111,420,849

(1) On June 26, 2001, the Company's board of directors approved a sub division of equity shares of Rs.10 each into 5 equity shares of Rs.2 each. Accordingly, earnings per share and weighted average number of shares outstanding are presented on a pre-split and post-split basis.

Summary of Assets and Liabilities, as Restated

(Rs. in thousands)

	As at March 31, 1998	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
Fixed assets							
Gross block	495,746	590,807	596,880	1,118,835	1,828,513	2,414,707	2,791,190
Less: Accumulated depreciation	137,511	172,951	201,135	422,185	539,883	822,777	1,086,766
Net block	358,235	417,856	395,745	696,650	1,288,630	1,591,930	1,704,424
Less: Revaluation reserve	95,017	91,095	9,635	9,855	9,774	9,693	9,632
Net block after adjustment for revaluation reserve	263,218	326,761	386,110	686,795	1,278,856	1,582,237	1,694,792
Capital work-in-progress	29,028	59,611	183,885	156,487	30,844	28,900	79,005
Total	**292,246**	**386,372**	**569,995**	**843,282**	**1,309,700**	**1,611,137**	**1,773,797**
Investments	105,730	225,730	441,954	661,362	519,544	3,645,102	4,344,204
Deferred tax asset	9,296	-	-	14,867	5,711	6,570	13,430
Current assets, loans and advances							
Sundry debtors	459,566	504,369	653,352	1,033,090	1,809,607	2,371,469	2,650,706
Cash and bank balances	118,699	103,319	56,912	94,395	169,487	138,876	384,783
Loans and advances	47,581	153,521	80,945	94,136	151,073	115,050	161,792
Costs and estimated earnings in excess of billings	25,095	33,923	33,492	99,356	205,946	55,101	118,977
Total	**650,941**	**795,132**	**824,701**	**1,320,977**	**2,336,113**	**2,680,496**	**3,316,258**

	As at March 31, 1998	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
Liabilities and provisions							
Secured loans	186,188	219,291	286,126	321,773	402,703	19,697	22,400
Current liabilities	94,760	83,822	82,295	157,479	336,392	591,999	962,327
Provisions	46,959	85,743	166,274	146,760	171,180	393,096	327,315
Deferred tax liability	-	9,297	4,928	-	16,818	25,593	31,302
Total	**327,907**	**398,153**	**539,623**	**626,012**	**927,093**	**1,030,385**	**1,343,344**
Net worth	**730,306**	**1,009,081**	**1,297,027**	**2,214,476**	**3,243,975**	**6,912,920**	**8,104,345**
Share capital	30,000	30,000	280,000	281,245	374,980	148,561	222,842
Reserves and surplus							
- Export reserve	195	195	-	-	-	-	-
- Debenture redemption reserve	-	1,250	16,250	40,000	20,000	-	-
- General reserve	121,049	153,549	367,865	444,516	578,841	509,687	490,664
- Profit and loss account, as restated	579,062	824,087	632,912	1,174,885	2,090,059	3,500,942	4,711,390
- Share premium	-	-	-	273,830	180,095	2,500,429	2,426,148
- Capital redemption reserve	-	-	-	-	-	253,301	253,301
Net Worth	730,306	1,009,081	1,297,027	2,214,476	3,243,975	6,912,920	8,104,345

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER UNCONSOLIDATED INDIAN GAAP)

We are one of the leading Indian providers of integrated IT services. Our service offerings span the entire software services lifecycle including application development and integration, application maintenance, enterprise application systems, e-Business and enterprise systems management, and recently, research and development services and business process outsourcing. We believe that our ability to manage large client relationships, deliver complex outsourcing services through innovative delivery models and maintain high quality standards are some of our important differentiators.

The discussion presented below is based upon, and should be read in conjunction with, our audited unconsolidated financial statements prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, as restated, for the years ended December 31, 2000, 2001, 2002 and the nine months ended September 30, 2003. Percentage amounts presented below have been calculated on the basis of Rupee amounts. Our net profit has been restated to reflect adjustments as described in Annexure III to the auditors report prepared by Bharat S. Raut & Co., as included in page 159 of this Prospectus.

Our sales and service income has grown at a compound annual growth rate of 50.5%, from Rs.1,977.6 million in 2000 to Rs.4,482.1 million in 2002. We had sales and service income of Rs.3,856.6 million in the nine months ended September 30, 2003.

Results of Operations for the Nine Months Ended September 30, 2003

Our sales and service income was Rs.3,856.6 million in the nine months ended September 30, 2003 representing 96.9% of total income. Other income was Rs.121.7 million representing 3.1% of total income. Total expenditure was Rs.2,606.3 million and represents 65.5% of our total income. Staff costs, selling, general and administrative expenses and depreciation comprise a major portion of our total expenses and accounted for 41.9%, 16.4% and 7.2%, respectively, of our total income. Net profit before tax and adjustments was Rs.1,372.0 million representing 34.5% of our total income. Provision for taxation was Rs.208.9 million representing 5.2% of our total income. Net profit before adjustments was Rs.1,163.1 million. Net profit after adjustments was Rs.1,191.4 million representing 29.9% of our total income.

Comparison of Results of Operations for the Years Ended December 31, 2002 and December 31, 2001

Income

Our sales and service income was Rs.4,482.1 million in 2002 representing an increase of 36.3% over sales and service income of Rs.3,289.6 million in 2001. Other income reduced marginally to Rs.46.8 million in 2002 compared to Rs.50.8 million in 2001.

Expenditure

Total expenditure was Rs.2,619.1 million in 2002 compared to Rs.2,133.4 million in 2001, representing an increase of 22.8% in 2002 over 2001. Staff costs were Rs.1,667.0 million in 2002 compared to Rs. 1,337.8 million in 2001, representing an increase of 24.6% in 2002 over 2001. Staff costs accounted for 36.8% and 40.0% of total income in 2002 and 2001, respectively. Selling, general and administrative expenses were Rs.635.6 million in 2002 compared to Rs.512.7 million in 2001 representing an increase of 24.0% in 2002 over 2001. Selling, general and administrative expenses accounted for 14.0% and 15.3% of total income in 2002 and 2001, respectively. Depreciation was Rs.297.3 million in 2002 compared to Rs.231.4 million in 2001 representing an increase of 28.5% in 2002 over 2001. Depreciation accounted for 6.6% and 6.9% of total income in 2002 and 2001, respectively. Interest expense was Rs.19.3 million in 2002 as compared to Rs.51.5 million in 2001 representing a decrease of 62.6% in 2002 over 2001.

Income Tax

Provision for taxation was Rs.268.3 million in 2002 compared to Rs.63.7 million in 2001 representing an increase of Rs.204.6 million or 321.1% in 2002 over 2001. The effective tax rate was 14.0% in 2002 compared to 5.3% in 2001. The increase in provision for taxation was on account of decrease in the tax benefit available under Section 10A of the Indian Income Tax Act from 100% to 90% for the year ended March 31, 2003.

Net Profit

Net profit before tax and adjustments was Rs.1,909.8 million in 2002 compared to Rs.1,207.0 million in 2001 representing an increase of 58.2% in 2002 over 2001. Net profit before adjustments was Rs.1,641.5 million, representing 36.2% of total income in 2002 compared to Rs.1,143.3 million, representing 34.2% of total income in 2001, representing an increase of 43.6% in 2002 over 2001. The increase in net profit before adjustments was primarily due to higher realised prices, better utilisation and reduction in interest expenses.

These increases were partially offset by increase in taxes. Net profit after adjustments was Rs.1,627.9 million, representing 35.9% of total income in 2002 as compared to Rs.1,106.4 million, representing 33.1% of total income in 2001. Adjustments to net profits relate to changes in accounting policies, deferred tax credits (and expenses) and certain other adjustments.

Comparison of Results of Operations for the Years Ended December 31, 2001 and December 31, 2000

Income

Our sales and service income was Rs.3,289.6 million in 2001 representing an increase of 66.3% over sales and service income was Rs.1,977.6 million in 2000. Other income was Rs.50.8 million in 2001 compared to Rs.196.9 million in 2000. Other income in 2000 was higher, in part due to higher investment income. The increase in sales and service income in 2001 was primarily on account of an increase in volumes.

Expenditures

Total expenditure was Rs.2,133.4 million in 2001 compared to Rs.1,342.7 million in 2000, representing an increase of 58.9% in 2001 over 2000. Staff costs were Rs.1,337.8 million in 2001 compared to Rs.855.1 million in 2000, representing an increase of 56.4% in 2001 over 2000. Staff costs accounted for 40.0% and 39.3% of total income in 2001 and 2000, respectively. Selling, general and administrative expenses were Rs.512.7 million in 2002 compared to Rs.311.9 million in 2001 representing an increase of 64.4% in 2001 over 2000. Selling, general and administrative expenses accounted for 15.3% and 14.3% of total income in 2001 and 2000, respectively. Depreciation was Rs.231.4 million in 2001 compared to Rs.126.1 million in 2000. Depreciation accounted for 6.9% and 5.8% of total income in 2001 and 2000, respectively. Interest expense was Rs.51.5 million in 2001 compared to Rs.49.6 million in 2000 representing an increase of 3.7% in 2001 over 2000.

Income Tax

Provision for taxation was Rs.63.7 million in 2001 compared to Rs.65.3 million in 2000 representing a decrease of 2.5%. The effective tax rate was 5.3% in 2001 and 7.9% in 2000.

Net Profit

Net profit before tax and adjustments was Rs.1,207.0 million in 2001 compared to Rs.831.8 million in 2000 representing an increase of 45.1% in 2001 over 2000.

Net profit before adjustments was Rs.1,143.3 million, representing 34.2% of total income, in 2001 compared to Rs.766.5 million, representing 35.2% of total income, in 2000, representing an increase of 49.1% in 2001 over 2000. The decrease in net profit margin before adjustment was primarily due to reduction in utilisation and other income and increase in selling, general and administration expenses. Net profit after adjustments was Rs.1,106.4 million, representing 33.1% of total income in 2001 as compared to Rs.689.8 million, representing 31.7% of total income, in 2000, and the adjustments related to changes in accounting policies, deferred tax credits (and expenses) and certain other adjustments.

Unusual or infrequent events or transactions

With effect from January 1, 1999 certain non-core assets and investments were hived off under a scheme of reconstruction approved by the High Court, Mumbai. Apart from the above mentioned scheme of reconstruction, there have been no events to our knowledge, other than as described elsewhere in this Prospectus, which may be “unusual” or “infrequent”.

Significant economic / regulatory changes

Income Tax

Our net profit derived from providing services outside India is subject to tax in the country where we perform the work.

Currently, we benefit from a tax holiday given by the Government of India for the export of information technology services from specially designated software technology parks and special economic zones in India. As a result of our tax incentives, our operations in India have been subject to insignificant tax liabilities. These tax incentives currently include a 10-year holiday from the payment of Indian corporate income tax for the operations of most of our Indian facilities, and a partial taxable income deduction for profits derived from exported IT services. We can use either of these two tax incentives. As a result of these two tax exemptions, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. These benefits will expire for some of our units starting on April 1, 2005. For details, please refer to “Statement of Tax Benefits” page 106, of the Prospectus.

The Finance Act, 2000, phases out the ten-year tax holiday over a ten year period from 2000 through 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a ten-year tax holiday, new facilities set up on or before March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. After March 31, 2009, the tax holiday will no longer be available to new facilities. Our current tax holidays expire in stages by 2009. For companies opting for the partial taxable income deduction for profits derived from exported IT services, the Finance Act, 2000, phases out the deduction over five years beginning April 1, 2000.

Currently we benefit from the above tax holidays and taxable income deductions. When our tax holiday and taxable income deduction expire or terminate, our tax expense will materially increase, reducing our profitability.

Other than as stated above, there are no significant economic changes that materially affect or are likely to affect the income from continuing operations.

Known trends or uncertainties

Other than as described in the sections entitled "Risk Factors" and "Selected Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future relationship between costs and income

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations (As per U.S. GAAP)" and elsewhere in this Prospectus, to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Company and its subsidiaries, taken as a whole.

Total turnover of each major industry segment in which the Company operates

We do not report industry segments under unconsolidated financial statements prepared in accordance with Indian GAAP. However, as described elsewhere in this Prospectus, segmented information for industry segments are reported in our consolidated financial statements prepared in accordance with U.S. GAAP and Indian GAAP.

New product or business segment

Other than as described in section entitled "About Us" and elsewhere in this Prospectus, to our knowledge, there are no new products or business segments.

Seasonality of business

The business of the Company is not seasonal. However there could be significant variation in our quarterly revenues and profits because of various factors, including those described in the section "Risk Factors" in this Prospectus.

Dependence on single or few suppliers/customers

As described in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations (As per U.S. GAAP)" and "About Us - Business", on pages i, 78 and 29, respectively, of this Prospectus, our revenues are substantially dependent on a small number of clients including the GE Group and State Farm Insurance.

Competitive conditions

The Company expects competition to intensify from other Indian as well as foreign IT companies. For further details, please refer to the discussions of our competition in the sections entitled "Risk Factors" and "About Us - Business" on pages iii and 37 in this Prospectus.

Significant developments after September 30, 2003 that may affect our future results of operations

Except as stated elsewhere in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affects or is likely to affect, the trading or profitability of the Company and its subsidiaries (taken as a whole), or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

Except as stated elsewhere in this Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of the Company and its subsidiaries (taken as a whole).

SELECTED CONSOLIDATED FINANCIAL DATA (AS PER U.S. GAAP)

You should read the following selected consolidated financial data in conjunction with our audited (and for the nine months periods, unaudited) consolidated financial statements prepared under U.S. GAAP and the related notes and "Management's Discussions and Analysis of Financial Condition and Results of Operations (as per U.S. GAAP)" included elsewhere in this Prospectus.

The selected consolidated financial data as at, and for the years ended December 31, 2000, 2001 and 2002 are derived from our audited consolidated financial statements under U.S. GAAP included elsewhere in this Prospectus. The selected consolidated financial data as at, and for the nine months ended September 30, 2002 and 2003, are derived from our unaudited consolidated financial statements under U.S. GAAP included elsewhere in this Prospectus. Our unaudited consolidated financial statements from which such data has been derived have been prepared on the same basis as our audited consolidated financial statements and reflect all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair statement of the financial data for such period.

The financial statements as at, and for the years ended December 31, 2000 and 2001 reflect the results of operations and financial condition of Patni Computer Systems Limited and its subsidiaries, and Patni Computer Systems, Inc. on a combined basis since they were entities under common control of the Patni family. The financial statements as at, and for the nine months ended September 30, 2002, and as at, and for the year ended December 31, 2002, and as at, and for the nine months ended September 30, 2003, reflect the results of operations and financial condition of our Company on a consolidated basis, as a result of our 100% acquisition of Patni Computer Systems, Inc. See note 1.1.3 of the notes to our unaudited and audited consolidated financial statements under U.S. GAAP on pages 219 and 242, respectively, of this Prospectus.

These consolidated financial statements have been reported in U.S. Dollars and have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the financial data presented below for each period at the noon buying rate in the City of New York on the last business day of such period. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78

Any percentage amounts, as set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations (as per U.S. GAAP)" and elsewhere in this Prospectus, unless otherwise indicated, have been calculated on the basis of the U.S. Dollar amounts derived from our consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. Dollar amounts.

Statement of Income

(US$ in thousands, except per share data)

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Revenues	101,211.5	142,563.0	188,273.8	135,688.6	180,510.4
Cost of revenues	59,073.0	82,115.2	101,372.2	73,242.8	108,197.2
Gross profit	42,138.5	60,447.8	86,901.6	62,445.8	72,313.2
Selling, general and administrative expenses	17,070.3	28,585.0	41,462.9	29,110.3	40,195.7
Provision for doubtful debts and advances	1,143.8	1,071.2	1,747.9	1,378.5	415.2
Foreign exchange gain (loss), net	(1,102.5)	(616.2)	(317.5)	(569.7)	(234.0)
Operating income	25,026.9	31,407.8	44,008.3	32,526.7	31,936.3
Other income/(expense)					
Interest and dividend income	1,179.3	1,221.2	705.6	592.5	992.9
Interest expense	(1,857.9)	(1,793.0)	(579.3)	(556.9)	(20.7)
Gain/(loss) on sale of investments, net	2,463.8	(91.6)	390.9	56.2	1,114.8

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Other income (expense), net	58.2	(12.8)	75.3	78.8	41.2
Income before income taxes	26,870.3	30,731.6	44,600.8	32,697.3	34,064.5
Income taxes	4,706.8	4,414.9	8,588.9	5,366.4	5,672.3
Net Income	22,163.5	26,316.7	36,011.9	27,330.9	28,392.2
Basic and diluted earnings per share(1),(2)	$0.24	$ 0.25	$0.27	$0.18	$0.25
Weighted average number of common and redeemable shares used in computing earnings per share	90,693,934	93,735,000	99,059,168	95,581,325	111,420,849

(1) In the event an initial public offering of our equity shares does not occur within 36 months after September 2002, we are obligated to buy back shares issued to certain shareholders at a price as detailed in the shareholders' agreement. As a result, in our financial statements under U.S. GAAP we classify such shares as redeemable common shares and recorded accretion to these shares for each period covered thereby. Our basic and diluted earning per share under U.S. GAAP is calculated on the basis of excluding in the numerator such accretion amount from the net income, while the denominator includes common and redeemable common shares. See notes 15 and 20 on pages 228 and 233, respectively, to our unaudited financial statements under U.S. GAAP and notes 14 and 19 to our audited financial statements under U.S. GAAP on pages 248 and 255, respectively of this Prospectus. Immediately upon completion of this initial public offering, these redeemable common shares will be re-classified as common shares and accordingly in such an event the Company will not need to record accretion in future periods. Therefore the net income will not exclude accretion for purposes of calculating basic and diluted earnings per share.

Had the Company calculated earnings per share without deducting the accretion, the proforma basic and diluted earnings per share amounts would have been as follows:

	For the year ended December 31, 2000	*For the year ended December 31, 2001*	*For the year ended December 31, 2002*	*For nine months ended September 30, 2002*	*For nine months ended September 30, 2003*
Income available to common and redeemable common shareholders as per consolidated financial statements (A)	*$21,654,175*	*$23,622,021*	*$26,259,371*	*$17,578,276*	*$28,392,223*
Add: Accretion in relation to redeemable common shareholders (B)	*$509,392*	*$2,694,613*	*$9,752,506*	*$9,752,506*	-
Proforma income for the purposes of computing proforma earnings per share as mentioned above (C) = (A) + (B)	*$22,163,567*	*$26,316,634*	*$36,011,877*	*$27,330,782*	*$28,392,223*
Weighted average number of common and redeemable common shares outstanding during the period (D)	*90,693,934*	*93,735,000*	*99,059,168*	*95,581,325*	*111,420,849*
Basic and diluted earnings per share as per consolidated financial statements (A)/(D)	*$0.24*	*$0.25*	*$0.27*	*$0.18*	*$0.25*
Proforma basic and diluted earnings per share (C)/(D)	*$0.24*	*$0.28*	*$0.36*	*$0.29*	*$0.25*

(2) In September 2003, we granted certain options to our employees to acquire shares under our employee stock option plan. These stock options did not have a dilutive effect on the common and redeemable common shares outstanding during the period ended September 30, 2003, under the treasury stock method for the purpose of computing dilutive earnings per share

Balance Sheet Statement

(US$ in thousands)

	As at December 31, 2000 (Combined)	As at December 31, 2001 (Combined)	As at December 31, 2002 (Consolidated)	As at September 30, 2002 (Consolidated) (Unaudited)	As at September 30, 2003 (Consolidated) (Unaudited)
ASSETS					
Total Current assets	51,904.2	72,685.1	122,651.6	118,885.6	152,410.1
Goodwill	–	–	–	–	2,594.4
Intangible assets, net	–	–	–	–	801.5
Property, plant and equipment, net	17,514.0	27,674.1	34,170.4	33,020.1	40,586.9
Deferred income taxes	67.9	39.4	–	135.9	198.7
Due from affiliates	230.9	–	–	–	–
Security deposits with affiliates	278.9	270.6	271.0	269.3	283.6
Other assets	1,380.7	1,845.9	2,605.4	1,603.2	2,810.7
Total assets	71,376.6	102,515.1	159,698.4	153,914.1	199,685.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Total Current liabilities	13,026.5	17,967.6	24,160.9	24,019.7	28,693.2
Capital lease obligations excluding current instalments	1,160.1	1,557.3	300.7	143.7	332.1
Long term debt excluding current instalments	6,219.2	5,202.9	–	–	–
Other liabilities	2,817.4	4,847.2	7,924.0	5,617.2	10,465.3
Deferred income taxes	–	–	441. 4	–	364.9
Total liabilities	23,223.2	29,575.0	32,827.0	29,780.6	39,855.5
Total Shareholders' equity	48,153.4	72,940.1	126,871.4	124,133.5	159,830.4
Total liabilities and shareholders' equity	71,376.6	102,515.1	159,698.4	153,914.1	199,685.9

Convenience Translation. Please refer to "Currency of Presentation" on page C of this Prospectus for information on translation of all periods presented, which is being done solely for SEBI purposes, and should not be relied upon.

Statement of Income

(Rs. in thousands, except per share data)

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Exchange Rate	Rs. 46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78
Revenues	4,731,639.5	6,881,513.8	9,037,140.6	6,567,326.5	8,263,767.8
Cost of revenues	2,761,661.0	3,963,702.4	4,865,867.5	3,544,951.0	4,953,267.1
Gross profit	1,969,978.5	2,917,811.4	4,171,273.1	3,022,375.5	3,310,500.7
Selling, general and administrative expenses	798,036.2	1,379,800.2	1,990,218.6	1,408,938.9	1,840,161.3
Provision for doubtful debts and advances	53,471.0	51,706.7	83,898.1	66,718.4	19,005.7
Foreign exchange gain (loss), net	(51,540.4)	(29,746.4)	(15,238.0)	(27,571.2)	(10,714.1)
Operating income	1,170,011.7	1,516,050.9	2,112,394.4	1,574,289.4	1,462,047.8
Other income/(expense)					
Interest and dividend income	55,132.2	58,947.8	33,869.9	28,675.5	45,454.4
Interest expense	(86,858.3)	(86,549.5)	(27,806.8)	(26,956.1)	(948.4)
Gain/(loss) on sale of investments, net	115,180.8	(4,421.1)	18,761.7	2,720.7	51,035.1
Other income (expense), net	2,722.8	(617.5)	3,616.0	3,812.5	1,885.5
Income before income taxes	1,256,189.2	1,483,410.6	2,140,835.2	1,582,542.0	1,559,474.4
Income taxes	220,042.5	213,106.6	412,265.1	259,732.2	259,678.6
Net Income	1,036,146.7	1,270,304.0	1,728,570.1	1,322,809.8	1,299,795.8
Basic and diluted earnings per share (Rs.)	11.22	12.07	12.96	8.71	11.45
Weighted average number of common and redeemable shares used in computing earnings per share	90,693,934	93,735,000	99,059,168	95,581,325	111,420,849

Balance Sheet Statement

(Rs. in thousands)

	As at December 31, 2000 (Combined)	As at December 31, 2001 (Combined)	As at December 31, 2002 (Consolidated)	As at September 30, 2002 (Consolidated) (Unaudited)	As at September 30, 2003 (Consolidated) (Unaudited)
Exchange Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78
ASSETS					
Total Current assets	2,426,521.9	3,508,508.8	5,887,275.3	5,754,066.2	6,977,334.8
Goodwill	-	-	-	-	118,770.4
Intangible assets, net	-	-	-	-	36,692.7
Property, plant and equipment, net	818,779.5	1,335,828.9	1,640,178.4	1,598,173.0	1,858,066.8
Deferred income taxes	3,175.2	1,903.6	-	6,577.3	9,094.6
Due from affiliates	10,792.7	-	13,012.5	-	-
Security deposits with affiliates	13,037.9	13,063.9	125,058.5	13,034.0	12,982.9
Other assets	64,546.3	89,101.9	-	77,594.0	128,675.3
Total assets	3,336,853.5	4,948,407.1	7,665,524.7	7,449,444.5	9,141,617.5

(Rs. in thousands)

	As at December 31, 2000 (Combined)	As at December 31, 2001 (Combined)	As at December 31, 2002 (Consolidated)	As at September 30, 2002 (Consolidated) (Unaudited)	As at September 30, 2003 (Consolidated) (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Total Current liabilities	608,989.0	867,294.7	1,159,723.8	1,162,553.1	1,313,572.5
Capital lease obligations excluding current instalments	54,234.7	75,174.8	14,432.7	6,956.7	15,201.8
Long term debt excluding current instalments	290,746.3	251,144.6	-	-	-
Other liabilities	131,711.9	233,972.4	380,353.4	271,872.8	479,100.5
Deferred income taxes	-	-	21,189.9	-	16,705.4
Total liabilities	1,085,681.9	1,427,586.5	1,575,699.8	1,441,382.6	1,824,580.2
Total Shareholders' equity	2,251,171.6	3,520,820.6	6,089,824.9	6,008,061.9	7,317,037.3
Total liabilities and shareholders' equity	3,336,853.5	4,948,407.1	7,665,524.7	7,449,444.5	9,141,617.5

Reconciliation of Significant Differences between Consolidated Net Profit determined in accordance with Indian GAAP and Consolidated Net Income determined in accordance with U.S. GAAP

(Rs. in thousands)

Particulars	Notes	Nine months ended September 30, 2003	Year ended December 31, 2002
Consolidated Net Profit as per Indian GAAP		1,214,033	1,636,162
Acquisition of entity under common control	1	-	116,984
Income taxes	2	8,786	21,988
Fixed assets and depreciation	3	7,663	(6,818)
Amortisation of miscellaneous expenditure	4	-	4,579
Foreign currency differences	5	71,255	2,321
Employee retirement benefits	6	(3,341)	664
Short provision for branch profit taxes in earlier years under Indian GAAP		28,304	(20,179)
Provision for decline in fair value of investment	7	4,769	-
Business acquisition	8	(1,572)	-
Preference dividend	9	-	(8,764)
Total		115,864	110,775
Consolidated Net Income as per U.S. GAAP		1,329,897	1,746,937

The consolidated net income under U.S. GAAP presented in Rupees in the table above, differs from the consolidated net income under U.S. GAAP translated into Rupees elsewhere in this Prospectus solely to comply with the requirements of clause 6.8.4 of the SEBI Guidelines. Please refer to "Currency of Presentation" on page C of this Prospectus. The profits as per U.S. GAAP in U.S. Dollars have been translated into Rupees at the average rates used for financial reporting purposes, for the year ended December 31, 2002 and nine months ended September 30, 2003, respectively.

Notes:

(1) Acquisition of entity under common control

Under U.S. GAAP, combined financial statements were prepared for Patni Computer Systems Limited and its subsidiaries and Patni Computer Systems Inc. ("Patni U.S.A."), as all these entities were under common control of the Patni family. Accordingly, the results of operations of Patni U.S.A. were combined for all the years presented in the U.S. GAAP financial statements.

The consolidated financial statements under Indian GAAP include the results of operations of Patni U.S.A. only from the date it became a 100% subsidiary which is September 2002. Accordingly, the net income of Patni U.S.A. for the period prior to it becoming a subsidiary of Patni has been reflected above as a reconciling item.

(2) Income taxes

Until December 31, 2002, under Indian GAAP, income taxes were recorded as per the taxes payable method. Under U.S. GAAP, income taxes were recorded based on the asset and liability method, whereby deferred tax assets and liabilities were recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Accordingly, in 2002, deferred tax credit recorded in the U.S. GAAP financial statements has been reflected above as a reconciling item.

Effective January 1, 2003, the Company adopted Accounting Standard 22 “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India (“ICAI”) in the preparation of its consolidated financial statements under Indian GAAP. Accordingly, for the nine months ended September 30, 2003, the reconciliation represents deferred tax impact of significant differences between Indian GAAP and U.S. GAAP.

(3) Fixed assets and depreciation

Under Indian GAAP, certain indirect expenses incurred during the construction period are capitalised, whereas such costs are expensed as incurred under U.S. GAAP. Further, under Indian GAAP, borrowing costs have been capitalised to fixed assets, only effective April 1, 2001, when the AS 16 “Borrowing Costs” issued by ICAI became mandatory. These differences in carrying value of fixed assets have consequently resulted in differences in depreciation charge, which has been reflected above, as a reconciling item.

(4) Amortisation of miscellaneous expenditure

Under Indian GAAP, miscellaneous expenditure comprising costs incurred in relation to issue of shares, debentures, etc. were being amortised to the income statement over a period of three to five years, whereas these costs were expensed as incurred under U.S. GAAP. In 2002, the Company changed its accounting policy and the unamortised miscellaneous expenditure balance as at January 1, 2002 aggregating Rs.4,579 was charged to the income statement under Indian GAAP. This has been reflected above, as a reconciling item.

(5) Foreign currency differences

Under Indian GAAP, net exchange difference resulting from translation of financial statements of foreign subsidiaries is recognised in the consolidated income statement. Under U.S. GAAP, this exchange difference is reported in the statement of shareholders’ equity and other comprehensive income.

Additionally, the Company had booked forward foreign exchange contracts to hedge its export proceeds. Under Indian GAAP, premium on forward contract is recognised as income or expenditure over the life of the related contract. However, under U.S. GAAP, the same is marked-to-market as on the reporting date and the resultant gain/loss is recognised immediately in the income statement. These foreign currency differences are reported above, as a reconciling item.

(6) Employee retirement benefits

This represents difference in recording pension, gratuity, and leave encashment costs.

(7) Provision for decline in fair value of investments

Under Indian GAAP, current investments are carried at the lower of cost and fair value, and provision is made in the income statement to recognise any decline in the carrying value of such investments. Under U.S. GAAP, such investments are designated as available for sale and are carried at fair value with unrealised gains or losses being separately reported in the statement of shareholders’ equity and other comprehensive income.

(8) Business acquisition

Under U.S. GAAP, the assets and liabilities acquired on acquisition of The Reference Inc. have been recorded at fair values assigned to them, whereas under Indian GAAP these have been recorded at respective book values.

Further, under U.S. GAAP, a portion of the purchase consideration has been allocated to intangible assets meeting the criteria for being recognised as an asset apart from goodwill. These intangible assets are being amortised over its useful life in proportion to the economic benefits consumed during each reporting period. Under Indian GAAP, the entire difference between the purchase consideration and the book value of assets acquired has been recorded as goodwill, which is subject to impairment testing.

Accordingly, the impact of above differences on the income statement has been reflected as a reconciling item.

(9) Preference dividend

Under U.S. GAAP, dividend paid on preference shares has been recorded as interest expense in the income statement, whereas under Indian GAAP the same has been recorded as an appropriation from the profit and loss account.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER U.S. GAAP)

Investors are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" *and other similar expression as they relate to us or our business are intended to identify such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include those described under the heading "Risk Factors" in this Prospectus. Readers are cautioned not to place undue reliance on these forward-looking statements, as they speak only as at the date of this Prospectus. The following discussion and analysis should be read in conjunction with our consolidated audited (and for the nine months periods, unaudited and reviewed as described in KPMG's Audit Report included elsewhere in this Prospectus) financial statements prepared in accordance with U.S. GAAP included elsewhere in this Prospectus and the notes thereto. See also page C of this Prospectus for a discussion on translation of U.S. Dollar amounts into Rupees. Such translation is solely for SEBI purposes and should not be relied upon.*

Overview

We are one of the leading Indian providers of integrated IT services. Our service offerings span the entire software services lifecycle including application development and integration, application maintenance, enterprise application systems, e-Business and enterprise systems management, and recently, research and development services and business process outsourcing. We believe that our ability to manage large client relationships, deliver complex outsourcing services through innovative delivery models and maintain high quality standards are some of our important differentiators.

A significant proportion of our revenues is derived from a small number of clients. Our largest client, the GE Group, accounted for $95.5 million (Rs.4,583.5 million) and $76.8 million (Rs.3,513.9 million) of our revenues in 2002 and the nine months ended September 30, 2003, representing 50.7% and 42.5% of our revenues, respectively. Our second largest client, State Farm Insurance, accounted for $30.1 million (Rs.1,443.7 million) and $31.5 million (Rs.1,441.4 million) of our revenues in 2002 and the nine months ended September 30, 2003, representing 16.0% and 17.4% of our revenues, respectively. Although we intend to continue to grow our business by diversifying our existing client base with the addition of new strategic clients, we expect that a significant proportion of our revenues will continue to be derived from a small number of clients.

Our service offerings are delivered through a mix of onsite resources located in the client geography and offshore resources at our facilities in India. We provide a high proportion of our services on a fixed-price basis, including fixed-price projects on the basis of service level agreements.

We derive a significant proportion of our revenues from the insurance, manufacturing and financial services industries. Also, we are highly dependent on clients located in the United States and expect this trend to continue.

We have experienced substantial growth in revenues in recent years. Our revenues grew at a compound annual growth rate of 36.4% over the last three years from $101.2 million (Rs.4,731.6 million) in 2000 to $188.3 million (Rs.9,037.1 million) in 2002. Our revenues grew 33.0% from $135.7 million (Rs.6,567.3 million) in the nine months ended September 30, 2002 to $180.5 million (Rs.8,263.8 million) in the nine months ended September 30, 2003. We have not experienced sustained growth in our net income and net income margin. Our net income grew at a compound annual growth rate of 27.5% over the last three years from $22.2 million (Rs.1,036.1 million) in 2000 to $36.0 million (Rs.1,728.6 million) in 2002. Our net income margin was 21.9%, 18.5% and 19.1% in 2000, 2001 and 2002, respectively. Our net income increased 3.9% from $27.3 million (Rs.1,322.8 million) in the nine months ended September 30, 2002 to $28.4 million (Rs.1,299.8 million) in the nine months ended September 30, 2003 and our net income margin was 20.1% and 15.7% in the nine months ended September 30, 2002 and 2003, respectively. Our employees grew at a compound annual growth rate of 28.7%, from 3,365 as at December 31, 2000 to 5,570 as at December 31, 2002. As at June 30, 2003 and September 30, 2003, we had 6,247 and 6,695 employees, respectively, of whom software professionals, including trainees, constituted 5,273 and 5,700, respectively.

Revenues

Our revenues are generated from IT services provided either on a time-and-material basis or a fixed-price basis. Most of our client contracts, including those that are on a fixed-price and fixed-price SLA basis, can be terminated with or without cause, with between 0 and 90 days notice and without termination-related penalties. Additionally, our contracts with clients are typically limited to discrete projects without any commitment to a specific volume of business or future work. Revenue with respect to time-and-material contracts is recognised as related services are performed. Revenue with respect to fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to the estimated total costs for each contract. Although we use our software engineering processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns and completion delays in connection with these projects.

Revenues from fixed-price contracts comprised 51.7%, 50.7% and 48.7% of our revenues in 2002, the six months ended June 30, 2003 and the nine months ended September 30, 2003, respectively. Fixed-price SLAs represent a significant proportion of our revenues from fixed-price contracts. In the three months ended June 30, 2003 and September 30, 2003, fixed-price contracts (including fixed-price SLAs) comprised 48.6% and 45.3% of our revenues, respectively, and fixed-price SLAs comprised 34.0% and 28.8% of our revenues, respectively.

The projects on a fixed-price SLA basis are typically application maintenance projects. We believe fixed-price SLA projects have lower delivery risks than only fixed-price projects. In certain fixed-price SLAs, revenues are conditional upon predetermined performance levels which, if unsatisfactory, could result in less revenues than anticipated.

As illustrated in the table below, a significant proportion of our revenues is derived from a small number of clients, the loss of any of which may significantly impact our revenues and profitability.

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
GE Group	52.2%	56.8%	50.7%	51.4%	42.5%
State Farm Insurance	9.8%	11.5%	16.0%	15.8%	17.4%
Top 5 Clients	76.4%	75.9%	76.2%	77.1%	70.3%
Top 10 Clients	81.8%	82.6%	84.9%	85.0%	80.7%

We have classified our revenues under four industry segments. We derive a significant proportion of our revenues from clients in three industry segments, comprising insurance, manufacturing and financial services. We define the financial services industry segment to include the banking securities and financial service industries, but excluded insurance industry. Our fourth industry segment consists of other industries including energy and utilities, retail and hospitality. Revenues from certain clients such as the GE Group are represented across various industry segments. The following table indicates the break-down of our revenues by industry segment:

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Insurance	33.6%	34.2%	38.0%	38.9%	34.1%
Manufacturing	23.3%	26.9%	27.1%	26.3%	28.5%
Financial Services	15.7%	14.9%	13.9%	13.7%	15.9%
Others	27.4%	24.0%	21.0%	21.1%	21.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

We derive revenues from provision of services offshore and onsite. Offshore revenues consist of revenues from IT services work conducted in our offshore facilities in India. Onsite revenues consist of revenues from IT services work conducted at clients' premises or from our premises outside India. Services performed at a client site or our premises located outside India typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. Currently, a large proportion of our revenues are derived from work performed by our onsite teams at a client's premises or from our premises outside India. However, currently the billed person months delivered from our offshore facilities located in India are higher than those delivered outside India.

We have classified our revenues into four geographic segments comprising the United States, Europe (including the United Kingdom), Japan and others, which inlcude Asia-Pacific (excluding Japan) and the rest of the world. A significant proportion of our revenues is derived from clients located in the United States. The geographic break-down of revenues contained in the following table is based on the location of the specific client entity for whom the project has been executed, irrespective of the location where the invoice is rendered or whether the work for a specific client entity is performed onsite or from our offshore delivery centres in India.

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
United States	81.4%	84.4%	87.6%	87.4%	88.9%
Europe (including the UK)	11.3%	9.1%	7.2%	7.1%	7.2%
Japan	5.6%	5.0%	3.5%	3.8%	2.8%
Others	1.7%	1.5%	1.7%	1.7%	1.1%
Asia-Pacific (excluding Japan)	1.3%	1.4%	1.0%	1.0%	0.7%
Rest of the World	0.4%	0.1%	0.7%	0.7%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Cost of Revenues and Selling, General and Administrative Expenses

Our cost of revenues includes direct costs such as direct labour, subcontractors, foreign travel, immigration, medical insurance and indirect costs related to contract performance, such as depreciation and communication. Selling, general and administrative expenses consist primarily of salary and other compensation and benefits, depreciation, sales and marketing expenses, including telecommunications expenses, office expenses, travelling expenses, legal and other professional fees and other miscellaneous administrative costs.

Selling, general and administrative costs are charged to expenses as incurred. Selling, general and administrative expenses represented 16.9%, 20.1% and 22.0% of our revenues in 2000, 2001 and 2002, respectively, and 21.5% and 22.3% of our revenues in the nine months ended September 30, 2002 and 2003, respectively. These expenses are high as a proportion of our revenues since an important part of our sales strategy is to ensure that senior managerial personnel are based in client locations and we continue to invest in developing our sales and marketing presence in key markets. We expect selling, general and administrative expenses to continue to represent a high proportion of our revenues. However, we expect selling expenses to be partially offset by the optimisation of our general and administrative expenses.

The proportion of work performed at our facilities in India and at client sites or our premises outside India varies from quarter to quarter. We charge higher rates and incur higher compensation and other expenses for work performed at clients' premises or from our premises outside India. Accordingly, although our revenues per capita are higher for onsite work as compared to offshore work, the gross profit percentage from onsite work is typically lower than that from offshore work. We hire subcontractors on a limited basis from time to time. In 2002 and the nine months ended September 30, 2003, 2.4% and 8.4%, respectively, of our cost of revenues consisted of subcontracting costs. We expect to continue to incur subcontractor costs principally to service certain requirements of our strategic clients in a timely manner. We also expect to continue to experience wage pressure in respect of our offshore professionals. In addition, a number of our software professionals work in the United States on a H-1B visa, which is granted to certain categories of persons in several "speciality occupations" such as software professionals so long as their compensation meets annually-adjusted minimums. Over the past five years, these adjustments have been substantially above inflation in the United States and prevailing wages have increased in response to these annually adjusted requirements. We plan to manage our immigration and foreign travel expenses more effectively.

Our gross profits are also affected by software employee utilisation rates. We define employee utilisation as the proportion of total billed person months to total available person months including trainees and excluding support personnel. We manage utilisation by monitoring project requirements and timetables. The following table sets forth our utilisation rates for the periods indicated:

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Six months ended June 30, 2002 (Combined)	Nine months ended September 30, 2002 (Consolidated)	Six months ended June 30, 2003 (Consolidated)	Nine months ended September 30, 2003 (Consolidated)
Utilisation rate	72.1%	59.0%	66.7%	63.7%	65.8%	67.7%	68.2%

The number of software professionals assigned to a project vary according to the size, complexity, duration, and demands of the project. An unanticipated termination of a significant project could also cause us to experience lower software employee utilisation resulting in a higher than expected number of unassigned software professionals.

Accounts Receivables

Our accounts receivables as at December 31, 2001 and 2002 and as at September 30, 2003 were $32.8 million (Rs.1,582.3 million),$46.2 million (Rs.2,218.2 million) and $54.4 million (Rs.2,490.7 million), respectively, representing 32.0%, 28.9% and 27.2% of our total assets as at such dates. The days of sales outstanding (which is the ratio of accounts receivables to revenues in a year multiplied by 365 in case of full year period and the ratio of accounts receivables to revenues in the nine month period multiplied by 273 in case of the nine month period) in 2001, 2002 and the nine months ended September 30, 2003 were 84, 90 and 82 days, respectively. We are actively working with our clients to reduce our days of sales outstanding, however there can be no assurance that we will succeed in our endeavours. The following table presents the percentage profile of our debtors in terms of days for which accounts receivable have been outstanding:

(US$ in thousands)

Period in days	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
0 - 180	29,861.4	42,054.0	52,982.1
More than 180	2,918.2	4,157.7	1,424.2
Total	32,779.6	46,211.7	54,406.3

The accounts receivables of the Company, have been reported in U.S. Dollars and have been translated into Rupees for each period presented solely to comply with the requirements of Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the particular period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. We have translated the statements of income and balance sheet data for each period at the noon buying rate on the last business day of such period. The translations should not be considered as a representation that such U.S. Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
Noon Buying Rate	Rs.46.75	Rs.48.27	Rs.48.00	Rs.48.40	Rs.45.78

Convenience Translation. Please refer to “Currency of Presentation” on page C of this Prospectus.

(Rs. in thousands)

Period in days	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
0-180	1,441,411.2	2,018,590.2	2,425,518.8
More than 180	140,861.7	199,570.8	65,201.8
Total	1,582,272.9	2,218,161.0	2,490,720.6

In 2000, 2001 and 2002, provision for doubtful debts and advances was $1.1 million (Rs.53.5 million), $1.1 million (Rs.51.7 million) and $1.7 million (Rs.83.9 million), respectively. In the nine months ended September 30, 2002 and 2003, provision for doubtful debt was $1.4 million (Rs.66.7 million) and $0.4 million (Rs.19.0 million), respectively. We expect to continue to have low levels of provision for doubtful debts.

Employee Stock Option Plan

On June 30, 2003, our shareholders approved an employee stock option plan. Under the plan, 11,142,085 equity shares of the Company may be issued to eligible employees and directors of the Company and its subsidiaries. The plan is administered by our Compensation Committee.

Pursuant to the plan, on September 1, 2003, an initial grant of stock options representing an aggregate of 2,743,400 equity shares has been made to certain employees of the Company and its subsidiaries. The exercise price at which the options have been issued is the fair market value of the equity shares on the date of grant of the option. We are currently adopting APB Opinion No. 25 for accounting of these options. As the options are issued at fair market value, we do not expect to incur any expense as per current guidelines under U.S. GAAP.

Foreign Currency Translation and Foreign Exchange Regulations

Our consolidated financial statements under the U.S. GAAP are reported in U.S. Dollars. A substantial portion of our revenues is generated in U.S. Dollars while part of our expenses are incurred in Rupees. Consequently, our results from operations will be affected to the extent the Rupee fluctuates against the U.S. Dollar. Our functional currency is the applicable local currency except that the functional currency of our branch offices in the United States, Japan, Sweden and Australia is the Rupee. The translation of the Rupee, U.K. Pound and Euro into U.S. Dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenues and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods.

Under the Foreign Exchange Management Act, 1999, as amended, or FEMA, an Indian company is required to take all reasonable steps to realise and repatriate into India all foreign exchange earned by the company outside India, in accordance with the rules specified by the Reserve Bank of India, or RBI. These rules apply to our branch offices located outside India and do not apply to our subsidiaries incorporated outside India. FEMA also imposes certain restriction on capital account transactions by Indian companies. Although these regulations do not significantly impact our operations at present, there can be no assurance that this will be true in future periods.

Income Taxes

Our net income earned from providing services outside India is subject to tax in the country where we perform the work.

Currently, we benefit from a tax holiday given by the Government of India for the export of information technology services from specially designated software technology parks and special economic zones in India. As a result of our tax incentives, our operations in India have been subject to insignificant tax liabilities. These tax incentives currently include a 10-year holiday from the payment of Indian corporate income tax for the operations of most of our Indian facilities, and a partial taxable income deduction for profits derived from exported IT services. We can use either of these two tax incentives. As a result of these two tax incentives, a substantial portion of our pre-tax income has not been subject to significant tax in recent years. These benefits will expire for some of our units starting on April 1, 2005. For details, please refer to paragraph entitled “Statement of Tax Benefits” on page 106, of this Prospectus.

The Finance Act, 2000 phases out the ten-year tax holiday over a ten-year period from 2000 through 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a ten-year tax holiday, new facilities set up on or before March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. After March 31, 2009, the tax holiday will no longer be available to new facilities. Our current tax holidays expire in stages by 2009. For companies opting for the partial taxable income deduction for profits derived from exported IT services, the Finance Act, 2000 phases out the deduction over five years beginning April 1, 2000.

Results of Operations

The following table sets forth certain financial information as a percentage of revenues, calculated from the consolidated financial statements under U.S. GAAP prepared in U.S. Dollars:

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30, 2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	58.4%	57.6%	53.8%	54.0%	59.9%
Gross profit	41.6%	42.4%	46.2%	46.0%	40.1%
Selling, general and administrative expenses	16.9%	20.1%	22.0%	21.5%	22.3%
Provision for doubtful debts and advances	1.1%	0.8%	0.9%	0.9%	0.2%
Foreign exchange gain (loss), net	(1.1%)	(0.5%)	(0.1%)	(0.4%)	(0.1%)
Operating income	24.7%	22.0%	23.4%	24.0%	17.7%
Other income (expense)					
Interest and dividend income	1.2%	0.9%	0.4%	0.4%	0.6%

	Year ended December 31, 2000 (Combined)	Year ended December 31, 2001 (Combined)	Year ended December 31, 2002 (Consolidated)	Nine months ended September 30,2002 (Consolidated) (Unaudited)	Nine months ended September 30, 2003 (Consolidated) (Unaudited)
Interest expense	(1.8%)	(1.3%)	(0.3%)	(0.4%)	(0.0%)
Gain (loss) on sale of Investments, net	2.4%	(0.0%)	0.2%	0.0%	0.6%
Other income (expense), net	0.0%	0.0%	0.0%	0.1%	0.0%
Income before income taxes	26.5%	21.6%	23.7%	24.1%	18.9%
Income taxes	4.6%	3.1%	4.6%	4.0%	3.2%
Net income	21.9%	18.5%	19.1%	20.1%	15.7%

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Revenues: Our revenues were $180.5 million (Rs.8,263.8 million) in the nine months ended September 30, 2003, representing an increase of $44.8 million (Rs.1,696.5 million), or 33.0%, from revenues of $135.7 million (Rs.6,567.3 million) in the nine months ended September 30, 2002. This increase was primarily due to an increase in the volume of services delivered by us and a marginal increase in pricing of our services.

Fixed-price contracts continued to contribute a significant proportion of our revenues. Fixed-price contracts, including fixed-price SLA contracts, contributed 48.7% and 51.7% of our revenues in the nine months ended September 30, 2003 and September 30, 2002, respectively. Fixed-price SLAs are a significant proportion of our fixed-price contracts, comprising 28.8% of our revenues in the three months ended September 30, 2003, and represent an important engagement model for our clients and us.

The growth in our revenues in the nine months ended September 30, 2003 was driven largely by the growth in the size of our engagements with clients other than the GE Group. In the nine months ended September 30, 2003, clients other than the GE Group represented 57.5% of our revenues, compared to 48.6% of our revenues in the nine months ended September 30, 2002.

We continued to derive a significant proportion of our revenues from clients located in the United States. In the nine months ended September 30, 2003 and 2002, we derived 88.9% and 87.4% of our revenues, respectively, from clients located in the United States. Clients from the insurance, manufacturing and financial services industries continued to contribute a large proportion of our revenues. In the nine months ended September 30, 2003 and 2002, revenues from clients in the insurance, manufacturing and financial service industries together contributed 78.5% and 78.9% of our revenues, respectively. The GE Group, our largest client, contributed to our revenues in each of the insurance, manufacturing and financial services industry segments, while State Farm Insurance contributed revenues only to the insurance segment.

Cost of Revenues*:* Our cost of revenues was $108.2 million (Rs.4,953.3 million) in the nine months ended September 30, 2003, representing an increase of $35.0 million (Rs.1,408.3 million), or 47.7%, from cost of revenues of $73.2 million (Rs.3,545.0 million) in the nine months ended September 30, 2002. Cost of revenues represented 59.9% and 54.0% of our revenues in the nine months ended September 30, 2003 and 2002, respectively.

The increase in cost of revenues was primarily due to higher subcontractor costs, an increase in wages, higher immigration costs, an increase in foreign travel costs and an increase in the number of employees. This increase in cost of revenues as a percentage of our revenues was offset partly by an increase in our utilisation rates. The increase in wage costs during the nine months ended September 30, 2003 was principally due to an increase in offshore salary with effect from April 2003. We aim to maintain our salaries as per industry trends. In the nine months ended September 30, 2003, we proactively invested in our immigration compliance measures to better anticipate and respond to possible disruptions in our growth resulting from changes in regulations relating to visas and work permits being contemplated in our principal markets, the United States and Europe.

Gross profit**:** Our gross profit was $72.3 million (Rs.3,310.5 million) in the nine months ended September 30, 2003, representing an increase of $9.9 million (Rs.288.1 million), or 15.8%, from a gross profit of $62.4 million (Rs.3,022.4 million) in the nine months ended September 30, 2002. Gross profit as a percentage of our revenues decreased to 40.1% in the nine months ended September 30, 2003, from 46.0% in the nine months ended September 30, 2002, primarily due to an increase in the cost of revenues.

Selling, General and Administrative Expenses: We incurred selling, general and administrative expenses of $40.2 million (Rs.1,840.2 million) in the nine months ended September 30, 2003, representing an increase of $11.1 million (Rs.431.2 million), or 38.1%, from selling, general and administrative expenses of $29.1 million (Rs.1,408.9 million) in the nine months ended September 30, 2002. As a percentage of our revenues, selling, general and administrative expenses increased to 22.3% in the nine months ended September 30, 2003 from 21.5% in the nine months ended September 30, 2002 primarily due increase in personnel cost.

We incurred selling and marketing expenses of $14.6 million (Rs.668.4 million) in the nine months ended September 30, 2003, representing an increase of $2.6 million (Rs.89.8 million), or 22.1%, from sales and marketing expenses of $12.0 million (Rs.578.6 million) in the nine months ended September 30, 2002. The expansion of our sales team from 89 as at September 30, 2002 to 107 as at September 30, 2003 contributed significantly to the increase in selling and marketing expenses. We believe that our investment in selling and marketing expenses has contributed to our increased revenues from clients other than the GE Group and we expect to continue to invest in our sales and marketing efforts.

Our general and administrative expenses were $25.6 million (Rs.1,171.8 million) in the nine months ended September 30, 2003, representing an increase of $8.4 million (Rs.341.5 million), or 49.2%, from general and administrative expenses of $17.2 million (Rs.830.3 million) in the nine months ended September 30, 2002. This increase was primarily due to an increase in personnel costs.

Provision for Doubtful Debts and Advances**:** Provision for doubtful debts and advances was $0.4 million (Rs.19.0 million) in the nine months ended September 30, 2003 representing a decrease of $1.0 million (Rs.47.7 million), or 69.9% from provision for doubtful debts of $1.4 million (Rs.66.7 million) in the nine months ended September 30, 2002. The reduction in the provision for doubtful debts and advances in the nine months ended September 30, 2003 was primarily on account of better collection efforts.

Foreign Exchange Gains**:** Foreign exchange gain was $0.2 million (Rs.10.7 million) in the nine months ended September 30, 2003 representing a decrease of $0.4 million (Rs.16.9 million), or 58.9% from foreign exchange gain of $0.6 million (Rs.27.6 million) in the nine months ended September 30, 2002. This reduction was a result of an appreciation of the Rupee against the U.S. Dollar. In the nine months ended September 30, 2003, we purchased forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates.

Operating Income: Our operating income was $31.9 million (Rs. 1,462.0 million) in the nine months ended September 30, 2003 representing a decrease of $0.6 million (Rs.112.3 million), or 1.8%, from operating income of $32.5 million (Rs. 1,574.3 million) in the nine months ended September 30, 2002. As a percentage of our revenues, operating income decreased to 17.7% in the nine months ended September 30, 2003, from 24.0% in the nine months ended September 30, 2002.

Other Income: Other income was $2.1 million (Rs.97.4 million) in the nine months ended September 30, 2003 compared to $0.2 million (Rs.8.3million) in the nine months ended September 30, 2002. Other income comprised interest and dividend income of $1.0 million (Rs. 45.5 million) and $0.6 million (Rs.28.7 million) in the nine months ended September 30, 2003 and 2002, respectively. Other income also comprised a gain of $1.1 million (Rs.51.0 million) on the sale of investments in the nine months ended September 30, 2003 and a gain of $0.1 million (Rs. 2.7 million) on the sale of investments in the nine months ended September 30, 2002. Other income was offset by an interest expense of $0.02 million (Rs.0.9 million) and $0.6 million (Rs.27.0 million) in the nine months ended September 30, 2003 and 2002, respectively.

Income Taxes: Our income taxes were $5.7 million (Rs.259.7 million) in the nine months ended September 30, 2003, representing an increase of $0.3 million (Rs.0.05 million) or 5.7%, from income taxes of $5.4 million (Rs.259.7 million) in the nine months ended September 30, 2002.

Net Income: Our net income was $28.4 million (Rs.1,299.8 million) in the nine months ended September 30, 2003, representing an increase of $1.1 million (Rs.-23.0 million), or 3.9%, from net income of $27.3 million (Rs.1,322.8 million) in the nine months ended September 30, 2002. Net income as a percentage of our revenues decreased to 15.7% in the nine months ended September 30, 2003 from 20.1% in the nine months ended September 30, 2002. This decrease in net income was primarily due to the reasons outlined above, including an increase in our cost of revenues and selling, general and administrative expenses.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues**:** Our revenues were $188.3 million (Rs.9,037.1 million) in 2002, representing an increase of $45.7 million (Rs.2,155.6 million), or 32.1%, from revenues of $142.6 million (Rs.6,881.5 million) in 2001. The increase in our revenues was primarily due to higher realised prices in 2002 as a result of the renegotiation of a significant master services agreement and an increase in the volume of services delivered by us to clients other than the GE Group in 2002.

As part of the GE Group's increased emphasis on entering into fixed-price contracts (including fixed-price SLA contracts), the proportion of our revenues from fixed-price contracts rose in 2002 compared to 2001.

The growth in our revenues in 2002 was driven in part by the growth in the size of our engagements with clients other than the GE Group. In 2002, clients other than the GE Group represented 49.3% of our revenues, compared to 43.2% of our revenues in 2001.

We continued to derive a significant proportion of our revenues from clients located in the United States. In 2002 and 2001, we derived 87.6% and 84.4% of our revenues, respectively, from clients located in the United States. Clients from the insurance, manufacturing and financial services industries continued to contribute a large proportion of our revenues. In 2002 and 2001, the insurance, manufacturing and financial service industry segments together comprised 79.0% and 76.0% of our revenues, respectively.

Cost of Revenues*:* Our cost of revenues was $101.4 million (Rs.4,865.9 million) in 2002, representing an increase of $19.3 million (Rs.902.2 million), or 23.5%, from cost of revenues of $82.1 million (Rs.3,963.7 million) in 2001. Cost of revenues represented 53.8% and 57.6% of our revenues in 2002 and 2001, respectively. The increase in cost of revenues was primarily due to an increase in wages and an increase in the number of employees. This increase in cost of revenues as a percentage of revenues was offset partly by an increase in our utilisation rates, which increased from 59.0% in 2001 to 66.7% in 2002.

Gross Profit: Our gross profit was $86.9 million (Rs.4,171.3 million) in 2002, representing an increase of $26.5 million (Rs.1,253.5 million), or 43.8%, from a gross profit of $60.4 million (Rs.2,917.8 million) in 2001. Gross profit as a percentage of our revenues increased to 46.2% in 2002 from 42.4% in 2001 primarily due to the higher realised prices and increased utilisation rates.

Selling, General and Administrative Expenses: Our selling, general and administrative expenses were $41.5 million (Rs.1,990.2 million) in 2002, representing an increase of $12.9 million (Rs.610.4 million), or 45.1%, from selling, general and administrative expenses of $28.6 million (Rs.1,379.8 million) in 2001. As a percentage of our revenues, selling, general and administrative expenses increased to 22.0% in 2002 from 20.1% in 2001.

The increase in selling, general and administrative expenses in 2002 was primarily due to an increase in the number of sales personnel from 71 as at December 31, 2001 to 96 as at December 31, 2002 and an increase in personnel costs. We believe that our investment in selling and marketing expenses contributed to our increased revenues from clients other than the GE Group.

Provision for Doubtful Debts and Advances**:** Provision for doubtful debts and advances was $1.7 million (Rs.83.9 million) in 2002 representing an increase of $0.6 million (Rs.32.2 million), or 63.2%, from provision for doubtful debts and advances of $1.1 million (Rs.51.7 million) in 2001. The increase in provision for doubtful debts and advances in 2002 was primarily on account of some new smaller dotcom customers.

Foreign Exchange Gains**:** Our foreign exchange gains were $0.3 million (Rs.15.2 million) in 2002, representing a decrease of $0.3 million (Rs.14.5 million), or 48.5%, from a foreign exchange gain of $0.6 million (Rs.29.7 million) in 2001. The foreign exchange gains in 2001 was primarily on account of the U.S. Dollar appreciating against the Rupee. In 2002, the U.S. Dollar appreciated against the Rupee in the first half of the year and depreciated in the second half of 2002. Overall the U.S. Dollar depreciated marginally against the Rupee in 2002 over 2001. The reduction in foreign exchange gain in 2002 was primarily due to the strengthening of the Rupee in the second half of 2002.

Operating Income: Our operating income was $44.0 million (Rs.2,112.4 million) in 2002, representing an increase of $12.6 million (Rs.596.3 million), or 40.1%, from an operating income of $31.4 million (Rs.1,516.1 million) in 2001. As a percentage of revenues, operating income increased to 23.4% in 2002 from 22.0% in 2001.

Other Income*:* Other income was $0.6 million (Rs.28.4 million) in 2002 compared to an expense of $0.7 million (Rs.34.3 million) in 2001. In 2002, General Atlantic Mauritius Limited invested in the Company, and we used a part of such proceeds to repay our outstanding long-term debts. As a result, we incurred a lower interest expense of $0.6 million (Rs.27.8 million) in 2002 compared to an interest expense of $1.8 million (Rs.86.5 million) in 2001. Other income also included a gain of $0.4 million (Rs.18.8 million) on the sale of investments in 2002 compared to a loss of $0.1 million (Rs.4.4 million) on this account in 2001. This was partly offset by interest and dividend income of $0.7 million (Rs.33.9 million) in 2002 compared to interest and dividend income of $1.2 million (Rs.58.9 million) in 2001.

Income Taxes: Our income taxes were $8.6 million (Rs.412.3 million) in 2002, representing an increase of $4.2 million (Rs.199.2 million), or 94.5%, from income taxes of $4.4 million (Rs.213.1 million) in 2001. This was partly on account of a decrease in the tax benefit available under Section 10A of the Indian Income Tax Act, from 100% to 90% for the year ended March 31, 2003, and partly on account of higher foreign taxes.

Net Income: Our net income was $36.0 million (Rs.1,728.6 million) in 2002, representing an increase of $9.7 million (Rs.460.0 million), or 36.8%, from net income of $26.3 million (Rs.1,268.6 million) in 2001. Net income as a percentage of our revenues increased to 19.1% in 2002 from 18.5% in 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

***Revenues*:** Our revenues were $142.6 million (Rs.6,881.5 million) in 2001, representing an increase of $41.4 million (Rs.2,149.9 million), or 40.9%, from revenues of $101.2 million (Rs.4,731.6 million) in 2000. The increase in our revenues was primarily attributable to an increase in the volume of services delivered by us to the GE Group and State Farm Insurance. In 2001, we derived revenues of $97.3 million (Rs.4,695.5 million) from the GE Group and State Farm Insurance, representing an increase of $34.5 million (Rs.1,760.6 million), or 55.0%, from revenues of $62.8 million (Rs.2,934.9 million) derived from these clients in 2000.

As part of the GE Group's increased emphasis on entering into fixed-price contracts (including fixed-price SLA contracts), the proportion of our revenues from fixed-price contracts rose in 2001 compared to 2000.

We continued to derive a significant proportion of our revenues from clients located in the United States. In 2001 and 2000, we derived 84.4% and 81.4% of our revenues, respectively, from clients located in the United States. Clients from the insurance, manufacturing and financial services industries continued to contribute a large proportion of our revenues. In 2001 and 2000, the insurance, manufacturing and financial service industry segments together comprised 76.0% and 72.6% of our revenues, respectively.

Cost of Revenues: Our cost of revenues was $82.1 million (Rs.3,963.7 million) in 2001, representing an increase of $23.0 million (Rs.1,202.0 million), or 39.0%, from cost of revenues of $59.1 million (Rs.2,761.7 million) in 2000. Although there was a decrease in our utilisation rate from 72.1% in 2000 to 59.0% in 2001, cost of revenues represented 57.6% and 58.4% of our revenues in 2001 and 2000, respectively. Cost of revenues as a percentage of revenues remained approximately the same primarily due to higher realised prices and higher proportion of offshore revenues in 2001.

Gross Profit: Our gross profit was $60.4 million (Rs.2,917.8 million) in 2001, representing an increase of $18.3 million (Rs.947.8 million), or 43.5%, from a gross profit of $42.1 million (Rs.1,970.0 million) in 2000. Gross profit as a percentage of our revenues increased to 42.4% in 2001 from 41.6% in 2001 primarily due to higher revenues and lower cost of revenues as a percentage of revenues.

Selling, General and Administrative Expenses: Our selling, general and administrative expenses were $28.6 million (Rs.1,379.8 million) in 2001, representing an increase of $11.5 million (Rs.581.8 million), or 67.5%, from selling, general and administrative expenses of $17.1 million (Rs.798.0 million) in 2000. As a percentage of our revenues, selling, general and administrative expenses increased to 20.1% in 2001 from 16.9% in 2000.

The increase in selling, general and administrative expenses in 2001 was primarily due to an increase in the sales team from 43 as at December 31, 2000 to 71 as at December 31, 2001 and increase in personnel costs.

***Provision for Doubtful Debts and Advances*:** Provision for doubtful debts and advances was $1.1 million (Rs.51.7 million) and $1.1 million (Rs. 53.5 million) in 2001 and 2000, respectively. The provision for doubtful debts and advances as a percentage of revenue was lower in 2001 on account of better collection efforts.

***Foreign Exchange Gains*:** Our foreign exchange gains were $0.6 million (Rs.29.7 million) in 2001, representing a decrease of $0.5 million (Rs.21.8 million), or 44.1%, from a foreign exchange gain of $1.1 million (Rs.51.5 million) in 2000. The foreign exchange gains were higher in 2000 on account of a higher depreciation of the Rupee against the U.S. Dollar in 2000 as compared to 2001.

Operating Income: Our operating income was $31.4 million (Rs.1,516.1 million) in 2001, representing an increase of $6.4 million (Rs.346.1 million), or 25.5%, from operating income of $25.0 million (Rs.1,170.0 million) in 2000. However, as a percentage of revenues, operating income decreased to 22.0% in 2001 from 24.7% in 2000, primarily due to an increase in selling, general and administrative expenses.

Other Income: We incurred an expense of $0.7 million (Rs.34.3 million) in 2001 compared to other income of $1.8 million (Rs.86.2 million) in 2000. This was principally attributable to a loss of $0.1 million (Rs.4.4 million) on the sale of investments in 2001 compared to a gain of $2.5 million (Rs.115.2 million) on the sale of investments in 2000.

Income Taxes: Our income taxes were $4.4 million (Rs.213.1 million) in 2001, representing a decrease of $0.3 million (Rs.6.9 million), or 6.2%, from income taxes of $4.7 million (Rs.220.0 million) in 2000. The reduction in taxes in 2001 is primarily due to reduced taxes outside India.

Net Income: Our net income was $26.3 million (Rs.1,268.6 million) in 2001, representing an increase of $4.1 million (Rs.232.5 million), or 18.7%, from net income of $22.2 million (Rs.1,036.1 million) in 2000. However, net income as a percentage of our revenues decreased to 18.5% in 2001 from 21.9% in 2000 due to reasons explained above.

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Quarterly Results of Operations

The following tables present certain unaudited quarterly statements of income data for each of the seven quarters from January 1, 2002 through September 30, 2003. The information relating to these quarters is derived from our unaudited combined/consolidated financial statements as per U.S. GAAP in U.S. Dollars, and in our opinion included all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of that information. The results of operation for any quarter are not necessarily indicative of results to be expected for any future period.

Our quarterly operating results may continue to fluctuate from quarter to quarter. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. It is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and our investors, which could lead to a significant decline of the share price of our Equity Shares.

(US$ in thousands)

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Revenues	41,574.0	45,730.1	48,384.4	52,585.2	53,473.7	59,712.6	67,324.1
Cost of revenues	23,248.4	23,091.2	26,903.2	28,129.4	31,745.2	37,169.9	39,282.1
Gross profit	18,325.6	22,638.9	21,481.2	24,455.8	21,728.5	22,542.7	28,042.0
Selling, general and administrative expenses	9,004.9	10,369.6	9,735.8	12,352.6	11,274.5	13,869.1	15,052.2
Provision for doubtful debts and advances	434.9	458.6	485.0	369.4	542.7	(357.5)	229.9
Foreign exchange gain / (loss)	(398.1)	(337.6)	166.0	252.2	220.5	(196.6)	(257.9)
Operating income	9,283.9	12,148.3	11,094.4	11,481.6	9,690.8	9,227.7	13,017.8
Other income /(expense)	-	-	-	-	-	-	
Interest and dividend income	188.6	179.1	224.7	113.2	58.2	647.7	287.0
Interest expense	(327.3)	(141.8)	(87.8)	(22.4)	(8.8)	(4.4)	(7.6)
(Loss) on sale of investments, net	(63.2)	0.7	118.7	334.7	789.0	288.5	37.3
Other income net	55.7	3.4	19.7	(3.5)	(53.8)	76.5	18.5
Income before income taxes	9,137.7	12,189.7	11,369.7	11,903.6	10,475.4	10,236.0	13,353.0
Income taxes	1,576.4	2,015.0	1,774.9	3,222.5	1,824.2	1,811.3	2,036.7
Net income	7,561.3	10,174.7	9,594.8	8,681.1	8,651.2	8,424.7	11,316.3

Convenience Translation. Please refer to “Currency of Presentation” on page C of this Prospectus for information on translation of all periods presented, which is being done solely for SEBI purposes, and should not be relied upon.

(Rs. in thousands)

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Exchange rate	48.83	48.91	48.40	48.00	47.53	46.40	45.78
Revenues	2,030,060.7	2,236,660.1	2,341,805.0	2,524,089.5	2,541,605.8	2,770,663.9	3,082,098.9
Cost of revenues	1,135,219.8	1,129,391.1	1,302,113.4	1,350,213.6	1,508,848.1	1,724,683.9	1,798,334.4
Gross profit	894,840.9	1,107,269.0	1,039,691.6	1,173,875.9	1,032,757.7	1,045,980.0	1,283,764.5
Selling, general and administrative expenses	439,710.6	507,178.0	471,210.9	592,923.8	535,874.9	643,527.2	689,088.3
Provision for doubtful debts and advances	21,236.4	22,427.6	23,475.2	17,731.1	25,796.1	(16,588.4)	10,526.1
Foreign exchange gain (loss)	(19,439.0)	(16,508.0)	8,032.5	12,105.4	10,478.1	(9,121.9)	(11,806.3)
Operating income	453,332.9	594,171.4	536,973.0	551,115.6	460,608.6	428,163.1	595,956.4
Other income /(expense)							
Interest and dividend income	9,211.0	8,761.2	10,875.9	5,431.4	2,766.0	30,052.1	13,139.6

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Interest expense	(15,981.0)	(6,934.5)	(4,253.7)	(1,073.5)	(417.7)	(202.5)	(346.2)
(Loss) on sale of investments, net	(3,087.0)	36.3	5,744.6	16,063.5	37,498.7	13,387.2	1,708.8
Other income net	2,719.9	164.0	954.2	(165.0)	(2,558.7)	3,551.8	845.6
Income before income taxes	446,195.8	596,198.4	550,294.0	571,372.0	497,896.9	474,951.7	611,304.2
Income taxes	76,978.1	98,553.1	85,906.5	154,679.5	86,707.2	84,046.4	93,240.5
Net income	369,217.7	497,645.3	464,387.5	416,692.5	411,189.7	390,905.3	518,063.7

The following tables set forth the break-down of our revenues by the type of client contract, by industry, by geography, and by client concentration for each of the seven quarters from January 1, 2002 through September 30, 2003.

Revenues by type of contract

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Time and Material	48.0%	47.4%	49.2%	48.2%	46.6%	51.3%	54.7%
Fixed-Price (including Fixed-Price SLA)	51.9%	52.5%	50.8%	51.8%	53.1%	48.6%	45.3%
Others[1]	0.1%	0.1%	0.0%	0.0%	0.3%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1] *See note 21.1.2 of our unaudited consolidated financial statements under U.S. GAAP on page 233 of this Prospectus*

Revenues by Industry Segments

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
Insurance	40.3%	39.5%	37.0%	36.0%	35.7%	34.4%	32.4%
Manufacturing	23.2%	25.5%	29.8%	29.2%	28.3%	30.1%	27.3%
Financial Services	13.7%	14.9%	12.7%	14.1%	14.3%	16.0%	17.1%
Others	22.8%	20.1%	20.5 %	20.7%	21.7%	19.5%	23.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenues by Geographic Segments

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
USA	86.9%	88.0%	87.2%	88.1%	89.1%	89.7%	88.0%
Europe (including UK)	6.3%	7.0%	7.7%	7.6%	7.1%	7.3%	7.3%
Japan	5.2%	3.3%	3.1%	3.0%	2.3%	2.0%	3.7%
Others	1.6%	1.7%	2.0%	1.3%	1.5%	1.0%	1.0%
Asia-Pacific (excluding Japan)	1.2%	0.7%	1.2%	0.8%	1.0%	0.7%	0.6%
Rest of the World	0.4%	1.0%	0.8%	0.5%	0.5%	0.3%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenues by clients

	Three months ended						
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
GE Group	53.6%	52.9%	48.1%	49.0%	48.9%	43.3%	36.8%
State Farm Insurance	15.4%	15.6%	16.4%	16.4%	17.1%	17.8%	17.4%
Top 5 Clients	79.6%	77.7%	74.7%	74.1%	74.4%	71.3%	66.6%
Top 10 Clients	86.3%	85.6%	84.5%	85.2%	84.2%	80.9%	77.9%

Liquidity and Capital Resources

Our growth has been financed largely by cash generated from operations and, to a lesser extent, from the proceeds of the issue of Equity Shares. In 2000, we received approximately $6.0 million (Rs. 279.4 million) in gross proceeds from the issue of Equity Shares to GE Capital. In September 2002, GA made an equity investment of approximately $57.0 million (Rs. 2,736.0 million) in the Company.

As at September 30, 2003, we had $ 28.4 million (Rs. 1,298.2 million) in cash and cash equivalents, $3.8 million (Rs. 174.3 million) invested in liquid mutual funds, $48.2 million (Rs. 2,206.1 million) invested in securities, $123.7 million (Rs. 5,663.8 million) in working capital and no outstanding bank borrowings or long-term debt. We believe that a sustained reduction in IT spending, a longer sales cycle, and a continued economic downturn in any of the various industry segments in which we operate, could result in a decline in our revenues and negatively impact our liquidity and capital resources.

Net cash provided by operating activities was $21.9 million (Rs. 1,001.0 million) and $30.9 million (Rs. 1,495.2 million) in the nine months ended September 30, 2003 and 2002, respectively. Net cash provided by operations was lower in the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002 primarily due to increases in costs and estimated earnings in excess of billings on uncompleted contracts and other current assets and decreases in taxes payable and other current liabilities. These were partly offset by higher depreciation and amortisation, increases in deferred taxes accrued expenses and other liabilities. Accounts receivable as a percentage of the revenues over the preceding 12-month period represented 23.3% and 26.5% as at September 30, 2003 and 2002, respectively.

Costs and estimated earnings in excess of billings on uncompleted contracts increased by $6.0 million (Rs. 272.9 million) during the nine months ended September 30, 2003, compared to $0.4 million (Rs. 18.0 million) in the nine months ended September 30, 2002. Other current assets increased by $3.4 million (Rs. 154.0 million) during the nine months ended September 30, 2003 compared to $4.4 million (Rs. 214.6 million) during the nine months ended September 30, 2002. Taxes payable decreased by $2.9 million (Rs. 133.2 million) during the nine months ended September 30, 2003 compared to an increase of $5.5 million (Rs. 267.0 million) during the nine months ended September 30, 2002. Other current liabilities decreased by $0.2 million (Rs. 9.1 million) during the nine months ended September 30, 2003 compared to an increase of $2.3 million (Rs. 111.2 million) during the nine months ended September 30, 2002.

Depreciation and amortisation expenses increased to $6.5 million (Rs. 297.7 million) during the nine months ended September 30, 2003 compared to $4.3 million (Rs. 207.9 million) during the nine months ended September 30, 2002. Deferred tax expenses were $0.2 million (Rs. 11.2 million) during the nine months ended September 30, 2003 compared to deferred tax income of $2.6 million (Rs.124.0 million) during the nine months ended September 30, 2002. Accrued expenses increased by $6.0 million (Rs. 272.6 million) during the nine months ended September 30, 2003 compared to $3.8 million (Rs. 186.0 million) during the nine months ended September 30, 2002. Other liabilities increased by $2.0 million (Rs. 91.2 million) during the nine months ended September 30, 2003 compared to $0.8 million (Rs. 37.5 million) during the nine months ended September 30, 2002.

Our billings in excess of costs and estimated earnings on uncompleted contracts decreased by $0.8 million (Rs. 35.4 million) in the nine months ended September 30, 2003 compared to an increase of $0.9 million (Rs. 44.4 million) in the nine months ended September 30, 2002.

Net cash used in investing activities was $27.9 million (Rs.1,278.4 million) and $35.9 million (Rs. 1,737.9 million) for the nine months ended September 30, 2003 and 2002, respectively. Net cash used in acquisition of additional property, plant and equipment for the nine months ended September 30, 2003 and 2002, was $10.6 million (Rs.485.2 million) and $9.7 million (Rs. 471.4 million), respectively.

Net cash used in financing activities was $0.9 million (Rs. 43.0 million) for the nine months ended September 30, 2003 as against net cash provided of $11.0 million (Rs. 531.3 million) for the nine months ended September 30, 2002. During the nine months ended September 30, 2002, $30.8 million (Rs.1,476.0 million) was used to acquire Patni Computer Systems, Inc., accounted for as distribution to shareholders and $10.9 million (Rs. 526.7 million) was used for repayment of short-term borrowings from banks and preferred stock. This was offset with net proceeds received from issuance of redeemable common shares amounting to $55.5 million (Rs.2,665.7 million).

Quantitative and Qualitative disclosures about market risk

General

Market risk is the loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables.

Our exposure to market risk is a function of our borrowing activities and revenues generating activities in foreign currency and the activity of investment in securities and liquid mutual fund units. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. Most of our exposure to market arises out of our foreign currency accounts receivable.

Risk Management Procedures

We manage market risk through treasury operations. Treasury operation's objectives and policies are approved by senior management and the board. The activities of treasury operations include management of cash resources and investment in securities and liquid mutual fund units, implementing hedging strategies for foreign currency exposures, borrowing strategies, if any, and ensuring compliance with market risk limits and policies.

Components of Market Risk

Exchange Rate Risk. Our exposure to market risk arises principally from exchange rate risk. Even though our functional currency is the Rupee, we transact a major portion of our business in foreign currencies, particularly the U.S. Dollar. The exchange rate between the Rupee and the Dollar has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of our operations are adversely affected as the Rupee appreciates against the U.S. Dollar. Our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables. We have sought to mitigate the risks of changes in foreign exchange rates on our operating results by purchasing foreign exchange forward contracts. As at September 30, 2003, we had outstanding forward contracts in the amount of $39.0 million. These contracts typically mature within twelve months, must be settled on the day of maturity and may be cancelled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. We use these instruments only as a hedging mechanism and not for speculative purposes. We may not purchase contracts adequate to insulate ourselves from foreign exchange currency risks. In addition, any such contracts may not perform adequately as a hedging mechanism. We may, in the future, adopt more active hedging policies, and have done so in the past.

Interest Rate Risk. Our surplus cash resources are typically invested in Mutual fund units and overnight sweep funds. All the investments are in Mutual funds / Overnight sweep funds with debt portfolios of short tenor. These investments are exposed to interest rate risk whereby any increase in interest rates may negatively impact the fair value of the investments. As such, we limit the risk by investing in short duration funds and by adequate diversification of investments.

Fair Value. The fair value of our market rate risk sensitive instruments approximates their carrying value.

Recent Accounting Pronouncements under U.S. GAAP

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. This Issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting, where the deliverable (the revenue generating activities) are sufficiently separable and have standalone value to the customer. It is also necessary that there exist sufficient evidence of fair value to separately account for some or all of the deliverables. The Company adopted EITF Issue No. 00-21 effective July 1, 2003 and concluded that the adoption of the consensus did not have a material impact on its revenue recognition policies.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are applicable for fiscal periods beginning after December 15, 2002. The Company adopted the intrinsic value based method of APB Opinion No. 25 to account for its employee stock based compensation plans. Further, the Company adopted the disclosure provisions of SFAS No. 148.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities-an interpretation of Accounting Research Bulletin No. 51. FIN No. 46 is applicable to all variable interest entities created after January 31, 2003. In respect of variable interest entities created before February 1, 2003, FIN No. 46 will be applicable from fiscal periods beginning after June 15, 2003. The Company believes that the adoption of FIN No. 46 will not have a material impact on the consolidated financial statements of the Company.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company adopted the provisions of SFAS No. 149 effective July 1, 2003 and this adoption did not have a material impact on the consolidated financial statements of the Company.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The statement requires issuers to classify as liabilities (or assets in some circumstance) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, the statement is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of SFAS No. 150 effective July 1, 2003 and concluded that its adoption did not have an impact on its consolidated financial statements.

SECTION V : LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offenses (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) that would result in a material adverse effect on our consolidated business taken as a whole.

Against our Company

Sr. No.	Appeal No. / Case No.	Dated	Complainant / Applicant	Respondent	Name & Address of the Court / Arbitration Panel	Amount Under Consideration	Nature of Case
	Direct Tax Related						
1	R.A.Nos. 81& 82 / PN /1992 Arising Out of I.T.A.No. 1045 & 1212 / PN	September 3, 1992	Income Tax Department	Patni Computer Systems Limited	High Court, Mumbai	Approx. Rs.2.2 million (exclusive of interest, if any)	Appeal against the Order of Income Tax Appellate Tribunal for assessment year 1989-90
2	1359 / PN / 92	February 11, 1993	Income Tax Department	Patni Computer Systems Limited	Income Tax Appellate Tribunal, Pune	Approx. Rs.0.8 million (exclusive of interest, if any)	Appeal against the Order of CIT[A] for assessment year 1990-91
	Indirect Tax Related						
3	301/02	January 2, 2003	Asst. Commissioner Trade Tax, Khand-1 Noida	Patni Computer Systems Limited	Joint Commissioner Appeal-3, Trade Tax, Noida	Approx. Rs.0.3 million (The Company has paid 40% of this amount on March 8, 2003 and given a bank guarantee of 60% to The Asst. Comm. of Trade Tax Khand - 1, Noida.)	Sales Tax Appeal against non-submission of Form 31

Against our Company by employees

An arbitration case has been initiated by Mr. Sikhar Roy, an employee of the Company. The total damages claimed in this arbitration proceeding is Rs.169,000.

By our Company

Sr. No.	Appeal No. / Case No.	Dated	Complainant / Applicant	Respondent	Name & Address of the Court / Arbitration Panel	Amount Under Consideration	Nature of Case
	Direct Tax Related						
1	Form No.35 assessment year 2000-2001	April 7, 2003	Patni Computer Systems Limited	Deputy Commissioner of Income Tax, Circle 1(2), Pune	The Commissioner of Income Tax (Appeals) I, Pune	Impact not material	Appeal against the Order of Assistant Deputy Commissioner of Income Tax, Circle 1(2), Pune assessment year 2000-01

Sr. No.	Appeal No. / Case No.	Dated	Complainant / Applicant	Respondent	Name & Address of the Court / Arbitration Panel	Amount Under Consideration	Nature of Case
	Intellectual Property Rights Related						
2	DEL-T-4585/99659	May 19, 2003	Patni Computer Systems Limited	Patni Art Printers Private Limited	The Registrar of Trade Marks, Trade Marks Registry, Delhi	Not known	Notice of opposition in respect of alleged trademark infringement has been taken on record by Trade Mark Registry
	Customer Related						
3	Petition No.903 of 2002	-	Patni Computer Systems Limited	Flexex Technology India Private Limited	High Court, Mumbai	Approx.Rs.7.6 million	Winding Up Petition

By the Company against employees

There are a total of 54 cases referred for arbitration with reference to service agreements or visa related issues against our employees. The total damages claimed by the Company from the employees in these cases is Rs.8.1 million. In addition, there are a total of 24 cases where arbitration proceedings have started with reference to service agreements or visa related issues. The total damages claimed by the Company from the employees in these cases is Rs.3.8 million.

Against our Subsidiaries

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our subsidiaries, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by subsidiaries of the Company, (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) that would result in a material adverse effect on our consolidated business taken as a whole.

Patni Computer Systems (UK) Limited

Sr. No.	Appeal No. / Case No.	Dated	Complainant / Applicant	Respondent	Name & Address of the Court / Arbitration Panel	Amount Under Consideration	Nature of Case
1	2302943/2002	June 10, 2002 (Date originating application)	Mr. Anil Ramchandani	Paul Brennand & Patni Computer Systems (UK) Ltd	Employment Tribunals, Regional Office, Montague Court, 101 London Road, West Croydon CR 02 RF	The maximum liability for unfair dismissal is U.K. Pounds 53,500 (Approx. Rs.4.0 million). There is no cap for racial discrimination charge.	Unfair dismissal Race discrimination

Against our Directors

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions or proceedings, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions or defaults against banks/ financial institutions by our Directors (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

Mr. Narendra K. Patni, Mr. Gajendra K. Patni and Mr. Ashok K. Patni

Please refer to the disclosure provided below under litigations against our promoters.

Mr. Anupam Puri

Actions initiated by SEBI in respect of ICICI Bank in which Mr. Anupam Puri is a director are as detailed below:

a) During SEBI's inspection of the debenture trustee operations of the erstwhile ICICI Limited, observations on certain shortcomings were made by SEBI in its inspection report. The erstwhile ICICI Limited had initiated suitable action based on SEBI report and had submitted a detailed reply to SEBI. The matter is being examined by SEBI. The erstwhile ICICI Limited had subsequently, with a view to exit the business, been divesting the portfolio of debenture trusteeship in favour of other debenture trustees. ICICI Bank continues to act as a debenture trustee for the remaining companies for which ICICI Limited was a debenture trustee.

b) SEBI had issued a notice in the matter of North Star Gems (India) Limited to show cause as to why Bhadra, Ahmedabad branch of the erstwhile Bank of Madura should not be suspended from conducting merchant banking activities for a period of 6 months. ICICI Bank filed a detailed reply with SEBI. SEBI in terms of their order dated October 16, 2002 took note of the fact that RBI had not indicated any malafide actions on the part of the bank officials and also the fact that the bank had taken disciplinary action against the concerned employees and issued a warning to the Bhadra branch of ICICI Bank with further direction to that branch to act with due skill, care and diligence while acting as banker to an issue.

Mr. Pradip Shah

Actions initiated by SEBI in respect of Prudential ICICI Mutual Fund in which Mr. Pradip Shah is a director are as detailed below:

a) A warning letter was issued to ICICI Mutual Fund on October 22, 1997 with respect to findings of the inspection report for the period 1995-96 which indicated that the valuation method followed by the fund with regard to listed and quoted/listed and unquoted/privately placed fully convertible and non-convertible debentures was not in accordance with the valuation method set forth in their accounting policy. The fund has subsequently confirmed compliance.

b) A warning letter was issued on July 14, 1999 for lack of due diligence observed in the filing of the soft copy of the offer document of the Prudential-ICICI Gilt Fund.

c) A warning letter was issued on January 5, 2000 as the draft offer document of Prudential-ICICI Technology Fund did not disclose the scheme specific risk factors as required in accordance with the standard offer document and one NAV figure was incorrect for April 1999.

d) A warning letter was issued on July 27, 2000 for not disclosing necessary supporting figures for calculation of returns and for not compounding figures for returns since inception in advertisements published in newspapers in case of Prudential-ICICI Plan. All the investors who invested in the plan after the said advertisement were given an option to exit without any exit load.

e) With respect to the inspection report for the period April 1, 1999 to March 30, 2000, warning letters were issued on September 10, 2001 for errors of omission in various reports submitted to SEBI and for grossly overstating the annualised return of FMCG Plan in the offer document of the Gilt Fund, under condensed financial information for the period ended June 30, 1999 and further the fund was also issued a deficiency letter for printing/reporting errors in accounting statements for the year ended March 31, 2000 pointed out by the auditors in their inspection report.

Against our Promoters

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions or proceedings or disputes against our promoters and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions or defaults against banks/ financial institutions, by our promoters (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

Criminal Cases pending against Mr. Gajendra K. Patni and Mr. Ashok K. Patni in their capacity as Directors of companies other than the Company

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
1.	Sumant Singh v/s. Sterlite Industries (I) Ltd. ("SIIL") PCSIL and authorised signatory PCS Industries Ltd. are named as parties no. 3 & 4. The complainant has alleged that 50 fully convertible debentures were sent to party no. 2 Company Secretary, SIIL along with transfer deed for transfer in the year 1994. The complainant has filed the case under Section 120B, 409, 420, 468 and 471 of IPC.	Court of Ld. Judicial Magistrate, 1st Class, Patna	1071 (C) 96 767/02 (Revision on Petition)	January 22, 2001	The Court has taken cognisance under Section 420 of IPC and issued summons to the parties named in the complaint. The shares appeared to have been misplaced and on receipt of the notice procedure for issuance of duplicate share certificate were initiated and the duplicate share certificates along with the outstanding dividends were handed to the complainant through the court.	Nil	A compromise petition was filed jointly by the complainants and the parties. An application under Section 205 of Cr. PC was filed. The Ld. Magistrate insisted the presence of the parties mentioned in the petition. Matter is being pursued for withdrawal of the case as the complainant's demands have been met with. The date of hearing is March 8, 2003. The next date of hearing is November 11, 2003 for purposes admission hearing of the Criminal Revision Petition.
2.	Elpee Commercial Ltd. v/s. Sterlite Industries (I) Ltd. PCSIL is party no. 2, with the two Joint Managing Directors and two Executive Directors of PCSIL also named as parties no. 3, 4, 5 & 6. The complaint pertains to non receipt of 400 shares out of 1000 alleged to have been sent for transfer to the office of party no. 1 at Waluj. Summons have been issued under section 406, 467, 468, 120B and 34 of IPC.	Court of the Magistrate at Calcutta Session Court	C/2809/00 171/01	April 11, 2002	Non receipt of 400 shares out of 1000 sent for transfer. Out of the 400 shares, 100 shares have been transferred in compliance with Company Law Board Order to a third party and another 100 shares have been transferred in favour of third party and balance 200 shares are under stop transfer.	Nil	Application filed under sections 204 and 205 of Cr. PC were rejected by Ld. Magistrate. The rejection was challenged in the Session Court at Calcutta which modified partially the Lower Court Order and set aside the issue of warrant and Order of attachment. The matter is now being pursued in the Honourable High Court at Calcutta under CR. No. 171 of 2001 and proceedings are pending.
3.	Dinesh Chandra Tiwari v/s. Sterlite Industries (I) Ltd. PCS Industries Ltd. is named as party no. 8 and joint Managing Director and Company Secretary are named as parties 9 and 12. The summons have been issued under Sections 120B, 420 and 468 of IPC. For non transfer of shares said	Additional Chief Metropolitan Magistrate at Calcutta	759 of 2001	Not available	The complainant has already filed a title l suit under 1350 of 2001 in the City Civil Court at Calcutta. A temporary Injunction Order has also been obtained in August 2001. The civil case was dismissed. The complainant	Nil	An application under Section 305 of Cr.PC as well under Section 205 has been filed by the parties concerned and the matter had come up for hearing on February 26, 2003. The complainant has also applied for restoration of the

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
	to have been sent to party no. 1.				has initiated criminal proceed-ing thereafter.		civil case. The date of hearing of the civil case was February 4, 2003 and the criminal case was February 26, 2003. The complainant has filed a Criminal Petition against exemption granted and the case is coming up for hearing on October 31, 2003 and the records from the Lower Court has been called for.
4.	Hari Om Prakash Srivastava v/s. Managing Director, Sterlite Industries (I) Ltd. Managing Director PCSIL is named as party no. 2. The summons were issued under sections 120B, 420 and 34 of IPC for non receipt of 100 shares sent for transfer to the registered office of SIIL at Waluj.	Court of Judicial Magistrate at Jamshedpur	1111/00	July 25, 2000	The shares had been transferred in the name of the third party and had also been demated. The complainant has also filed a Civil Suit for declaratory Order under petition no. 56 of 99 in the Court of the Munsiff at Jamshedpur	Nil	Application under Section 205 of Cr PC was filed. Meanwhile the party no. 3 in whose favour the shares had been transferred has filed a revision petition in the Honourable High Court at Ranchi under petition no. 405 of 2001. The new Share Transfer Agent has also been impleaded as a party in the civil suit. The last hearing date was on July 18, 2003 and criminal case at Jamshedpur was on August 6, 2003. Proceedings pending.
5.	Emmadi Ashok Kumar v/s. Sterlite Industries (I) Ltd. Chairman and Managing Director, PCSIL has been named as party no. 2. Petition has been filed under Section 27 under Consumer Protection Act for execution of a decree awarded by District Consumer Forum, Warangal in respect of Case no. CD of 106 of 2000. The complainant claims to have sent 100 shares of SIIL for transfer to his name which was not received by him duly transferred.	President of District Consumer Forum, Warangal.	106/2000 PP No. 37/2001	January 19, 2001	The District Consumer Forum ordered issue of 100 shares of Sterlite Industries (I) Ltd. & compensation. The order was received by PCS and sent to the company. Meanwhile Notice under section 27 of the Consumer Protection Act was received in August 2001.	Rs.60,340 plus interest	The party no.1 M/s. SIIL has moved the State Commission at Hyderabad and has obtained a Stay Order against the Order District Consumer Forum, Hyderabad. The proceedings are pending for further directions in the matter.

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
6.	Premnath v/s. Managing Directors' Sterlite Industries (I) Ltd. and Others PCSIL through its Managing Director is named as party no. 8 in the complaint. Notices have been issued under sections 34, 120B and 406 of IPC. Summons to witness issued on September 15, 2001 was received by PCSIL. The complainant's daughter who is the owner of 50 fully convertible debentures convertible into 100 shares of SIIL claims that the share certificates was lost/ misplaced and notice was sent to the parties regarding the same.	Judicial Magistrate, 1st Class, Danapur	367C of 2001 Criminal Revision no. 220/03 arising out of 367C of 2001	September 15, 2001	The complainant's daughter had filed at Civil suit in the Court of Munsiff at Danapur under petition no. 81/1997 and PCSIL had filed a reply in the year 2000 stating that in the year 1996 the complainant was advised to obtain a Court Injunction Order prohibiting transfer of shares which was not done by the complainant's daughter. Meanwhile the shares were transferred in multiple names and demated. The Civil case was dismissed on July 24, 2000 for non-attendance of the party, where after the complainant filed a criminal case.	Nil	Application has been filed on November 11, 2001 for discharge from further proceedings in the case. The complainant filed Revision Petition against the order of 205 CrPC granted in our favour. The Criminal Revision is listed being no. 220/2003. Next date has been fixed on December 8, 2003.

Against our group companies

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against other companies promoted by our promoters, and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by our group companies (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

PCS Industries Limited

PCS Industries has several criminal and civil prosecutions pending against it, including, pertaining to its erstwhile business activity as Registrars & Transfer Agents as detailed below:

Criminal cases against PCS Industries Limited

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
1.	Badriprasad G. Trivedi v/s. PCS Industries Ltd. Non-receipt of amount against 100 shares of Vishnu Cement tendered in the open offer made by Shri B.V. Raju, Kalashastheewar Finance Pvt. Ltd. in the year 1998.	Consumer Disputes Redressal Forum, Mehsana	314/1999	December 21, 2001 Court Notice received	The complainant has filed a case in the Consumer Disputes Redressal Forum and has mentioned proceedings under Section 406 and 420 of IPC for non-receipt of amount for the shares tendered.	Rs.10,000 Plus interest @ 21% p.a.	The payment for the 100 shares tendered was erroneously sent to the original holder. On receipt of the complaint in the year 1999, PCSIL had recovered the demand draft for Rs. 10,000 and the same had been sent to defendant no. 2 Kalashasteewar Finance Pvt. Ltd. for cancellation of the DD and issuance of fresh DD in favour of the complainant. On receipt of the Notice from the Honourable Forum, a written version has been submitted by PCSIL through speed post on March 16, 2002, for the hearing on April 8, 2002. Proceedings pending. No final Order received.

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
2.	Sumant Singh v/s. Sterlite Industries (I) Ltd. PCSIL and authorized signatory PCS Industries Ltd. are named as parties no.. 3 & 4. The complainant has alleged that 50 fully convertible debentures were sent to party no. 2 Company Secretary, SIIL along with transfer deed for transfer in the year 1994. The complainant has filed the case under Section 120B, 409, 420, 468 and 471 of IPC.	Court of Ld. Judicial Magistrate, 1st Class, Patna	1071 (C) 96 767/02 (Revision on Petition)	January 22, 2001	The Court has taken cognisance under Section 420 of IPC and issued summons to the parties named in the complaint. The shares appeared to have been misplaced and on receipt of the notice procedure for issuance of duplicate share certificate were initiated and the duplicate share certificates along with the outstanding dividends were handed to the complainant through the court.	Nil	A compromise petition was filed jointly by the complainants and the parties. An application under Section 205 of Cr. PC was filed. The Ld. Magistrate insisted the presence of the parties mentioned in the petition. Matter is being pursued for withdrawal of the caseas the complainant's demands have been met with. The next date of hearing is November 11, 2003 for purposes admission hearing of the Criminal Revision Petition.
3.	Navin Kumar Agarwal v/s. PCS Industries Ltd. & Officials of PCS Industries Ltd. have been named as parties as 1, 4 & 5. Cognizance have been taken by the Magistrate under section 406, 420, 467, 471 and 120B of IPC.	Court of Judicial Magistrate, 1st Class, Patna	57 (C) of 2001 Case No. 552/02 Criminal Revision Petition arising out of 57(C) of 2001	May 25, 2001	Transfer to third party of 200 shares of SIIL sent for transfer. There was a fraudulent transfer in the favour of third party who has been named as party no. 6 in the petition. As the shares have been demated, the complainant was asked to include the name of depository as well as the DP. FIR has been filed by PCS Industries Ltd. in the year 2000.	Nil	An application under Section 204 and 205 seeking grant of exemption for personal appearance as well as discharge of the parties was filed which was rejected. Petition has been filed in the Court of Session Judge at Patna under CR no. 552 of 2002. The matter was slated to come up for hearing for admission on March 8, 2003. Last hearing was held on September 20, 2003 for reporting of application under Sec 305 of CrPC for 57(C) of 2001. In respect of Criminal Revision Petition the matter has been posted for hearing on November 11, 2003.
4.	Elpee Commercial Ltd. v/s. Sterlite Industries (I) Ltd. PCSIL. is party no. 2, with the two Joint Managing Directors and two Executive Directors of PCSIL also named as parties no. 3, 4, 5 & 6. The complaint pertains to non-receipt of 400 shares out of 1000 alleged to have been sent for transfer to the office of party no. 1 at Waluj. Summons have been issued under section 406, 467, 468, 120B and 34 of IPC.	Court of the Magistrate at Calcutta Session Court	C/2809/00 171/01	April 11, 2002	Non-receipt of 400 shares out of 1000 sent for transfer. Out of the 400 shares, 100 shares have been transferred in compliance with Company Law Board Order to a third party and another 100 shares have been transferred in favour of third party and balance 200 shares are under stop transfer.	Nil	Application filed under section 204 and 205 of Cr. PC were rejected by Ld. Magistrate. The rejection was challenged in the Session Court at Calcutta which modified partially the lower Court Order and set aside the issue of warrant and Order of attachment. The matter is now being pursued in the Honourable High Court at Calcutta under CR. No. 171 of 2001 and proceedings are pending.

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
5.	Dinesh Chandra Tiwari v/s. Sterlite Industries (I) Ltd. PCS Industries Ltd. is named as party no. 8 and Joint Managing Director and Company Secretary are named as parties 9 and 12. The summons have been issued under Section 120B, 420 and 468 of IPC. For non-transfer of shares said to have been sent to party no.1	Additional Chief Metropolitan Magistrate at Calcutta	759 of 2001 Criminal Revision no. 84/2003	Not available	The complainant has already filed a title l suit under 1350 of 2001 in the City Civil Court at Calcutta. A temporary Injunction Order has also been obtained in August 2001. The civil case was dismissed. The complainant has initiated criminal proceeding thereafter.	Nil	An application under Section 305 of Cr.PC as well under Section 205 has been filed by the parties concerned and the matter had come up for hearing on February 26, 2003. The complainant has also applied for restoration of the civil case. The date of hearing of the civil case was February 4, 2003 and the criminal case was February 26, 2003. The complainant has filed a Criminal Petition against exemption granted and the case is coming up for hearing October 31, 2003 and the records from the Lower Court has been called for.
6.	Hari Om Prakash Srivastava v/s. Managing Director, Sterlite Industries (I) Ltd. Managing Director PCSIL is named as party no. 2. The summons were issued under 120B, 420 and 34 of IPC for non-receipt of 100 shares sent for transfer to the registered office of SIIL at Waluj.	Court of Judicial Magistrate at Jamshedpur	1111/00	July 25, 2000	The shares had been transferred in the name of the third party and had also been demated. The complainant has also filed a Civil Suit for declaratory Order under petition no. 56 of 99 in the Court of the Munsiff at Jamshedpur.	Nil	Application under Section 205 of Cr. PC was filed. Meanwhile the party no. 3 in whose favour the shares had been transferred has filed a revision petition in the Honourable High Court at Ranchi under petition no. 405 of 2001 The new Share Transfer Agent has also been impleaded as a party in the civil suit. The last hearing date was on July 18, 2003 and criminal case at Jamshedpur was on August 6, 2003. Proceedings pending.

Civil cases against PCS Industries Limited

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	First Hearing Date	Issues	Amount (Rs.)	Status
1.	Sangeeta Agarwal v/s. Sterlite Industries (I) Ltd. Non-receipt of 50 FCDs	Calcutta District Forum	297/A/98 & 298/A/98	November 5, 1996	PCS had filed a written statement in year 1998 and sent duplicate formalities etc. for issue of share certificates. Meanwhile the shares had been transferred to third party. The District Forum dismissed the case as it was a money suit and the complainant was asked to approach Civil Court. The complainant thereafter approached the State Commission at Calcutta.	Rs.107,500	PCSIL submitted that the complainant had not furnished requisite documents and therefore the case should be dismissed.

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	First Hearing Date	Issues	Amount (Rs.)	Status
2.	Mariyan Joseph v/s. Sterlite Industries (I) Ltd. Non-receipt of 500 shares of SIIL after transfer.	Consumer Disputes Redressal Forum, Cochin	241/2000	Last hearing dated May 8, 2000	PCSIL filed a written version on April 29, 2000 stating that the shares were part of stolen property and had been lodged for transfer by third party. PCSIL had filed an FIR. PCSIL had sent objection to complainant with photocopies of TDs and share certificates in 2000. PCSIL has also taken a stand that the complaint is not maintainable under the Consumer Protection Act.	Rs.200,000	Dismissal Order passed by the Consumer Disputes Redressal Forum, Ernakulam, as stated by M/s. Sharepro Services vide letter dated October 16, 2003.
3.	SBI, Delhi v/s. Lalit Kumar Agarwal & Others. SBI had filed a case for recovery of amount advanced to complainant who was borrower of SBI to whom 2000 shares of SIIL were pledged as securities.	Court of District Judge, Delhi	19/99	February 1, 1999	SBI has prayed for a decree for Rs. 105,282 along with interest at 18% and the sale of 2000 shares given as security against loan granted to complainant for purchase of vehicle.	Nil	Proceedings pending. No Final Order.
4.	Sushma Singhal v/s. P.C. Fincap Pvt. Ltd., PCS Industries Ltd. is defendant no.3. The complainant claims to have submitted 100 shares through her DP which has not been demated.	Consumer Disputes Redressal Forum, Meerut	616/2002	Last date of hearing December 31, 2002	The complainant has claimed presumptive monetary loss for not being able to sell the demated shares.	Rs.108,200 plus Interest	Discharge application submitted by speed post on December 16, 2002.
5.	Pravinchandra Devchandbhai Lohar v/s. Managing Director Sterlite Industries (I) Ltd. Managing Director PCS Industries Ltd. is defendant no. 2. Cause of action unknown as plaint copy not received.	Consumer District Redressal Forum, Ahmedabad	44/A/98 dtd. 17/7/01	July 17, 2001	Plaint not received	Nil	Proceedings pending.
6.	Sunder Sethi v/s. Avon Fincap Services Pvt. Ltd. & Others PCS Industries Ltd. is Respondent no. 2. The complainant had filed a case in District Consumer disputes Redressal Forum II, Chandigarh under complaint no. 434 of 2001 for non-receipt of 100 shares sent for transfer.	State Commission, Chandigarh Consumer Disputes Redressal Forum II, Chandigarh	Appeal no. 72/02 434 of 2001	August 1, 2001	PCSIL had filed a written statement on September 25, 2001 submitting that they had ceased to be Share Transfer Agent to SIIL and the shares have not been received by them. They had advised the complainant to approach the new Share Transfer Agent for duplicate share certificates.	Nil	The District Forum dismissed the case directing the complainant to file a civil suit as complicated question of law was involved. The complainant thereafter approached the Consumer Disputes Redressal Commission, Chandigarh which gave an Order reverting back the case to the District Forum for consideration on merits. The new Share transfer Agents have been impleaded as a party.
7.	Kirtikar Pradeep Chandrakant v/s. PCS Industries Ltd. The complainant has filed a case for presumptive loss claiming that he had received endorsement stickers of Bank of India which were	Consumer Disputes Redressal Forum, Mumbai	417/99		PCSIL had filed a written version on October 10, 2000 contesting the claim of the complainant as the complainant had failed to examine the stickers handed over to him and had proceeded to sell the	Rs.107,780	Proceedings pending. Next date of hearing March 6, 2003. Discharge application submitted by PCSIL on June 14, 2002. The last date of hearing

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	First Hearing Date	Issues	Amount (Rs.)	Status
	misprinted.				shares without verifying the correctness in spite of being advised to do so.		was on August 12, 2003 on which day the Board was discharged and the matter was adjourned. Next date of hearing is on December 17, 2003.
8.	Debasish Karan v/s. PCS Industries Ltd. The complainant has filed a suit for settlement of certain bills for work carried out by him at PCSIL Calcutta office	City Civil Court, Calcutta	Suit No. 399 of 99	Date of suit March 27, 2001	Matter pertains to payment of bills for data processing work carried out by complainant during 1994.	Rs.15,967	Proceedings pending. Next date of hearing is on December 4, 2003.
9.	PCS Industries Ltd. v/s. Ramesh S. Baheti. The defendant Mr. Baheti had filed a case in the Consumer Disputes Redressal Forum, Akola for non receipt of 500 shares after transfer in 1994.	State Commission, Bombay	Appeal No. 658 of 98	Date of first Notice December 16, 1995	The complainant had claimed Rs. 75,000 towards cost and compensation etc. and interest on Rs. 0.2 million @ 24% being the pecuniary loss The District Forum at Akola passed an ex-parte Order for payment of Rs.28,785 being the interest and Rs. 5,750 as compensation.		Being aggrieved by the order, PCSIL has filed a appeal in the State Commission at Mumbai under appeal no.658 of 1998 and has deposited Rs.30,000 in the State Commission to comply with the direction. Proceedings pendings. Appeal by PCSIL was allowed and case was dismissed in our favour by the Honourable State Commission vide Order dated June 9, 2003.
10.	Rajashree Rajaram Bhingarde v/s. Defendant Nos. 1. Herdillai Unimers Ltd.; 2. PCS Data Products Ltd.; 3. Bank of Baroda, Pune. The complainant's complaint is about non-receipt of 300 shares or refund of Rs.3,000 pertaining to Defendant no. 1, i.e., Herdillai Unimers Ltd. The application was submitted by her to Defendant no. 3, Bank of Baroda, Pune. The complainant states that she has not been allotted 300 shares or refund of Rs.3,000 paid by her against application which she had submitted to Bank of Baroda, Pune branch.	Civil Judge, Senior Division, Diwani Judicial Court, Kolhapur	244/1995	March 26, 2003	The complainant states that she has not been allotted 300 shares or refund of Rs.3,000 paid by her against application which she had submitted to Bank of Baroda, Pune branch. The complainant's claim is as below : Rs.3,000 paid Amount Rs. 1,395 interest from June 2, 1992 @ 18% Rs. 350 notice fees Rs.4,745 Total	Rs.4,745	Last date of hearing is on October 17, 2003. Proceedings pending.
11.	State Bank of India v/s 1. PCS Industries Ltd. and 2. Industrial Development Bank of India	City Civil Court, Ahmedabad	1494 of 1997	1997	State Bank of India has claimed an amount of approx. Rs.50.3 million with interest alleging gross negligence, conspiracy and fraud against the company on account of alleged criminal offence for issue of unauthorised warrants and which were presented for payment to the State Bank of India as a result of which State Bank of India suffered a huge loss and has claimed against the company and IDBI a sum of approx. Rs.50.3 million with interest @ 21.5% p.a. from the date of suit until the date of realisation as and by way of compensation.	Approx. Rs.50.3 million	Pending for argument, hearing and disposal

Cases against PCS Industries Limited pertaining to statutory authorities

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
1.	Vijaya Bank v/s. Sterlite Industries Ltd & Other PCSIL is named as defendant no. 2	Debt Recovery Tribunal, Mumbai	1627 of 2000	-	Compensation for encashment of fraudulent dividend warrants	Approx. Rs.4.5 million plus interest	Matter has been referred to handwriting expert for verifying the signatures of authorised signatory, Mr. Shankar, on the dividend warrants fraudulently encashed at Goa. Next hearing date is October 17, 2003.

Cases against PCS Industries Limited pertaining to securities laws

Pursuant to an inspection on January 22, 1999, SEBI had initiated proceedings against PCS Industries Limited for compliance violations/ irregularities in the PCS Industries Limited's role as Registrars & Transfer Agents, and imposed a penalty of Rs. 5,00,000 for violation of Rule 4(1)(b) of the SEBI (Registrars to an Issue & Share Transfer Agents) Rules, 1993. The Securities Appellate Tribunal has upheld the penalty and PCS Industries Limited has filed an appeal in the High Court at Mumbai.

Sr. No.	Parties, Description of the matter	Adjudicating Authority	Case No.	Date of filing	Issues	Amount (Rs.)	Status
1.	PCS Industries Ltd. v/s. Securities and Exchange Board of India	High Court, Mumbai	44118 of 2001	November 29, 2001		Rs.0.5 million	An appeal has been filed by PCSIL contesting the orders passed by the adjudicating officer on May 10, 2001 and the learned presiding officer of the Securities & Exchange Board of India Appellate Tribunal on October 5, 2001. The case has been admitted and pending the appeal for final disposal, the orders of SEBI Appellate Tribunal No. 31 of 2001 have been stayed. PCSIL has however, deposited the aforesaid amount without prejudice to its contention that the SEBI order is not maintainable in law.

Further, 205 suits have been filed against PCS Industries Limited's clients for whom PCS Industries Limited was acting as Registrar and Transfer Agent and also against PCS Industries Limited and some of its Directors, claiming compensation for not registering the transfer of securities/for delaying transfer of securities/for not issuing duplicate securities/for not issuing bonus shares/for delaying issue of dividend or interest warrants and related matters pertaining to the securities of the respective client companies. The aggregate principal amount claimed under the above suits is Rs.2.3 million exclusive of any claim for interest, costs and other relief. In addition, there are 69 similar suits which have been certified as settled by the new registrars and transfer agents of the respective client companies, but for which PCS Industries Limited is still to ascertain from the relevant courts/forums whether the settlement has been taken on record and whether the suit has been dismissed. The aggregate monetary value of these 69 suits is Rs.0.5 million. Particulars of all the above mentioned suits filed against *inter-alia* PCS Industries Limited, are available for inspection to the public as detailed in "Material Documents" on page 276 of this Prospectus.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities.

We have received the following Government approvals that are material to our business:

1. Permission under the STP scheme for New Undertaking and Expansion respectively by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STP:PER :52 (94)/EOP:53(94) and STP/P/VIII (A) (114)/95/8261 dated August 2, 1994 and October 19, 1995 respectively for Pune Software & Conversion Units - Unit No. 5 to 8 and 31-38, respectively.
2. Permission under the STP Approval for New Undertaking, Expansion at TTC Part B and Permission for merger of STP Units at Thane by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STP / P/ VIII (A) (114) / 95/ 090, STP / P/ VIII (A) (114) / 95/ 93-94, STP / V/ VIII (A) (2) / 98 (1) / 049, STP/V/VIII(A)(2)/98(1)/049/3173 and STP/P/VIII(A)(123) /96/245 dated January 8, 1997, December 31, 1997, January 23, 1998, March 30, 2000 and January 17, 2001, respectively for TTC Thane.
3. Permission under the STP scheme for New Undertaking at Gandhinagar by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. 3 (1) / 99 - STPG / PCSL / 677 dated May 25, 1999 for Gandhinagar.
4. Permission under the STP scheme for Expansion at Chinchwad by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STP/ P / VIII(A) (114) / 95 / 4684 dated September 7, 1998 for Chinchwad.
5. Permission under the STP scheme for New Undertaking and Expansion at SDF VII Factory in SEEPZ by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. SEEPZ/NUS/APL/536/2000 and NUS/APL/576/2001/8378 dated October 31, 2000 and September 17, 2001 for SDF VII - Unit No. 17 - 20 & Basement No. B - 1, and Unit No. 13 – 16.
6. Permission under the STP scheme for New Undertaking at Chennai by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPIC/IMSC/99-2000/2766 dated March 16, 2000 for Chennai.
7. Permission under the STP Approval for Chennai, 5th, 6th, 7th & 8th Floor by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPIC/G389/ 2002-03 dated November 25, 2002 for Chennai, 5th, 6th, 7th & 8th Floor.
8. Permission under the STP Approval for Chennai, 9th Floor by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPIC/G389/2001-02/0564 dated December 14, 2001 for Chennai, 9th Floor.
9. Permission under the STP scheme for New Undertaking at Noida and change of address by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. PCMG/ PSE/05/025-STPN/7385 dated March 29, 2000 and PCMG/PSE/06/779/STPN/2622 dated September 25, 2000 for Noida - Plot No. 39/40 - Sector 16.
10. Permission under the STP scheme for Akruti Office by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPI/MUM/VIII(A)(810) / 2001(01) / 183 dated April 18, 2001 for Akruti.
11. Permission under the STP Approval for Akruti, 4th floor Office by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPI/MUM/VIII(A)(810)/2001(01)1790 dated March 20, 2003 for Akruti, 4th Floor.
12. Permission under the STP Approval for Akruti, 1st floor Office by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPI/MUM/VIII(A)(810)/2001(01)/ 3384 dated May 27, 2003 for Akruti, 1st Floor.
13. Permission under the STP scheme for New Undertaking at TTC by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STP/V/VIII(A)(2)/98(01)/142 dated June 25, 2001 for TTC - Millennium Business Park, Maestros House, Ground, 1st, 2nd and 3rd floor, Sector 2.
14. Permission under the STP scheme for New Undertaking at Vashi International Infotech Park by Software Technology Parks of

India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPI/ MUM/VIII(A)/ (922)/2002(05)/2380 dated May 21, 2002 for Vashi International Infotech Park - Tower 1, 4th & 5th Floor.

15. Permission under the STP scheme for Expansion at Noida Sector 58 by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPIN/APP/442002/200035 / 8222 dated April 4, 2002 for Noida - Plot No. 28, Block C - Sector 58 (BPO).
16. Permission under the STP scheme for plot at Vashi by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter No. STPI/MUM/VIII(A)/ (215)/2000(03)/2871 dated March 28, 2000 for Vashi International Infotech Park - Plot no. 39, Sector 30A.
17. Permission under the STP Approval for Pimpri Pune by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter no. STP/P/VIII(A)(806)/2003/ 3537 dated May 20, 2003 for Pimpri, Pune - 148, Mumbai - Pune Road, Pimpri, Pune - 411 018.
18. Permission under the STP Approval for plot at Jaipur by Software Technology Parks of India (an autonomous society under the Ministry of Information Technology, Government of India) vide their letter no. STP-J/ENTR-83/1999-2000/77 dated March 25, 2000 for Jaipur Plot no. IT – 22, EPIP, Sitapura.
19. Maharashtra sales tax registration number 411006/S/000254 dated April 1, 1996 and central sales tax registration number 411006/C/96 dated April 1, 1996 under the Central Sales Tax Act, 1956.
20. Gujarat sales tax registration number 21238228 dated September 28, 1999 and central sales tax registration number GUJ 61/S/ 1182 dated September 6, 1999 under the Central Sales Tax Act, 1956.
21. Uttar Pradesh sales tax registration number UP.ND.-011-5235 dated December 20, 2000 and central sales tax registration number ND.5109159 dated December 20, 2000 under the Central Sales Tax Act, 1956.
22. Tamil Nadu sales tax registration number TGNST 0820864/2000-2001 dated August 23, 2000 under Tamil Nadu General Sales Tax Act, 1959 and central sales tax registration number 699706 dated August 23, 2000 under the Central Sales Tax Act, 1956.
23. Certificate allotting Import Export Code No. 0392043831 dated August 18, 1992.
24. RBI approval for opening of Foreign Currency Account in US for Trading Office Operations vide their letter no. EC.BY.OPL.509/ 2541(1508)-93/94 dated October 25, 1993 for US Trading Office.
25. RBI approval for setting up a wholly owned subsidiary in UK vide their letter no. EC.BYX.PROJ.JV.959/2542 (P-88) 93-94 dated September 21, 1993 for Patni Computer Systems (UK) Limited.
26. RBI approval for opening of Foreign Currency Account with ANZ Bank, Melbourne, Australia vide their letter no. EC.Mumbai.Exp. Proj/ 3335/10.03.06(FCA III)/2000-01 dated June 26, 2001 for Australia Office.
27. RBI letter giving Identification No. the JV in USA (25% acquisition of Patni Computer Systems, Inc (DCI)) vide their letter no. EC.CO.OID/3683/19.16.163/2000–2001 dated February 28, 2001 for Patni Computer Systems Incorporated.
28. RBI letter giving Identification No. to the WOS in Germany vide their letter no.EC.CO.OID/1638/19.16.159 / 2000–2001 dated November 22, 2000 for Patni Computer Systems GmbH.
29. RBI approval for opening of Foreign Currency Account in Sweden for Trading Office Operations vide their letter no. EC.Mumbai.Exp. Proj/10.03.06(FCA) (VI)/2001-02 dated May 23, 2002 for Sweden Office.
30. Approval on behalf of Patni by Standard Chartered Bank for remittance to trading branch office in Japan vide their letter no. REM/TT/FCY dated December 5, 2002 for Japan Office.
31. RBI letter giving Identification No. to the JV in USA (75% acquisition of Patni Computer Systems, Inc (DCI)) vide their letter no. EC.CO.OID/3146/19.16.103 / 2002-03 dated December 14, 2002 for Patni Computer Systems Incorporated.
32. RBI approval for acquisitions in US by Patni Computer Systems Inc. vide their letter no. EC.CO.OID/5914/ 19.16.163 / 2002-03 dated April 29, 2003 for The Reference Inc.
33. Approval by Standard Chartered Bank for remittance to trading branch office in US vide their letter dated June 11, 2003 for US Trading Office.
34. Approval from the Ministry of Finance and Company Affairs (Department of Economic Affairs), Government of India vide their letter number 3/70/SIA/NFC/99/NRI dated October 23, 2003 for the Offer .
35. In principle approval from the RBI vide their letters numbered EC.Mumbai.FID/6210/04.02.01/2003-04 and EC.Mumbai.FID/ 04.02.01/6456/P-77/2003-04 dated December 24, 2003 and January 7, 2004, respectively, for the Offer. We will apply for final approval from RBI subsequent to closure of the offering.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. The dividends paid by our Company during the last five fiscal years are presented below:

Class of Shares	Face Value	Year ended March 31, 1998	Nine Months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002
Equity Shares(1)	Rs.10 /Rs.2						
- Interim		15%	100%	600%	-	30%	-
- Final		50%	50%	-	30%	-	30%
Total		65%	150%	600%	30%	30%	30%
12.9% Cumulative Redeemable Preference Shares(2)	Rs.100			12.9%	12.9%	12.9%	12.9%

(1) The percentage amounts indicated herein refer to the amount of dividend paid as a percentage of the par value of the Equity Shares.

(2) In April 2002, the Company redeemed the entire amount of cumulative redeemable preference shares;

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Tax Benefits Available to the Company and its Shareholders

We hereby report that the enclosed annexure states the possible tax benefits available to Patni Computer Systems Limited (the "Company") and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been / would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

For **Bharat S Raut & Co.**
Chartered Accountants

Russell I Parera
Partner
Membership No.42190

Mumbai
October 29, 2003

ANNEXURE - STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO PATNI COMPUTER SYSTEMS LIMITED AND ITS SHAREHOLDERS

1. Benefits available to the Company

1.1 Under the Income-tax Act, 1961 ('Act')

1.1.1 Tax holiday under Section 10A of the Act

As per the provisions of Section 10A of the Act, the Company is eligible to claim a benefit with respect to profits derived by its undertaking/s from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. The eligible amount would be the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertaking/s. However, for the Assessment Year 2003-2004, the tax holiday under Section 10A of the Act has been limited to 90 percent of the eligible profits instead of 100 percent of such profits. As a consequence, 10 percent of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75 percent (including surcharge of 5 percent) for Assessment Year 2003-04.

The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years.

1.1.2 Deduction under Section 80HHE of the Act

As per the provisions of Section 80HHE, an Indian Company engaged in the business of –

- export out of India of computer software or its transmission from India, to a place outside India by any means; or
- providing technical services outside India in connection with the development or production of computer software -

can claim a deduction under this Section. The eligible amount would be the proportion that the profits of the Company bear to the export turnover of the Company vis-à-vis the total turnover of the Company.

The deduction under this Section is gradually being phased out as under:

Relevant Years	Deduction as percentage of export profits
For the year ended 31 March 2001	80 per cent
For the year ended 31 March 2002	70 per cent
For the year ended 31 March 2003	50 per cent
For the year ended 31 March 2004	30 per cent

No deduction shall be allowed under this Section for the year ended 31 March 2005 and onwards.

The Company is not eligible to claim deduction under this Section if a benefit is claimed in respect of profit of an undertaking of the Company under Section 10A. Once a tax benefit under this Section is claimed, no further tax deduction is allowed to be claimed under any other provisions of the Act.

In the event, the Company becomes ineligible for claiming Section 10A benefits in respect of any of its undertakings due to noncompliance with the conditions of Section 10A, it could claim a deduction under Section 80HHE of the Act up to the financial year 2003-2004, provided the conditions specified in the said Section are fulfilled.

1.1.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

As per the provisions of Section 112(1)(b) of the Act, long term gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).

1.1.3.1 Exemption of capital gain from income tax

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period 1 March 2003 to 29 February 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under Section 10(36) of the Act. 'Eligible equity share' means:
  - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognised stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular no. 7 / 2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions –
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

1.2 Benefits available under Indirect Tax Laws

The Company has eleven Units registered under the Software Technology Parks ('STP') Scheme. The key benefits that could be available under indirect tax laws to a STP unit, subject to satisfaction of the specified conditions, are as under:

1.2.1 Customs duty

Specified goods, which are in the nature of capital goods, office equipment, components, etc. procured by a STP unit are exempt from customs duty. All goods, other than prohibited goods under the EXIM Policy are exempt from customs duty.

1.2.2 Excise duty

The local purchases by the Company will qualify as deemed exports. Further, the Company can avail of an exemption from payment of Central excise duty on all goods as per its entitlement for creating a central facility for use by software development units.

1.2.3 Sales tax

Concessions under the State Sales Tax legislations (depending upon the relevant State where the unit is set-up) are available. Further, the Company can claim a reimbursement of the Central Sales Tax paid on its local purchases. Further, export sales made by the Company would not be subject to sales tax. Purchases by a unit in a SEZ will also be exempt from Central Sales Tax.

Further, in order to avail the above benefits, the unit will be required to meet prescribed export obligations.

1.2.4 Service tax

The Company is eligible for exemption available to "Consulting Engineer" from levy of service tax on services rendered in relation to computer software (Notification no. 4/99-ST, dated 28 February 1999).

Further, in terms of ST circular no. 56/5/2003 and F. No. 254/1/2003-CX-4 dated 25 April 2003 issued by the Central Board of Excise and Customs ('CBEC'), the Company should be eligible for exemption from Service Tax in respect of export of computer software services, which are consumed outside India.

2. Benefits available to resident shareholders

2.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the IT Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

2.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after 1 April 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

As per the provisions of Section 112(1)(b) of the Act, long term gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

2.3.1 Exemption of capital gain from income tax

- Long-term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period 1 March 2003 to 29 February 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under Section 10(36) of the Act. 'Eligible equity share' means:
  - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognised stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular no. 7 / 2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

3. Benefits available to Non-Resident Indian shareholders

3.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the IT Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

3.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after 1 April 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of Shares held in a Company or any other listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.3.1 Capital gains tax - Options available under the Act

A) Where shares have been subscribed in convertible foreign exchange - Option of taxation under Chapter XII-A of the Act

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge), without indexation benefit.
- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

B) Where the shares have been subscribed in Indian Rupees

- As per the provisions of Section 112(1)(b) of the Act, long term gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

3.3.2 Exemption of capital gain from income tax

- Long-term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period 1 March 2003 to 29 February 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under Section 10(36) of the Act. 'Eligible equity share' means:
  - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

- any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognised stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes (‘CBDT’) has clarified vide Circular no. 7 / 2003 dated 5 September 2003, that ‘public issue’ shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

3.4 Provisions of the Act vis-à-vis provisions of the tax treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

4. Benefits available to other Non-residents

4.1 Income of a minor exempt up to certain limit

Under Section 10(32) of the IT Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

4.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company on or after 1 April 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.3 Computation of capital gains

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of shares held in a Company or any other listed securities or units of UTI or Mutual Fund units held for more than 12 months are considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.3.1 Exemption of capital gains from income tax

- Long-term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period 1 March 2003 to 29 February 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under Section 10(36) of the Act. 'Eligible equity share' means:
  - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognised stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

The Central Board of Direct Taxes ('CBDT') has clarified vide Circular no. 7 / 2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

4.4 Provisions of the Act vis-à-vis provisions of the treaty

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

5. Benefits available to Foreign Institutional Investors ('FIIs')

5.1 Taxability of capital gains

- As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

- As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

5.1.1 Exemption of capital gain from income tax

- Long-term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period 1 March 2003 to 29 February 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under Section 10(36) of the Act. 'Eligible equity share' means:
  - any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognised stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

  The Central Board of Direct Taxes ('CBDT') has clarified vide Circular no. 7 / 2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

  There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

7. Benefits available to Venture Capital Companies / Funds

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

8. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

9. Benefits available under the Gift-tax Act

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

Companies Under the Same Management

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, other than the subsidiaries and group Companies, details of which are provided in the section “Subsidiaries” on page 55 of this Prospectus and “Group Companies” on page 60 of this Prospectus.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Offer, Karvy Consultants Limited and us, will provide for retention of records with the Registrar to the Offer for a period of at least one year from the last date of dispatch of letters of allotment, demat credit and refund orders to enable investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Arun Kanakal as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer-related problems. He can be contacted at: Patni Computer Systems Limited, Akruti Softech Park, MIDC Cross Road No. 21, Andheri East, Mumbai 400 093 Tel: +91 22 5693 0500; Fax: +91 22 5693 0211, email: arun.kanakal@patni.com.

Details of borrowings in our Company

Please refer to page 164 of this Prospectus under “Additional Financial Information” for details of borrowings in our Company as specified under Annexure VI to the report on our unconsolidated financial statements under Indian GAAP.

SECTION VI: OFFERING INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles, conditions of the FIPB and RBI approvals, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/ or other authorities, as in force on the date of the Offer and to the extent applicable.

Authority for the Offer

The Fresh Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on October 27, 2003. Mr. Gajendra K. Patni, pursuant to letters dated September 12, 2003 and October 9, 2003, and Mr. Ashok K. Patni, pursuant to letters dated September 12, 2003 and October 9, 2003, have given their consent to the offer for sale of 1,872,000 and 1,872,000 Equity Shares, respectively, held by them through this Offer. The board of directors of GE Capital Mauritius Equity Investment at its meeting held on October 10, 2003 has approved the offer for sale of 1,580,000 Equity Shares held by them through this Offer. The Offer has been authorised by a resolution adopted by our board of directors at its meeting held on November 12, 2003.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company, including receipt of dividend, if any.

Face Value and Offer Price

The Equity Shares with a face value of Rs.2 each are being sold in the Offer at a total price of Rs.230 per share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page 266 of this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares in this Offer shall be transferred only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Transfer of the Equity Shares upon allocation will be done only in electronic form in lots of 50 Equity Shares, subject to a minimum allotment of 50 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Offer is with the competent courts in Mumbai, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Application by Domestic Investors/NRIs/FIIs

Our Company has received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) pursuant to its letter no. 3/70/SIA/NFC/99/NRI dated October 23, 2003 and an inpprinciple approval from the RBI vide their letters numbered EC.Mumbai.FID/6210/04.02.01/2003-04 and EC.Mumbai.FID/04.02.01/6456/P-77/2003-04 dated December 24, 2003 and January 7, 2004, respectively, for the transfer of Equity Shares in this Offer to domestic investors, NRIs and FIIs. We will apply for final approval from RBI subsequent to closure of the offering.

It will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However it is to be distinctly understood that there is no reservation for domestic investors, NRIs and FIIs and all domestic investors, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation. The Transfer of Equity Shares to domestic investor, NRIs and FIIs shall be subject to the conditions as may be prescribed by Government of India or RBI while granting such approvals. There are also restrictions in the laws of other jurisdictions for the offer or sale of Equity Sharesto domestic investors, NRIs and FIIs. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and will not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

OFFER STRUCTURE

The present Offer, for cash at a price of Rs.230 per Equity Share aggregating total consideration of Rs.4,306.5 million is being made through a 100% book building process.

	QIBs	Non Institutional Bidders	Retail
Number of Equity Shares(1)	11,234,400	2,808,600	4,681,000
Percentage of Offer Size available for allocation	Higher of 60% or Offer size less allocation to Non Institutional Portion and Retail Portion	Minimum 15% or Offer size less allocation to QIBs and Retail Portion	Minimum 25% or Offer size less allocation to QIBs and Non Institutional Portion
Basis of Allocation or Allotment if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 50 Equity Shares that the Bid Amount exceeds Rs.50,000	Such number of Equity Shares in multiples of 50 Equity Shares that the Bid Amount exceeds Rs.50,000	50 Equity Shares and thereafter in multiples of 50 Equity Shares
Maximum Bid	In multiples of 50 Equity Shares, not exceeding the size of the Offer subject to applicable limits	In multiples of 50 Equity Shares, not exceeding the size of the Offer	In multiples of 50 Equity Shares, such number of Equity Shares that the Bid Amount does not exceed Rs.50,000
Allotment Mode	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One	One	One
Market Lot	50	50	50
Who can Apply	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts	Individuals (including NRIs and HUFs) applying for up to Rs. 50,000 amount
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate

(1) Subject to valid Bids being received at or above the Offer Price. Undersubscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company, in consultation with the BRLMs.

OFFER PROCEDURE

Book Building Procedure

The Offer is being made through the 100% book building scheme wherein 60% of the Offer shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Offer Price.

Bidders are required to submit their Bids through the members of the Syndicate. Our Company, in consultation with the BRLMs, reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons therefor in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful Bidders only in dematerialised form.

Bid cum Application Form

Bidders shall only use the Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs or FIIs applying on a repatriation basis	Blue

Who Can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu undivided families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in Equity Shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State Industrial Development Corporations;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs.250 million;
- Pension funds with minimum corpus of Rs.250 million;
- Multilateral and bilateral development financial institutions;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in Equity Shares;
- Eligible NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and

- Scientific and/ or industrial research organisations authorised to invest in Equity Shares.

Note: The members of the Syndicate and any associate of the members of the Syndicate (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Offer where allocation is discretionary. Further, the BRLMs shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The offer of Equity Shares to a single FII should not exceed 10% of the post-Offer issued capital of the Company (i.e. 10% of 124,820,849 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of our total issued capital. With approval of the Board of Directors and that of the shareholders by way of a special resolution, the aggregate FIIholding can go up to 100%; however, till date, no such resolution has been recommended to our shareholders for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered venture capital funds and foreign venture capital investors.

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go upto 100% of the Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Bidders

The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, such that the Bid Amount does not exceed Rs.50,000. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs.50,000. In case the Bid Amount is over Rs.50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to bid and purchase at the final Offer Price as determined at the end of the Book Building Process.

For Non-Institutional and QIB Bidders

The Bid must be for a minimum of such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs.50,000. A Bid cannot be submitted for more than the size of the Offer. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its bid after the Bid/Offer Closing Date.

In case of revision in Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs.50,000. In case the Bid Amount reduces to Rs.50,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail Portion.

Information for the Bidders:

1. Our Company has filed the Prospectus with the RoC.
2. The members of the Syndicate will circulate copies of the Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor who would like to obtain the Prospectus along with the Bid cum Application Form can obtain the same from our corporate office or from any of the members of the Syndicate.
4. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms that do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

1. Our Company and the BRLMs shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date and Price Band in the Prospectus filed with RoC and publish the same in two national newspapers (one each in English and Hindi) and a regional newspaper (Marathi). This advertisement shall contain the salient features of the Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Offer Period.
2. The Bidding Period shall be open for at least 5 days and not more than 10 days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.
3. During the Bidding Period, the Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids.
4. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 122 of this Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for). The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares bid for by a Bidder at or above the Offer Price will be considered for allocation and the rest of the Bid(s), irrespective of the bid price, will become automatically invalid.
5. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 125 of this Prospectus.
6. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into Escrow Account" on page 123 of the Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs.200 to Rs.230 per Equity Share, Rs. 200 being the floor of the Price Band and Rs. 230 being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re.1.
2. Our Company, in consultation with the BRLMs, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed

in this Prospectus.

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. Our Company, in consultation with the BRLMs, can finalise the Offer Price within the Price Band without the prior approval of, or intimation, to the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Bidders may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**
6. Retail Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at the Offer Price, as finally determined which will be a price within the Price Band. Retail Bidders bidding at Cut-Off shall deposit in the Escrow Account the Bid Amount based on cap of the Price Band. In the event the Bid Amount is higher than the allocation amount payable by the Retail Bidders (i.e., the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), Retail Bidders shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.50,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder.
8. In case of a downward revision in the Price Band, announced as above, Retail Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

Escrow Account of the Company

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account of the Company. The Escrow Collection Banks will act in terms of the Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Offer Account as per the terms of the Escrow Agreement with the Company.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 128 of this Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or, demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Offer Account. The balance amounts after the transfer to the Public Offer Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The details of the Margin Amount payable will be available with the members of the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than they had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Offer Closing Date.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city where a Stock Exchange Centre is located in India, and where Bids are accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, we will upload the Bids until such time as permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on each of the electronic facilities of NSE and BSE will be uploaded on half hourly basis and consolidated. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
    - Name of the investor;
    - Investor category – Individual, Corporate, NRI, FII, or Mutual Funds, etc.;
    - Numbers of Equity Shares bid for;
    - Bid price;
    - Bid cum Application Form number;
    - Whether payment is made upon submission of Bid cum Application Form; and
    - Depository Participant Identification number and Client Identification number of the demat account of the Bidder.
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. It is to be distinctly understood that the permission given by NSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by our Company or the BRLMs are cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, promoters, management or any scheme or our project.
8. It is also to be distinctly understood that the approval given by NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a half hourly basis.
2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band prior to such revision disclosed in this Prospectus
3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.
5. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options, that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.**
7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidder.
8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.
9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Offer Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with our Company.
2. Our Company, in consultation with the BRLMs, shall finalise the "Offer Price" and the number of Equity Shares to be transferred and the allocation to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.
3. The allocation to QIBs of 60% of the Offer Size would be discretionary. The allocation to Non Institutional Bidders and Retail Bidders of not less than 15% and not less than 25% of the Offer Size, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Offer Price.
4. Undersubscription, if any, in any category, would be allowed to be met with spill over from any of the other categories, at the sole discretion of our Company, in consultation with the BRLMs.
5. Allocation to eligible residents, NRIs or FIIs applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Offer of Equity Shares to them.
6. The BRLMs and our Company, shall notify the members of the Syndicate of the Offer Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.

7. Our Company reserves the right to cancel the Offer any time after the Bid/Offer Opening Date without assigning any reason therefor.

Signing of Underwriting Agreement and RoC Filing

1. Our Company, on its own behalf and on behalf of the Selling Shareholders, the BRLMs, CBRLM and the other members of the Syndicate shall enter into an Underwriting Agreement on reaching agreement on the Offer Price and allocation(s) to the Bidders.
2. After the Underwriting Agreement is signed among our Company, on its own behalf and on behalf of the Selling Shareholders, the BRLMs, CBRLM and the other members of the Syndicate, we will file the Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Offer Price, size of the Offer, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Offer Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Offer Price. Any material updates between the Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

1. The members of the Syndicate would send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN. The BRLMs or Registrar to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Offer.
2. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allotted/transferred to such Bidder.

Designated Date and Transfer of Funds to Public Offer Account

On the Designated Date, successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be allotted/transferred only in the dematerialised form to the allottees**. Successful Bidders will have the option to re-materialise the Equity Shares so allotted/transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company will ensure the allotment/transfer of Equity Shares within 15 days of the Bid/Offer Closing Date and also ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of allotment.

General Instructions

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- Ensure that you Bid only in the Price Band;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as there will be no allotment/transfer of Equity Shares in physical form;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have collected a TRS for all your Bid options; and
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;

- Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not Bid at Cut-off price (for Non Institutional Bidders and QIB Bidders);
- Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable law.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revision of Bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for resident Indians and NRIs applying on non-repatriation basis and blue colour for NRIs or FIIs applying on repatriation basis).
2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Bidders, the Bids must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid Amount of Rs.50,000.
4. For Non Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.50,000 and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the size of the Offer. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
5. In single name or in joint names (not more than three).
6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected. It is the Bidder's responsibility to ensure that the details of the Bidder's depository account are correct.

Bidders Depository Account Details

Equity Shares shall be allotted/transferred only in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number in the Bid cum Application Form. Please ensure that in case of joint names, the names stated in the Bid cum Application Form should be in the same order as the names stated in the Bidders' depository account.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms and conditions as we may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our corporate office at Akruti Softech Park, MIDC Cross Road No. 21, Andheri East, Mumbai 400 093, India, or from members of the Syndicate or the Registrar to the Offer.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (white in colour).

Bids by NRIs or FIIs on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. **By NRIs** -Bids for a Bid Amount of up to Rs.50,000 would be considered under the Retail Portion for the purposes of allocation and bids for a Bid Amount of more than Rs.50,000 would be considered under Non Institutional Portion for the purposes of allocation; **By FIIs** – for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Amount exceeds Rs.50,000; for further details see "Offer Procedure - Maximum and Minimum Bid Size".
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals or their nominees.
5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

Our Company shall open an Escrow Account of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLMs, CBRLM and Syndicate Member(s) shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Offer.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company:

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.
2. In case the above margin amount paid by the Bidders during the Bidding Period is less than the Offer Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
   (a) In case of Resident Bidders: **"Escrow Account – Patni Offer"**
   (b) In case of Non Resident Bidders: **"Escrow Account – Patni Offer -NR"**
   - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in

support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

- In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

4. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
5. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer.
7. No later than 15 days from the Bid/Offer Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Form unless waived by a member of the Syndicate at its sole discretion.

The collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made by individuals in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form (“First Bidder”). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in all or any categories.

‘PAN’ or ‘GIR’ Number

Where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs.50,000 or more, i.e., the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs.50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961, as amended or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention “Not allotted” in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

Our Right to Reject Bids

Our Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, our Company would have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. PAN or GIR Number not given if Bid is for Rs.50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investor;
7. Bids at a price less than the floor of the Price Band and higher than the cap of the Price Band;
8. Bids at Cut-off price by a QIB or a Non Institutional Bidder;
9. Bids for number of Equity Shares, which are not in multiples of 50;
10. Category not ticked;
11. Multiple Bids;
12. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
13. Bid cum Application Form does not have the stamp of a member of the Syndicate;
14. Bid cum Application Form does not have the Bidder's depository account details, including as specified below;
15. Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Offer Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid cum Application Form;
16. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page 122 of this Prospectus;
17. Bids not duly signed by the sole/joint Bidders;
18. Bids accompanied with Stockinvests;
19. Bids by OCBs; or
20. Bids by U.S. residents or U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialised Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Offer shall be allotted/transferred only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreement have been signed between the Registrar to the Offer, the Depositories and the Company:

- An agreement dated August 9, 2002 among NSDL, the Company and Karvy Consultants Limited; and
- An agreement dated January 8, 2004 among CDSL, the Company and Karvy Consultants Limited.

Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted/transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).

5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form.
6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where our Equity Shares are proposed to be listed are connected to NSDL and CDSL.
9. The trading of our Equity Shares would only be in dematerialised form for all investors**.**
10. As this Offer also comprises an Offer for Sale by the existing shareholders, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Offer.

Communications

All future communications in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Undertaking by our Company

The Company undertakes as follows:

- that the complaints received in respect of this Offer shall be attended to by us expeditiously;
- that we shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Offer by us;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further offer of Equity Shares shall be made until the Equity Shares offered through this Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

Utilisation of Offer Proceeds

The Board of Directors of the Company certify that:

- all monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Fresh Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

Our Company and the Selling Shareholders shall not have recourse to the Offer proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received. The Company shall pay to the Selling Shareholders proceeds arising from the Offer for Sale forthwith on the same being permitted to be released in accordance with the SEBI regulations and the Companies Act, being no later than 2 business days after receipt of approval for trading of Equity Shares from all the stock exchanges where listing is sought.

Pending utilisation of net proceeds of the Fresh Issue as specified under the section "Objects of the Offer" the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Procedure and Time Schedule for Allotment of Equity Shares

Our Company reserves, at our absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within

15 days of the Bid/Offer Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Offer Closing Date. Our Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of **finalisation of the basis of allotment of Equity Shares**. Our Company shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500, “Under Certificate of Posting”, and dispatch of refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Offer Closing Date;
- Our Company would ensure despatch of refund orders within 15 days of the Bid/Offer Closing Date; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Offer for dispatch of refund orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of excess Bid Amount

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Offer Closing Date as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign direct investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment is allowed up to 100% in companies in the IT sector. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India (“FIPB”) and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

BASIS FOR OFFER PRICE

Qualitative Factors

Ability to manage large client relationships. We have successfully demonstrated the ability to manage large client relationships. Our ability to rapidly service client requirements both onsite in client geographies and offshore in India enables us to effectively respond to the demands of our large clients.

Delivery Excellence. Our proven processes allow us to seamlessly deliver high quality and cost-effective IT services from multiple locations in a reduced timeframe.

Engagement Models. We have demonstrated the ability to successfully work with our clients to develop engagement models that tie into their business objectives. We believe we are one of the leading Indian providers of fixed-price engagements and believe that clients with large outsourcing requirements will increasingly demand services on a fixed-price basis.

Industry Specific Knowledge and Experience. Our extensive experience in the insurance, manufacturing and financial services industries allows us to accurately define and deliver customised services that effectively address the business challenges faced by our clients in these industries. With the convergence of IT and corporate strategy, we believe clients will increasingly demand in-depth industry experience.

Broad Range of IT Services. We provide a broad range of IT services that we believe allows us to function as a virtual extension of our clients' IT departments.

Investment in Sales Organisation. We have invested in developing a strong client-centric sales approach. Our sales team is comprised of focused sales personnel responsible for accounts in specific industries and service offerings, regional sales experts responsible for accounts in specified geographies, account managers responsible for mature accounts and sales specialists that support focused pre-sales and sales efforts in specific industry and service offerings.

Scalable Organisational Structure. As we seek to increasingly structure our business along industry verticals, our strategic business unit structure enables us to assemble the necessary industry experience, solution architecture skills and delivery processes in an integrated, flexible and responsive manner.

Quantitative Factors

Information presented in this section is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP.

1. Adjusted earning per share (EPS)

		Pre-Split		Post-Split	
		Rupees	Weight	Rupees	Weight
1	Year ended December 31, 2000	35.97	1	7.19	1
2	Year ended December 31, 2001	57.12	2	11.42	2
3	Year ended December 31, 2002	81.73	3	16.35	3
	Weighted Average	65.90		13.18	

A. The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

B. The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.

2) Price/Earning (P/E) ratio in relation to Offer Price of Rs.230

a. Based on nine months ended September 30, 2003 EPS (post-split, post bonus, assuming exercise of all options granted as of October 31, 2003 on an annualized basis) is Rs.13.9.

b. P/E based on EPS for the nine months ended September 30, 2003 (post-split, post bonus, assuming exercise of all options granted as of October 31, 2003 on an annualized basis) is 16.5.

c. Industry P/E[(1)]

i)	Highest	73.1
ii)	Lowest	2.7
iii)	Industry Composite	26.7

(1) Source: Capital Market Volume XVIII/14 dated September 15-28, 2003 Category: Computers - Software - Large Volume

3. Average Return on Net Worth

Sr. No.		%	Weight
1	Year ended December 31 2000	31.15	1
2	Year ended December 31 2001	34.10	2
3	Year ended December 31 2002	23.55	3
	Weighted Average	28.33	

(a) The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Offer EPS.

The minimum return on increased net worth required to maintain pre-Offer September 30, 2003 EPS (post-split, post bonus, assuming exercise of all options granted as of October 31,2003 on an annualized basis) is 15.5%.

5. Net Asset Value per Equity Share as at September 30,2003 - Pre Bonus Rs.109.1, Post Bonus Rs.72.7.

Net Asset Value per Equity Share (post-split) represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

6. Net Asset Value per Equity Share after Offer

The net asset value per Equity Share after the Offer is Rs.89.6

Offer Price per Equity Share: Rs.230

7. Comparison of Accounting Ratios

	Face value of equity shares (Rs.)	EPS	P/E	RONW	NAV
Patni[1]	2.0	13.9	16.5	19.6%	72.7
Industry Average					
Computers - Software Large [2]			26.7		
Peer Group					
Infosys	5.0	142.8	31.4	38.8%	431.9
Wipro	2.0	34.4	37.7	27.7%	143.2
Satyam	2.0	13.0	18.9	20.6%	67.9
HCL	2.0	13.5	16.1	21.1%	71.4
Peer Group Average		50.9	26.0	27.1%	178.6

(1) Earnings per share and. net asset value are on a post-split and. post-bonus issue basis as of and. for the nine months ended. September 30, 2003 (post-split, post bonus, assuming exercise of all options granted, as of October 31, 2003 on an annualized. basis). Return on networth is based on annualized net profit for the nine month period ended September 30, 2003.

(2) Source: Capital Market Volume XVIII/14 dated September 15-28, 2003. Category: Computers - Software - Large

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SECTION VII: FINANCIAL INFORMATION

UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP (INCLUDING SUBSIDIARIES) AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

Bharat S Raut & Co.
KPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Mumbai 400 013

Auditor's Report

To The Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross 'C', Road No. 21
Andheri (East)
Mumbai 400 093

We have audited the attached Balance sheet of Patni Computer Systems Limited ('the Company') as at September 30, 2003 , the Profit and loss account and the Cash flow statement of the Company for the nine months ended on that date 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. This audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Company.

We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

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 have been kept by the Company so far as appears from our examination of the books;

c) the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable;

e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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 September 30, 2003;

   ii) in the case of the Profit and loss account, of the profit of the Company for the nine months ended on that date; and

   iii) in the case of the Cash flow statement, of the cash flows of the Company for the nine months ended on that date.

For Bharat S Raut & Co.
Chartered Accountants

Russell I Parera
Partner
Membership No: 42190

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Balance Sheet as at September 30, 2003

	Note	September 30 ,2003	December 31, 2002
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	222,842	148,561
Reserves and surplus	4	7,891,135	6,821,379
		8,113,977	***6,969,940***
Loan funds			
Secured loans	5	22,400	19,697
Deferred tax liability	18	**31,302**	-
		8,167,679	**6,989,637**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	2,791,190	2,414,707
Less: Accumulated depreciation		1,086,766	822,777
Net block		***1,704,424***	***1,591,930***
Capital work-in-progress		79,005	28,900
		1,783,429	***1,620,830***
Investments	7	4,344,204	3,645,102
Deferred tax asset	18	13,430	-
Current assets, loans and advances			
Sundry debtors	8	2,650,706	2,371,469
Cash and bank balances	9	384,783	138,876
Costs and estimated earnings in excess of billings		118,977	55,101
Loans and advances	10	161,792	115,050
		3,316,258	***2,680,496***
Less: Current liabilities and provisions			
Current liabilities	11	962,327	591,999
Provisions	12	327,315	364,792
		1,289,642	***956,791***
Net current assets		2,026,616	1,723,705
		8,167,679	**6,989,637**

The accompanying notes form an integral part of this balance sheet.

As per attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Russell I Parera
Partner
Membership No: 42190

For and on behalf of the Board of Directors

N K Patni
Chairman

G K Patni
Executive Director

Abhay Havaldar
Director

Arun Kanakal
Company Secretary

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Profit and Loss Account for the nine months ended September 30, 2003

	Note	Nine months ended September 30, 2003
Income		
Sales and service income		3,856,562
Other income	14	121,676
		3,978,238
Expenditure		
Personnel costs	15	1,665,992
Selling, general and administration costs	16	652,070
Depreciation	6	287,305
Less: Transfer from revaluation reserve	4	61
Interest costs	17	955
		2,606,261
Profit for the period before taxation		1,371,977
Provision for taxation	18	180,552
Prior period tax adjustment	18	28,304
Profit for the period after taxation		***1,163,121***
Profit and loss account, brought forward		3,548,269
Profit and loss account, carried forward		**4,711,390**
Basic and diluted earnings per share (not annualised) (Rs. per equity share of Rs.2 each)	**23**	**10.44**

The accompanying notes form an integral part of this profit and loss account.

As per attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Russell I Parera
Partner
Membership No: 42190

For and on behalf of the Board of Directors

N K Patni
Chairman

G K Patni
Executive Director

Abhay Havaldar
Director

Arun Kanakal
Company Secretary

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Cash Flows Statement for the nine months ended September 30, 2003

	Nine months ended September 30, 2003
Cash flows from operating activities	
Profit for the period before taxation	1,371,977
Adjustments:	
Depreciation	287,244
Loss on sale of fixed assets	290
Profit on sale of investments	(52,963)
Provision for decline in the fair value of investments	4,769
Dividend income	(37,000)
Interest income	(1,439)
Interest expense	955
Provision for doubtful debts and advances	1,903
Unrealised foreign exchange gain	(19,363)
Operating cash flows before working capital changes	***1,556,373***
Increase in sundry debtors	(274,735)
Increase in cost and estimated earnings in excess of billings	(63,876)
Increase in loans and advances	(47,206)
Increase in billings in excess of cost and estimated earnings	6,370
Decrease in sundry creditors	(35,240)
Increase in advance from customers	59
Increase in other liabilities	412,489
Increase in provision for retirement benefits	36,666
Cash generated from operations	***1,590,900***
Income taxes paid	(240,028)
Net cash provided by operating activities (A)	***1,350,872***
Cash flows from investing activities	
Purchase of fixed assets	(453,151)
Sale of fixed assets	2,957
Purchase of non trade investments	(5,510,729)
Sale of non trade investments	4,859,821
Dividend received	37,000
Interest received	1,439
Incentive on investment received	72
Net cash used in investing activities (B)	***(1,062,591)***
Cash flow from financing activities	
Increase in finance lease obligations, net	2,703
Dividend paid	(44,122)
Interest paid	(955)
Net cash used in financing activities (C)	***(42,374)***
Net decrease in cash and cash equivalents during the period (A+B+C)	245,907
Cash and cash equivalents at the beginning of the period	138,876
Cash and cash equivalents at the end of the period	***384,783***

(Currency in thousands of Indian Rupees except share data)

Notes to the Cash flow statement for the nine months ended September 30, 2003

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts.

	September 30, 2003
Cash on hand	4,421
Balance with banks:	
- Current accounts	327,374
- Exchange earners foreign currency account	49,972
- Effect of exchange rate changes	3,016
	384,783

1. Background

Patni Computer Systems Limited ('Patni' or 'the Company') was incorporated on February 10, 1978 under the Indian Companies Act, 1956. On September 18, 2003, the Company converted itself from a Private Limited company into a Public Limited Company. Patni owns 100% equity interest in Patni Computer Systems (UK) Limited, a company incorporated in UK and Patni Computer Systems GmbH, a company incorporated in Germany. In November 2000, the Company acquired 25% equity in Patni Computer Systems, Inc. USA. (formerly known as Data Conversion Inc). Subsequently, in September 2002, the Company acquired the balance 75% equity in Patni Computer Systems, Inc. USA thereby making it a 100% subsidiary. In April 2003, Patni Computer Systems, Inc. acquired 100% equity interest in The Reference Inc, a company incorporated in USA. Patni also has foreign branch offices in USA, Japan, Sweden and Australia.

Patni is primarily engaged in the business of software development for a number of applications. Most of the business of Patni is subcontracted from its subsidiary companies in the USA, UK and Germany. In addition to projects originating from these locations, Patni also carries out software development for its customers in Japan, Australia, South East Asia and India.

In September 2002, Patni set up a Business Process Outsourcing centre in Noida, Delhi.

2. Principal accounting policies

2.1 Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention with the exception of land and buildings, which have been revalued, on the accrual basis of accounting and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable. The Company has adopted AS 25 – ' Interim Financial Reporting' ('AS 25'), which comes into effect in respect of accounting periods commencing on or after April 1, 2002 and has presented a complete set of financial statements as stipulated in paragraph 10 and 18 of AS 25.

The preparation of the financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, except for items of land and buildings, which were revalued in March 1995. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the asset. Depreciation is provided on the Straight Line Method (SLM) based on the estimated useful lives of the assets as determined by the management. For additions and disposals, depreciation is provided pro-rata for the period of use.

The rates of depreciation based on the estimated useful lives of fixed assets are higher than those prescribed under Schedule XIV to the Companies Act, 1956. The useful lives of fixed assets are stated below:

(Currency in thousands of Indian Rupees except share data)

Asset	Useful life (in years)
Leasehold land and improvements	Over the lease period or the useful life of the assets, whichever is shorter
Buildings	40
Electrical installations	8
Computers, computer software and other service equipments	3
Furniture and fixtures	8
Office equipments	5
Vehicles	5

2.3 *Leases*

In accordance with Accounting Standard 19 "Accounting for leases" issued by the ICAI, assets acquired on finance leases, have been recognised as an asset and a liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account, and reduction in lease obligations recorded at the inception of the lease.

2.4 *Revenue and cost recognition*

The Company derives its revenues primarily from software development activities. Revenue from time-and-material contracts is recognised as related services are rendered. Revenue from fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. This method is used because management considers costs to be the best available measure of progress on these contracts.

Contract costs include all direct costs such as direct labour and those indirect costs related to contract performance, such as depreciation and satellite link costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revision to costs and income and are recognised in the period in which the revisions are determined.

The asset "Cost and estimated earnings in excess of billings" represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability "Billings in excess of costs and estimated earnings" represents billings in excess of revenues recognised. Warranty costs on sale of services are accrued based on management's estimates and historical data at the time related revenues are recorded.

Direct and incremental contract origination and set up costs incurred in connection with support/maintenance service arrangements are charged to expense as incurred. These costs are deferred only in situations where there is a contractual arrangement establishing a customer relationship for a specified period. The costs to be deferred are limited to the extent of future contractual revenues. Further, revenue attributable to set up activities is deferred and recognised systematically over the periods that the related fees are earned, as services performed during set up period do not result in the culmination of a separate earnings process.

Revenue on maintenance contracts is recognised on a straight-line basis over the period of the contract.

Revenue recognition is postponed in instances wherein the conditions for revenue recognition are not met. Related costs are also deferred in such instances, subject to management's assessment of realisability.

Dividend income is recognised when the Company's right to receive dividend is established. Interest income is recognised on the time proportion basis.

2.5 *Employee retirement and other benefits*

Contributions to the provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the period in which the contributions are incurred.

For purposes of interim reporting, provisions for gratuity, pension and leave encashment costs, which are defined benefits, have been estimated by the management based on a year-to-date calculation taking into account the actuarially determined liabilities at the end of the previous financial year, adjusted for significant changes since that date.

The Company provides compensatory-offs to its employees, which entitle the employees to avail paid leave in future periods for services already rendered. These entitlements are not encashable by the employees. The Company makes provision for such compensated absences by estimating the likely salary payable to the employees availing such leave based on historical data of such entitlements availed in the past.

2.6 Foreign currency transactions

India operations

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign currencies denominated current assets and current liabilities at the balance sheet date are translated at the exchange rate prevailing on the date of the balance sheet. Exchange rate differences resulting from foreign exchange transactions settled during the period, including period-end translation of current assets and liabilities are recognised in the profit and loss account other than those exchange differences arising in relation to liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying value of the underlying fixed assets.

The Company has entered into forward exchange contracts for a portion of its foreign exchange receivables. The difference between the forward rate and the exchange rate at the inception of the forward exchange contracts is recognised as income/ expense over the life of the contract.

Foreign branch office operations

Revenue items other than depreciation costs are translated into the reporting currency at monthly average exchange rates. Foreign currency denominated current assets and current liabilities at balance sheet date are translated at exchange rates prevailing on the date of the balance sheet. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at the exchange rates used for translation of the underlying fixed assets. Net exchange difference resulting from translation of items in the financial statements of the foreign branch offices is recognised in the profit and loss account.

2.7 Investments

Long-term investments are stated at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments.

Current investments are carried at lower of cost and fair value, and provision is made to recognise any decline in the carrying value.

2.8 Taxation

AS-22 "Accounting for Taxes on Income" issued by the ICAI is mandatory for the Company in respect of accounting periods commencing on or after April 1, 2002. The Company has adopted this standard in the current period. In accordance with para 33 on transitional provisions of AS 22, the net deferred tax liability aggregating Rs.19,023 that accumulated prior to the adoption of this standard as at January 1, 2003 has been charged to general reserves (Refer note 4). Due to the above change in the accounting policy, the profit for the period is higher by Rs.1,151 and the reserves are lower by Rs.17,872.

Income tax expense comprises current tax expense and deferred tax expense or credit. Income taxes have been recognised for the interim period based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year. Amount accrued for income taxes in one interim period shall be adjusted in a subsequent interim period in the event the estimate of annual effective income tax rate changes.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements of the Company. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets in respect of carry forward losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

(Currency in thousands of Indian Rupees except share data)

Substantial portion of the profits of the Company are exempted from income tax, being profits from undertakings situated at Software Technology Parks. Under the tax holiday the Company can utilise exemption of profits from income taxes for a period of ten consecutive years. The Company has opted for this exemption for its undertakings situated in Software Technology Parks and these exemptions expire on various dates between years 2005 and 2010. In this regard, the Company recognises deferred taxes in respect of those originating timing differences, which reverse after the tax holiday period resulting in tax consequences. Timing differences, which originate and reverse within the tax holiday period do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For this purpose, the timing differences, which originate first are considered to reverse first.

2.9 Miscellaneous expenditure

Miscellaneous expenditure represented costs incurred in relation to issue of shares, debentures, etc, which were being amortised to the profit and loss account over a period of three to five years.

In the year 2002, the Company has changed its accounting policy in relation to amortisation of such miscellaneous expenditure and accordingly, the unamortised miscellaneous expenditure balance as at January 1, 2002 aggregating Rs.4,579 was debited to the profit and loss account.

Further, the share premium account was utilised to write-off expenditure aggregating Rs.81,313 incurred in relation to issue of shares during the year 2002.

2.10 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share is computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

3. Share capital

	September 30, 2003	December 31, 2002
Authorised		
250,000,000 (2002: 125,000,000) equity shares of Rs.2 each	500,000	250,000
Nil (2002: 2,500,000) 12.9% cumulative redeemable preference shares of Rs.100 each	-	250,000
	500,000	**500,000**
Issued, subscribed and paid-up		
111,420,849 (2002: 74,280,566) equity shares of Rs.2 each fully paid	**222,842**	**148,561**

Of the above, 14,500,000 equity shares of Rs.2 each were allotted as fully paid bonus shares in March 1995 by capitalisation of general reserve aggregating Rs.29,000.

On June 26, 2001, the Company's Board of Directors approved a sub division of existing equity shares of Rs.10 each into 5 equity shares of Rs.2 each.

The above also includes 46,867,500 equity shares of Rs.2 each allotted as fully paid bonus shares in August 2001 by capitalisation of share premium aggregating Rs.93,735.

In September 2002, the Company made a private placement of its unregistered American Depository Receipt ('ADRs') to international investors representing 13,441,245 equity shares having face value of Rs.2 each. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares (Refer note 25 for commitment).

In December 2002, in pursuance of section 77A of the Indian Companies Act, 1956 the Company has completed buyback of 1,650,679 equity shares by utilizing the share premium account. In this regard an amount equivalent to the nominal value of the share capital bought back by the Company aggregating Rs.3,301, has been transferred from general reserve to capital redemption reserve (Refer note 4)

(Currency in thousands of Indian Rupees except share data)

In 1999, the Company allotted by way of private placement, 2,500,000, 12.9% cumulative redeemable preference shares of Rs.100 each at par to Industrial Development Bank of India, Mumbai. These preference shares were redeemable at par in 3 installments in the ratio of 30:30:40 at the end of the 5th, 6th and 7th years from the date of allotment. In April 2002, the Company redeemed the entire amount of these preference shares and transferred an equivalent amount from general reserve to capital redemption reserve (Refer note 4).

In June 2003, the Company's shareholders approved the cancellation of the authorised preference share capital and increased the authorised equity share capital of the Company by 125,000,000 equity shares of Rs.2 each.

On August 30, 2003, the Company allotted 37,140,283 equity shares of Rs.2 each as fully paid bonus shares by capitalisation of share premium aggregating Rs.74,281 (Refer note 4).

Refer note 26 for employee stock compensation plans.

4. Reserves and surplus

	September 30, 2003	December 31, 2002
Land revaluation reserve		
- Balance carried forward	7,935	7,935
Building revaluation reserve		
- Balance brought forward	1,758	1,839
- Transfer to profit and loss account	(61)	(81)
	1,697	***1,758***
Capital redemption reserve		
- Balance brought forward	253,301	-
- Transfer from general reserve (Refer note 3)	-	253,301
	253,301	***253,301***
Debenture redemption reserve		
- Balance brought forward	-	20,000
- Transfer to general reserve	-	(20,000)
Share premium		
- Balance brought forward	2,500,429	180,095
- Share premium received on issue of equity shares (Refer note 3)	-	2,737,874
- Share premium utilised for buyback of shares (Refer note 3)	-	(336,227)
- Share premium utilised in connection with share issue expenses incurred during the year (Refer note 2.9)	-	(81,313)
- Share premium utilised for issue of fully paid bonus shares (Refer note 3)	(74,281)	-
	2,426,148	***2,500,429***
General reserve		
- Balance brought forward	509,687	578,841
- Transfer from profit and loss account	-	164,147
- Transfer from debenture redemption reserve	-	20,000
- Transfer to capital redemption reserve	-	(253,301)
- Adjustment on account of deferred tax liability as at Jan 1, 2003 (Refer note 2.8)	(19,023)	-
	490,664	***509,687***
Profit and loss account, balance carried forward	***4,711,390***	***3,548,269***
	7,891,135	**6,821,379**

5. Secured loans

From others

Lease obligation in relation to vehicles acquired under finance lease (Refer note 24)	**22,400**	**19,697**

Nature of security

Finance lease obligations are secured against the vehicles acquired on lease.

6. Fixed assets

(Currency: in thousands of Indian Rupees except share data)

	Land (Freehold)	Land (Leasehold)	Buildings and leasehold improvements	Computers computer software and other service equipments	Electrical installations	Office equipments	Furniture and fixtures	Vehicles	Total as at September 30, 2003	Total as at December 31, 2002
Gross block										
As at January 1, 2003	9,019	48,305	713,605	888,912	156,727	193,704	343,429	61,006	**2,414,707**	1,828,513
Additions during the period	-	-	74,122	238,577	24,879	27,033	27,457	10,978	**403,046**	601,574
Deletions during the period	-	-	-	21,338	-	620	1,273	3,332	**26,563**	15,380
As at September 30, 2003	***9,019***	***48,305***	***787,727***	***1,016,151***	***181,606***	***220,117***	***369,613***	***68,652***	***2,791,190***	***2,414,707***
Accumulated depreciation										
As at January 1, 2003	-	15,321	34,871	545,779	34,092	69,408	100,436	22,870	**822,777**	539,883
Charge for the period	-	350	19,250	179,276	15,444	28,987	33,811	10,187	**287,305**	297,419
Deletions during the period	-	-	-	19,838	-	509	1,160	1,809	**23,316**	14,525
As at September 30, 2003	**-**	***15,671***	***54,121***	***705,217***	***49,536***	***97,886***	***133,087***	***31,248***	***1,086,766***	***822,777***
Net block as at September 30, 2003	**9,019**	**32,634**	**733,606**	**400,934**	**132,070**	**122,231**	**236,526**	**37,404**	**1,704,424**	**1,591,930**
Net block as at December 31, 2002	9,019	32,984	678,734	343,133	122,635	124,296	242,993	38,136	1,591,930	-

Notes:

In respect of leasehold land rights amounting to Rs. 40,011 (December 31, 2002: Rs.40,011), the Company is required to complete construction activities within a period of five years from July 23, 2001. In absence of this covenant being achieved by the Company, the transferor has an option to revoke the transfer of such rights. On a fresh assessment of expected realisation on disposal of this land, instead of utilising for building construction, the Company has provided Rs.14,043 towards impairment in the value of this land in December 2002.

Gross block of computers, computer software and other service equipments at September 30, 2003 includes exchange loss capitalised during the period aggregating Rs.293 (December 31, 2002: 18).

Gross block of vehicles at September 30, 2003 includes assets acquired on lease, refer note 24.

7. Investments

	September 30, 2003	December 31, 2002
Long term (at cost)		
Trade		
Unquoted		
Investment in subsidiary companies		
50,000 (2002: 50,000) equity shares of 1 pound each fully paid of Patni Computer Systems (UK) Limited	2,409	2,409
Contribution of Euro 150,000 (2002: Euro 150,000) towards Capital of Patni Computer Systems GmbH	6,076	6,076
5,000 (2002: 5000) equity shares fully paid of Patni Computer Systems, Inc. (no par value)	1,972,599	1,972,599
	1,981,084	***1,981,084***
Non-trade		
Quoted		
Nil Units (2002: 640,530 Units) of Unit Trust of India scheme 1964	-	9,246
Less: Provision for decline other than temporary in the carrying value of investments	-	2,861
	-	6,385
Short term (at lower of cost or fair value)		
Non-trade		
Quoted		
27,757,057 units (2002: Nil) of P 23 Inf Prudential ICICI Institutional Short term Plan-Fortnightly	301,054	-
27,727,981 units (2002: Nil) of HDFC Short term Plan Premium Plus –Fortnightly	300,146	-
29,753,935 units (2002: Nil) of GMBD Gssif Medium term Inst. Plan B –Monthly Dividend	300,000	-
9,540,195 units (2002: Nil) of HSBC Income Fund –Short term	100,309	-
9,016,599 units (2002: Nil) of DSP Merrill Lynch Short term fund –Weekly Dividend	90,727	-
8,984,615 units (2002: Nil) of Principal Income fund –Short term Instalment plan – Dividend Reinvestments –Monthly	90,276	-

(Currency in thousands of Indian Rupees except share data)

8,887,953 units (2002: Nil) of Birla Gilt Plus Liquid Plan –Annual Dividend	95,004	-
1,572,781 units (2002: Nil) of HDFC Cash Management Fund–Saving Plan–Weekly Dividend Option.	16,715	-
23,909,058 units (2002: Nil) of J59 JM Short Term Fund –Institutional Plan-Dividend	239,796	-
10,222,805 units (2002: Nil) of HDFC High Interest Fund –Short Term Plan –Dividend Option	107,506	-
28,568,390 units (2002: Nil) of Templeton India Income Builder Account –Institutional Plan	306,634	-
19,585,970 units (2002: Nil) of Deutsche Premier Bond Fund –Institutional Plan –Dividend	202,620	-
4,011,825 units (2002: Nil) of HDFC Liquid Fund Premium Plus Plan –Dividend	47,844	-
10,115,295 units (2002: Nil) of Kotak Mahindra Liquid Institutional Plan –Dividend	101,407	-
534,635 (2002: Nil) Templeton India Liquid Fund – Growth Plan	7,943	
585,259 units (2002: Nil) of K Bond Short term plan –Growth	6,226	-
49,908 units (2002: 371,888) of Templeton Floating Rate Fund - Short Term Plan – Growth	53,682	400,000
Nil Units (2002: 56,566,659) of Zurich India High Interest Fund - STP – Growth	-	600,694
Nil units (2002: 37,549,406) of HDFC Short Term Plan – Growth	-	393,216
Nil units (2002: 21,139,211) of J51 JM Short Term Fund - Growth Plan	-	220,000
Nil units (2002: 3,741,436) of GSTG GSSIF - Short Term Plan - Growth Option	-	43,703
Nil Units (2002: 2,000) of Unit Trust of India – UGS 2000 scheme	-	20
	2,367,889	***1,657,633***
Total	***4,348,973***	***3,645,102***
Less: Provision for decline in the fair value of investments	*4,769*	-
	4,344,204	**3,645,102**
Aggregate value of quoted investments (market value Rs. 2,378,859; 2002: Rs.1,695,316)	**2,363,120**	**1,664,018**
Aggregate value of unquoted investments	**1,981,084**	**1,981,084**

Refer note 28 for summary of investments purchased and sold during the period.

8. Sundry debtors

	September 30, 2003	December 31, 2002
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	19,777	29,105
- considered doubtful	22,154	20,642
	41,931	***49,747***
Other debts		
- considered good	2,630,929	2,342,364
	2,672,860	***2,392,111***
Less: Provision for doubtful debts	22,154	20,642
	2,650,706	**2,371,469**

Of the above, debts due from companies under the same management as defined under Section 370(1)(B) of the Companies Act, 1956 aggregate Rs.2,469,513 (2002: Rs.2,212,229). This consists of debts due from Patni Computer Systems, Inc. aggregating Rs.2,344,887 (2002:Rs.2,003,121), Patni Computer Systems (UK) Limited aggregating Rs.105,910 (2002: Rs.164,699) and Patni Computer Systems GmbH aggregating Rs.18,716 (2002: Rs.44,409).

9. Cash and bank balances

	September 30 , 2003	December 31, 2002
Cash on hand	4,421	2,803
Balances with scheduled banks in current account	219,039	67,558
Balances with non scheduled banks in current account (refer note 29)	161,323	68,515
	384,783	**138,876**

(Currency in thousands of Indian Rupees except share data)

10. Loans and advances

	September 30, 2003	December 31, 2002
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received	73,737	33,062
	73,737	33,062
Advances to companies under the same management		
- PCS Industries Limited (Maximum amount outstanding during the period: Rs.19; 2002: Rs.1,093)	19	-
- Ashoka Computer Systems Private Limited (Maximum amount outstanding during the period: Rs.47; 2002: Rs.91)	47	-
- PCS Cullinet Private Limited (Maximum amount outstanding during the period: Rs.45; 2002: Rs.62)	45	-
- PCS Finance Limited (Maximum amount outstanding during the period: Rs.43; 2002: Rs.284)	43	-
	154	-
Security deposits with companies under the same management		
- Ashoka Computer Systems Private Limited (Maximum amount outstanding during the period: Rs.3,336; 2002: Rs.3,336)	3,336	3,336
- PCS Cullinet Private Limited (Maximum amount outstanding during the period: Rs.3,334; 2002: Rs.3,334)	3,334	3,334
- PCS Finance Limited (Maximum amount outstanding during the period: Rs.3,303; 2002: Rs.3,303)	3,303	3,303
	9,973	9,973
Other deposits	74,689	67,480
Loan to employees	4,273	6,300
Others	183	256
	163,009	117,071
Less: Provision for doubtful loans and advances	1,217	2,021
	161,792	**115,050**

11. Current liabilities

	September 30, 2003	December 31, 2002
Sundry creditors	36,208	71,610
Payable to subsidiary companies	363,190	139,977
Billings in excess of cost and estimated earnings	8,887	2,517
Advance from customers	171	112
Other liabilities	553,871	377,783
	962,327	**591,999**

12. Provisions

	September 30, 2003	December 31, 2002
Provision for taxation (net of advance tax Rs.478,424; 2002: Rs.238,396)	125,074	155,095
Provision for retirement benefits	202,241	165,575
Proposed dividend on equity shares	-	39,111
Dividend tax	-	5,011
	327,315	**364,792**

(Currency in thousands of Indian Rupees except share data)

13. Miscellaneous expenditure

	September 30, 2003	December 31, 2002
(to the extent not written off or adjusted)		
Preliminary expenses	-	4,579
Less: Written off during the period (refer note 2.9)	-	4,579
	-	-

14. Other income

	Nine months ended September 30, 2003
Foreign exchange gain, net	24,601
Dividend on non-trade investments	37,000
Profit on sale of non-trade investments, net	52,963
Interest from:	
- Loan to employees	386
- Others	1,053
Miscellaneous income	5,673
	121,676

15. Personnel costs

Salaries, bonus and allowances, including overseas employee expenses	1,448,240
Contribution to provident and other funds	64,734
Staff welfare	88,450
Pension, gratuity and leave encashment costs	64,568
	1,665,992

16. Selling, general and administration costs

Travel and conveyance	139,729
Legal and professional fees	146,882
Rent	69,158
Postage and communication	66,419
Electricity	59,744
Advertisement and publicity	14,168
Provision for decline in the fair value of investments	4,769
Software consumables	11,861
Rates and taxes	11,657
Recruitment charges	10,129
Insurance	9,744
Training fees	6,864
Printing and stationery	9,213
Subscription, registration and license fees	3,045
Repairs and maintenance	
- computers	25,907
- building	12,417
- others	7,174
Provision / write off of doubtful debts and advances	1,903
Loss on sale of fixed assets, net	290
Miscellaneous expenses	40,997
	652,070

(Currency in thousands of Indian Rupees except share data)

17. Interest costs

	Nine months ended September 30, 2003
Interest on finance lease obligations	926
Interest on loans from banks and financial institutions	29
	955

18. Taxes

Provision for tax expense consists of the following:

Current taxes	
- Indian	28,813
- Foreign (Refer note below)	181,194
	210,007
Deferred tax expense / (credit)	
- Indian	(6,861)
- Foreign	5,710
	(1,151)
	208,856

Prior period tax adjustment of Rs.28,304 represents short provision of foreign current taxes in respect of earlier years.

The significant components of deferred tax asset and liability consists of the following:

	September 30, 2003	December 31, 2002
Provision for retirement benefits	46,251	-
Provision for bad and doubtful debts	2,545	-
Others	684	-
Total deferred tax asset	49,480	-
Depreciation	(36,050)	-
US branch profit taxes	(31,302)	-
Total deferred tax liability	(67,352)	-
Net deferred tax liability	**(17,872)**	-

19. Managerial remuneration

	Nine months ended September 30, 2003
Salaries and allowances	13,427
Perquisites	621
Contribution to provident fund	1,307
Provision for pension benefit	2,267
	17,622

Note:

(1) Provisions for gratuity and leave encashment in respect of Directors are not included above, as actuarial valuation is done on an overall Company basis.

(2) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 has not been given, as commission by way of percentage of profits is not payable for the period to the Directors.

20. Auditors' remuneration

Remuneration to auditors consists of the following:	
Audit fees	1,500
Other services (Refer note below)	7,100
Out of pocket expenses	105
	8,705

Other services includes amounts aggregating Rs.1,300 incurred in connection with the proposed listing of equity shares of the Company, which have been included under loans and advances in the financial statements.

(Currency in thousands of Indian Rupees except share data)

21. Segmental Information

In accordance with paragraph 4 of Accounting Standard 17 “Segment Reporting” issued by the ICAI, the Company has presented segmental information only on the basis of the consolidated financial statements (refer paragraph 20 of the consolidated financial statements).

22. Related party transactions

(a) Names of related parties and nature of relationship where control exists

Sr. No.	Category of related parties	Names
1	**Subsidiaries**	1) Patni Computer Systems (UK) Ltd. 2) Patni Computer Systems GmbH 3) Patni Computer Systems, Inc., USA 4) The Reference Inc.
2	**Associates**	1) PCS Industries Ltd. 2) Ashoka Computer Systems Private Ltd. 3) PCS Cullinet Private Ltd. 4) PCS Finance Ltd. 5) PCS International Ltd. 6) Ravi & Ashok Enterprises 7) i Solutions Inc. 8) Raay Software Pvt. Ltd. 9) Raay Global Investment Pvt. Ltd.
3	**Key management personnel**	1) Mr. N. K. Patni 2) Mr. A. K. Patni 3) Mr. G. K. Patni
4	**Parties with substantial interest**	1) General Atlantic Mauritius Limited (‘GA’) 2) Members of Patni family and their relatives
5	**Others**	1) Ravindra Patni Family Trust 2) NKP Qualified Annuity Trust

(b) Transactions and balances with related parties

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others
Transactions during the nine months ended September 30, 2003					
Remuneration	-	-	17,622	-	-
Sales and service income	3,352,023	-	-	-	-
Professional fees	6,988	-	-	-	-
Donations	-	-	-	-	2,500
Reimbursement of expenses by subsidiaries/associates	105,289	154	-	-	-
Rent and other expenses	-	9,024	-	145	-
Amounts incurred by subsidiary on behalf of the Company	228,155	-	-	-	-
Balances at September 30, 2003					
Investments	1,981,084	-	-	-	-
Security deposits	-	9,973	-	3,000	-
Debtors	2,469,513	-	-	-	-
Amount recoverable	-	154	-	-	-
Amounts payable	363,190	-	-	-	-
Remuneration payable to the directors	-	-	1,389	-	-
Cost and estimated earnings in excess of billing	30,704	-	-	-	-
Provision for pension benefits	-	-	58,501	-	-
Guarantees given	-	150,000	-	-	-

(Currency in thousands of Indian Rupees except share data)

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others
Balances at December 31 2002					
Investments	1,981,084	-	-	-	-
Security deposits	-	9,973	-	3,000	-
Debtors	2,212,229	-	-	-	-
Amounts payable	139,977	-	-	-	-
Proposed dividend	-	8,151	9,602	18,882	-
Cost and estimated earnings in excess of billing	13,186	-	-	-	-
Provision for pension benefits	-	-	56,234	-	-
Guarantees given	-	150,000	-	-	-

23. Earnings per share

Particulars	Nine months ended September 30, 2003
Profit available for equity shareholders	1,163,121
Weighted average number of equity shares outstanding during the period	111,420,849
Basic and diluted earnings per share (Rs.)	**10.44**
Face value per share (Rs.)	**2.00**

As mentioned in note 26 of the financial statements, the Company has granted 2,743,400 options to eligible employees on September 1, 2003. These options did not have a dilutive effect on the weighted average number of equity shares outstanding during the period.

24. Leases

The Company has acquired certain vehicles under finance lease for a non-cancellable period of 4 years. At the inception of the lease, fair value of such vehicles has been recorded as an asset under gross block of vehicles with a corresponding lease rental obligation recorded under secured loans. As per the lease agreement, the ownership of these vehicles would not transfer to the Company, however it contains a renewal clause. Fixed assets include the following amounts in relation to the above leased assets:

	September 30, 2003	December 31, 2002
Gross block of vehicles	29,906	22,745
Less: Accumulated depreciation	7,789	3,332
Net block	**22,117**	**19,413**

Future minimum lease payments in respect of the above assets as at September 30, 2003 are summarised below:

	Minimum lease payments	Finance charge	Present value of minimum lease payments
Amount due within one year from the balance sheet date	8,414	1,205	7,209
Amount due in the period between one year and five years	16,213	1,022	15,191
	24,627	**2,227**	**22,400**

The Company has entered into operating lease arrangements, primarily for leasing office space and residential premises for its employees. Most of the lease agreements provide for cancellation by either party with a notice period ranging from 30 days to 120 days and also contain a clause for renewal of the lease agreement at the option of the Company. Additionally, the Company has taken certain office premises under non-cancellable operating lease arrangements, which are renewable at the option of the Company.

The future minimum lease payments in respect of such non-cancellable operating leases as at September 30, 2003 are summarised below:

(Currency in thousands of Indian Rupees except share data)

Amount due within one year from the balance sheet date	64,391
Amount due in the period between one year and five years	27,107
	91,498

25. Capital and other commitments

On October 24, 2000, the Company issued 124,500 equity shares of Rs.10 each to GE Capital Mauritius Equity Investment ('GE'). Simultaneously, certain shareholders of the Company also sold 187,500 equity shares of Rs.10 each of the Company to GE on consistent terms. Pursuant to the shareholders' agreement, the Company was required to make an initial public offering ('IPO') of its equity shares for the purposes of being listed on a recognised stock exchange within a period of 18 months from the date of allotment of shares to GE. In the event the IPO did not occur within such period, GE had a right requiring either the Company, the other shareholders or a third party to buy back its shares at the higher of the fair market value of the shares or at a price based on an assured rate of return ranging between 18% to 21 % on GE's initial investment.

On July 15, 2002, the Company entered into a new shareholders agreement ("new SHA") with General Atlantic Mauritius Limited ('GA'), GE and promoter shareholders. In accordance with the new SHA, Patni is required to make an IPO of its equity shares within a period of 36 months from the date of issue of shares to GA. In the event an IPO does not occur within such period, GE and GA shall have a right to require the Company to buy back their equity shares and those of the other members of each of their Group (43,684,048 shares and 27,677,830 shares as at September 30, 2003 and December 31, 2002 respectively) at a price which will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of the Company.

In case the Company does not or cannot buy back all of GE and GA's equity shares and those of the members of their Group, then GE and GA shall have other exit options, as specified in the new SHA.

As per the new SHA, the price at which the Company is required to buy back the shares will be the higher of the price at which the shares were issued to GA or such price as is determined by the Board of Directors of the Company at the time of such buy back. However, there is no defined measurement method specified in the new SHA in relation to the redemption amount and accordingly the Company has not remeasured the shares issued to GA and GE at each reporting period.

The estimated amount of contracts remaining to be executed on capital account and not provided for as at September 30, 2003 aggregate Rs. 73,871 (December 31, 2002: Rs.77,223).

Outstanding forward contracts as at September 30, 2003 aggregate Rs.1,784,250 (December 31, 2002: Nil). Unamortised income in respect of forward exchange contract to be recognised in subsequent period aggregate Rs.11,724 as at September 30, 2003 (December 31, 2002: Nil).

26. Employee Stock compensation plans

On June 30, 2003, Patni established the 'Patni ESOP 2003' plan ('the plan'). Under the plan, the Company is authorized to issue up to 11,142,085 equity shares to eligible employees. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. A compensation committee constituted by the Board of Directors of the Company administers the plan.

On September 1, 2003 the Company has granted 2,743,400 options at an exercise price of Rs. 145 per share. These options vest rateably over a period of 4 years, whereby 25% of the options vest at the end of each year from the date of grant. Further, the option expires 5 years from the date of vesting.

Of the above options granted by the Company, 3600 options were forfeited and none of the option was exercisable as at September 30, 2003.

Pursuant to the plan, if Patni does not complete an Initial Public Offering ('IPO') within a period of 6 months and one day after allotment of shares to an option grantee, then subject to compliance with applicable laws, the Articles of the Company and obtaining necessary shareholders and Board of Directors' consent, Patni may offer to purchase such shares issued to the option grantees. The option grantees shall thereupon of their own free will and volition sell all their shares to Patni at the fair market value, within a period of three months from the date of such offer by Patni.

The exercise price of the grant approximated the fair value of the underlying equity shares at the date of the grant.

27. Amounts due to small scale industrial undertakings

Based on the information and records available with the Company, no amounts are payable to small scale industrial undertakings at September 30, 2003 which are outstanding for more than 30 days (December 31, 2002: Nil).

(Currency in thousands of Indian Rupees except share data)

28. Summary of investments purchased and sold during the period

Investments purchased during the nine months ended September 30, 2003 (non-trade)

	Nine months ended September 30, 2003	
	Units	**Cost of purchase**
Bond Fund		
Templeton India Income Builder Account – Institutional Plan	28,568,390	306,634
Deutsche Premier Bond Fund – Institutional Plan – Dividend	19,585,970	202,620
	48,154,360	***509,254***
Liquidity Fund		
HDFC Short Term Plan – Growth	13,862,895	150,000
HDFC Liquid Fund – Dividend	43,664,407	444,426
HDFC Liquid Fund – Premium Plus Plan – Dividend	40,485,634	482,204
HDFC Cash Management Fund – Saving Plan – Weekly Dividend Option	51,384,477	546,009
HDFC High Interest Fund – Short Term Plan – Dividend Option	23,960,761	251,983
Kotak Mahindra Liquid Institutional Plan – Dividend	10,115,295	101,407
Zurich India High Interest Fund STP – Growth	4,586,230	50,000
Templeton India Liquid Fund – Growth Plan	4,543,160	67,500
J51 JM Short Term Fund – Growth Plan	19,440,199	205,000
J59 JM Short Term Fund – Institutional Plan – Dividend	54,064,349	541,784
Z51 Zurich India Liquidity Fund Saving Plan Weekly Dividend	44,599,107	473,896
K Bond Short Term Plan – Growth	9,412,888	100,000
DSP Merrill Lynch Short Term Fund – Growth	9,682,666	100,000
DSP Merrill Lynch Short Term Fund – Weekly Dividend	29,861,783	300,477
Gmbd Gssif Medium Term Inst. Plan B – Monthly Dividend	29,753,935	300,000
HDFC Short Term Plan – Premium Plus Plan – Fortnightly Dividend Reinvestments	27,727,981	300,146
HSBC Income Fund – Short Term Institutional – Fortnightly Dividend	9,540,195	100,309
Prudential ICICI Institutional Short Term Plan – Fortnightly	27,757,057	301,054
Principal Income Fund – Short Term Institutional Plan – Dividend Reinvestments – Monthly	8,984,615	90,276
	463,427,634	**4,906,471**
Gilt Fund		
Birla Gilt Plus Liquid Plan –Annual Dividend	8,887,953	95,004
Total	**520,469,947**	**5,510,729**

Investments sold during the period (non trade)

	Nine months ended September 30, 2003		
	Units	**Sale Value**	**Cost of purchase**
Quoted			
Units 1964	640,530	6,425	9,246
UGS 2000	2,000	-	20
	642,530	**6,425**	**9,266**
Liquidity Fund			
HDFC Short Term Plan – Growth	51,412,301	557,777	543,216
HDFC Liquid Fund – Dividend	43,664,407	439,002	444,426
HDFC Liquid Fund – Premium Plus Plan – Dividend	36,473,809	435,000	434,360
HDFC Cash Management Fund – Saving Plan – Weekly Dividend Option	49,811,696	529,500	529,294
HDFC High Interest Fund – Short Term Plan – Dividend Option	13,737,956	145,000	144,477

(Currency in thousands of Indian Rupees except share data)

Zurich India High Interest Fund STP – Growth	61,152,889	669,284	650,694
GSTG GSSIF – Short Term Plan – Growth Option	3,741,436	44,522	43,703
Templeton Floating Rate Fund – Short Term Plan Growth	321,980	355,602	346,318
Templeton India Liquid Fund – Growth Plan	4,008,525	60,000	59,557
J51 JM Short Term Fund – Growth Plan	40,579,410	436,263	425,000
J59 JM Short Term Fund – Institutional Plan – Dividend	30,155,291	302,501	301,988
Z51 Zurich India Liquidity Fund Saving Plan Weekly Dividend	44,599,107	473,896	473,896
K Bond Short Term Plan – Growth	8,827,629	94,000	93,774
DSP Merrill Lynch Short Term Fund – Growth	9,682,666	101,049	100,000
DSP Merrill Lynch Short Term Fund – Weekly Dividend	20,845,184	210,000	209,750
	419,014,286	***4,853,396***	***4,800,453***
Total	**419,656,816**	**4,859,821**	**4,809,719**

29. Names of non-scheduled banks, balances at period end and maximum amount outstanding during the period

	September 30, 2003	December 31, 2002
Fleet Bank, Boston, USA (formerly Bank Boston – USA) (Maximum balance outstanding during the period: Rs.122,878, 2002: Rs.47,366)	122,878	10,081
Bank of Tokyo Mitsubishi Limited – Japan (Maximum balance outstanding during the period: Rs.48,082, 2002: Rs.33,441)	14,753	33,441
ANZ Bank Australia – Australia 013-030-1982-72801 (Maximum balance outstanding during the period: Rs.3,970, 2002: Rs.2,989)	269	824
ANZ Bank Australia – Australia 013-030-1982-72828 (Maximum balance outstanding during the period: Rs.49,034, 2002: Rs.23,528)	16,091	23,527
Handels Bank – Kista Sweden 585-341-338 (Maximum balance outstanding during the period: Rs.2,143, 2002: Rs.2,102)	70	642
Handels Bank – Kista Sweden 585-130-558 (Maximum balance outstanding during the period: Rs.7,262, 2002: Nil)	7,262	-
	161,323	**68,515**

30. Contingent liabilities

	September 30, 2003	December 31, 2002
Corporate guarantee	150,000	150,000
Bank guarantees	11,384	10,223
Letters of credit	-	8,562
	161,384	**168,785**

31. Prior period comparatives

Previous period figures have been appropriately reclassified to conform to the current period's presentations. Since this is the first time the Company has prepared interim financial statements for the nine months ended September 30, 2003, prior period comparatives in respect of the profit and loss account have not been presented in these financial statements.

UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, UNDER INDIAN GAAP (INCLUDING SUBSIDIARIES) FOR THE YEAR ENDED MARCH 31, 1998, NINE MONTHS ENDED DECEMBER 31, 1998, YEARS ENDED DECEMBER 31, 1999, 2000, 2001 AND 2002 AND NINE MONTHS ENDED SEPTEMBER 30, 2003

Bharat S Raut & Co.
KPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Mumbai 400 013

Auditor's Report

To The Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross 'C', Road No. 21
Andheri (East)
Mumbai 400 093

Dear Sirs

We have examined the accounts of Patni Computers Systems Limited ('the Company') for the three financial years ended December 31, 2000, 2001 and 2002 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the nine months ended September 30, 2003 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Offering Memorandum being issued by the Company in connection with the public issue of 18,724,000 equity shares comprising fresh issue of 13,400,000 equity shares of Rs.2 each and offer for sale of 5,324,000 equity shares of Rs.2 each. The accounts of the Company for the year ended March 31, 1998, nine months period ended December 31, 1998 and year ended December 31, 1999 have been audited by S. C. Bandi & Co., Chartered Accountants.

We have accepted the relevant accounts in respect of Patni Computer Systems, Inc. ('Patni USA'), a subsidiary of the Company, for the five consecutive financial years ended December 31, 2002 and relevant consolidated accounts of Patni USA and its subsidiary The Reference Inc. ('TRI'), for the nine months ended September 30, 2003 being the last date to which the accounts of Patni USA and its subsidiary have been prepared and approved by its Board of Directors, audited and reported by Gerald T Reilly & Company, the auditors of Patni USA. The accounts of TRI have been consolidated with Patni USA from April 18, 2003, being the date from which Patni USA acquired ownership interest in TRI.

We have accepted the relevant accounts in respect of TRI for the five consecutive financial years ended December 31, 2002 and for the period January 1, 2003 to April 17, 2003 being the last date to which the accounts of TRI have been prepared and approved by its Board of Directors and reported by Gerald T Reilly & Company.

We have accepted the relevant accounts in respect of Patni Computer Systems (UK) Limited ('Patni UK'), a subsidiary of the Company for the five consecutive financial years ended December 31, 2002 and nine months ended September 30, 2003 being the last date to which the accounts of Patni UK have been prepared and approved by its Board of Directors, audited and reported by Woolford & Co LLP, the auditors of Patni UK.

We have also accepted the relevant accounts in respect of Patni Computers Systems GmbH ('Patni GmbH'), a subsidiary of the Company for the three consecutive financial years ended December 31, 2002 and nine months ended September 30, 2003 being the last date to which the accounts of Patni GmbH have been prepared and approved by its Board of Directors, audited and reported by Prof Dr Binder, Dr Hillebrecht & Partner GmbH, the auditors of Patni GmbH.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) and our terms of reference with the Company dated October 15, 2003, requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:

(a) The restated profits of the Company for the financial year ended March 31, 1998, nine months ended December 31, 1998, financial years ended December 31, 1999, 2000, 2001, 2002 and nine months ended September 30, 2003 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure III to this report.

(b) The restated assets and liabilities of the Company as at March 31, 1998, December 31, 1998, 1999, 2000, 2001, 2002 and September 30, 2003, are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure III to this report.

(c) The rates of dividends paid by the Company in respect of the financial year ended March 31, 1998, nine months ended December 31, 1998, financial years ended December 31, 1999, 2000, 2001, 2002, are as shown in Annexure V to this report.

(d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offering Memorandum:

(i) Details of loans as appearing in Annexure VI to this report.

(ii) Details of other income as appearing in Annexure VII to this report.

(iii) Accounting ratios as appearing in Annexure VIII to this report.

(iv) Capitalisation statement as at September 30, 2003 as appearing in Annexure IX to this report.

(v) Statement of tax shelters as appearing in Annexure X to this report.

In respect of financial information contained in this report, we have relied upon the audited financial statements for the year ended March 31, 1998, nine months ended December 31, 1998 and year ended December 31, 1999 which were audited by a firm of chartered accountants other than us, as referred to above.

In our opinion the above financial information of the Company read with significant accounting policies attached in Annexure IV to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

(e) In accordance with para 6.18.3 of the SEBI Guidelines, also attached are restated summary financial statements of Company's subsidiaries in Annexures XI, XII, XIII and XIV to this report. The summary financial statements of the Company's subsidiaries have not been consolidated into the Company's financial statements.

We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of Patni USA for the five consecutive financial years ended December 31, 2002 and the relevant restated summary consolidated financial statements of Patni USA and its subsidiary TRI for the nine months ended September 30, 2003, which have been reported upon by other auditors as mentioned therein. The restated summary financial statements of Patni USA read with significant accounting policies together with the report of the other auditors are attached in Annexure XI to this report.

We have accepted the relevant summary financial statements read with significant accounting policies in respect of TRI for the five consecutive financial years ended December 31, 2002 and the relevant summary financial statements for the period January 1, 2003 to April 17, 2003, which have been reported upon by other auditors as mentioned therein. The summary financial statements of TRI read with significant accounting policies together with the report of the other auditors are attached in Annexure XII to this report.

We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of Patni UK for the five consecutive financial years ended December 31, 2002 and nine months ended September 30, 2003, which have been reported upon by other auditors as mentioned therein. The restated summary financial statements of Patni UK read with significant accounting policies together with the report of the other auditors are attached in Annexure XIII to this report.

We have also accepted the relevant restated summary financial statements read with significant accounting policies in respect of Patni GmbH for the three consecutive financial years ended December 31, 2002 and nine months ended September 30, 2003, which have been reported upon by other auditors as mentioned therein. The restated summary financial statements of Patni GmbH read with significant accounting policies together with the report of the other auditors are attached in Annexure XIV to this report.

This report is intended solely for your information and for inclusion in the Offering Memorandum in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Yours faithfully

for Bharat S Raut & Co.
Chartered Accountants

Russell I Parera
Partner
Membership No. 42190

Mumbai
November 6, 2003

(Currency: in thousands of Indian Rupees except share data)

Annexure I: Statement of Profits and Losses, as Restated

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Income							
Sales and service income	824,963	918,462	1,414,004	1,977,608	3,289,609	4,482,148	3,856,562
Other income	14,358	30,840	41,043	196,916	50,786	46,748	121,676
Total income	***839,321***	***949,302***	***1,455,047***	***2,174,524***	***3,340,395***	***4,528,896***	***3,978,238***
Expenditure							
Staff costs	370,254	449,457	760,370	855,131	1,337,818	1,666,975	1,665,992
Depreciation	55,095	49,516	85,050	126,084	231,449	297,338	287,244
Selling, general and administration expenses	129,603	125,902	198,670	311,854	512,692	635,554	652,070
Interest	11,653	15,241	26,676	49,625	51,476	19,254	955
Total expenditure	***566,605***	***640,116***	***1,070,766***	***1,342,694***	***2,133,435***	***2,619,121***	***2,606,261***
Net profit before tax and adjustments	***272,716***	***309,186***	***384,281***	***831,830***	***1,206,960***	***1,909,775***	***1,371,977***
Provision for taxation	456	-	4,815	65,317	63,710	268,301	208,856
Net profit before adjustments	***272,260***	***309,186***	***379,466***	***766,513***	***1,143,250***	***1,641,474***	***1,163,121***
Adjustments							
Impact of changes in accounting policies							
(Increase) /decrease in depreciation *(Refer note 1a)*	28,618	17,879	28,300	(96,900)	-	-	-
Increase/(decrease) in revenue *(Refer note 1b)*	(29,484)	22,203	5,660	(25,915)	-	-	-
(Increase) /decrease in amortisation of preliminary expenses *(Refer note 1c)*	25	(1,138)	(4,876)	(454)	2,037	4,579	
(Increase) /decrease in consumables *(Refer note 1d)*	(624)	(34)	(2,122)	3,284	-	-	-
Deferred tax credit/(expense) *(Refer note 1e)*	4,282	(5,377)	11,041	(9,694)	(25,974)	(7,916)	-
Change in treatment of deferred revenue expenditure *(Refer note 1f)*	-	-	(4,603)	4,603	-	-	-
Other adjustments							
(Increase) /decrease in property tax expense *(Refer note 2a)*	-	-	983	(4,516)	(6,424)	9,957	-
(Increase) /decrease in pension expense *(Refer note 2b)*	(1,402)	(1,078)	(1,462)	24,984	-	-	-
(Increase)/ decrease in provision for US branch office taxes *(Refer note 2c)*	-	-	-	(1,593)	(6,532)	(20,179)	28,304
Total impact of adjustments	***1,415***	***32,455***	***32,921***	***(106,201)***	***(36,893)***	***(13,559)***	***28,304***
Tax impact of adjustments	734	(13,216)	(6,672)	29,489	-	-	-
Total of adjustments after tax impact	**2,149**	**19,239**	**26,249**	**(76,712)**	**(36,893)**	**(13,559)**	**28,304**
Net profit, as restated	**274,409**	**328,425**	**405,715**	**689,801**	**1,106,357**	**1,627,915**	**1,191,425**
Profit and Loss account, beginning of the period	# 349,360	579,062	824,087	632,912	1,174,885	2,090,059	3,500,942
Profits available for appropriation, as restated	623,769	907,487	1,229,802	1,322,713	2,281,242	3,717,974	4,692,367

 # Refer Next Page for details

The above should be read with notes to Statement of Profits and Losses and Assets and Liabilities, as restated appearing in Annexure III and significant accounting policies appearing in Annexure IV.

(Currency: in thousands of Indian Rupees except share data)

Annexure I: Statement of Profits and Losses, as Restated (Continued)

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Appropriations							
Dividends							
on preference shares	-	-	28,910	32,250	32,250	7,952	-
on equity shares							
- Interim	4,500	30,000	180,000	-	37,494	-	-
- Final	15,000	15,000	-	9,070	-	39,111	-
Corporate dividend tax	1,950	4,650	22,980	6,107	7,114	5,822	-
Transfer to debenture redemption reserve	-	1,250	15,000	23,750	-	-	-
Transfer to/(from) general reserve	30,000	32,500	350,000	76,651	114,325	164,147	(19,023)
Transfer from investment allowance reserve	(6,743)	-	-	-	-	-	-
Balance carried forward, as restated	**579,062**	**824,087**	**632,912**	**1,174,885**	**2,090,059**	**3,500,942**	**4,711,390**

PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 1997

Profit and loss account balance as at April 1, 1997 as per audited financial statements	**317,160**
Decrease in depreciation expense *(Refer note 1a)*	22,103
Increase in revenue *(Refer note 1b)*	27,536
Increase in amortisation of preliminary expenses *(Refer note 1c)*	(173)
Increase in consumables *(Refer note 1d)*	(504)
Deferred tax credit *(Refer note 1e)*	14,615
Increase in pension expense *(Refer note 2b)*	(21,042)
Tax impact of adjustments	(10,335)
Profit and loss account balance as at April 1, 1997, as restated	**349,360**

The above should be read with notes to Statement of Profits and Losses and Assets and Liabilities, as restated appearing in Annexure III and significant accounting policies appearing in Annexure IV.

(Currency: in thousands of Indian Rupees except share data)

Annexure II: Statement of assets and liabilities, as restated

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Fixed assets							
Gross block	495,746	590,807	596,880	1,118,835	1,828,513	2,414,707	2,791,190
Less: Accumulated depreciation	137,511	172,951	201,135	422,185	539,883	822,777	1,086,766
Net block	358,235	417,856	395,745	696,650	1,288,630	1,591,930	1,704,424
Less: Revaluation reserve (Refer note 2d)	*95,017*	*91,095*	*9,635*	*9,855*	*9,774*	*9,693*	*9,632*
Net block after adjustment for revaluation reserve	263,218	326,761	386,110	686,795	1,278,856	1,582,237	1,694,792
Capital work-in-progress	29,028	59,611	183,885	156,487	30,844	28,900	79,005
Total	**292,246**	**386,372**	**569,995**	**843,282**	**1,309,700**	**1,611,137**	**1,773,797**
Investments	**105,730**	**225,730**	**441,954**	**661,362**	**519,544**	**3,645,102**	**4,344,204**
Deferred tax asset	**9,296**	**-**	**-**	**14,867**	**5,711**	**6,570**	**13,430**
Current assets, loans and advances							
Sundry debtors	459,566	504,369	653,352	1,033,090	1,809,607	2,371,469	2,650,706
Cash and bank balances	118,699	103,319	56,912	94,395	169,487	138,876	384,783
Loans and advances	47,581	153,521	80,945	94,136	151,073	115,050	161,792
Costs and estimated earnings in excess of billings	25,095	33,923	33,492	99,356	205,946	55,101	118,977
Total	**650,941**	**795,132**	**824,701**	**1,320,977**	**2,336,113**	**2,680,496**	**3,316,258**
Liabilities and provisions							
Secured loans	186,188	219,291	286,126	321,773	402,703	19,697	22,400
Current liabilities	94,760	83,822	82,295	157,479	336,392	591,999	962,327
Provisions	46,959	85,743	166,274	146,760	171,180	393,096	327,315
Deferred tax liability	-	9,297	4,928	-	16,818	25,593	31,302
Total	**327,907**	**398,153**	**539,623**	**626,012**	**927,093**	**1,030,385**	**1,343,344**
Networth	**730,306**	**1,009,081**	**1,297,027**	**2,214,476**	**3,243,975**	**6,912,920**	**8,104,345**
Represented by							
Share capital	30,000	30,000	280,000	281,245	374,980	148,561	222,842
Reserves and surplus							
- Export reserve	195	195	-	-	-	-	-
- Debenture redemption reserve	-	1,250	16,250	40,000	20,000	-	-
- General reserve	121,049	153,549	367,865	444,516	578,841	509,687	490,664
- Profit and loss account, as restated	579,062	824,087	632,912	1,174,885	2,090,059	3,500,942	4,711,390
- Share premium	-	-	-	273,830	180,095	2,500,429	2,426,148
- Capital redemption reserve	-	-	-	-	-	253,301	253,301
Networth	**730,306**	**1,009,081**	**1,297,027**	**2,214,476**	**3,243,975**	**6,912,920**	**8,104,345**

The above should be read with notes to Statement of Profits and Losses and Assets and Liabilities, as restated appearing in Annexure III and significant accounting policies appearing in Annexure IV.

(Currency: in thousands of Indian Rupees except share data)

Annexure III: Notes to the statement of profits and losses and assets and liabilities, as restated

1. Changes in accounting policies

a) Depreciation

Until the year ended December 31, 1999, the Company depreciated its fixed assets based on the written down value ('WDV') method of depreciation, at the rates prescribed under schedule XIV to the Companies Act, 1956.

Effective January 1, 2000, the Company revised the estimates of useful lives of its fixed assets since the management believed that these revised useful lives reflect more appropriately, the period of economic benefit to be derived from the use of assets and would hence result in a more appropriate preparation of the financial statements. This also resulted in a change in the method of providing depreciation from the WDV method to straight-line method ('SLM').

Accordingly, depreciation on fixed assets has been recomputed based on the straight line method for the year ended March 31, 1998, for the nine months ended December 31, 1998, and year ended December 31, 1999. Further, reserves as at April 1, 1997 have been adjusted to reflect the impact of change pertaining to prior years.

b) Revenue recognition

Until the year ended December 31, 1999, the Company recognised revenue on fixed price contracts on the basis of billings to customers based on the milestones achieved. Effective January 1, 2000, the Company changed its accounting policy to recognise revenue on fixed price contracts based on percentage of completion method, since the management believed that this method reflects more appropriately, the earnings of the Company for the given period.

Accordingly, revenue on fixed price contracts for the year ended March 31, 1998, nine months ended December 31, 1998, for the year ended December 31, 1999 and December 31, 2000, has been recomputed based on the percentage of completion method. Further, reserves as at April 1, 1997 have been adjusted to reflect the impact of change pertaining to prior years.

c) Preliminary expenses

Until the year ended December 31, 2001, the Company amortised preliminary expenses in the nature of share issue and debenture issue expenses, filing and registration fees for increase in share capital etc., over a period of three to five years. Effective January 1, 2002, the Company changed its accounting policy to adjust share issue expenses out of share premium account and charge other expenses to the profit and loss account, as incurred.

Accordingly, preliminary expenses have been adjusted in line with the above mentioned policy for the years ended March 31, 1998, nine months ended December 31, 1998, and the years ended December 31, 1999, December 31, 2000 and December 31, 2001. Further, reserves as at April 1, 1997 have been adjusted to reflect the impact of change pertaining to prior years.

d) Consumables

Until the year ended December 31, 1999, the Company inventorised consumables such as floppies, printers, cartridges, etc. Effective January 1, 2000, the Company changed its accounting policy to expense such consumables as incurred on purchase.

Accordingly, inventory balance has been adjusted in line with the above-mentioned policy for the year ended March 31, 1998, nine months ended December 31, 1998, and the years ended December 31, 1999 and December 31, 2000. Further, reserves as at April 1, 1997 have been adjusted to reflect the impact of change pertaining to prior years.

e) Deferred taxes

Accounting Standard - 22 on "Accounting for Taxes on Income" (AS - 22) issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after April 1, 2002. The Company adopted AS - 22 for the first time in preparing its financial statements for the current period commencing January 1, 2003. Accordingly, for the purpose of this statement, the deferred tax asset/liability has been recognised in the respective years of origination with a corresponding effect to the statement of profits, as restated.

In accordance with the transitional provisions of AS - 22, the Company charged the net deferred tax liability aggregating Rs.19,023 that accumulated prior to the adoption of this standard, as at January 1, 2003 to general reserves, in the financial statements for the nine months ended September 30, 2003. Accordingly, in the Statement of assets and liabilities, as restated this amount has been reclassified to the general reserve account as at September 30, 2003.

f) Deferred revenue expenditure

In the year 1999, the Company incurred certain professional charges, which were accounted as deferred revenue expenditure to be written off over a period of three years. In the year 2000, the Company changed its accounting policy to expense such charges as incurred.

Accordingly, deferred revenue expenditure has been adjusted in line with the above-mentioned policy for the years ended December 31, 1999 and 2000.

2. Other Adjustments

a) Property tax

In the year 2002, the Company received property tax demands from the local municipal bodies pertaining to the period 1999 until 2002. The Company accounted the entire tax demand in its financial statements for the year ended December 31, 2002. Accordingly, for the purpose of this statement, property tax expenditure pertaining to each of the years ended December 31, 1999, 2000 and 2001 and 2002 has been adjusted in the respective years.

b) Pension expense

In 2000, the Company approved a scheme of pension in respect of its two directors, whereby these directors are eligible to certain specified payments upon attainment of a particular age. In the financial statements for the year ended December 31, 2000, the Company provided the entire actuarially determined liability existing as at December 31, 2000. For the purpose of this statement, the pension cost relating to earlier periods i.e. elapsed service period, has been adjusted in the respective periods. The Company has made this adjustment based on data obtained from an independent actuary.

c) US branch office taxes

The Company recorded short provision for US branch office taxes in respect of each of the years ended December 31, 2000, 2001 and 2002. The cumulative impact of such short provision for earlier years was recorded in the financial statements for the nine months ended September 30, 2003. This has now been adjusted in the respective years in the above Statements.

d) Revaluation reserve

In accordance with Clause 6.18.7 (b) (v) of the SEBI Guidelines, the Statement of assets and liabilities as restated has been prepared after deducting the revaluation reserve balance from both fixed assets and reserves.

Annexure IV: Significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared under the historical cost convention with the exception of land and buildings, which have been revalued, on the accrual basis of accounting, in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable. As mentioned in Note 2(d) in Annexure III, the revaluation reserve has been deducted from both fixed assets and reserves, in the Statement of assets and liabilities, as restated.

In respect of the financial statements for the nine months ended September 30, 2003, the Company has adopted AS – 25 'Interim Financial Reporting' issued by the ICAI.

The preparation of the financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

1.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, except for items of land and buildings, which were revalued in March 1995 [Refer paragraph 1.1 above]. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the asset. Depreciation is provided on the Straight Line Method (SLM) based on the estimated useful lives of the assets as determined by the management. For additions and disposals, depreciation is provided pro-rata for the period of use.

(Currency: in thousands of Indian Rupees except share data)

The rates of depreciation based on the estimated useful lives of fixed assets are higher than those prescribed under Schedule XIV to the Companies Act, 1956. The useful lives of fixed assets are stated below:

Asset	Useful life (in years)
Leasehold land and improvements	Over the lease period or the useful life of the assets, whichever is shorter
Buildings	40
Electrical installations	8
Computers, computer software and other service equipments	3
Furniture and fixtures	8
Office equipments	5
Vehicles	5

1.3 Leases

Assets acquired on finance leases have been recognised as an asset and a liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account, and reduction in lease obligations recorded at the inception of the lease.

1.4 Revenue and cost recognition

The Company derives its revenues primarily from software development activities. Revenue from time-and-material contracts is recognised as related services are rendered. Revenue from fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. This method is used because management considers costs to be the best available measure of progress on these contracts.

Contract costs include all direct costs such as direct labour and those indirect costs related to contract performance, such as depreciation and satellite link costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revision to costs and income and are recognised in the period in which the revisions are determined.

The asset, “Cost and estimated earnings in excess of billings”, represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability, “Billings in excess of costs and estimated earnings”, represents billings in excess of revenues recognised. Warranty costs on sale of services are accrued based on management’s estimates and historical data at the time related revenues are recorded.

Direct and incremental contract origination and set up costs incurred in connection with support/maintenance service arrangements are charged to expense as incurred. These costs are deferred only in situations where there is a contractual arrangement establishing a customer relationship for a specified period. The costs to be deferred are limited to the extent of future contractual revenues. Further, revenue attributable to set up activities is deferred and recognised systematically over the periods that the related fees are earned, as services performed during set up period do not result in the culmination of a separate earnings process.

Revenue on maintenance contracts is recognized on a straight-line basis over the period of the contract.

Revenue recognition is postponed in instances wherein the conditions for revenue recognition are not met. Related costs are also deferred in such instances, subject to management’s assessment of realisability.

Dividend income is recognized when the Company’s right to receive dividend is established. Interest income is recognised on the time proportion basis.

1.5 Employee retirement and other benefits

Contributions to the provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the period in which the contributions are incurred.

Provision for gratuity, pension and leave encashment costs, which are defined benefits, are based on actuarial valuations carried out by an independent actuary at the balance sheet date.

The Company provides compensatory-offs to its employees, which entitle the employees to avail paid leave in future period for services already rendered. These entitlements are not encashable by the employees. The Company makes provision for such compensated absences by estimating the likely salary payable to the employees availing such leave based on historical data of such entitlements availed in the past.

For the purpose of the interim financial statements, provisions for gratuity, pension and leave encashment costs have been estimated by the management based on a year–to-date calculation taking into account the actuarially determined liabilities at the end of the previous financial year, adjusted for significant changes since that date.

1.6 Foreign currency transactions

India operations

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated current assets and current liabilities at the period-end are translated at the period-end exchange rate. Exchange rate differences resulting from foreign exchange transactions settled during the period, including period-end translation of current assets and liabilities are recognised in the profit and loss account other than those exchange differences arising in relation to liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying value of the underlying fixed assets.

The Company has entered into forward exchange contracts for a portion of its foreign exchange receivables. The difference between the forward rate and the exchange rate at the inception of the forward exchange contracts is recognised as income/ expense over the life of the contract.

Foreign branch office operations

Revenue items other than depreciation costs are translated into the reporting currency at monthly average exchange rates. Foreign currency denominated current assets and current liabilities at period-end are translated at the period-end exchange rates. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at the exchange rates used for translation of the underlying fixed assets. Net exchange difference resulting from translation of items in the financial statements of the foreign branch offices is recognised in the profit and loss account.

1.7 Investments

Long-term investments are stated at cost, and provision is made when in the management’s opinion there is a decline, other than temporary, in the carrying value of such investments.

Current investments are carried at lower of cost and fair value, and provision is made to recognise any decline in the carrying value.

1.8 Taxation

Income tax expense comprises current tax expense and deferred tax expense or credit.

Provision for current tax expense is recognised under the taxes payable method based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Indian Income-tax Act, 1961. In case of matters under appeal, full provision is made in the financial statements when the Company accepts the liabilities. Provision for taxation includes foreign taxes payable outside India, which is determined based on the tax laws existing in the respective foreign countries.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

(Currency: in thousands of Indian Rupees except share data)

A substantial portion of Company's profits is exempt from Indian Income taxes, being profit from industrial undertakings situated in Software Technology Park. Under section 10A of the Income Tax Act, 1961, the Company can avail of an exemption of profits from income tax for a period of ten consecutive years. In the Company's case these exemptions expire on various dates between years 2005 and 2010. In this regard, the Company recognises deferred taxes in respect of those originating timing differences, which reverse after the tax holiday period, resulting in tax consequences. Timing differences, which originate and reverse within the tax holiday period, do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For the above purposes, timing differences, which originate first, are considered to reverse first.

For the purpose of interim financials statements, income taxes have been recognised based on the best estimate of the weighted average effective tax rate expected for the full financial year. Amount accrued for income taxes in one interim period shall be adjusted in a subsequent interim period in the event the estimate of the annual effective income tax rate changes.

1.9 Earnings per Share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share is computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

Annexure V: Details of rates of dividend paid by the Company

Class of shares	**Face Value**	**Year ended March 31, 1998**	**Nine months ended December 31, 1998**	**Year ended December 31, 1999**	**Year ended December 31, 2000**	**Year ended December 31, 2001**	**Year ended December 31, 2002**	**Nine months ended September 30, 2003**
Equity shares								
Refer Note (1)	Rs.10 /Rs.2							
- Interim		15%	100%	600%	-	30%	-	-
- Final		50%	50%	-	30%	-	30%	-
Total		**65%**	**150%**	**600%**	**30%**	**30%**	**30%**	**-**
12.9% Cumulative Redeemable Preference Shares	Rs.100	***Refer note (2)***	***Refer note (2)***	*12.9%*	*12.9%*	*12.9%*	*12.9%*	***Refer note (2)***

Notes

(1) On June 26, 2001, the shares of the Company were sub-divided from Rs.10 each into 5 equity shares of Rs.2 each.

(2) In 1999, the Company issued 250,000 12.9% cumulative redeemable preference shares of Rs.100 each to IDBI, Mumbai at par and dividend @ 12.9% has been paid on these shares from the date of allotment. In 2002, these preference shares were redeemed by the Company.

(Currency: in thousands of Indian Rupees except share data)

Annexure VI: Details of loans

Secured loans

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
1,200,000 - 13.75% non convertible debentures of Rs.100 each	-	120,000	120,000	80,000	40,000	-	-
Industrial Development Bank of India	14,783	13,780	-	-	-	-	-
Foreign currency loan	118,800	63,945	-	-	-	-	-
Grindlays Banks plc (Post shipment loan)	52,148	21,238	161,224	167,080	252,477	-	-
Bank of America	395	328	-	-	-	-	-
Housing Development Finance Corporation Ltd.	62	-	-	-	-	-	-
Deferred payment liabilities in relation to buildings	-	-	4,902	74,693	105,580	-	-
Lease obligation in relation to vehicles acquired under finance lease	-	-	-	-	4,646	19,697	22,400
Loans from promoter group (Refer note 3 below)	-	-	-	-	-	-	-
Total	**186,188**	**219,291**	**286,126**	**321,773**	**402,703**	**19,697**	**22,400**

Notes:

1) *Interest on loans was payable in the range of 9 to 16%, 9 to 16%, 10 to 16%, 10 to 18%, 7 to 18%, for the period ended March 31, 1998, December 31, 1998, December 31, 1999, December 31, 2000 and December 31, 2001 respectively, and 7 to 8% for the period ended December 31, 2002 and September 30, 2003.*

2) *Loans outstanding as at September 30, 2003, representing finance lease obligations, are secured against the vehicles acquired on lease. As per the lease agreements, the ownership of these vehicles would not transfer to the Company, however it contains a renewal clause. Lease obligations outstanding as at September 30, 2003 are repayable as follows:*

	Minimum lease payments	Finance charge	Present value of minimum lease payments
Amount due within one year from the balance sheet date	8,414	1,205	7,209
Amount due in the period between one year and five years	16,213	1,022	15,191
	24,627	**2,227**	**22,400**

3) *Promoter group comprises the following:*

Promoters

a. Mr. Narendra K. Patni

b. Mr. Gajendra K. Patni

c. Mr. A. K. Patni

d. iSolutions Inc.

Relatives of promoters

Group companies/firms consisting of the following:

a. PCS Industries Limited

b. PCS International Limited

c. Ashoka Computer Systems Private Limited

d. PCS Cullinet Private Limited

e. Patni Computer System Inc. (became a subsidiary in 2002)

f. PCS Finance Limited

g. Ravi and Ashok Enterprises

h. Business Systems

i. Maganmal Nemichand

j. Raay Software Private Limited

k. Raay Global Investment Private Limited

Unsecured loans

The Company did not have any unsecured loans outstanding during the periods presented in the Statement of assets and liabilities, as restated.

(Currency: in thousands of Indian Rupees except share data)

Annexure VII: Details of other income

	Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended September 30, 2003
Other income	14,358	30,840	41,043	196,916	50,786	46,748	121,676
Net profit before tax, as restated	269,849	347,018	406,161	736,916	1,202,573	1,924,311	1,371,977
Percentage	**5.32%**	**8.89%**	**10.11%**	**26.72%**	**4.22%**	**2.43%**	**8.87%**

Source of Income	**Year ended March 31, 1998**	**Nine months ended December 31, 1998**	**Year ended December 31, 1999**	**Year ended December 31, 2000**	**Year ended December 31, 2001**	**Year ended December 31, 2002**	**Nine months period ended September 30, 2003**	**Nature**
Interest received on								
- Inter corporate deposits	3,656	7,011	8,283	3,920	4,739	5,876	-	*Refer Note (1)*
- Bank deposits	-	-	1,168	2,762	365	88	-	Recurring
- Loans to employees	129	146	261	382	504	714	386	Recurring
- Others	548	380	279	4	425	-	1,053	Recurring
Dividend received on trade investments	-	-	-	-	891	-	-	Recurring
Dividend received on non-trade investments	2,620	2,619	10,114	13,440	19,271	6,392	37,000	Recurring
Exchange gain, net	6,221	17,553	7,161	59,606	23,682	11,124	24,601	Recurring
Premium received on special import license	1,750	1,867	1,188	141	-	-	-	*Refer Note (2)*
Profit/ (loss) on sale of investments	(4,120)	-	2,678	110,818	(4,315)	18,961	52,963	Recurring
Incentive on investments	-	80	3,232	742	1,068	194	-	Recurring
Miscellaneous income	3,554	1,184	6,679	5,101	4,156	3,399	5,673	Recurring
Total	**14,358**	**30,840**	**41,043**	**196,916**	**50,786**	**46,748**	**121,676**	

Notes

(1) As at December 31, 2002, the Company had no outstanding inter corporate deposits.

(2) Special Import license has been discontinued by the Company with effect from January 1, 2001.

(3) The classification of income into recurring and non-recurring is based on the current operations and business activity of the Company.

Annexure VIII: Accounting Ratios

(Currency: in thousands of Indian Rupees except share data)

	Year ended March 31, 1998		Nine months ended December 31, 1998		Year ended December 31, 1999		Year ended December 31, 2000		Year ended December 31, 2001		Year ended December 31, 2002		Nine months ended September 30, 2003	
	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split
Earnings per share (Rs):	15.24	3.05	18.25	3.65	20.76	4.15	35.97	7.19	57.12	11.42	81.73	16.35	53.47	10.69
Return on net worth %	37.57%	37.57%	32.55%	32.55%	31.28%	31.28%	31.15%	31.15%	34.10%	34.10%	23.55%	23.55%	14.70%	14.70%
Net asset value per equity share (Rs)	40.57	8.11	56.06	11.21	58.17	11.63	104.79	20.96	159.70	31.94	310.22	62.04	363.68	72.74
Weighted average number of equity shares outstanding during the year/period	18,000,000	90,000,000	18,000,000	90,000,000	18,000,000	90,000,000	18,138,787	90,693,934	18,747,000	93,735,000	19,811,834	99,059,168	22,284,170	111,420,849
Total number of shares outstanding at the end of the year/period	18,000,000	90,000,000	18,000,000	90,000,000	18,000,000	90,000,000	18,747,000	93,735,000	18,747,000	93,735,000	22,284,170	111,420,849	22,284,170	111,420,849

Notes:

(1) *The ratios have been computed as below:*

Earnings per share (Rs) $= \dfrac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$

Return on net worth (%) $= \dfrac{\text{Net profit after tax}}{\text{Net worth excluding revaluation reserve at the end of the year/period}}$

Net asset value per equity share (Rs) $= \dfrac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$

(2) *Net profit, as restated as appearing in the Statement of profits and losses, as restated has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.*

(3) *Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India.*

(4) *On June 26, 2001, the Company's Board of Directors approved a sub division of equity shares of Rs.10 each into 5 equity shares of Rs.2 each. Accordingly, the above ratios have been computed on pre and post share split basis.*

(5) *On August 22, 2001, the Company allotted 46,867,500 equity shares of Rs.2 each as bonus shares in the ratio of 3:1. Further, on August 30, 2003, the Company allotted 37,140,283 equity shares of Rs.2 each as bonus shares in the ratio of 1:2. The number of shares considered in the calculations of earnings per share and net asset value per equity share has been adjusted to include the above bonus shares issued, for all periods presented.*

(6) *Earnings per share for nine-month period ended December 31, 1998 and nine months ended September 30, 2003 are not comparable with that of other financial years presented above.*

(7) *Net worth computations include redeemable preference share capital aggregating Rs.250,000 thousands, which was redeemed by the Company in 2002.*

(8) *On October 24, 2000, the Company issued 124,500 equity shares of Rs.10 each to GE Capital Mauritius Equity Investment ('GE'). Simultaneously, certain shareholders of the Company also sold 187,500 equity shares of Rs.10 each of the Company to GE on consistent terms. Pursuant to the shareholders' agreement, the Company was required to make an initial public offering ('IPO') of its equity shares for the purposes of being listed on a recognised stock exchange within a period of 18 months from the date of allotment of shares to GE. In the event the IPO did not occur within such period, GE had a right requiring either the Company, the other shareholders or a third party to buy back its shares at the higher of the fair market value of the shares or at a price based on an assured rate of return ranging between 18% to 21% on GE's initial investment.*

On July 15, 2002, the Company entered into a new shareholders agreement ("new SHA") with General Atlantic Mauritius Limited ('GA'), GE and promoter shareholders. In September 2002, the Company made a private placement of its unregistered American Depository Receipt ('ADRs') to international investors representing 13,441,245 equity shares having face value of Rs.2 each. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares. In accordance with the new SHA, Patni is required to make an IPO of its equity shares within a period of 36 months from the date of issue of shares to GA. In the event an IPO does not occur within such period, GE and GA shall have a right to require the Company to buy back their equity shares and those of the other members of each of their Group at a price which will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of the Company.

In case the Company does not or cannot buy back all of GE and GA's equity shares and those of the members of their Group, then GE and GA shall have other exit options, as specified in the new SHA.

As per the new SHA, the price at which the Company is required to buy back the shares will be the higher of the price at which the shares were issued to GA or such price as is determined by the Board of Directors of the Company at the time of such buy back. However, there is no defined measurement method specified in the new SHA in relation to the redemption amount and accordingly the Company has not remeasured the shares issued to GA and GE at each reporting period.

Such equity shares have been included in the total number of equity shares considered for the purpose of computation of the above ratios. (43,684,048 shares as at September 30, 2003)

(9) *As detailed in the financial statements for the nine months ended September 30,2003, the Company has granted 2,743,400 options to eligible employees on September 1, 2003. These options did not have a dilutive effect on the weighted average number of equity shares outstanding during the period.*

(Currency: in thousands of Indian Rupees except share data)

Annexure IX: Capitalisation statement as at September 30, 2003

	Pre issue	Post issue
Short term debt	-	-
Long term debt	22,400	22,400
Total debt	**22,400**	**22,400**
Shareholders' funds		
- Share capital	222,842	249,642
- Reserves (excluding revaluation reserve)	7,881,503	10,936,703
Total shareholders' funds	**8,104,345**	**11,186,345**
Long term debt/equity	0.003:1	0.002:1

Note:

1) *Long term debt represents amounts payable for vehicles acquired on finance lease.*

2) *43,684,048 shares as at September 30, 2003 are subject to certain buy-back arrangements as specified in the shareholders' agreement (refer note 8 of Annexure VIII). These shares have been included in equity share capital considered for the purpose of the above computation.*

Annexure X: Statement of tax shelters

		Year ended March 31, 1998	Nine months ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002
Profit before current and deferred taxes, as restated		269,849	347,018	406,161	736,916	1,202,573	1,924,311
Weighted average tax rate (%)	E	35.00	35.00	37.63	39.29	36.66	36.49
Tax expense at weighted average rate	F	94,447	121,456	152,838	289,534	440,863	702,181
Adjustments							
Permanent Differences							
Tax impact in respect of units under Section 10A of Income Tax Act, 1961 ('the Act')		(74,465)	(64,231)	(122,650)	(215,089)	(1,068,615)	(1,773,817)
Deduction u/s 80HHE of the Act		(212,005)	(244,767)	(255,616)	(401,237)	(82,732)	(59,800)
Expenses disallowed		4,943	6,608	23,668	15,505	18,324	41,935
Indexation difference on long term capital gain		-	-	-	(47,595)	(2,213)	-
Long-term capital gain charged at lower rate of tax		-	-	-	(34,742)	(834)	-
Dividend exempt u/s 10(33) of the Act		(1,338)	(1,338)	(10,114)	(13,879)	(19,198)	(1,889)
Total	**A**	**(282,865)**	**(303,728)**	**(364,712)**	**(697,037)**	**(1,155,268)**	**(1,793,571)**
Temporary Differences							
Difference between book depreciation and tax depreciation		12,580	(1,485)	(7,719)	(25,978)	(29,988)	(834)
Provision for doubtful debts		-	-	-	2,313	6,126	(1,513)
Utilisation of MAT credit		(9,632)	(7,882)	(3,264)	(14,070)	(13,587)	-
Provision for retirement benefits		1,298	-	16,193	20,768	2,405	16,959
Others		7,977	3,838	(16,133)	1,593	1,116	47
Total	**B**	**12,223**	**(5,529)**	**(10,923)**	**(15,374)**	**(33,928)**	**14,659**
Net Adjustment	**C=A+B**	**(270,642)**	**(309,257)**	**(375,635)**	**(712,411)**	**(1,189,196)**	**(1,778,912)**
Tax saving thereon	D=C*E	(94,725)	(108,240)	(141,351)	(279,906)	(435,959)	(649,125)
Net impact	G=F+D	(278)	13,216	11,487	9,628	4,904	53,056
Tax impact of adjustments		734	(13,216)	(6,672)	29,489	-	-
Provision for current domestic tax as per the books of accounts		456	-	4,815	39,117	4,904	53,056
Provision for foreign taxes as per the books of accounts		-	-	-	26,200	58,806	215,245
Total tax expenses as per the books of accounts		456	-	4,815	65,317	63,710	268,301

Annexure XI: Patni Computer Systems, Inc.

G. T. Reilly & Company
Certified Public Accountants, Inc.
424 Adams Street
Milton, MA 02186 - 4358

To the Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Patni Computer Systems Limited in connection with the initial offer of Equity Shares, we state as follows:

1. We have audited the financial statements of Patni Computer Systems, Inc. (formerly Data Conversion, Inc.), a subsidiary of Patni Computer Systems Limited for the five financial years ended December 31, 2002 and the nine months ended September 30, 2003, being the last date up to which the accounts have been made in those respective periods.
2. On April 17, 2003, Patni Computer Systems, Inc., acquired 100% equity interest in The Reference Inc. (TRI). The results of operation of TRI for the period April 18, 2003 to September 30, 2003 have been consolidated into the accounts of Patni Computer Systems, Inc., for the nine months ended September 30, 2003.
3. We certify that the figures included in the annexed statement of profits and loss account for the five financial years ended on December 31, 2002 and the nine months ended September 30, 2003, and the annexed statement of assets and liabilities as at the end of the respective periods, along with the significant accounting policies, are prepared from the audited financial statements of Patni Computer Systems, Inc., in accordance with accounting principles generally accepted in the United States of America. We confirm that the annexed statements include the following adjustments:
   - the impact of changes in accounting policies adopted by Patni Computer Systems, Inc., has been disclosed with retrospective effect;
   - material amounts relating to adjustments for previous periods have been identified and adjusted in arriving at the profits of the periods to which they relate irrespective of the period in which the event triggering the profit or loss occurred;
   - the impact of qualification in the auditors' report, where applicable, has been adjusted; and
   - impact of extraordinary items has been disclosed separately in the annexed statements.
4. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

For and on behalf of
Gerald T. Reilly & Company
Certified Public Accountants, Inc.

Thomas J. O'Connor, CPA
Vice President

Dated: November 3, 2003
Place: Milton, Massachusetts, USA

Statements of Assets and Liabilities, As Restated (Parent company format)

(US$)

	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 31, 2003
Fixed assets						
Gross block	899,493	897,319	1,085,831	1,644,127	2,280,492	5,167,216
Less: Accumulated depreciation	426,338	515,386	692,821	852,013	1,193,527	3,203,584
Net block	473,155	381,933	393,010	792,114	1,086,965	1,963,632
Less: Revaluation reserve	0	0	0	0	0	0
Net block after adjustment for revaluation reserve	473,155	381,933	393,010	792,114	1,086,965	1,963,632
Capital work-in-progress	0	0	0	0	0	0
Total	473,155	381,933	393,010	792,114	1,086,965	1,963,632
Goodwill	0	0	0	0	0	2,594,373
Other Intangible Assets	0	0	782,188	609,325	1,165,009	1,298,175
Investments	0	0	0	0	0	0
Current assets, loans and advances						
Sundry debtors	10,937,091	13,487,482	23,057,780	28,415,665	41,737,593	55,735,588
Cash and bank balances	2,222,067	7,553,171	4,233,463	17,230,638	12,488,524	17,218,554
Loans and advances	167,915	490,138	5,650,422	6,786,676	743,225	1,261,704
Costs and estimated earnings in excess of billings	1,127,351	1,348,356	813,846	1,363,841	1,348,849	5,710,655
Others	0	155,358	483,376	438,929	446,873	1,009,783
Deferred tax asset	0	0	559,869	1,457,694	3,703,196	3,464,328
Total	14,454,424	23,034,505	34,798,756	55,693,443	60,468,260	84,400,612
Liabilities and provisions						
Secured loans						
Current liabilities	7,880,115	14,182,013	19,380,838	35,739,069	35,572,638	56,666,054
Provisions	530,697	251,404	1,842,850	3,796,781	7,240,547	10,881,685
Deferred tax liability	600,846	45,865	0	0	0	0
Total	9,011,658	14,479,282	21,223,688	39,535,850	42,813,185	67,547,739
Net worth	5,915,921	8,937,156	14,750,266	17,559,032	19,907,049	22,709,053
Represented by						
Share capital	5,000	5,000	5,000	5,000	5,000	5,000
Reserves and surplus						
Export reserve	0	0	0	0	0	0
Debenture redemption reserve	0	0	0	0	0	0
General reserve	0	0	0	0	0	0
Profit and loss account, as restated	5,910,921	8,932,156	14,745,266	17,554,032	19,902,049	22,704,053
Share premium	0	0	0	0	0	0
Capital redemption reserve	0	0	0	0	0	0
Net worth	5,915,921	8,937,156	14,750,266	17,559,032	19,907,049	22,709,053

Statements of Profits, As Restated (Parent Company reporting format)

(US$)

	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months Ended Sept. 30, 2003
Income						
Sales and service income	41,262,238	54,313,805	85,003,836	122,028,257	163,694,124	160,259,300
Other income	108,479	207,969	718,916	660,925	429,523	149,970
Total income	41,370,717	54,521,774	85,722,752	122,689,182	164,123,647	160,409,270
Expenditure						
Staff costs	8,119,359	14,902,217	30,559,756	51,791,357	68,254,088	66,915,600
Depreciation	141,861	155,031	177,434	213,343	365,613	532,976
Selling, general and administration expenses	28,699,874	35,233,828	45,153,548	65,825,649	91,265,153	88,208,549
Interest	0	0	0	0	0	0
Total expenditure	36,961,094	50,291,076	75,890,738	117,830,349	159,884,854	155,657,125
Net profit before tax and adjustments	4,409,623	4,230,698	9,832,014	4,858,833	4,238,793	4,752,145
Provision for taxation	1,765,000	1,700,000	3,968,904	1,975,067	1,815,776	1,950,141
Net profit before adjustments	2,644,623	2,530,698	5,863,110	2,883,766	2,423,017	2,802,004
Adjustments (Refer Note below)						
Reclass to Capital Equipment and depreciation on same	0	31,139	0	0	0	0
Increase /(decrease) in revenue	0	287,011	0	0	0	0
Increase /(decrease) in Other Income	0	0	0	0	0	0
(Increase) /decrease in Payroll Tax	0	0	0	0	0	0
(Increase) /decrease Software Development Cost	0	0	0	0	0	0
(Increase) /decrease in Accrued Overtime	0	80,926	0	0	0	0
(Increase) /decrease in Termination Allowance	0	0	0	0	0	0
(Increase) /decrease in Sales Tax Provision	0	(5,087)	0	0	0	0
(Increase) /decrease in Bad Debts Provision	(10,000)	54,127	0	0	0	0
(Increase) /decrease in Commission	0	0	0	0	0	0
(Increase) /decrease in Audit Fees	0	0	0	0	0	0
Jamaica assets written off/written back	46,285	(46,285)	0	0	0	0
Increase/(decrease) in deferred tax income	59,455	424,981	0	0	0	0
(Increase)/decrease in deferred tax expense	(400,301)	0	0	0	0	0
(Increase)/decrease in staff cost	10,000	(223,500)	0	0	0	0
(Increase)/decrease in income tax provision	181,372	(107,175)	0	0	0	0
Total impact of adjustments	(113,189)	515,537	0	0	0	0
Tax impact of adjustments	0	0	0	0	0	0
Total of adjustments after tax impact	(113,189)	515,537	0	0	0	0
Net profit, as restated	2,531,434	3,046,235	5,863,110	2,883,766	2,423,017	2,802,004
Profit and Loss account, beginning of the period	3,404,487	5,910,921	8,932,156	14,745,266	17,554,032	19,902,049
Profits available for appropriation, as restated	5,935,921	8,957,156	14,795,266	17,629,032	19,977,049	22,704,053
Earnings per share	506.29	609.25	1,172.62	576.75	484.60	560.40
Book value per share	1,183.18	1,787.43	2,950.05	3,511.81	3,981.41	4,541.81

Note : The adjustments to restate accounts are necessary in order to account for certain amounts in the relevant years to which they pertain.

Of the above related profits, 25% of the profits concern Patni Computer Systems Limited for the period from November 20, 2000 to September 8, 2002, and 100% for the period subsequent to September 8, 2002.

Statements of Profits, As Restated

(US$)

	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months Ended Sept. 30, 2003
Appropriations						
Dividends						
on Preference Shares	0	0	0	0	0	0
on Equity Shares	0	0	0	0	0	0
- Interim	0	0	0	0	0	0
- Final	25,000	25,000	50,000	75,000	75,000	0
Corporate dividend tax	0	0	0	0	0	0
Transfer to debenture redemption reserve	0	0	0	0	0	0
Transfer to general reserve	0	0	0	0	0	0
Transfer from investment allowance reserve	0	0	0	0	0	0
Balance carried forward, as restated	5,910,921	8,932,156	14,745,266	17,554,032	19,902,049	22,704,053

Business Activities and Significant Accounting Policies

Business Activities - Patni Computer Systems, Inc., and its wholly-owned subsidiary provide consulting, software development, maintenance and data conversion services to a variety of industries and customers located in North America, primarily in the United States. Effective January 1, 2003, the company changed its name to Patni Computer Systems, Inc.

In April of 2003, The Reference Inc. ("TRI") was acquired by Patni Computer Systems, Inc., through the purchase of 100% of TRI's outstanding common and preferred stock. TRI's principal business activity is to provide consulting and information technology services to a variety of clients in the financial services industry. The acquisition has been accounted for as a purchase under Statements of Financial Standards No. 141, "Business Combinations" (FAS 141) and, accordingly, the operating results of TRI have been included in consolidated financial statements of Patni Computer Systems, Inc., since the date of acquisition.

Consolidation Policy - The consolidated financial statements include the accounts of Patni Computer Systems, Inc. and its wholly-owned subsidiary, The Reference Inc. All significant intercompany accounts and transactions have been eliminated.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Material estimates that are particularly susceptible to change in the near term are the determination of the reserve for doubtful accounts, costs and earnings in excess of billings on uncompleted contracts and billings in excess of costs on uncompleted contracts. Actual results could differ from these estimates.

Revenue Recognition - Revenues on long-term fixed price contracts are recognised on the percentage of completion method of accounting. Profits are recorded on the basis of management's estimate of the percentage of completion, when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy, measured by the percentage of man-days of service incurred to date to estimated total man-days of service for each contract. Since long-term contracts usually extend over more than one reporting period, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the facts that require the revision become known.

The asset, "Costs and estimated earnings in excess of billings" represents revenues recognised in excess of amounts billed on uncompleted contracts. The liability, "Billings in excess of costs and estimated earnings" represents billings in excess of revenues recognized on uncompleted contracts.

Revenues from long-term service or maintenance contracts are recognised evenly over the course of the contract. When necessary, a liability is recognised to reflect the amount of billings in excess of revenue recognised.

Revenue from time and material contracts is recognised as the services are performed.

Cash and Cash Equivalents - For purposes of balance sheet classification and reporting the statement of cash flows, Patni

Computer Systems, Inc., considers all highly-liquid deposits and investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at gross value. An allowance for doubtful accounts is also reported on the face of the balance sheet of Patni Computer Systems, Inc. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, the history of prior loss experience of Patni Computer Systems, Inc., and on current economic conditions. Accounts are charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Property and Equipment - Property and equipment are stated at cost. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalised. Expenditures for maintenance and repairs are charged to income as incurred.

The following is a summary of the depreciation periods which approximate the estimated useful lives of the property and equipment:

Assets	Estimated Useful Lives
Furniture, fixtures and equipment	3 - 8 years
Motor vehicles	5 years

Other Long-Term Assets - Other long-term assets consist of security deposits and cash restrictions in connection with the rental of various office spaces throughout the United States.

Advertising Costs - The cost of advertising is charged to expense as incurred.

Income Taxes - Patni Computer Systems, Inc., provides for deferred income taxes based on temporary differences between the financial statement amounts and the tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realised. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Intangible Assets - Under Financial Accounting Standard 142, “Goodwill and Other Intangible Assets” (FAS 142), the excess of cost over the fair value of net assets obtained in a business acquisition is no longer amortised to operations over a period of years. Instead, goodwill is required to be tested for impairment at least annually using a two-step process that begins with the estimation of the fair value of the related “reporting unit”, which is defined as an operation segment, and results in the measurement of the amount of impairment by the allocation of the fair value to the identifiable assets of the reporting unit.

Reasons for Restatement - The adjustments to the audited amounts of revenue and certain expenses is necessary in order to account for amounts in the relevant years to which they pertain. Adjustments for these items prior to 1998 are reflected in profits available for appropriations, as restated.

Annexure XII: The Reference Inc.

G. T. Reilly & Company, Certified Public Accountants, Inc.
424 Adams Street
Milton,
MA 02186 - 4358

To the Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road, Road No. 21
Andheri (East)
Mumbai 400 093

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the Offer Document proposed to be issued by Patni Computer Systems Limited in connection with the initial offer of Equity Shares, we state as follows:

1. The financial statements of The Reference Inc. ("TRI") for the period January 1, 2003 to April 17, 2003 have been audited by Gerald T. Reilly & Company, Certified Public Accountants, Inc. The financial statements for the years ended December 31, 2002, 2001 and 2000 have been audited by Ernst & Young, LLP, Certified Public Accountants. The financial statements for the years ended December 31, 1999 and 1998 have not been audited and, accordingly, the results presented were compiled by the management of TRI.
2. We confirm that the amounts included in the attached summary statements are as per the financial statements mentioned above, for the respective periods and no adjustments have been made thereto, as TRI was not a subsidiary of Patni Computer Systems, Inc. for the periods presented.
3. The summary of significant accounting policies adopted by TRI are enclosed.
4. On April 17, 2003, Patni Computer Systems, Inc. acquired 100% equity interest in TRI. Accordingly, the results of operations of TRI for the period from April 18, 2003 to June 30, 2003 have been consolidated in the accounts of Patni Computer Systems, Inc.

For and on behalf of
Gerald T. Reilly & Company
Certified Public Accountants, Inc.

Thomas J. O'Connor, CPA
Vice President

Dated: September 19, 2003
Place: Milton, Massachusetts, USA

Statement of Assets and Liabilities (Parent Company format)

(US$)

	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at April 17, 2003
Fixed assets						
Gross block	33,713	266,343	1,144,006	2,024,473	2,058,917	2,065,655
Less: Accumulated depreciation	28,378	75,939	356,909	944,215	1,398,960	1,477,505
Net block	5,335	190,404	787,097	1,080,257	659,957	588,150
Less: Revaluation reserve	0	0	0	0	0	0
Net block after adjustment for revaluation reserve	5,335	190,404	787,097	1,080,257	659,957	588,150
Capital work-in-progress	0	0	0	0	0	0
Total	5,335	190,404	787,097	1,080,257	659,957	588,150
Investments	0	0	0	0	0	0
Current assets, loans and advances						
Sundry debtors	526,404	1,417,830	2,215,688	950,776	432,867	424,258
Cash and bank balances	584,158	467,044	1,478,344	4,876,523	4,535,660	3,055,322
Loans and advances	2,000	114,979	1,054,211	872,001	1,107,717	603,118
Costs and estimated earnings in excess of billings	0	199,283	168,121	0	0	199,451
Others	0	0	0	0	0	844,130
Deferred tax asset	0	0	0	4,624	60,972	158,000
Total	1,112,562	2,199,136	4,916,364	6,703,924	6,137,216	5,284,279
Liabilities and provisions						
Secured loans	0	0	0	0	0	0
Current liabilities	268,587	758,555	1,592,613	3,717,907	3,099,995	2,578,300
Provisions	0	0	37,400	137,390	198,322	0
Deferred tax liability	0	0	459,450	111,984	0	0
Total	268,587	758,555	2,089,463	3,967,281	3,298,317	2,578,300
Net worth	849,310	1,630,985	3,613,998	3,816,900	3,498,856	3,294,129
Represented by						
Share capital	1,000	1,000	263,001	385,497	484,268	317,442
Series A Preferred Stock	0	0	2,942,255	3,194,775	3,380,355	3,380,355
Reserves and surplus						
- Export reserve	0	0	0	0	0	0
- Debenture redemption reserve	0	0	0	0	0	0
- General reserve	0	0	0	0	0	0
- Profit and loss account, as restated	848,310	1,629,985	408,742	236,628	(365,767)	(403,668)
- Share premium	0	0	0	0	0	0
- Capital redemption reserve	0	0	0	0	0	0
Net worth	849,310	1,630,985	3,613,998	3,816,900	3,498,856	3,294,129

The accompanying notes are an integral part of these financial statements.

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Statement of Profits (Parent Company format)

(US$)

	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	1.1.2003 To 17.4.2003
Income						
Sales and service income	2,485,013	6,176,540	12,177,340	14,688,845	8,735,356	2,068,843
Other income	24,219	31,366	68,870	(17,778)	(58,357)	8,536
Total income	2,509,232	6,207,906	12,246,210	14,671,067	8,676,999	2,077,379
Expenditure						
Staff costs	2,067,364	3,614,067	8,422,656	9,772,288	6,772,989	1,386,775
Depreciation	7,358	47,561	280,970	627,105	454,745	78,545
Selling, general and administration expenses	294,418	1,164,603	2,652,138	4,067,036	2,097,714	846,293
Interest	94	—	—	15,083	25,551	4,800
Total expenditure	2,369,234	4,826,231	11,355,764	14,481,512	9,350,999	2,316,413
Net profit before tax and adjustments	139,998	1,381,675	890,446	189,555	(674,000)	(239,034)
Provision for taxation	—	—	650,000	109,150	(257,185)	(201,133)
Net profit before adjustments	139,998	1,381,675	240,446	80,405	(416,815)	(37,901)
Adjustments	—	—	—	—	—	—
Net profit	139,998	1,381,675	240,446	80,405	(416,815)	(37,901)
Profit and Loss account, beginning of the period	848,312	848,310	1,629,985	408,742	236,628	(365,767)
Profits available for appropriation, end of period	988,310	2,229,985	1,870,431	489,147	(180,187)	(403,668)
Earnings per share	—	—	0.02	(0.01)	(0.07)	(0.01)
Book value per share	—	—	0.45	0.46	0.41	0.39
Appropriations						
Dividends	—	—	—	—	—	—
on Preference Shares	—	—	—	—	—	—
on Equity Shares	—	—	—	—	—	—
- Interim	—	—	—	—	—	—
- Final	140,000	600,000	1,380,035	—	—	—
Corporate dividend tax	—	—	—	—	—	—
Stock split	—	—	79,000	—	—	—
Transfer to general reserve	—	—	—	—	—	—
Accretion of Series A Preferred Stock	—	—	2,654	252,519	185,580	—
Balance carried forward	848,310	1,629,985	408,742	236,628	(365,767)	403,668

The accompanying notes are an integral part of these financial statements.

Business Activities and Significant Accounting Policies

The Reference Inc. was incorporated in the State of Massachusetts on January 12, 1994 for the purpose of developing, researching, testing, marketing and distributing computer software. TRI is primarily an information technology professional services firm serving a variety of clients in the financial services industry.

On April 17, 2003, all of the outstanding common and preferred shares of TRI were acquired by Patni Computer Systems, Inc. Accordingly, as of April 17, 2003, TRI became a wholly-owned subsidiary of Patni Computer Systems, Inc.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents primarily consist of cash deposits and liquid investments with original maturities of three months or less when purchased, and are stated at cost.

Revenue Recognition – Revenues from professional services, primarily consulting and software development services, are recognised as the related services are performed.

Property and Equipment **–** Property and equipment is carried at cost less accumulated depreciation and amortisation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Leasehold improvements are amortised over the life of the related lease, or the useful life of the respective asset, whichever is shorter. Estimated useful lives are as follows:

Assets	Estimated Useful Years
Computer equipment	2 years
Furniture and office equipment	5 years
Leasehold improvements	4.5 years

Income Taxes – TRI provides for deferred income taxes based on temporary differences between the financial amounts and the tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realised. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, TRI's history of prior loss experience and on current economic conditions. Accounts are charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Advertising Costs **–** The cost of advertising is expensed as incurred. Advertising expense for the period ended April 17, 2003 is $6,148.

Annexure XIII: Patni Computer Systems (U.K.) Ltd

The Board of Directors
Patni Computer Systems Limited,
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Patni Computer Systems Ltd, in connection with the initial offer of Equity Shares, we state as follows:

1. We have audited the financial statements of Patni Computer Systems (UK) Ltd., a subsidiary of Patni Computer Systems Ltd., for the five financial years ending December 31, 2002 and the nine months to 30th September, 2003, being the last date up to which the accounts have been made in those respective years.

2. We confirm that the figures included in the annexed statement of Profit and Loss Account for the five financial years ending on December 31, 2002 and the nine months to September 30, 2003 and the annexed statement of assets and liabilities as at the end of the respective years, along with the significant accounting policies, are prepared from the audited financial statements of the Patni Computer Systems (UK) Ltd in accordance with UK GAAP. Further we confirm that:

   - the impact of changes in accounting policies adopted by the company has been disclosed with retrospective effect;
   - material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred;
   - the impact of qualification in the auditors report, where applicable, has been adjusted; and
   - impact of extra-ordinary items has been disclosed separately in the annexed statements.

3. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

WOOLFORD & CO. LLP.
Chartered Accountants
& Registered Auditors

Date: 3/11/03

Annexure A: Statement of profits, as restated (Parent Company Reporting Format)

(Pounds, except per share data)

	Year ended December 31, 1997	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Nine months ended Sept. 30, 2003
Income							
Sales and service income	1,075,402	1,898,817	3,071,876	5,977,350	8,522,255	7,635,890	5,492,382
Other income	603	1,565	6,178	2,886	19,669	67,819	12,085
Total income	1,076,005	1,900,382	3,078,054	5,980,236	8,541,924	7,703,709	5,504,467
Expenditure							
Staff costs	932,749	1,644,530	2,672,948	5,263,727	6,944,623	5,367,758	3,861,024
Depreciation	363	663	1,635	3,477	9,986	15,061	13,179
Selling, general and administration expenses	100,630	113,551	163,282	418,564	1,071,314	1,497,930	1,488,724
Interest	-	-	-	-	-	-	188
Total expenditure	1,033,742	1,758,744	2,837,865	5,685,768	8,025,923	6,880,749	5,363,115
Net profit before tax and adjustments	42,263	141,638	240,189	294,468	516,001	822,960	141,352
Provision for taxation	(13,031)	(29,782)	(52,864)	(81,768)	(149,321)	(232,592)	21,288
Net profit/(loss) before adjustments	29,232	111,856	187,325	212,700	366,680	590,368	120,064
Adjustments							
Other adjustments							
NIC Refund received	20,043	146,064	102,355	134,912	113,209	(524,052)	
Legal Expenses						(53,500)	
Software and Development charges accrual	560	48,809	(2,295)	(124,087)	77,013		
Salary			(25,395)	25,395			
Revenue Recognition (Difference between local books and consolidated books)		(55,082)	88,146	200,813	(233,877)		
Advances reclassified						(15,449)	15,449
Sales (GE Service credit grossed up in sales)						20,258	(20,258)
Total impact of adjustments	20,603	139,791	162,811	237,033	(43,655)	(572,743)	(4,809)
Tax impact of adjustments	(5,975)	(40,539)	(47,215)	(68,740)	12,660	166,096	962
Total of adjustments after tax impact	14,628	99,252	115,596	168,293	(30,995)	(406,647)	(3,847)
Net profit/(loss), as restated	43,860	211,108	302,921	380,993	335,685	183,721	116,217
Earning Per Share	0.9	4.2	6.1	7.6	6.7	3.7	2.3
Book Value	3.3	7.5	13.6	21.2	27.9	31.6	33.9

The above should be read with significant accounting policies and notes appearing in Annexure C

The profits and losses entirely concern the members of Patni Computer Systems Ltd., as Patni Computer Systems (UK) Limited is 100% subsidiary.

Annexure B: Statement of assets and liabilities, as restated (Parent Company Format)

(Pounds, except per share data)

	As at December 31, 1997	As at December 31, 1998	As at December 31, 1999	As at December 31, 2000	As at December 31, 2001	As at December 31, 2002	As at September 30, 2003
Fixed assets							
Gross block	1,450	2,650	5,419	34,550	49,717	73,162	272,653
Less: Accumulated depreciation	725	1,388	2,744	6,221	16,207	31,268	52.577
Net block	725	1,262	2,675	28,329	33,510	41,894	220,076
Sub-Total – Fixed assets	725	1,262	2,675	28,329	33,510	41,894	220,076
Investments	-	-	-	-	-	-	
Current assets, loans and advances							
Sundry debtors	251,035	293,267	892,205	2,790,689	2,336,500	2,764,339	3,431,313
Cash and bank balances	135,969	596,551	403,025	896,381	1,178,890	1,519,884	552,041
Prepayments & Accrued Income	62,398	176,861	280,807	410,843	604,063	52,907	121,286
Costs and estimated earnings in excess of billings	-	(55,082)	51,025	277,284	60,018	285,566	95,747
Deferred tax asset	-	-	-	-	-	14,121	15,086
Total assets	450,127	1,012,859	1,629,737	4,403,526	4,212,981	4,678,711	4,435,549
Liabilities and provisions							
Secured loans							
Current liabilities	3,614	(49,323)	820,922	3,064,349	2,103,992	2,162,584	1,691,330
Provisions	272,876	636,898	33,395	114,024	560,811	936,203	1,048,078
Deferred tax liability	8,141	48,680	95,895	164,635	151,975	-	-
Total liabilities	284,631	636,255	950,212	3,343,008	2,816,778	3,098,787	2,739,408
Net worth	165,496	376,604	679,525	1,060,518	1,396,203	1,579,924	1,696,141
Represented by							
Share capital	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reserves and surplus							
- Export reserve							
- Debenture redemption reserve							
- General reserve							
- Profit and loss account, as restated	115,496	326,604	629,525	1,010,518	1,346,203	1,529,924	1,646,141
- Share premium							
- Capital redemption reserve							
Net worth	165,496	376,604	679,525	1,060,518	1,396,203	1,579,924	1,696,141

The above should be read with significant accounting policies and notes appearing in Annexure C

Annexure C

Significant Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The company derives its revenues primarily from software services. Revenue with respect to time-and-material contracts is recognised as related costs are incurred. Revenue with respect to fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to date to estimated total costs for each contract.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer Equipment	-	25% straight line
Motor Vehicles	-	25% straight line

Foreign currencies

Assets and liabilities in foreign currencies are translated into Pounds at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Reasons for Restatement

1. In 2002 the company received refund of NIC paid on behalf of the employees. This NIC refund pertains to years prior to 2002. The impact of refund is given in the years to which it pertains. Refund pertaining to years prior to 1997 is reflected in the Retained earnings.
2. Provision for legal expenses for an employee case is made on conservative basis.
3. The adjustment to the audited amounts for Revenue recognition, accrual of Software and Development charges and other miscellaneous expenses is necessitated on account of amounts accounted in years to which it pertains.
4. The amount shown as advances in books is reflected as reduction in travel cost, as the same was recoverable from employees.
5. Service credit provision pertaining to 2002 was made in 2003 in the books, hence restated.

Annnexure XIV: Patni Computer Systems GmbH

Prof. Dr. Binder, Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft
Breitwiesenstrasbe 19
D-70565 Stuttgart

To
Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093

Stuttgart, 3.11.2003

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by Patni Computer Systems Ltd., in connection with the initial offer of Equity Shares, we state as follows:

1. We have audited the financial statements of Patni Computer Systems GmbH, Stuttgart, Germany, a subsidiary of Patni Computer Systems Ltd., for the three financial years ending December 31, 2002 and the period from January 1 to September 30, 2003, being the last date up to which the accounts have been made in those respective years.
2. We certify that the figures included in the annexed statement of Profit and Loss Account for the three financial years ending on December 31, 2002 and the period from January 1 to September 30, 2003 and the annexed statement of assets and liabilities as at the end of the respective years, along with the significant accounting policies, are prepared from the audited financial statements of Patni Computer Systems GmbH in accordance with the provisions of the third book of the German Commercial Code (HGB) and the Limited Liability Companies Law (GmbHG). Further we confirm that:
   - the impact of changes in accounting policies adopted by the company has been disclosed with retrospective effect;
   - material amounts relating to adjustments for previous years have been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred;
   - the impact of qualification in the auditors report, where applicable has been adjusted; and
   - impact of extra-ordinary items has been disclosed separately in the annexed statements.
3. Appropriate adjustments and regroupings, which in our opinion were considered necessary, have been made.

Your's sincerely

Andreas Beuttler

Albrecht Bacher

Annexure 1

Statement of Profits, as Restated (Parent Company Reporting format)

(Euro, except per share data)

	Year ended December 31, 2000[1]	Year ended December 31, 2001[1]	Year ended December 31, 2002	Nine months ended September 30, 2003
Income				
Sales and service income	-	991,539	2,363,672	1,884,327
Other income	-	6,881	24,194	39,214
Total income	-	998,420	2,387,866	1,923,541
Expenditure				
Staff costs	(24,321)	(989,033)	(2,061,587)	(1,805,582)
Depreciation	(107)	(1,279)	(2,080)	(1,559)
Selling, general and administration expenses	(28,153)	(103,551)	(201,072)	247,537
Interest	-		(68)	-
Total expenditure	(52,581)	(1,093,863)	(2,264,807)	2,054,678
Net profit/(loss) before tax and adjustments	(52,581)	(95,443)	123,059	(131,137)
Provision for taxation	-	-	-	-
Net profit/(loss) before adjustments	(52,581)	(95,443)	123,059	(131,137)
Adjustments				
Other adjustments				
Revenue Recognition on Sales	-		(6,088)	(70,762)
Accrual of Software development charges (I)	-	(40,909)	40,909	-
Reversal of Revenue recognition	-	-	6,088	70,762
Total impact of adjustments	-	(46,997)	(23,765)	70,762
Tax impact of adjustments	-	18,799	9,506	(28,305)
Total of adjustments after tax impact	-	(28,198)	(14,259)	42,457
Net Profit/(loss) as restated	(52,581)	(123,641)	108,800	(88,680)
Earning Per Share	(52,581)	(123,641)	108,800	(88,680)
Book Value	97,419	(26,222)	82,578	(6,102)

(1) The figures for the years 2000 and 2001 were originally prepared in Deutsche Marks but for comparison purposes they are shown in Euro for all three years in this statement.

The profits and losses entirely concerns the members of Patni Computer Systems Ltd., as Patni Computer Systems GmbH is 100% subsidiary.

Annexure 2

Statement of Assets and Liabilities, as Restated (Parent Company format)

(Euro, except per share data)

	Year ended December 31, 2000[1]	Year ended December 31, 2001[1]	Year ended December 31, 2002	Nine months ended September 30, 2003
Fixed assets				
Net block		2,979	3,096	1,537
Total		2,979	3,096	1,537
Investments	-	-	-	-
Current assets, loans and advances				
Sundry debtors	-	199,297	765,317	1,026,972
Cash and bank balances	149,969	342,643	1,344,627	360,584
Other Assets	2,288	2,959	3,610	27,108
Deferred charges and Prepaid expenses	3,651	2,493	3,002	328
Costs and estimated earnings in excess of billings	-	(6,088)	(70,762)	18,905
Deferred tax asset	-	18,799	28,305	-
Total	155,908	563,082	2,077,195	1,435,434
Liabilities and provisions				
Secured loans				
Current liabilities	56,096	552,005	1,930,764	1,332,191
Provisions	2,393	37,299	63,853	109,345
Deferred tax liability				
Total	58,489	589,304	1,994,617	1,441,536
Networth	97,419	(26,222)	82,578	(6,102)
Represented by				
Share capital	150,000	150,000	150,000	150,000
Reserves and surplus				
- Export reserve				
- Debenture redemption reserve				
- General reserve				
- Profit and loss account, as restated	(52,581)	(176,222)	(67,422)	(156,102)
- Share premium				
- Capital redemption reserve				
Networth	97,419	(26,222)	82,578	(6,102)

The above should be read with significant accounting policies and notes appearing in Annexure 3

(1) The figures for the years 2000 and 2001 were originally prepared in Deutsche Marks but for comparison purposes they are shown in Euro for all three years in this statement.

Annexure 3

General disclosures

Patni Computer Systems GmbH, Stuttgart, Germany is a small corporation as defined by sec. 267 (2) HGB. The Company did not make use of the exemptions granted in accordance with sec. 276 HGB when preparing the income statement.

The annual financial statements of Patni Computer Systems GmbH, Stuttgart, Germany, for the abbreviated fiscal years from January 1, 2000 to December 31, 2002 and the period from January 1 to September 30, 2003 were prepared in accordance with the provisions of the third book of the German Commercial Code (HGB) and the Limited Liability Companies Law (GmbHG).

The income statement was prepared using the cost summary method.

Accounting and valuation principles

Property, plant and equipment are valued at acquisition or manufacturing cost, less scheduled depreciation. Scheduled depreciation is calculated using the straight-line method based on the tax-allowance depreciation rates.

Low value assets with an acquisition cost of up to EUR 410.00 are fully expensed in the year of acquisition and treated as additions and disposals.

Receivables and other assets are stated at nominal value. Specific allowances are recorded for individual trade receivables deemed uncollectible. A general allowance for doubtful accounts not covered by specific allowances is recorded in recognition of the general credit risk.

Other accruals are created on the basis of prudent commercial judgement to cover all potential losses from pending transactions and contingent liabilities as at the balance sheet date.

Liabilities are accounted for at their repayment amount.

Principles of currency translation

Foreign currency receivables and liabilities are translated at the bid price or offer price respectively prevailing on the date they originated or at the less favourable exchange rate at the balance sheet date.

Reasons for Restatement

The adjustment to the audited amounts for Revenue recognition, accrual of Software and Development charges, is necessitated on account of amounts accounted in years to which it pertains.

(Currency: in thousands of Indian Rupees except share data)

Summary of debtors

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Debts outstanding for a period exceeding six months							
- considered good	1,500	18,574	14,082	39,793	5,809	29,105	19,777
- considered doubtful	-	-	606	5,867	22,706	20,642	22,154
	1,500	**18,574**	**14,688**	**45,660**	**28,515**	**49,747**	**41,931**
Other debts							
- considered good	458,066	485,795	639,270	993,297	1,803,798	2,342,364	2,630,929
- considered doubtful	-	-	-	601	-	-	-
	458,066	485,795	639,270	993,898	1,803,798	2,342,364	2,630,929
Less: Provision for doubtful debts	-	-	606	6,468	22,706	20,642	22,154
Total	**459,566**	**504,369**	**653,352**	**1,033,090**	**1,809,607**	**2,371,469**	**2,650,706**

The above includes the following debts due from promoter group

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Patni Computer Systems, Inc. (Refer note 3 below)							
- Debts outstanding for a period exceeding six months	-	-	-	6,771	-		
- Other debts	372,510	401,278	554,558	772,523	1,599,745	*Refer Note 3*	*Refer Note 3*
Total debts due from promoter group	**372,510**	**401,278**	**554,558**	**779,294**	**1,599,745**		

Note:

(1) The above amounts are as per the Statements of assets and liabilities of the Company, as restated.
(2) For definition of promoter group refer Annexure VI
(3) Patni Computer Systems, Inc became a subsidiary in the year 2002.

Summary of loans and advances

As at	March 31,1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Advances recoverable in cash or in kind or for value to be received	18,772	29,132	24,981	24,218	26,757	33,062	73,891
Advance payments of income-tax	1,303	1,920	2,628	-	307	-	-
Security / Other deposits	22,023	117,027	47,455	64,470	115,604	77,453	84,662
Others	5,483	5,442	5,881	6,136	10,604	6,556	4,456
	47,581	153,521	80,945	94,824	153,272	117,071	163,009
Less: Provision for doubtful loans and advances	-	-	-	688	2,199	2,021	1,217
Total	**47,581**	**153,521**	**80,945**	**94,136**	**151,073**	**115,050**	**161,792**
The above includes the following loans and advances to the promoter group							
Advances recoverable in cash or in kind or for value to be received	11,495	13,865	10,329	11,321	1,530	-	154
Security / Other Deposits	1,149	4,149	35,673	48,781	62,630	12,973	12,973
Total	**12,644**	**18,014**	**46,002**	**60,102**	**64,160**	**12,973**	**13,127**

Note:

(1) The above amounts are as per the Statement of assets and liabilities of the Company, as restated

(2) For definition of Promoter group refer Annexure VI.

(Currency: in thousands of Indian Rupees except share data)

Summary of contingent liabilities

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Bank Guarantees	5,643	6,088	10,228	18,538	8,719	10,223	11,384
Corporate guarantee (for PCS Industries Ltd)	150,000	150,000	200,000	200,000	150,000	150,000	150,000
Letters of credit	-	1,981	17,864	5,606	2,893	8,562	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	31,476	58,467	11,883	24,098	29,308	77,223	73,871
Total	**187,119**	**216,536**	**239,975**	**248,242**	**190,920**	**246,008**	**235,255**

The above amounts have been compiled from the audited financial statements of the Company for the respective periods.

Summary of Investments

As at	March 31, 1998	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	September 30, 2003
Subsidiaries/ associates	96,377	96,377	2,409	488,940	488,940	1,981,084	1,981,084
Units of Mutual funds	9,274	129,274	439,545	172,438	33,465	1,666,879	2,367,889
Equity shares	45	45	-	-	-	-	-
Debentures	25	25	-	-	-	-	-
Others	9	9	-	-	-	-	-
	105,730	225,730	441,954	661,378	522,405	3,647,963	4,348,973
Provision for decline in carrying value of investments	-	-	-	(16)	(2,861)	(2,861)	(4,769)
Total	**105,730**	**225,730**	**441,954**	**661,362**	**519,544**	**3,645,102**	**4,344,204**
Aggregate book value of quoted investments	73,313	223,313	439,545	172,422	30,604	1,664,018	2,363,120
Aggregate market value of quoted investments	54,287	234,335	545,830	176,875	23,230	1,695,316	2,378,859
Aggregate book value of unquoted investments	32,417	2,417	2,409	488,940	488,940	1,981,084	1,981,084

(Currency: in thousands of Indian Rupees except share data)

Summary of significant transactions with related parties (as defined by Accounting Standard 18 "Related Parties" issued by the Institute of Chartered Accountants of India)

Names of related parties and nature of relationship is summarized below:

Sr. No.	Category of related parties	Names
1	**Subsidiaries**	1) Patni Computer Systems (UK) Ltd. 2) Patni Computer Systems GmbH 3) Patni Computer Systems, Inc. (became a subsidiary in 2002) 4) The Reference Inc. (became a subsidiary in April 2003)
2	**Associates**	1) PCS Industries Ltd. 2) Ashoka Computer Systems Private Ltd. 3) PCS Cullinet Private Ltd. 4) PCS Finance Ltd. 5) PCS International Ltd. 6) Ravi & Ashok Enterprises 7) iSolutions Inc. 8) Patni Computer Systems, Inc. (Associate until 2001) 9) Business Systems 10) Maganmal Nemichand 11) Raay Software Private Limited 12) Raay Global Investment Private Limited
3	**Key management personnel**	1) Mr. N. K. Patni 2) Mr. A. K. Patni 3) Mr. G. K. Patni 4) Mr. S. M. Patni
4	**Parties with substantial interest**	1) General Atlantic Mauritius Limited ('GA') 2) Members of the Patni family and their relatives
5	**Others**	1) Ravindra Patni Family Trust 2) NKP Qualified Annuity Trust

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others	Total
Transactions during the nine months ended September 30, 2003						
Sales and Service income	3,352,023	-	-	-	-	**3,352,023**
Reimbursement of expenses by subsidiaries/associates	105,289	154	-	-	-	**105,443**
Remuneration	-	-	17,622	-	-	**17,622**
Professional Fees	6,988	-	-	-	-	**6,988**
Donations	-	-	-	-	2,500	**2,500**
Rent and other expenses paid	-	9,024	-	145	-	**9,169**
Amounts incurred by subsidiary on behalf of the Company	228,155	-	-	-	-	**228,155**
Balances as at September 30, 2003	-	-	-	-	-	-
Debtors	2,469,513	-	-	-	-	**2,469,513**
Amounts recoverable	-	154	-	-	-	**154**
Cost and estimated earnings in excess of billings	30,704	-	-	-	-	**30,704**
Investments	1,981,084	-	-	-	-	**1,981,084**
Other liabilities	363,190	-	-	-	-	**363,190**
Remuneration payable to the directors	-	-	1,389			**1,389**
Security deposits	-	9,973	-	3,000	-	**12,973**
Provision for pension benefits	-	-	58,501	-	-	**58,501**
Guarantees given	-	150,000	-	-	-	**150,000**
Transactions during the year ended December 31, 2002						
Buyback of shares	-	-	-	339,528	-	**339,528**

(Currency: in thousands of Indian Rupees except share data)

Summary of significant transactions with related parties (as defined by Accounting Standard 18 "Related Parties" issued by the Institute of Chartered Accountants of India) *(continued)*

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others	Total
Sales and service income	4,065,225	-	-	-	-	**4,065,225**
Reimbursement of expenses by subsidiaries	129,599	-	-	-	-	**129,599**
Rent received	-	288	-	-	-	**288**
Interest income	-	5,876	-	-	-	**5,876**
Professional fees paid	9,707	-	-	-	-	**9,707**
Remuneration	-	-	36,485	-	-	**36,485**
Donation	-	-	-	-	2,500	**2,500**
Inter corporate deposits returned to the Company including accrued interest thereon	-	49,657	-	-	-	**49,657**
Advance returned to the Company during the year	-	1,530	-	-	-	**1,530**
Amounts incurred by subsidiary on behalf of the Company	113,565	-	-	-	-	**113,565**
Purchase of shares in Patni Computer Systems, Inc.	-		500,962	373,633	617,549	**1,492,144**
Rent and other expenses	-	13,755	-	192	-	**13,947**
Dividend	-	8,151	9,602	18,882	-	**36,635**
Balances at December 31, 2002	-	-	-	-	-	-
Investments	1,981,084	-	-	-	-	**1,981,084**
Debtors	2,212,229	-	-	-	-	**2,212,229**
Security deposits	-	9,973	-	3,000	-	**12,973**
Other liabilities	139,977	-	-	-	-	**139,977**
Proposed dividend	-	8,151	9,602	18,882	-	**36,635**
Provision for pension benefits	-	-	56,234	-	-	**56,234**
Guarantees given	-	150,000	-	-	-	**150,000**
Transactions during the year ended December 31, 2001						
Rent received	-	319	-	-	-	**319**
Interest income	-	4,739	-	-	-	**4,739**
Dividend income	-	891	-	-	-	**891**
Sales and Service income	313,801	2,601,399	-	-	-	**2,915,200**
Reimbursement of Expenses by Subsidiaries / Associates	19,027	93,038	-	-	-	**112,065**
Rent and other expenses	-	11,644	-	192	-	**11,836**
Remuneration	-	-	20,750	-	-	**20,750**
Professional fees	-	9,496	-	-	-	**9,496**
Donation	-	-	-	-	2,500	**2,500**
Loans given	-	10,000	-	-	-	**10,000**
Advances returned to the Company	-	9,791	-	-	-	**9,791**
Amounts incurred by associate on behalf of the Company	-	-	-	-	23,855	**23,855**
Dividend	-	9,000	4,439	20,311	-	**33,750**
Balances at December 31, 2001						
Debtors	143,536	1,599,745	-	-	-	**1,743,281**
Cost and Estimated earnings in excess of Billings	19,883	129,365	-	-	-	**149,248**
Billings in excess of cost and estimated earnings	643	2,016	-	-	-	**2,659**
Advances recoverable in cash or kind or for value to be received	-	1,530	-	-	-	**1,530**
Inter corporate deposits including accrued interest thereon	-	49,657	-	-	-	**49,657**
Security deposits	-	9,973	-	3,000	-	**12,973**
Other Liabilities	-	26,441	-	-	-	**26,441**
Investments	8,485	480,455	-	-	-	**488,940**
Provision for pension benefits	-	-	38,700	-	-	**38,700**
Guarantees given	-	150,000	-	-	-	**150,000**

(Currency: in thousands of Indian Rupees except share data)

Summary of significant transactions with related parties (as defined by Accounting Standard 18 "Related Parties" issued by the Institute of Chartered Accountants of India) *(continued)*

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others	Total
Transactions during the year ended December 31, 2000						
Purchase of assets	-	9,713	-	-	-	**9,713**
Sale/return of assets	-	1,452	-	-	-	**1,452**
Rent received	-	248	-	-	-	**248**
Interest income	-	3,920	-	-	-	**3,920**
Sales and service income	196,947	1,402,835	-	-	-	**1,599,782**
Reimbursement of expenses by Subsidiaries / Associates	25,785	101,434	-	-	-	**127,219**
Rent and other expenses	-	6,341	-	192	-	**6,533**
Salary	-	-	-	126	-	**126**
Remuneration	-	-	30,759	-	-	**30,759**
Donation paid	-	-	-	-	2,500	**2,500**
Advances given	-	1,007	-	-	-	**1,007**
Advance returned to the Company	-	15	-	-	-	**15**
Security deposits given	-	9,973	-	-	-	**9,973**
Investment in subsidiary	6,076	-	-	-	-	**6,076**
Purchase of shares in Patni Computer Systems, Inc.	-	-	143,752	120,690	216,013	**480,455**
Dividend	-	2,250	1,110	5,078	-	**8,438**
Balances as at December 31, 2000						
Debtors	166,818	779,294	-	-	-	**946,112**
Cost and Estimated earnings in excess of Billings	5,636	14,162	-	-	-	**19,798**
Billings in excess of cost and estimated earnings	283	2,090	-	-	-	**2,373**
Advances recoverable in cash or kind or for value to be received	-	11,321	-	-	-	**11,321**
Inter corporate deposits including accrued interest thereon	-	35,808	-	-	-	**35,808**
Security deposits	-	9,973	-	3,000	-	**12,973**
Sundry creditors	-	3,865	-	-	-	**3,865**
Other liabilities	-	536	-	-	-	**536**
Investments	8,485	480,455	-	-	-	**488,940**
Proposed dividend	-	2,250	1,110	5,078	-	**8,438**
Provision for pension benefits	-	-	35,084	-	-	**35,084**
Guarantees given	-	200,000	-	-	-	**200,000**
Transactions during the year ended December 31, 1999						
Purchase of assets	-	2,209	-	-	-	**2,209**
Rent received	-	75	-	-	-	**75**
Sales and service income	105,647	1,133,410	-	-	-	**1,239,057**
Reimbursement of Expenses by Subsidiaries / Associates	6,410	62,381	-	-	-	**68,791**
Interest income	-	2,910	-	-	-	**2,910**
Rent and other expenses	-	1,980	159	393	-	**2,532**
Remuneration	-	-	12,488	-	-	**12,488**
Commission	-	-	2,000	-	-	**2,000**
Donation	-	-	-	-	2,500	**2,500**
Advances returned	-	3,551	-	-	-	**3,551**
Advances given	-	15	-	-	-	**15**
Security deposits refunded	-	500	-	649	-	**1,149**
Inter corporate deposits given	-	75,000	-	-	-	**75,000**
Inter corporate deposits refunded	-	45,000	-	-	-	**45,000**
Transfer to General Reserve as per scheme of reconstruction (Refer note below)	-	135,879	-	-	-	**135,879**
Dividend	-	-	44,694	135,306	-	**180,000**

(Currency: in thousands of Indian Rupees except share data)

Summary of significant transactions with related parties (as defined by Accounting Standard 18 "Related Parties" issued by the Institute of Chartered Accountants of India) (continued)

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others	Total
Balances at December 31, 1999						
Debtors	41,731	554,558	-	-	-	**596,289**
Cost and estimated earnings in excess of Billings	-	3,253	-	-	-	**3,253**
Billings in excess of cost and estimated earnings	3,301	3,499	-	-	-	**6,800**
Advances recoverable in cash or kind or for value to be received	-	10,329	-	-	-	**10,329**
Inter corporate deposits including accrued interest thereon	-	32,673	-	-	-	**32,673**
Security deposits	-	-	3,000	-	-	**3,000**
Sundry creditors	-	679	-	-	-	**679**
Other liabilities	-	3,213	-	-	-	**3,213**
Investments	2,409	-	-	-	-	**2,409**
Proposed dividend	-	-	22,347	67,653	-	**90,000**
Provision for pension benefits	-	-	24,984	-	-	**24,984**
Guarantees given	-	200,000	-	-	-	**200,000**

Note:

In 1999, the Company hived off certain non-core business assets i.e. property and investment to three associate companies after obtaining the requisite approvals from the High Court of Mumbai. The net carrying value of these buildings and investments aggregating Rs.135,879 transferred to the associate companies, was transferred to general reserve account in the balance sheet.

(Currency: in thousands of Indian Rupees except share data)

Summary of significant transactions with related parties (as defined by Accounting Standard 18 "Related Parties" issued by the Institute of Chartered Accountants of India) (continued)

Nature of the transaction	Subsidiaries	Associates	Key management personnel	Parties with substantial interest	Others	Total
Transactions during the period ended December 31, 1998						
Purchase of assets	-	1,946	-	-	-	**1,946**
Rent received	-	232	-	-	-	**232**
Sales and service income	50,606	737,652	-	-	-	**788,258**
Reimbursement of expenses by Subsidiaries / Associates	3,086	34,871	-	-	-	**37,957**
Training expenses				382		**382**
Remuneration	-	-	13,343	-	-	**13,343**
Commission	-	-	2,000	-	-	**2,000**
Rent and other expenses	-	431	159	830	-	**1,420**
Dividend income	-	1,336	-	-	-	**1,336**
Donation	-	-	-	-	2,500	**2,500**
Advances given	-	2,370	-	-	-	**2,370**
Security deposits given	-	-	3,000	-	-	**3,000**
Dividend	-	-	11,174	33,826	-	**45,000**
Balances at December 31, 1998						
Debtors	30,636	401,278	-	-	-	**431,914**
Cost and Estimated earnings in excess of Billings	469	11,521	-	-	-	**11,990**
Billings in excess of cost and estimated earnings	3,908	9,696	-	-	-	**13,604**
Advances recoverable in cash or kind or for value to be received	-	13,865	-	-	-	**13,865**
Security deposits	-	500	3,000	649	-	**4,149**
Sundry Creditors	-	165	-	-	-	**165**
Other Liabilities	-	536	-	-	-	**536**
Investments	2,409	93,968	-	-	-	**96,377**
Proposed dividend	-	-	11,174	33,826	-	**45,000**
Provision for Pension benefits	-	-	23,522	-	-	**23,522**
Guarantees given	-	150,000	-	-	-	**150,000**
Transactions during the year ended March 31, 1998						
Purchase of assets	-	762	-	-	-	**762**
Rent received	-	354	-	-	-	**354**
Sales and service income	25,638	635,615	-	-	-	**661,253**
Reimbursement of Expenses by Subsidiaries / Associates	6,410	61,861	-	-	-	**68,271**
Training expenses	-	-	-	1,910		**1,910**
Remuneration	-	-	12,323	-	-	**12,323**
Commission	-	-	2,000	-	-	**2,000**
Donation	-	-	-	-	1,000	**1,000**
Rent and other expenses	-	180	-	1,022	-	**1,202**
Dividend income	-	1,336	-	-	-	**1,336**
Loss on forfeiture of warrants in associates	-	4,120	-	-	-	**4,120**
Investment in warrants of associates	-	30,000	-	-	-	**30,000**
Refund of security deposits	-	-	-	3,000	-	**3,000**
Advances given	-	11,495	-	-	-	**11,495**
Dividend	-	-	4,842	14,658	-	**19,500**
Balances at March 31, 1998	-	-	-	-	-	**-**
Debtors	9,292	372,510	-	-	-	**381,802**
Cost and estimated earnings in excess of billings	786	7,250	-	-	-	**8,036**
Billings in excess of cost and estimated earnings	-	23,109	-	-	-	**23,109**
Advances recoverable in cash or kind or for value to be received	-	11,495	-	-	-	**11,495**
Security deposits	-	500	-	649	-	**1,149**
Other liabilities	-	536	-	-	-	**536**
Investments	2,409	93,968	-	-	-	**96,377**
Proposed dividend	-	-	3,724	11,276	-	**15,000**
Provision for Pension benefits	-	-	22,444	-	-	**22,444**
Guarantees given	-	150,000	-	-	-	**150,000**

CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP (AUDITED)

Bharat S Raut & Co.
Chartered Accountants
KPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel,
Mumbai 400 013

Auditor's Report

To The Board of Directors
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093

We have audited the attached Consolidated Balance sheet of Patni Computer Systems Limited ("Patni" or "the Company" or "the Parent Company") and its subsidiaries (as per the list appearing in Note 2.2 to the consolidated financial statements) [collectively referred to as the "Patni Group" or "the Group"] as at September 30, 2003, the Consolidated Profit and loss account and the Consolidated Cash flow statement for the nine months ended on that date annexed thereto. The audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.

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. We conducted our audit in accordance with generally accepted auditing standards 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 misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India ('ICAI').

In our opinion and on the basis of information and explanation given to us, 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 Patni Group as at September 30, 2003;

ii) in the case of the Consolidated Profit and loss account, of the profit for the nine months ended September 30, 2003; and

iii) in the case of the Consolidated Cash flow statement, of the cash flows for the nine months ended September 30, 2003.

For Bharat S Raut & Co.
Chartered Accountants

Russell I Parera
Partner
Membership No: 42190

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Consolidated Balance Sheet as at September 30, 2003

	Note	September 30, 2003	December 31, 2002
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**222,842**	148,561
Reserves and surplus	4	**8,273,926**	6,952,197
		8,496,768	7,100,758
Loan funds			
Secured loans	5	**22,400**	19,697
Deferred tax liability, net	18	**31,302**	-
		8,550,470	7,120,455
APPLICATION OF FUNDS			
Goodwill	19	**1,398,941**	1,263,767
Fixed assets			
Gross block	6	**3,053,284**	2,530,431
Less: Accumulated depreciation		**1,244,095**	882,959
Net block		**1,809,189**	1,647,472
Capital work-in-progress		**80,386**	29,150
		1,889,575	1,676,622
Investments	7	**2,363,120**	1,664,018
Deferred tax asset, net	18	**190,942**	-
Current assets, loans and advances			
Sundry debtors	8	**2,493,410**	2,216,763
Cash and bank balances	9	**1,297,369**	1,573,835
Costs and estimated earnings in excess of billings		**438,500**	160,270
Loans and advances	10	**311,563**	165,961
		4,540,842	4,116,829
Less: Current liabilities and provisions			
Current liabilities	11	**1,176,367**	885,290
Provisions	12	**656,583**	715,491
		1,832,950	1,600,781
Net current assets		**2,707,892**	2,516,048
		8,550,470	7,120,455

The accompanying notes form an integral part of this consolidated balance sheet.

As per attached report of even date.
For **Bharat S Raut & Co.**
Chartered Accountants
Russell I Parera
Partner
Membership No: 42190

For **Patni Computer Systems Limited and its subsidiaries**

N K Patni
Chairman

G K Patni
Executive Director

Abhay Havaldar
Director

Arun Kanakal
Company Secretary

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Consolidated Profit and Loss Account for the nine months ended September 30, 2003

	Note	Nine months ended September 30, 2003	Year ended December 31, 2002
Income			
Sales and service income		**8,438,556**	6,256,155
Other income	14	**105,934**	68,502
		8,544,490	6,324,657
Expenditure			
Personnel costs	15	**4,967,024**	3,030,201
Selling, general and administration costs	16	**1,744,951**	993,901
Depreciation	6	**314,507**	305,391
Less: Transfer from revaluation reserve	4	**61**	81
Interest costs	17	**972**	19,256
		7,027,393	4,348,668
Profit for the period/year before taxation		**1,517,097**	1,975,989
Provision for taxation	18	**274,760**	339,827
Prior period tax adjustment	18	**28,304**	-
Profit for the period/year after taxation		**1,214,033**	1,636,162
Profit and loss account, brought forward		**3,679,087**	2,214,157
Equity in earning of affiliate	19	-	45,800
Add : **Adjustment on account of deferred tax asset as at 1 January 2003**	2.11	**203,763**	-
Amount available for appropriation		**5,096,883**	3,896,119
Proposed dividend on equity shares		-	39,111
Dividend on preference shares		-	7,952
Dividend on equity shares of subsidiary		**2,702**	-
Dividend tax		-	5,822
Transfer to general reserve		-	164,147
Profit and loss account, carried forward		**5,094,181**	3,679,087
Basic and diluted earning per share (Rs. per equity share of Rs.2 each)	22	**10.87**	16.43

The accompanying notes form an integral part of this consolidated profit and loss account.

As per attached report of even date.

For **Bharat S Raut & Co.**
Chartered Accountants

Russell I Parera
Partner
Membership No: 42190

For **Patni Computer Systems Limited and its subsidiaries**

N K Patni
Chairman

G K Patni
Executive Director

Abhay Havaldar
Director

Arun Kanakal
Company Secretary

Mumbai
November 6, 2003

(Currency in thousands of Indian Rupees except share data)

Consolidated Cash Flow Statement for the nine months ended September 30, 2003

	Nine months ended September 30, 2003	Year ended December 31, 2002
Cash flows from operating activities		
Profit before taxation	**1,517,097**	1,975,989
Adjustments:		
Depreciation	**314,446**	305,310
Loss / (profit) on sale of fixed assets, net	**290**	(195)
Profit on sale of investments, net	**(52,963)**	(18,961)
Provision for decline in the fair value of investment	**4,769**	-
Dividend income	**(37,000)**	(6,392)
Interest income	**(9,466)**	(12,471)
Interest expense	**972**	19,256
Incentive on investment	-	(194)
Preliminary expenses written off	-	4,579
Provision for doubtful debts and advances	**19,523**	24,748
Unrealised foreign exchange (gain)/loss	**(4,381)**	412
Operating cash flows before working capital changes	**1,753,287**	2,292,081
(Increase) / decrease in sundry debtors	**(358,288)**	207,347
Increase in cost and estimated earnings in excess of billings	**(280,612)**	(438,107)
(Increase) / decrease in loans and advances	**(108,266)**	259,466
(Decrease) / increase in billings in excess of cost and estimated earnings	**(36,448)**	1,656
(Decrease) / Increase in sundry creditors	**(16,441)**	24,861
Increase in advance from customers	**13,069**	7,882
Increase in other liabilities	**250,445**	100,704
Increase in provision for retirement benefits	**112,132**	82,672
Cash generated from operations	**1,328,878**	2,538,562
Income taxes paid	**(395,489)**	(167,517)
Net cash provided by operating activities (A)	**933,389**	2,371,045
Cash flows from investing activities		
Purchase of fixed assets	**(502,864)**	(612,160)
Sale of fixed assets	**2,957**	9,411
Purchase of non trade investments	**(5,510,729)**	(3,691,769)
Investment in subsidiary, net of cash acquired	**(143,855)**	(533,406)
Sale of non trade investments	**4,859,821**	2,077,315
Dividend received	**37,000**	6,392
Interest received	**9,015**	56,169
Incentive on investment received	**72**	152
Net cash used in investing activities (B)	**(1,248,583)**	(2,687,896)
Cash flows from financing activities		
Issue of equity shares (net of shares issue expenses)	-	2,683,443
Buyback of equity shares	-	(339,528)
Repayment of preference shares	-	(250,000)
Repayment of long term borrowings	-	(383,006)
Dividend paid	**(44,122)**	(67,998)
Increase in finance lease obligations	**2,703**	-
Dividend on equity shares of subsidiary	**(2,702)**	-
Interest paid	**(972)**	(19,342)
Net cash (used in)/provided by financing activities (C)	**(45,093)**	1,623,569
Effect of changes in exchange rates (D)	**83,821**	923
Net (decrease) / increase in cash and cash equivalents during the period (A+B+C+D)	**(276,466)**	1,307,641
Cash and cash equivalents at the beginning of the period	**1,573,835**	266,194
Cash and cash equivalents at the end of the period	***1,297,369***	*1,573,835*

(Currency in thousands of Indian Rupees except share data)

Notes to the Cash flow statements

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts.

	September 30, 2003	December 31, 2002
Cash in hand	**4,464**	2,855
Balance with banks:		
- Current accounts	**1,239,917**	1,561,429
- EEFC account	**49,972**	9,616
- Effect of changes in exchange rate	**3,016**	(65)
	1,297,369	1,573,835

Notes to the Consolidated financial statements for the nine months ended September 30, 2003

1. Background

Patni Computer Systems Limited ('Patni' or 'the Company' or 'the Parent Company') was incorporated on February 10, 1978 under the Indian Companies Act, 1956. On September 18, 2003, the Company converted itself from a Private Limited company into a Public Limited company. Patni owns 100% of equity in Patni Computer Systems (UK) Limited ('Patni UK'), a company incorporated in UK and Patni Computer Systems GmbH, ('Patni GmbH'), a company incorporated in Germany.

In November 2000, Patni acquired 25% equity in Patni Computer Systems, Inc., USA, ('Patni USA', formerly known as 'Data Conversion Inc'). In September 2002, Patni acquired the balance 75% equity in Patni USA thereby making it a 100% subsidiary. In April 2003, Patni USA, acquired 100% equity in The Reference Inc. ('TRI'), a company incorporated in Massachusetts, USA, for consideration in cash. These companies are collectively referred to as 'the Patni Group' or 'the Group'. Further, Patni also has foreign branch offices in USA, Japan, Sweden and Australia.

The Group is engaged in IT consulting and software development. Patni has offshore development facilities located in India. Patni also operates dedicated offshore development centers for large clients providing them with capabilities for knowledge retention, resource continuity and project management. The Group offers software support and development services mainly in the areas of re-engineering, maintenance, development, ERP implementations, embedded systems, data warehousing and e-commerce. Patni USA, Patni UK and Patni GmbH are primarily engaged in business development and marketing activities in the US, UK and Germany respectively.

In September 2002, Patni set up a Business Process Outsourcing centre in Noida, Delhi.

2. Principal accounting policies

2.1 Basis of preparation of consolidated financial statements

These consolidated financial statements of the Group have been prepared under the historical cost convention with the exception of certain land and buildings of Patni which have been revalued, on the accrual basis of accounting and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable.

In respect of the financial statements for the nine months ended September 30, 2003, the Company has applied AS 25 – 'Interim Financial Reporting' ('AS 25'), which comes into effect in respect of accounting periods commencing on or after April 1, 2002 and has presented a complete set of financial statements for the nine months ended September 30, 2003 as stipulated in paragraph 10 and 18 of AS 25.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(Currency in thousands of Indian Rupees except share data)

2.2 *Basis of consolidation*

These consolidated financial statements include the financial statements of Patni Computer Systems Limited and its subsidiaries. The subsidiaries considered in the consolidated financial statements as at December 31, 2002 are summarised below:

Name of the subsidiary	Country of incorporation	% shareholding
Patni Computer Systems, Inc. USA	USA	100
Patni Computer Systems (UK) Limited	UK	100
Patni Computer Systems GmbH	Germany	100

The subsidiaries considered in the consolidated financial statements as at September 30, 2003 are summarised below:

Name of the subsidiary	Country of incorporation	% shareholding
Patni Computer Systems, Inc. USA	USA	100
Patni Computer Systems (UK) Limited	UK	100
Patni Computer Systems GmbH	Germany	100
The Reference Inc.	USA	100

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS 21-“Consolidated Financial Statements” (‘AS-21’) issued by the ICAI for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered in full. The amounts shown in respect of accumulated reserves comprises the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

2.3 *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation, except for items of land and buildings of Patni, which were revalued in March 1995. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the asset. Depreciation is provided on the Straight Line Method (SLM) based on the estimated useful lives of the assets as determined by the management. For additions and disposals, depreciation is provided pro-rata for the period of use.

The rates of depreciation based on the estimated useful lives of fixed assets are higher than those prescribed under Schedule XIV to the Companies Act, 1956. The useful lives of fixed assets are stated below:

Asset	Useful life (in years)
Leasehold land and improvements	Over the lease period or the useful life of the assets, which ever is shorter
Buildings	40
Electrical installations	8
Computers, computer software and other service equipments	3
Furniture and fixtures	3-8
Office equipments	5
Vehicles	4-5

2.4 *Goodwill*

The excess of cost to the Parent Company of its investment in subsidiaries over the Parent Company’s portion of equity in the subsidiaries, at the respective dates on which investments in subsidiaries were made, is recognised in the consolidated financial statements as goodwill. The Parent Company’s portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

The Goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment. The Group evaluates the carrying amount of its goodwill whenever events or changes in circumstances indicate that its carrying amount may be impaired.

2.5 *Leases*

In accordance with Accounting Standard 19 "Accounting for leases" issued by the ICAI, assets acquired on finance leases, have been recognised as an asset and a liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the consolidated profit and loss account, and reduction in lease obligations recorded at the inception of the lease.

2.6 *Revenue and cost recognition*

The Group derives its revenues primarily from software development activities. Revenue from time-and-material contracts is recognised as related services are rendered. Revenue from fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. This method is used because management considers costs to be the best available measure of progress on these contracts.

Contract costs include all direct costs such as direct labour and those indirect costs related to contract performance, such as depreciation and satellite link costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revision to costs and income and are recognised in the period in which the revisions are determined.

The asset "Cost and estimated earnings in excess of billings" represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability "Billings in excess of costs and estimated earnings" represents billings in excess of revenues recognised.

Revenue from maintenance contracts is recognised on a straight-line basis over the period of the contract.

Warranty costs on sale of services are accrued based on management's estimates and historical data at the time related revenues are recorded.

Direct and incremental contract origination and set up costs incurred in connection with support/maintenance service arrangements are charged to expense as incurred. These costs are deferred only in situations where there is a contractual arrangement establishing a customer relationship for a specified period. The costs to be deferred are limited to the extent of future contractual revenues. Further, revenue attributable to set up activities is deferred and recognised systematically over the periods that the related fees are earned, as services performed during set up period do not result in the culmination of a separate earnings process.

Revenue recognition is postponed in instances wherein the conditions for revenue recognition are not met. Related costs are also deferred in such instances, subject to management's assessment of realisability.

The Group grants volume discounts to customers in the form of free services in future. The Group accounts for such volume discounts by allocating a portion of the revenue on the related transactions to the service that will be delivered in future.

Dividend income is recognised when the Group's right to receive dividend is established. Interest income is recognised on the time proportion basis.

2.7 *Employee retirement and other benefits*

Provident fund

In accordance with Indian regulations, all employees of Patni receive benefits from a provident fund, which is a defined contribution retirement plan. Contributions to the provident fund are charged to the consolidated profit and loss account in the period in which the contributions are incurred.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, Patni provides for gratuity, a defined retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's defined portion of last salary and the years of employment with the Company. Patni contributes each year to a gratuity fund administered by Patni through a trust set up for the purpose.

The liability for gratuity at the end of each financial year is determined based on valuation carried out by an independent actuary. The difference between such actuarially determined liability and contributions made to the fund is recognised as an asset/liability, as the case may be.

Pension

Certain directors of the Group are entitled to receive pension benefit upon retirement or on termination from employment @ 50% of their last drawn monthly salary. The pension is payable from the time the eligible director reaches the age of sixty-five and is payable to the director or the surviving spouse. The liability for pension is actuarially determined by an independent actuary at the end of each financial year and periodically recognised by Patni in the consolidated financial statements. The plan is not funded.

Others

Patni USA adopted a 401(k) salary deferral profit sharing plan, which enables employees to make pre-tax contributions. Patni USA does not match employee contributions to the plan.

Patni provides compensatory-offs to its employees, which entitle the employees to avail paid leave in future periods for services already rendered. These entitlements are not encashable by the employees. Patni makes provision for such compensated absences by estimating the likely salary payable to the employees availing such leave based on historical data of such entitlements availed in the past.

For the purposes of interim consolidated financial statements, provisions for gratuity, pension and leave encashment costs have been estimated by the management based on a year-to-date calculation taking into account the actuarially determined liabilities at the end of the previous financial year, adjusted for significant changes since that date.

2.8 Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated current assets and current liabilities at the period-end are translated at the period-end exchange rate. Exchange rate differences resulting from foreign exchange transactions settled during the period, including period-end translation of current assets and liabilities are recognised in the consolidated profit and loss account other than those exchange differences arising in relation to liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying value of the underlying fixed assets.

Patni has entered into forward exchange contracts for a portion of its foreign exchange receivables. The difference between the forward rate and the exchange rate at the inception of the forward exchange contracts has been recognised as income/expense over the life of the contract.

2.9 Foreign currency translation

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each foreign subsidiary and foreign branches within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets using the exchange rate in effect at the balance sheet date and for revenue and expense items other than depreciation costs using a monthly simple average exchange rate for the period. Fixed Assets are translated at the exchange rates on the date of transaction and depreciation on fixed assets is translated at the exchange rates used for translation of the underlying fixed assets.

Net exchange difference resulting from the above translation of financial statements of foreign subsidiaries and foreign branches is recognised in the consolidated profit and loss account.

2.10 Investments

Long-term investments are stated at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments.

Current investments are carried at lower of cost and fair value, and provision is made to recognise any decline in the carrying value.

2.11 Taxation

Accounting Standard-22 "Accounting for Taxes on Income" ("AS-22") issued by the ICAI is mandatory for the Company in respect of accounting periods commencing on or after April 1, 2002. The Company adopted this standard in preparing the consolidated financial statements effective January 1, 2003.

In accordance with paragraph 33 on transitional provisions of AS 22, the net deferred tax liability of Patni aggregating Rs.19,023 that accumulated prior to the adoption of this standard as at January 1, 2003 has been charged to general reserves (Refer note 4). In case of Patni USA and Patni UK, deferred tax asset aggregating Rs.203,763 that accumulated prior to the adoption of this standard has been recorded as a credit to the profit and loss account brought forward, as these companies do not have a separate general reserve account. Due to the above change in accounting policy, the profit for the nine months ended September 30, 2003 is lower by Rs.22,154 and the reserves at period end are higher by Rs.159,640.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rate is recognised in the period that includes the enactment date. Deferred tax assets in respect of carry forward losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Substantial portion of the profits of Patni are exempted from income tax, being profits from undertakings situated at Software Technology Parks. Under the tax holiday, Patni can utilise exemption of profits from income taxes for a period of ten consecutive years. Patni has opted for this exemption for its undertakings situated in Software Technology Parks and these exemptions expire on various dates between years 2005 and 2010. In this regard, Patni recognises deferred taxes in respect of those originating timing differences, which reverse after the tax holiday period resulting in tax consequences. Timing differences, which originate and reverse within the tax holiday period do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For the above purposes, the timing differences, which originate first are considered to reverse first.

For the purposes of the interim financial statements, income taxes have been recognised for the interim period based on the best estimate of the weighted average annual effective income tax rate expected for the full financial year for each company within the Group. Amount accrued for income taxes in one interim period shall be adjusted in a subsequent interim period in the event the estimate of annual effective income tax rate changes.

2.12 Miscellaneous expenditure

Miscellaneous expenditure represented costs incurred in relation to issue of shares, debentures, etc, which were being amortised over a period of three to five years. In the year ended December 31, 2002, the Company has changed its accounting policy in relation to amortisation of such miscellaneous expenditure and accordingly, the unamortised miscellaneous expenditure balance as at January 1, 2002 aggregating Rs.4,579 has been debited to the consolidated profit and loss account.

Further, share premium account has been utilised to write-off expenditure incurred in relation to fresh issue of shares during the year 2002 aggregating Rs.81,313.

2.13 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share is computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

(Currency in thousands of Indian Rupees except share data)

3. Share capital

	September 30, 2003	December 31,2002
Authorised		
250,000,000 and 125,000,000 equity shares of Rs.2 each as at September 30, 2003 and December 31, 2002 respectively	**500,000**	250,000
Nil and 2,500,000 12.9% cumulative redeemable preference shares of Rs.100 each as at September 30, 2003 and December 31, 2002 respectively	-	250,000
	500,000	500,000
Issued, subscribed and paid-up		
111,420,849 and 74,280,566 equity shares of Rs.2 each fully paid as at September 30, 2003 and December 31, 2002 respectively	**222,842**	148,561

Of the above, 14,500,000 equity shares of Rs.2 each were allotted as fully paid bonus shares in March 1995 by capitalisation of general reserve aggregating Rs.29,000.

On June 26, 2001, Patni's Board of Directors approved a sub division of existing equity shares of Rs.10 each into 5 equity shares of Rs.2 each.

The above also includes 46,867,500 equity shares of Rs.2 each allotted as fully paid bonus shares in August 2001 by capitalisation of share premium aggregating Rs.93,735.

In September 2002, Patni made a private placement of its unregistered American Depository Receipt ('ADRs') to international investors representing 13,441,245 equity shares having face value of Rs.2 each. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares. (Refer note 24 for commitment)

In December 2002, in pursuance of section 77A of the Indian Companies Act, 1956, Patni has completed buyback of 1,650,679 equity shares by utilising the share premium account. In this regard, an amount equivalent to the nominal value of the share capital bought back by the Company aggregating Rs.3,301 has been transferred from general reserve to capital redemption reserve (Refer note 4)

In 1999, Patni allotted by way of private placement, 2,500,000, 12.9% cumulative redeemable preference shares of Rs.100 each at par to Industrial Development Bank of India, Mumbai. These preference shares were redeemable at par in 3 installments in the ratio of 30:30:40 at the end of the 5th, 6th and 7th years from the date of allotment. In April 2002, Patni redeemed the entire amount of these preference shares and transferred an equivalent amount from general reserve to capital redemption reserve (Refer note 4).

In June 2003, the Company's shareholders approved the cancellation of the authorised preference share capital and increased the authorised equity share capital of the Company by 125,000,000 equity shares of Rs.2 each.

On August 30, 2003, the Company allotted 37,140,283 equity shares of Rs.2 each as fully paid bonus shares by capitalisation of share premium aggregating Rs.74,281.

Refer note 25 for employee stock compensation plans.

4. Reserves and surplus

	September 30, 2003	December 31, 2002
Land revaluation reserve		
- Balance carried forward	**7,935**	7,935
Building revaluation reserve		
- Balance brought forward	**1,758**	1,839
- Transfer to profit and loss account	**(61)**	(81)
	1,697	1,758
Capital redemption reserve		
- Balance brought forward	**253,301**	-
- Transfer from general reserve (Refer note 3)	-	253,301
	253,301	253,301
Debenture redemption reserve		
- Balance brought forward	-	20,000
- Transfer to general reserve	-	(20,000)
	-	-

(Currency in thousands of Indian Rupees except share data)

	September 30, 2003	December 31, 2002
Share premium		
- Balance brought forward	**2,500,429**	180,095
- Share premium received on issue of equity shares	-	2,737,874
- Share premium utilised for buyback of shares	-	(336,227)
- Share premium utilised in connection with share issue expenses incurred during the year.	-	(81,313)
- Share premium utilised for issue of fully paid bonus shares (Refer note 3)	**(74,281)**	
	2,426,148	2,500,429
General reserve		
- Balance brought forward	**509,687**	578,841
- Transfer from profit and loss account	-	164,147
- Transfer from debenture redemption reserve	-	20,000
- Transfer to capital redemption reserve	-	(253,301)
- Adjustment on account of deferred tax liability as at January 1, 2003 (Refer note 2.11)	**(19,023)**	-
	490,664	509,687
Profit and loss account, balance carried forward	**5,094,181**	3,679,087
	8,273,926	6,952,197

5. Secured loans

Lease obligation in relation to vehicles acquired under finance lease (Refer note 23)	**22,400**	19,697

Finance lease obligations are secured against the vehicles acquired on lease.

6. Fixed assets

	Land (Freehold)	Land (Leasehold)	Buildings and leasehold improvements	Computers, computer software and other service equipments	Electrical installations	Office equipments	Furniture and fixtures	Vehicles	Total
Gross block									
As at January 1, 2002	9,019	44,321	587,221	654,292	112,636	120,992	260,658	42,921	1,832,060
Additions on account of business acquisition	-	-	3,454	88,272	-	750	8,720	7,979	109,175
Additions during the year	-	3,984	126,384	245,212	48,942	79,098	89,632	20,853	614,105
Deletions during the year	-	-	-	9,382	4,850	943	6,550	3,184	24,909
As at December 31, 2002	**9,019**	**48,305**	**717,059**	**978,394**	**156,728**	**199,897**	**352,460**	**68,569**	**2,530,431**
Additions on account of business acquisition	-	-	19,863	46,388	-	-	31,537	-	97,788
Additions during the period	-	-	74,531	267,883	24,879	43,806	29,552	10,977	451,628
Deletions during the period	-	-	-	21,338	-	620	1,273	3,332	26,563
As at September 30, 2003	**9,019**	**48,305**	**811,453**	**1,271,327**	**181,607**	**243,083**	**412,276**	**76,214**	**3,053,284**
Accumulated depreciation									
As at January 1, 2002	-	533	16,639	378,711	21,242	44,469	64,083	15,336	541,013
Accumulated depreciation on account of business acquisition	-	-	1,275	42,777	-	47	3,365	4,784	52,248
Charge for the year	-	14,788	18,446	174,114	17,700	27,570	43,290	9,483	305,391
Deletions during the year	-	-	-	1,308	4,850	894	6,550	2,091	15,693
As at December 31, 2002	**-**	**15,321**	**36,360**	**594,294**	**34,092**	**71,192**	**104,188**	**27,512**	**882,959**
Accumulated depreciation on account of business acquisition	-	-	10,197	44,997	-	-	14,751	-	69,945
Charge for the period	-	350	21,535	197,504	15,445	30,980	37,841	10,852	314,507
Deletions during the period	-	-	-	19,838	-	509	1,160	1,809	23,316
As at September 30, 2003	**-**	**15,671**	**68,092**	**816,957**	**49,537**	**101,663**	**155,620**	**36,555**	**1,244,095**
Net block as at December 31, 2002	**9,019**	**32,984**	**680,699**	**384,100**	**122,636**	**128,705**	**248,272**	**41,057**	**1,647,472**
Net block as at September 30, 2003	**9,019**	**32,634**	**743,361**	**454,370**	**132,070**	**141,420**	**256,656**	**39,659**	**1,809,189**

(Currency in thousands of Indian Rupees except share data)

Notes:

In respect of leasehold land rights aggregating Rs. 40,011, the Company is required to complete construction activities within a period of five years from July 23, 2001. In absence of this covenant being achieved by the Company, the transferor has an option to revoke the transfer of such rights. On a fresh assessment of expected realisation on disposal of this land, instead of utilising for building construction, the Company has provided Rs.14,043 towards impairment in the value of this land in December 2002.

Gross block of computers, computer software and other service equipments includes exchange loss capitalised aggregating Rs.293 and Rs.18 during the nine months ended September 30, 2003 and year ended December 31, 2002 respectively.

Gross block of vehicles as of September 30,2003 and December 31, 2002 includes assets acquired on lease, refer note 23.

7. Investments

	September 30, 2003		December 31, 2002	
	Units	**Amount**	**Units**	**Amount**
Long Term (at cost)				
Non-trade				
Quoted				
Unit Trust of India scheme 1964	-	-	640,530	9,246
Less: Provision for decline other than temporary in the carrying value of investments	-	-	-	2,861
		-		**6,385**
Short Term (at lower of cost or fair value)				
Non-trade				
J59 JM Short Term Fund –Institutional Plan-Dividend	**23,909,058**	**239,796**	21,139,211	220,000
Templeton Floating Rate Fund - Short Term Plan – Growth	**49,908**	**53,682**	371,888	400,000
P 23 Inf Prudential ICICI Institutional Short Term Plan-Dr-Fortnightly	**27,757,057**	**301,054**	-	-
HDFC Short Term Plan Premium Plus –Fortnightly	**27,727,981**	**300,146**	-	-
GMBD Gssif Medium term Inst. Plan B –Monthly Dividend	**29,753,935**	**300,000**	-	-
HSBC Income Fund –Short term	**9,540,195**	**100,309**	-	-
DSP Merrill Lynch Short Term Fund-Weekly Dividend	**9,016,599**	**90,727**	-	-
Principal Income Fund –Short Term Instalment Plan – Dividend Reinvestments –Monthly	**8,984,615**	**90,276**	-	-
Birla Gilt Plus Liquid Plan –Annual Dividend	**8,887,953**	**95,004**	-	-
HDFC Cash Management Fund–Saving Plan – Weekly Dividend Option	**1,572,781**	**16,715**	-	-
Templeton India Income Builder Account – Institutional Plan	**28,568,390**	**306,634**	-	-
HDFC High Interest Fund –Short Term Plan –Dividend Option	**10,222,085**	**107,506**	-	-
Deutsche Premier Bond Fund-Institutional Plan–Dividend	**19,585,970**	**202,620**	-	-
HDFC Liquid Fund Premium Plus Plan – Dividend	**4,011,825**	**47,844**	-	-
Kotak Mahindra Liquid Institutional Plan –Dividend	**10,115,295**	**101,407**	-	-
Templeton India Liquid Fund – Growth Plan	**534,635**	**7,943**	-	-
K Bond Short Term Plan – Growth	**585,259**	**6,226**	-	-
HDFC High Interest Fund – Short Term Plan – Dividend Option	-	-	37,549,406	393,216
Zurich India High Interest Fund – STP - Growth	-	-	56,566,659	600,694
GSTG GSSIF – Short Term Plan – Growth Option	-	-	3,741,436	43,703
Unit Trust of India – UGS 2000 scheme	-	-	2,000	20
		2,367,889		1,657,633
Less: Provision for decline in fair value		**4,769**		-
		2,363,120		1,657,633
Total		**2,363,120**		1,664,018
Market value of quoted investments		**2,378,859**		1,659,316

(Currency in thousands of Indian Rupees except share data)

8. Sundry debtors

	September 30, 2003	December 31, 2002
(Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	**65,159**	169,931
- considered doubtful	**156,207**	155,518
	221,366	325,449
Other debts		
- considered good	**2,428,251**	2,046,832
	2,649,617	2,372,281
Less: Provision for doubtful debts	**156,207**	155,518
	2,493,410	2,216,763

9. Cash and bank balances

	September 30, 2003	December 31, 2002
Cash on hand	**4,464**	2,855
Balances with scheduled banks in current account	**219,779**	718,955
Balances with non scheduled banks in current account	**1,073,126**	852,025
	1,297,369	1,573,835

10. Loans and advances

	September 30, 2003	December 31, 2002
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received (Refer note below)	**136,395**	46,961
Security deposits	**101,707**	83,479
Certificates of deposit with foreign banks	**26,057**	-
Loan to employees	**36,707**	35,719
Others	**14,111**	3,402
	314,977	169,561
Less: Provision for doubtful loans and advances	**3,414**	3,600
	311,563	165,961

Advances recoverable in cash or in kind or for value to be received at September 30, 2003 includes auditors' remuneration of Rs.3,918 incurred in connection with proposed listing of equity shares of the Company.

11. Current liabilities

	September 30, 2003	December 31, 2002
Sundry creditors	**69,111**	76,421
Billings in excess of cost and estimated earnings	**28,872**	66,755
Advance from customers	**12,808**	112
Deferred revenue	**95,043**	92,981
Other liabilities	**970,533**	649,021
	1,176,367	885,290

12. Provisions

	September 30, 2003	December 31, 2002
Provision for taxation (net of advance tax: Rs.688,794 at September 30, 2003 and Rs.312,402 at December 31, 2002)	**133,026**	246,354
Provision for retirement benefits	**523,557**	425,015
Dividend on equity shares	-	39,111
Dividend tax	-	5,011
	656,583	715,491

(Currency in thousands of Indian Rupees except share data)

13. Miscellaneous expenditure

	September 30, 2003	December 31, 2002
(to the extent not written off or adjusted)		
Preliminary expenses	-	4,579
Less: Written off during the period (Refer note 2.12)	-	4,579
	-	-

14. Other income

	Nine months ended September 30, 2003	Year ended December 31, 2002
Foreign exchange gain, net	-	23,489
Dividend on non-trade investments	37,000	6,392
Incentive on non-trade investments	-	194
Profit on sale of non-trade investments, net	52,963	18,961
Profit on sale of fixed assets, net	-	195
Interest from:		
- Inter corporate deposits	-	5,876
- Loan to employees	386	714
- Bank deposits	8,034	5,881
- Others	1,046	-
Miscellaneous income	6,505	6,800
	105,934	68,502

15. Personnel costs

	Nine months ended September 30, 2003	Year ended December 31, 2002
Salaries, bonus and allowances, including overseas employee expenses	4,553,953	2,733,193
Contribution to provident and other funds	82,894	79,453
Staff welfare	156,200	94,435
Pension, gratuity and leave encashment costs	173,977	123,120
	4,967,024	3,030,201

16. Selling, general and administration costs

	Nine months ended September 30, 2003	Year ended December 31, 2002
Outsourced service charges	376,937	61,061
Travel and conveyance	314,178	209,264
Legal and professional fees	286,843	146,379
Postage and communication	185,469	127,703
Rent	129,581	103,550
Foreign exchange loss, net	65,277	-
Electricity	60,551	67,352
Rates and taxes	26,325	29,985
Software consumables	10,067	21,700
Advertisement and publicity	30,309	21,788
Insurance	31,470	13,747
Recruitment charges	22,051	13,614
Repairs and maintenance		
- computers	29,809	15,793
- building	12,417	5,342
- others	11,149	18,069
Printing and stationery	16,859	15,537
Provision for decline in the fair value of investment	4,769	-
Provision for doubtful debts and advances	19,523	24,748
Training fees	10,477	7,446
Commission	22,236	6,975

(Currency in thousands of Indian Rupees except share data)

	Nine months ended September 30, 2003	Year ended December 31, 2002
Subscription, registration and license fee	4,008	11,334
Auditors' remuneration (Refer note below)	12,157	5,866
Preliminary expenses written off	-	4,579
Loss on sale of fixed assets	290	-
Miscellaneous expenses	62,199	62,069
	1,744,951	993,901

Note: Auditors' remuneration includes remuneration of subsidiary companies' auditors.

17. Interest costs

	Nine months ended September 30, 2003	Year ended December 31, 2002
Interest on finance lease obligations	943	783
Interest on fixed loans		
- debentures	-	4,327
- other loans	-	10,028
Interest on loans from banks and financial institutions	29	4,118
	972	19,256

18. Taxes

Provision for tax expense consists of the following:

	Nine months ended September 30, 2003	Year ended December 31, 2002
Current taxes		
- Indian	28,813	53,057
- Foreign (Refer note 1 below)	252,097	286,770
	280,910	339,827
Deferred tax expense / (credit)		
- Indian	(6,861)	-
- Foreign	29,015	-
	22,154	-
	303,064	339,827

The significant components of deferred tax asset and liability consists of the following:

	September 30, 2003	December 31, 2002
Provision for retirement benefits	195,727	-
Provision for bad and doubtful debts	52,274	-
Provisions	12,216	
Deferred revenue	46,799	-
Billings in excess of cost and estimated earnings	13,225	-
Others	1,540	
Total deferred tax asset	321,781	-
Cost and estimated earnings in excess of billings	(91,855)	-
Depreciation	(38,984)	-
US branch profit taxes	(31,302)	-
Total deferred tax liability	(162,141)	-
Net deferred tax asset	159,640	-

Note 1: Prior period tax adjustment of Rs.28,304 represents short provision of foreign current taxes in respect of earlier years.

19. Business acquisitions

Pursuant to the shareholders agreement dated September 28, 2000 entered into between Patni, the promoter shareholders of the Company and GE Capital Mauritius Equity Investment ('GE') on November 24, 2000, the Company acquired 25% equity interest in Patni USA for cash purchase consideration aggregating Rs.480,455 (equivalent to US$10,250,000).

(Currency in thousands of Indian Rupees except share data)

The equity of Patni USA on the date of investment, representing the proportionate residual interest in the assets of Patni USA after deducting the liabilities, aggregated Rs.142,858. The Company's cost of investment in Patni USA in excess of Patni USA's equity on the date of investment aggregating Rs.337,597 has been classified as goodwill in the consolidated financials statements. The goodwill arising on the above-mentioned investment has been determined as follows:

Purchase consideration	**480,455**
Less	
Fixed assets, net	4,499
Net current assets	138,359
	142,858
Goodwill	**337,597**

On September 9, 2002, the Company acquired the balance 75 % equity interest in Patni USA for cash purchase consideration aggregating Rs.1,492,144 (equivalent of US$30,750,000). As a result of this acquisition, Patni USA became a wholly owned subsidiary of the Company. The equity of Patni USA on this date representing the Company's proportionate residual interest aggregated Rs.565,974. The goodwill arising on this acquisition has been determined as follows:

Purchase consideration	**1,492,144**
Less	
Fixed assets, net	42,695
Cash and bank balances	719,054
Net current liabilities	(195,775)
	565,974
Goodwill	**926,170**

AS-23 – "Accounting for Investment in Associates in Consolidated Financial Statements" issued by the ICAI is applicable in respect of accounting period beginning on or after April 1, 2002 and hence is not applicable for preparation of the consolidated financial statements for the year ended December 31, 2002. Accordingly, the Parent Company's share in the profits of Patni USA for the period following the acquisition of 25% equity interest until the date Patni USA became a wholly owned subsidiary, aggregating Rs.45,800 has been credited to revenue reserves in the consolidated financial statements for the year ended December 31, 2002.

In April 2003 Patni USA acquired 100% equity interest in TRI, which is engaged in providing IT services to clients in the financial services sector. These consolidated financial statements include the operating results of TRI from the date of acquisition. The purchase price of Rs.288,467 (including direct expenses of Rs.7,978) has been paid in cash. Further, the purchase agreement provides for payment of additional consideration not exceeding Rs.68,625 (equivalent of US$1,500,000) in cash through April 30, 2005 which is contingent upon achievement of the operating performance of the acquired business as specified in the agreement. The payment of the contingent consideration will increase the amount of goodwill recorded in the financial statements.

The equity of TRI on the date of investment, representing the proportionate residual interest in the assets of TRI after deducting the liabilities aggregated Rs.153,293. Patni USA's cost of investment in TRI in excess of TRI's equity on the date of investment aggregating Rs.135,174 has been classified as goodwill in the consolidated financials statements. The goodwill arising on the above-mentioned investment has been determined as follows:

Purchase consideration	**288,467**
Less	
Cash and bank balances	144,612
Fixed assets, net	27,843
Deferred tax asset	7,480
Net current liabilities	(26,642)
	153,293
Goodwill	**135,174**

(Currency in thousands of Indian Rupees except share data)

	Total
The aggregate goodwill recorded in these consolidated financial statements comprise the following:	
Goodwill arising on acquisition of 25% equity interest in Patni USA	337,597
Goodwill arising on acquisition of balance75% equity interest in Patni USA	926,170
Balance as at December 31, 2002	**1,263,767**
Goodwill arising on acquisition of 100% equity interest in TRI	135,174
Balance as at September 30, 2003	**1,398,941**

20. Segmental information

The Group's operations relate to providing IT services and solutions, delivered to customers, operating in various industry segments. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these consolidated financial statements. Secondary segmental reporting is performed on the basis of the geographical segmentation.

Industry segments of the Group comprise customers providing financial services, insurance services, manufacturing companies, and Others such as energy and utilities, retail and hospitality companies.

The Group evaluates segment performance and allocates resources based on revenue growth. Revenue in relation to segments is categorised based on items that are individually identifiable to that segment. Costs are not specifically allocable to individual segments as the underlying resources and services are used interchangeably. Fixed assets used in Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments

The Group's geographic segmentation is based on location of the customers and comprises United States of America, Europe, Japan and Others, which include Rest of Asia Pacific and Rest of the World. Revenue in relation to geographic segments is categorised based on the location of the specific customer entity for which services are performed irrespective of the customer entity that is billed for the services and includes both onsite and offshore services. Categorisation of customer related assets and liabilities in relation to geographical segments is based on the location of the specific customer entity which is billed for the services.

The accounting policies consistently used in the preparation of the consolidated financial statements are also consistently applied to individual segment information. There are no inter-segment sales.

Business segments

As at September 30, 2003 and for the nine months then ended

Particulars	Financial services	Insurance services	Manufacturing	Others	Total
Sales and service income	1,330,651	2,881,783	2,398,140	1,827,982	**8,438,556**
Sundry debtors	387,858	614,762	801,533	689,257	**2,493,410**
Cost and estimated earnings in excess of billings	44,464	30,311	221,268	142,457	**438,500**
Billings in excess of cost and estimated earnings	(1,969)	(6,951)	(9,642)	(10,310)	**(28,872)**
Advance from customers	(10,502)	(581)	(1,554)	(171)	**(12,808)**

As at December 31, 2002 and for the year then ended

Particulars	Financial services	Insurance services	Manufacturing	Others	Reconciling item (Refer note below)	Total
Sales and service income	1,264,390	3,473,393	2,445,439	1,919,065	(2,846,132)	**6,256,155**
Sundry debtors	462,303	489,611	668,129	596,720	-	**2,216,763**
Cost and estimated earnings in excess of billings	9,460	9,042	55,621	86,147	-	**160,270**
Billings in excess of cost and estimated earnings	(1,925)	(5,022)	(34,994)	(24,814)	-	**(66,755)**
Advance from customers	-	-	-	(112)	-	**(112)**

(Currency in thousands of Indian Rupees except share data)

Geographic segments

As at September 30, 2003 and for the nine months then ended

Particulars	USA	Europe	Japan	Others	Total
Sales and service income	7,495,674	618,788	231,147	92,947	**8,438,556**
Sundry debtors	2,092,530	301,731	4,694	94,455	**2,493,410**
Cost and estimated earnings in excess of billings	352,892	30,298	3,282	52,028	**438,500**
Billings in excess of cost and estimated earnings	(12,844)	(7,524)	(103)	(8,401)	**(28,872)**
Advance from customers	(6,493)	(5,042)	-	(1,273)	**(12,808)**

As at December 31, 2002 and for the year then ended

Particulars	USA	Europe	Japan	Others	Reconciling item (Refer note below)	Total
Sales and service income	7,971,385	659,188	324,366	147,348	(2,846,132)	**6,256,155**
Sundry debtors	1,921,795	220,364	5,257	69,347	-	**2,216,763**
Cost and estimated earnings in excess of billings	85,091	26,915	5,437	42,827	-	**160,270**
Billings in excess of cost and estimated earnings	(57,625)	(6,825)	(1,336)	(969)	-	**(66,755)**
Advance from customers	-	-	-	(112)	-	**(112)**

Note: For the year 2002, industry and geographical segment revenues, include revenues of Patni USA from January 1, 2002 though it became a subsidiary of the Company in September 2002. The Group believes that this is a more meaningful presentation of segment information considering Patni USA was an equity affiliate until September 2002 and thereafter became a subsidiary. Accordingly, the reconciling item represents incremental revenue earned by Patni USA for the period prior to it becoming a subsidiary of Patni.

21. Related party transactions

(a) Names of related parties and nature of relationship where control exists

Sr. No.	Category of related parties		Names
1	**Associates**	1)	Patni Computer Systems, Inc. (until September 2002 and thereafter it became a 100% subsidiary)
		2)	PCS Industries Ltd.
		3)	Ashoka Computer Systems Private Ltd.
		4)	PCS Cullinet Private Ltd.
		5)	PCS Finance Ltd.
		6)	PCS International Ltd.
		7)	Ravi & Ashok Enterprises
		8)	iSolutions Inc.
		9)	Raay Software Private Limited
		10)	Raay Global Investment Private Limited
2	**Key management personnel**	1)	Mr. N. K. Patni
		2)	Mr. A. K. Patni
		3)	Mr. G. K. Patni
		4)	Mr. Sukumar Namjoshi
		5)	Mr. Russell Boekenkroeger
		6)	Mr. Mrinal Sattawala
3	**Parties with substantial interest**	1)	Members of Patni family and their relatives
		2)	General Atlantic Mauritius Limited ('GA')
4	**Others**	1)	Ravindra Patni Family Trust
		2)	NKP Qualified Annuity Trust

(Currency in thousands of Indian Rupees except share data)

(b) Transactions and balances with related parties

Nature of the transaction	Associates	Key management personnel	Parties with substantial interest	Others
Transactions during the nine months ended September 30, 2003				
Remuneration (Refer note below)	-	68,968	-	-
Donations	-	-	-	2,500
Reimbursement of expenses by associates	154	-	-	-
Rent and other expenses	9,024	-	145	-
Dividend on equity shares of subsidiary	-	883	677	1,142
Balances at September 30, 2003				
Security deposits	9,973	-	3,000	-
Amounts recoverable	154	-	-	-
Remuneration payable	-	1,389	-	-
Provision for pension benefits	-	200,202	-	-
Guarantees given	150,000	-	-	-
Transactions during the year ended December 31, 2002				
Purchase of shares in Patni Computer Systems, Inc.	-	500,962	373,633	617,549
Buyback of shares	-	-	339,528	
Interest income received during the period	5,876	-	-	-
Sales and service income	2,469,894	-	-	-
Remuneration (Refer note below)	-	112,714	-	-
Professional fees	7,035	-	-	-
Proposed dividend	8,151	9,602	18,882	
Loan and advances returned during the period	1,530	-	-	-
Inter corporate deposit returned during the year including accrued interest	49,657	-	-	-
Donations	-	-	-	2,500
Rent and other expenses	13,755	-	192	-
Rent received	288	-	-	-
Balances at December 31, 2002				
Security deposits	9,973	-	3,000	-
Advances		4,679	-	-
Proposed dividend	8,151	9,602	18,882	-
Provision for pension benefits	-	202,800	-	-
Guarantees given	150,000	-	-	-

*Note:*Remuneration does not include provisions for gratuity and leave encashment in respect of Directors, as actuarial valuation is done on an overall Company basis.

22. Earnings per share

Particulars	Nine months ended September 30, 2003	December 31, 2002
Profit for the period/year after taxation	**1,214,033**	1,636,162
Less: Dividend on preference shares	**-**	7,952
Less: Dividend tax on above	**-**	811
Less: Dividend on equity shares of subsidiary	**2,702**	-
Profit available for equity shareholders	**1,211,331**	1,627,399
Weighted average number of equity shares outstanding during the period/year	**111,420,849**	99,059,168
Basic and diluted earnings per share (Rs)	**10.87**	16.43
Face value per share (Rs)	**2.00**	2.00

As mentioned in note 25 of the financial statements, the Company has granted 2,743,400 options to eligible employees on September 1, 2003. These options did not have a dilutive effect on the weighted average number of equity shares outstanding during the period.

(Currency in thousands of Indian Rupees except share data)

23. Leases

Patni has acquired certain vehicles under finance lease for a non-cancellable period of four years. At the inception of the lease, fair value of such vehicles has been recorded as an asset under gross block of vehicles with a corresponding lease rental obligation recorded under secured loans. As per the lease agreement, the ownership of these vehicles would not transfer to Patni. However, it contains a renewal clause.

Fixed assets include the following amounts in relation to the above leased vehicles:

As at	September 30, 2003	December 31, 2002
Gross block of vehicles	**29,906**	22,745
Less: Accumulated depreciation	**7,789**	3,332
Net block	**22,117**	19,413

Future minimum lease payments in respect of the above assets as at September 30, 2003 are summarised below:

	Minimum lease payments	Finance charge	Present value of minimum lease payments
Amount due within one year from the balance sheet date	8,414	1,205	7,209
Amount due in the period between one year and five years	16,213	1,022	15,191
	24,627	2,227	22,400

Future minimum lease payments in respect of the above assets as at December 31, 2002 are summarised below:

	Minimum lease payments	Finance charge	Present value of minimum lease payments
Amount due within one year from the balance sheet date	6,553	1,279	5,274
Amount due in the period between one year and five years	15,803	1,380	14,423
	22,356	2,659	19,697

Patni has operating lease agreements, primarily for leasing office space and residential premises for its employees. Most of the lease agreements provide for cancellation by either party with a notice period ranging from 30 days to 120 days and also contain a clause for renewal of the lease agreement at the option of the Company.

Patni USA has operating lease agreements, primarily for leasing office space, that expire over the next 1-5 years. These leases generally require Patni USA to pay certain executory costs such as taxes, maintenance and insurance.

The future minimum lease payments in respect of such non-cancellable operating leases are summarised below:

As at	September 30, 2003	December 31, 2002
Amount due within one year from the balance sheet date	**173,875**	83,383
Amount due in the period between one year and five years	**155,116**	93,674
	328,991	177,057

TRI has entered into certain non-cancellable operating lease agreements for leasing office space, which expire through December 2005. The lease agreements do not give any option for renewal.

TRI has also entered into agreements to sub-lease part of its office premises, which expire through December 31, 2005. These agreements do not provide for renewal option. Future minimum rentals to be received by TRI under such non-cancellable sub-leases as at September 30, 2003 are summarised below:

Amount due within one year from the balance sheet date	22,531
Amount due in the period between one year and five years	13,852
	36,383

Sub lease income recognised in the statement of profit and loss for the nine months ended September 30, 2003 and year ended December 31, 2002 aggregated Rs.9,704 and Rs. Nil respectively.

24. Capital and other commitments

On October 24, 2000, the Company issued 124,500 equity shares of Rs.10 each to GE Capital Mauritius Equity Investment ('GE'). Simultaneously, certain shareholders of the Company also sold 187,500 equity shares of Rs.10 each of the Company to GE on consistent terms. Pursuant to the shareholders' agreement, the Company was required to make an initial public offering ('IPO') of its equity shares for the purposes of being listed on a recognised stock exchange within a period of 18 months from the date of allotment of shares to GE. In the event the IPO did not occur within such period, GE had a right requiring either the Company, the other shareholders or a third party to buy back its shares at the higher of the fair market value of the shares or at a price based on an assured rate of return ranging between 18% to 21% on GE's initial investment.

On July 15, 2002, the Company entered into a new shareholders agreement ("new SHA") with General Atlantic Mauritius Limited ('GA'), GE and promoter shareholders. In September 2002, the Company made a private placement of its unregistered American Depository Receipt ('ADRs') to international investors representing 13,441,245 equity shares having face value of Rs.2 each. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares. In accordance with the new SHA, Patni is required to make an IPO of its equity shares within a period of 36 months from the date of issue of shares to GA. In the event an IPO does not occur within such period, GE and GA shall have a right to require the Company to buy back their equity shares and those of the other members of each of their Group (43,684,048 shares and 27,677,830 as at September 30, 2003 and December 31, 2002 respectively) at a price which will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of the Company.

In case the Company does not or cannot buy back all of GE and GA's equity shares and those of the members of their Group, then GE and GA shall have other exit options, as specified in the new SHA.

As per the new SHA, the price at which the Company is required to buy back the shares will be the higher of the price at which the shares were issued to GA or such price as is determined by the Board of Directors of the Company at the time of such buy back. However, there is no defined measurement method specified in the new SHA in relation to the redemption amount and accordingly the Company has not remeasured the shares issued to GA and GE at each reporting period.

The estimated amount of contracts remaining to be executed on capital account and not provided for as at September 30, 2003 and December 31, 2002 is Rs.73,871 and Rs.77,223 respectively.

Outstanding forward contracts as at September 30, 2003 aggregate Rs.1,784,250.Unamortised income in respect of forward exchange contract to be recognised in subsequent period aggregate Rs.11,724 as at September 30, 2003. The Company did not have any outstanding forward contracts as at December 31, 2002.

25. Employee stock compensation plans

On June 30, 2003, Patni established the 'Patni ESOP 2003' plan ('the plan'). Under the plan, the Company is authorised to issue up to 11,142,085 equity shares to eligible employees. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. A compensation committee constituted by the Board of Directors of the Company administers the plan.

On September 1, 2003 the Company granted 2,743,400 options at an exercise price of Rs. 145 per share. These options vest rateably over a period of 4 years, whereby 25% of the options vest at the end of each year from the date of grant. Further, the option expires 5 years from the date of vesting.

Of the above options granted by the Company, 3600 options were forfeited and none of the option was exercisable as at September 30, 2003.

Pursuant to the plan, if Patni does not complete an Initial Public Offering ('IPO') within a period of 6 months and one day after allotment of shares to an option grantee, then subject to compliance with applicable laws, the Articles of the Company and obtaining necessary shareholders and Board of Directors' consent, Patni may offer to purchase such shares issued to the option grantees. The option grantees shall thereupon of their own free will and volition sell all their shares to Patni at the fair market value, within a period of three months from the date of such offer by Patni.

The exercise price of the grant approximated the fair value of the underlying equity shares at the date of the grant.

(Currency in thousands of Indian Rupees except share data)

26. Contingent liabilities

	September 30, 2003	December 31, 2002
Corporate guarantee	150,000	150,000
Bank guarantees	11,384	10,223
Letters of credit	-	8,562
	161,384	168,785

27. Prior period comparatives

Previous period figures have been appropriately reclassified to conform to the current period's presentations. Since this is the first time the Company has prepared interim financial statements for the nine months ended September 30, 2003, prior period comparatives in respect of the profit and loss account for nine months ended September 30, 2002 have not been presented in these financial statements

CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2003 UNDER U.S. GAAP (REVIEWED)

You should read the following selected consolidated data, which have been prepared in accordance with U.S. GAAP, in conjunction with our consolidated financial statements for the nine months ended September 30, 2002, including the notes thereto and the reports thereon, which appear elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

KPMG

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Kamala Mills Compound
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Lower Parel
Mumbai 400 013

Independent Accountants' Review Report

To The Board of Directors and Shareholders of
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road No. 21
Andheri East
Mumbai 400 093

We have reviewed the accompanying consolidated balance sheets of Patni Computer Systems Limited and subsidiaries ('the Company') as of September 30, 2003 and 2002, and the related consolidated statements of income and cash flows for the three months and nine months ended September 30, 2003 and 2002 and the consolidated statement of shareholders' equity and other comprehensive income for the nine months ended September 30, 2003 and 2002. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

KPMG

November 6, 2003
Mumbai, India

Unaudited Consolidated Balance Sheets

As at September 30	2002	2003
Assets		
Current assets		
Cash and cash equivalents	$30,970,478	$ 28,357,801
Investments in liquid mutual fund units	9,929,830	3,807,369
Accounts receivable, net	46,090,262	54,406,301
Costs and estimated earnings in excess of billings on uncompleted contracts	3,067,540	9,578,171
Due from employees	760,207	732,793
Due from affiliates	1,089,654	3,366
Deferred income taxes	3,465,763	2,791,703
Investment in securities	17,188,820	48,189,543
Other current assets	6,323,113	4,543,063
Total current assets	**118,885,667**	**152,410,110**
Goodwill	-	2,594,374
Intangible assets, net	-	801,500
Property, plant and equipment, net	33,020,104	40,586,868
Deferred income taxes	135,894	198,659
Security deposits with affiliates	269,298	283,593
Other assets	1,603,182	2,810,731
Total assets	**$153,914,145**	**$199,685,835**
Liabilities and shareholders' equity		
Current liabilities		
Current instalments of long-term debt including capital lease obligation	$ 882,115	$ 157,568
Trade accounts payable	2,197,242	1,518,612
Billings in excess of costs and estimated earnings on uncompleted contracts	1,201,246	624,342
Income taxes payable	5,029,162	3,034,770
Deferred income taxes	-	56,427
Accrued expenses	11,161,028	18,442,875
Other current liabilities	3,548,900	4,858,557
Total current liabilities	**24,019,693**	**28,693,151**
Capital lease obligations excluding current instalments	143,734	332,063
Other liabilities	5,617,207	10,465,280
Deferred income taxes	-	364,906
Total liabilities	**29,780,634**	**39,855,400**
Shareholders' equity		
Redeemable common shares of Patni Computer Systems Limited; 41,516,746 shares as of September 2002 and 43,684,048 shares as of September 2003	117,372,776	123,499,996
Common shares of Patni Computer Systems Limited; $0.01 to $0.04 par value; Authorised 125,000,000 as of September 2002 and 250,000,000 shares as of September 2003; Issued and outstanding; 72,380,122 as of September 2002 and 67,736,801 shares as of September 2003	2,521,121	2,990,531
Additional paid-in capital	6,505,213	5,488,352
Retained earnings	5,909,279	29,122,907
Accumulated other comprehensive income	(8,174,878)	(1,271,351)
Total shareholders' equity	**124,133,511**	159,830,435
Total liabilities and shareholders' equity	**$153,914,145**	**$ 199,685,835**

See accompanying notes to the unaudited consolidated financial statements and independent Accountants' Review Report.

For **Patni Computer Systems Limited**

N. K. Patni	**G. K. Patni**	**Abhay Havaldar**	**Arun Kanakal**
Chairman	*Executive Director*	*Director*	*Company Secretary*

November 6, 2003

Unaudited Consolidated Statement of Income

	Three months ended September 30, 2002	Three months ended September 30, 2003	Nine months ended September 30, 2002	Nine months ended September 30, 2003
Revenues	$48,384,400	$67,324,136	$135,688,565	$180,510,438
Cost of revenues	26,903,169	39,282,098	73,242,789	108,197,184
Gross profit	**21,481,231**	**28,042,038**	**62,445,776**	**72,313,254**
Selling, general and administrative expenses	9,735,761	15,052,168	29,110,308	40,195,746
Provision for doubtful debts and advances	485,025	229,928	1,378,480	415,152
Foreign exchange (gain)/loss, net	165,961	(257,893)	(569,653)	(234,034)
Operating income	**11,094,484**	**13,017,835**	**32,526,641**	**31,936,390**
Other income/(expense)				
Interest and dividend income	224,708	287,016	592,469	992,887
Interest expense	(87,886)	(7,563)	(556,944)	(20,715)
Gain on sale of investments, net	118,689	37,326	56,213	1,114,791
Other income, net	19,715	18,471	78,770	41,186
Income before income taxes	**11,369,710**	**13,353,085**	**32,697,149**	**34,064,539**
Income taxes	1,774,927	2,036,708	5,366,367	5,672,316
Net income	**$9,594,783**	**$11,316,377**	**$27,330,782**	**$28,392,223**
Basic and diluted earnings per share	0.08	0.10	0.18	0.25
Weighted average number of common and redeemable common shares used in computing earnings per share	99,213,768	111,420,849	95,581,325	111,420,849

See accompanying notes to the unaudited consolidated financial statements and independent Accountants' Review Report.

For **Patni Computer Systems Limited**

N. K. Patni	**G. K. Patni**	**Abhay Havaldar**	**Arun Kanakal**
Chairman	*Executive Director*	*Director*	*Company Secretary*

November 6, 2003

Unaudited Consolidated Statements of Shareholders' Equity and Other Comprehensive Income

(in $ except share data)

	Common shares				Redeemable common shares						
	Patni Computer Systems Limited		Patni computer Systems Inc.		Patni Computer Systems Limited		Additional Paid-In-Capital	Retained Earnings	Com-prehensive Income	Accumulated Other Com-prehensive Income	Total Shareholders Equity
	Shares	Par value	Shares	Stated value	Shares	Value					
Balance as at January 1, 2002 (Combined)	**84,375,000**	**$2,883,160**	**3,750**	**$3,750**	**9,360,000**	**$18,174,078**	**$557,438**	**$59,424,104**		**$(8,102,390)**	**$72,940,140**
Cash dividend on common shares								(850,173)			(850,173)
Accretion of redeemable common shares						8,287,756		(9,752,506)			(1,464,750)
Redeemable common shares issued					20,161,868	57,000,000					57,000,000
Reclassification of common shares on account of sale by promoter shareholders	(14,103,680)	(376,098)			14,103,680	39,872,776		(39,496,678)			-
Reclassification of redeemable common shares on account of sale to promoter shareholders	2,108,802	14,059			(2,108,802)	(5,961,834)	5,947,775				-
Acquisition of Patni Computers Systems Inc. shares from promoter shareholders			(3,750)	(3,750)							(3,750)
Distribution to shareholders								(30,746,250			(30,746,250)
Comprehensive income:											
Net income								27,330,782	27,330,782		27,330,782
Other comprehensive income:											
Translation adjustment									(270,369)		(270,369)
Unrealised gain/(loss) on investments, net									197,881		197,881
Other comprehensive income									(72,488)	(72,488)	
Comprehensive income									27,258,294		
Balance as at September 30, 2002	**72,380,122**	**$2,521,121**	**-**	**-**	**41,516,746**	**$117,372,776**	**$6,505,213**	**$5,909,279**		**$(8,174,878)**	**$124,133,511**
Repurchase of common shares from promoter shareholders	(2,476,019)	(275,113)						(7,006,185)			(7,281,298)
Net income								8,681,095	8,681,095		8,681,095
Other comprehensive income:											
Translation adjustment									1,158,933		1,158,933
Unrealised gain/(loss) on investments, net									344,961		344,961
Minimum pension liability, net									(165,850)		(165,850)
Other comprehensive income									1,338,044	1,338,044	
Comprehensive income									10,019,139		
Balance as at December 31, 2002	**69,904,103**	**$2,246,008**	**-**	**-**	**41,516,746**	**$117,372,776**	**$6,505,213**	**$7,584,189**		**$(6,836,834)**	**$126,871,352**
Cash dividend on Patni Computer Systems Inc. shares								(56,250)			(56,250)
Cash dividend on common shares								(942,373)			(942,373)
Stock dividend		1,016,861					(1,016,861)				-
Reclassification of common shares on account of sale by promoter share-holders	(2,167,302)	(272,338)			2,167,302	6,127,220		(5,854,882)		-	-
Net income								28,392,223	28,392,223		28,392,223
Other comprehensive income:											
Translation adjustment									5,660,936		5,660,936
Unrealised gain/(loss) on investments, net									(261,303)		(261,303)
Minimum pension liability, net									165,850		165,850
Other comprehensive income									5,565,483	5,565,483	
Comprehensive income									33,957,706		
Balance as at September 30, 2003	**67,736,801**	**$ 2,990,531**	**-**	**-**	**43,684,048**	**$123,499,996**	**$ 5,488,352**	**$29,122,907**		**$ (1,271,351)**	**$159,830,435**

See accompanying notes to the unaudited consolidated financial statements and independent Accountants' Review Report.

Unaudited Consolidated Statements of Cash Flows

	Three months ended September 30, 2002	Three months ended September 30, 2003	Nine months ended September 30, 2002	Nine months ended September 30, 2003
Operating activities				
Net income	$9,594,783	$11,316,377	$27,330,782	$28,392,223
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortisation	1,574,628	2,420,396	4,296,278	6,501,809
Loss/(gain) on sale of property, plant and equipment, net	(1,134)	14,673	837	5,064
Gain on sale of investments, net	(118,689)	(37,326)	(56,213)	(1,114,791)
Deferred taxes	(2,023,133)	(1,144,281)	(2,561,722)	245,176
Provision for doubtful debts and advances	485,025	229,928	1,378,480	415,152
Changes in assets and liabilities				
Accounts receivable	(3,333,365)	(7,347,307)	(14,425,867)	(7,771,263)
Costs and estimated earnings in excess of billings on uncompleted contracts	(40,360)	(1,720,681)	(371,607)	(5,960,078)
Dues from affiliates	5,341,858	(3,348)	5,162,986	(3,348)
Dues from employees	(5,916)	171,546	(41,726)	56,966
Other current assets	(3,879,801)	(909,404)	(4,433,815)	(3,364,975)
Other assets	156,457	356,508	214,083	648,704
Trade accounts payable	1,627,154	(402,676)	1,050,569	(247,153)
Billings in excess of costs and estimated earnings on uncompleted contracts	819,514	(141,813)	917,321	(774,088)
Taxes payable	1,578,911	2,197,938	5,516,417	(2,910,646)
Accrued expenses	(3,949,548)	1,694,696	3,842,812	5,953,482
Other current liabilities	1,019,854	501,673	2,298,185	(199,078)
Other liabilities	267,254	545,008	774,108	1,991,277
Net cash provided by operating activities	**$9,113,492**	**$7,741,907**	**$30,891,908**	**$21,864,433**
Investing activities:				
Purchase of property, plant and equipment	(4,833,557)	(3,336,007)	(9,755,065)	(10,663,099)
Proceeds from sales of property, plant and equipment	1,134	22,927	15,534	63,639
Purchase of investment securities	(32,385,468)	(36,907,933)	(39,860,778)	(72,814,862)
Proceeds from sale of investment securities	12,617,314	11,251,693	13,787,259	61,796,336
Purchase of investments in liquid mutual fund units	-	(2,475,629)	(13,432,525)	(34,764,180)
Proceeds from sale of investments in liquid mutual fund units	3,040,816	13,578,130	13,338,233	31,495,940
Investment in subsidiary, net of cash acquired	-	-		(3,038,194)
Net cash used in investing activities	**$(21,559,761)**	**$(17,866,819)**	**$(35,907,342)**	**$(27,924,420)**
Financing activities:				
Repayment of short-term borrowings from banks, net	-	-	(5,764,812)	-
Capital lease obligation, net	(1,835,678)	44,883	(2,075,551)	58,399
Repayment of preferred stock	-	-	(5,117,809)	-
Dividend on common shares	-	(942,373)	(850,173)	(942,373)
Dividends on common shares of Patni Computer Systems, Inc.	-	-	-	(56,250)
Distribution to shareholders	(30,746,250)	-	(30,746,250)	-
Acquisition of Patni Computer System Inc. shares from shareholders	(3,750)	-	(3,750)	-
Proceeds from issuance of redeemable common shares, net	55,535,250	-	55,535,250	-
Net cash provided/(used) in financing activities	**$22,949,572**	**$(897,490)**	**$10,976,905**	**$(940,224)**

See accompanying notes to the unaudited consolidated financial statements and independent Accountants' Review Report.

Unaudited Consolidated Statements of Cash Flows (continued)

	Three months ended September 30, 2002	Three months ended September 30, 2003	Nine months ended September 30, 2002	Nine months ended September 30, 2003
Effect of exchange rates changes on cash and cash equivalents	(112,705)	989,575	(646,222)	2,557,162
Net increase/(decrease) in cash and cash equivalents	10,503,303	(11,022,402)	5,961,471	(7,000,211)
Cash and cash equivalents at the beginning of the period	20,579,880	38,390,628	25,655,229	32,800,850
Cash and cash equivalents at end of the period	**30,970,478**	**28,357,801**	**30,970,478**	**28,357,801**
Interest paid	$87,886	$6,711	$558,708	$18,255
Income taxes paid	$1,738,123	$1,098,277	$2,639,366	$8,261,874
Supplemental information of non cash investing and financing activities:				
Additions to property, plant and equipment, represented by capital lease obligations	-	$86,786	$158,766	$184,364
Accretion of redeemable common shares	$1,464,750	-	$9,752,506	-
Reclassification of common shares on account of sale by promoter shareholders	$39,496,678	5,854,882	$39,496,678	5,854,882
Reclassification of redeemable common shares on account of sale to promoter shareholders	$5,947,775	-	$5,947,775	-
Stock Dividend	-	1,016,861	-	1,016,861

See accompanying notes to the unaudited consolidated financial statements and independent Accountants' Review Report.

Notes to the unaudited Consolidated Financial Statements

1. Organisation and nature of business

1.1.1 Patni Computer Systems Limited ("Patni") is a company incorporated in India under the Indian Companies Act, 1956. On September 18, 2003, Patni converted itself from a private limited company into a public limited company and changed its name from Patni Computer Systems (P) Limited to Patni Computer Systems Limited. Patni Computers Systems (UK) Limited ("PatniUK", a company incorporated in the UK) and Patni Computer Systems GmbH ("Patni GmbH", a company incorporated in Germany) were incorporated as 100% subsidiaries of Patni. Patni Computer Systems, Inc. ("Patni USA" formerly known as Data Conversion Inc "DCI"), a company incorporated in Massachusetts, USA was an entity under common control of the Patni family. In September 2002, Patni USA became a 100% subsidiary of Patni. In April 2003, Patni USA, acquired 100% equity in The Reference Inc. ("TRI") a company incorporated in Massachusetts, USA for consideration in cash.

1.1.2 Patni together with its subsidiaries (collectively, "Patni Group" or "the Company") is engaged in IT consulting and software development. Patni has offshore development facilities located in India. Patni also operates dedicated Offshore Development Centres for large clients providing them with capabilities for knowledge retention, resource continuity and project management. The Company offers software support and development services mainly in the areas of re-engineering, maintenance, development, ERP implementations, embedded systems, data warehousing and e-commerce. Patni USA, Patni UK and Patni GmbH are primarily engaged in business development and marketing activities in the US, UK and Germany respectively.

1.1.3 These financial statements were prepared previously on a combined basis by virtue of Patni and its subsidiaries and Patni USA being entities under common control of the Patni family. In October 2000, Patni acquired 25% of the outstanding common stock of Patni USA from members of the Patni family ('Promoter shareholders') for a consideration of $10,250,000. The acquired Patni USA stock was recorded earlier as treasury stock at its book value and the excess of the amount paid over the book value of the acquired stock was charged to retained earnings as distribution to shareholders. In September 2002, Patni acquired the balance 75% of the outstanding common stock of Patni USA from the promoter shareholders for a consideration of $30,750,000. In these consolidated financial statements, this acquisition has been accounted as combination of entities under common control. Accordingly, the excess of the amount paid over the book value of the acquired stock has been charged to retained earnings as distribution to shareholders. Since, the accounts of these entities were stated at their historical amounts for all periods presented, no adjustments were required for purposes of restating the financial statements on a consolidated basis for the period of the combination and for prior periods other than restatement of 25% treasury stock of Patni USA, which has been adjusted against the outstanding stock of Patni USA for all the prior periods presented in these financial statements.

2. Summary of significant accounting policies

Basis of preparation of financial statements

2.1.1 These financial statements of Patni have been prepared on a consolidated basis in accordance with accounting principles generally accepted in the United States (‘US GAAP’). All significant inter-company transactions have been eliminated on consolidation.

Accounting estimates

2.1.2 The preparation of financial statements in conformity with US GAAP requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. The actual results could differ from these estimates.

Revenue and cost recognition

2.1.3 The Company derives its revenues primarily from software services. Revenue with respect to time-and-material contracts is recognised as related services are performed. Revenue with respect to fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. Guidance has been drawn from paragraph 95 of Statement of Position (“SOP”) 97-2 to account for revenue from fixed price arrangements for software development and related services in conformity with SOP-81-1. The input method has been used because management considers this to be the best available measure of progress on these contracts as there is a direct relationship between input and productivity.

2.1.4 Contract costs include all direct costs such as direct labor and those indirect costs related to contract performance, such as depreciation and satellite link costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revision to costs and income and are recognised in the period in which the revisions are determined, as change in estimates.

2.1.5 The asset, “Cost and estimated earnings in excess of billings on uncompleted contracts”, represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts”, represents billings in excess of revenues recognised.

2.1.6 Direct and incremental contract origination and set up costs incurred in connection with support/maintenance service arrangements are charged to expense as incurred. These costs are deferred only in situations where there is a contractual arrangement establishing a customer relationship for a specified period. The costs to be deferred are limited to the extent of future contractual revenues. Further, revenue attributable to set up activities is deferred and recognised systematically over the periods that the related fees are earned, as services performed during such period do not result in the culmination of a separate earnings process.

2.1.7 The company postpones revenue recognition in instances wherein the conditions for revenue recognition are not met. Related costs are also deferred in such instances, subject to management’s assessment of realisability.

2.1.8 Warranty costs on sale of services are accrued based on managements’ estimates and historical data at the time related revenues are recorded.

2.1.9 The Company grants volume discounts to customers in the form of free services in future. The Company accounts for such volume discounts by allocating a portion of the revenue on the related transactions to the service that will be delivered in future. Reimbursement of out of pocket expenses received from customers have been included as part of revenues in accordance with EITF 01-14 “Income Statement Characterisation of Reimbursements Received for ‘Out of Pocket’ Expenses Incurred”.

2.1.10 In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, Revenue Arrangements with Multiple Deliverables applicable for fiscal periods beginning after June 2003. This Issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting, where the deliverable (the revenue generating activities) are sufficiently separable and have standalone value to the customer. It is also necessary that there exists sufficient evidence of fair value to separately account for some or all of the deliverables. The Company concluded that the adoption of the consensus did not have a material impact on the Company’s revenue recognition policies.

Cash and cash equivalents

2.1.11 The Company considers investments in highly liquid investments with an original maturity of three months or less at the date of deposit to be cash equivalents. Cash and cash equivalents comprise cash and cash on deposit with banks.

Investments

2.1.12 Management determines the appropriate classification of investment securities at the time of purchase and re-evaluates such designation at each balance sheet date. At September 30, 2003, all investment securities were classified as available-for-sale and consisted of units of mutual funds.

2.1.13 Available-for-sale securities are carried at fair market value with unrealised gains and losses, net of deferred income taxes, reported as a separate component of other comprehensive income in the statement of shareholders’ equity and other comprehensive income. Realised gains and losses, and decline in value judged to be other than temporary on available-for-sale securities are included in the consolidated statements of income. The cost of securities sold or disposed is determined on ‘first in first out’ basis.

Business combinations, goodwill and intangible assets

2.1.14 In June 2001, the FASB issued SFAS No. 141, “Business Combinations” and SFAS No. 142, “Goodwill and Other Intangible Assets”. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations. SFAS No. 141 specifies criteria that intangible assets acquired in a business combination must be recognised and reported separately from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortised, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortised over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144. “Accounting for the impairment or disposal of long-lived assets”.

2.1.15 On the date of adoption of SFAS No. 142, the Company did not have any goodwill or intangible assets.

Property, plant and equipment

2.1.16 Property, plant and equipment are stated at cost less accumulated depreciation and amortisation. Assets under capital leases are stated at the present value of minimum lease payments. Gains and losses on disposals are included in the consolidated statements of income at amounts equal to the difference between the net book value of the disposed assets and the net proceeds received upon disposal. Expenditures for replacements and improvements are capitalised, whereas the cost of maintenance and repairs is charged to income when incurred.

2.1.17 Property, plant and equipment are depreciated over the estimated useful life of the asset using the straight-line method, once the asset is ready for its intended use. The cost of software obtained for internal use is capitalised and amortised over the estimated useful life of the software. The estimated useful lives of assets are as follows:

Buildings	40 years
Leasehold premises and improvements	Over the lease period or the useful lives of the assets, whichever is shorter
Computer – Hardware and software and other service equipments	3 years
Furniture and fixtures	3-8 years
Other equipment	3-8 years
Vehicles	4-5 years

Impairment of long-lived assets and long-lived assets to be disposed

2.1.18 Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Foreign currency transactions

2.1.19 Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. Resulting gains or losses from settlement of such foreign currency transactions are included in the consolidated statements of income. Unsettled monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Transaction gain or loss arising from change in exchange rates between the date of transaction and period end exchange rates are included in the consolidated statements of income.

Foreign currency translation

2.1.20 The functional currency for the companies within the Patni Group are the applicable local currencies except that the functional currency of Patni's branch offices in the US, Japan, Sweden and Australia is the Indian Rupee.

2.1.21 The accompanying consolidated financial statements are reported in US Dollars. The translation of the Indian Rupee, UK Pound and Euro into US Dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gains or losses resulting from such translation are reported in other comprehensive income in the statement of shareholders' equity and other comprehensive income.

Income taxes

2.1.22 Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognised in results of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for tax benefits whose future realisation is uncertain.

Concentration of credit risk

2.1.23 Financial instruments that potentially subject Patni to concentration of credit risks consist principally of cash, cash equivalents, investments and accounts receivables. Cash and cash equivalents are invested with corporations, financial institutions and banks with investment grade credit ratings. To reduce credit risk, investments are made in a diversified portfolio of mutual funds, which are periodically reviewed. To reduce its credit risk on accounts receivables, Patni transacts with well-known companies and performs ongoing credit evaluations of customers.

Retirement benefits to employees

2.1.24 Contributions to defined contribution plans are charged to income in the period in which they accrue. Current services costs for defined benefit plans are accrued in the period to which they relate, based on actuarial valuation performed by an independent actuary. Prior service costs, if any, resulting from amendments to the plans are recognised and amortised over the remaining period of service of the employees.

Stock-based compensation

2.1.25 The Company uses the intrinsic value based method of accounting prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretation including FASB interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25, issued in March 2000, to account for its employee stock based compensation plans. Under this method, compensation expense is recorded on the date of the grant, only if the current fair value of the underlying stock exceeds the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123. All stock options issued to date have been accounted as a fixed stock option plan.

2.1.26 Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have been reduced to the pro forma amounts indicated below:

	3 months ended September 30, 2002	3 months ended September 30, 2003	9 months ended September 30, 2002	9 months ended September 30, 2003
Net income, as reported	9,594,783	11,316,377	27,330,782	28,392,223
Add: Stock based employee compensation expense included in reported Net Income	-	-	-	-
Less: Stock-based employee compensation expense determined under fair value based method, net of tax effects	-	39,558	-	39,558
Pro forma net income	9,594,783	11,276,819	27,330,782	28,352,665
Reported basic and diluted earnings per share	0.08	0.10	0.18	0.25
Proforma basic and diluted earnings per share	0.08	0.10	0.18	0.25

2.1.27 The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions.

	3 months ended September 30, 2002	3 months ended September 30, 2003	9 months ended September 30, 2002	9 months ended September 30, 2003
Dividend yield	-	0.41%	-	0.41%
Expected life	-	2-5 years	-	2-5 years
Risk free interest rates	-	4.75%-4.9%	-	4.75%-4.9%
Volatility	-	0%	-	0%

Dividends

2.1.28 Dividends on common shares are recorded as a liability on the date of declaration by the shareholders.

Derivatives and hedge accounting

2.1.29 The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts payable, inter-company receivables and forecasted cash flows denominated in foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated hedge, or is so designated but is ineffective as per SFAS No. 133, is marked to market and recognised in earnings immediately.

Earnings per share

2.1.30 In accordance with SFAS No. 128, Earnings per Share, basic earnings per share is computed using the weighted average number of common and redeemable common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and redeemable common shares and dilutive common equivalent shares outstanding during the period using, the treasury stock method for options except where the result would be anti-dilutive.

Reclassifications

2.1.31 Certain reclassifications have been made in the financial statements of prior periods to conform to classifications used in the current year.

3. Acquisition

3.1.1 On April 17, 2003, Patni USA, acquired 100% equity interest in TRI which is engaged in providing IT services to clients in the financial services sector. The consolidated financial statements include the operating results of TRI from the date of acquisition. The purchase price of $6,093,526 (including direct expenses of $113,516) has been paid in cash. Further, the purchase agreement provides for payment of additional consideration not exceeding $1,500,000 in cash through April 30, 2005, which is contingent upon achievement of the operating performance of the acquired business as specified in the agreement.

3.1.2 This transaction has been accounted using the purchase method of accounting as required by SFAS No. 141. The purchase price has been allocated to the acquired assets and liabilities based on management's estimates and independent appraiser as follows:

Cash and cash equivalents	$3,055,332
Net tangible liabilities	(396,180)
Customer related intangibles	840,000
Goodwill	2,594,374
Total	**$6,093,526**

3.1.3 In accordance with SFAS No. 142 the goodwill recorded above is not being amortized, but instead will be tested for impairment at least annually. This goodwill is allocated to the financial services segment. Customer related intangibles are being amortised over its estimated useful life of 10 years in proportion to the economic benefits consumed in each period.

4. Accounts receivable

4.1.1 Accounts receivable consist of the following:

As at	**September 30, 2002**	**September 30, 2003**
Receivables	$48,940,179	**$57,820,655**
Less: Allowances for doubtful accounts	(2,849,917)	**(3,414,354)**
	$46,090,262	**$54,406,301**

4.1.2 The activity in the allowance for doubtful accounts receivable for the three months and nine months ended September 30, 2002 and 2003 is as follows:

	Three months ended September 30, 2002	**Three months ended September 30, 2003**	**Nine months ended September 30, 2002**	**Nine months ended September 30, 2003**
Allowance for doubtful accounts as beginning of the period	$2,588,219	$ 3,379,372	$1,859,269	$3,241,990
Additions charged (net of recoveries) to bad debt expense during the period	473,764	199,967	1,367,219	409,764
Write-downs charged against the allowance during the period	(212,066)	(164,985)	(376,571)	(237,400)
Allowance for doubtful accounts at period-end	$2,849,917	$3,414,354	$2,849,917	$3,414,354

5. Costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings on uncompleted contracts.

As at	September 30, 2002	September 30, 2003
Costs incurred on uncompleted contracts	$7,064,164	**$8,777,895**
Estimated earnings	8,226,008	**13,079,036**
	15,290,172	**21,856,931**
Less: Billings to date	13,423,878	**12,903,102**
	$1,866,294	**$8,953,829**
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$3,067,540	**$9,578,171**
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,201,246)	**(624,342)**
	$1,866,294	**$8,953,829**

6. Other current assets

6.1.1 Other current assets consist of the following:

As at	September 30, 2002	September 30, 2003
Advances	$115,467	**$46,677**
Prepaid expenses	437,134	**1,236,430**
Prepaid gratuity costs	165,042	**474,783**
Deposits	156,966	**341,930**
Deferral of cost in respect of revenue arrangements	-	**1,038,889**
Receivable on sale of investment securities	3,520,398	-
Others	1,928,106	**1,404,354**
	$6,323,113	**$4,543,063**

6.1.2 Advances are net of provision for doubtful advances of $ 61,887 and $ 18,514 as at September 30, 2002 and 2003 respectively.

7. Property, plant and equipment

7.1.1 Property, plant and equipment consists of the following:

As at	September 30, 2002	September 30, 2003
Land (Leasehold)	$1,000,018	**$748,585**
Land (Freehold)	22,449	**23,695**
Building	13,555,970	**15,649,800**
Leasehold improvements	341,146	**1,911,912**
Computer – Hardware and other service equipment	12,131,470	**17,701,734**
Computer – Software	5,070,838	**8,369,141**
Furniture and fixtures	6,844,327	**8,865,373**
Other equipment	7,314,580	**9,773,986**
Vehicles	1,218,071	**1,660,576**
Capital work-in-progress	189,333	**334,805**
Capital advances	1,093,564	**1,422,273**
	48,781,766	**66,461,880**
Less: Accumulated depreciation and amortisation	(15,761,662)	**(25,875,012)**
	$33,020,104	**$ 40,586,868**

7.1.2 Depreciation and amortisation expense on property, plant and equipment was $ 2,402,904 and $ 6,480,809 for the three months and nine months ended September 30, 2003 respectively and $1,574,628 and $4,296,278 for the three months and nine months ended September 30, 2002 respectively This includes amortisation for computer software of $ 537,116 and $ 1,367,766 for the three months and nine months ended September 30, 2003 respectively and $286,140 and $746,833 for the three months and nine months ended September 30, 2002 respectively. Additions to computer software amounted to $ 396,617 and $ 2,238,376 during the three months and nine months ended September 30, 2003 respectively and $153,728 and

$938,695 during the three months and nine months ended September 30, 2002 respectively. Accumulated amortisation on computer software at September 30, 2003 and 2002 amounted to $ 4,951,089 and $3,013,852 respectively.

7.1.3 In 2001, Patni acquired leasehold land rights aggregating $832,694 in respect of which it is required to complete construction activities within a period of five years, commencing July 23, 2001, in absence of which the lessor has an option to revoke the transfer of such rights without repayment of the lease premium. During 2001, Patni commenced preliminary construction related activities in relation to this land. In 2002, the Company decided not to pursue construction activities in relation to this land on account of adverse technical condition of this land. Accordingly, in December 2002, the carrying value was reduced to fair value of $524,054 based on management's estimate of future realisations upon sale of such land.

8. Investments

8.1.1 Investment securities consist of the following:

	As at September 30, 2002			
	Carrying value	Gross unrealised holding gains	Gross unrealised holding losses	Fair value
Available for sale:				
Mutual fund units	$27,014,334	163,320	(59,004)	27,118,650
	$27,014,334	**163,320**	**(59,004)**	**$27,118,650**
Less: Amount reported as investment in liquid mutual fund units				9,929,830
Amount reported as investment securities				**$17,188,820**
Available for sale:				
Mutual fund units	$ 51,757,134	$ 344,006	$ (104,228)	**$51,996,912**
	$51,757,134	$ 344,006	$ (104,228)	**$51,996,912**
Less: Amount reported as investment in liquid mutual fund units				3,807,369
Amount reported as investment securities				**$48,189,543**

8.1.2 Dividends from securities available for sale, during the three months and nine months ended September 30, 2003 were $ 247,147 and $ 792,253 respectively and $16,860 and $129,900 for three months and nine months ended September 30, 2002. Proceeds from the sale of securities, available for sale were $ 24,829,823 and $ 93,292,276 during the three months and nine months ended September 30, 2003, respectively and $15,658,130 and $27,125,492 during the three months and nine months ended September 30, 2002, respectively. Gross realised gains on sale of securities, available for sale was $ 37,336 and $ 1,229,785 and gross realised losses on sale of securities, available for sale was $ 10 and $ 175,409 for the three months and nine months ended September 30, 2003 respectively. Gross realised gains on sale of securities, available for sale was $124,636 and $138,433 and gross realised losses on sale of securities, available for sale was $5,947 and $82,220 for the three months and nine months ended September 30, 2002 respectively.

9. Other assets

9.1.1 Other assets consist of the following:

As at	September 30, 2002	September 30, 2003
Security deposits	$1,362,464	**$2,174,008**
Due from employees	75,478	**37,610**
Pension intangibles	165,240	**599,113**
	$1,603,182	**$2,810,731**

10. Current instalments of long term debt

10.1.1 Patni issued secured non-convertible debentures ("NCDs") of Rs. 120 million ($ 2.5 million) in November 1998 to Standard Chartered Grindlays Bank Ltd. Interest was payable half yearly on these debentures. The initial rate of interest was 13.75% and the lender could reset the interest every three months starting May 1999 till redemption. The rate of interest was reset to 12% per annum effective November 2001. The loan was repayable in three equal instalments in November 2000, November 2001 and November 2002. In November 2000 and 2001, Patni redeemed the first two instalments. The last instalment aggregating $820,850 was redeemed on November 26, 2002. The above NCDs were secured by hypothecation of inventory and accounts receivable.

11. Accrued expenses

11.1.1 Accrued expenses consist of the following:

As at	September 30, 2002	September 30, 2003
Employee costs	$8,623,399	**$13,845,940**
Others	2,537,629	**4,596,935**
	$11,161,028	**$18,442,875**

12. Other current liabilities

12.1.1 Other current liabilities consist of the following:

As at	September 30, 2002	September 30, 2003
Security deposits	$1,362,464	**$2,174,008**
Taxes payable	$776,116	**$1,204,677**
Capital expenditure payable	893,058	**83,042**
Provident fund dues payable	225,023	**335,348**
Deferred revenue	1,464,527	**2,286,010**
Others	190,176	**949,480**
	$3,548,900	**$4,858,557**

13. Leases

13.1.1 Patni has acquired certain vehicles under capital lease for a non-cancellable period of 4 years. The gross amount recorded under such capital lease is $ 676,779 with accumulated depreciation of $ 178,250 as at September 30, 2003. The gross amount recorded under such capital lease is $232,385 with accumulated depreciation of $38,462 as at September 30, 2002. The depreciation expense in respect of these assets aggregated $ 37,424 and $ 102,898 for the three months and nine months ended September 30, 2003, respectively and $14,529 and $34,629 for the three months and nine months ended September 30, 2002, respectively.

13.1.2 Patni USA has operating lease agreements, primarily for leasing office space, that expire over the next 1-5 years. These leases generally require Patni USA to pay certain executory costs such as taxes, maintenance and insurance.

13.1.3 Patni has operating lease agreements, primarily for leasing office and residential premises. These agreements provide for cancellation by either party with a notice period ranging from 30 days to 120 days. Some leases contain a clause for renewal of the lease agreement. Some leases provide for annual renewal of the lease payments.

13.1.4 TRI has operating lease agreements for leasing office space, which expire through December 2005. The lease agreements do not give any option for renewal.

13.1.5 Future minimum lease payments under non cancellable operating leases (with initial or remaining lease terms in excess of one year) and future capital lease payments at September 30, 2003 are as follows:

As at September 30,	Capital leases	Operating leases
2004	$ 183,921	$ 3,800,540
2005	183,921	2,411,863
2006	137,131	722,758
2007	33,329	197,712
Beyond 2007	-	58,170
Total minimum lease payments	538,302	$ 7,191,043
Less: Amount representing interest	48,671	
Present value of net minimum capital lease payments	489,631	
Less: Current instalments of obligations under capital leases	157,568	
Obligations under capital leases, excluding current instalments	$332,063	

13.1.6 Rental expense for all operating leases for the three months and nine months ended September 30, 2003 was $ 1,073,922 and $ 2,692,287 respectively and for the three months and nine months ended September 30, 2002 was $663,642 and $2,115,366 respectively.

13.1.7 TRI has sub leased a portion of its office premises, under agreements which expire through December 2005. These agreements do not provide for renewal option. Future minimum rentals to be received under such non-cancellable sub-leases at September 30, 2003 are as follows:

As at September 30,	
2004	$ 492,484
2005	257,868
2006	44,916
	$795,268

14. Other liabilities

14.1.1 Details of other liabilities are set out below.

As at	September 30, 2002	September 30, 2003
Provision for leave encashment	$3,839,767	**$6,673,907**
Provision for pension benefits	1,727,128	**3,335,593**
Others	50,312	**455,780**
	$5,617,207	**$10,465,280**

15. Shareholders' equity

Common shares

15.1.1 For local statutory purposes, the Company has only one class of equity shares. However, for accounting purposes, common shares which can be put back to the Company have been reclassified as redeemable common shares, in the consolidated financial statements. For all matters submitted to vote in the shareholders' meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held. In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company after such discharge shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

15.1.2 In September 2002, the Company issued 20,161,868 unregistered American Depository Receipts ("ADRs") representing 20,161,868 equity shares aggregating $57,000,000. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares.

Retained earnings and dividends

15.1.3 Retained earnings as of September 30, 2002 and 2003 include profits aggregating $5,146,151 and $5,214,971, which is not distributable as dividends under Indian Companies law. These relate to earmarking of profits on redemption of preference shares and purchase of common stock by Patni from promoter shareholders.

15.1.4 The ability of Patni to declare and pay dividend under the Indian Companies Act, 1956 is determined by its distributable profits as shown by its statutory accounts. When Patni wishes to declare dividends, it is required as per the Indian Companies Act, 1956 to transfer upto 10% of its net income (after the deduction of any accumulated deficit) computed in accordance with current regulations to a general reserve before a dividend can be declared. Also, Indian law on foreign exchange governs the remittance of dividends outside India. Dividend payments are also subject to applicable taxes.

15.1.5 Dividends paid by Patni during the period ended September 30 are as follows:

	Amount of dividend (in equivalent $)	Dividend per share $
2002	850,173	0.008
2003	942,373	0.009

15.1.6 Additionally, in June, 2003 Patni USA, distributed dividend to the erstwhile shareholders aggregating $56,250.

Stock Split

15.1.7 On June 26, 2001, Patni's Board of Directors approved a five for one stock split and three for one stock dividend. In line with legal requirements, the stock dividend was recorded by capitalising $1,997,336 from retained earnings, representing the par value of shares issued as stock dividend.

15.1.8 On August 30, 2003 Patni has effected a one for two stock split in the form of a stock dividend. In line with legal requirements, the stock dividend has been recorded by capitalising $ 1,016,861 from additional paid-in capital representing the par value of shares issued as stock dividend.

15.1.9 All references in the consolidated financial statements to the number of shares and per share amounts of Patni's common stock have been retroactively restated to reflect the increased number of common shares outstanding resulting from the above changes in the capital structure.

Redeemable common shares

15.1.10 On October 24, 2000, Patni issued 3,735,000 equity shares of $ 0.01 to GE aggregating $5,970,073. Further, the promoter shareholders of Patni i.e. the members of the Patni Family also sold 5,625,000 equity shares to GE aggregating $9,000,000. Pursuant to the shareholders' agreement dated September 2000, Patni was required to make an initial public offering ('IPO') of its equity shares for the purposes of being listed on a recognised stock exchange within a period of 18 months from the date of allotment of shares to GE.

15.1.11 In the event the IPO did not occur within such period, GE had a right requiring Patni to buy back its shares at the higher of the fair market value or a price which would guarantee a minimum rate of return of 18% per annum to GE, if the buy back was concluded between the 18th month and the 30th month from the date of allotment of shares. In case the buy back was concluded later than 30 months from the date of allotment, the premium payable after the 30th month was to be 21% per annum.

15.1.12 Since, all the above shares could be put back to Patni, equity shares allotted by the Company aggregating $5,970,073 were reflected as redeemable common shares and in respect of the equity shares sold by the promoter shareholders to GE, Patni credited $9,000,000 to redeemable common shares by reclassifying the amounts from retained earnings and outstanding common shares. Patni recorded accretion on these shares aggregating $509,392 and $2,694,613 in the years 2000 and 2001 respectively at the guaranteed rate of return of 18 % from the date of issuance until December 31, 2001. These amounts were included in the carrying value of redeemable common shares. Subsequently on September 5, 2002, Patni issued 20,161,868 common shares of $0.04 each to GA aggregating $57,000,000. In this regard, the price at which Patni issued common shares to GA has been considered as fair market value for the purposes of recording accretion in respect of the above redeemable common shares of GE in the consolidated financial statements during the year 2002 aggregating $8,287,756.

15.1.13 On July 15, 2002, the Company entered into a new shareholders agreement ("new SHA") with GA, GE and promoter shareholders. In accordance with the new SHA, Patni is required to make an IPO of its equity shares within a period of 36 months from the date of issue of shares to GA. In the event an IPO does not occur within such period, GE and GA shall have a right to require the Company to buy back their common shares and those of the other members of each of their Group at a price which will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of the Company.

15.1.14 In case the Company does not or cannot buy back all of GE and GA's common shares and those of the members of their Group and there is a residual shareholding, then GE and GA shall have a right to offer such residual shareholding to the promoter shareholders on a pro rata basis. In case Patni and/or the promoter shareholders do not yet acquire all of GE's and GA's shares, then GE, GA and the promoter shareholders shall have the right to affect the sale of such residual shares to any third party reasonably acceptable to the majority of the Board of Directors of the Company. However, in the event that there is still a residual shareholding after exercising the above options, then GE and GA shall be entitled to require the promoter shareholders to effect a strategic sale of such part of their shareholding in Patni, to enable GE and GA to dispose its residual shareholding.

15.1.15 Since, the new SHA also gives GA and GE a right to put back the shares to Patni, common shares allotted by the Company to GA aggregating $57,000,000 have been reflected as redeemable common shares. Net expenses incurred in connection with issuance of these redeemable common shares aggregating $1,464,750 have been adjusted from the related proceeds and a corresponding amount has been accreted from retained earnings. Similarly, common shares sold to GA by the promoter shareholders have also been credited as redeemable common shares (based on the price at which shares have been issued by the Company to GA) by reclassifying the amounts from retained earnings aggregating $39,496,678 and outstanding common shares aggregating $376,098.

15.1.16 As per the new SHA, in September 2002, GE sold certain of its redeemable common shares to promoter shareholders, which are not subject to redemption. Accordingly, accretion recorded in respect of such shares in earlier periods aggregating $5,947,775 has been credited to additional paid in capital and the paid up value of such shares aggregating $14,059 has been reclassified from outstanding redeemable common shares to outstanding common shares.

15.1.17 As per the new SHA, the price at which Patni is required to buy back the shares will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of the Company at the time of such buy back. However, there is no defined measurement method specified in the new SHA in relation to the redemption amount. In this regard, the Company believes that since the redemption price for such shares cannot be considered to be 'fixed or determinable', in accordance with EITF D-98 on 'Classification and Measurement of Redeemable Securities', the Company has not re-measured the shares issued to GA and GE at each reporting period.

15.1.18 Subsequently on August 30, 2003, the promoter shareholders sold 2,167,302 shares to GE for $ 6,127,220. Since, these shares can be put back to the Company, $6,127,220 has been credited to redeemable common shares by reclassifying amounts from retained earnings and outstanding common shares.

Repurchase of common shares

15.1.19 In December 2002, Patni repurchased 2,476,019 common shares from the promoter shareholders aggregating $7,281,298.

Adoption of SFAS No. 150

15.1.20 On May 15, 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. The Statement requires issuers to classify as liabilities (or assets in some circumstance) three classes of freestanding financial instruments that embody obligations for the issuer. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Patni adopted the provisions of the Statement on July 1, 2003 and concluded that on adoption it did not have an impact on the consolidated financial statements.

16. Employee stock compensation plans

16.1.1 *Patni Employee Stock Option 2003 Plan:* On June 30, 2003, Patni established the 'Patni ESOP 2003' plan ('the plan'). Under the plan, the Company is authorised to issue up to 11,142,085 equity shares to eligible employees. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. A compensation committee constituted by the Board of Directors of the Company administers the plan.

16.1.2 On September 1, 2003 the Company granted 2,743,400 options at an exercise price of Rs 145 per share. These options vest rateably over a period of 4 years, whereby 25% of the options vest at the end of each year from the date of grant. Further, the option expires 5 years from the date of vesting.

16.1.3 Of the above options granted by the Company, 3600 options were forfeited and none of the option was exercisable as at September 30, 2003.

16.1.4 Pursuant to the plan, if Patni does not complete an Initial Public Offering ('IPO') within a period of 6 months and one *day* after allotment of shares to an option grantee, then subject to compliance with applicable laws, the Articles of the Company and obtaining necessary shareholders and Board of Directors' consent, Patni may offer to purchase such shares issued to the option grantees. The option grantees shall thereupon of their free will and volition sell all of their shares to Patni at the fair market value, within a period of three months from the date of such offer by Patni.

16.1.5 Patni has applied APB No. 25, Accounting for Stock issued to Employees, to account for the employee stock based compensation plan. Accordingly, since the exercise price approximated the fair value of the underlying equity shares at the date of grant, no compensation cost has been recorded in these financial statements.

17. Comprehensive income

17.1.1 The accumulated balances for each classification of comprehensive income are as follows:

	Translation adjustment	Unrealised gain/(loss) on investments, net	Minimum pension liability, net	Accumulated comprehensive income
Balance at January 1, 2002	(7,974,478)	(127,912)	-	(8,102,390)
Current period change	(270,369)	197,881	-	(72,488)
Balance at September 30, 2002	(8,244,847)	69,969	-	(8,174,878)
Current period change	1,158,933	344,961	(165,850)	1,338,044
Balance at December 31, 2002	(7,085,914)	414,930	(165,850)	(6,836,834)
Current period change	5,660,936	(261,303)	165,850	5,565,483
Balance at September 30, 2003	$ (1,424,978)	$ 153,627	$-	$ (1,271,351)

18. Income tax

18.1.1 Income tax expense attributable to income from continuing operations consists of the following:

For the period	Three months ended September 30, 2002	Three months ended September 30, 2003	Nine months ended September 30, 2002	Nine months ended September 30, 2003
Current taxes	$ 3,798,060	$ 3,180,989	$7,928,089	$ 5,427,141
Deferred taxes	$ (2,023,133)	$ (1,144,281)	$(2,561,722)	$ 245,175
Total	$ 1,774,927	$ 2,036,708	$5,366,367	$ 5,672,316

19. Segment Information

19.1.1 SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” establishes standards for the way enterprises report information about operating segments and related disclosures about products and services, geographic areas and major customers. The Company’s operations relate to providing IT services and solutions, delivered to customers operating in various industry segments. Accordingly, revenues represented along industry classes comprise the principal basis of segmental information set out in these consolidated financial statements. Secondary segmental reporting is performed on the basis of the geographical location of the customers. The accounting policies consistently used in the preparation of the consolidated financial statements are also consistently applied to individual segment information, and are set out in the summary of significant accounting policies.

19.1.2 Industry segments of the Company comprise financial services, insurance services, manufacturing companies, and others such as energy and utilities, retail and hospitality companies. The Company evaluates segment performance and allocates resources based on revenue growth. Revenue in relation to segments is categorised based on items that are individually identifiable to that segment. Costs are not specifically allocable to individual segment as the underlying resources and services are used interchangeably. Fixed assets used in the Company’s business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments.

19.1.3 Patni’s geographic segmentation is based on location of customers and comprises United States of America (‘USA’), Europe, Japan and Others, which include Rest of Asia Pacific and Rest of the World. Revenue in relation to geographic segments is categorised based on the location of the specific customer entity for which services are performed irrespective of the customer entity that is billed for the services and whether the services are delivered onsite or offshore. Categorisation of customer related assets and liabilities in relation to geographic segments is based on the location of the specific customer entity which is billed for the services.

Industry segments

Particulars	Financial services	Insurance services	Manufacturing	Others	Total
	September 2002				
Revenue					
- For the three months September 30, 2002	$ 6,114,250	$ 17,910,662	$14,434,284	$9,925,204	**$48,384,400**
- For the nine months September 30, 2002	18,624,842	52,724,615	35,712,724	28,626,384	**135,688,565**
Accounts receivables	5,799,030	12,172,500	19,866,212	8,252,520	**46,090,262**
Billings in excess of cost and estimated earnings	6	85,356	1,090,444	25,440	**1,201,246**
Cost and estimated earnings in excess of billings	62,703	306,556	1,312,995	1,385,286	**3,067,540**
	September 2003				
Revenue					
- For the three months September 30, 2003	$ 11,474,867	$ 21,836,028	$ 18,373,916	$15,639,325	**$67,324,136**
- For the nine months September 30, 2003	28,689,957	61,461,640	51,479,051	38,879,790	**180,510,438**
Accounts receivables	8,463,073	13,414,111	17,489,490	15,039,627	**54,406,301**
Billings in excess of cost and estimated earnings	43,028	151,927	210,754	218,633	**624,342**
Advance from customers	229,560	12,703	33,958	3,736	**279,957**
Cost and estimated earnings in excess of billings	971,890	662,528	4,836,463	3,107,290	**9,578,171**

Geographic segments

Particulars	USA	Europe	Japan	Others	Total
	September 2002				
Revenue					
- For the three months September 30, 2002	$ 42,188,437	$ 3,737,285	$ 1,505,614	$ 953,064	**$ 48,384,400**
- For the nine months September 30, 2002	118,553,747	9,579,092	5,151,342	2,404,384	**135,688,565**
Accounts receivables	37,900,386	5,706,328	317,393	2,166,155	**46,090,262**
Billings in excess of cost and estimated earnings	1,108,808	84,546	-	7,892	**1,201,246**
Cost and estimated earnings in excess of billings	1,908,052	344,382	60,024	755,082	**3,067,540**
	September 2003				
Revenue					
- For the three months September 30, 2003	$ 59,257,546	$ 4,919,433	$ 2,501,257	$ 645,900	**$ 67,324,136**
- For the nine months September 30, 2003	160,477,401	13,054,928	4,957,473	2,020,636	**180,510,438**
Accounts receivables	45,643,896	6,595,204	102,593	2,064,608	**54,406,301**
Billings in excess of cost and estimated earnings	280,734	164,451	2,251	176,906	**624,342**
Advance from customers	141,930	110,203	-	27,824	**279,957**
Cost and estimated earnings in excess of billings	7,713,479	662,246	71,729	1,130,717	**9,578,171**

19.1.4 One customer accounted for 37% and 43% of the total revenues for the three and nine months ended September 30, 2003 respectively and 48% and 51% of the revenues for the three and nine months ended September 30, 2002. Receivables from this customer as at September 30, 2003 and 2002 amounted to 46% and 58% of the total receivables respectively. The revenues from this customer were across all the industry segments of the Company. Another customer in the Insurance industry segment accounted for 17% of the total revenues for the three and nine months ended September 30, 2003 respectively and 16% of the revenues for the three and nine months ended September 30 2002. Receivables for this customer as at September 30, 2003 and 2002 amounted to 7% and 5% of the total receivables respectively.

20. Earnings per share

Particulars	Three months ended		Nine months ended	
	September, 30, 2002	September, 30, 2003	September, 30, 2002	September, 30, 2003
Net income	$ 9,594,783	$11,316,377	$27,330,782	$ 28,392,223
Less: Accretion in relation to redeemable common shares	(1,464,750)	-	(9,752,506)	-
Income available to common and redeemable common share holders (A)	**$ 8,130,033**	**$11,316,377**	**$17,578,276**	**$28,392,223**
Weighted average number of common and redeemable common shares outstanding during the period (B)	**99,213,768**	**111,420,849**	**95,581,325**	**111,420,849**
Basic and diluted earnings per share (A)/(B)	**$ 0.08**	**$ 0.10**	**$ 0.18**	**$ 0.25**

20.1.1 The outstanding employee stock options at September 30, 2003 did not have a dilutive effect on the common and redeemable common shares outstanding during the period, under the treasury stock method for the purpose of computing dilutive earnings per share.

21. Related party transactions

21.1.1 Patni has various transactions with related parties, viz. PCS Industries Ltd. (‘PCSIL’), PCS Cullinet, PCS Finance, Ashoka Computers, (affiliates), PCS International, a subsidiary of PCSIL, various companies of the GE group (‘GE’) which is a shareholder in Patni, directors of Patni and their relatives.

Revenues

21.1.2 Patni USA sells computer hardware to PCSIL. Such sales during the three months and nine months ended September 30, 2003 amounted to $ 8,860 and $ 27,234 respectively. Such sales during the three months and nine months ended September 30, 2002 were $2,197 and $69,716 respectively.

Expenses

21.1.3 Patni has taken certain residential properties under operating leases from certain affiliates and the Patni family. The rentals and other incidental charges paid for the same were $ 56,434 and $ 167,444 for the three months and nine months ended September 30, 2003 respectively and $62,211 and $210,925 for the three months and nine months ended September 30, 2002 respectively. Outstanding security deposits under the operating leases placed by Patni with affiliates and the Patni family at September 30, 2003 and 2002 were $ 283,593 and $269,298 respectively.

21.1.4 Patni has incurred $3,366 towards rental and other incidental charges on behalf of the PCSIL, Ashoka Computers, PCS Cullinet and PCS Finance, which would be subsequently reimbursed.

Due from affiliates

21.1.5 Patni placed two deposits with PCSIL during 1999 aggregating $921,234 and $643,363 carrying interest at the rate of 18% and 12% per annum respectively. During the year 2001, an additional deposit of $208,117 was placed with PCSIL carrying interest at the rate of 12% per annum. Interest earned on these deposits amounted to $30,960 and $102,446 during the three months and nine months ended September 30, 2002 respectively. In December 2002, PCSIL has repaid these amounts in full together with accrued interest

21.1.6 During the year 2000, Patni USA lent a sum of $4,700,000 to two of its shareholders secured by promissory notes. Interest on both loans accrued at 6.21%. The terms of the loan required repayment of principal and accrued interest on December 31, 2002. However, in September 2002, these loans were repaid in full to Patni USA together with accrued interest. Interest earned on these loans amounted to $67,860 and $212,362 during the three months and nine months ended September 30, 2002 respectively.

Due from employees

21.1.7 Patni grants personal loans to employees and officers. Such loans are repayable in equal instalments over periods ranging from 6 - 60 months. The interest rate on these loans range from 0% to 10%. Loans outstanding at September 30, 2003 and 2002 were $ 97,822 and $143,283 respectively.

21.1.8 Patni USA grants personal loans to employees as well as advances to meet initial conveyance and living expenses. Such loans and advances are repayable over periods ranging upto 60 months and 6 months respectively. The interest rate on loans range from 0% to 10%. Balance outstanding of such loans and advances at September 30, 2003 and 2002 were $ 639,687 and $503,306 respectively.

21.1.9 Patni has given an interest-free advance for educational purposes to an employee who is a shareholder's son. The advance outstanding at September 30, 2003 and 2002 was $ Nil and $20,446 and is included in amounts due from employees. As per the terms of the advance, the employee is required after completion of his education, to continue with Patni for a period of five years and additional two years at Patni's option, failing which the advance is to be fully repaid to Patni. The employee joined Patni on September 1, 1998. Patni is amortising this advance by the straight-line method over a period of five years.

21.1.10 Patni GmbH gives advances to employee for initial conveyance and living expenses. Balance outstanding of such advances at September 30, 2003 were $ 21,232

Transactions with GE

21.1.11 Patni USA, Patni UK and Patni GmbH sell software services to various companies of the GE group. Sales to GE during the three months and nine months ended September 30, 2003 amounted to $ 24,772,217 and $ 76,755,506 respectively. This amounts to 37% and 43% of the total revenue for the three months and nine months ended September 30, 2003 respectively. Sales to GE during the three months and nine months ended September 30, 2002 was $ 23,260,146 and $ 69,719,648 respectively. This amounted to 48% and 51% of the revenues for the respective periods. Receivables from various GE companies as at September 30, 2003 and 2002 amounted to $ 25,186,676 and $ 26,543,948. This amounts to 46% and 58% of the total receivables as at September 30, 2003 and 2002 respectively.

21.1.12 GE charges Patni and Patni USA for data link connections. Data link charges for the three months and nine months ended September 30, 2003 amounted to $ 154,504 and $ 473,096 respectively. Data link charges for the three months and nine months ended September 30, 2002 amounted to $ 205,417 and $ 371,208 respectively. Outstanding to GE at September 30, 2003 and 2002 on account of data link charges amounted to $ 118,950 and $13,920 respectively.

Guarantees

21.1.13 Patni has issued a counter guarantee on behalf of PCSIL aggregating Rs. 150,000,000 ($ 3,278,689) to a bank. The guarantee was issued on August 30, 1997 and is a continuing guarantee for the credit limits allowed by the bank to PCSIL. The amounts under this guarantee are payable on demand. Further, the guarantee provides that until the bank has been repaid all amounts due therein, Patni will take no steps to enforce any right or claim against PCSIL for any reimbursement in respect of amounts paid by Patni to the bank.

22. Commitments and contingent liabilities

22.1.1 The Company is obliged under a number of contracts relating to capital expenditure. Estimated amounts remaining to be executed on such contracts (net of advances), aggregated $ 1,614,660 and $1,845,350 at September 30, 2003 and 2002.

22.1.2 Guarantees given by a bank on behalf of Patni amounted $ 248,827 and $211,701 as at September 2003 and 2002 and letter of credit issued by bank was $ Nil and $ 155,760 as at September 2003 and 2002.

23. Fair value of financial instruments

23.1.1 The fair value of Patni's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months. The fair value of capital lease obligations has been estimated by discounting cash flows based on current rate available to the Company for similar types of borrowing arrangements. The fair value and carrying value of capital lease obligations is set out below:

Capital lease obligations	Fair value	Carrying value
At September 30, 2002	$ 187,018	$ 197,520
At September 30, 2003	$ 485,451	$ 489,631

23.1.2 As at 30 September 2003, inter-company receivables aggregating $ 39,000,000 were covered by forward contracts. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Accordingly, these forward contracts have been marked to market and the resultant gain of $ 727,244 has been recorded in the income statement as exchange gain.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2000, 2001 AND 2002 UNDER U.S. GAAP (AUDITED)

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KPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel
Mumbai 400 013

Independent Auditors' Report

To

The Board of Directors and Shareholders of
Patni Computer Systems Limited
Akruti Softech Park
MIDC Cross Road No. 21
Andheri (East), Mumbai 400 093

We have audited the accompanying consolidated balance sheets of Patni Computers Systems Limited and subsidiaries ('the Company') as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and other comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patni Computer Systems Limited and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1.1.3 to the consolidated financial statements, acquisition of Patni Computers Systems, Inc. (formerly known as Data Conversion Inc.) has been accounted as combination of entities under common control.

KPMG
September 19, 2003
Mumbai, India

Consolidated Balance Sheets

At December 31,	2001 (Combined)	2002
Assets		
Current assets		
Cash and cash equivalents	$25,655,229	$32,800,850
Accounts receivable, net	32,779,619	46,211,687
Costs and estimated earnings in excess of billings on uncompleted contracts	2,684,037	3,341,043
Due from employees	702,190	772,048
Due from affiliates	6,257,650	-
Income taxes paid	1,042,177	-
Deferred income taxes	1,224,152	3,326,901
Investment in securities	483,446	35,341,166
Other current assets	1,856,579	857,875
Total current assets	**72,685,079**	**122,651,570**
Property, plant and equipment, net	27,674,103	34,170,384
Deferred income taxes	39,436	-
Security deposits with affiliates	270,643	271,094
Other assets	1,845,907	2,605,387
Total assets	**$102,515,168**	**$159,698,435**
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings from banks	$5,808,930	$-
Current instalments of long-term debt	832,466	-
Capital lease obligations	736,591	109,935
Trade accounts payable	1,137,300	1,600,689
Billings in excess of costs and estimated earnings on uncompleted contracts	279,747	1,391,483
Income taxes payable	499,470	5,837,957
Deferred income taxes	163,323	209,155
Accrued expenses	7,287,620	11,601,799
Other current liabilities	1,222,123	3,409,896
Total current liabilities	**17,967,570**	**24,160,914**
Capital lease obligations excluding current instalments	1,557,383	300,682
Long term debt excluding current instalments	5,202,914	-
Other liabilities	4,847,161	7,924,030
Deferred income taxes	-	441,457
Total liabilities	**29,575,028**	**32,827,083**
Shareholders' equity		
Redeemable common shares of Patni Computer Systems Limited; 9,360,000 shares as of 2001 and 41,516,746 shares as of 2002.	18,174,078	117,372,776
Common shares of Patni Computer Systems Limited; $0.01 to $0.04 par value; Authorized 125,000,000 shares; Issued and outstanding; 84,375,000 as of 2001 and 69,904,103 shares as of 2002.	2,883,160	2,246,008
Common shares of Patni Computer Systems Inc. no par value; 5,000 shares authorized, issued and outstanding as of 2001 and 2002.	3,750	-
Additional paid-in capital	557,438	6,505,213
Retained earnings	59,424,104	7,584,189
Accumulated other comprehensive income	(8,102,390)	(6,836,834)
Total shareholders' equity	72,940,140	126,871,352
Total liabilities and shareholders' equity	$102,515,168	$159,698,435

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Year ended December 31,	2000 (Combined)	2001 (Combined)	2002
Revenues	$101,211,540	$142,562,955	$188,273,762
Cost of revenues	59,072,962	82,115,235	101,372,240
Gross profit	**42,138,578**	**60,447,720**	**86,901,522**
Selling, general and administrative expenses	17,070,293	28,585,047	41,462,887
Provision for doubtful debts and advances	1,143,766	1,071,198	1,747,877
Foreign exchange gain, net	(1,102,469)	(616,249)	(317,457)
Operating income	**25,026,988**	**31,407,724**	**44,008,215**
Other income/(expense)			
Interest and dividend income	1,179,298	1,221,210	705,624
Interest expense	(1,857,931)	(1,793,029)	(579,308)
Gain/(loss) on sale of investments, net	2,463,761	(91,592)	390,869
Other income (expense), net	58,242	(12,793)	75,333
Income before income taxes	**26,870,358**	**30,731,520**	**44,600,733**
Income taxes	4,706,791	4,414,886	8,588,856
Net income	$22,163,567	$26,316,634	$36,011,877
Basic and diluted earnings per share	$0.24	$0.25	$0.27
Weighted average number of common and redeemable common shares used in computing earnings per share (refer note 19)	90,693,934	93,735,000	99,059,168

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholder's Equity and Other Comprehensive Income

(in $ except share data)

	Common shares				Redeemable Common shares						
	Patni Computer Systems Limited		Patni Computer Systems Inc		Patni Computer Systems Limited						
	Shares	Par Value	Shares	Stated Value	Shares	Value	Additional Paid-up Capital	Retained Earnings	Compre-hensive Income	Accumu-lated Other Compre-hensive Income	Total Shareholder's Equity
Balance at January 1, 2000 (Combined)	90,000,000	1,005,824	3,750	3,750	-	$-	557,438	35,593,238		(2,982,547)	$34,177,703
Cash dividends on common shares								(50,000)			(50,000)
Distribution to promoter shareholders								(10,248,750)			(10,248,750)
Redeemable common shares issued					3,735,000	$5,970,073					5,970,073
Reclassification of common shares on account of sale by promoter shareholders		(5,625,000)	(120,000)		5,625,000	9,000,000		(8,880,000)			-
Accretion of redeemable common shares						509,392		(509,392)			-
Net income								22,163,567	$22,163,567		22,163,567
Other comprehensive income:											
Translation adjustment									(1,818,964)		(1,818,964)
Unrealised loss on investments, net									(2,040,226)		(2,040,226)
Other comprehensive income									(3,859,190)	(3,859,190)	
Comprehensive income									$18,304,377		
Balance at December 31, 2000 (Combined)	84,375,000	885,824	3,750	$3,750	9,360,000	15,479,465	557,438	38,068,663		(6,841,737)	$48,153,403
Cash dividends on common shares								(269,244)			(269,244)
Stock dividend		1,997,336						(1,997,336)			-
Accretion of redeemable common shares						2,694,613		(2,694,613)			-
Net income								26,316,634	$26,316,634		26,316,634
Other comprehensive income											
Translation adjustment									(1,022,565)		(1,022,565)
Unrealised loss on investments, net									(238,088)		(238,088)
Other comprehensive income									(1,260,653)	(1,260,653)	
Comprehensive income									$25,055,981		
Balance at December 31, 2001 (Combined)	**84,375,000**	**$2,883,160**	**3,750**	**$3,750**	**9,360,000**	**18,174,078**	**$557,438**	**$59,424,104**		**$(8,102,390)**	**$72,940,140**

Consolidated Statements of Shareholder's Equity and Other Comprehensive Income

	Common shares				Redeemable Common shares						
	Patni Computer Systems Limited		Patni Computer Systems Inc		Patni Computer Systems Limited						
	Shares	Par Value	Shares	Stated Value	Shares	Value	Additional Paid-up Capital	Retained Earnings	Compre-hensive Income	Accumu-lated Other Compre-hensive Income	Total Shareholder's Equity
Balance at January 1, 2002	84,375,000	$2,883,160	3,750	$3,750	9,360,000	$18,174,078	$557,438	$59,424,104		$(8,102,390)	$72,940,140
Cash dividends on common shares								(850,173)			(850,173)
Redeemable common shares issued					20,161,868	57,000,000		-			57,000,000
Accretion of redeemable common Shares						8,287,756		(9,752,506)			(1,464,750)
Reclassification of common shares on account of sale by promoter shareholders	(14,103,680)	(376,098)			14,103,680	39,872,776		(39,496,678)			-
Reclassification of redeemable common shares on account of sale to promoter shareholders	2,108,802	14,059			(2,108,802)	(5,961,834)	5,947,775				-
Acquisition of Patni Computers Systems, Inc. shares from promoter shareholders			(3,750)	(3,750)							(3,750)
Distribution to promoter shareholders on acquisition of Patni Computer Systems, Inc.								(30,746,250)			(30,746,250)
Repurchase of common shares from promoter shareholders	(2,476,019)	(275,113)						(7,006,185)			(7,281,298)
Comprehensive income:											
Net income								$36,011,877	36,011,877		36,011,877
Other comprehensive income:											
Translation adjustment									888,564		888,564
Unrealised gain on Investments, net									542,842		542,842
Minimum pension liability, net									(165,850)		(165,850)
Other comprehensive income									1,265,556	1,265,556	
Comprehensive income									37,277,433		
Balance as at December 31, 2002	69,904,103	$2,246,008	-	-	41,516,746	$117,372,776	$6,505,213	$7,584,189		$(6,836,834)	$126,871,352

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,	2000 (Combined)	2001 (Combined)	2002
Operating activities			
Net income	**$22,163,567**	**$26,316,634**	**$36,011,877**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3,830,590	4,588,107	6,457,986
Gain on sale of property, plant and equipment, net	(2,428)	(13,885)	(3,745)
(Gain)/loss on sale of investments, net	(2,463,761)	91,592	(390,869)
Provision for other than temporary diminution in value of investments	-	60,722	-
Deferred taxes	(812,081)	(213,183)	(1,838,087)
Provision for doubtful debts and advances	1,143,766	1,071,198	1,747,877
Changes in assets and liabilities			
Accounts receivable	(14,371,607)	(4,904,313)	(14,735,721)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,262,604)	259,950	(613,226)
Dues from affiliates	(5,211,316)	(349,818)	6,247,598
Dues from employees	9,429	(115,265)	(28,653)
Security deposits with affiliates	(289,121)	-	-
Dues to affiliates	28,444	(82,026)	-
Other current assets	(289,434)	(559,577)	1,019,417
Other assets	(1,078,650)	(469,106)	(770,509)
Trade accounts payable	495,719	(321,156)	447,496
Billings in excess of costs and estimated earnings on uncompleted contracts	17,756	31,728	1,095,958
Taxes payable	765,883	(1,937,507)	6,298,724
Accrued expenses	1,821,899	4,081,392	4,219,751
Other current liabilities	1,094,387	(371,119)	2,130,970
Other liabilities	2,404,007	2,107,034	2,862,149
Net cash provided by operating activities	7,994,445	29,271,402	50,158,993
Investing activities			
Purchase of property, plant and equipment	(11,071,665)	(15,497,427)	(12,848,621)
Proceeds from sales of property, plant and equipment	33,076	53,726	17,619
Purchase of investments	(23,948,116)	(10,786,227)	(76,103,451)
Proceeds from sale of investments	32,350,354	13,644,294	42,822,532
Net cash used in investing activities	(2,636,351)	(12,585,634)	(46,111,921)
Financing activities:			
Repayment of short-term borrowings from banks, net	130,196	2,366,597	(5,761,281)
Repayment of capital lease obligation	1,551,620	754,184	(1,866,180)
Repayment on long-term debt	(889,300)	(834,550)	(5,942,383)
Dividends on common shares	(2,271,028)	(269,244)	(850,173)
Proceeds from issuance of redeemable common shares, net	5,970,073	-	55,535,250
Repurchase of common shares from promoter shareholders	-	-	(7,281,298)
Distribution to promoter shareholders on acquisition of Patni Computer Systems Inc.	(10,248,750)	-	(30,746,250)
Acquisition of Patni Computer Systems Inc. shares from promoter shareholders	(1,250)	-	(3,750)
Net cash (used in) provided by financing activities	(5,758,439)	2,016,987	3,083,935

Effect of exchange rates changes on cash and cash equivalents	(1,076,265)	(621,759)	14,614
Net increase/(decrease) in cash and cash equivalents	(1,476,610)	18,080,996	7,131,007
Cash and cash equivalents at the beginning of year	9,050,843	7,574,233	25,655,229
Cash and cash equivalents at end of year	$7,574,233	$25,655,229	$32,800,850
Interest paid	$1,861,910	$1,734,459	$581,018
Income taxes paid	$6,034,445	$1,970,000	$3,751,080
Supplemental information of non cash investing and financing activities:			
Additions to property, plant and equipment, represented by capital lease obligations	$1,663,593	$1,168,157	$369,425
Stock dividend	$-	$1,997,336	$-
Reclassification of common shares on account of sale by promoter shareholders	$8,880,000	$-	$39,496,678
Accretion of redeemable common shares	$509,392	$2,694,613	$9,752,506
Reclassification of redeemable common shares on account of sale to promoter shareholders			$5,947,775

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1 Organization and nature of business

1.1.1 Patni Computer Systems Limited ("Patni") is a company incorporated in India under the Indian Companies Act, 1956. On September 18, 2003 Patni converted itself from a private limited company into a public limited company and changed its name from Patni Computer Systems (P) Limited to Patni Computer Systems Limited. Patni Computer Systems (UK) Limited ("Patni UK", a company incorporated in the UK) and Patni Computer Systems GmbH ("Patni GmbH", a company incorporated in Germany) were incorporated as 100% subsidiaries of Patni. Patni Computer Systems, Inc. ("Patni USA" formerly known as Data Conversion Inc "DCI"), a company incorporated in Massachusetts, USA was an entity under common control of the Patni family. In September 2002, Patni USA became a 100% subsidiary of Patni.

1.1.2 Patni together with its subsidiaries (collectively, "Patni Group" or "the Company") is engaged in IT consulting and software development. Patni has offshore development facilities located in India. Patni also operates dedicated Offshore Development Centres for large clients providing them with capabilities for knowledge retention, resource continuity and project management. The Company offers software support and development services mainly in the areas of re-engineering, maintenance, development, ERP implementations, embedded systems, data warehousing and e-commerce. Patni USA, Patni UK and Patni GmbH are primarily engaged in business development and marketing activities in the US, UK and Germany respectively.

1.1.3 These financial statements were prepared previously on a combined basis by virtue of Patni and its subsidiaries and Patni USA being entities under common control of the Patni family. In October 2000, Patni acquired 25% of the outstanding common stock of Patni USA, from members of the Patni family ('Promoter shareholders') for a consideration of $10,250,000. The acquired Patni USA, stock was recorded earlier as treasury stock at its book value and the excess of the amount paid over the book value of the acquired stock was charged to retained earnings as distribution to shareholders. In September 2002, Patni acquired the balance 75% of the outstanding common stock of Patni USA from members of the Patni family for a consideration of $30,750,000. In these consolidated financial statements, this acquisition has been accounted as combination of entities under common control. Accordingly, the excess of the amount paid over the book value of the acquired stock has been charged to retained earnings as distribution to shareholders. Since, the accounts of these entities were stated at their historical amounts for all periods presented, no adjustments were required for purposes of restating the financial statements on a consolidated basis for the period of the combination and for prior periods other than restatement of 25% treasury stock of Patni USA, which has been adjusted against the outstanding stock of Patni USA, for all the prior periods presented in these financial statements.

2 Summary of significant accounting policies

Basis of preparation of financial statements

2.1.1 These financial statements of the Company have been prepared on a consolidated basis in accordance with accounting principles generally accepted in the United States ('US GAAP'). All significant inter-company transactions have been eliminated on consolidation.

Accounting Estimates

2.1.2 The preparation of financial statements in conformity with US GAAP requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. The actual results could differ from these estimates.

Revenue and cost recognition

2.1.3 The Company derives its revenues primarily from software services. Revenue with respect to time-and-material contracts is recognised as related services are performed. Revenue with respect to fixed-price contracts is recognized on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. This method is used because management considers costs to be the best available measure of progress on these contracts.

2.1.4 Contract costs include all direct costs such as direct labor and those indirect costs related to contract performance, such as depreciation and satellite link costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revision to costs and income and are recognised in the period in which the revisions are determined, as change in estimates.

2.1.5 The asset, “Cost and estimated earnings in excess of billings on uncompleted contracts”, represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts”, represents billings in excess of revenues recognized.

2.1.6 Direct and incremental contract origination and set up costs incurred in connection with support/maintenance service arrangements are charged to expense as incurred. These costs are deferred only in situations where there is a contractual arrangement establishing a customer relationship for a specified period. The costs to be deferred are limited to the extent of future contractual revenues. Further, revenue attributable to set up activities is deferred and recognised systematically over the periods that the related fees are earned, as services performed during such period do not result in the culmination of a separate earnings process.

2.1.7 Warranty costs on sale of services are accrued based on managements’ estimates and historical data at the time related revenues are recorded.

2.1.8 The Company grants volume discounts to customers in the form of free services in future. The Company accounts for such volume discounts by allocating a portion of the revenue on the related transactions to the service that will be delivered in future. During the current period, the Company adopted EITF 01-14 “Income Statement Characterisation of Reimbursements Received for ‘Out of Pocket’ Expenses Incurred”, accordingly reimbursement of out of pocket expenses received from customers have been included as part of revenues. Reported data for previous periods have been reclassified to make it comparable with the current presentation. These reclassifications had no impact on reported net income.

Cash and cash equivalents

2.1.9 The Company considers investments in highly liquid deposits with an original maturity of three months or less at the date of deposit to be cash equivalents.

Investments

2.1.10 Management determines the appropriate classification of investment securities at the time of purchase and re-evaluates such designation at each balance sheet date. At December 31, 2002, all investment securities were classified as available-for-sale and consisted of units of mutual funds.

2.1.11 Available-for-sale securities are carried at fair market value with unrealised gains and losses, net of deferred income taxes, reported as a separate component of other comprehensive income in the statement of shareholders’ equity and other comprehensive income. Realised gains and losses, and decline in value judged to be other than temporary on available-for-sale securities are included in the consolidated statements of income. The cost of securities sold or disposed is determined on ‘first in first out’ basis.

Property, plant and equipment

2.1.12 Property, plant and equipment are stated at cost less accumulated depreciation and amortisation. Assets under capital leases are stated at the present value of minimum lease payments. Gains and losses on disposals are included in the consolidated statements of income at amounts equal to the difference between the net book value of the disposed assets and the net proceeds received upon disposal. Expenditures for replacements and improvements are capitalised, whereas the cost of maintenance and repairs is charged to income when incurred.

2.1.13 Property, plant and equipment are depreciated over the estimated useful life of the asset using the straight-line method, once the asset is ready for its intended use. The cost of software obtained for internal use is capitalised and amortised over the estimated useful life of the software. The estimated useful lives of assets are as follows:

Buildings	40 years
Leasehold premises and improvements	Over the lease period or the useful lives of the assets, whichever is shorter
Computer – Hardware and software	3 years
Furniture and fixtures	8 years
Other equipment	5-8 years
Vehicles	5 years

Impairment of long-lived assets and long-lived assets to be disposed

2.1.14 Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Foreign currency transactions

2.1.15 Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. Resulting gains or losses from settlement of such foreign currency transactions are included in the consolidated statements of income. Unsettled monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Transaction gain or loss arising from change in exchange rates between the date of transaction and period end exchange rates are included in the consolidated statements of income.

Foreign currency translation

2.1.16 The functional currency for the companies within the Patni group are the applicable local currencies except that the functional currency of Patni's branch offices in the US, Japan, Sweden and Australia is the Indian Rupee.

2.1.17 The accompanying consolidated financial statements are reported in U.S. Dollars. The translation of the Indian Rupee, UK Pound and Euro into U.S. Dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gains or losses resulting from such translation are reported in other comprehensive income in the statement of shareholders' equity and other comprehensive income.

Income taxes

2.1.18 Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognised in results of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for tax benefits whose future realisation is uncertain.

Concentration of credit risk

2.1.19 Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash, cash equivalents, investments and accounts receivables. Cash and cash equivalents are invested with corporations, financial institutions and banks with investment grade credit ratings. To reduce credit risk, investments are made in a diversified portfolio of mutual funds, which are periodically reviewed. To reduce its credit risk on accounts receivables, Patni transacts with well-known companies and performs ongoing credit evaluations of customers.

Retirement benefits to employees

2.1.20 Contributions to defined contribution plans are charged to income in the period in which they accrue. Current services costs for defined benefit plans are accrued in the period to which they relate, based on actuarial valuation performed by an independent actuary. Prior service costs, if any, resulting from amendments to the plans are recognised and amortized over the remaining period of service of the employees.

Derivatives and hedge accounting

2.1.21 On January 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, when the rules became effective for companies with fiscal year ending December 31, 2001.

2.1.22 The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts payable and forecasted cash flows denominated in foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not designated hedge, or is so designated but is ineffective as per SFAS No. 133, is marked to market and recognised in earnings immediately.

Earnings per share

2.1.23 In accordance with SFAF No. 128, Earnings per Share, basic earnings per share is computed using the weighted average number of common and redeemable common shares outstanding during the period. The Company did not have any dilutive potential common shares that were outstanding during the reporting periods.

Reclassifications

2.1.24 Certain reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year.

3 Accounts receivable

3.1.1 Accounts receivable consist of the following:

At December 31,	2001	2002
Receivables	$34,638,888	$49,453,677
Less: Allowances for doubtful accounts	(1,859,269)	(3,241,990)
	$32,779,619	$46,211,687

3.1.2 The activity in the allowance for doubtful accounts receivable for the years ended December 31, 2001 and 2002 is as follows:

At December 31,	2001	2002
Allowance for doubtful accounts at beginning of year	$1,006,967	$1,859,269
Additions charged to bad debt expense	1,071,198	1,747,877
Write-downs charged against the allowance	(218,896)	(365,156)
Allowance for doubtful accounts at the end of year	$1,859,269	$3,241,990

4 Costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings on uncompleted contracts

At December 31,	2001	2002
Costs incurred on uncompleted contracts	$2,768,809	$6,383,421
Estimated earnings	6,346,323	8,652,389
	9,115,132	15,035,810
Less: Billings to date	6,710,842	13,086,250
	$2,404,290	$1,949,560
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$2,684,037	$3,341,043
Billings in excess of costs and estimated earnings on uncompleted contracts	(279,747)	(1,391,483)
	$2,404,290	$1,949,560

5 Other current assets

5.1.1 Other current assets consist of the following:

At December 31,	2001	2002
Advances	$140,831	$10,052
Prepaid expenses	363,319	424,044
Prepaid gratuity costs	118,143	93,892
Deposits	129,103	224,734
Others	1,105,183	105,153
	$1,856,579	$857,875

Advances are net of provision for doubtful advances of $41,562 and $37,916 in 2001 and 2002 respectively.

6 Property, plant and equipment

6.1.1 Property, plant and equipment consists of the following:

At December 31,	2001	2002
Land (Leasehold)	$922,398	$713,942
Land (Freehold)	22,561	22,598
Buildings and leasehold improvements	12,061,598	14,727,556
Computer – Hardware	9,842,409	13,155,372
Computer – Software	3,993,173	5,732,551
Furniture and fixtures	5,511,715	7,238,007
Other equipment	5,092,939	7,980,006
Vehicles	1,058,409	1,430,784
Capital work-in-progress	60,384	111,548
Capital advances	617,631	496,133
	39,183,217	51,608,497
Less: Accumulated depreciation and amortisation	11,509,114	17,438,113
	$27,674,103	$34,170,384

6.1.2 Depreciation and amortisation expense on property, plant and equipment was $3,830,590, $4,588,107 and $6,457,986 for 2000, 2001 and 2002 respectively. This includes amortisation for computer software of $533,191, $775,524 and $1,079,378 for 2000, 2001 and 2002 respectively. Additions to computer software during 2001 and 2002 amounted to $1,462,121 and $1,713,186 respectively. Accumulated amortisation on computer software at December 31, 2001 and 2002 amounted to $2,275,237 and $3,369,323 respectively.

6.1.3 During 2001, Patni acquired leasehold land rights aggregating to $832,694, in respect of which it is required to complete construction activities within a period of five years, commencing July 23, 2001, in absence of which the lessor has an option to revoke the transfer of such rights without repayment of the lease premium. In the previous year, Patni commenced construction related primary activities in relation to this land. In the current year, Patni has decided not pursue construction activities in relation to this land on account of adverse technical condition of this land. Accordingly, the carrying value has been reduced to fair value based on management's estimate of future realisations upon sale of such land. In this regard, a charge of $289,490 has been included in selling general and administrative expenses.

7. Investments

7.1.1 Investment securities consist of the following:

	As of December 31, 2001			
	Carrying	Gross unrealised holding gains	Gross unrealised holding losses	Fair value
Available for sale:				
Mutual fund units	$636,922	$484	$(153,960)	$483,446
Total	$636,922	$484	$(153,960)	$483,446

	As of December 31, 2002			
	Carrying	Gross unrealised holding gains	Gross unrealised holding losses	Fair value
Available for sale:				
Mutual fund units	$34,688,732	$702,640	$(50,206)	$35,341,166
Total	$34,688,732	$702,640	$(50,206)	$35,341,166

7.1.2 Dividends from securities available for sale, during the years ended 2000, 2001 and 2002 were $279,234, $395,415 and $131,772 respectively and are included in other income. Proceeds from the sale of securities, available for sale were $13,644,294 and $42,822,532 during 2001 and 2002 respectively. Gross realized gains on sale of securities, available for sale in 2000, 2001 and 2002 were $2,480,512, $189,411 and $473,750 respectively, and gross realized losses on sale of securities, available for sale in 2000, 2001 and 2002 were $16,751, $281,003 and $82,881 respectively.

7.1.3 Provision for other than temporary diminution, in the value of investments in 2000, 2001 and 2002 was $nil, $60,722 and $nil respectively.

8 Other assets

8.1.1 Other assets consist of the following:

At December 31,	2001	2002
Security deposits	$979,366	$1,250,319
Due from employees	93,763	71,140
Pension intangibles	772,778	1,283,928
	$1,845,907	$2,605,387

9 Current instalments of long term debt

9.1.1 Patni issued secured non-convertible debentures (“NCDs”) of Rs.120 million (approximately $2.5 million) in November 1998 to Standard Chartered Grindlays Bank Ltd. Interest was payable half yearly on these debentures. The initial rate of interest was 13.75% and the lender could reset the interest every three months starting May 1999 till redemption. The rate of interest was reset to 12% per annum effective November 2001. The loan was repayable in three equal instalments in November 2000, November 2001 and November 2002. In November 2000 and 2001, Patni carried out phase I and phase II respectively, of the redemption. The final phase of the redemption was carried out on November 26, 2002. The above NCDs were secured by hypothecation of inventory and accounts receivable.

10 Accrued expenses

10.1.1 Accrued expenses consist of the following:

At December 31,	2001	2002
Employee costs	$5,440,418	$8,089,679
Others	1,847,202	3,512,120
	$7,287,620	$11,601,799

11 Other current liabilities

11.1.1 Other current liabilities consist of the following:

At December 31,	2001	2002
Taxes payable	$586,218	$753,739
Capital expenditure payable	363,687	412,741
Provident fund dues payable	212,340	243,621
Others	59,878	1,999,795
	$1,222,123	$3,409,896

12. Leases

12.1.1 Patni USA has operating lease agreements, primarily for leasing office space, that expire over the next 1-5 years. These leases generally require Patni USA to pay certain executory costs such as taxes, maintenance and insurance.

12.1.2 Patni had acquired land and buildings in 1998, 2000 and 2001 under three capital leases, that were to expire in 2008, 2004 and 2005 respectively. However, in September 2002, Patni has repaid in full the obligation outstanding under these leases.

12.1.3 Patni has also acquired certain vehicles under capital lease for a non-cancellable period of 4 years. The gross amount recorded under such capital lease is $96,680 and $474,152 with accumulated depreciation of $3,619 and $69,456 at December 31, 2001 and 2002 respectively.

12.1.4 The depreciation expense in respect of the above assets aggregated $28,607, $53,486 and $137,034 in 2000, 2001 and 2002 respectively.

12.1.5 Patni has operating lease agreements, primarily for leasing office and residential premises. These agreements provide for cancellation by either party with a notice period ranging from 30 days to 120 days. Some leases contain a clause for renewal of the lease agreement. Some leases provide for annual renewal of the lease payments.

12.1.6 Future minimum lease payments under non cancellable operating leases (with initial or remaining lease terms in excess of one year) and future capital lease payments at December 31, 2002 are as follows:

At December 31,	Capital leases	Operating leases
2003	$136,605	$1,738,232
2004	136,605	1,313,047
2005	132,390	486,884
2006	60,446	139,296
2007	-	13,539
Beyond 2007	-	-
Total minimum lease payments	466,046	$3,690,998
Less: Amount representing interest	55,429	
Present value of net minimum capital lease payments	410,617	
Less: Current instalments of obligations under capital leases	109,935	
Obligations under capital leases, excluding current instalments	$300,682	

12.1.7 Rental expense for all operating leases for 2000, 2001 and 2002 was $1,318,402, $1,870,793 and $2,754,214 respectively.

13 Other liabilities

13.1.1 Details of other liabilities are set out below:

At December 31,	2001	2002
Provision for leave encashment	$3,042,703	$4,639,048
Provision for pension benefits	1,735,754	3,234,334
Others	68,704	50,648
	$4,847,161	$7,924,030

14 Shareholders' equity

Common shares

14.1.1 For local statutory purposes, the Company has only one class of equity shares. However, for accounting purposes, common shares which can be put back to the Company have been reclassified as redeemable common shares, in the consolidated financial statements. For all matters submitted to vote in the shareholders' meeting, every holder of equity shares, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held. In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company after such discharge shall be distributed to the holders of equity shares in proportion to the number of shares held by them.

14.1.2 In September 2002, the Company issued 20,161,868 unregistered American Depository Receipts ("ADRs") representing 20,161,868 equity shares aggregating $57,000,000. The equity shares represented by ADRs carry equivalent rights with respect to dividends and voting as the other equity shares.

Retained earnings and dividends

14.1.3 Retained earnings as of December 31, 2002 include profits aggregating $5,280,411, which are not distributable as dividends under Indian Companies law. These relate to earmarking of profits on redemption of preference shares and purchase of common stock by Patni from promoter shareholders.

14.1.4 The ability of Patni to declare and pay dividend under the Indian Companies Act, 1956 is determined by its distributable profits as shown by its statutory accounts. When Patni wishes to declare dividends, it is required as per the Indian Companies Act, 1956 to transfer upto 10% of its net income (after the deduction of any accumulated deficit) computed in accordance with current regulations to a general reserve before a dividend can be declared. Also, the remittance of dividends outside India is governed by Indian law on foreign exchange. Dividend payments are also subject to applicable taxes.

14.1.5 Dividends paid by Patni and Patni USA during each of the three years are as follows:

Year	Patni		Patni USA	
	Amount of dividend (in equivalent $)	Dividend per share $	Amount of dividend	Dividend per share $
2000	-	-	50,000	10.00
2001	212,994	0.002	75,000	15.00
2002	850,173	0.008	75,000	15.00

Stock Split

14.1.6 On June 26, 2001, Patni's Board of Directors approved a five for one stock split and three for one stock dividend. In line with legal requirements, the stock dividend was recorded by capitalising $1,997,336 from retained earnings, representing the par value of shares issued as stock dividend.

14.1.7 All references in the consolidated financial statements to the number of shares and per share amounts of Patni's common stock have been retroactively restated to reflect the increased number of common shares outstanding resulting from the above changes in the capital structure.

Redeemable common shares

14.1.8 On October 24, 2000, Patni issued 3,735,000 equity shares of $0.01 to GE aggregating $5,970,073. Further, the promoter shareholders of Patni i.e. the members of the Patni Family also sold 5,625,000 equity shares to GE aggregating $9,000,000. Pursuant to the shareholders' agreement dated September 2000, Patni was required to make an initial public offering ('IPO') of its equity shares for the purposes of being listed on a recognised stock exchange within a period of 18 months from the date of allotment of shares to GE.

14.1.9 In the event the IPO did not occur within such period, GE had a right requiring Patni to buy back its shares at the higher of the fair market value or a price which would guarantee a minimum rate of return of 18% per annum to GE, if the buy back was concluded between the 18th month and the 30th month from the date of allotment of shares. In case the buy back was concluded later than 30 months from the date of allotment, the premium payable after the 30th month was to be 21% per annum.

14.1.10 Since, all the above shares could be put back to Patni, equity shares allotted by the Company aggregating $5,970,073 were reflected as redeemable common shares and in respect of the equity shares sold by the promoter shareholders to GE, Patni credited $9,000,000 to redeemable common shares by reclassifying the amounts from retained earnings and outstanding common shares. Patni recorded accretion on these shares aggregating $509,392 and $2,694,613 in the years 2000 and 2001 respectively at the guaranteed rate of return of 18 % from the date of issuance until December 31, 2001. These amounts were included in the carrying value of redeemable common shares. Subsequently on September 5, 2002, Patni issued 20,161,868 common shares of $ 0.04 each to GA aggregating $ 57,000,000. In this regard, the price at which Patni issued common shares to GA has been considered as fair market value for the purposes of recording accretion in respect of the above redeemable common shares of GE in the consolidated financial statements during the current year ended December 31, 2002 aggregating $ 8,287,756.

14.1.11 On July 15, 2002, Patni entered into a new shareholders agreement ("new SHA") with GA, GE and promoter shareholders. In accordance with the new SHA, Patni is required to make an IPO of its equity shares within a period of 36 months from the date of issue of shares to GA. In the event an IPO does not occur within such period, GE and GA shall have a right to require Patni to buy back their common shares and those of the other members of each of their Group at a price which will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of Patni.

14.1.12 In case Patni does not or cannot buy back all of GE and GA's common shares and those of the members of their Group and there is a residual shareholding, then GE and GA shall have a right to offer such residual shareholding to the promoter shareholders on a pro rata basis. In case Patni and/or the promoter shareholders do not yet acquire all of GE's and GA's shares, then GE, GA and the promoter shareholders shall have the right to affect the sale of such residual shares to any third party reasonably acceptable to the majority of the Board of Directors of Patni. However, in the event that there is still a residual shareholding after exercising the above options, then GE and GA shall be entitled to require the promoter shareholders to effect a strategic sale of such part of their shareholding in Patni, to enable GE and GA to dispose its residual shareholding.

14.1.13 Since, the new SHA also gives GA and GE a right to put back the shares to Patni, common shares allotted by Patni to GA aggregating $57,000,000 have been reflected as redeemable common shares. Net expenses incurred in connection with issuance of these redeemable common shares aggregating $1,464,750 have been adjusted from the related proceeds and a corresponding amount has been accreted from retained earnings. Similarly, common shares sold to GA by the promoter shareholders have also been credited as redeemable common shares (based on the price at which shares have been issued by Patni to GA) by reclassifying the amounts from retained earnings aggregating $39,496,678 and outstanding common shares aggregating $376,098.

14.1.14 As per the new SHA, in September 2002, GE sold certain of its redeemable common shares to promoter shareholders, which are not subject to redemption. Accordingly, accretion recorded in respect of such shares in earlier periods aggregating $5,947,775 has been credited to additional paid in capital and the paid up value of such shares aggregating $14,059 has been reclassified from outstanding redeemable common shares to outstanding common shares.

14.1.15 As per the new SHA, the price at which Patni is required to buy back the shares will be higher of the price at which shares were issued to GA or such price as is determined by the Board of Directors of Patni at the time of such buy back. However, there is no defined measurement method specified in the new SHA in relation to the redemption amount. In this regard, the Company believes that since the redemption price for such shares cannot be considered to be 'fixed or determinable', in accordance with EITF D-98 on 'Classification and Measurement of Redeemable Securities', the Company has not re-measured the shares issued to GA and GE at each reporting period.

Repurchase of common shares

14.1.16 In December 2002, Patni repurchased 2,476,019 common shares from the promoter shareholders aggregating $7,281,298.

15 Comprehensive income

15.1.1 The accumulated balances for each classification of comprehensive income are as follows:

	Translation adjustment	Unrealised gain/(loss) on investment, net	Minimum pension liability, net	Accumulated comprehensive income
Balance as at January 1, 2000	(5,132,949)	2,150,402	-	(2,982,547)
Current year change	(1,818,964)	(2,040,226)	-	(3,859,190)
Balance at December 31, 2000	(6,951,913)	110,176	-	(6,841,737)
Current year change	(1,022,565)	(238,088)	-	(1,260,653)
Balance at December 31, 2001	$(7,974,478)	$(127,912)	-	$(8,102,390)
Current year change	888,564	542,842	(165,850)	1,269,096
Balance at December 31, 2002	$(7,085,914)	$414,930	$(165,850)	$(6,836,834)

16 Income tax

16.1.1 Total income taxes for the years ended December 31, 2000, 2001 and 2002 were allocated as follows:

	2000	2001	2002
Income from continuing operations	$4,706,791	$4,414,886	$8,588,856
Shareholders' equity, for			
- unrealised holding gain/loss on investment securities, recognised for financial reporting purposes	(312,413)	(10,547)	263,068
- minimum pension liability	-	-	(9,676)
	$4,394,378	$4,404,339	$8,842,248

16.1.2 Income tax expense attributable to income from continuing operations consists of the following:

	2000	2001	2002
Current taxes			
Domestic	$869,542	$91,489	$1,093,733
Foreign	4,649,330	4,536,580	9,333,210
	5,518,872	4,628,069	10,426,943
Deferred taxes			
Domestic	(302,152)	(13,111)	214,332
Foreign	(509,929)	(200,072)	(2,052,419)
	(812,081)	(213,183)	(1,838,087)
Total income tax expense	$4,706,791	$4,414,886	$8,588,856

16.1.3 The tax effect of temporary differences that give rise to significant portion of deferred tax assets and liabilities are presented below:

	2001	2002
Deferred tax assets:		
Accrued expenses and provisions	$1,710,818	$3,051,735
Accounts receivable	591,405	1,077,387
Property, plant and equipment	23,324	-
Other than temporary diminution in the value of available for sale securities	12,146	12,524
Unrealised loss on available for sale securities	25,564	-
Minimum pension liability	-	9,676
Gross deferred tax assets	2,363,257	4,151,322
Less: Valuation allowance	12,146	74,001
Net deferred tax assets	$2,351,111	$4,077,321
Deferred tax liabilities:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$(466,900)	$(61,259)
Property, plant and equipment	(216,710)	(528,197)
Undistributed earnings of US branch	(350,000)	(533,517)
Unrealised gain on available for sale securities	-	(237,504)
Others	(217,236)	(40,555)
Total deferred tax liabilities	$(1,250,846)	$(1,401,032)
Classified as		
Deferred tax assets-		
Current	1,224,152	3,326,901
Non current	39,436	-
Deferred tax liabilities-		
Current	(163,323)	(209,155)
Non current	-	(441,457)

16.1.4 In assessing the realisability of deferred tax assets, management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income, tax planning strategies and impact of tax exemptions currently available to the Company, in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not, the Company will realise the benefits of those deductible differences, net of existing valuation allowances. Taxable income for the years 2000, 2001 and 2002 aggregated $13,845,645, $3,862,810 and $13,704,460 respectively.

16.1.5 Deferred tax liability in respect of undistributed earnings of Patni's foreign subsidiary as at 2001 and 2002 aggregating $363,050 and $441,564 respectively has not been recognised in the financial statements, as such earnings are considered to be indefinitely re-invested.

16.1.6 The reported income tax expense attributable to income from continuing operations differed from amounts computed by applying the enacted tax rate to income from continuing operations before income-taxes as a result of the following:

	2000	2001	2002
Income before income taxes	$26,870,358	$30,731,520	$44,600,733
Weighted average enacted tax rate in India	39.55%	36.66%	36.49%
Computed expected income tax expense	$10,627,227	$11,266,175	$16,274,807
Effect of:			
Income exempt from tax in India	(6,227,894)	(9,153,640)	(13,070,268)
Changes in valuation allowance	473	12,146	61,843
Income from India operations charged at other than statutory tax rate	(305,489)	(13,441)	44,842
Non-deductible expenses	464,768	360,095	275,742
US State taxes paid, net of federal tax benefit	624,654	346,232	298,063
Foreign income taxed at (lower)/higher rates	(647,422)	1,589,198	4,695,155
Change in statutory tax rate on deferred taxes	3,349	40,126	9,822
Others	167,125	(32,005)	(1,150)
Reported income tax expenses	$4,706,791	$4,414,886	$8,588,856

16.1.7 A substantial portion of the profits of the Group's India operations are exempt from Indian income tax, being profits attributable to export operations and profit from undertakings situated at Software Technology Parks. Under the tax holiday, the tax payer can utilise exemption of profits from income-taxes for a period of ten consecutive years. The Company has opted for this exemption for undertakings situated in Software Technology Parks and these exemptions expire on various dates between years 2005 and 2010. The aggregate effect on net income of the tax holiday and export incentive scheme were $5,687,356, $8,836,634 and $13,508,394 for 2000, 2001 and 2002 respectively. The exemption relating to profits attributable to export operations is being withdrawn in a phased manner over a period of five financial years commencing from April 1, 2000.

17 Retirement benefits to employees

Gratuity benefits

17.1.1 In accordance with the Payment of Gratuity Act, 1972, Patni provides for gratuity, a defined retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's defined portion of last salary and the years of employment with the Company.

17.1.2 Patni contributes each year to a gratuity fund based upon actuarial valuations performed by an actuary. The fund is administered by Patni through a trust set up for the purpose.

17.1.3 All assets of the plan are owned by the trust and comprise of approved debt and other securities and deposits with banks. By statute, the plan is required to maintain its investments in such securities.

17.1.4 With regard to Patni's Gratuity Plan, the following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheets:

At December 31,	2001	2002
Change in benefit obligation		
Projected benefit obligation ("PBO") at January 1,	$760,618	$1,051,661
Service cost	188,564	264,237
Interest cost	84,241	105,647
Exchange (gain)/loss	(28,667)	8,202
Actuarial loss	65,880	236,038
Benefits paid	(18,975)	(32,973)
PBO at December 31,	1,051,661	1,632,812
Change in plan assets		
Fair value of plan assets at January 1,	1,531,804	773,481
Actual return on plan assets	50,250	257,685
Employer contributions	231,199	290,652
Benefits paid	(18,975)	(32,973)
Exchange gain/loss	(20,797)	7,090
Plan assets at December 31,	773,481	1,295,935
Funded status	(278,180)	(336,877)
Unrecognised actuarial loss	384,330	420,091
Unrecognised transition obligation	11,993	10,678
Net amount recognised	$118,143	$93,892
Prepaid benefit cost (included in 'other current assets')	$(118,143)	$(93,892)

17.1.5 Net gratuity cost included the following components:

Year ended December 31,	2000	2001	2002
Service cost	$110,352	$188,564	$264,237
Interest cost	51,226	84,241	105,647
Expected return on assets	(60,053)	(65,008)	(83,369)
Amortization	8,740	26,533	28,313
Net gratuity cost	$110,265	$234,330	$314,828

17.1.6 Key assumptions used in accounting for the gratuity plan were as follows:

	2000	2001	2002
Discount rate (%)	11.5	10.5	7.5
Expected long term return on plan assets (%)	11	10	7

For the actuarial valuation at December 31, 2002 compensation levels have been assumed to increase at 15% per annum for the 1st year, 10% per annum for next 2 years and 7% per annum thereafter as against 10% per annum used in the previous valuation for all the future years. For the valuation as on December 31, 2000, compensation levels were assumed to increase at 25% per annum in the first year, 20% per annum in the second year, 12% per annum for a period of next 5 years and 10% per annum thereafter.

Pension benefits

17.1.7 As per employment contracts dated October 24, 2000, certain directors of the Company are entitled to receive pension benefit upon retirement or on termination from employment @ 50% of their last drawn monthly salary. The pension is payable from the time the eligible director reaches the age of sixty-five and is payable to the director or the surviving spouse. The liability for pension is actuarially determined and periodically recognised by the Company. The plan is not funded.

17.1.8 With regard to the Company's Pension Plan, the following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheet:

At December 31,	2001	2002
Change in benefit obligation		
Projected Benefit Obligation ("PBO") at January 1,	$2,367,575	$2,495,734
Service cost	89,356	89,590
Interest cost	269,468	259,576
Exchange (gain)/loss	(73,900)	23,391
Actuarial (gain)/loss	(156,765)	1,359,352
Benefits paid	-	
PBO at December 31,	2,495,734	4,227,643

Funded status	(2,495,734)	(4,227,643)
Unrecognised net transition obligation	1,738,231	1,283,928
Unrecognised actuarial (gain)/loss	(205,473)	1,168,835
Net amount recognised	$(962,976)	$(1,774,880)
Amounts recognised in the consolidated balance sheets are as follows:		
Accrued benefit liability (included in 'other liabilities')	$1,735,754	$3,234,334
Intangible assets (included in 'other assets')	(772,778)	(1,283,928)
Other comprehensive income	-	(175,526)
Net amount recognised	$962,976	$1,774,880

17.1.9 Net periodic pension cost included the following components:

Year ended December 31,	2001	2002
Service cost	$89,356	$89,590
Interest cost	269,468	259,576
Expected return on assets	-	-
Amortization	465,499	452,114
Net pension cost	$824,323	$801,280

17.1.10 Assumptions used in accounting for the pension plan were as follows;

	2001	2002
Discount rate (%)	10.5% per annum	7.5% per annum
Increase in compensation levels	10% per annum	10% per annum

17.1.11 As the assumed rates for the above defined benefit plan have a significant effect on the amounts reported, the management has assessed these rates as comparable with prevalent industry standards and its projected long-term plans of growth.

Provident fund

17.1.12 All employees of Patni receive provident fund benefits through a defined contribution plan in which both the employee and employer make monthly contributions to the plan @ 12% each of the covered employee's defined portion of salary. The Company has no further obligations under the plan beyond the monthly contribution. Patni contributes to the Provident Fund Plan maintained by the Government of India.

17.1.13 Patni contributed, $666,162, $1,056,933 and $1,129,145 to the Provident Fund Plan in 2000, 2001 and 2002 respectively.

18 Segment information

18.1.1 SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the way enterprises report information about operating segments and related disclosures about products and services, geographic areas and major customers. The Company's operations relate to providing IT services and solutions, delivered to customers operating in various industry segments. Accordingly, revenues represented along industry classes comprise the principal basis of segmental information set out in these consolidated financial statements. Secondary segmental reporting is performed on the basis of the geographical location of the customers. The accounting policies consistently used in the preparation of the consolidated financial statements are also consistently applied to individual segment information, and are set out in the summary of significant accounting policies.

18.1.2 Industry segments of the Company comprise financial services, insurance services, manufacturing companies, and others such as energy and utilities, retail and hospitality companies. The Company evaluates segment performance and allocates resources based on revenue growth. Revenue in relation to segments is categorised based on items that are individually identifiable to that segment. Cost are not specifically allocable to individual segment as the underlying resources and services are used interchangeably. Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments.

18.1.3 Patni's geographic segmentation is based on location of the customers and comprises United States of America, Europe, Japan and Others, which include Rest of Asia Pacific and Rest of the World. Revenue in relation to geographic segments is categorised based on the location of the specific customer entity for which services are performed irrespective of the customer entity that is billed for the services and whether the services are delivered onsite or offshore. Categorisation of customer related assets and liabilities in relation to geographical segments is based on the location of the specific customer entity which is billed for the services.

Industry segments

Particulars	Financial services	Insurance services	Manufacturing	Others	Total
			December 31, 2000		
Revenue	$15,924,000	$33,975,605	$23,610,394	$27,701,541	**$101,211,540**
			December 31, 2001		
Revenue	$21,292,764	$48,703,929	$38,368,687	$34,197,575	**$142,562,955**
Accounts receivables	4,763,328	10,398,286	12,050,864	5,567,141	**32,779,619**
Billings in excess of cost and estimated earnings	(15,157)	(63,773)	(127,998)	(72,819)	**(279,747)**
Cost and estimated earnings in excess of billings	136,616	418,205	672,346	1,456,870	**2,684,037**
			December 31, 2002		
Revenue	$26,068,017	$71,634,062	$51,085,770	$39,485,913	**$188,273,762**
Accounts receivables	9,637,337	10,206,616	13,928,051	12,439,683	**46,211,687**
Billings in excess of cost and estimated earnings	(40,131)	(104,681)	(729,504)	(517,167)	**(1,391,483)**
Advance from customers	-	-	-	(2,309)	**(2,309)**
Cost and estimated earnings in excess of billings	197,210	188,494	1,159,498	1,795,841	**3,341,043**

Geographic segments

Particulars	USA	Europe	Japan	Others	Total
			December 31, 2000		
Revenue	$82,319,128	$11,467,777	$5,702,656	$1,721,979	**$101,211,540**
			December 31, 2001		
Revenue	$120,348,872	$12,996,539	$7,056,950	$2,160,594	**$142,562,955**
Accounts receivables	27,840,110	3,576,056	122,923	1,240,530	**32,779,619**
Billings in excess of cost and estimated earnings	(162,202)	(101,064)	(6,709)	(9,772)	**(279,747)**
Cost and estimated earnings in excess of billings	1,387,935	182,730	33,833	1,079,539	**2,684,037**
			December 31, 2002		
Revenue	$164,891,166	$13,588,710	$6,704,769	$3,089,117	**$188,273,762**
Accounts receivables	40,062,425	4,593,792	109,598	1,445,872	**46,211,687**
Billings in excess of cost and estimated earnings	(1,201,276)	(142,281)	(27,860)	(20,066)	**(1,391,483)**
Advance from customers	-	-	-	(2,309)	**(2,309)**
Cost and estimated earnings in excess of billings	1,773,845	561,071	113,335	892,792	**3,341,043**

18.1.4 One customer accounted for 52%, 57% and 51% of the total revenues in 2000, 2001 and 2002 respectively. The revenues from this customer were across all the industry segments of the Company. Another customer in the Insurance industry segment accounted for 10%, 11% and 16% of the total revenues in 2000, 2001 and 2002 respectively.

19 Earnings per share

Particulars	2000	2001	2002
Net income	22,163,567	26,316,634	36,011,877
Less: Accretion in relation to redeemable common shares	509,392	2,694,613	9,752,506
Income available to common and redeemable common share holders	**21,654,175**	**23,622,021**	**26,259,371**
Weighted average number of common and redeemable common shares outstanding during the period	**90,693,934**	**93,735,000**	**99,059,168**
Basic and diluted earnings per share	$0.24	$0.25	$0.27

19.1.1 In accordance with SFAS No. 128, Earnings per Share, the accretion recorded through retained earnings due to the existence of the put option on the redeemable common shares, has been deducted from the net income to compute the income available to the common and redeemable common shareholders.

20 Related party transactions

20.1.1 The Company has various transactions with related parties, viz. PCS Industries Ltd. ('PCSIL'), PCS Cullinet, PCS Finance, Ashoka Computers, (affiliates), PCS International, a subsidiary of PCSIL, various companies of the GE group ('GE') which is a shareholder in Patni, directors of Patni and their relatives.

Revenues

20.1.2 Patni USA, sells computer hardware to PCSIL. Such sales during 2000, 2001 and 2002 amounted to $303,156, $93,160 and $64,242 respectively.

Expenses

20.1.3 Patni has taken certain residential properties under operating leases from certain affiliates and the Patni family. The rentals and other incidental charges paid for the same were $226,024, $235,424 and $273,636 in 2000, 2001 and 2002 respectively. Outstanding security deposits under the operating leases placed by Patni with affiliates and the Patni family at December 31, 2001 and 2002 were $270,643 and $271,094 respectively.

20.1.4 Patni has given donations to public charitable trusts, the trustees of which are certain directors of the Company and their relatives. The donations paid during 2000, 2001 and 2002 were $55,580, $53,062 and $51,536 respectively.

Due from affiliates

20.1.5 Patni placed two deposits with PCSIL during 1999 aggregating $921,234 and $643,363 carrying interest at the rate of 18% and 12% per annum respectively. During the year 2001, an additional deposit of $208,117 was placed with PCSIL carrying interest at the rate of 12% per annum. Interest earned on these deposits amounted to $87,148, $100,351 and $133,557 during 2000, 2001 and 2002 respectively. In December 2002, PCSIL has repaid these amounts in full together with accrued interest.

20.1.6 During the year 2000, Patni USA lent a sum of $4,700,000 to two of its shareholders secured by promissory notes. Interest on both loans accrued at 6.21%. Interest earned on these loans amounted to $235,523, $261,853 and $212,362 in 2000, 2001 and 2002 respectively. The terms of the loan required repayment of principal and accrued interest on December 31, 2002. However, in September 2002, these loans were repaid in full to Patni USA together with accrued interest.

Due from employees

20.1.7 Patni grants personal loans to employees and officers. Such loans are repayable in equal instalments over periods ranging from 6 - 60 months. The interest rate on these loans range from 0% to 10%. Loans outstanding at December 31, 2001 and 2002 were $216,232 and $127,129 respectively.

20.1.8 Patni USA grants personal loans to employees as well as advances to meet initial conveyance and living expenses. Such loans and advances are repayable over periods ranging upto 60 months and 6 months respectively. The interest rate on loans range from 0% to 10%. Balance outstanding of such loans and advances at December 31, 2001 and 2002 were $498,863 and $482,825 respectively.

20.1.9 Patni USA has also incurred certain expenses on behalf of its director. Amount receivable from the director at December 31, 2001 and 2002 was $22,215 and $97,542 respectively.

20.1.10 Patni has given an interest-free advance for educational purposes to an employee who is a shareholder's son. The advance outstanding at December 31, 2001 and 2002 was $32,876 and $16,466 respectively and is included in amounts due from employees. As per the terms of the advance, the employee is required after completion of his education, to continue with Patni for a period of five years and additional two years at Patni's option, failing which the advance is to be fully repaid to Patni. The employee joined Patni on September 1, 1998. Patni is amortising this advance by the straight-line method over a period of five years.

Transactions with the GE group

20.1.11 Patni USA and Patni UK sell software services to various companies of the GE group. Sales to GE during the year 2000, 2001 and 2002 amounted to $52,838,763, $80,919,347 and $95,482,937 respectively. This amounts to 52.2%, 56.8% and 50.7% of total revenue during year 2000, 2001 and 2002 respectively. Receivables from various GE companies at December 31, 2001 and 2002 amounted to $21,716,329 and $25,658,237 respectively. This amounts to 66.2% and 55.5% of total receivables as at December 31, 2001 and 2002 respectively.

20.1.12 GE charges Patni USA for data link connections. Data link charges for 2000, 2001 and 2002 amounted to $439,162, $690,601 and $543,558 respectively. Outstanding to GE at December 31, 2001 and 2002 on account of data link charges amounted to $70,829 and $80,322 respectively.

Guarantees

20.1.13 Patni has issued a counter guarantee on behalf of PCSIL of Rs.150,000,000 ($3,126,954) to a bank. The guarantee was issued on August 30, 1997 and is a continuing guarantee for the credit limits allowed by the bank to PCSIL. The amounts under this guarantee are payable on demand. Further, the guarantee provides that until the bank has been repaid all amounts due therein, Patni will take no steps to enforce any right or claim against PCSIL for any reimbursement in respect of amounts paid by it to the bank.

21 Commitments and contingent liabilities

21.1.1 The Company is obliged under a number of contracts relating to capital expenditure. Estimated amounts remaining to be executed on such contracts (net of advances), aggregated $1,609,823 at December 31, 2002.

21.1.2 Guarantees given by a bank on behalf of Patni amounted to Rs.10,223,054 ($213,113) and letters of credit issued by bank amounted to Rs.8,860,247 ($178,450).

22 Fair value of financial instruments

22.1.1 The fair value of the Company's current assets and current liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months. The fair value of capital lease obligations has been estimated by discounting cash flows based on current rate available to the Company for similar types of borrowing arrangements. The fair value and carrying value of capital lease obligations is set out below:

At December 31, 2002	Fair value	Carrying value
Capital lease obligations	$411,237	$410,617

23 Key subsequent events

Stock dividend

23.1.1 On August 30, 2003, Patni has effected a one for two stock split in the form of a stock dividend. All references in the consolidated financial statements to the number of shares and per share amounts of Patni's common stock have been retroactively restated to reflect the increased number of common shares outstanding resulting from this stock dividend. In line with legal requirements, the stock dividend will be recorded by capitalising amounts from additional paid-in capital representing the par value of shares to be issued, in the period of stock dividend.

Employee stock option plan

23.1.2 On 30 June, 2003, the shareholders of Patni approved an Employee Stock Option Plan titled 'Patni ESOP 2003' ('the Plan'). Under this Plan, upto 11,142,085 shares of the Company may be issued to eligible employees and directors. The Plan shall be administered by the Compensation Committee, which shall, in accordance with the Plan an applicable laws, determine the terms and conditions of the Employee Stock Options to be granted from time to time.

23.1.3 Pursuant to the Plan, in September 2003, Patni has granted stock options to its designated employees including employees of its subsidiaries.

Business acquisition

23.1.4 On April 17, 2003, Patni USA, acquired 100% equity interest in TRI which is engaged in providing IT services to clients in the financial services sector. The purchase price of $6,093,516 (including direct expenses of $113,516) has been paid in cash. Further, the purchase agreement provides for payment of additional consideration not exceeding $1,500,000 in cash through April 30, 2005, which is contingent upon achievement of the operating performance of the acquired business as specified in the agreement.

SECTION VIII : OTHER INFORMATION

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Offer; and (b) Book Running Lead Managers to the Offer, Co Book Running Lead Manager to the Offer and Syndicate Members, Escrow Collection Bank, Registrar to the Offer and Legal Advisors to the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Pune, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

Bharat S Raut & Co., chartered accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

KPMG, our U.S. GAAP accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

Bharat S. Raut & Co., chartered accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the RoC.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Changes in Auditors during the last three years

There have been no changes of the auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of resignation	Reasons for change
S. C. Bandi & Co.	March 10, 1978	January 29, 2001	—
Bharat S. Raut & Co.	March 1, 2001	N/A	—

Basis of Allotment or Allocation

A. For Retail Bidders

- Bids received from the Retail Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Offer Price.
- The Offer size less allocation to Non Institutional and QIB Bidders shall be available for allocation to Retail Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 4,681,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 4,681,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non Institutional Bidders will be made at the Offer Price.

- The Offer size less allocation to QIBs and Retail Portion shall be available for allocation to Non Institutional Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 2,808,600 Equity Shares at or above the Offer Price, full allocation shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,808,600 Equity Shares at or above the Offer Price, allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares. For the method of proportionate basis of allotment refer below.

The aggregate allocation to Retail and Non Institutional Bidders shall not exceed 7,489,600 Equity Shares.

C. For QIBs

- Bids received from the QIB Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Offer Price.
  - The Offer size less allocation to Non Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Offer at a price which is equal to or greater than the Offer Price.
  - The allocation would be decided by the Company in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.

The aggregate allocation to QIB Bidders shall not be less than 11,234,400 Equity Shares.

Method of Proportionate Basis of Allotment

In the event of the Offer being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalised by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Offer shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment/transfer shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted/transferred to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted/transferred to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 50 Equity Shares per Bidder, the transfer shall be made as follows:
   - Each successful Bidder shall be allotted/transferred a minimum of 50 Equity Shares; and
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted/transferred in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than 25 but is not a multiple of 50 (which is the marketable lot), the number in excess of the multiple of 50 would be rounded off to the higher multiple of 50 if that number is 25 or higher. If that number is lower than 25, it would be rounded off to the lower multiple of 50. All Bidders in such categories would be allotted/ transferred Equity Shares arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted/transferred to the Bidders in that category, the remaining Equity Shares available for allotment/transfer shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Offer

The expenses of this Offer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Offer expenses are as under:

Activity	Expense (Rs. million)
Lead management, underwriting and selling commission	130
Advertising budget	30
Printing and stationery	30
Others (Registrars fee, Legal fee, Listing fee, etc.)	10
Total estimated Offer expenses	200

All expenses with respect to the Offer would be borne by the Company.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the letter of appointment dated November 12, 2003 issued by our Company, a copy of which is available for inspection at our corporate office.

Fees Payable to the Co Book Running Lead Manager

The total fees payable to the Co Book Running Lead Manager will be as per the letter of appointment dated November 12, 2003 issued by our Company, a copy of which is available for inspection at our corporate office.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the letter of appointment dated November 12, 2003, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allotment advice by registered post.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in this Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

We have not made any previous rights and public issues except as stated in the section entitled “Capital Structure” on page 20 of this Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time, except as stated in the section entitled “Capital Structure” on page 20 of this Prospectus.

Issues otherwise than for Cash

Except as stated in the section entitled “Capital Structure” on page 20 of this Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Application in Offer

Equity Shares being offered through this Prospectus can be applied for in the dematerialized form only.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the present Fresh Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Fresh Issue nor is the Fresh Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus

Except as elsewhere stated in this Prospectus, we have not purchased any property in which any of our promoters and directors, have any direct or indirect interest in any payment made thereof.

Remuneration of CEO/Executive Directors

***Mr. Narendra K. Patni*, Chairman and CEO**

Mr. Narendra K. Patni is employed as the President and Chief Executive Officer of Patni Computer Systems, Inc., our U.S. subsidiary, for an initial term until December 31, 2008 ("Initial Term"). He has been seconded to the Company pursuant to the terms of a consultancy agreement between the Company and Patni Computer Systems, Inc. as our CEO. He has the option, exercisable six months prior to the end of the initial term, to extend his employment for an additional period of five years ("Extension Term"). The terms of employment of Mr. Narendra K. Patni as President and Chief Executive Officer of Patni Computer Systems, Inc. are as follows:

1. **Salary**

   Base Salary: US$500,000 (Rs.22.7 million) annually paid in 12 instalments with effect from December 1, 2000. After the first year of employment, this salary for each year shall be subject to an upward adjustment of 10% of the previous year's salary.

   Incentive compensation: Mr. Narendra K. Patni is eligible to participate in an incentive compensation plan, including ESOP, if permissible under applicable laws.

2. **Insurance**

   Mr. Narendra K. Patni is entitled to participate in all current and future benefit and insurance programs available to employees of Patni Computer Systems, Inc. Patni Computer Systems, Inc. will secure and pay for policies covering full and partial disability as well as provide full coverage for Mr. Narendra K. Patni and his family's medical and dental insurance and a travel and accident policy equal to two times the base salary.

3. **Automobile**

   Mr. Narendra K. Patni is entitled to a full coverage lease for two automobiles, with the cars being equivalent to those currently used by Mr. Narendra K. Patni and their future equivalents and the leases shall be for a term not to exceed three years unless otherwise agreed.

4. **Pension**

   Mr. Narendra K. Patni is eligible to participate in any employee or executive pension plans in effect or instituted by Patni Computer Systems, Inc.

5. **Vacation**

   Mr. Narendra K. Patni is entitled to take up to six weeks vacation per year for each year of Initial Term or Extension Term. Any vacation time not taken shall accrue and in the event of termination of the employment for any reason accrued vacation shall be paid to Mr. Narendra K. Patni.

6. **Retirement**

   Upon Mr. Narendra K. Patni's retirement from or the termination of his employment with Patni Computer Systems, Inc., Mr. Narendra K. Patni will be entitled to an amount of 50% of his last annual salary plus full medical and dental insurance coverage.

   In the event of Mr. Narendra K. Patni's death, prior to his own election of retirement from the Company the foregoing benefits shall commence to be paid to his surviving spouse until her death. The foregoing benefit shall not be alienable by Mr. Narendra K. Patni or his surviving spouse by assignment or any other method and shall not be subject to be taken by his creditors by any process whatsoever.

7. **Termination**

   Mr. Narendra K. Patni's employment with Patni Computer Systems, Inc. shall terminate upon the occurrence of any of the following:

i) The expiration of the Initial Term, provided Mr. Narendra K. Patni has not exercised his option to extend his employment for the Extension Term;

ii) Mr. Narendra K. Patni's demise;

iii) Permanent disability of Mr. Narendra K. Patni, whilst so employed;

iv) Termination of Mr. Narendra K. Patni's employment by the board of directors of Patni Computer Systems, Inc. during the Extension Term; or

v) The resignation of Mr. Narendra K. Patni due to unresolvable issues with the board of Patni Computer Systems, Inc.

***Mr. Gajendra K. Patni,* Executive Director**

It had been agreed between the Company, the Shareholders and Mr. Gajendra K. Patni that as from October 24, 2000 ("Effective Date") the terms and conditions of Mr. Gajendra K. Patni's employment would be subject to compliance with the provisions of the Company's Act and applicable laws and regulations and would be modified in the following manner:

1. Salary

Rs.500,000 per month with effect from the Effective Date. After the First Year, the Salary for each year of the First Term (as hereinafter defined in Clause 12) and the Second Term (as hereinafter defined in Clause 12) shall be subject to upward adjustment of 10% of the last year's Salary.

2. Housing

A. The expenditure on hiring furnished accommodation for Mr. Gajendra K. Patni will be Subject to a ceiling of 15% of the Salary.

B. Mr. Gajendra K. Patni shall be entitled to house allowance subject to a ceiling of 15% of the Salary.

C. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the provisions of Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 5% of the Salary of Mr. Gajendra K. Patni.

3. Medical Reimbursement

Expenses incurred for Mr. Gajendra K. Patni and his family, including premium for medical insurance as permissible from time to time.

4. Leave and Travel Allowance

Leave Travel Expenses for Mr. Gajendra K. Patni and his family, once in a year incurred in accordance with the rules of the Company.

5. Provident Fund

Contribution towards provident fund as per the rules of the Company.

6. Pension

The Company shall provide the following Retirement Benefits to Mr. Gajendra K. Patni or his surviving spouse.

A) On Mr. Gajendra K. Patni's retirement or the termination of his employment relationship with the Company, 50 % of Mr. Gajendra K. Patni's last Annual Salary (plus House Rent Allowance), payment to start when Mr. Gajendra K. Patni reaches the age of 65; and

B) Full Medical Insurance Coverage.

In the event of Mr. Gajendra K. Patni's death, prior to electing retirement from the Company or reaching the age of 65, the foregoing benefits shall commence to be paid to Mr. Gajendra K. Patni's surviving spouse until her death.

7. Gratuity

Gratuity as per the rules of the Company not exceeding half a month's Salary for each completed year of service.

8. Earned Leave

On full pay and allowances as per rules of the Company but not exceeding one month's leave for every eleven months of service. Leave accumulated shall be encashable at the end of the tenure.

9. Minimum Remuneration

In the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Gajendra K. Patni, the Board of Directors shall revise the remuneration payable to Mr. Gajendra K. Patni during such financial year in such manner as agreed to between the Board of Directors and Mr. Gajendra K. Patni and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

10. Incentive Compensation

Mr. Gajendra K. Patni shall be eligible to participate in any Incentive Compensation Plan including ESOP established by the Company for its Executive Directors, Directors and the Employees.

11. Other Terms

Mr. Gajendra K. Patni shall be provided with two cars for use for Company's business and telephone at residence.

Mr. Gajendra K. Patni shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred by him in the course of the Company's business.

Mr. Gajendra K. Patni so long as he functions as such he shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

12. Appointment

Mr. Gajendra K. Patni was appointed as Executive Director for 5 years from the Effective Date ("First Term"). This Term will be automatically renewed for a further period of 5 years ("Second Term"). The Board of Directors will have the option to terminate the appointment any time after the start of the Second Term.

It has been further agreed that Mr. Gajendra K. Patni will serve as Executive Director for the First Term during which his employment is not subject to termination.

13. Termination of Employment

This agreement shall be terminated on the occurrence of the following:

(i) On death while this Agreement is in effect.

(ii) Permanent disability while this Agreement is in effect.

(iii) Termination of the Executive Director by the Board of Directors during the Second Term of Appointment.

(iv) Resignation by the Executive Director due to irresolvable issues with the Board of Directors.

In the event of termination for any of the reasons specified above in (i), (ii), (iii), and (iv) Mr. Gajendra K. Patni shall receive as a lump sum Severance payment, a sum equal to 5 times the annual salary plus house rent allowance.

***Mr. Ashok K. Patni*, Executive Director**

It had been agreed between the Company, the Shareholders and Mr. Ashok K. Patni that as from October 24, 2000 ("Effective Date") the Terms and Conditions of Mr. Ashok K. Patni's employment would be subject to compliance with the provisions of the Company's Act and applicable laws and regulations and would be modified in the following manner:

1. Salary

Rs.500,000 per month with effect from the Effective Date. After the First Year, the Salary for each year of the First Term (as hereinafter defined in Clause 12) and the Second Term (as hereinafter defined in Clause 12) shall be subject to upward adjustment of 10 % of the last year's Salary.

2. Housing

A) The expenditure on hiring furnished accommodation for Mr. Ashok K. Patni will be subject to a ceiling of 15% of the Salary.

B) Mr. Ashok K. Patni shall be entitled to house allowance subject to a ceiling of 15% of the Salary.

C) The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the provisions of Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 5% of the Salary of Mr. Ashok K. Patni.

3. Medical Reimbursement

Expenses incurred for Mr. Ashok K. Patni and his family, including premium for medical insurance as permissible from time to time.

4. Leave and Travel Allowance

Leave Travel Expenses for Mr. Ashok K. Patni and his family, once in a year incurred in accordance with the rules of the Company.

5. Provident Fund

Contribution towards provident fund as per the rules of the Company.

6. Pension

The Company shall provide the following Retirement Benefits to Mr. Ashok K. Patni or his surviving spouse.

A) On Mr. Ashok K. Patni's retirement or the termination of his employment relationship with the Company, 50% of Mr. Ashok K. Patni's last Annual Salary (plus House Rent Allowance), payment to start when Mr. Ashok K. Patni reaches the age of 65; and

B) Full Medical Insurance Coverage

In the event of Mr. Ashok K. Patni's death, prior to electing retirement from the Company or reaching the age of 65, the foregoing benefits shall commence to be paid to Mr. Ashok K. Patni's spouse until her death.

7. Gratuity

Gratuity as per the rules of the Company not exceeding half a month's Salary for each completed year of service.

8. Earned Leave

On full pay and allowances as per rules of the Company but not exceeding one month's leave for every eleven months of service. Leave accumulated shall be encashable at the end of the tenure.

9. Minimum Remuneration

In the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Ashok K. Patni, the Board of Directors shall revise the remuneration payable to Mr. Ashok K. Patni during such financial year in such manner as agreed to between the Board of Directors and Mr. Ashok K. Patni and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

10. Incentive Compensation

Mr. Ashok K. Patni shall be eligible to participate in any Incentive Compensation Plan including ESOP established by the Company for its Executive Directors, Directors and the Employees.

11. Other Terms

Mr. Ashok K. Patni shall be provided with two cars for use for Company's business and telephone at residence.

Mr. Ashok K. Patni shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred by him in the course of the Company's Business.

Mr. Ashok K. Patni so long as he functions as such he shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

12. Appointment

Mr. Ashok K. Patni would be appointed as Executive Director for 5 years from the Effective Date ("First Term"). This Term will be automatically renewed for a further period of 5 years ("Second Term"). The Board of Directors will have the option to terminate the appointment any time after the start of the Second Term.

It has been further agreed that Mr. Ashok K. Patni will serve as Executive Director for the First Term during which his employment is not subject to termination.

13. Termination of Employment

This agreement shall be terminated on the occurrence of the following:

(i) On death while this Agreement is in effect

(ii) Permanent disability while this Agreement is in effect.

(iii) Termination of the Executive Director by the Board of Directors during the Second Term of Appointment.

(iv) Resignation by the Executive Director due to irresolvable issues with the Board of Directors.

In the event of termination for any of the reasons specified above in (i), (ii), (iii), and (iv) Mr. Ashok K. Patni shall receive as a lump sum Severance payment, a sum equal to 5 times the annual salary plus house rent allowance.

Revaluation of Assets

We have not revalued any of our assets since our inception, except on January 1, 1995, land and building were revalued from Rs.11.4 million to Rs.142.9 million, thereby creating a revaluation reserve of Rs.131.5 million. Out of this reserve, Rs.81.4 million was reversed on January 1, 1999 pursuant to a Scheme of Reconstruction. As per the Scheme of Reconstruction, the Company had hived-off specified non-core business assets of the Company, i.e. investments and properties to three transferee companies viz. Ashoka Computer Systems Private Limited, PCS Finance Private Limited (then PCS Finance Ltd.) and PCS Cullinet Private Limited with effect from January 1, 1999. The Honourable Bombay High Court approved the Scheme of Reconstruction on November 22, 1999. Consequently, an amount of Rs.81.4 million representing revaluation reserve on buildings transferred to the three transferee companies was reversed and credited to the respective building accounts.

Classes of Shares

Our authorised capital is Rs.500 million, which is divided into 250 million Equity Shares of Rs.2 each.

Payment or Benefit to Promoters or Officers of our Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our promoter or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF PATNI COMPUTER SYSTEMS LIMITED

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Patni relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below:

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act I of 1956) shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Article 3 provides that:

(a) The Authorised Share Capital of the Company is Rs.50,00,00,000 (Rupees Fifty crores only) divided into 25,00,00,000 Equity Shares of Rs. 2 (Rupees Two) each with the rights, privileges, and conditions attaching thereto as are provided by these Articles. The Company has power from time to time to increase or reduce its capital and divide the Equity Shares in the original or increased capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with these Articles of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by these Articles.

(b) All of the provisions of these Articles shall apply to all of the holders of Equity Shares now owned or which may be issued or transferred hereafter to a Shareholder or a Member.

ADR FACILITY

Article 4 provides the following:

(a) GA ADRs.

GA represents and warrants and the other Shareholders have acknowledged as follows:

(i) All references in these Articles to the Subscribed Shares (as defined in the GA Share Subscription Agreement) shall be deemed to include the Subscribed Shares beneficially owned by GA and its Affiliates and held on behalf of GA and its Affiliates in the ADR Facility, (B) the provisions of these Articles that apply to Subscribed Shares also apply equally to any and all Subscribed Shares beneficially owned by GA and its Affiliates and held on their behalf in the ADR Facility, (C) GA and its Affiliates shall exercise their voting rights relating to the Subscribed Shares, and shall direct the Depository Bank to exercise such voting rights on their behalf only in accordance with these Articles and as directed by GA or a nominee Director of GA (who will do so in accordance with these Articles), and (D) GA and its Affiliates will comply with all other restrictions and obligations set forth herein in all cases as if GA held the Subscribed Shares directly.

(ii) Subject to Indian Requirements of Law, if a GA Group Shareholder elects, Equity Shares held by that GA Group Shareholder at any time or any further Equity Shares that are issued or issuable or acquired by any GA Group Shareholder, shall be transferred or issued (as the case may be) to the Depository Bank and held by the Depository Bank under the Deposit Agreement, provided that ADRs in respect of such Equity Shares are issued to GA or its Affiliates.

(iii) Subject to applicable Requirements of Law, each of GA and its Affiliates, if they hold ADRs, may at any time withdraw part or all of the Equity Shares held by the Depository Bank on its behalf without any restriction and may hold such Equity Shares directly, in accordance with the terms contained in these Articles.

(iv) The Company and each Shareholder shall as soon as reasonably practicable make such decisions, provide assistance and pass such resolutions, subject to Indian Requirements of Law, as are necessary or prudent for the establishment and maintenance of the ADR Facility, the issuance of the ADRs pursuant to the Deposit Agreement or the exchange of Equity Shares for ADRs or of ADRs for Equity Shares. The Company shall in accordance with the Deposit Agreement maintain the ADR Facility.

(b) **Patni ADRs.** If at any time, it becomes permissible under Indian Requirements of Law for a Patni Group Shareholder to hold ADRs then that Patni Group Shareholder may elect to deposit any existing issued Equity Shares held by such person in the ADR Facility in return for the issuance of ADRs to that Patni Group Shareholder; provided that, the Patni Group Shareholder first enter into an undertaking with the Company and the other Shareholders on equivalent terms to the Depository Undertaking and otherwise is subject to Article 4(a) in the same manner as GA and all restrictions in these Articles as if it held the Equity Shares so deposited directly, save and except that the Depository Bank will exercise the voting rights relating to such Equity Shares of such Patni Group Shareholder in accordance with the directions of the respective Patni Group or the respective Patni Group Shareholder's nominee Director.

(c) **Other ADRs.** Subject to Indian Requirements of Law any Member may, at any time and from time to time, elect to deposit any existing issued Equity Shares held by such Member in the ADR Facility in return for the issuance of ADRs to that such Member and the Company shall procure such arrangement at the request of such Member; provided that such Member first enter into an undertaking with the Company and the other Shareholders on equivalent terms to the Depository Undertaking and otherwise is subject to Article 4(a) in the same manner as GA and all restrictions in these Articles as if it held the Equity Shares so deposited directly, save and except that the Depository Bank will exercise the voting rights relating to such Equity Shares of such Members in accordance with the directions of such Members.

POWER OF COMPANY TO PURCHASE ITS OWN SHARES

Article 7 provides that:

Pursuant to a Resolution of the Board of Directors, the Company may purchase its own Shares by way of a buy-back arrangement, in accordance with Section 77A of the Act and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998.

COVENANTS OF THE PROMOTER GROUP

Article 11 provides that:

(a) As long as GA itself holds at least 5% of the Equity Shares save and except for the Promoter Group's interest and participation in PCS Industries Limited and Patni (U.S.A.) and their Subsidiaries, no member of the Promoter Group shall, without the prior written consent of GA, till the first anniversary of the IPO, promote and participate in any other company or firm engaged directly or indirectly in a business competing with the Company Business as proprietor, partner or shareholder (unless such share of profit or shareholding is less than 5%) without the prior written consent of GA.

(b) In the event that any member of the Promoter Group voluntarily sells its entire shareholding in the Company in accordance with these Articles, then the concerned member of the Promoter Group shall execute a non-competition and non-solicitation agreement with the Company in a mutually agreed form and which agreement shall cease one year after the completion of the sale of such Equity Shares by such member of the Promoter Group.

(c) Notwithstanding Article 11(a) and Article 11(b), the restraints on participation and competition as placed upon the members of the Promoter Group will not apply and be enforceable at the earlier of, either (i) the GA Group ceasing to hold 5% of the Equity Shares or (ii) 14th July 2005.

(d) Notwithstanding anything stated in Articles 11(a) to 11(c), no member of the Promoter Group shall (i) directly or indirectly, employ or solicit the employment of any of the employees of the Company or any of its Affiliates and (ii) directly or indirectly solicit the business of any of the clients of the Company or any of its Affiliates. The restrictions stated in (i) and (ii) of this Article 11(d) shall remain effective for a period of one year after such member of the Promoter Group promotes and participates in any other company or firm engaged directly or indirectly in a business competing with the Company's Business as proprietor, partner or shareholder (unless such share of profit or shareholding is less than 5%) without the written consent of GA. Notwithstanding anything contained in this Article 11(d) such member of the Promoter Group shall execute a non-solicitation agreement with the Company in a mutually agreed form which agreement shall contain clauses that are customary for such agreement.

(e) So long as the NKP Group holds 5% of the Equity Shares of the Company, the NKP Group (other than iSolutions Inc.) shall be solely (i) entitled to exercise or direct the exercise of a majority of the voting rights of the shareholders of iSolutions Inc.; (ii) entitled to appoint and remove or direct the appointment and removal of all directors of iSolutions Inc. and (iii) exercise or direct the exercise of all the voting rights by all members of the board of directors of iSolutions Inc. If the NKP Group (other than iSolutions Inc.) for any reason ceases to or fails to be solely entitled to exercise their rights as stipulated in this Article 11(e), thereupon the NKP Group will forthwith not be entitled to exercise any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36 and which rights will stand automatically and absolutely revoked. If despite this covenant the NKP Group still seeks to continue to exercise any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36, the majority of Directors of the other Groups (other than the NKP Nominee) shall be entitled to obtain on behalf of the Company the opinion of an independent Counsel of their choice whether the NKP Group has adhered to its undertakings. The NKP Group will fully and fairly disclose or cause to be disclosed all facts and particulars as such Counsel may require for rendering his opinion. Such opinion will be binding upon the NKP Group. Upon the Company furnishing the same to the NKP Group, the NKP Group will thereafter be absolutely barred from exercising any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36. The NKP Group further covenants and agrees that the NKP Group and the NKP Nominee will be liable to the Company for the exercise by the NKP Group and/or the NKP Nominee of any rights in breach of this covenant.

(f) Each member of the Promoter Group jointly and severally covenants and undertakes that they shall cause the Company to give effect to the terms and conditions of the Agreement, the Registration Rights Agreement, and the Consultancy Agreement.

COVENANTS OF THE SHAREHOLDERS AND MEMBERS

Article 12 provides that:

(1) Each Shareholder covenant that they shall vote all the Equity Shares owned or held of record by such Shareholder, and shall otherwise use their reasonable efforts to cause the Company and its nominee Directors to take all corporate action necessary:

- (a) to effect the provisions contained in these Articles.
- (b) to cause the Company to give effect to these Articles, the Registration Rights Agreement, the Depository Undertaking, the Deposit Agreement, and the Consultancy Agreement, to which the Company is a party.

(2) Each Member shall vote all the Equity Shares owned or held of record by such Member at any Annual or Extraordinary General Meeting of the Members of the Company in accordance with its obligations under these Articles. The Members shall not pass any Resolution or take any decision which is contrary to any of the terms of the Articles.

(3) Any Shareholder who holds ADRs, shall direct the Depository Bank to exercise voting rights relating to such corresponding Equity Shares of the Company, only in accordance with the directions of that Shareholder or the respective nominee Director of the Group to which such Shareholder belongs (and which nominee Director will do so in accordance with these Articles) and any Member who holds ADRs, shall direct the Depository Bank to exercise voting rights relating to such corresponding Equity Shares of the Company, in accordance with the directions of the Members who hold such ADRs

COVENANTS OF GA

Article 13 provides that:

(1) So long as the GA Group holds 5% of the Equity Shares of the Company, (A) GAP LLC shall be solely (i) entitled to exercise or direct the exercise of a majority of the voting rights of the shareholders of GA and its Affiliates that hold Shares; (ii) entitled to appoint and remove or direct the appointment and removal of all directors of GA and its Affiliates that hold Shares and (iii) exercise or direct the exercise of all the voting rights by all members of the board of directors of GA and its Affiliates that holds Shares in the Company. If GAP LLC for any reason ceases to or fails to be solely entitled to exercise their rights as stipulated in this Article 13(1), thereupon GA and its Affiliates will forthwith not be entitled to exercise any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36 and which rights will stand automatically and absolutely revoked. If despite this covenant GA and/or any Affiliate still seeks to continue to exercise any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36, the majority of Directors of the other Groups (other than GA Nominee) shall be entitled to obtain on behalf of the Company the opinion of an independent Counsel of their choice whether GAP LLC has adhered to its undertakings. GA and its Affiliates will fully and fairly disclose or cause to be disclosed all facts and particulars as such Counsel may require for rendering his opinion. Such opinion will be binding upon GA, its Affiliates, the GA Group, the GA Nominee and GAP LLC. Upon the Company furnishing the same to GA, GA and its Affiliates will thereafter be absolutely barred from exercising any rights pursuant to Articles 21(i), 23(b),(c),(d),(e) and (f), 24, 35 and 36. GA further covenants and agrees that GA and GAP LLC will be liable to the Company for the exercise by GA and/or the GA Nominee of any rights in breach of this covenant. GA will ensure that its Affiliates, the GA Nominee, the GA Group and GAP LLC abide by the terms contained in this covenant.

(2) GA covenants and undertakes that it shall use all reasonable efforts to cause the Company to give effect to the terms and conditions of the Agreement, the Depository Undertaking, the Registration Rights Agreement, the Deposit Agreement, and the Consultancy Agreement.

TRANSFER AND TRANSMISSION OF SHARES

Article 17 provides that:

(a) The Company shall keep a "Register of Transfers" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any Share and Debenture held in material form.

(b) Every instrument of transfer of Shares shall be in writing in the usual common form or in such form as may be prescribed under Section 108 of the Act and shall be delivered to the Company within such time as may be prescribed under the Act.

(c) (1) An application for the registration of a transfer of the Shares in the Company may be made either by the transferor or the transferee.

(2) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(d) Every such instrument of transfer shall be executed both by the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof.

(e) The Board shall have power on giving not less than seven days previous notice by advertisement in a newspaper circulating in the city, town or village in which the Registered Office of the Company is situated to close the transfer books, the Register of Members and/or Register of Debenture-holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as to it may seem expedient.

(f) Subject to the provisions of Section 111A of the Act, or any statutory modification of the said provisions for the time being in force, the Board may, at its own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of Shares and in particular may so decline in any case in which the Company has a lien upon the Shares or any of them or whilst any moneys in respect of the Shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Board and such refusal shall not be affected by the fact that the proposed transferee is already a Member. But in such cases it shall, within 1 month from the date on which the instrument of transfer was lodged with the Company send to the transferee and the transferor notice of refusal to register such transfer. The registration of a transfer shall be conclusive evidence of the approval of the Board of the transferee.

Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other Person or Persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

(g) Subject to the provisions of the Act and these Articles, the Directors shall have the absolute and uncontrolled discretion to refuse to register a Person entitled by transmission to any Shares or his nominee as if he were the transferee named in any ordinary transfer presented for registration, and shall not be bound to give any reason for such refusal and in particular may also decline in respect of Shares upon which the Company has a lien.

(h) Transfer of Shares in whatever lot should not be refused, though there would be no objection to the Company refusing to split a share certificate into several scrips of any small denominations or to consider a proposal for transfer of Shares comprised in a share certificate to several Members, involving such splitting, if on the face of it such splitting/transfer appears to be unreasonable or without a genuine need. The Company should not, therefore, refuse transfer of Shares in violation of the stock exchange listing requirements on the ground that the number of Shares to be transferred is less than any specified number.

(i) In the case of the death of any one or more of the Persons named in the Register of Members as the joint-holders of any Share, the survivors shall be the only Person or Persons recognised by the Company as having any title to or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on Shares held by him jointly with any other Person.

(j) The Executors or Administrators or holder of the Succession Certificate or the Legal Representatives of a deceased Member, (not being one of two or more joint-holders), shall be the only Persons recognised by the Company as having any title to the Shares registered in the name of such Member, and the Company shall not be bound to recognise such Executors or Administrators or holders of Succession Certificate or the Legal Representatives unless such Executors or Administrators or Legal Representatives shall have first obtained Probate or Letters of Administration or Succession Certificate, as the case may be, from a duly constituted court in the Union of India, provided that the Board may in its absolute discretion dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnify or otherwise as the Board may in its absolute discretion deem fit and may under Article 17(l) of these Articles register the name of any Person who claims to be absolutely entitled to the Shares standing in the name of a deceased Member, as a Member.

(k) The Board shall not knowingly issue or register a transfer of any share to a minor or insolvent or Person of unsound mind.

(l) Subject to the provisions of Articles 17(i) and 17(j), any Person becoming entitled to Shares in consequence of the death, lunacy, bankruptcy of any Shareholder or Member, or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board, (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article, or of his title, as the Board thinks sufficient, either be registered himself as the holder of the Shares or elect to have some Person nominated by him and approved by the Board, registered as such holder; provided nevertheless, that if such Person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the Shares.

(m) A Person entitled to a Share by transfer or transmission may, until the Board otherwise determines as provided by Article 51(g) of these Articles, receive and give discharge for any Dividends, bonuses or other moneys payable in respect of the Share, but he shall not be entitled to vote at meetings of the Company save as provided by Article 22(g) of these Articles or save as aforesaid and save as provided by Section 51 and 53 of the Act to any of the rights and privileges of a Member, unless and until he shall have become a Member in respect of the Shares.

(n) Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

(o) In case of transfer and transmission of Shares or other marketable securities where the Company has not issued any certificates and where such Shares or securities are being held in any electronic and fungible form in a Depository, the provision of the Depositories Act, 1996 shall apply.

(p) Before the registration of a transfer, the certificate or certificates of the Share or Shares to be transferred must be delivered to the Company along with (save as provided in Section 108 of the Act), a properly stamped and executed instrument of transfer.

(q) No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

(r) The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof, (as shown or appearing in the Register of Members), to the prejudice of a Person or Persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had any notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice, and give effect thereto if the Board shall so think fit.

(s) The provision of these Articles shall *mutatis mutandis* apply to the transfer or transmission by operation of law of the right to Equity Share Equivalents of the Company.

MEETING OF MEMBERS

Article 21 *inter alia* provides that:

(i) (a) Five Members present in person or by proxy who shall include atleast one of the duly authorised representatives of, GA, the NKP Group, the GKP Group and the AKP Group presence shall be required to form a quorum for a General Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with section 187 of the Act.

(b) Notwithstanding what is stated in Article 21(i)(a) above, any Shareholder may by notice in writing waive the requirement of the presence of its representative for the purpose of constituting a valid quorum in respect of General Meeting.

BOARD OF DIRECTORS

Article 23 provides that:

(a) Until otherwise determined by the Company in a General Meeting and subject to Section 252 of the Act, the number of Directors (excluding Debenture Directors and Alternate Directors) shall not be less than three nor more than ten.

(b) So long as:

(i) the AKP Group, in aggregate, holds not less than 5% of the Equity Shares, the AKP Group shall be entitled to appoint one permanent Director on the Board of Directors of the Company (the "AKP Nominee");

(ii) the GKP Group, in aggregate, holds not less than 5% of the Equity Shares, the GKP Group shall be entitled to appoint one permanent Director on the Board of Directors of the Company (the "GKP Nominee");

(iii) the NKP Group, in aggregate, holds not less than 5% of the Equity Shares, the NKP Group shall be entitled to appoint one permanent Director on the Board of Directors of the Company (the "NKP Nominee"); and

(iv) the GA Group, in aggregate, holds not less than 5% of the Equity Shares, GA shall be entitled to appoint one director on the Board of Directors of the Company (the "GA Nominee") and each of the other Shareholders undertakes to vote in favour of such nominee for election or re-election to the Board of Directors;

(c) Three of the members of the Board shall be permanent Directors and of whom one will be the AKP Nominee, the GKP Nominee and, the NKP Nominee (collectively referred to as the "Promoter Nominees" and individually as a "Promoter Nominee"). The GA Nominee Director will be a rotating Director. If a nominee Director of a Group retires, resigns, is removed or otherwise vacates office at any time then, subject to Article 23(b) that Group shall be entitled to nominate one replacement Director upon the retirement, removal or resignation of their nominee Director and each of the other Shareholders hereby undertake to vote in favour of the appointment of such nominee Director.

(d) Four non-permanent independent Directors shall be appointed as follows: each of the Promoter Nominees and the GA Nominee shall propose the names of one candidate who is willing to act in the capacity of an independent director on the Board. Within a period of 10 days after the proposal of such names, each of the Promoter Nominees, and the GA Nominee shall seek to unanimously appoint such Persons as the 4 independent Directors of the Company for such term as shall be decided by the Board. If unanimous consent is not forthcoming within the aforementioned period, as regards a Person or Persons proposed as an independent director, the director or directors proposing such Person may propose another Person to act in the capacity of an independent director on the Board of Directors. The Shareholders and all the Directors shall thereupon within 5 days of the receipt of such proposal ensure the passage of the necessary Resolutions to appoint such Person as an independent Director to the Board of Directors. It is agreed by all the Shareholders and their nominee directors that if any of the aforesaid 4 independent directors retire or resign or if any vacancy arises for any other reason, all of the Shareholders agree that such vacancy shall be filled in accordance with the procedure set out in this Article 23(d) commencing as from the date of such vacancy.

(e) Provided that the AKP Group, the GKP Group, the NKP Group, and GA's right to propose the names of Directors under Article 23(d) shall be subject to reduction as follows:

(1) each of the AKP Group, the GKP Group, the NKP Group, and GA shall not be entitled to propose the names of any Directors under Article 23(d) if the respective Group holds less than 5% of the Equity Shares of the Company and

(2) If any of the AKP Group, the GKP Group, the NKP Group, and GA are no longer entitled to propose the names of Directors under Article 23(e)(1), hereinabove, the AKP Group, the GKP Group, the NKP Group, and GA acknowledge and agree on behalf of themselves and their nominee Directors that such Directors (to the extent the size of the Board of Directors is not reduced) shall be appointed by the majority of the Board for such term as may be determined by the Board.

(f) Notwithstanding anything contained in these Articles, the Shareholders shall vote in favour of necessary amendments to these Articles and if such Resolution is passed to resolve to change the composition of the Board prior to a US Listing: (a) to comply with any US Requirement of Law relating to that US Listing based on an advice of the Company's US counsel given to the Board and which is accepted by the Board or (b) if a majority of the members of the Board (which shall include any three of the nominee Directors representing the AKP Group, the GKP Group, the NKP Group and GA) propose a change in the Board's composition as a result of advice from the lead underwriter that unless a change is effected to the composition of the Board, its composition would have an adverse effect on the US Listing.

(g) Mr. N.K. Patni shall be and shall continue as permanent Chairman of the Board, and each of the AKP Group, the GKP Group, the NKP Group, and the GA Group and their respective nominee Directors shall vote in favour of Mr. N.K. Patni as the Chairman of the Board and the Company. The Shareholders shall cause the Company and the Company shall not cancel the Consultancy Agreement except in accordance with the termination provisions therein. The Shareholders shall further ensure that they and their nominee Directors will act and continue to act in accordance with the aforementioned Consultancy Agreement and to ensure the continued secondment of Mr. N.K. Patni, the President of Patni (U.S.A), as the CEO of the Company. Each of the AKP Group, the GKP Group, the NKP Group, and the GA Group, and their respective nominee Directors will further ensure through the Company, that neither Patni (USA) nor any of its Directors will amend, modify or terminate the terms of Mr. N.K Patni's contract with Patni (USA), except in accordance with the terms of such contract. So long as Patni (USA)'s Consultancy Agreement with the Company continues, Mr. N. K. Patni shall continue to be the CEO of the Company. The Chairman shall preside at all meetings of the Board and the Company. In the absence of Mr. N.K. Patni at any meeting of the Board, the GA Nominee shall preside at such meeting as the Chairman. The Chairman shall have a casting vote in the event of a tied vote.

(h) If for any reason Mr. N.K. Patni is unable to continue as the Chairman, the members of the Board of Directors shall appoint the Chairman.

(i) The Shareholders shall continue to exercise their voting rights as shareholders of the Company and cause their respective nominee Directors on the Board of Directors of the Company to exercise their voting rights to ensure that these Articles are implemented and acted upon by the Shareholders, and by the Company and to prevent the taking of any action by the Company or by any Shareholder or any of their nominee Directors, which is contrary to or with a view or intention to evade or defeat the terms as contained in these Articles.

(j) The nominee Directors of the AKP Group, the GKP Group, the NKP Group, and GA, as the case may be, shall hold office at the pleasure of the AKP Group, the GKP Group, the NKP Group, and GA, as the case may be, and be subject to removal by the AKP Group, the GKP Group, the NKP Group, and GA, as the case may be. Each of the AKP Group, the GKP Group, the NKP Group, and GA and all the Shareholders hereby agree that, at any time they are entitled to vote for the appointment or removal of directors, they will vote in favour of the election of, and will not vote in favour of the removal of any nominees of any othersuch Group unless such removal shall be either at the request of such Group that designated such nominee for election to the Board of Directors or by reason of Section 283 of the Act. If required by the nominating Group, all of the other Shareholders agree to vote for the election as well as the removal, as the case may be, of a Director nominated by the AKP Group, the GKP Group, the NKP Group, and GA, as the case may be. As and when there is a vacancy on the Board of the Company for any cause or reason out of the Directors nominated, such vacancy shall, subject to Article 23(b), be filled by the AKP Group, the GKP Group, the NKP Group, and GA, as the case may be, whose nominee Director has vacated office.

(k) In respect of each committee of the Board of Directors, GA is entitled to nominate one of the members to each of the audit and compensation committees and such other committees, so long as GA holds 5% or more of the Equity Shares.

(l) No individual shall be appointed to the board of directors of any Subsidiary unless such appointment has been recommended by the Board of Directors. The Company will circulate the minutes of the meetings of all Subsidiaries to the members of the Board of Directors.

NO QUALIFICATION SHARES FOR DIRECTORS

Article 27 provides that:

A Director shall not be required to hold any qualification shares.

REMUNERATION OF DIRECTORS

Article 28 provides that:

(1) The remuneration payable to each Director for every Meeting of the Board or Committee of the Board attended by them shall be such sum as may be determined by the Board from time to time within the maximum limits prescribed from time to time by the Central Government pursuant to the first proviso to Section 310 of the Act.

(2) The terms, conditions and remuneration of Mr. G. K. Patni and Mr. A. K. Patni, as Executive Directors of the Company are in accordance with Schedule I hereto,

TRAVEL EXPENSES OF DIRECTORS

Article 29 provides that:

The Board shall pay to or on behalf of any Director such sums incurred for travelling, boarding, lodging and other expenses incurred for the purpose of attending Board Meetings / committee meetings in addition to his fee for attending such meetings as above specified and if any Director be called upon to go or reside out of town where he normally resides or to go abroad on the Company's business he shall be entitled to be repaid and reimbursed travelling and other expenses incurred in connection with the business of the Company.

QUORUM

Article 35 provides that:

Subject to Section 287 of the Act, the quorum for a Meeting of the Board shall be the presence of at least four (4) Directors which must include at least one nominee Director (or his or her alternate) of each of the AKP Group, the GKP Group, the NKP Group, and GA (unless the absent nominee Director consents in writing to a quorum requirement being satisfied despite his or her absence).

Provided that where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested, present at the Meeting being not less than two, shall be the quorum during such time.

Articles 36 provides that:

(a) If any duly convened Board meeting cannot be held for want of a Quorum, in terms of Article 35 above then such a meeting shall automatically stand adjourned for 7 days after the original meeting to the same time and place, or if that day is a Public Holiday, on the next succeeding day which is not a Public Holiday to the same time and place.

(b) Provided however, the adjourned meeting may be held on such other date and such other place as may be unanimously agreed by a nominee Director of each of the AKP Group, GKP Group, NKP Group and GA.

(c) If in the event of a Quorum once again not being available at such an adjourned meeting, the Directors present shall constitute the Quorum.

POWERS OF THE BOARD

Article 38 provides that, Subject to the provisions of the Act and these Articles:

(a) The Board of Directors shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do,

(b) The Board of Directors is vested with the entire management and control of the Company, including as regards any and all decisions and resolutions to be passed, for and on behalf of the Company, and

(c) All the members of the Board of Directors shall be entitled to inspect the books and papers of the Company and / or cause inquiries to be made about the business affairs and operations of the Company in a manner as decided by the Board from time to time.

GENERAL POWERS OF THE BOARD

Article 45 provides that:

The Board of Directors of the Company shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorised to exercise and do.

POWERS OF MANAGEMENT

Article 48 provides that:

The officers of the Company shall be responsible for the implementation of the decisions of the Board of Directors and be subject to the authority and direction of the Board of Directors and shall conduct the day to day business of the Company.

DIVIDENDS

Article 51 provides that:

(a) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by the Memorandum or these Articles and subject to the provisions of these Articles shall be divisible among the Members in proportion to the amount of capital Paid-up or credited as Paid-up and to the period during the year for which the capital is Paid-up on the Shares held by them respectively. Provided always that, (subject as aforesaid), any capital Paid-up on a Share during the period in respect of which a Dividend is declared, shall unless the Directors otherwise determine, only entitle the holder of such Share to an apportioned amount of such Dividend as from the date of payment.

(b) Subject to the provisions of Section 205 of the Companies Act, 1956 the Company in General Meeting may declare Dividends, to be paid to Members according to their respective rights and interest in the profits but no Dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller Dividend, and may fix the time for payments not exceeding 30 days from the declaration thereof.

(c) (i) No Dividend shall be declared or paid otherwise than out of profits of the Financial Year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous Financial Year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both provided that: -

(x) if the Company has not provided for depreciation for any previous Financial Year or years it shall, before declaring or paying a Dividend for any Financial Year provide for such depreciation out of the profits of that Financial Year or out of the profits of any other previous Financial Year or years,

(y) if the Company has incurred any loss in any previous Financial Year or years, the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the Dividend is proposed to be declared or paid or against the profits of the Company for any previous Financial Year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

(ii) The declaration of the Board as to the amount of the net profits shall be conclusive.

(d) The Board may from time to time, pay to the Members such Interim Dividend as in their judgment the position of the Company justifies.

(e) Where capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest, confer a right to participate in profits or Dividend.

(f) (i) Subject to the rights of Persons, if any, entitled to Shares with special rights as to Dividend, all Dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof Dividend is paid but if and so long as nothing is Paid upon any Shares in the Company, Dividends may be declared and paid according to the amounts of the Shares.

(ii) No amount paid or credited as paid on Shares in advance of calls shall be treated for the purpose of this regulation as paid on Shares.

(iii) All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the Dividend is paid, but if any Shares are issued on terms providing that it shall rank for Dividend as from a particular date such Shares shall rank for Dividend accordingly.

(g) Subject to the provisions of the Act, the Board may retain the Dividends payable upon Shares in respect of which any Person is, under Article 17(m) of the Articles entitled to become a Member, or which any Person under that Article is entitled to transfer, until such Person shall become a Member, in respect of such Shares or shall duly transfer the same.

(h) Any one of several Persons who are registered as the joint-holders of any Share may give effectual receipts for all Dividends or bonus and payments on account of Dividends or bonus or sale proceeds of fractional certificates or other moneys payable in respect of such Shares.

(i) Subject to the provisions of the Act, no Member shall be entitled to receive payment of any interest or Dividends in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares or otherwise, howsoever, either alone or jointly with any other Person or Persons and the Board may deduct from the interest or Dividend payable to any Member all sums of money so due from him to the Company.

(j) A transfer of Shares shall not pass the right to any Dividend declared thereon before the registration of the transfer.

(k) Unless otherwise directed any Dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or Person entitled or in case of joint-holders to that one of them first named in the Register of Members in respect of the joint-holding. Every such cheque or warrant shall be made payable to the order of the Person to whom it is sent and in case of joint-holders to that one of them first named in the Register of Members in respect of the joint-holding. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any Dividend lost to the Member or Person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature on any pay slip or receipt of the fraudulent recovery of the Dividend by any other means. If two or more Persons are registered as joint-holders of any Share or Shares any one of them can give effectual receipts for any moneys payable in respect thereof. Several Executors or Administrators of a deceased Member in whose sole name any Share stands, shall for the purposes of this clause be deemed to be joint-holders thereof.

(l) No unpaid Dividend shall bear interest as against the Company.

(m) Any General Meeting declaring a Dividend may on the recommendation of the Board, make a call on the Members of such amount as the Meeting fixes, but so that the call on each Member shall not exceed the Dividend payable to him, and so that the call be made payable at the same time as the Dividend; and the Dividend may, if so arranged between the Company and the Members, be set-off against the calls.

CAPITALISATION OF PROFITS

Article 52 states that the Company in General Meeting may, upon the recommendation of the Board, resolve:

(i) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and

(ii) that such sum be accordingly set free from distribution in the manner specified herein below in clause (iii) amongst the Members who would have been entitled thereto, if distributed by way of Dividends and in the same proportions.

(iii) The sum aforesaid shall not be paid in cash but shall be applied either in or towards:

(a) paying up any amounts for the time being unpaid on any Equity Shares held by such Members respectively;

(b) paying up in full, un-issued Equity Shares of the Company to be allotted and distributed, credited as fully Paid up, to and amongst such members in the proportions aforesaid; or

(c) partly in the way specified in sub-clause (a) and partly in the way specified in sub-clause (b).

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 58 provides that:

(a) The Members shall vote all the Shares owned or held of record by such Members at any Annual or Extraordinary General Meeting of the Company in accordance with these Articles.

(b) The Members shall not pass any resolution or take any decision which is contrary to any of the terms of these Articles.

(c) The Articles of the Company shall not be amended unless Members holding not less than 75% of the Shares (who are entitled to vote) cast votes in favour of each such amendment of the Articles and which shall include the favourable votes of each of the AKP Group, GKP Group, NKP Group and GA respectively, so long as each of the respective Groups hold at least 10% of the Shares of the Company and vote on such amendment/s.

(d) Notwithstanding anything stated in these Articles, if the members of the AKP Group, the GKP Group, the NKP Group, or the GA Group cease to individually hold as a Group (but not as a result of contravention of any term or condition of these Articles by any Person other than a member of that Group), at least 5% of the Company's Equity Shares at any time then the rights and obligations of the members of that Group as Shareholders under these Articles shall cease but such cessation shall have no effect on any of their accrued rights or remedies.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Maharashtra located at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at Akruti Softech Park, MIDC Cross Road No. 21, Andheri East, Mumbai 400 093 from 10.00 a.m. to 4.00 p.m. from the date of this Prospectus until the Bid/Offer Closing Date.

Material Contracts

1. Letter of appointment to DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited as BRLMs and Citigroup Global Markets India Private Limited as CBRLM from Patni dated September 4, 2003 and November 12, 2003 appointing them as BRLMs and CBRLM, respectively.
2. Letters from Karvy Consultants Limited to Patni dated September 19, 2003 and October 6, 2003 offering their services as Registrars to the Offer and Patni's acceptance dated October 6, 2003 of the same.
3. Memorandum of Understanding amongst Patni, on its own behalf and on behalf of the Selling Shareholders, BRLMs and Co Book Running Lead Manager.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time;
2. Shareholders Agreement dated July 15, 2002 as amended August 1, 2003 and Letter dated October 25, 2003 among GE Capital, GE Tech, GA, NKP Group, AKP Group and GKP Group;
3. Consultancy Agreement between Patni Computer Systems, Inc., and Patni and the Employment Agreement of Mr. Narendra K. Patni including Amendments thereof;
4. Registration Rights Agreement dated July 15, 2002 between the Company, GA, GE Capital, GE Tech, Mr. Ashok K. Patni, Mr. Gajendra K. Patni and certain of their relatives (collectively, the "Patni RRA Shareholders"), Mr. Narendra K. Patni and iSolutions Inc.
5. Deposit Agreement dated July 15, 2002 between the Company, The Bank of New York (the "Depository") and the owners of and beneficial owners of ADRs;
6. Copies of Annual reports of Patni and its subsidiaries for the years ended December 31, 1998, 1999, 2000, 2001, 2002, as applicable;
7. Annual reports for the last 5 years, as applicable, of the group companies;
8. Copy of the tax benefit report dated October 29, 2003 from our Auditors;
9. Report of the Auditors Bharat S. Raut & Co. dated November 6, 2003;
10. Reports of the U.S. GAAP Accountants KPMG dated September 19, 2003 and November 6, 2003;
11. Consents of Auditors, Bankers to the Company, BRLMs, Co Book Running Lead Manager, Syndicate Members, U.S. counsel to Underwriters, domestic legal counsel to Underwriters, domestic legal counsel to Company, Directors, Company Secretary, Registrars, Bankers to the Offer, as referred to, in their respective capacities;
12. List giving details of 205 pending cases and 69 resolved cases against PCS Industries Limited;
13. General Power of Attorney executed by Directors in favour of person(s) for signing and making necessary changes in the Prospectus;
14. Listing application filed with BSE and NSE;
15. In principal listing approvals from BSE dated November 18, 2003 and NSE dated December 2, 2003;
16. Approval letter numbered 3/70/SIA/NFC/99/NRI dated October 23, 2003 from GoI, Ministry of Finance and Company Affairs;
17. In principle approval vide letters numbered EC.Mumbai.FID/6210/04.02.01/2003-04 and EC.Mumbai.FID/04.02.01/6456/P-77/

2003-04 dated December 24,2003 and January 7,2004, respectively from the RBI;

18. Tripartite agreement between the NSDL, our Company and Karvy Consultants Ltd. dated August 9,2002;
19. Tripartite agreement between the CDSL, our Company and Karvy Consultants Ltd. dated January 8, 2004;
20. Due Diligence Certificate dated November 13, 2003 to SEBI from DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited; and
21. SEBI observation letter No. CFD/DIL/SNB/42/2004 dated January 2,2004 and *in-seriatim* reply dated January 12,2004.
22. Underwriting Agreement dated February 10, 2004.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Prospectus are true and fair.

GE Capital assumes no responsibility for any of the statements made by the Company in this Prospectus including without limitation all information clauses relating to the Company, its businesses, its affairs and its disclosures, except statements with relation to GE Capital as a Selling Shareholder.

SIGNED BY ALL THE DIRECTORS

Mr. Narendra K. Patni, Chairman and CEO

Mr. Gajendra K. Patni, Executive Director

Mr. Ashok K. Patni, Executive Director

Mr. Arun Duggal, Independent Director (through his constituted attorney Mr. Narendra K. Patni)

Ms. Susan G. Esserman, Independent Director (through her constituted attorney Mr. Narendra K. Patni)

Mr. William O. Grabe, Director (through his constituted attorney Mr. Abhay Havaldar)

Mr. Anupam Puri, Independent Director (through his constituted attorney Mr. Abhay Havaldar)

Mr. Pradip Shah, Independent Director (through his constituted attorney Mr. Gajendra K. Patni)

Mr. Ramesh Venkateswaran, Independent Director (through his constituted attorney Mr. Ashok K. Patni)

SIGNED BY THE SELLING SHAREHOLDERS

Mr. Gajendra K. Patni

Mr. Ashok K. Patni

GE Capital Mauritius Equity Investment (through their constituted attorney Patni Computer Systems Ltd.)

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. Deepak Sogani

Date : February 10,2004

Place : Mumbai, India

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
"Patni" , "our Company" , "Patni Computer Systems Ltd" , "we", "us", "Patni and its subsidiaries" and "our"	Unless the context otherwise requires, refers to, Patni Computer Systems Limited, a public limited company incorporated under the Companies Act, together with its subsidiaries.

Offer Related Terms and Abbreviations

Term	Description
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AKP Group	Mr. Ashok K. Patni and certain of his family members
Articles/ Articles of Association	Articles of Association of our Company, Patni Computer Systems Limited
Auditors	The statutory auditors of our Company, Bharat S. Raut, chartered accountants for Indian GAAP; and KPMG, chartered accountants for U.S. GAAP
Banker(s) to the Offer	Citibank N. A., HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank
Bid	An offer made during the Bidding Period by a prospective investor to acquire the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form or, for Retail Bidders if applicable, the value of the Bid at the "cut-off price", and payable by the Bidder on submission of the Bid in the Offer
Bid / Offer Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Offer, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company and which will be considered as the application for transfer of the Equity Shares in terms of this Prospectus
Bid / Offer Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in an English national newspaper and a Hindi national newspaper with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Prospectus
Bidding Period/ Offer Period	The period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors/ Board/ Directors	The Board of Directors of Patni Computer Systems Limited or a committee thereof
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Offer is made
BRLMs	Book Running Lead Managers to the Offer, in this case being DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited
Brokers to the Offer	Brokers registered with any recognised stock exchange, appointed by the members of the Syndicate
BSE	The Stock Exchange, Mumbai
CAGR	Compounded annual growth rate
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
CDSL	Central Depository Services Limited
CBRLM	Citigroup Global Markets India Private Limited, Co Book Running Lead Manager
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The offer price finalised by the Company in consultation with the BRLMs
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Offer Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot/transfer Equity Shares to successful bidders

Term	**Description**
Designated Stock Exchange	BSE
Prospectus	Means this Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Offer. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Offer Opening Date. It will become a Prospectus after filing with Registrar of Companies after the pricing
DSPML	DSP Merrill Lynch Limited
EEFC	Export Earner's Foreign Currency account
EPS	Earnings per equity share
Equity Shares	Equity shares of the Company of Rs.2 each unless otherwise specified in the context thereof
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into by the Company, Escrow Collection Banks, the Registrar to the Offer and the members of the Syndicate for collection of the Bid Amounts and refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Offer will be opened
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII/ Foreign Institutional Investor	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Financial year/fiscal/FY	The twelve months ended December 31 of a particular year
FIPB	Foreign Investment Promotion Board
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Fresh Issue	The issue of 13,400,000 Equity Shares at the Offer Price by the Company in terms of this Prospectus
GA	General Atlantic Mauritius Limited
GE	General Electric
GE Group	General Electric International Inc. and its affiliates
GIR Number	General Index Registry Number
GKP Group	Mr. Gajendra K. Patni and certain of his family members
Hitachi Group	Hitachi and its affiliates
HP or HP Group	Hewlett-Packard Company and its affiliates
HUF	Hindu Undivided Family
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise
KMCC	Kotak Mahindra Capital Company Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company
NAV	Net Asset Value
NKP Group	Mr. Narendra K. Patni, certain of his family members, iSolutions Inc., and certain of their named entities
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders and who have Bid for Equity Shares for an amount more than or equal to Rs.50,000
Non Institutional Portion	The portion of the Offer being 2,808,600 Equity Shares of Rs.2 each available for allocation to Non Institutional Bidders
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India

Term	Description
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
Offer	The Fresh Issue and Offer for Sale, collectively
Offer for Sale	The offer for sale by the Selling Shareholders of our Company of 5,324,000 Equity Shares at the Offer Price in terms of this Prospectus
Offer Period	The offer period shall be January 27, 2004, the offer opening date, to February 5, 2004
Offer Price	The final price at which Equity Shares will be transferred in terms of this Prospectus. The Offer Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
PAN	Permanent Account Number
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose payment has not been waived by the Members of the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Offer Opening Date and extending until the Bid/Offer Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the members of the Syndicate and are therefore not required to pay the maximum Bid Amount into the Escrow Account on or prior to the Bid/Offer Closing Date, the period commencing on the Bid/Offer Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 200 and the maximum price (cap of the price band) of Rs. 230 and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLMs finalize the Offer Price
Promoters	Narendra K. Patni, Ashok K. Patni, Gajendra K. Patni and iSolutions Inc.
Prospectus	The Prospectus to be filed with the RoC containing, *inter alia*, the Offer Price that is determined at the end of the Book Building process, the size of the Offer and certain other information
Public Offer Account	Account opened with the Bankers to the Offer to receive monies from the Escrow Account for the Offer on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million
QIB Portion	The portion of the Offer being 11,234,400 Equity Shares of Rs.2 each available for allocation to QIBs
RBI	Reserve Bank of India
Registered Office of our Company	S-1A Irani Market Compound, Yerawada, Pune 411 066
Registrar to the Offer	Registrar to the Offer, in this case being Karvy Consultants Limited having its registered office as indicated on the cover page of this Prospectus
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs.50,000, in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being 4,681,000 Equity Shares of Rs.2 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, Maharashtra, Pune
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time

Term	Description
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection), 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Selling Shareholders	Mr. Gajendra K. Patni, Mr. Ashok K. Patni, GE Capital Mauritius Equity Investment
Shareholders Agreement	Agreement dated July 15, 2002, as amended on August 1, 2003 and October 25, 2003 between GE Capital, GE Tech, GA, NKP Group, GKP Group and AKP Group
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs, the Co Book Running Lead Manager and the Syndicate Members
Syndicate Agreement	Agreement between the Company and members of the Syndicate
Syndicate Members	Kotak Securities Limited and Enam Financial Consultants Private Limited
TRS/ Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLM, the Co Book Running Lead Manager and Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company and the Selling Shareholders, to be entered into on the Pricing Date

In this Prospectus, references to “allotment” of Equity Shares in this Offer, unless the context otherwise requires, also include a reference to “transfer” of Equity Shares.

In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

Term	Description
AM	Automated Mapping
BCP	Business Continuity Planning
BPO	Business Process Outsourcing
CAD	Computer Aided Design
CAE	Computer Aided Engineering
CAM	Computer Aided Manufacturing
DRP	Disaster Recovery Planning
EAS	Enterprise Application Systems
ERP	Enterprise Resource Management
ESM	Enterprise Systems Management
FM	Facility Mapping
FPGA	Field Programmable Gate Array
GIS	Geographical Information Systems
IASA	Insurance and Accounting Systems Association
IT	Information Technology
LOMA	Life Office Management Association
MIS	Management Information Systems
MSA	Master Services Agreement
P-CMM	People – Capacity Maturity Model
R & D	Research and Development
SCM	Supply Chain Management
SEI-CMM	Software Engineering Institute - Capacity Maturity Model
SLA	Service Level Agreement
VLSI	Very Large Scale Integration