Patni Computer Systems LTD
Form 6-K
June 03, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the year ended December 31, 2009

PATNI COMPUTER SYSTEMS LIMITED

Akruti Softech Park, MIDC Cross Road No 21,
Andheri (E), Mumbai - 400 093, India

(Exact name of registrant and address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If Yes is marked, indicate below the file under assigned to the registrant in connection with Rule 12g3-2(b):

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This Form 6-K contains our Annual Report for the fiscal year ended December 31, 2009, the Notice of the Annual General Meeting of the Shareholders dated 28th April 2010, and the Form of Voting Card, each of which has been mailed to holders of our Equity Shares. Also included in this Form 6-K is the Depositary s Notice of the Annual General Meeting of Shareholders and the Form of Proxy Card, each of which have been mailed to holders of American Depositary Shares. The information contained in this Form 6-K shall not be deemed filed for the purposes of section 18 of the Securities Exchange Act, 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing .

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The theory of evolution has its parallels even in the corporate world. As was eminently relevant with the evolution of biological species, survival of the fittest finds similar context in the world of business. Being fittest, after all, is about the ability to evolve and adapt to constantly changing stimuli.

We at Patni have always been cognizant of the fact that constantly changing markets merit a culture of organizational evolution. In the aftermath of an unprecedented meltdown, global and domestic markets as well as the competition landscape have undergone a sea change. We are focused on the fact that to grow in such a volatile environment, we need to undergo a DNA change; treasuring our legacy while excited about the future.

Accordingly, we have embarked on an evolutionary path to provoke change in our strategy, structure, systems, skills and culture.

Four critical vectors have been identified as the very vortices of this evolution...

Geographical expansion venturing further afield into global markets.

Micro-vertical leadership pursuing IP-led domain solution portfolio expansion.

Operational excellence towards creating an agile, innovative and efficient organization, and...

Great-place-to-work practices driven by the desire to be a great brand to work with.

In the process of evolution lies the potential for an infinite growth curve. In order to continue delivering value to every class of stakeholders, Patni is ***evolving like never before.***

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Highlights of achievements: 2009

2009 was a year of great economic challenges, changes and new opportunities. Even as we waded through the difficult times, Patni found its path to success by aligning, accelerating and achieving a very creditable performance. We worked aggressively to realign our overall operations and leverage the changing times to build sustainable competitive advantage in our business.

- Overall revenues for CY 2009 were at US$ 655.9 million, down 8.8% as compared to US$ 718.9 in CY 2008. Net income adjusted for extra ordinary items was at US$ 97.4 million for the year, higher by 17.0% against US$ 83.2 million for 2008.

- Acquired 56 new clients in the year, taking our total number of active clients to 272; during the year we rationalized our client portfolio to remain focused on growth and productivity. The number of $1 million client relationship remained unchanged at 92, despite the economic meltdown. Percentage of repeat business continued to be stable at 94.0% for CY 2009.

- Opened our new EMEA headquarters to drive growth for outsourced IT and BPO services. We also opened a new regional office and delivery center in Singapore which will serve as headquarters for our APAC operations.

- Launched a Cloud Acceleration Program (CAP) for our customers to ensure a smooth, rapid transition to the cloud while minimizing risk and keeping operating expenses in check.

- Became Co-development Partner & Preferred Implementer for Oracle s Supplier Data Management solution.

- Our Inventory Liability and Risk Management solution was identified as a part of SAP s Best Run Now package solutions for the recessionary economy.

- Expanded our footprint to become a SAP Services Partner in Japan, offering our global experience in consulting and system integration in support of SAP solutions to Japanese enterprises.

- Chosen by Hitachi as a preferred partner outside Japan for providing application life-cycle services around its Job Management Partner 1 (JP1) suite a next-generation business-level system management solution.

Awards and Recognitions

- Ranked 40th amongst the top technology providers for financial institutions in the FinTech 100 - 2009 list.

- Listed in the Global Services 100 2009 , instituted by Global Services and neoIT:

- Ranked 7th among Top 10 best performing IT Infrastructure Service Providers

- Ranked 8th among Top 10 best performing IT Service Providers .

- Named a Niche Player in Gartner s Magic Quadrant for CRM Service Providers, North America, 2009 Report.

- Named a Challenger in Gartner s Magic Quadrant for Help Desk Outsourcing, North America, 2009 Report.

- Listed among the Top 20 India-Centric BPO players in Competitive Landscape: Business Process Outsourcing, India 2009 , by Gartner.

- Listed in the Black Book of Outsourcing 2009 :

- Ranked # 1 Life Sciences Information Technology Outsourcing Vendor

- Ranked # 1 Product Development and Engineering Outsourcing Vendor

- Ranked # 2 Property and Casualty: Automotive Insurance BPO Player

- Ranked # 4 Health Insurance BPO Player

- Ranked # 8 HomeOwners BPO Player

- Listed among the Top 10 End-to-end Insurance BPO/ITO Services Providers

- Ranked among Top 15 Best Managed Global Outsourcing Vendor of 2009 in the Annual Client Experience Survey.

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Key performance indicators: 2004-09

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* Excluding additional provision for prior years tax review by IRS and review by Department of Labor of Patni s US operations; leading to an increase in gross profit and operating income by approximately US$ 7.0 million, and decrease in net income by US$ 19.9 million, as compared to the reported numbers.

** Excluding reversal for prior years tax review by IRS of Patni US operations; leading to a decrease in gross profit and operating income by approx US$ 2.7 million, and decrease in net income by US$ 18.2 million, as compared to the reported numbers.

*** Excluding reversal for prior years tax review by IRS of Patni US operations and reversal of tax positions for Patni India operations; leading to a decrease in gross profit and operating income by approx US$ 1.2 million, and a decrease in net income by US$ 22.01 million, as compared to the reported numbers.

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Evolution is essential to rise to greater heights. Preparing for the future, Patni is building on its legacy to ready itself for its next phase of growth.

Narendra K Patni, *Chairman*

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Letter to shareholders

CEO s review

The year 2009 started amidst speculation and uncertainty precipitated by the economic downturn which engulfed every nation in the world. While the developments during the year demonstrated the resilience and maturity of the Indian IT-BPO industry, Patni saw opportunities to improve the Company s overall competitive position. During the year, we focused on strategic initiatives towards achieving our long-term goal of creating an operationally efficient, global organization with a globally diversified customer portfolio, demonstrating adaptability to swiftly seize business growth opportunities and ensure sustained profitability.

Some key initiatives we undertook during the year:

- Towards evolving Patni to ride the next growth cycle, we thought it important for us to align ourselves to a shared vision and values. We also believed that this was vital to balance growth and business effectiveness for our stakeholders. This also set the basis for a new corporate strategy.

- Our corporate strategy was driven by four key vectors:

- **Enhanced global presence**

We structured the Company s regional business into four key geographies, namely Americas, EMEA, APAC and SAARC. To tap the growing opportunity in Asia Pacific, we divided the region into APAC and SAARC. With this, we aim to maximize the opportunity through a concerted focus in the regions. The SAARC region will function independently with a growing focus on India. We are bullish about India s growth and have plans to strengthen our India presence with a focus on the Telecom, Insurance, Manufacturing and e-Governance. During the year, we established our new EMEA regional headquarters in London and continue to invest in key talent in the region with increase focus in Continental Europe and MEA. This reinforced regional structure is foreseen to see the Company s new vision through to fruition.

- **Micro-verticals led growth**

We dived deeper into our key accounts, addressing our portfolio gaps. We have decided to focus on rationalizing our portfolio and increasing our intensity at the sub-vertical level that will drive our customer and asset acquisition to deliver scale.

- **Operational excellence**

We also optimized our operational structures to deliver on our shareholder promise. The year 2009 was one of financial discipline, reduction in corporate overheads and organizational optimization.

- **Great-place-to-work practices**

Having expanded our global footprint, we invested in numerous People Initiatives to become a great-place-to-

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work , with a focus on developing a winning culture and a confidence in our future.

- We made early investments with the right leadership changes in 2009, to set the pace for our 2010 growth. We put a new Executive Leadership Team in place to extend and enhance the management and to run critical positions. We announced key leadership appointments as part of a concerted effort to accelerate regional based growth. Confident of our long-term prospects, we invested in extending and deepening the senior management and overall talent pool of the Company.

- Having established our vision, mission and values and finalized our growth strategy, we re-aligned our organizational structure. Our new organization structure is aimed at achieving our business objectives and building an integrated and streamlined organization that will dynamically adapt to the evolving business realities. The new structure will help us execute our strategy faster with greater empowerment and frontline decision-making, agile and adaptive in a changing and challenging world.

We focused on creating an operationally efficient, global organization with a globally diversified customer portfolio, and an ability to swiftly seize business growth opportunities and ensure sustained profitability.

Industry Environment

To better appreciate our corporate strategy in the light of the IT-BPO industry environment, I would like to share with you some highlights from the NASSCOM Strategic Review 2010:

- Worldwide technology products and services spend were estimated to cross USD 1.5 trillion in 2009, declined by almost 3%; government and healthcare verticals continued to grow while BFSI and manufacturing declined.

- IT indices showing signs of recovery from the recessionary forces and stabilization started showing evidence from the latter part of 2009. However the timing and strength of the recovery varied across regions, with Asia leading the way, the US following and Europe lagging behind.

- Software and services export revenues for the Indian IT-BPO industry were estimated to grow over 5.5% from FY2009 to reach USD 49.7 billion in FY2010. The US continues to be a dominant market, but emerging markets grew three times higher.

- The IT-BPO sector generated direct employment for 2.3 million people, while indirect job creation estimated at approximately 8.3 million.

- The domestic IT-BPO market (including hardware) grew by nearly 8.5% driven by greater IT-BPO adoption and e-Governance initiatives. Outsourcing by India Inc. is on a growth path Telecom and Retail sectors are high on outsourcing adoption.

- Engineering services (including embedded solutions) export revenues were estimated to touch USD 7.9 billion in FY2010 as investment in innovation, IP development and reverse innovation took centre stage.

- Among other services, Application Outsourcing and Infrastructure Outsourcing were the key growth drivers. Going forward, focus of the Indian IT-BPO industry will be on transformation and customer-centric solutions.

- India value proposition: Historical drivers are giving way to value creation, innovation, success to new markets and customers.

- India continues to retain its lead as an effective sourcing destination, based on its unique value proposition.

Corporate Performance

We are pleased with our 2009 execution as we march towards our 2011 goals. We contained the revenue decline to 8.8% and have managed our cost structure and risks well during the year which is reflected in our operating results. Net income adjusted for extra ordinary items was at US$ 97.4 million for the year, higher by 17.0% against US$ 83.2 million for 2008.

We have used the down-turn effectively to further enhance the strategic framework of our business. We will continue to rationalize our cost structures to neutralize the short-term cost pressures due to supply side inflation and forex changes. We have developed a strong growth pipeline for 2010 and this is further improving, with an increase in our ability to participate in large deals. I am optimistic about our prospects and our win ratio.

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We were ranked as # 1 Green Innovative IT Vendor in the 2009 Black Book Top Green Outsourcing Vendors Survey. We were also named the 2009 IT Supplier of the Year by Weyerhaeuser a leading provider of integrated forest products. With regard to People , we were ranked among the Top 20 in DQ-IDC s Best Employer Survey 2009 ; also ranked as the 7th Preferred Employer ; and among the Top 15 in the BPO Employers Survey . We were also listed as a winner of the 4th Employer Branding Awards 2009-10 under the Innovative retention strategy category.

We have developed a strong growth pipeline for 2010 and this is further improving, with an increase in our ability to participate in large deals.

Differentiation Reaps Rewards

During the year, our vertical and horizontal BUs continued to build solutions for differentiation, which resultantly reaped rewards.

Insurance BU achieved significant growth over 2008, retaining its distinction of being the highest revenue and highest margin business in 2009. Our ability to help our customers derive significant business benefits through our services enabled us to deepen our strategic customer relationship and achieve significant growth over 2008. We continue to pursue our strategy of differentiation through micro-vertical focus. Deepening our capabilities in chosen sub-verticals has enabled us to introduce differentiated IT and BPO service offerings for Life, Health and P & C Insurers.

Financial Services (FS) BU, despite facing difficult times in the year 2009, succeeded in winning 11 new customers, including some leading names. We achieved this by leveraging our ability to provide differentiated services for Asset Management, Wealth Management and Benefits Administration. The focus on these chosen sub-verticals will enable us to drive growth in 2010.

Manufacturing, Retail and Distribution (MRD) BU retained all of its major customers with innovative structuring of deals and strong customer focus. The BU continued its focus on unique vertical and IT solutions during the year: We were registered as the first Indian IT vendor to be certified as a SAP Application Maintenance Services Provider ; we built a complete offering in the Product Configuration System space, including a proprietary solution framework - for the make-to-order industry; we also built a deal structuring framework within the product configurator offering for optimizing the engineer-to-order process and got industry acceptance; we built a visualization dashboard for SKU rationalization process for the CPG industry; we collaborated with Oracle Corporation in developing an MDM product for supplier collaboration.

Communications, Media & Utilities (CMU) BU made breakthrough wins in the Saudi Arabian market through our consulting business and won additional contracts in the domestic Indian market. We also continued to consolidate our consulting, systems integration and offshore platform into a cohesive unit that is now able to seamlessly deliver services for clients across the industry s value chain.

The Product Engineering Services (PES) BU did well in sustaining its business in 2009, and more than 95% of its revenues came from repeat business from its customers cutting across diverse industries. The SBU now nurtures more than 100 customer relationships with the world s leading R&D and Technology enterprises and OEMs. PES continues to maintain its industry leadership position in the Medical, Storage, and Automation domains. It has also built a strong presence in the Enterprise platform, Automotive and Consumer Electronics domain over the years. Some of the emerging growth areas for PES include Railway Engineering, Virtualization and Gaming.

Life Sciences BU. Our thought leadership and expansion of client base helped us to be ranked the # 1 Life Sciences Information Technology Outsourcing Vendor by the Black Book of Outsourcing. Growth in 2009 came from the expansion of our project portfolio with the top ten life sciences clients. Also, a strong foundation for future growth was laid with the acquisition of new clients across industry segments. We advanced our relationships through a range of services provided during the year. Additionally, we advanced our SAP portfolio of Life Sciences-specific offerings, and accelerated our relationship with Oracle with a focus on clinical and safety areas.

Our **Strategic Outsourcing** Group launched two consulting led programs ACT!Now for cost transformation and iGSS for integrated support services. These programs saw

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significant customer successes coming from the Asia Pacific and North American Geographies.

Enterprise Application Services (EAS) BU has taken significant strides towards making a mark as a solution provider. Besides traditionally strong areas of Supply Chain Planning and Manufacturing, we have now come up with unique offerings jointly with SAP and Oracle in the Compliances Corrective Action Preventive Action (iCAPA) domain for Life Sciences vertical, Inventory Risk Liability (IRL) for Hi-tech vertical and Procurement solution for Hospitality industry (PROMPT). EAS has also worked with Oracle on Automated Testing Suite (ATS) end-to-end testing tool and jointly build technical frameworks for integrating ATS with Oracle User Productivity Kit (UPK)/Tutor products.

Customer Dynamics & Intelligence BU s strategy of providing integrated services and solutions across Business Intelligence and CRM on a strong EAI platform continued to see a differentiated value proposition. Our investments and expansion of our solutions assets created more value-added services options for our customers. Most notable were: Business Intelligence SaaS applications deployed on the Amazon cloud; and Mobile CRM solutions based on Salesforce.com, Chordiant and Siebel.

CIS & BPO BU added several marquee names to its growing clientele. We grew our business in Europe by 20% with a focus on Telecom, Helpdesk and Customer services. The BU scaled up its insurance, asset administration, retirements, F&A, Life Sciences and integrated help desk practices and also launched new service offerings in the areas of Insurance (Claims as a ServiceTM), asset administration (Hosted Reconciliations, Reference Data Management), iGSS (Integrated Global Support Services) and ITIL Consulting. The CIS & BPO BU received several recognitions during the year.

Infrastructure Management Services (IMS) BU saw significant growth in Data Center operations as well as Database and Web-Operations Productized Services during the year. We rolled out various service and delivery models to supplement the BU s RIMO++ and ADM++ offerings, in response to the dynamic market conditions. Managed Services, Shared Services, and Output/Outcome were some of the models used to transition the customer operation risks to Patni. The BU received noteworthy recognitions and accolades during the year.

Verification & Validation (V&V) BU our independent testing practice continued to maintain its high growth trajectory and grew by around 35% in 2009, with over 60% growth in its million dollar clients. A significant portion of the increased revenue in testing came from the Insurance and Finance sector. In addition, solution building in test automation, alliance partnerships in new testing products, and capability into non-functional areas of testing, such as Application Security testing, Data Warehouse testing, and Performance testing catalyzed growth for V&V. Framework for Accelerated Automation Solution for Testing (FAAST) was upgraded to its next version and rolled out to its existing and new clients.

The **Microsoft** CoE built innovative solutions to help customers migrate their Lotus Notes application portfolio to SharePoint. The CoE successfully conducted pilots on Microsoft s Azure platform and hosted applications in Cloud.

The **IT Governance** CoE launched innovative solutions specifically e-mail plug in on Blackberry for CA-Clarity suite and Calendar synchronization with Outlook for CA-Clarity suite .

The **Business Process Management (BPM)** CoE grew its footprint by launching a service offering in Open source BPM platforms.

Regional Performance

Our focus on geographical diversification continued with the setting up of a new office and delivery center in Singapore. Our Mexico delivery center went operational in early 2009. We also opened an entity in Switzerland. While 2009 was the year of unprecedented meltdown, we were able to arrest our revenue downfall from Q2 onwards and expect that such a diversification will yield significant positive results in 2010.

The **US region** continued to be the biggest market with an 80.1% contribution to the total revenues in 2009.

EMEA region s contribution was 14.2% in 2009.

The **Asia Pacific region** contributed 5.7% which was 10 basis points more than 2008.

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Infrastructure

In 2009, we decided to increase our regional presence in the regions we conduct our business, and build more employee friendly facilities globally. In this direction, we firstly shutdown many of our older facilities in Noida, Mumbai, Pune and Hyderabad and co-located our employees in newer, upgraded facilities in India. We also opened a delivery center in London, UK where we have been active for over a decade. With focus on growth in the Asia-Pacific region, we inaugurated a new sales office and delivery center in Singapore that will serve as a headquarters for the region.

People Initiatives

In view of the Company being poised for growth and positioned well to reap new opportunities, significant focus was given to people practices during the year.

Our global headcount stood at 13,995 at the close of 2009. We added 18 senior management personnel at the Vice-President level and above, during the year. A continuous thrust on improvement through focussed interventions resulted in a significant dip in the Company s attrition figures from 20% (at the end of 2008) to 13.7% (at the end of 2009).

The Patni Academy for Competency Enhancement (PACE) and Learning & Development delivered technical, functional & behavioral training of close to 58,112 person days in 2009. The Faculty Development Programs as a part of the PLEdge initiative (Patni s Industry-Academia collaboration) were attended by 50+ faculty members from colleges in and around Mumbai. Totally, 82 employees completed their Master s degree through Patni BITS collaborative program specializing in Software Engineering and Embedded Systems.

Through the newly launched Patni Leadership Academy , over 150 persons successfully completed a customized executive education program or an Executive MBA program from IIM-Ahmedabad and IIM- Kozhikode, respectively. Three senior leaders went through the Advanced Management Program of Harvard Business School.

As part of our Global Resources in Technology (GRiT) initiative, more than 2500 GRiT employees successfully completed one or more of the certifications which included external certifications from vendors such as Microsoft, Sun, Oracle.

As the global economies stabilize, we are well prepared and poised for growth.

The Road Ahead

Induced with a new vigor as a result of the numerous organizational initiatives, we feel confident of demonstrating our momentum to execute going forward, and regaining our rightful place in the Indian IT industry. As the global economies stabilize, we are well prepared and poised for growth. While the market is still thwart with risks of double dip recession, we are positioned well to reap the opportunities given our impressive pipeline.

We are now looking at 2010 and beyond with renewed optimism. We believe that walking slower doesn t make the distance shorter. We will focus on accelerating our pace, aligning ourselves to the operating and strategic priorities; this will ensure that our achievements will happen sooner than we envision. Also, we have sound financial and management scale to grow our business faster through acquisitions.

In the coming year, our focus is going to be on working together in a more unified way to accelerate growth and create stakeholder value by winning in the market place.

I thank you for your trust and confidence placed in us throughout the year. I firmly believe that we as a company cherish our legacy while being excited about our future.

Regards,

Jeya Kumar

5 May 2010

Mumbai

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Evolving

like never before

The economic downturn triggered a never before seen sense of urgency. Most organizations carefully monitored themselves for signs of financial failures, evaluated the effectiveness of strategies, and also revisited their objectives. Consequently, they either ratified their game plan or sought change of course. Like the others, we too felt that the global economic crisis provided us with a once-in-a-lifetime opportunity to dispassionately examine who we are as an organization , how we want to operate and what is our performance vis-à-vis industry standards . The economic shock and uncertainty in the demand for IT services sounded a clarion call for action. We decided to do more than attempting to eke out a survival strategy. It was an opportune moment to initiate some transformational initiatives that would lead to organizational renaissance. However, the magnitude of transformation that we contemplated required fundamental changes in the company s structure, management processes and people-mindset. But there was a strong sense of shared commitment at the top. We were ready to embark on a journey never ventured before.

As the global fiscal crisis stared in the face, we strengthened our resolve to further improve our business resiliency.

To succeed in this endeavor, we had to build a sense of urgency among the employees about the evolution of our organization at a speed and scale that was never witnessed before. The transformation journey began in February 2009, when the executive leadership team communicated company s transformation agenda, strategic business priorities, vision and values in a consistent manner to employees across all geographical regions. Our strategy was centered around four themes: (1) Global presence (2) Micro-vertical specialization (3) Operational excellence (4) Great-place-to-work practices. The overwhelming response boosted our confidence and strengthened our resolve to overcome the impending challenges and move forward. In the last one year we have successfully kick-started the process of evolution and started experiencing the difference. Here are some of the outcomes resulting from the implementation of the strategic agenda.

The magnitude of transformation that we contemplated required fundamental changes in the company s structure, management processes and people s mindsets.

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It was important that we had a business infrastructure that helped us better manage the interdependencies across economies and businesses.

Global Presence

We are a global player operating in an integrated, global business environment. It was important that we had a business infrastructure that helped us better manage the interdependencies across economies and businesses. There was an urgency for us to have a four-tier global delivery architecture that was multi-cultural, multi-lingual, and multi-regional and encompasses the right mix of onshore, offshore, and near-shore delivery services. Soon, we announced our strategy to augment the follow-the-sun model aimed at serving regional markets. We opened our first near-shore center in Queretaro, to augment our global delivery capabilities and serve the North American and Latin American markets. We also opened an onshore delivery center at El Paso in the Texas region to service the North American customers.

Revenue risk diversification is another facet of our geographical expansion. As the economy plunged into deep recession in the early 2009, leading to a sharp decline in IT spending across the US and Europe, we focused our sales efforts on APAC and other emerging markets, where the impact was comparatively less severe. The investments in the new APAC regional headquarters helped us improve our coverage of all the important markets in the region. Our focus in India is more than ever before. We have the entire wherewithal to capitalize on the opportunity that looms on the horizon due to the surge in public sector and government spending on IT initiatives. The traction in new markets like Turkey and South Africa in EMEA had put us in a safer situation to arrest revenue shortfall.

As we strived to augment our global presence, we also ensured that we remain focused on our objective of being a customer-centric organization. We identified US, EMEA, APAC and SAARC as our focus regions and appointed regional heads who are accountable to build and support strong relationships with customers and prospects in their respective markets and propel growth.

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Micro-vertical specialization is a sure-fire way to climb up the business value trajectory and pursue a non-linear model of growth.

Micro-vertical Specialization

The shift in buying preferences have changed the face of service delivery. Clients no longer buy commoditized services. Vertical domain expertise is also not a strong differentiator. The focus is narrower than ever before as clients increasingly seek business process-related solutions that can create a business impact.

Keeping in tune with the trend, we leveraged micro-vertical specialization to offer standard solutions that are not only cost-effective but also faster to implement and easy to operate. Drawing upon our understanding of the unique requirements in every industry, we delivered pre-configured industry capabilities or worked with our partners to develop solutions that addressed such opportunities. Some of our process-based solutions included (a) PROMPT an e-procurement solution for hospitality industry, (b) iCAPA an incident and complaint management solution for life sciences, (c) atoms pre-packaged processes for telecom operators and (d) Inventory liability and risk management dashboard a reporting and analytics solutions for the hi-tech industry.

Buoyed by the success of the micro-verticalisation strategy in a few select areas, we have made investments to create intellectual property driven solutions in Underwriting, Policy Administration, Claims Management, Asset Management, Benefits Administration and Retail & Commercial Banking. We are convinced that micro-vertical specialization is a sure-fire way to climb up the business value trajectory and pursue a non-linear model of growth.

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We induced efficiency in our business operations as we digitized most of the core processes as a part of the iChange initiative.

Operational Excellence

As the shadow of the global financial slowdown loomed large, we responded with a sense of immediacy to assess our company s competitive position. We pulled all the levers that drove operational efficiencies. We introduced flexibility in our cost structures to absorb margin erosion caused by depressed economic environment and sluggish demand. We scrutinized costs, assets and investments and embarked on a sustainable cost management program. Consolidation of our delivery capabilities gave a boost to our utilization as well as customer satisfaction levels. The cost efficiencies yielded favorable financial results. Our bench utilization was at an all time high and our EBITDA margin (ex-FX) touched a four-year high.

Efficiently managing daily operations during a downturn can help the company stay afloat, but does not fuel growth. Hence, we continued to make market sensitive investments to energize marketing and sales. We induced efficiency in our business operations as we digitized most of the core processes as a part of the iChange initiative. We sharpened our focus on automating our service delivery and leveraging reusable assets, frameworks and tools (RAFT). Our delivery teams developed both technology and industry specific solution accelerators and frameworks aimed at accelerating time-to-deliver and reducing effort intensity.

Recession also provoked changes in client engagement models, which in turn had an impact on the service delivery. Thanks to the robust Patni PLUSTM suite of delivery methodologies and good project management practices, we could transform the terms of revenue engagement from a T&M model to emerging pricing models which are based on delivery of output and business outcome.

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By creating a genuinely appealing workplace that is supportive, efficient and committed to excellence, our existing and potential employees will strongly identify Patni as a great place to work.

Great-Place-to-Work Practices

During difficult economic situations, it was important for us to stay focused on employees and keep the business moving forward. We did what was very obvious to do i.e. improve cost competitiveness, boost employee engagement and demonstrate compliance through corporate governance. However, we did not stop here in our journey towards workplace transformation.

We firmly believe that fostering an exceptional work environment is a business imperative. By creating a genuinely appealing workplace that is supportive, efficient and committed to excellence, our existing and potential employees will strongly identify Patni as a great place to work. We are adopting good workplace practices to help employees develop a sense of professional identification and a deeper connection with the organization.

In 2009, our executive leadership reviewed and reflected on what is really important to us in an enduring way. They reached a common understanding about the inherent beliefs in the organization and distilled its essence into a new set of core values. The new values emanate from previous Patni values, reflecting the evolution of our business. They portray who we are, the way we work, and what we aspire to achieve. In the last one year, we have diligently worked to weave our core values into the fabric of everything we do to positively impact those who seek our services. We will continue to operate with allegiance to the following core values: Passion, Honesty & Integrity, Operational Excellence, Innovation, Accountability, and Customer Centricity.

In line with our values, we have redesigned most of our processes and systems pertaining to recruitment, talent

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management, talent retention, competence development, leadership pipeline creation and succession planning. The new systems are designed to invigorate behaviors associated with our values. There was a renewed focus on influencing and inspiring engagement by formulating a people strategy that drives accountability, boosts productivity and performance, fosters collaboration, and creates growth opportunities for leaders, managers, and frontline employees.

As we evolve into a global organization, we are doing more than just expanding the geographical footprint. We are consciously building a culture, which welcomes diversity and inclusivity. The organization is committed to advance the diversity agenda in a sustained and proactive manner by recruiting and employing a workforce representing different nationalities, cultures, genders, employment histories, and levels of physical ability. We are optimistic that in the coming years as the demographics of Patni become comparable with the best in our peer groups, we will transform into an organization, which would be known for innovation, openness, good governance, high performance and work ethics, greater degree of specialization, and collaborative work culture.

The Way Forward

The evolution is far from over. We will build on our early accomplishments and keep the momentum going. There s nothing that we can t do if we put our minds and energy to it. There are three good reasons to be optimistic about our company: our business fundamentals are strong, we are focused and moving in the right direction, and our people are at par with the best in the industry.

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Directors Report

To,

The Members,

PATNI COMPUTER SYSTEMS LIMITED

Your Directors have pleasure in presenting their Thirty Second Annual Report together with Audited statements of Accounts for the year ended 31 December 2009:

Financial Results:

	31 December 2009 (Rs. in million)	31 December 2008 (Rs. in million)
Sales	17,349	15,410
Resulting in Profit Before Tax	5,818	4,133
Profit After Tax	5,427	3,891
Profit available for appropriation after adding to it Previous Year s Brought Forward	20,886	16,298
Appropriated as under:		
Adjustment on account of employee benefits		
Transfer to General Reserve	543	389
Final Proposed Dividend on Equity Shares @ 150% (Previous Year 150 %)	387	384
Corporate Tax on above Dividend	66	65
Balance Carried to Balance Sheet	19,890	15,459

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Executive Leadership Team

(Left to Right)

Naresh Lakhanpal *EVP, President Patni Americas;* **Deepak Khosla** *SVP, President SAARC;* **Derek Kemp** *EVP, President EMEA;* **Satish Joshi** *EVP, Global Head Technology & Innovation;* **Mohan Hastak** *SVP, Global Head AD & AM;* **Ajay Chamania** *EVP, Global Head Product Engineering Services;* **Rajesh Padmanabhan** *EVP, Global Head Human Resources;* **Jeya Kumar** *Chief Executive Officer;* **Anil Gupta** *EVP, Global Head - Business Operations;* **Surjeet Singh** *Chief Financial Officer;* **Sanjiv Kapur** *SVP, Global Head - BPO & CIS;* **Sunil Chitale** *EVP, Global Head ES & SI;* **Niket Ghate** *SVP, General Counsel;* **Vijay Khare** *EVP, Global Head Industry Verticals;* **V. Mathivanan** *EVP, President APAC.*

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Board of Directors

Narendra K Patni *Chairman*	**Jeya Kumar** *Chief Executive Officer*	**Gajendra K Patni** *Non-Executive Director*	**Ashok K Patni** *Non-Executive Director*
William O Grabe *Non-Executive Director*	**Louis Theodoor van den Boog** *Non-Executive Director*	**Arun Duggal** *Independent Director*	**Pradip Shah** *Independent Director*
Ramesh Venkateswaran *Independent Director*	**Michael A Cusumano** *Independent Director*	**Pradip Baijal** *Independent Director*	**Vimal Bhandari** *Independent Director*
Abhay Havaldar *Alternate Director to William O Grabe*			

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Business Performance

The performance of your Company during the year under report has shown improvement over the previous year. Total revenue for the year ended 31 December 2009 amounted to Rs. 17,349 million as against Rs. 15,410 million for the corresponding period last year, registering a growth of about 13%. The Company has posted the Net Profits after tax to Rs. 5,427 million as compared to Rs. 3,891 million for the corresponding period last year, registering a growth of about 39% for the year ended 31 December 2009. Even on consolidated basis, revenues were increased in the current year 2009 by 0.92% to Rs. 31,461 million from Rs. 31,173 million in 2008.The net income increased by 34%.

Dividend

Your Directors are pleased to recommend the payment of dividend for the year ended 31 December 2009 at Rs.3/- (Rupees Three only) per share (150 percent) on face value of Rs.2/- [Previous year Rs.3/- per share (150 percent)], subject to approval of Members at the ensuing Annual General Meeting.

Economic Scenario and Outlook

The year 2009 began amid great uncertainty with regard to the likely impact of the global financial crisis, which has initially erupted in the second half of 2008. Governments around the world acted quickly and decisively, and in a coordinated manner, which helped in preventing the situation slipping into a full scale depression. Nevertheless, recession on a global scale was, inevitable to some extent and the only question was, and still is to some extent, how deep the recession would be and how long it would last. Most of the economies are showing sig of improvement but it is still a long way to go. Emerging markets in general and India in particular, are leading the way on the road to recovery, with strong growth rates based on robust economic fundamentals. Despite of inflationary pressures gradually building, a steady monetary policy course has been maintained, with a focus on supporting growth recovery.

Nasscom Strategic Review 2010 states that the year 2009 ushered turbulence, with countries around the world plunging into the recession. The housing bubble burst, followed by the financial crisis creating a domino effect that, but, brought the world to a standstill. While robust fundamentals ensured that the recession impact on India was relatively moderate, in an increasingly globalised environment, it could not escape declining GDP growth, rising unemployment and weakened consumer demand. However, prompt action by governments across the world and stimulus packages helped to contain this downfall and make way for revival by the end of 2009.

The industry is estimated to aggregate revenues of $73.1 billion in FY2010, with the IT software and services industry accounting for $63.7billion of revenues. During this period, direct employment is expected to reach nearly 2.3 million, an addition of 90,000 employees, while indirect job creation is estimated at 8.2 million. As a proportion of national GDP, the sector revenues have grown from 1.2% in FY1998 to an estimated 6.1% in FY2010. Its share of total Indian exports (merchandise plus services) increased from less than 4 % in FY1998 to almost 26% in FY2010.

Export revenues are estimated to gross $ 50.1 billion in FY2010, growing by 5.4%over FY2009, and contributing 69% of the total ITBPO revenues. Software and services exports (including BPO) are expected to account for over 99% of total exports, employing around 1.8 million employees.

The industry s vertical market mix is well balanced across several mature and emerging sectors. 2009 saw increased adoption of outsourcing from not only our biggest segment i.e., the Banking, Financial Services and Insurance (BFSI), but also new emerging verticals of retail healthcare and utilities.

According to the report, the beginning of the new decade heralds the slow, but steady end of the worst recession in the past 60 years.

Global GDP, after declining by 1.1%in 2009, is expected to increase by 3.1%in 2010,and 4.2% in 2011,with developing economies growing thrice as fast as the developed economies. Improving economic conditions signifying return of consumer confidence and renewal of business growth, is expected to drive IT spending going forward. IT services is expected to grow by 2.4% in 2010, and 4.2% in 2011 as companies coming out of recession harness the need for information technology to create competitive advantage.

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Organizations now recognize IT s contribution to economic performance extending beyond managing expenditures. They expect IT to play a role in reducing enterprise costs, not merely with cost cutting but by changing business processes, workforce practices and information use. Movement toward SaaS and cloud computing, shared services, and more selective outsourcing will take firmer shape as near-term priorities to address constrained IT budgets.

Government IT spending continues to rise across the world, focusing on infrastructure, and security. Other areas of spending include BPM, data management, on demand ERP, virtualization, and efforts to increase and deliver enterprise managed services on IP networks. Business process outsourcing spending in 2010 is expected to be increasingly driven by F&A segment and procurement, followed by HR outsourcing. Providers will increase their focus on developing platform BPO solutions across verticals and services.

Growth in outsourcing is expected to supersede overall IT spend reaffirming its potential to not only support short term, tactical goals of cost savings, but also long term advantages of increased competitiveness, efficiencies and access to emerging markets. Within outsourcing, off shoring will see increased acceptance as off shore based providers grow and traditional service providers ramp up off shore delivery capabilities. India s technology and business services industry has flourished in the last decade. A bright future lies ahead and the industry has much to look forward to, with the potential to quadruple its revenues over the next decade. Several macroeconomic and social trends will support the rise of the IT-BPO sector in the future, in core and emerging markets.

Business Overview

Your Company is a leading Indian provider of information technology services. The Company delivers a comprehensive range of IT services through globally integrated onsite and offshore delivery locations primarily in India, which the Company calls its global delivery model. Your Company offers its services to customers through industry-focused practices, including insurance, manufacturing, retail and distribution, financial services and communications, media and utilities, and through technology-focused practices. Within these practices, its service lines include application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering services, business process outsourcing and quality assurance services.

Your Company has in-depth knowledge in its industry and technology practices. Insurance, manufacturing, retail and distribution, communications, media and utilities and financial services accounted for 24.7%, 29.0%, 17.9% and 12.8% in 2008, respectively and 29.7%, 29.0%, 13.5%, and 12.8% in 2009, respectively. The Company s technology practices offer research, design and development services for product engineering. Through its dedicated sales and management teams in each of its industry and technology practices, your Company believes it is able to provide better client service, effectively cross-sell services to its existing clients and develop new client relationships.

Your Company has a track record of successfully developing and managing large, long-term client relationships with some of the world s largest and best known companies. Your Company s customer base has increased from 199 clients as of December 31, 2005 to 272 clients as of December 31, 2009. Several of Company s key executives are located in its client geographies to better develop and maintain client relationships at senior levels. Repeat business accounted for 93.0% and 94.0% of its revenues in 2008 and 2009.

Delivery Model

Your Company addresses its clients needs with its global delivery model, through which it allocates resources in a cost-efficient manner using a combination of onsite client locations in North America, Europe and Asia and offshore locations in India. Your Company believes an integral part of its delivery is its industry knowledge, which your Company refers to as its domain expertise.

Your Company refers to its own industry experts, business analysts and solutions architects who are located primarily onsite with the client as its domain wedge . These experts are supported by additional personnel who provide technical services onsite on a temporary basis, and by its trained professionals located normally at one or more of our nine offshore centers in India. Typically, at the initial stage of a project, your Company provides services through its onsite industry and technology experts and its transient onsite delivery personnel.

By applying its domain wedge approach, your Company delivers solutions that can be structured to scale to suit its clients needs. In certain cases your Company provides dedicated offshore development centers, set up for a particular client. Through these offshore development centers

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your Company integrates its clients processes and methodologies and believe it is better positioned to provide comprehensive and long-term support. Your Company maximizes the cost efficiency of its service offerings by increasing the offshore portion of the work as the client relationship matures. To complement its domain wedge, your Company has aligned a majority of its sales and marketing teams to focus on specific industry sectors.

Industry Practices, Technology Practices and Service Lines

Your Company offers its services to customers through industry practices in insurance, manufacturing, retail and distribution, financial services and communications, media and utilities, as well as in other industries. Your Company also has technology practices that offer services in product engineering and for Independent Software Vendors, or ISVs. The Company s industry practices and technology practices are complemented by its service lines, which your Company develops in response to client requirements and technology life cycles. The Company s service lines include application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering, business process outsourcing and quality assurance services.

Customer Relationships

Your Company has always demonstrated the ability to build and manage relationships with some of the world s largest and best known companies. Our strategy to diversify our revenue profile is on course.

Your Company s active client base is at 272 as of 31 December 2009 as compared to 331 as of 31 December 2008. In addition, the total number of clients that individually accounted for over $ 1.0 million in annual revenues continued to be 92 as of 31 December 2009 and as of 31 December 2008.

During 2009, your Company s revenues from T&M projects decreased by 7.3% over revenues in 2008, while revenues from fixed price contracts increased by 12.8% over the same period. T&M projects accounted for 59.4% of the Company s revenues in 2009, compared to 64.0% in 2008 and 62.2% of its new business was billed on a T&M basis.

Your Company s client concentration, as measured by the proportion of revenue generated from its top ten clients, increased to 49.7% in 2009 from 45.6% in 2008. The Company s largest client contributed 11.9% of our revenues in 2009, compared to 10.7% in 2008. During 2009, clients in the insurance, manufacturing, retail and distribution, financial services and product engineering services industries continued to contribute a large proportion of the Company s revenues. Revenues from clients in these industries contributed 29.7%, 29.0%, 12.8% and 15% to overall revenues respectively in 2009 as compared to 24.7%, 28.9%, 12.8% and 15.7% respectively in 2008. Your Company s clients in the communications, media and utilities industry contributed to 13.5% of its revenues in 2009 as compared to 17.9% in 2008.

During 2009, your Company continued to derive a significant proportion of its revenues from clients located in the United States. In 2009 and 2008, your Company derived 78.9% and 75.9% of its revenues from clients located in the United States.

Sales and Marketing

Your Company s sales teams use a multi-pronged approach to market its services. They target certain industries and service lines through focused sales executives, geographies through regional sales executives and large clients through dedicated account managers. The Company has aligned a majority of its sales and marketing teams to focus on specific industries and geographies. In addition to its sales executives, your Company has industry experts and solution architects who complement its sales efforts by providing specific industry and service line expertise. Your Company s sales efforts are also supported by its marketing professionals, who assist in brand-building and tracking the Company s expertise.

Your Company s senior management and dedicated account managers are actively involved in managing client relationships and business development through targeted interaction with multiple contacts throughout Company s clients organizations. Your Company aims to develop its client relationships into partnerships by working closely with its clients managers and senior executives to formulate and execute an offshore outsourcing strategy, implement engagement models that suit their particular challenges and explore new service lines.

Your Company has 28 sales offices across North America, Europe, Japan and the rest of the Asia-Pacific region and 235 sales and marketing personnel who are supported by

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dedicated industry specialists. Your Company sets targets for its sales personnel at the beginning of each year, which are subject to periodic reviews. In addition to a base salary, the Company s compensation package for sales personnel includes an incentive-based compensation plan driven by achievement of the prescribed sales targets. Your Company s sales and marketing professionals help promote the Patni brand through targeted analyst outreach programs, trade shows, white papers, sponsorships, workshops, road shows, speaking engagements and global public relations management. Your Company believes that a stronger brand will facilitate the Company s ability to gain new clients and to attract and retain talented professionals.

Personnel & Performance

Your Company strongly believes that its ability to maintain and continue its growth depends to a large extent on its strength in attracting, developing, motivating and retaining the talent. The Company operates in seven major cities in India, which enables the Company to recruit technology professionals from different parts of the country. The key elements of the Company s human resource management strategy include recruitment, learning and development, compensation and retention.

Your Company has established a work ethic based on values that transcend across its global operations. The culture is oriented to high growth and performance that allows the Company to attract, motivate and retain high quality talent worldwide. Abilities are recognized with rewards for high performance.

Your Company uses its competitive recruitment program to select talent from India s premier engineering institutions. An adaptive business model and mature management structure allow aggressive scalability without compromising on flexibility, responsiveness and reliability of services.

Your Company employed 13,995 employees as of 31 December 2009. Out of 13,995 employees, 11,102 were software professionals. Of these software professionals, 2,372 employees were categorized as onsite and 8,730 as offshore.

The Company s software employees are highly-skilled and have diverse educational backgrounds. As of 31 December 2009, graduate engineers comprised 67.03%, post graduate engineers comprised 4.67%, employees with master s degrees in computer applications or computer management comprised 12.73% and employees with masters in business administration and equivalent qualifications comprised 3.80% of its software professionals. Other degrees comprised 11.77% of its software professionals.

Your Company believes that it has a balanced mix of experience with approximately 28.6%, 33% and 38.4% of its software professionals with work experience of less than 3 years, 3 to 6 years and over 6 years, respectively, as of 31 December 2009.

Facility Expansion

In keeping with its plans for expansion, your Company has constructed new facilities in India, which includes three knowledge parks in Chennai, Navi Mumbai and Noida. These knowledge parks have state-of-the-art infrastructure with extensive workspace and training facilities and a modular design for ease of segregation of dedicated projects with ability to provide scale and service to clients from one location.

The Navi Mumbai, and the Chennai facilities are expected to accommodate up to 14,000 and 10,000 engineers, respectively, when fully completed. The Company estimates that it may spend an aggregate of approximately $ 140 million to complete these two projects. Phase I of the Navi Mumbai facility, having a capacity of 4,300 seats, is complete and occupied. Phase I of the Chennai facility, having a capacity of 1,200 seats, is complete and partially occupied. Construction of the Noida SEZ facility is completed with capacity to accommodate 3,200 Seats and is partially occupied. As of 31 December 2009, we had spent approximately $101.3 million on the knowledge parks. The estimated amounts (net of advances) remaining to be executed on contracts in relation to capital expenditure for the construction of various facilities, aggregated approximately to $55.6 million as of 31 December 2009 which will be executed over 3 years. Your Company anticipates that expenditures for its expansion plans will total approximately $20 to $25 million in 2010. In continuation of Company s policy to have its own campus operations, your Company has acquired land in Pune, Hyderabad and Kolkata in addition to its campuses in Mumbai, Chennai and Noida. These facilities when fully built are expected to have a seating capacity for approximately 25,000 professionals.

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For the Chennai facility, your Company has acquired 18.75 acres of land near Chennai for a lease term of 99 years to establish a project in connection with software development and support services. Further, for the Mumbai facility the Company has been granted licenses to construct facilities over 50 acres of land in a phased manner in Navi Mumbai.

Corporate Developments & Accolades

Your Company became the first Indian company to receive global certification by SAP for its Application Management Services. With this competitive edge, we are uniquely placed to jointly partner with SAP to take this offering to their large customer base.

Your Company was ranked among the Top 10 Best Performers in IT Services and IT Infrastructure Services , in a survey conducted by Global Services and neoIT. It was also featured in the prestigious list of Top 100 innovative service providers of the year.

Your Company was named a Challenger in Gartner s Magic Quadrant for Help Desk Outsourcing, North America, 2009 Report.

Your Company was ranked as the No. 1 Green Innovative Information Technology Vendor by the prestigious 2009 Black Book Top Green Outsourcing Vendors Survey.

Your Company was named IT Supplier of the Year by Weyerhaeuser, a leading provider of integrated forest products.

Your Company was ranked #7 Preferred Employer in DQ-IDC s Best Employer Survey 2009.

Your Company was conferred the #7 Preferred Employer rank in DQ-IDC s Best Employer Survey 2009 based on an industry-wide employee satisfaction survey. The Company was also ranked #16 Best IT Employer after a comprehensive analysis of HR policies across the industry. This rank is significant as it indicates a jump of 13 places from last year for the Company.

The Company also received some other key recognitions during the year:

Listed in the Black Book of Outsourcing 2009 :

Ranked # 1 Life Sciences Information Technology Outsourcing Vendor

Ranked # 1 Product Development and Engineering Outsourcing Vendor

Ranked # 2 Property and Casualty: Automotive Insurance BPO Player

Ranked # 4 Health Insurance BPO Player

Ranked # 8 HomeOwners BPO Player

Listed among the Top 10 End-to-end Insurance BPO/ITO Services Providers

Ranked among Top 15 Best Managed Global Outsourcing Vendor of 2009 in the Annual Client Experience Survey.

Listed in the Global Services 100 2009 , instituted by Global Services and neoIT:

Ranked 7th among Top 10 best performing IT Infrastructure Service Providers

Ranked 8th among Top 10 best performing IT Service Providers .

Listed among the Top 20 India-Centric BPO players in Competitive Landscape: Business Process Outsourcing, India-2009, by Gartner.

Named a Niche Player in Gartner s Magic Quadrant for CRM Service Providers, North America, 2009 Report.

Ranked 40th amongst the top technology providers for financial institutions in the FinTech 100 - 2009 list.

Listed as a regional level award winner at the 4th Employer Branding Awards 2009-10 under the Innovative retention strategy and Excellence in training categories.

Patni ESOP 2003 (Revised 2009)

Your Company had introduced the Employees Stock Option Plan known as Patni ESOP 2003 . The Plan is being administered by the Compensation and Remuneration Committee of Directors constituted as per SEBI Guidelines. The details of Options granted under the Plan are given in the Annexure to this Report.

Subsidiary Companies

The Company has wholly owned subsidiaries viz. Patni Americas, Inc., Patni Computer Systems (UK) Limited, Patni Computer Systems GmbH, PCS Computer Systems Mexico, SA de CV and Patni Computer Systems Brasil LTDA.

During the year, the Company set up the wholly owned subsidiary in Singapore viz. Patni (Singapore) Pte. Ltd.,

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Patni Telecom Solutions, Inc. and Patni Life Sciences Inc. are the subsidiaries of Patni Americas, Inc., Company s one of the main subsidiaries.

Patni Telecom Solutions (P) Limited and Patni Telecom Solutions (UK) Limited are subsidiaries of Patni Telecom Solutions, Inc.

Patni Computer Systems (Czech) s.r.o. is the subsidiary of Patni Computer Systems (UK) Limited.

In view of the above and by virtue of Section 4 of the Companies Act, 1956 the Company has following eleven subsidiaries (Collectively to be referred as **Subsidiary Companies**) i) Patni Americas, Inc.; ii) Patni Computer Systems (UK) Limited; iii) PCS Computer Systems Mexico, SA de CV; iv) Patni Computer Systems GmbH; v) Patni Computer Systems Brasil LTDA; vi) Patni (Singapore) Pte. Ltd.; vii) Patni Telecom Solutions, Inc.; viii) Patni Telecom Solutions (UK) Limited; ix) Patni Telecom Solutions (P) Limited; x) Patni Life Sciences, Inc.; and xi) Patni Computer Systems (Czech) s.r.o.

The Company has been granted exemption for the year ended 31 December 2009 by the Ministry of Corporate Affairs vide its letter dated 5 January 2010 from attaching to its Balance Sheet, the individual Annual Reports of each of its Subsidiary Companies. As per the terms of the said letter, a statement containing brief financial details of the Company s subsidiaries for the year ended 31 December 2009 is included in the Annual Report. The annual accounts of Subsidiary Companies and the related detailed information will be made available to any member of the Company / its Subsidiary Companies seeking such information at any point of time and are also available for inspection by any member of the Company / its Subsidiary Companies at the Registered Office of the Company. The annual accounts of the said Subsidiary Companies will also be available for inspection, as above, at the registered offices of the respective Subsidiary Companies.

Directors

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. Ramesh Venkateswaran, Dr. Michael A Cusumano and Mr. Louis Theodoor van den Boog are liable to retire and eligible for reappointment in the forthcoming Annual General Meeting.

Mr. Vimal Bhandari was appointed as an Additional Director of the Company w.e.f. 15 January 2010. Pursuant to provisions of Section 260 of the Companies Act, 1956, he shall hold his office till the ensuing Annual General Meeting of the Company. In view of the same, it is proposed to appoint him as a director of the Company in the forthcoming Annual General Meeting.

Corporate Governance

Your Company follows the principles of the effective corporate governance practices. The Clause 49 of the Listing Agreement deals with the Corporate Governance requirements which every publicly listed Company is required to comply with. The Company has taken steps to comply with the requirements of revised Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate section on Corporate Governance forming part of the Directors Report and certificate from the Company s Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is included in the Annual Report.

Particulars of Employees

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report is sent to all the Members of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the Company. The members desirous of obtaining such particulars may write to the Company Secretary at the registered office of the Company.

Fixed Deposits

Your Company has not accepted any fixed deposits from the Public. As such, no amount of principal or interest is outstanding as of the balance sheet date.

Auditors

M/s B S R & Co., Chartered Accountants, the present statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. It is proposed to

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reappoint them as the statutory auditors of the Company until the conclusion of the next Annual General Meeting. M/s B S R & Co., have, under section 224(1) of the Companies Act, 1956, furnished the certificate of their eligibility for reappointment.

Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the Operating Management, confirm that:-

(a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departure;

(b) they, in selection of accounting policies, have consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009 and the profit of the Company for the period 1 January 2009 to 31 December 2009;

(c) they have taken proper and sufficient care, to their best of knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) they have prepared the annual accounts on a going concern basis.

Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings/ Outgo:

A) Conservation of Energy

Your Company consumes electricity mainly for the operation of its computers. Though the consumption of electricity is negligible as compared to the total turnover of the Company, your Company has taken effective steps at every stage to reduce consumption of electricity.

B) Technology Absorption

This is not applicable to your Company as it has not purchased or acquired any Technology for development of software from any outside party.

C) Foreign Exchange Earnings/Outgo

Earnings in Foreign Currency on account of:	31 December 2009 (Rs. in million)
Export Sale	17,395
Others	62
Total Earnings	**17,457**

Expenditure in Foreign Currency on account of:	31 December 2009 (Rs. in million)
Traveling Expenses	104
Overseas Employment Expenses	2,224
Professional Fees & Consultancy Charges	435
Subscription & Registration Fees	4
Other Matters	273
Total Expenditure	**3,040**
Net Earnings in Foreign Currency	**14,417**

Acknowledgements

Your Directors wish to convey their appreciation to all the Company s employees for their performance and continued support. The Directors would also like to thank all the shareholders, consultants, customers, vendors, bankers, service providers and governmental & statutory authorities for their continued support.

For and on behalf of the Board of Directors

Narendra K. Patni
Chairman

Jeya Kumar
Chief Executive Officer

Date: 29 April 2010

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Annexure to the Directors Report - Employee Stock Options Plan (ESOP)

Information as on 31 December 2009

(Currency: in thousands of Indian Rupees except share data)

		As of December 31, 2009
(a)	No. of options granted	14,635,292*
(b)	Pricing formula	As per market price as defined in SEBI guidelines on ESOP or on face value of equity shares
(c)	Options vested	3,069,095**
(d)	Options exercised	2,973,145
(e)	The total number of shares arising as a result of exercise of option	2,973,145
(f)	Options lapsed	3,277,570***
(g)	Variation of terms of options	N/A
(h)	Money realized by exercise of options;	582,630
(i)	Total number of options in force;	8,384,577
(j)	Employee wise details of options granted to;-	
	(I) senior managerial personnel during the year;	Refer Table 1
	(II) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Refer Table 2
	(III) identified employees who were granted option, 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;	Refer Table 2

Table 1

Employee Name	Equity Options Granted
Jeya Kumar	1,850,000
Surjeet Singh	63,640
Ajay Chamania	21,710
Sunil Chitale	26,020
Vijay Khare	42,860
Satish Joshi	53,360
Manish Soman	50,000

Employee Name	ADR Options Granted
Brian Stones	9,250
V Mathivanan	50,000
Naresh Lakhanpal	50,000
Derek Kemp	20,000

Table 2

Employee Name	Equity Options Granted
Jeya Kumar	1,850,000

(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20 Earnings per Share	41.47

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				As of December 31, 2009
(i)	Impact of Employee Compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP			
	Profit for the year after taxation as reported			**5,427,316**
	Add Stock based employee compensation determined under the intrinsic value method			118,560
	Less Stock based employee compensation determined under the fair value method			173,614
	Pro-forma profit			**5,372,262**
	Reported earnings per equity share of Rs. 2 each			
	- Basic			42.32
	- Diluted			41.47
	Pro-forma earnings per equity share of Rs. 2 each			
	- Basic			41.89
	- Diluted			41.05
(m)	Weighted-average exercise prices and weighted-average fair values of options, for options whose exercise price equals or is less than the market price of the stock ****			
	Weighted average exercise price	-	Equity	Rs. 202.59
	Weighted average fair value	-	Equity	Rs. 124.96
	Weighted average exercise price	-	ADR	$12.36
	Weighted average fair value	-	ADR	$8.11
(n)	The fair value of each stock option is estimated on the date of grant using the Black Scholes option pricing model with the following assumptions for Equity linked options which are in accordance with SEBI Guidelines on ESOP			
	Dividend yield			1.37% - 1.78%
	Weighted average dividend yield			1.53%
	Expected life			3.5 - 6.5 years
	Risk free interest rates			5.94% - 7.21%
	Expected volatility			37.01% - 44.16%
	Weighted Average Volatality			39.42%

The price of the underlying share in market at the time of option grant

	Grant Date	Price (Rs.)
	March 10, 2009	106
	July 6, 2009	256
	August 26, 2009	451
The fair value of each stock option is estimated on the date of grant using the Black Scholes option pricing model with the following assumptions for ADR linked options which are in accordance with SEBI Guidelines on ESOP		
Dividend yield		1.18%- 1.64%
Weighted average dividend yield		1.61%
Expected life		1.0 - 6.5 years
Risk free interest rates		0.52% - 2.96%
Expected volatility		42.41% - 50.79%
Weighted average volatility		46.65%

The price of the underlying ADR in market at the time of option grant

	Grant Date		Price
	January 8, 2009	$	5.50
	July 6, 2009	$	10.59

	August 26, 2009	$	18.40
	November 3, 2009	$	19.35
(o) Ratio of ADS to Equity Shares			1 ADR = 2 Shares

* Including options granted to employees, who have then seperated.

• ** Net of options lapsed.

• *** As per the plan, in the event of resignation from employment, the options lapse for individual employee. However, the said options are available to Company for reissue.

• **** For options outstanding.

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Disclosures required under Clause 12.2 of SEBI ESOP Guidelines

(Currency: in thousands of Indian Rupees except share data)

		As of December 31, 2009
(a)	No. of options granted	2,743,400
(b)	Pricing formula	The Company was not publicly listed as on the date of grant of stock options. The stock options were granted at the Fair Market Value as determined by an independent agency.
(c)	Options vested	2,163,479**
(d)	Options exercised	1,885,804
(e)	The total number of shares arising as a result of exercise of option	1,885,804
(f)	Options lapsed	579,921
(g)	Variation of terms of options	N/A
(h)	Money realized by exercise of options;	272,197
(i)	Total number of options in force;	277,675
(j)	Employee wise details of options granted to;-	
	(I) senior managerial personnel;	Refer Table 1
	(II) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil
	(III) identified employees who were granted option, 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

Table 1

Employee Name	Options Granted
Satish M. Joshi	62,000
Deepak Sogani	52,600
Sunil Chitale	37,200
Milind S. Padalkar	31,700
Nand Kumar S. Pradhan	18,000
Milind Jadhav	19,000
Douglas W. Fallon	25,000
Sukumar G. Namjoshi	20,000
Vijay P. Khare	63,300
Ajay Chamania	34,700
Sanjiv Kapur	20,000
C. R. Krishna Shastri	30,100
Kiran Patwardhan	17,000
Mrinal R. Sattawala	58,300
Sumedh Mehta	25,000
Parag S. Patel	15,000

(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20 Earnings per Share	41.47
(l)	Impact of Employee Compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP	
	Profit for the year after taxation as reported	**5,427,316**
	Add Stock based employee compensation deteremined under the intrinsic value method	
	Less Stock based employee compensation deteremined under the fair value method	
	Pro-forma profit	**5,427,316**
	Reported earnings per equity share of Rs. 2 each	
	- Basic	42.32
	- Diluted	41.47
	Pro-forma earnings per equity share of Rs. 2 each	
	- Basic	42.32
	- Diluted	41.47
(m)	Weighted-average exercise prices and weighted-average fair values of options, separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	
	Weighted average exercise price	Rs. 145
	Weighted average fair value	Rs. 20.11
(n)	The fair value of each stock option is estimated on the date of grant using the Black Scholes option pricing model with the following assumptions which are in accordance with SEBI Guidelines on ESOP	
	Dividend yield	0.41%
	Expected life	2-5 years
	Risk free interest rates	4.75% - 4.90%
	Volatility	Nil
12.3	As the company follows intrinsic method for accounting for compensation cost there is no impact on profits and the basic and diluted EPS, as the excercise price and market price on date of grant is the same. Further, all options under the grant have been fully vested as of December 31, 2007.	

** Net of options lapsed.

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Corporate Governance Report

Your Company has complied, in all material respects, with features of Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

Philosophy on Corporate Governance

A good corporate governance process aims to achieve balance between shareholders interest and corporate goals by providing long-term vision of its business and establishing systems that help the Board in understanding and monitoring risk at every stage of the corporate evolution process to enhance the trust and confidence of the stakeholder without compromising with laws and regulations.

The Company s philosophy on corporate governance encompasses achieving balance between individual interests and corporate goals through the efficient conduct of its business and meeting its stakeholder obligations in a manner that is guided by transparency, accountability and integrity. Accountability improves decision-making and transparency helps to explain the rationale behind decisions and to build stakeholder confidence.

At Patni Computer Systems Limited, we strive towards excellence through adoption of best governance and disclosure practices.

A. Board of Directors

1. Composition of directors

The Board of Directors of the Company (the Board) has an optimum combination of directors. In order to ensure the independence of the Board, half of the directors are Independent Directors.

At present, the Board consists of twelve members. The relevant details in respect of the existing composition of the Board are furnished below.

Name of the director	Position / Category	Number of directorships in other companies*
Mr. Narendra K Patni(1)	Chairman	4
Mr. Jeya Kumar(2)	Chief Executive Officer	1
Mr. Gajendra K Patni(3)	Non - Executive Director	2
Mr. Ashok K Patni(3)	Non - Executive Director	3
Mr. William O Grabe(4)	Non Executive Director	6
Mr. Louis Theodoor van den Boog(5)	Non- Executive Director	4
Mr. Arun Duggal	Independent Director	13
Mr. Pradip Shah	Independent Director	16
Mr. Ramesh Venkateswaran	Independent Director	
Dr. Michael A Cusumano	Independent Director	1
Mr. Pradip Baijal(6)	Independent Director	2
Mr. Vimal Bhandari(7)	Independent Director	6

(1) Mr. Narendra K Patni is promoter and Chairman.

(2) Appointed as a Director of the Company, not liable to retire by rotation, w.e.f. 25 June 2009.

(3) Promoter.

(4) Mr. Abhay Havaldar acts as an alternate director to Mr. William O Grabe.

(5) Resigned as an Executive Director w.e.f. 20 February 2009 but continues to be Non-Executive Director.

(6) Appointed as a Director of the Company w.e.f. 25 June 2009, liable to retire by rotation.

(7) Pursuant to Section 260 of the Companies Act, 1956, appointed as an Additional Director of the Company w.e.f. 15 January 2010.

* This includes directorships held in public limited companies, foreign companies and subsidiaries of public limited companies but excludes directorships held in private limited companies.

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Changes in composition of the Board during the year ended 31 December 2009.

- Mr. Pradip Shah was subsequently re-appointed as a director (liable to retire by rotation) at the Annual General Meeting held on 25 June 2009.
- Mr. Jeya Kumar and Mr. Pradip Baijal were appointed as Directors of the Company w.e.f. 25 June 2009.
- Mr. Arun Maira ceased to be a Director of the Company w.e.f. 22 July 2009.

2. Number of Board Committees of the Company and of other companies on which directors are Member or Chairman.

Name of the director	Number of board committees on which Chairman	Number of board committees on which Member	Number of board committees of other companies on which Chairman	Number of board committees of other companies on which Member
Mr. Narendra K Patni	NIL	NIL	NIL	NIL
Mr. Jeya Kumar	NIL	NIL	NIL	NIL
Mr. Gajendra K Patni	NIL	NIL	NIL	1
Mr. Ashok K Patni	NIL	NIL	NIL	1
Mr. William O Grabe*	NIL	1	NIL	NIL
Mr. Louis Theodoor van den Boog	NIL	1	NIL	NIL
Mr. Arun Duggal#	NIL	1	1	2
Mr. Pradip Shah#	1	NIL	2	5
Mr. Ramesh Venkateswaran#	NIL	NIL	NIL	NIL
Dr. Michael A Cusumano	NIL	NIL	NIL	NIL
Mr. Pradip Baijal^	1	NIL	1	NIL
Mr. Vimal Bhandari#	NIL	1	1	4
Mr. Arun Maira@	NIL	NIL	NIL	NIL

* Mr. Abhay Havaldar acts as an alternate director to Mr. William O Grabe.

Mr. Arun Duggal ceased to be the Chairman of the Audit Committee w.e.f. 10 February 2010. However, he continues to be the Member of the Audit Committee. Mr. Pradip Shah was appointed as the Chairman of the Audit Committee w.e.f. 10 February 2010. Mr. Ramesh Venkateswaran has ceased to be the Member of the said Committee w.e.f. 10 February 2010 and as on same date, Mr. Vimal Bhandari was inducted on the Audit Committee as a Member.

^ Mr. Pradip Baijal was appointed as the Chairman of the Shareholders / Investors Grievance Committee w.e.f. 29 July 2009.

@ Mr. Arun Maira ceased to be a Director of the Company w.e.f. 22 July 2009. Consequently, he also ceased to be the Chairman of the Shareholders / Investors Grievance Committee.

Note: (As required under the Listing Agreement)

1. For the purpose of considering the limit of the committees on which a director can serve, all public limited companies, whether listed or not, have been included and all other companies including private limited companies, foreign companies and companies under Section 25 of the Companies Act have been excluded.

2. For the purpose of considering the limit on memberships of the committees, the Audit Committee and the Shareholders / Investors grievance committee alone are considered.

3. Number of board meetings held and the dates on which such meetings were held:

Four board meetings were held during the year ended 31 December 2009 with a time gap of not more than four months between any two meetings and the required information as stipulated under clause 49 of the Listing Agreement was made available to the members of the Board. The dates of such board meetings were 11-12 February 2009, 28-29 April 2009, 29-30 July 2009, and 31 October 2009.

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4. Attendance of each director at the board meetings and the last AGM

Name of the director	Total board meetings held during tenure	Total board meetings Attended	Annual General Meeting on 25 June 2009
Mr. Narendra K Patni	4	4	¸
Mr. Jeya Kumar*	2	2	¸
Mr. Gajendra K Patni	4	4	¸
Mr. Ashok K Patni	4	4	X
Mr. William O Grabe	4	2	X
Mr. Louis Theodoor van den Boog	4	4	X
Mr. Arun Duggal	4	4	¸
Mr. Pradip Shah	4	3	¸
Mr. Ramesh Venkateswaran	4	4	¸
Dr. Michael A Cusumano	4	4	X
Mr. Pradip Baijal*	2	2	¸
Mr. Vimal Bhandari#	NA	NA	NA
Mr. Arun Maira@	2	2	X
Mr. Abhay Havaldar (Alternate Director to Mr. William O Grabe)	4	2	X

NA - Not Applicable

* Mr. Jeya Kumar & Mr. Pradip Baijal were appointed as Directors of the Company w.e.f. 25 June 2009.

Mr. Vimal Bhandari was appointed as a Director of the Company w.e.f. 15 January 2010.

@ Mr. Arun Maira ceased to be a Director of the Company w.e.f. 22 July 2009.

5. Compensation to Directors

Details of compensation paid to Directors for the year ended 31 December 2009 as below:

Director	Relationship with other directors	Business relationship with the Company	Loans & advances from the Company	Sitting Fees*	Remuneration*	Commission*
Mr. Narendra K Patni	Brother of Mr. Gajendra K Patni and Mr. Ashok K Patni	Promoter	NIL	NIL	Refer note 3	NIL
Mr. Jeya Kumar	No	None	NIL	NIL	Refer note 2	NIL
Mr. Gajendra K Patni	Brother of Mr. Narendra K	Promoter	NIL	Rs. 80,000	(1,787,696.50)#	Rs. 8,325,000

	Patni and Mr. Ashok K Patni					
Mr. Ashok K Patni	Brother of Mr. Gajendra K Patni and Mr. Narendra K Patni	Promoter	NIL	Rs. 80,000	(1,787,696.50)#	Rs. 8,400,000
Mr. William O Grabe	No	Nominee of strategic investor	NIL	NIL	NIL	NIL
Mr. Louis Theodoor van den Boog	No	None	NIL	Rs. 140,000	Rs. 10,305,284	US$ 34,333
Mr. Arun Duggal	No	None	NIL	Rs. 160,000	NIL	US$ 50,000
Mr. Pradip Shah	No	None	NIL	Rs. 140,000	NIL	US$ 45,000
Mr. Ramesh Venkateswaran	No	None	NIL	Rs. 240,000	NIL	US$ 50,000
Dr. Michael A Cusumano	No	None	NIL	Rs. 160,000	NIL	US$ 40,000
Mr. Pradip Baijal	No	None	NIL	Rs. 80,000	NIL	US$ 22,137
Mr. Arun Maira@	No	None	NIL	Rs. 60,000	NIL	US$ 20,000

*Gross amounts subjected to applicable TDS.

@ Mr. Arun Maira ceased to be a Director of the Company w.e.f. 22 July 2009.

Adjustment to pension liability on account of actuarial valuations.

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Notes:

1. Payment to Non-Executive Directors:

The Company pays US$ 40,000 as an annual commission to its Independent Directors as approved by the Board within the limits approved by the Members of the Company. The amount of such commission, taken together for all non-executive directors, shall not exceed 1% of the net profits of the Company in financial year. The Independent Directors are also paid a sitting fee of Rs. 20,000 per meeting, being the maximum amount permissible under the present regulations, for attending the Board /Committee meetings. In addition to abovementioned commission, following are entitled for a one time annual commission as under.

- The Chairman of the Audit Committee: $ 10,000/ - p.a.
- Members of the Audit Committee: $ 5,000/- p.a.
- The Chairman of Compensation & Remuneration Committee: $ 5,000/- p.a.
- The Chairman of Shareholders and Investors Grievance Committee: $ 5,000/- p.a.

In addition to the above, the Independent directors are also eligible for stock option grants under Company s Stock Option Plan i.e. Patni ESOP 2003 (Revised 2009).

2. Payment to Chief Executive Officer:

During the year, the Company has appointed Mr. Jeya Kumar as a Manager with the designation as Chief Executive Officer w.e.f. 20 February 2009 and paid remuneration to him within the limits envisaged under the applicable provisions of the Companies Act, 1956. The remuneration paid was approved by the Board within the limits approved by the Members of the Company.

The breakup of remuneration paid to him in capacity of Chief Executive Officer of the Company is as under:

(Amounts in Rs.)

	Fixed Components			
	Salary, Allowances & Perquisites	PF contribution	Pension	Total
Mr. Jeya Kumar	119,736,859	2,177,836		121,914,695

3. Compensation to Mr. Narendra K Patni was paid by Patni Americas Inc., a wholly owned subsidiary of the Company. The Compensation is as described in the financial statements.

Non-Executive Directors Shareholding in the Company for the year ended 31 December 2009

Name of Non-Executive Director	No. of Equity Shares
Mr. Narendra K Patni#	20,697,998
Mr. Gajendra K Patni#	19,345,102
Mr. Ashok K Patni#	20,048,102
Mr. William O Grabe	Nil
Mr. Louis Theodoor van den Boog*	Nil
Mr. Arun Duggal	Nil
Mr. Pradip Shah	Nil
Dr. Michael A Cusumano	Nil
Mr. Ramesh Venkateswaran	7,700
Mr. Pradip Baijal	Nil

shareholding includes shares held by their relatives.

*Mr. van den Boog holds 48,002 equity shares of the Company as on 31 December 2009. This shareholding was acquired by Mr. van den Boog through previous co-investment rights in which Mr. van den Boog invested in various General Atlantic LLC investment vehicles, including one that is an investor in General Atlantic Mauritius Limited, as a result he has an approximate 0.2% ownership interest in General Atlantic Mauritius Limited.

Stock Options Grant

The Company had introduced PATNI ESOP 2003 for employees of the Company / subsidiaries including non-executive directors of the Company in terms of SEBI Guidelines on ESOP. In pursuance of PATNI ESOP 2003, the Company issued an initial grant of 20,000 Options each to then Independent Directors on 1 July 2004 as approved by the Board at the exercise price of Rs. 254 per share. 25% of the options granted in July 2004 as mentioned above, vested each in July 2005, July 2006, July 2007 and July 2008.

The Board of Directors, at its meeting held on 26 April 2005, approved initial grant of 20,000 options to Mr. Louis Theodoor van den Boog on joining the Board and 5,000 options each to other Independent Directors, at the exercise price of Rs.381 per share. 25% of the options granted in April 2005 as mentioned above, vested each in April 2006, April 2007, April 2008 and April 2009.

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The Board of Directors, at its meeting held on 25 April 2006, approved the grant of 5,000 options each to then Independent Directors, at the exercise price of Rs.458 per share. 25% of the options granted in April 2006 as mentioned above, vested each in April 2007, April 2008, April 2009 and April 2010.

Subsequent to listing of Company s ADRs on New York Stock Exchange (NYSE), Members of the Company at their Annual General Meeting held on 21 June 2006, approved the amendment to Patni ESOP 2003 (Patni ESOP 2003 - Revised 2006) (the Plan) to enable the Company to issue the ADR linked Options upto limits provided in the said shareholders resolutions.

Pursuant to the Plan, Mr. Arun Maira, on joining the Board, was granted 20,000 options at an exercise price of Rs. 336/- per share. The effective date of above grant was 1 July 2006. 25% of the options granted to Mr. Arun Maira vested in July 2007, July 2008 and July 2009.

The Board of Directors, at its meeting held on 24 April 2007, approved the grant of 5,000 options each to then Independent Directors, at the exercise price of Rs. 455/- per share. 25% of the options granted in April 2007 as mentioned above vested in April 2008, April 2009 and April 2010.

The Members of the Company, at their meeting held on 26 June 2008, approved the amendment to the Plan to enable the Company to issue the Restricted Stock Units (RSUs) at an exercise price of Rs. 2/- each under the Patni ESOP 2003 Revised 2008 (the Revised Plan).

The Compensation and Remuneration Committee of Directors vide its resolution dated 25 November 2008, approved the grant of 96,000 RSUs to Mr. Louis Theodoor van den Boog, at an exercise price of Rs. 2/- per share. 25% of the above mentioned RSUs have been vested in November 2009. The balance 75% of the above mentioned RSUs have been vested in April 2010.

The Compensation and Remuneration Committee of Directors vide resolution dated 10 March 2009, has approved the grant of 1,500,000 Equity Linked Options at an Exercise Price of Rs. 106/- per share and 350,000 RSUs at a par value of shares i.e. Rs. 2/- per share to Mr. Jeya Kumar, CEO, under the Plan.

The Members of the Company has approved the abovementioned grant by passing special resolution at the Annual General Meeting held on 25 June 2009. 25% of abovementioned Equity Linked Options and 50% of RSUs have been vested in March 2010.

The Members of the Company, at their Meeting held on 25 June 2009, approved the resolution in which the Board of Directors of the Company are authorized on behalf of the Company to issue and allot additional 8,000,000 Equity Shares of nominal value of Rs. 2/- each to the permanent employees of the Company (including Executive and Non-Executive Directors but excluding the Promoter Directors) under a Patni ESOP 2003 (Revised 2009) (Revised Plan 2009) created by the Company for the benefit of the employees, inter alia, on the terms and conditions as set out in the said Patni ESOP Plan. The Members also resolved that options granted to Non-Executive Directors, including Independent Directors, shall not exceed 150,000 options in a financial year and in aggregate shall not be more than 1,500,000 under the said Revised Plan 2009.

The Board of Directors, at its meeting held on 10 February 2010, approved the grant of 20,000 options each to Mr. Vimal Bhandari and Mr. Pradip Baijal at an exercise price of Rs. 471/- each and 5,000 options each to other 4 Independent Directors as on said date, at the exercise price of Rs. 471/- per share or US$ 20.78 per ADR, as the case may be. None of the said options have been vested so far.

All the options which have been granted except the RSUs granted to Mr. Jeya Kumar, vest in four equal annual instalments beginning one year from the date of grant. The RSUs granted to Mr. Jeya Kumar will vest in two equal annual installments beginning one year from the date of grant. The options can be exercised within five years from the date of vesting.

Code of Conduct:

Pursuant to the requirements of the Clause 49 of the Listing Agreement, the Board has adopted Code of Business Conduct and Ethics for the executive directors, whole time directors, officers and employees of the Company as well as the separate Code of Business Conduct and Ethics for Non-Executive Directors of the Company. The said Code has been posted on website of the Company.

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All the Board Members and senior management personnel have affirmed compliance with the Code for the year 2009 and a declaration to this effect signed by the CEO of the Company is provided at the end of this report.

Tenure:

As per the provisions of the Companies Act, 1956 and the Articles of Association of the Company, two third of the total directors of the Company retire by rotation. Out of this two third, one third will be retiring at every Annual General Meeting. Accordingly, the tenure of each director is two years but they are eligible for re-appointment.

In accordance with the Articles of Association of the Company, Mr. Narendra K Patni, Mr. Gajendra K Patni and Mr. Ashok K Patni are permanent members of the Board.

Further, Mr. Louis Theodoor van den Boog was appointed as an Executive Director of the Company w.e.f. 29 April 2008. However, he ceased to be an Executive Director w.e.f. 20 February 2009 and he continues to be Non-Executive Director liable to retire by rotation.

Mr. Jeya Kumar was appointed as Manager with the designation as Chief Executive Officer w.e.f. 20 February 2009 for the period of five years pursuant to the provisions of the Companies Act, 1956. He was further appointed as a Director of the Company, not liable to retire by rotation, at an Annual General Meeting held on 25 June 2009.

B. Audit Committee

1. Brief description of terms of reference

The Audit Committee was initially set up on 19 December 2001 and reconstituted on 12 November 2003 in line with the then corporate governance norms. Subsequently, the Audit Committee was further reconstituted on 30 March 2005, 29 April 2008 and recently on 10 February 2010. The Audit Committee has three non-executive members, all being independent. The Chairman of the Committee is an independent director. All members of the Audit Committee are financially literate and they have accounting or related financial management expertise.

Existing Charter of the Audit Committee, including terms of reference, is as under:

I. Purpose

The primary purpose of the Audit Committee is to assist the Board of Directors (the Board) of Patni Computer Systems Limited, (the Company), in fulfilling its oversight responsibilities with respect to (a) the accounting and financial reporting processes of the Company, including the integrity of the audited financial statements and other financial information provided by the Company to its stockholders, the public, any stock exchange and others, (b) the Company s compliance with legal and regulatory requirements, (c) the Company s independent auditors qualifications and independence, (d) the audit of the Company s financial statements, and the performance of the Company s internal audit function and its independent auditors.

II. Organization

The Audit Committee shall have minimum of three Directors as its Members. All Members of the Audit Committee shall be independent directors and shall be financially literate and at least one member shall have accounting or related financial management expertise. The Board shall appoint a chairperson of the Audit Committee and in the absence of such person, the members of the Audit Committee shall appoint one of their members present as the Chairman by a vote of the majority of the full Audit Committee. The Chairman of the Audit Committee shall be present at the Annual General Meeting of the Company to answer shareholders queries.

The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the CFO) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The CFO, head of Internal Audit and representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.

III. Meetings

The Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The Quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.

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IV. Authority and Responsibilities

Subject to and in accordance with Clause 49 of the listing agreement

Description			**Period**
A.	**With Respect to the Management**		
	1.	Review the annual financial statements before submission to the board for approval	Annually
	2.	Review the quarterly financial statements before submission to the board for approval	Quarterly
	3.	Review and discuss the major issues w.r.t accounting principles and financial statement presentations and changes in accounting principles and polices.	As appropriate
	4.	Review disagreements or on audit problems, if any, for preparation of financial statements etc	As appropriate
	5.	Review Company s legal Compliance Report and any matters which could impact Company s financial statements.	As appropriate
	6.	Review the Company s Earnings press releases and other information provided to analysts and rating agencies.	As appropriate
	7.	Review and discuss w.r.t off-balance sheet transaction, arrangements, obligations etc	As appropriate
	8.	Review steps to monitor, control and manage major financial risk and corrective measures	As appropriate
B.	**With Respect to the Independent Auditors**		
	1.	Appointment, compensation and oversight of the work of Independent Auditors	As appropriate
	2.	Evaluate Performances of Independent Auditors including lead audit partner	Annually
	3.	Ensure objectivity & independence of Independent Auditors, and receive a statement of Independence from them	Annually
	4.	Review Appropriate Internal Quality Control procedures of Independent Auditors	Annually
	5.	Confirm Rotation requirement of Partners & Independent Auditors and hiring of former employees of Independent Auditors	As appropriate
	6.	Review of any report submitted by Independent Auditors	As appropriate

	7.	Before commencement of Internal Audit, review the scope & plan of work of Independent Auditors	Annually
	8.	Post audit discussion with Independent Auditors to ascertain areas of concern	Annually
	9.	Review Alternative Accounting treatments of Financial information reported in US GAAP and treatment advised by Independent Auditors	As appropriate
	10.	Ensuring the quality and appropriateness of the Company s accounting and financial disclosures	As appropriate
C.	**With Respect to the Internal Auditors**		
	1.	Appointment of Head of Internal Audit and review of scope of work and his responsibilities	Annually
	2.	Review the scope & plan of work of Internal Audit Group including staffing & budget	At least Annually
	3.	Evaluate Performance of Internal Audit Group	At least Annually
	4.	In discussion with internal auditors Review of the adequacy of Company s internal controls	As appropriate
	5.	Review the process of complaints regarding internal accounting controls and auditing matters	As appropriate
	6.	Review effectiveness of the Company s internal control over financial reporting	Annually
	7.	Review Management certification and disclosures	Annually
	8.	Review on the issues raised in management letters and corrective steps	As appropriate
	9.	Review on significant findings of the Internal Audit Group	As appropriate

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Description			Period
D.	**Other**		
	1.	Review all related party transactions required under SEC rules and SEBI	Annually
	2.	Examine reasons behind any substantial defaults	As appropriate
	3.	Review the details of investment surplus fund and IPO proceeds	As appropriate
	4.	Recommend to BOD amendment to, or waiver of, Company s code of Ethics.	As appropriate
	5.	Review adequacy of Charter annually and review its performance	Annually
	6.	Report regularly with respect to the quality or integrity of the Company s financial statements & perform other activities.	As appropriate
	7.	Review the financial statements of any material non-listed Indian subsidiary	As appropriate

V. Resources

The Audit Committee shall have the sole authority to retain or terminate consultants to assist the Audit Committee in its functions. The terms of engagement and payment terms of such consultants will be determined by the Audit Committee.

The Company Secretary shall act as the Secretary to the Audit Committee.

2. Composition, names of Members and Chairman

The Board of Directors of the Company at its Meeting held on 10 February 2010 has, inter alia, approved following changes in the composition of the Audit Committee of the Directors:

- Mr. Arun Duggal has ceased to be the Chairman of the Audit Committee. However, he continues to be the Member of the Audit Committee;

- Mr. Pradip Shah has been appointed as the Chairman of the Audit Committee;

- Mr. Vimal Bhandari, an independent Director, has been appointed as a Member of the Audit Committee; and

- Mr. Ramesh Venkateswaran has ceased to be the Member of the Audit Committee.

Accordingly, the current composition of the Audit Committee of the Company is as under:

Name of the Member	Designation	Category
Mr. Pradip Shah	Chairman	Independent Director
Mr. Arun Duggal	Member	Independent Director
Mr. Vimal Bhandari	Member	Independent Director

3. Meetings and attendance during the year

Four meetings were held during the year ended 31 December 2009.

Name of the Member	Total Committee meetings held during tenure of member	Total Committee meetings attended
Mr. Pradip Shah	4	4
Mr. Arun Duggal	4	4
Mr. Vimal Bhandari		
Mr. Ramesh Venkateswaran	4	4

C. Compensation and Remuneration Committee

1. Brief description of terms of reference and remuneration policy

The Compensation and Remuneration Committee was set up on 30 July 2006 by merging the Remuneration Committee and the Compensation Committee. The Committee has overall responsibility for approving and evaluating compensation plans, policies and programs of the CEO and senior management of the company. The Committee shall make recommendations to the Board on Stock Option plans for all employees. The Committee shall also facilitate the recommendation of compensation for Board members.

The Committee has three non executive members with all being independent and the Chairman of the Committee is an Independent Director. Mr. Arun Maira ceased to be the Member of Compensation and Remuneration Committee w.e.f. 22 July 2009 and Mr. Pradip Baijal was inducted as a Member of the said Committee w.e.f. 29 July 2009. Mr. Jeya Kumar was inducted as a Permanent Invitee of the Committee w.e.f. 29 July 2009.

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2. Present Composition, names of Members and Chairman

Name of the Member	Designation	Category
Mr. Ramesh Venkateswaran	Chairman	Independent Director
Dr. Michael A Cusumano	Member	Independent Director
Mr. Pradip Baijal	Member	Independent Director

3. Meetings and attendance during the year

Four meetings were held during the year ended 31 December 2009

Name of the Member	Total Committee meetings held during tenure of member	Total Committee meetings attended
Mr. Ramesh Venkateswaran	4	4
Dr. Michael A Cusumano	4	4
Mr. Pradip Baijal	1	1
Mr. Arun Maira	2	1

D. Shareholders / Investors Grievance Committee

Shareholders /Investors Grievance Committee was set up on 12 November 2003 and was reconstituted on 30 July 2006, 30 October 2007, 29 April 2008, 22 October 2008 and recently on 29 July 2009. The Committee consists of three directors, the majority being non-executive directors. The Chairman of the Committee is an Independent Director. The Committee met on 31 October 2009 to ensure timely and efficient resolving of investor complaints.

1. Name of non-executive director heading the Committee:

Mr. Pradip Baijal was appointed as the Chairman of the Committee w.e.f. 29 July 2009. Mr. Arun Maira ceased to be the Chairman of the said Committee w.e.f. 22 July 2009.

2. Present Composition, names of the Members and Chairman:

Name of the Member	Designation	Category
Mr. Pradip Baijal	Chairman	Independent Director
Mr. Louis Theodoor van den Boog	Member	Non - Executive Director
Mr. William O Grabe*	Member	Non - Executive Director

*Mr. Abhay Havaldar acts as an alternate director to Mr. William O Grabe.

3. Name and designation of Compliance Officer

Mr. Arun Kanakal, Vice President & Company Secretary

Akruti Softech Park, MIDC Cross Road No.21,

MIDC, Andheri (East),

Mumbai - 400 093.

Tel: 91 022 66930500

Fax: 91 022 28321750

E-mail: arun.kanakal@patni.com

4. Details of investors queries / complaints received and resolved during the year ended 31 December 2009:

This information has been provided under Shareholders Information.

E. General Body Meetings

1. Details of last three Annual General Meetings of the Company:

Annual General Meetings for the last three years

Date	25 June 2009	26 June 2008	21 June 2007
Location	Hotel Le Meridien, R.B.M.Road, Opposite Pune Railway Station, Pune 411 001	Hotel Le Meridien, R.B.M.Road, Opposite Pune Railway Station, Pune 411 001	Hotel Le Meridien, R.B.M.Road, Opposite Pune Railway Station, Pune 411 001

Time	11.30 am	11.30 am	11.30 am

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2. Whether any special resolution passed in the previous three AGMs?

Yes

3. Whether any special resolution passed last year through postal ballot details of voting pattern?

No

4. Who conducted the postal ballot?

Not Applicable

5. Whether any special resolution is proposed to be conducted through postal ballot?

No

6. Procedure for postal ballot?

Not Applicable

F. Disclosures

1. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large

Disclosures regarding Related Party Transactions have been made under notes to financial statements of the Company, which form part of this Annual Report.

2. Details of non-compliance by the company, penalties and strictures imposed on the company by the stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

No penalties and strictures have been imposed on the Company by the stock exchange, SEBI or any statutory authority on any matter related to capital markets as there was no non-compliance by the Company.

3. As stated earlier, the Board has adopted Code of Business Conduct and Ethics for the executive directors, whole time directors, officers and employees of the Company as well as the separate Code of Business Conduct and Ethics for Non-Executive Directors of the Company. The provisions relating to Whistle Blower Policy have been adequately provided and no personnel has been denied access to the Audit Committee.

4. Disclosure on non-mandatory requirements:

a) None of the independent director on the Board of the Company has served for a tenure exceeding nine years. The Company has ensured that the person who is being appointed as an independent director has the requisite qualifications and experience which would be of use to the Company and which in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an Independent Director.

b) The Company has set up a Compensation & Remuneration committee, details of which are provided elsewhere in this Report.

c) We publish our quarterly and half yearly results in widely circulated newspapers and also display our results on our website. We did not send half yearly results to the shareholders in the year 2009.

d) The financial statements of the Company are unqualified.

e) As stated earlier, the Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about any malpractice, impropriety, abuse etc. The said Policy is also appropriately communicated within the Company across all levels and has been displayed on Company s intranet and website.

G. Shareholders Information

Date and time of AGM	:	23 June 2010, Wednesday at 11.30 a.m.
Venue	:	Hotel Le Meridien, R.B.M.Road, Behind Pune Railway Station, Pune - 411001

Financial year	:	1 January 2009 to 31 December 2009
Book closure dates	:	16 June 2010 to 23 June 2010 (both days inclusive)
Registered office	:	S-1A, F-1, Irani Market Compound, Yerawada, Pune 411 006
Dividend payment date	:	On or after 28 June 2010, but within the statutory time limit of 30 days
Compliance officer	:	Mr. Arun Kanakal, Company Secretary is the Compliance Officer of the Company.
Website address	:	www.patni.com

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Means of communication

The Company s website www.patni.com contains an Investors section containing financials, press releases, shareholding pattern, news about the Company and certain other shareholder information.

The Company has been sharing the relevant information on the Corporate Filing and Dissemination Systems website viz. www.corpfiling.co.in launched by BSE and NSE.

The Securities and Exchange Commission, US (SEC) maintains a website at www.sec.gov that contains all information and filings done by the registrants that make electronic filings with the SEC using its EDGAR system. The periodical filings of the Company with SEC are also available on the Company s website.

All press releases and events can be accessed under the heading News and Events in Investors section on the Company s website.

Financial results are generally published in Economic Times, Free Press Journal (the National newspapers), Navshakti and Maharashtra Times (Vernacular newspapers).

As required by sub-clause V of Clause 49 of the Listing Agreement, Management Discussion and Analysis is provided elsewhere in the Annual Report.

As on 31 December 2009, there were 38,176 shareholders holding our equity shares.

The Company s shares fall under category B of scrip in BSE and are listed on the following stock exchanges:

In India:

1. Bombay Stock Exchange Limited (BSE)

Phiroze Jeejeebhoy Towers

Dalal Street, Fort

Mumbai 400001

Tel: 91 22 2272 1233/1234

Fax: 91 22 2272 3719

Website: www.bseindia.com

2. National Stock Exchange of India Limited (NSE)

Exchange Plaza,

Plot No.C/1, G Block,

Bandra Kurla Complex, Bandra (E)

Mumbai 400 051

Tel: 91 22 2659 8235 / 36

Fax: 91 22 2659 8237 / 38

Website : www.nseindia.com

Outside India:

The Company s ADSs are listed on:

The New York Stock Exchange (NYSE)

11 Wall Street, New York

NY 10005, US.

Tel: 1 212 6563000

Website: www.nyse.com

Listing fees for the year 2009-10 have been paid to the stock exchanges where the Company s shares are listed.

Stock code:

BSE	: 532517
NSE	: PATNI
ISIN nos. in NSDL and CDSL	: INE660F01012
NYSE (ADR)	: PTI

Reuters:

Symbol	Company name	Prime Exchange
PTNI.NS	PATNI COMPUTER SYSTEMS LTD	NSE
PTNI.BO	PATNI COMPUTER SYSTEMS LTD	BSE
PTI.N	PATNI COMPUTER SYSTEMS LTD	New York Stock Exchange

Bloomberg Code: PATNI:IN, PTI:US.

Dematerialisation of equity shares

The Company s shares are under compulsory dematerialisation list and can be transferred through depository system. The Company has entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate the dematerialisation of shares. As on 31 December 2009, 99.99% shares were held in electronic form.

Contact Details:

For any queries regarding shares:

Registrar and Transfer Agent:

Karvy Computershare Private Limited

Unit : Patni Computer Systems Limited

Plot No.17 - 24, Vittal Rao Nagar, Madhapur

Hyderabad - 500 081, India.

Tel: 91 40 2342 0815-820

Fax: 91 40 2342 0814

Email: igkcpl@karvy.com

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Company Secretary and Compliance Officer:

Arun Kanakal

Patni Computer Systems Limited

Akruti Softech Park,

MIDC Cross Road No.21,

Andheri (East), Mumbai 400093

Tel: 91 22 6693 0500

Email : investors.redressal@patni.com

For queries relating to Financial Statements:

Tanmoy Chowdhury

Patni Computer Systems Limited

Akruti Softech Park,

MIDC Cross Road No.21,

Andheri (East), Mumbai 400093

Tel: 91 22 6693 0500

Email: investors.redressal@patni.com

Investor correspondence in the U.S.:

Gaurav Agarwal

Patni Computer Systems Limited

One Broadway,

Cambridge MA 02142

Tel: 1 617 914 8360

e-mail : ir@patni.com

Name and address of the Depositary Bank for the purpose of ADS:

The Bank of New York Mellon Investor Services

P.O. Box 11258

Church Street Station

New York, NY 10286-1258

Toll Free Tel # for domestic callers: 1 888 269 2377

International Callers can call: 1 201 680 6825

Email: shrrelations@bnymellon.com

Websites: http://www.bnymellon.com\shareowner

Name and address of the Custodian in India for the purpose of ADS:

The Hongkong and Shanghai Banking Corporation Ltd

Custody and Clearing

HSBC Securities Services

2nd Floor, Shiv , Plot No 139-140 B

Western Express Highway, Sahar Road Junction,

Vile Parle (E), Mumbai - 400 057

Tel: 91 22 4035 7637/40/49/27

Fax: 91 22 4035 7469/ 70

Dividend

The Board of Directors is pleased to recommend the payment of dividend for the year ended 31 December 2009 @ Rs. 3 per share or 150 percent. This dividend, if approved at the Annual General Meeting, shall be paid to all eligible Members whose names appear on the Register of Members on 15 June 2010.

Dividend through Electronic Clearing Service (ECS):

The Company shall provide the facility of ECS to those shareholders in the locations where ECS is available.

For balance locations, the Company shall issue dividend warrants. These warrants will be valid for a period of 90 days from the payment date. On the expiry of the validity period of the dividend warrants, these may be sent back to our Registrars and Transfer Agents for issue of demand drafts in lieu of the same at:

Karvy Computershare Private Limited

Unit : Patni Computer Systems Limited

Plot No.17 - 24

Vittal Rao Nagar, Madhapur

Hyderabad - 500 081, India

Tel: 91 40 2342 0815-820

Fax: 91 40 2342 0814

Email: igkcpl@karvy.com

Patni Insider Trading Policy:

The Company has implemented an Insider Trading Policy to comply with all relevant Insider Trading Regulations. In accordance with the policy, the Company announces quiet period for designated employees from time to time.

The Company has a policy of observing a quiet period from the last day of the end of the quarter till two trading days after the financial results are published. The Company may also announce quiet period during and after the occurrence of certain events mentioned in the Insider Trading Policy.

The Company is continuously monitoring its Insider Trading Policy.

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Details of complaints received and resolved from 1 January 2009 to 31 December 2009:

Complaints	Received	Attended to	Pending
Non-Receipt of Dividend Warrants	44	44	0
Non-Receipt of Annual Report	12	12	0
Non-Receipt of Securities	0	0	0
Non-Receipt of Refund Order	5	5	0
Non- Receipt of Electronic Credit	0	0	0
Receipt of Refund Orders/DWs for corrections	13	13	0
Complaints Received from SEBI	0	0	0
Complaints Received from Stock Exchanges	0	0	0
Total	**74**	**74**	**0**

Shareholding Pattern as on 31 December 2009:

Category	Number of Shares	% to Total
Promoters and Relatives of Promoters	60,091,202	46.54
Mutual Funds/ UTI	7,654,442	5.93
Financial Institutions /Banks	10,550	0.01
Insurance Companies	1,428,954	1.11
Foreign Institutional Investors	15,492,659	12.00
Bodies Corporate	1,528,563	1.18
Individuals	3,159,974	2.45
NRIs	129,182	0.10
Foreign Corporate Bodies	2,752,081	2.13
Directors	7,700	0.00
Trusts and Clearing Members	134,199	0.10
Shares underlying ADRs*	36,555,172	28.31
Others	181,354	0.14
Total	**129,126,032**	**100.00**

* Includes 20,161,868 underlying shares held by Bank of New York for General Atlantic Mauritius Limited being the beneficiary.

Market Price Data:

Monthly highs, lows and volumes for Financial Year 2009

		BSE			NSE		Total Volume
	High	Low	Volume	High	Low	Volume	(BSE+NSE)
Month	Rs.	Rs.	Nos.	Rs.	Rs.	Nos.	Nos.
January-09	142.90	108.00	387,508	142.00	109.00	1,404,122	1,791,630
February-09	125.50	97.00	1,000,131	126.05	96.55	2,144,553	3,144,684

March-09	131.95	94.00	8,386,144	132.00	94.00	7,688,524	16,074,668
April-09	171.10	127.05	1,063,223	171.40	125.10	3,628,842	4,692,065
May-09	230.70	152.00	3,973,660	231.90	158.20	10,156,227	14,129,887
June-09	279.50	199.15	1,820,810	279.50	198.40	6,466,440	8,287,250
July-09	368.45	240.05	4,710,704	368.60	239.90	16,439,314	21,150,018
August-09	463.00	335.00	7,374,711	464.70	336.00	25,325,379	32,700,090
September-09	488.00	391.00	5,354,247	488.70	349.80	22,015,927	27,370,174
October-09	522.70	391.00	3,311,662	477.20	389.05	16,049,271	19,360,933
November-09	515.00	418.00	4,186,272	518.85	415.55	19,597,293	23,783,565
December-09	496.00	440.20	1,824,179	495.45	440.00	8,669,771	10,493,950

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Market movement:

Stock market data relating to equity shares listed in India

Chart on Patni share price Vs. Sensex and Nifty from 1 January 2009 to 31 December 2009

Distribution of shareholding as on 31 December 2009

No. of equity shares held	No. of shareholders	%	No. of shares	%
1 5000	37,819	99.06	2,830,612	2.19
5001 10000	104	0.27	397,463	0.31
10001 20000	62	0.16	433,923	0.34
20001 30000	24	0.06	290,915	0.23
30001 40000	12	0.03	220,292	0.17
40001 50000	7	0.02	157,636	0.12
50001 100000	34	0.09	1,205,611	0.93
100001 and above	114	0.30	123,589,580	95.71
Total	**38,176**	**100.00**	**129,126,032**	**100.00**

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Outstanding ADRs

Our ADRs are traded on the NYSE under the ticker symbol PTI . As of 31 December 2009, Outstanding ADRs are 8,196,652. Each ADR represents two underlying Equity Shares.

We have entered into a Deposit Agreement dated 15 July 2002 with The Bank of New York, the Depositary. Pursuant to the said Deposit Agreement, we have deposited 20,161,868 equity shares of Rs. 2/- each with the Depositary. The Depositary has executed and delivered to General Atlantic 20,161,868 ADRs representing such equity shares where each ADR represents one equity share of Rs.2 per share.

The addresses of offices / locations are given elsewhere in this Annual Report.

ANNUAL DECLARATION BY CEO PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT

As per the requirements of Clause 49(I)(D)(ii) of the Listing Agreement, I, Jeya Kumar, Chief Executive Officer of the Company, hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance with the Company s Code of Business Conduct and Ethics for the year 2009.

Sd/-

Jeya Kumar

Chief Executive Officer

Date: 27 April 2010

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Auditors Certificate on Corporate Governance

To the Members of Patni Computer Systems Limited

We have examined the compliance of conditions of Corporate Governance by Patni Computer Systems Limited (the Company) for the year ended on 31 December 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **B S R & Co.**

Chartered Accountants

Firm s Registration No: 101248W

Natrajan Ramkrishna

Partner

Membership No: 032815

Mumbai

29 April 2010

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The Board of Directors,

Patni Computer Systems Limited

Akruti Softech Park, MIDC Cross Road No. 21,

Andheri (E), Mumbai   400 093.

Sub: Certification by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on Financial Statements of the Company for the year ended 31 December 2009

We, **Jeya Kumar, Chief Executive Officer (CEO) and Surjeet Singh, Chief Financial Officer (CFO),** of Patni Computer Systems Limited, certify that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

i. these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and

ii. these statements together present a true and fair view of the Company s affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company s code of conduct.

(c) We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee:

i. significant changes in internal control over financial reporting during the year;

ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company s internal control system over financial reporting.

Sd/-	Sd/-
Jeya Kumar	**Surjeet Singh**
Chief Executive Officer	***Chief Financial Officer***

Place: Mumbai
Date: 10 February 2010

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Financial Section

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PATNI COMPUTER SYSTEMS LIMITED

Standalone Financials under Indian GAAP

Auditors Report

To the Members of

Patni Computer Systems Limited

We have audited the attached Balance Sheet of Patni Computer Systems Limited (the Company) as at 31 December 2009, the Profit and Loss Account and the Cash Flow Statement for the year 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.

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.

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

Further to our comments in the Annexure referred to above, 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 as required by law have been kept by the Company so far as appears from our examination of those books;

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

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

e) on the basis of written representation received from the directors of the Company, as at 31 December 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 December 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act, and

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

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2009;

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

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

For **B S R & Co.**

Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
11 February 2010

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Annexure to the Auditors Report

(Referred to in our report of even date)

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

b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. During the current year, as part of a cyclical plan, the Company has carried out physical verification of certain fixed assets and no material discrepancies were noticed upon such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

2 The Company is a service company, primarily rendering IT consulting and software development services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

3 The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

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

5 a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act, have been entered in the register required to be maintained under that section.

b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6 The Company has not accepted any deposits from the public.

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

8 The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act, for any of the services rendered by the Company.

9 a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2009 for a period of more than six months from the date they became payable.

There were no dues on account of cess under section 441A of the Act, since the date from which the

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aforesaid section comes into force has not yet been notified by the Central Government.

b) According to the information and explanations given to us, the following dues of Income-tax have not been deposited by the Company on account of disputes:

Name of statute	Nature of dues	Demand (Rs. in million)	Amount paid (Rs. in million)	Period	Forum where dispute is pending
Income tax Act, 1961	Income tax	274		Assessment year 2002-03	Income Tax Appellate Tribunal
Income tax Act, 1961	Income tax	459	66	Assessment year 2003-04	Commissioner of Income Tax Appeals (Demand stayed)
Income tax Act, 1961	Income tax	18		Assessment year 2003-04	Commissioner of Income Tax Appeals
Income tax Act, 1961	Income tax	630		Assessment year 2004-05	Income Tax Appellate Tribunal
Income tax Act, 1961	Income tax	1,131	171	Assessment year 2005-06	Commissioner of Income tax Appeals (Demand stayed)

10 The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.

11 The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.

12 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13 In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi/ mutual benefit fund/ society.

14 According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.

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

16 The Company did not have any term loans outstanding during the year.

17 According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.

18 The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.

19 The Company did not have any outstanding debentures during the year.

20 We have verified the end-use of money raised by public issue as disclosed in the notes to the financial statements.

21 According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**

Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai
11 February 2010

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Balance Sheet as at 31 December 2009

(Currency: Rs. in thousands except share data)

	Note	2009	2008
SOURCES OF FUNDS			
Shareholders funds			
Share capital	3	258,252	256,210
Stock options outstanding		118,828	268
Reserves and surplus	4	31,660,399	24,955,494
		32,037,479	**25,211,972**
Loan funds			
Secured loans	5	9,447	17,548
Deferred tax liability	17	51,401	133,746
		32,098,327	**25,363,266**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	10,845,555	9,459,708
Less: Accumulated depreciation		4,773,617	4,192,478
Net block		6,071,938	5,267,230
Capital work-in-progress (Includes capital advances)		1,336,582	2,470,742
		7,408,520	**7,737,972**
Investments	7	22,673,955	16,521,947
Deferred tax asset, net	17	118,363	174,657
Current assets, loans and advances			
Sundry debtors	8	3,395,803	5,593,827
Cash and bank balances	9	1,040,456	1,018,721
Unbilled Revenue		354,596	536,455
Loans and advances	10	1,917,602	1,079,769
		6,708,457	**8,228,772**
Less: Current liabilities and provisions			
Current liabilities	11	2,763,141	5,216,046
Provisions	12	2,047,827	2,084,036
		4,810,968	**7,300,082**
Net current assets		**1,897,489**	**928,690**
		32,098,327	**25,363,266**

The accompanying notes form an integral part of this Balance Sheet.

As per attached report of even date.

For **B S R & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

Narendra K Patni **Jeya Kumar**

		Chairman	*Chief Executive Officer*
Natrajan Ramkrishna			
Partner	**Arun Duggal**	**Surjeet Singh**	**Arun Kanakal**
Membership No: 032815	*Director*	*Chief Financial Officer*	*Company Secretary*

Mumbai
11 February 2010

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PATNI COMPUTER SYSTEMS LIMITED

Profit and Loss Account for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

	Note	2009	2008
INCOME			
Sales and service income		17,348,606	15,410,234
Other income	13	1,173,415	1,073,422
		18,522,021	**16,483,656**
EXPENDITURE			
Personnel costs	14	8,124,686	7,426,623
Selling, general and administration costs	15	3,592,204	3,981,014
Depreciation	6	919,884	878,322
Less: Transfer from revaluation reserve	4	81	81
Interest costs	16	67,453	64,805
		12,704,146	**12,350,683**
Profit for the year before taxation		**5,817,875**	**4,132,973**
Provision for taxation	17	810,754	514,458
MAT credit entitlement	17	(434,179)	(320,392)
Provision for taxation - Fringe benefits		13,984	47,370
Profit for the year after taxation		**5,427,316**	**3,891,537**
Profit and loss account, brought forward		**15,459,042**	**12,406,473**
Amount available for appropriation		**20,886,358**	**16,298,010**
Adjustment on account of employee benefits			
Proposed Dividend on equity shares		387,383	384,473
Dividend tax		65,836	65,341
Transfer to general reserve		542,731	389,154
Profit and loss account, carried forward		**19,890,408**	**15,459,042**
Earnings per equity share of Rs. 2 each			
- Basic		42.32	28.70
- Diluted		41.47	28.65
Weighted average number of equity shares outstanding during the year			
- Basic		128,254,916	135,590,677
- Diluted		130,878,553	135,815,016

The accompanying notes form an integral part of this Profit and Loss Account.

As per attached report of even date.

For and on behalf of the Board of Directors

For **B S R & Co.**

Chartered Accountants			
		Narendra K Patni *Chairman*	**Jeya Kumar** *Chief Executive Officer*
Natrajan Ramkrishna *Partner* Membership No: 032815	**Arun Duggal** *Director*	**Surjeet Singh** *Chief Financial Officer*	**Arun Kanakal** *Company Secretary*

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11 February 2010

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Cash Flow Statement for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

	2009	2008
Cash flows from operating activities		
Profit before taxation	**5,817,875**	**4,132,973**
Adjustments:		
Depreciation, net of transfer from revaluation reserve	919,805	878,241
Profit on sale of fixed assets, net	11,441	(15,024)
Profit on sale of investments, net	(471,493)	(396,666)
Loss/(Profit) on revaluation of investments	(28)	67
ESOP Compensation Cost	118,560	268
Dividend income	(481,407)	(484,132)
Interest income	(23,266)	(17,787)
Interest expense	893	1,379
Provision for doubtful Debts & advances	13,885	14,391
Deferred cancellation gains relating to roll-over cash flow hedges	202,686	
Unrealised foreign exchange loss/(gain)	(327,143)	860,668
Operating cash flows before working capital changes	**5,781,808**	**4,974,378**
Decrease/(Increase) in sundry debtors	2,030,487	(740,699)
Decrease/(Increase) in Cost in unbilled revenue	181,860	(227,408)
(Increase)/Decrease in loans and advances	(176,506)	233,782
Increase in Advance Billings	32,396	54,699
Increase/(Decrease) in Sundry Creditors-others	74,107	(70,551)
(Decrease)/Increase in Advance from Customers	(26,621)	45,204
(Decrease)/Increase in payables to subsidiary companies	(913,606)	704,378
Increase in other liabilities	118,807	239,222
(Decrease)/Increase in Provision for retirement benefits	(45,606)	64,348
Cash generated from operations	**7,057,126**	**5,277,353**
Income taxes paid (including Fringe Benefit Tax)	(884,934)	(495,179)
Net cash provided by operating activities (A)	**6,172,192**	**4,782,174**
Cash flows from investing activities		
Purchase of fixed assets	(779,267)	(1,781,512)
Sale of fixed assets	12,076	166,780
Purchase of non trade investments	(52,361,488)	(39,864,040)
Purchase of Investments in a Subsidiary	(291,273)	
Sale of non trade investments	46,972,275	39,570,426
Dividend received	481,407	484,132
Interest received	14,890	17,353
Net cash used in investing activities (B)	**(5,951,380)**	**(1,406,861)**

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PATNI COMPUTER SYSTEMS LIMITED

Cash Flow Statement (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

	2009	2008
Cash flows from financing activities		
Issue of equity shares	259,257	5,824
Payments for Buy back of Shares		(2,370,000)
Dividend paid, including dividend tax	(449,341)	(487,953)
Interest paid	(893)	(1,379)
Proceeds from finance lease obligations incurred	2,786	6,501
Finance lease obligations repaid	(10,886)	(12,738)
Net cash used in financing activities (C)	**(199,077)**	**(2,859,745)**
Net increase in cash and cash equivalents during the year (A+B+C)	21,735	515,568
Cash and cash equivalents at the beginning of the year	1,018,721	503,153
Cash and cash equivalents at the end of the year	**1,040,456**	**1,018,721**

Notes to the Cash flow statement

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.

	2009	2008
Cash in hand	2,335	51,690
Balance with banks:		
- Current accounts	747,141	848,729
- Exchange earners foreign currency account	566,535	291,655
- Effect of changes in Exchange rate	(275,555)	(173,353)
	1,040,456	**1,018,721**

The accompanying notes form an integral part of this consolidated cash flow statement.

As per attached report of even date.

For **B S R & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

		Narendra K Patni *Chairman*	**Jeya Kumar** *Chief Executive Officer*
Natrajan Ramkrishna *Partner* Membership No: 032815	**Arun Duggal** *Director*	**Surjeet Singh** *Chief Financial Officer*	**Arun Kanakal** *Company Secretary*

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Notes to the Financial Statements for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

1 Background

Patni Computer Systems Limited (Patni or the Company) was incorporated on 10 February 1978 under the Companies Act, 1956. On 18 September 2003, the Company converted itself from a private limited company into a public limited company. In February 2004, Patni completed initial public offering of its equity shares in India comprising fresh issue of 13,415,200 shares and sale of 5,324,000 equity shares by the existing shareholders.

In December 2005, Patni issued 5,125,000 American Depository Shares (ADSs) at a price of US$ 20.34 per ADS. There was a secondary offering of additional 1,750,000 ADSs to the existing shareholders. Patni also issued 1,031,250 ADSs at the price of US$ 20.34 per ADS on the exercise of Greenshoe option by the underwriters. Each ADS represented two equity shares of Rs. 2 each fully paid-up.

Patni owns 100% equity interest in Patni Americas, Inc. (formerly Patni Computer Systems, Inc.), a company incorporated in USA, Patni Computer Systems (UK) Limited, a company incorporated in UK, Patni Computer Systems GmbH, a company incorporated in Germany and Patni Computer Systems Brasil Ltda., a company incorporated in Brazil. In April 2003, Patni Americas, Inc., USA acquired 100% equity interest in The Reference Inc, a company incorporated in USA. In November 2004, Patni Americas, Inc. acquired 100% equity in Patni Telecom Solutions Inc - USA and its subsidiaries. In July 2007, Patni Americas, Inc. acquired Patni Life Sciences Inc., (formerly known as Taratec Development Corporation), a company incorporated in New Jersey, U.S.A, for consideration in cash.

In July 2007, Patni UK acquired business and assets of Logan Orviss International (LOI), a European telecommunications consulting services company in a business combination. In March 2008, Patni UK has set up a subsidiary in Czech Republic named Patni Computer Systems (Czech) s.r.o. In December 2008, the company has set up a subsidiary in Mexico named PCS Computer Systems Mexico, SA de CV. Patni also operates through foreign branch offices in USA, Japan, Sweden, Korea, Netherlands, Australia, Finland, Turkey, Ireland, Romania and Switzerland. In June 2009, the company has set up a 100% subsidiary in Singapore named Patni (Singapore) Pte Ltd.

Patni together with its subsidiaries (collectively, Patni Group or the Company) is engaged in IT consulting, software development and Business Process Outsourcing (BPO). The Company provides multiple service offerings to its clients across various industries comprising financial services, insurance services, manufacturing, retail and distribution, communications, media and utilities and technology services (comprising independent software vendors and product engineering). The various service offerings comprise application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering services, quality assurance services and BPO services.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

The accompanying financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India, under the historical cost convention with the exception of land and buildings of Patni, which have been revalued, on the accrual basis of accounting. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards (NACAS) and relevant provisions of Companies Act, 1956, to the extent applicable.

The preparation of the financial statements in accordance with GAAP 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 financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the 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 year 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	8
Office equipments	5
Vehicles	4-5

In case of assets costing upto Rs. 1,000, these are charged to expenses. Assets above Rs. 1,000 and upto Rs. 5,000 are being

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

capitalised as part of a larger capital investment programme and depreciated at the rates provided above.

2.3 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.4 Leases

In accordance with Accounting Standard 19 Accounting for 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.

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vests with the lessor, are recognised as operating leases. Lease payments under operating lease are recognised as an expense in the profit and loss account.

2.5 Revenue and cost recognition

The Company derives its revenues primarily from software services and to a lesser extent from BPO services. 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, satellite link costs and foreign travel costs. Selling, general, and administrative costs are charged to expense as incurred. Provision for estimated losses on uncompleted contracts are made in the year 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 year in which the revisions are determined.

The asset Unbilled revenue , 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 on maintenance contracts is recognised rateably over the term of maintenance. 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 year. 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 years that the related revenues are earned, as services performed during set up year do not result in the culmination of a separate earnings process.

The Company grants volume discounts to certain customers, which are computed based on a pre-determined percentage of the total revenues from those customers during a specified period, as per the terms of the contract. These discounts are earned only after the customer has provided a specified cumulative level of revenues in the specified period. The Company reports revenues net of discounts offered to customers.

The company estimates the total number of customers that will ultimately earn these discounts, based on which a portion of the revenue on the related transactions is allocated to the services that will be delivered in future.

Warranty costs on sale of services are accrued based on management s estimates and historical data at the time related revenues are recorded.

Revenues from BPO Services are derived from both time-based and transaction-priced contracts. Revenue is recognised as the related services are performed, in accordance with the specific terms of the contracts with the customer.

Dividend income is recognised when the Company s right to receive dividend is established. Interest income is recognised on the time proportion basis.

2.6 Employee retirement and other benefits

Defined Contribution Plans:

Contributions to defined contribution retirement benefit schemes are recognised as an expense in the profit and loss account during the period in which the employee renders the related service. e.g. Superannuation scheme and Provident fund.

Defined Benefit Plans:

Gratuity, pension, sick leave and leave encashment schemes are defined benefits. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary at the balance sheet date

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and loss account.

2.7 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 monetary assets and monetary liabilities at the year-end are translated at the year-end exchange rate. Exchange rate differences resulting from foreign exchange transactions settled during the year, including year-end translation of monetary assets and liabilities are recognised in the profit and loss account.

Foreign branch office operations

Income and Expenditure other than depreciation costs are translated into the reporting currency at the prevailing exchange rates at the date of the transaction. Foreign currency denominated monetary assets and monetary 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 branches is recognised in the profit and loss account.

2.8 Derivative and hedge accounting

The Company enters into forward foreign exchange contracts/option contracts (derivatives) to mitigate the risk of changes in foreign exchange rates on forecasted transactions. The Company enters into derivative financial instruments, where the counterparty is a bank.

In December 2007, the ICAI issued AS 30, Financial Instruments: Recognition and Measurement. Although AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1, 2009 and mandatory in respect of accounting periods commencing on or after 1 April 2011, in March 2008 the ICAI announced that the earlier adoption of AS 30 is encouraged. AS 30, along with limited revision to other accounting standards has currently not been notified pursuant to Companies (Accounting Standard) Rules, 2006.

On 1 January 2008, the Company early adopted AS 30 and the limited revisions to other accounting standards which come into effect upon adoption of AS 30. AS 30 states that particular sections of other accounting standards; AS 4, Contingencies and Events Occurring after Balance sheet Date, to the extent it deals with contingencies, AS 11 (revised 2003), The Effects of Changes in Foreign Exchange Rates, to the extent it deals with the forward exchange contracts and AS 13, Accounting for Investments, except to the extent it relates to accounting for investment properties, will stand withdrawn only from the date AS 30 becomes mandatory (1 April 2011 for the Company). Accordingly, the Company continues to comply with the guidance under these accounting standards; AS 4 relating to Contingencies, AS 11 relating to forward contracts and AS 13 until AS 30 becomes mandatory. Consequent to the adoption of the Standard, the resulting gain of Rs. 19,133 has been adjusted to the shareholder s fund as on 1 January 2008.

Effective 1 January 2008, based on the recognition and measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as cash flow hedges were recognised directly in shareholders fund and reclassified into the profit and loss account upon the occurrence of the hedged transaction. Changes in fair value relating to the ineffective portion of the hedges and derivatives not designated as hedges were recognised in the profit and loss account as they arose.

2.9 Investments

Long-term investments are stated at cost, and provision for diminution 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.

2.10 Taxation

Income tax expense comprises of current tax expense & deferred tax expense or credit computed in accordance with the relevant provisions of the Income Tax Act, 1961. Provision for current taxes 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. The Fringe Benefit Tax has been abolished from 1 April 2009.

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 rate. 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

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

against which such deferred tax asset 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 reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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. These exemptions expire on various dates between years 2005 and 2011. The Company also benefits from tax holidays for the export of IT services from Special Economic Zone, (SEZ) in India. For units started in an SEZ, the profits of the unit are eligible for 100% tax holiday for first 5 years, and then 50% tax holiday for the next 10 years on fulfilment of certain conditions.

In this regard, the Company recognises deferred taxes in respect of those originating timing differences, which reverse after the tax holiday year resulting in tax consequences. Timing differences, which originate and reverse within the tax holiday year 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.

2.11 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. 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 year, 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.

2.12 Provisions and contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.13 Employee stock options

The Company determines the compensation cost based on intrinsic value method. The compensation cost is amortised on a straight line basis over the vesting period.

3 Share capital

	2009	2008
Authorised		
250,000,000 (2008: 250,000,000) equity shares of Rs. 2 each	**500,000**	**500,000**
Issued, subscribed and paid - up		
129,126,032 (2008: 128,105,007) equity shares of Rs. 2 each fully paid	258,252	256,210
	258,252	**256,210**

1) 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.

2) In June 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.

3) 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.

4) In December 2002, in pursuance of section 77A of the Companies Act, 1956, Patni bought back 1,650,679 equity shares by utilising the share premium account. In this regard,

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

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.

5) In August 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.

6) In February 2004, Patni made an initial public offering (IPO) of its equity shares in India comprising fresh issue of 13,415,200 shares and sale of 5,324,000 equity shares by the existing shareholders. In this regard, equity shares of Rs. 2 each were issued at a premium of Rs. 228 aggregating Rs. 3,085,496.

7) In December 2005, Patni issued 6,156,250 American Depository Shares (ADSs) representing 12,312,500 equity shares of Rs. 2 each fully paid-up at a price of US$ 20.34 per ADS for a gross proceeds of Rs. 5,739,262. Each ADS represents two equity shares of Rs. 2 each fully paid-up.

8) In February 2008, the Board of Directors of the Company approved a proposal to repurchase fully paid equity shares upto 10% of the paid up capital and free reserves, at a maximum price of Rs. 325 per equity share, for an aggregate amount upto Rs. 2,370,000. The buyback proposal had been approved in accordance with the provisions of Section 77A, 77AA, 77B and other applicable provisions of the Companies Act, 1956 and the provisions of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 (Buy Back Regulations), for which necessary public announcements were made in April 2008.

During the year ended 31 December 2008, the Company repurchased a total of 10,957,082 equity shares through the Bombay Stock Exchange and the National Stock Exchange for an aggregate consideration of Rs. 2,370,000 being 100% of the amount authorised for buy back. Subsequently, the Company extinguished such equity shares as per the requirements of the section 77A of the Companies Act, 1956. In this regard an amount equivalent to the nominal value of the share capital bought back by the Company aggregating Rs. 21,914, has been transferred from general reserve to capital redemption reserve which can be utilised only for the purpose of issuing fully paid bonus shares of the Company. (Refer note 4)

9) Amount received from employees on exercise of stock options pending allotment of shares is shown as share application money. Refer note 24 for employee stock compensation plans.

4 Reserves and surplus

	2009	2008
Building revaluation reserve		
- Balance brought forward	1,272	1,353
- Transfer to profit and loss account	(81)	(81)
	1,191	1,272
Capital redemption reserve		
- Balance carried forward	275,215	253,301
- Transfer from general reserve on account of share buy back (Refer note 3)		21,914
	275,215	275,215
Share premium		
- Balance brought forward	8,625,435	10,965,988
- Share premium received on issue of equity shares	257,216	7,533
- Share premium utilised for buyback of shares (Refer note 3)		(2,348,086)
	8,882,651	8,625,435
Hedging Reserve	26,007	(1,447,666)
General reserve		
- Balance brought forward	2,042,196	1,674,956
- Transfer from Profit & Loss account	542,731	389,154
- Transfer to Capital Redemption Reserve on account of share buy back (Refer note 3)		(21,914)
	2,584,927	2,042,196
Profit and loss account, balance carried forward	**19,890,408**	**15,459,042**
	31,660,399	**24,955,494**

5 Secured loans

	2009	2008
Lease obligation in relation to vehicles acquired under finance lease (Refer note 22)	9,447	17,548

Nature of security

Finance lease obligations are secured against the vehicles acquired on lease.

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

6 Fixed assets

	Land (Freehold)	Land (Leasehold)	Buildings and leasehold improvements	Computer software	Computers and other service equipments	Electrical installations	Office equipments	Furniture and fixtures	Vehicles	Assets held for sale	Total as at 31 December 2009	Total as at 31 Decembe 2008
Gross block												
As at 1 January 2009	171	674,378	2,987,684	1,202,709	2,008,097	816,507	870,994	828,595	70,573		9,459,708	8,439,91
Additions		154,457	881,445	333,797	113,302	70,273	81,885	103,579	9,371		1,748,109	1,346,71
Deletions		43	10,376	96,488	150,712	12,250	46,429	22,869	23,095		362,262	326,92
As at 31 December 2009	**171**	**828,792**	**3,858,753**	**1,440,018**	**1,970,687**	**874,530**	**906,450**	**909,305**	**56,849**		**10,845,555**	**9,459,70**
Accumulated depreciation												
As at 1 January 2009		25,730	314,074	1,003,398	1,585,970	285,363	485,069	449,395	43,479		4,192,478	3,489,32
Charge		(1,020)	111,253	199,886	269,161	100,263	140,671	88,193	11,477		919,884	878,32
Deletions		4	5,895	95,610	148,300	7,835	44,340	16,311	20,450		338,745	175,16
As at 31 December 2009		**24,706**	**419,432**	**1,107,674**	**1,706,831**	**377,791**	**581,400**	**521,277**	**34,506**		**4,773,617**	**4,192,47**
Net block as at 31 December 2009	**171**	**804,086**	**3,439,321**	**332,344**	**263,856**	**496,739**	**325,050**	**388,028**	**22,343**		**6,071,938**	**5,267,23**
Net block as at 31 December 2008	171	648,648	2,673,610	199,311	422,127	531,144	385,925	379,200	27,094		5,267,230	

Note:

1. Gross block of vehicles as of 31 December 2009 includes assets acquired on lease, refer note 22.

7 Investments

	2009	2008
Long term (Unquoted, at cost)		

Trade		
Investment in Subsidiary companies		
9,350 (2008: 9,350) equity shares fully paid of Patni Americas, Inc. (no par value)	4,605,465	4,605,465
6,153,350 (2008: 6,153,350) equity shares of 1 pound each fully paid of Patni Computer Systems (UK) Limited	492,369	492,369
Contribution of Euro 2,150,000 (2008: Euro 150,000) towards Capital of Patni Computer Systems Gmbh	137,302	6,076
Contribution of Pesos 31,146,176 (2008: Nil) towards PCS Computer Systems Mexico SA de CV	93,360	
2,000,000 (2008: Nil) equity shares of 1 SGD each fully paid up of Patni (Singapore) Pte Limited	66,687	
	5,395,183	**5,103,910**
Others		
Investment		
NABARD Term Deposit 10%	138,006	
12.75 Percent Prakausali Investments NCD	250,000	
Nil units (2008: 13,500) in NABARD Bonds		135,000
	388,006	**135,000**
Non-trade		
Investment in Mutual Funds		
20,000,000 units (2008: Nil) of Kotak Fixed Maturity Plan 13 Months Series 5 - Growth	200,000	
15,000,000 units (2008: Nil) of IDFC-Fixed Maturity Plan-Thirteen Months Series 1 - Plan B Growth	150,000	
7,144,745 units (2008: 7,144,745) of HDFC Cash Management Fund - Saving Plan - Growth	100,000	100,000
3,718,503 units (2008: 3,718,503) of Birla Sun Life Cash Plus-Institutional Premium Plan (Growth)	39,624	39,624
Nil units (2008: 35,000,000) of Kotak Fixed Maturity Plan 15 Months Ser 4 Institutional Growth		350,000
Nil units (2008: 25,000,000) of DSPML Fixed Maturity Plan 12 1/2 Months Series 1 Institutional Growth		250,000
Nil units (2008: 24,550,000) of IDFC Fixed Maturity Plan Yearly Series 20 - Plan B - Growth		245,500

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

7 Investments (Contd.)

	2009	2008
Nil units (2008: 20,000,000) of DWS Fixed Term Fund -Series 47 - Institutional Growth		200,000
Nil units (2008: 20,000,000) of DSP BlackRock Fixed Maturity Plan - 13 Months - Series 1 - Institutional Plan - Growth		200,000
Nil units (2008: 20,000,000) of Reliance Fixed Horizon Fund VII - Series 4 - Institutional growth		200,000
Nil units (2008: 15,000,000) of Lotus India Fixed Maturity Plan-15 Months Series II Institutional Growth		150,000
Nil units (2008: 14,190,973) of - OISID HSBC Cash Fund - Institutional Plus - Growth		150,000
Nil units (2008: 13,000,000) of Templeton Fixed Horizon Fund Series 7-Plan D-Institutional-Growth		130,000
Nil units (2008: 10,002,193) of Birla Fixed Term Plan - Institutional - Series AK - Growth		100,022
Nil units (2008: 10,000,000) of ABN Amro Fixed Term Plan Series 10 Plan E Institutional Growth 29719/83		100,000
Nil units (2008: 10,000,000) of Birla Fixed Term Plan- Institutional - Series AM- Growth		100,000
Nil units (2008: 10,000,000) of DSP BlackRock Fixed Maturity Plan - 15 Months - Series 2 - Institutional Plan - Growth		100,000
Nil units (2008: 10,000,000) of DWS Fixed Term Fund -Series 46 - Institutional Growth		100,000
Nil units (2008: 10,000,000) of Standard Chartered Fixed Maturity Plan yearly Series 17 plan B Growth		100,000
Nil units (2008: 10,000,000) of JM Fixed Maturity Plan Series VII-15 Months- Plan 1 Growth plan (286) 7021966294		100,000
Nil units (2008: 10,000,000) of JM Fixed Maturity Fund Series XI-13 Months Plan 1 Institutional Growth Plan 320		100,000
Nil units (2008: 10,000,000) of Kotak Fixed Maturity Plan 14M Series 4 Institutional-Growth Option		100,000
Nil units (2008: 10,000,000) of ICICI Prudential Fixed Maturity Plan Series 43-13 Months Plan D Institutional Growth		100,000
Nil units (2008: 10,000,000) of Templeton Fixed Horizon Fund Series 7-Plan C-Institutional-Growth		100,000
Nil units (2008: 10,000,000) of Birla Fixed Term Plan - Institutional - Series AE - Growth		100,000
Nil units (2008: 9,000,000) of Standard Chartered Fixed Maturity Plan yearly Series 19 plan B Growth		90,000
Nil units (2008: 8,400,000) of Kotak Fixed Maturity Plan 13 Months Series 3 Institutional-Growth Option		84,000
Nil units (2008: 8,000,000) of Reliance Fixed Horizon Fund VII - Series 1 - Institutional growth		80,000
Nil units (2008: 7,000,000) of Lotus India Fixed Maturity Plan-375 Days Series VII-Institutional Growth		70,000
Nil units (2008: 7,000,000) of ICICI Prudential Fixed Maturity Plan Series 41 - Fourteen Months Plan Institutional Cumulative		70,000

Nil units (2008: 6,000,000) of Lotus India Fixed Maturity Plan-4 Months Series III-Institutional Growth		60,000
Nil units (2008: 5,000,000) of Kotak Fixed Maturity Plan 14 Months Series 3 Institutional-Growth Option		50,000
Nil units (2008: 5,000,000) of Lotus India Fixed Maturity Plan-13 Months Series IV-Institutional Growth		50,000
Nil units (2008: 5,000,000) of ICICI Prudential Fixed Maturity Plan Series 43 - Thirteen Months Plan B Institutional Growth		50,000
Nil units (2008: 5,000,000) of Tata Fixed Investment Plan - 1 Scheme A-Institutional Plan-Growth		50,000
Total	**489,624**	**3,869,146**
Current (Unquoted, at lower of cost or fair value)		
Non-trade		
Investment in Mutual Funds		
278,953,675 units (2008: Nil) of IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Regular Dividend	2,789,823	
180,835,202 units (2008: Nil) of DWS Ultra Short Term Fund - Institutional Dividend	1,809,529	
124,066,657 units (2008: Nil) of HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Weekly Dividend Option	1,243,102	
119,362,231 units (2008: Nil) of Birla Sun Life Savings Fund-Institutional Plan- Weekly Dividend	1,194,029	
8,612,915 units (2008: Nil) of ICICI Prudential Flexible Income Plan Premium - Weekly Dividend	908,070	
89,455,239 units (2008: Nil) of Kotak Floater Long-Term-Weekly Dividend	901,544	
65,235,287 units (2008: Nil) of Religare Ultra Short Term Fund - Institutional - Daily Dividend	653,377	

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

7 Investments (Contd.)

	2009	2008
33,108,810 units (2008: Nil) of Kotak Floater Long-Term-Weekly Dividend	333,705	
2,987,967 units (2008: Nil) of ICICI Prudential Flexible Income Plan Premium - Weekly Dividend	315,024	
2,103,537 units (2008: Nil) of ICICI Prudential Floating Rate Plan D - Daily Dividend	210,447	
18,914,676 units (2008: Nil) of DWS Ultra Short Term Fund - Regular Monthly Dividend Plan	200,000	
17,193,229 units (2008: Nil) of HSBC Floating Rate - Long Term Plan - Institutional Option - Weekly Dividend	193,141	
17,215,204 units (2008: Nil) of IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Regular Dividend	172,152	
15,016,114 units (2008: Nil) of HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Weekly Dividend Option	150,417	
7,747,789 units (2008: Nil) of Templeton India ultra short bond fund super Institutional plan Daily Dividend Reinvestment	77,568	
571,327 units (2008: Nil) of ICICI Prudential Institutional Liquid Plan-Super Institutional Daily Dividend	57,147	
96,327,280 units (2008: 53,583,436) of Reliance Medium Term Fund - Weekly Dividend Plan	1,647,057	916,151
146,135,601 units (2008: 43,168,290) of Tata Floater Fund-Weekly Dividend	1,473,504	435,309
61,309,771 units (2008: 8,779,708) of Birla Sun Life Short Term Fund-Institutional Daily Dividend	613,435	87,845
60,564,419 units (2008: 479,266) of ABN Amro Money Plus Institutional weekly Dividend	605,783	4,793
20,747,240 units (2008: 15,797,760) of Tata Floater Fund-Weekly Dividend	209,160	159,266
101,754 units (2008: 679,425) of TATA Liquid Super High Investment Fund - Daily Dividend	113,407	757,232
4,745,712 units (2008: 30,537,286) of JM Money Manager Fund-Super Plus Plan-Weekly Dividend	48,644	310,675
1,632,230 units (2008: 5,261,129) of Birla Sun Life Liquid Plus - Institutional - Weekly Dividend	16,338	52,665
Nil units (2008: 67,954,590) of Birla Sun Life Cash Plus - Institutional Prem - Daily Dividend -Reinvestment		680,871
Nil units (2008: 63,009,161) of ICICI Prudential Institutional Liquid Plan Super Institutional Daily Dividend Reinvest Dividend		630,123
Nil units (2008: 41,693,161) of Reliance Liquidity Fund -Daily Dividend Reinvestment Option		417,061
Nil units (2008: 35,477,058) of Prudential Flexible Income Plan Dividend-Weekly		374,113
Nil units (2008: 32,330,373) of Prudential Flexible Income Plan Dividend-Weekly		341,122
Nil units (2008: 30,393,581) of Birla Sun Life Liquid Plus - Institutional - Weekly Dividend		304,394

Nil units (2008: 29,977,116) of Prudential ICICI Floating Rate Fund Plan D-Dividend Daily		299,834
Nil units (2008: 18,903,846) of GCDB IDFC Cash Fund - Institutional Plan B - Daily Dividend		200,033
Nil units (2008: 16,948,854) of ABN Amro Money Plus Institutional -Weekly Dividend		169,497
Nil units (2008: 16,020,865) of Kotak Quarterly Interval Plan Series 6 Dividend		160,211
Nil units (2008: 15,263,928) of JM Money Manager Fund -Super Plus Plan-Weekly Dividend		155,569
Nil units (2008: 14,202,082) of Kotak Flexi Debt Scheme Institutional - Weekly Dividend		142,571
Nil units (2008: 12,500,000) of P1363 ICICI Prudential Interval Fund IV Quarterly Interval Plan C Institutional Dividend		125,000
Nil units (2008: 10,724,975) of Kotak Quarterly Interval Plan Series 3 Dividend		107,338
Nil units (2008: 10,349,812) of GFBW IDFC Liquid Plus Fund - Treasury Plan - Institutional Plan B Weekly Dividend		104,499
Nil units (2008: 10,090,682) of Kotak Quarterly Interval Plan Series 6 Dividend		100,907
Nil units (2008: 9,852,753) of Kotak Quarterly Interval Plan Series 3 Dividend		98,542
Nil units (2008: 5,441,733) of Templeton India ultra short bond fund super institutional plan Daily Dividend		54,519
Nil units (2008: 5,101,957) of GFBW IDFC Liquid Plus Fund - Treasury Plan - Institutional Plan B Weekly Dividend		51,513
Nil units (2008: 5,034,502) of DWS liquid plus fund - institutional weekly dividend		50,751
Nil units (2008: 2,219,580) of DWS liquid plus fund - institutional weekly dividend		22,295
Nil units (2008: 4,176) of DSPML Liquid Plus-Institutional Premium -Weekly Dividend		4,180
Total	**15,936,403**	**7,318,879**

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

7 Investments (Contd.)

	2009	2008
Others		
Investment in others		
5000 units (2008: 1000) of Canara Bank Certificates of Deposit	465,181	95,482
Total	**465,181**	**95,482**
Total	**22,674,397**	**16,522,417**
Less: Provision for decline in the fair value of investments	(442)	(470)
Total	**22,673,955**	**16,521,947**
Aggregate value of unquoted investments	22,673,955	16,521,947
Refer note 26 for summary of investments purchased and sold during the year.		

8 Sundry debtors (Unsecured)

	2009	2008
Debts outstanding for a period exceeding six months		
- considered good	25,271	667,375
- considered doubtful	5,941	29,297
	31,212	696,672
Other debts		
- considered good	3,370,532	4,926,452
- considered doubtful	7,367	
	3,409,111	5,623,124
Less: Provision for doubtful debts	13,308	29,297
	3,395,803	**5,593,827**

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. 1,617,440 (2008: Rs. 3,899,060). This consists of debts due from Patni Americas, Inc. aggregating Rs. 1,186,337 (2008: Rs. 3,286,057); Patni Computer Systems (UK) Limited aggregating Rs. 315,002 (2008: Rs. 298,910), Patni Computer Systems Gmbh aggregating Rs. 26,944 (2008: Rs. 103,694), Patni Telecom Solutions Pvt Ltd. Rs. 10,099 (2008: Rs. 176,895) and Patni Life Science, Inc. Rs. 74,727 (2008: Rs. 25,078), Patni Telecom Solutions Inc Rs. 614 (2008: Rs. Nil), Patni Telecom Solutions (UK) Limited Rs. 3,717 (2008: Nil)

9 Cash and bank balances

	2009	**2008**
Cash on hand	2,335	51,690
Balances with scheduled banks		
- in current accounts	391,578	261,270
- in term deposit account	475	50,000
Balances with Non-scheduled banks		
- in current accounts (Refer Note 27)	646,068	655,761
	1,040,456	**1,018,721**

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

10 Loans and advances (Unsecured)

	2009	**2008**
Advances recoverable in cash or in kind or for value to be received	164,176	200,191
Security deposits with companies under the same management :		
Ashoka Computer Systems Private Limited (Maximum amount of outstanding during the year; Rs. 591, 2008: Rs. 591)	591	591
PCS Cullinet Private Limited (Maximum amount of outstanding during the year; Rs. 627, 2008: Rs. 627)	627	627
PCS Finance Private Limited (Maximum amount of outstanding during the year; Rs. 501, 2008: Rs. 501)	501	501
Ravi and Ashok Enterprises (Maximum amount of outstanding during the year; Rs. 30, 2008: Rs. 30)	30	30
	1,749	1,749
MAT Credit entitlement [Refer note 17(b)]	1,025,567	591,388
Interest accrued on Investments	10,657	2,281
Other deposits	220,263	246,542
Deposit with tax authorities	236,986	
Loan to employees	8,549	3,019
Advance payments of income-tax	157,182	37,352
Derivative Assets	98,933	
	1,924,062	**1,082,522**
Less: Provision for doubtful loans and advances	6,460	2,753
	1,917,602	**1,079,769**

11 Current liabilities

	2009	**2008**
Sundry creditors	155,041	267,387
Payable to subsidiary companies	201,069	1,114,675
Billings in excess of cost and estimated earnings	152,861	120,466
Advance from customers	13,247	40,191
Unclaimed dividend *	770	475
Derivative Liability	343,374	1,873,475
Other liabilities	1,896,779	1,799,377
	2,763,141	**5,216,046**

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

12 Provisions

	2009	2008
Provision for taxation (net of advance tax: Rs. 2,424,996; 2008: Rs. 1,582,063)	1,175,392	1,169,579
Provision for retirement benefits	419,222	464,828
Dividend on equity shares	387,378	384,315
Dividend tax	65,835	65,314
	2,047,827	**2,084,036**

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

13 Other income

	2009	2008
Dividend on non-trade investments	481,407	484,132
Profit on sale of non-trade investments, net	471,493	396,666
Interest from:		
- Loan to employees	226	806
- Bank deposits (tax deducted at source Rs. 1494; 2008: Rs. 98)	14,868	1,736
- Others (Refer note 30)	66,993	145,355
Miscellaneous income	138,428	44,727
	1,173,415	**1,073,422**

14 Personnel costs

	2009	2008
Salaries, bonus and allowances, including overseas employee expenses	7,662,769	6,833,783
Contribution to provident and other funds	228,043	228,050
Staff welfare	197,469	222,489
Pension, gratuity and leave encashment costs	36,405	142,301
	8,124,686	**7,426,623**

15 Selling, general and administration costs

	2009	2008
Travel and conveyance	671,121	712,712
Outsourced service charges	538,624	459,709
Legal and professional fees	164,127	150,515
Rent	396,497	415,252
Communication	188,904	184,645
Electricity	306,456	295,047
Advertisement and publicity	53,198	63,297
Software consumables	15,599	22,257
Rates and taxes	61,599	53,103
Recruitment charges	46,846	84,827
Insurance	47,694	46,166
Training fees	33,919	43,368
Printing and stationery	20,283	36,859

Subscription, registration and license fee	13,561	14,284
Repairs and maintenance		
- computers	128,739	121,177
- building	33,244	61,524
- others	8,408	14,819
Provision for doubtful debts and advances	13,885	14,391
Foreign exchange (gain)/loss, net	469,356	879,454
Gain/Loss on sale of fixed assets	11,441	(15,024)
Miscellaneous expenses	368,703	322,632
	3,592,204	**3,981,014**

16 Interest costs

	2009	**2008**
Interest on finance lease obligations	866	1,147
Interest on bank overdrafts	26	232
Interest on tax assessments (Refer note 30)	66,277	58,745
Interest on others	284	4,681
	67,453	**64,805**

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

17 Taxes

	2009	2008
a) Provision for tax expense consists of the following:		
Current taxes		
- Indian (Refer Note c)	677,047	426,024
- Foreign	162,668	33,613
	839,715	459,637
Deferred tax expense / (credit)		
- Indian	56,133	(58,408)
- Foreign	(85,094)	113,229
	(28,961)	54,821
	810,754	**514,458**
The significant components of deferred tax asset and liability consists of the following:		
Provision for retirement benefits	91,985	117,329
Provision for bad and doubtful debts	523	1,294
Carry forward capital loss		13,563
Carry forward loss	4,368	
Unrealised loss on derivative contracts	103,016	107,544
Depreciation	(82,708)	(65,546)
Others	1,179	473
Total deferred tax asset, net	**118,363**	**174,657**
US branch profit taxes	(84,181)	(171,479)
Others	32,780	37,733
Total deferred tax liability	**(51,401)**	**(133,746)**

b) Provision for Income Tax has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with Sec 115JB of the Income Tax Act, 1961. Considering the future profitability and taxable positions in the subsequent years, the company has recognised MAT credit entitlement of Rs. 434,179 (2008: Rs. 320,392) as an asset by crediting to the Profit & loss account an equivalent amount and included under Loans and Advances (Note 10) in accordance with the guidance note on Accounting for credit available in respect of Minimum Alternate Tax under Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India.

c) During the year the company received a favorable order from the Income Tax Appellate Tribunal allowing the set off of losses of 10A units against Business Income. Based on the same the Company has reversed the relevant tax provisions amounting to Rs. 114,393 relating to the above issue for all years upto AY 2006-07.

18 Auditors remuneration

	2009	2008
Remuneration to auditors consists of the following:		
Audit fees	10,608	10,692
Taxation	2,330	3,350
Other services	232	230
Reimbursement of expenses	184	305
	13,354	**14,577**

19 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 note 20 of the consolidated financial statements)

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Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

20 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 Americas, Inc., USA
		2)	Patni Computer Systems (UK) Limited
		3)	Patni Computer Systems GmbH
		4)	Patni Telecom Solutions Inc., USA
		5)	Patni Telecom Solutions (UK) Limited
		6)	Patni Telecom Solutions Private Limited
		7)	Patni Life Sciences Inc., USA
		8)	Patni Computer Systems Brasil Ltda.
		9)	Patni Computer Systems (Czech) s.r.o
		10)	PCS Computer Systems, Mexico, SA de CV
		11)	Patni (Singapore) Pte Ltd
2	**Affiliates**	1)	PCS Technology Limited and its subsidiaries
		2)	Ashoka Computer Systems Private Limited
		3)	PCS Cullinet Private Limited
		4)	PCS Finance Private Limited
		5)	Ravi & Ashok Enterprises
		6)	iSolutions Inc.
3	**Key management personnel**	1)	Mr Narendra K Patni
		2)	Mr Ashok K Patni
		3)	Mr Gajendra K Patni
		4)	Mr William Grabe
		5)	Mr Arun Duggal
		6)	Mr Michael Cusumano
		7)	Mr Arun Maira (1)
		8)	Mr Pradip Shah
		9)	Mr Ramesh Venkateswaran
		10)	Mr Louis Theodoor van den Boog (2)
		11)	Mr Abhay Havaldar
		12)	Mr Jeya Kumar (3)
		13)	Mr Pradeep Baijal (4)
4	**Parties with substantial interest**	1)	Members of Patni family and their relatives
		2)	General Atlantic Mauritius Limited (GA)
5	**Others**	1)	Ravindra Patni Family Trust

(1) Ceased to be director with effect from 22 July 2009

(2) Ceased to be Executive director with effect from 20 February 2009 and now Non executive director.

(3) Appointed as Chief Executive Officer with effect from 20 February 2009 and as Executive Director from 25 June 2009

(4) Appointed as Director with effect from 25 June 2009

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2009

(Currency: Rs. in thousands except share data)

20 Related party transactions (Contd.)

(b) Transactions and balances with related parties

Nature of the transaction	Subsidiaries	Affiliates	Key management personnel	Parties with substantial interest
Transactions during the year ended 31 December 2009				
Investments	291,273			
Remuneration			128,645	
No of ESOP s granted			1,500,000	