

Patni Computer Systems LTD
Form 6-K
June 13, 2008

**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, 2007

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 Form 40-F

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.

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Yes No

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, 2007, the Notice of the Annual General Meeting of the Shareholders dated 29th April 2008, 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.

Transformation for success

Annual Report 2007

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Leading global analyst firms concur that CIOs see IT playing a distinctive role in driving enterprise strategy, over the next three years. It is no surprise then that despite economic concerns, global enterprise IT budget growth remains unchanged in 2008. The global IT outsourcing market is also forecasted to continue to grow at a steady pace.

But winds of change are sweeping across the global IT sourcing landscape. Large companies in the midst of various transformation programmes, are looking to their IT service providers to play an increasingly collaborative role in this strategic makeover. As one paradigm shifts, so does the other - the focus is moving from cost saving to value creation. Organizations are realizing that value creation is critical to unlocking sustainable growth. For players in the IT space, the resulting challenge is to shed the skin of IT service provider and reinvent oneself as a value creator.

The metamorphosis is already unfolding at Patni. The company has been proactively transforming itself from an IT powerhouse to a strategic business value creator, with an intrinsic appreciation of emerging client requirements, market shifts and the changing nature of competition. A strategic plan is already under implementation. Business strategies are being revisited, strengthened and aligned with one overarching objective in mind: To bring about a *transformation for success*.

Highlights of achievements: 2007

During the year, we made considerable progress towards our objective of continuous growth by leveraging our operating efficiencies; making investments in strategic initiatives; growing our client base; and focusing on promising markets, verticals and service lines. We also forged several new alliances, giving us the necessary support to move forward into the future.

- Revenues increased by 14.5%, from US\$ 578.9 million in 2006 to US\$ 662.9 million in 2007; corresponding net income increased by 44% (excluding additional provisions), from US\$ 79.2 million in 2006 to US\$ 114 million in 2007.
- 79 new clients added, taking the number of active client relationships at the end of 2007 to 318; the number of million dollar relationships increased to 84. Percentage of repeat business continued to remain stable at 92.4%.
- 2141 net additions made to the employee base in 2007, taking the total employee strength to 14,945; 18 senior management personnel joined at the Vice-President level and above, during the year.
- 312,000 sq. ft. of office space added at Mumbai East and Hyderabad; increasing our capacity for offshore work by over 2800 seats.
- Launched a Business Consulting Services Practice to offer our clients in the manufacturing industry a full spectrum of solutions designed to improve their business performance and corporate competitiveness.
- Acquired Europe-based Logan-Orviss International to add telecom thought leadership, domain expertise and operational transformation consulting capability.
- Acquired US-based Taratec a high-end Life Sciences Consultancy, bringing in capability in the areas of regulatory compliance, analytics, drug safety, and pharmacovigilance.
- Acquired an Intellectual Property (IP) from an FTSE 100 company, enabling use of the IP for software licensing, provision of re-usable IP led IT services, managed services and the provision of hosted or Software-as-a-Service solution.
- Forged a strategic alliance with Birla Institute of Technology & Science (BITS), Pilani for a two-year master's level degree in Embedded Systems for Patni employees.
- Forged a partnership with the International Institute of Information Technology (I2IT), for collaborative research activities in the medical device domain.
- Signed a US\$ 200 million multi-year outsourcing deal with The Carphone Warehouse to provide it integrated services in consulting, systems integration, application development and maintenance.

Awards and Recognitions

- Received the Golden Peacock National Training Award for 2007
- Covered in Gartner's Offshore Application Services Magic Quadrant 2007
- Listed among the Top 50 in 2007 FinTech 100 Ranking
- Listed in NASSCOM's 100 IT Innovators for 2007
- Listed as a NeoIT 2008 Global Services 100 Company

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- Listed as a IAOP 2008 Global Outsourcing 100 Company
- Listed in Osourcebook Global Services 100 2008 .

Key performance indicators: 2002-07

* 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.

Letter to shareholders

chairman s review

Despite the many challenges that 2007 posed, Patni has been able to deliver sustained growth by focusing on improving our internal operations while increasing our reach to customers worldwide. Our continuing emphasis on operating efficiencies is reflected in a visible improvement in our utilizations, offshore leverage and resultant operating margins, which have helped neutralize the impacts of the fast appreciating Rupee.

During the year, we made significant progress on several corporate initiatives:

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We made two acquisitions, namely that of Logan-Orviss International in the Telecom space, and Taratec a high-end Life Science Consultancy; this helped to enhance our strategic positioning in the market place and deepen our business verticals.

- Continuing our quest to move towards end-to-end solutions-based services, we invested in intellectual property in our Telecom vertical.
- We signed a US\$ 200 million multi-year outsourcing deal with The Carphone Warehouse to provide it end-to-end integrated services.
- We strengthened our management team in Europe and the Global HR function.

Overall, our focus continues to be to diversify our business-mix both at the geography and services lines level. We will continue to make investments to deepen our domain capability and solutions-led services and plan to aggressively enhance these through, both organic and inorganic means.

To strengthen our management team and help us transform our business in the changing market environment, we have appointed Mr. Louis Theodoor van den Boog as Executive Director. His vast experience in helping global companies grow will be an asset to our business.

Industry Environment

NASSCOM reports continued growth for the Indian IT industry. The industry grew from US\$ 37.4 billion in 2006 to US\$ 48 billion in 2007 and is projected to grow to US\$ 64 billion in 2008. Both export and domestic markets have shown growth across all IT sectors and projections support further healthy growth.

Exports remain the mainstay of the industry and are estimated to touch US\$ 40.3 billion in 2008. Banking, Financial Services and Insurance (BFSI) remains the largest vertical market for Indian IT-BPO exports, followed by high-technology, telecom, manufacturing and retail.

While the US and UK remained the largest export markets in 2007, the IT industry is steadily increasing its exposure to other geographies. Exports to Continental Europe have grown notably, at a CAGR of over 55% over 2004-7.

Even as the growth remains promising, the challenges for the IT industry are multiplying manifold.

- Customers are driven to lowest cost supplier. The cost advantage which served India well up to now is reducing. But long-term demographics are still in India's favor.
- The India story is now being adopted by many other countries, so Indian players need to look beyond the country to create more globally relevant models.
- Scale is becoming important, therefore M&As become critical. Acquiring boutique businesses does have its advantages, but acquiring bigger businesses may become more relevant.
- Customers are demanding solutions, not services. Innovation will therefore lead growth in the future.

Corporate Performance

The Company reported a revenue growth of 14.5% to US\$ 662.9 million from US\$ 578.9 million in 2006; corresponding net income increased by 44% (excluding additional provisions). Through some strong fiscal discipline including operations and forex management, our net earnings during the year expanded by 44% to US\$ 114 million, resulting in an overall operating margin of 18%.

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We received the prestigious Golden Peacock Award for Training excellence, during the year. We were also covered in Gartner's Offshore Application Services Magic Quadrant 2007 .

Some of the other prestigious listings which featured Patni included:

- 2007 FinTech 100 Ranking
- NASSCOM's 100 IT Innovators for 2007
- NeoIT 2008 Global Services 100
- IAOP 2008 Global Outsourcing 100
- Osourcebook Global Services 100: 2008.

Integration Reaps Rewards

During the year, we consolidated and repurposed a number of Business Units (BUs), specifically the delivery organization of the Banking, Financial Services and Insurance (BFSI); Communications, Media & Entertainment (CME); and the Customer Interaction Services (CIS) & BPO, to align with the market. This move was intended to not only leverage operational efficiencies, but more importantly to utilize the resultant scale and the synergy between the technology practices and common service lines for improved investment and growth opportunity.

We focused on strengthening the integrated service delivery across our vertical and horizontal BUs, to ensure better servicing of our customers.

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Insurance continued to retain the distinction of being the highest revenue and highest margin business unit in 2007, adding a net of 22 new customers. In order to better leverage market opportunities and enhance our domain expertise, the BU has also embarked on a solutions development program, under which we plan to build specific solutions for policy administration consolidation, long-term care and new business fulfillment.

Financial Services (FS) ended the year with a significant portion of its growth coming from long-term relationships. ABN AMRO ranked second in revenue contribution to the BU even in the face of its acquisition. A strong momentum and foundation was created in the Asset Management and Benefits segment, including high-end BPO/KPO services. During the year, we also set up the relationships to service FS clients out of Brazil.

Manufacturing posted 23% growth over 2006 and expanded its strategic relationships with several key clients, besides adding some marquee names to its portfolio. The new sub-vertical, Life Sciences, added through the acquisition of Taratec Development Corporation, has brought in relationships with a number of major players in the pharmaceuticals, bio-medical and medical devices space. The BU also worked to bring to market two new offerings in the BPO space both targeted to the drug safety area.

In 2007, we also launched a Business Consulting Services practice within the Manufacturing BU, focused on helping several clients leverage technology to improve business operations, besides providing due diligence, integration and transformation services to private equity firms and corporations engaged in mergers & acquisitions.

Communications, Media & Entertainment BU continued to pursue a strong integrated strategy for providing consulting, systems integration, and outsourcing services. It established a Consulting capability through the acquisition of Logan

Orviss, a consulting company with strong global relationships with high-profile customers. It also signed a large deal with The Carphone Warehouse which is expected to generate US\$ 200 million over 5 years. The BU has established a strong solutions capability and developed a telco in a box solution to enable it to implement next-generation telecom solutions with fast time-to-market and reduced risk.

The Product Engineering Services (PES) BU continues to be our growth engine with an impressive revenue growth of 40% in 2007, and a portfolio of about 50 new customers across diverse industries. The PES BU now nurtures around 120+ customer relationships with the world's leading R&D and technology enterprises and OEMs.

The consolidation of the PES and ISV business units has been a very successful strategic move as PES now projects itself as a complete product development partner to support all layers of technology enablement under one umbrella covering: chip design, hardware development, embedded systems development, and application software & enterprise platform development. We continue to maintain our leadership position in the medical, storage, and automation domains.

The Growth Industries BU registered a significant year-on-year revenue growth of over 40%, adding 20 new customers. The solutions team developed a suite of domain/technology based frameworks, specifically the InfoXchange Framework in the area of transportation & logistics; MCR a framework for multi-channel retailing; and a .NET based framework for Web-based applications.

The Enterprise Application Solutions (EAS) BU grew its revenues by 24% over the previous year, with strong growth in the SAP practice. It improved its profit performance substantially by employing best practices in supply chain. It also started its EAS Academy operations, training more than 300 employees during the year.

Infrastructure Management Services grew by 40% in 2007. During the year, the BU commenced a dedicated in-house training lab, and a second new and improved Global Visibility Centre (GVC) in Airoli. The BU achieved ISO- 20000-1:2005 certification in the IT Service Delivery for Remote Infrastructure Management delivered through these GVCs.

The CIS & BPO BU recorded a spectacular revenue increase of almost 200% during the year. This performance stands as a validation of our strategy to stay focused in a limited number of complex and high-value services, and to take our integrated IT+ BPO + IMS offerings to the market. Patni is a market leader in select service lines like actuarial services, benefits administration, asset management and healthcare for senior citizens. Our CIS practice focuses on providing integrated L1 help desk services for applications like SAP, storage devices for EMC, medical devices and infrastructure. The BU launched a new practice for KPO for actuarial valuations, analytics and life sciences.

The Business Intelligence practice grew by 20% in 2007, and added 14 new customers. We also acquired the Microsoft Gold Certified Partner status, which will serve as a key competency going forward. We also developed and took to market several value-added solutions, including a CIO dashboard framework, industry-focused solutions such as a retail management framework, telecom business dashboard and a framework for automation of performance

management for insurance companies. We also started initiatives for exploring an open source BI technology suite and have conceptualized and implemented the BI competency center framework as a new offering.

The Verification & Validation (V&V) Center of Excellence (CoE) registered growth of around 30% in 2007. It also launched new service lines such as testing of SOA (Service Oriented Architecture) applications, packaged application testing for ERP packages and portfolio management applications. The Managed Test Center offering provided

customers with end-to-end testing solutions from test process assessment, standard test management process and dashboards, along with automation and performance frameworks.

The Business Process Management (BPM) CoE strengthened its service offerings by expanding its solutions across most leading BPM suite platforms. The CoE's reference frameworks and process templates help deliver value-added solutions to customers.

The IT Governance CoE leveraged its proprietary and comprehensive life-cycle services spanning advisory & consultative services, multi-platform implementation and application development & maintenance services, and specialized value-added services to deliver significant solutions to its customers. There was noteworthy growth in its consultative solutions service offerings.

Regional Performance

During the year, we focused on capturing growing outsourcing opportunities in emerging markets of the Europe and APAC regions, to diversify our revenue base.

The US region continued to be the dominant revenue driver with a 78% contribution of the total revenue in 2007.

We focused on capturing growing outsourcing opportunities in emerging markets of the Europe and APAC regions, to diversify our revenue base.

The Europe region continued to grow rapidly with a revenue increase of 45%.

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Our Asia Pacific business, still in the nurturing stages, grew by 24%, and seventeen new accounts were added.

Infrastructure

During the year 2007, we continued to augment our offshore development facilities at a rapid pace. We have added 312000 sq. ft. of office space at Mumbai East & Hyderabad. This has increased our capacity for offshore work by over 2800 seats.

In keeping with the Company's policy to have its own campus operations, land has been acquired in four more locations, namely Hinjewadi at Pune; Noida SEZ area; in Kokapeta IT Park, Hyderabad; and in the IT SEZ Park, Kolkata.

All the completed facilities are state-of-the-art, with most modern services, up-to-date security systems, and fully landscaped areas with peripheral drive ways, walking areas, and recreational facilities.

People Initiatives

We continued to build our Management Team and globalize our workforce. At the close of 2007, our employee strength stood at 14,945, an addition of 2141 employees over 2006. We added 18 senior management personnel at the Vice-President level and above, during the year. A number of employee engagement initiatives were introduced to reduce attrition.

During 2007, Patni Academy for Competency Enhancement (PACE) delivered close to 104,000 participant days of technical training and 13000 person days of behavioral and leadership training, averaging to over 8.5 person days per employee. The entry level training program (PPP) covered 1600 participants in 2007, representing an increase of over 30% compared to 2006.

PACE conducted several workshops for around 200 Project Managers based at customer locations in US and UK. Apart from this, several technical programs were conducted for on-site people.

Several new training programs were launched during the year; specifically a specialized role based training program for Team Leads, and a Training Program for Designer Certification. Under the collaborative model with BITS, Pilani a two-year MS program in Embedded Systems was introduced.

We are focusing on building and enhancing our consulting capabilities, and frameworks, solutions and platform-enabled services across our verticals and horizontals.

2008 and Beyond

In 2008 we see the business environment changing significantly with an appreciated Rupee, and concern around overall IT spending due to looming issues in the US. The overall global environment poses its challenges to the outsourcing industry in India which is moving into the next phase of its evolution of competing with major global players. Despite these external challenges and the internal ones arising from the changes in our client and geography mix and poor revenue visibility, we believe we are ready to face the challenging times ahead.

With the growing commoditization of global services, we are aggressively working towards differentiating ourselves. We are finding ways to extend our value chain and bolster bottom-line. To be able to deliver tangible results to our global customers, we are focusing on building our consulting capabilities, frameworks, solutions and platform-enabled services across our verticals and horizontals.

Going forward, we remain confident about our business momentum and are optimistic of our growth prospects over the mid- and long-term.

Regards,

Narendra K. Patni

5 May 2008

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Transformation For success

During the last thirty years of Patni's evolution, we have witnessed disruptive shifts in the market, braved global competition and are now poised to take the next leap.

The global sourcing market has matured from those days when India was considered to be a source of low-cost manpower. Today, it has earned the distinction of being a preferred destination for intellectual capital that accelerates the trend - globalization of services. Going ahead, Indian companies are bracing up for the challenge of providing end-to-end business domain-focused solutions, leveraging intellectual property (IP) in form of solution accelerators, frameworks and service delivery methodologies.

As forces of globalization sweep the business landscape, Organizations across the world are seeking to tap the benefits of global sourcing by:

- Reducing operating costs
- Re-constructing the business value chain on a global sourcing model
- Increasing business velocity

- Expanding footprint into emerging markets
- Leveraging global resources to tide over the shortage of skilled resources.

Adversity is good. Challenge, after all, provokes one to rise above the ordinary. Without challenge there would be little incentive for growth.

Our clients too want to use global sourcing as a business lever and look at us to be their strategic partner . They expect us to be a mature global services company that understands their business and has agility, and scalable technology/capability to enable them to meet their business needs profitably. Several of our customers have already integrated us in the rolling out of their strategic growth plans. Clearly, the focus of global sourcing is shifting towards seeking a partner for business transformation, who can create business value through a strong alignment of domain expertise, process maturity and technology competencies.

As unprecedented opportunities open up for us, we are also faced with a stiff global competition. The competition is no longer based on low-cost resources. It has become more complex with competitors being able to offer similar services at comparable prices and with clients and prospects looking at value beyond cost, quality and productivity.

As a global organization with globally distributed clientele, we have laid down transformational objectives to survive and grow in an increasingly complex business environment. The transformation has to address the following challenges:

- **Cultural Challenge:** Over time, the complexity of our organization has grown manifold with multiple business units, full-spectrum service offerings, large delivery infrastructure, clientele spread across the world, and most importantly, multi-cultural, multi-ethnic workforce. It is a significant challenge to transform the organization predominantly having an India-centered work-force to that having a global culture. There is a compelling need to identify leaders and change agents across all levels in the organization to deliver competitive performance.

The perfect client relationship emerges from not just understanding the client but *being the client*. One must imperatively think, perceive and act like the client.

- **Process Challenge:** Patni's business and technology processes have evolved over three decades while adapting to the changing needs of the markets. Going ahead, we need to further deepen the depth of our delivery organization. It is important to fine tune our service delivery processes and transform them to the next level of maturity through standardization and adopting global best practices, to drive quality, efficiency and speed.
- **Structural Challenge:** We need to adopt a simplified organizational structure that eliminates siloed existence of business units and promotes cross-unit integration, enabling accountability, endowing responsibility and improving coordination across functional and regional boundaries.

While we are implementing a slew of measures to negotiate the above challenges, we have multiple reasons to be optimistic and feel confident that our efforts for large-scale organizational transformation will succeed. Following are some of the measures that we have taken in order to shape the transformation agenda.

- **Aligning the go-to-market approach with domain expertise:** We continue to grow our business domain expertise through acquisitions, hiring and training. All of our client interactions are led by domain experts who understand our client's business well and are able to align our technology expertise to meet the client's expectations through an integrated domain, process and technology offering. Some of our clients have even acknowledged that our domain expertise has been a key instrument in their success with business outcomes.

Knowledge is power. The power to stay one step ahead of the competition. The power to preempt change. The power to excel.

- **Introducing structural changes for accountability and profitability:** We recognize the need for a simplified structure that organizes all the business units around the objectives of efficient service delivery and drives performance by optimizing resource utilization and fulfillment of accountability at all levels. Accordingly, we have taken measures to rationalize our operating structure. The recent consolidation of our CRM, EAI and Business Intelligence teams into the new business unit called Customer Dynamics and Integration (CDI), and the separation of Help Desk from BPO to form Customer Interaction Services (CIS) are steps in that direction.
- **Seeking delivery excellence:** Our delivery engine has evolved into a mature global delivery platform over three decades of experience and serves as a robust foundation for our business initiatives. We continue to strengthen our delivery capabilities through knowledge of emerging models and best practices in the global markets. The global sourcing and operations team that we set up last year has made a difference by providing resourcing support and helped the delivery and sales teams maintain focus on customer satisfaction.
- **Pursuing client centricity:** Over the years we have maintained a sharp focus on building long standing relationships. Over 90% of our total global revenues come from repeat business. At least thirty of our top fifty clients have been with us for over five years. Some of these have been with us for over ten years. To grow our existing client-engagements into productive relationships, we have created an account management structure which will focus on continuously enhancing the value proposition for our customers. Creation of the role of client partner focused on domain-led solutions, consulting and account management, has enabled us

Cost should never be confused with value. Cost is temporary, value is permanent.

deepen our relationship with our key customers and gain acceptance as a strategic partner. We have initiated discussions with most of our customers and have started influencing their strategic agenda. We also have reorganized our sales teams, to make a clear distinction between new business specialists and account management specialists. Going ahead, we will continue to build new operating models capable of delivering unprecedented levels of customer value.

- **Moving up the service value chain:** We have taken conscious steps towards building capabilities in consulting and are positioning ourselves as a partner who can provide business value along with full-scope IT services. We have created consulting and solutions teams in our industry practices. Our acquisitions of Logan Orviss International and Taratec Development Corporation have helped us to bolster our consulting services respectively in the Telecom and Life Sciences business. Our recent success with the The Carphone Warehouse Group Plc, is recognition of our ability as a high-end value provider.

- **Creating sustainable value for our clients:** Though cost reduction is not the only reason for our clients to come to us, cost management is certainly one of the key objectives of their outsourcing decision. We not only help our clients to reap one-time cost benefits through an optimal on-site-off-shore mix, but also help them with progressive cost benefits and productivity gains through our process optimization services. We are expanding our network of global delivery centers beyond India, the USA and the UK regions. We plan to make necessary investments to set up and grow world-class delivery facilities in Latin America, South Africa and China.

Today, innovation is a vastly evolved concept. The shift from being a rarefied virtue to an absolute necessity equates innovation with survival itself.

Responding to the shift in the marketplace from effort-based pricing to value-based pricing, we have introduced new pricing models based on value-creation and have been able to register new wins.

- **Rationalizing cost structures:** To offset wage and rupee inflation, we are relentlessly focused on improving operating efficiencies and reducing expenditures. We closely monitor the cost structures and have taken measures for the prudent management of SG&A expenses. Besides enforcing financial discipline on the cost-side, the management is also focused on enhancing the revenue side by improving utilizations, pricing and per capita productivity.
- **Fostering innovation:** We promote a culture of risk-taking and have put in place an effective process to foster innovation. We invest significantly to build the requisite R&D wherewithal to enable us to stay on the forefront of latest business and technology trends. Our domain experts and solutions teams across all of our practices are entrusted with the responsibility of creating intellectual property (IP) in form of repeatable frameworks, solution accelerators and service delivery methodologies aimed at improving speed, and achieving predictability in service delivery.

Having got our basics right, we are aggressively investing in building on our strengths for a bright future. We are a right-sized organization enabling flexibility to respond quickly to the changing market dynamics. We are aggressively working towards adopting a focused differentiated market strategy and building a strong brand. We are confident that in due time, we will unlock the combined potential of our intangible assets, namely, knowledge capital, customer relationships, delivery infrastructure and IP-driven domain solutions to create an unmatched value proposition for our customers.

Directors Report

To,

The Members,

PATNI COMPUTER SYSTEMS LIMITED

Your Directors have pleasure in presenting their Thirtieth Annual Report together with Audited statements of Accounts for the year ended 31 December 2007:

Financial Results

	31 Dec 2007 (Rs. in million)	31 Dec 2006 (Rs. in million)
Sales	11,723	9,978
Resulting in Profit Before Tax	4,357	3,059
Profit After Tax	3,875	2,058
Profit available for appropriation after adding to it Previous Year's Brought Forward	13,302	10,106
Appropriated as under:		
Adjustment on account of employment benefits	7	
Transfer to General Reserve	388	205
Final Proposed Dividend on Equity Shares @ 150% (Previous Year 150 %)	418	415
Corporate Tax on above Dividend	83	58
Balance Carried to Balance Sheet	12,406	9,428

Management Council

Narendra Patni
Chairman & CEO

Louis Theodoor van den Boog
Executive Director

Mrinal Sattawala
Chief Operating Officer

Russell Boekenkroeger
*Executive Vice-President &
Region Head, North
America*

Neeraj Gupta
*Executive Vice-President &
Head Communications,
Media & Entertainment*

Satish Joshi
*Executive Vice-President &
Chief Technology Officer*

Vijay Khare
*Executive Vice-President,
Chief Administrative Officer
& Chief Delivery Officer*

Rajesh Padmanabhan
*Executive Vice-President &
Global Head Human
Resources*

Surjeet Singh
*Chief Financial Officer &
Head Mergers
& Acquisitions*

Brian Stones
*Executive Vice-President &
Head Europe*

Senior Management

Lokesh Bhagwat
*Sr. Vice-President &
Head Growth Industries*

Ajay Chamania
*Sr. Vice-President & Head
Product Engineering
Services*

Sunil Chitale
*Sr. Vice-President &
Head Manufacturing &
Enterprise Application
Solutions*

Vic D Alfonso
*Sr. Vice-President &
Head Financial Services*

Dilip Dhanuka
*Sr. Vice-President &
Head Product &
Technology Initiatives*

Sanjiv Kapur
*Sr. Vice-President &
Head Business
Process Outsourcing*

Deepak Khosla
*Sr. Vice-President
Asia Pacific &
Head Global Marketing*

Sunil Kuwalekar
*Sr. Vice-President &
Head Global Sourcing &
Operations Management*

Milind Padalkar
*Sr. Vice-President &
Head Global Resources
in Technologies*

Samvit Raina
*Sr. Vice-President &
Head Customer Dynamics
and Intelligence*

Ajit Yadav
General Counsel

Board of Directors

(Left to Right)

Louis Theodoor van den Boog *Executive Director*, Ramesh Venkateswaran *Independent Director*

Pradip Shah *Independent Director*, Ashok K. Patni *Non-Executive Director*, Arun Maira *Independent Director*

Narendra K Patni *Chairman & CEO*, Michael A. Cusumano *Independent Director*

Arun Duggal *Independent Director*, Abhay Havaladar *Alternate Director to William O. Grabe*

Gajendra K. Patni *Non-Executive Director*, William O. Grabe *Non-Executive Director*

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 2007 amounted to Rs. 11,723 million as against Rs. 9,978 million for the corresponding period last year registering growth of about 17.5%. The Company has posted the Net Profits after tax to Rs. 3,875 million as compared to Rs. 2,058 million for the corresponding period last year registering growth of about 88% for the year ended 31 December 2007. Even on consolidated basis, revenues were increased in the current year 2007 by 14.5 % to US\$ 662.9 million from US\$ 578.9 million in 2006 and net income increased by 44%.

Dividend

Your Directors are pleased to recommend the payment of dividend for the year ended 31 December 2007 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.

Business Overview

Your Company is one of the leading providers of information technology services. The Company delivers a comprehensive range of IT services through globally integrated onsite and offshore delivery locations primarily in India. 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 USA, Europe, Japan, Asia Pacific and Rest of the world and offshore locations in India. Your Company believes that an integral to its delivery competence is its domain expertise. Overall, your Company derives significant strength from its focused industry expertise, successful client relationships, extensive suite of IT services, delivery and operational excellence, highly experienced management team and dedicated and highly skilled delivery professionals.

Business Segments

Your Company offers its services to customers through industry practices in insurance, manufacturing, financial services and telecommunications, as well as in other industries. Your Company also has technology practices that offer services in product engineering and for Independent Software Vendors (ISVs). Both industry practices and technology practices are complemented by service lines, which are developed in response to client requirements and technology life cycles. Your Company's range of services includes 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. In keeping with our thrust to diversify our revenue profile, our top client

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contribution towards revenue reduced from 14.6% in 2006 to 11.8% during 2007. Similarly, revenues from top 10 clients reduced from 53.1% in 2006 to 47.3% in 2007. While nurturing long-term relationships with existing customers, your Company has continued to expand its customer base. The Company added 37 new clients during 2007 and its active client base has increased significantly to 318 clients as of 31 December 2007. The number of \$ 1 million client relationships increased by 10 during the year taking the tally to 84.

Your Company's percentage of repeat business continued to be stable at 91.5%. Similarly, your Company's strategy to improve the geographical diversification of Company's client base is on track with revenues from Europe, Japan and Asia-Pacific (excluding Japan) registering strong growth. On the regional performance front, in 2007, Europe continued to show good growth.

In line with our strategy to diversify our geographical profile, Europe's contribution to our revenues increased to 14.7% in 2007 from 11.6% in 2006.

On the industry-vertical front, Product Engineering Services and Manufacturing recorded significant growth contributing 16.8% and 23.7%, respectively, to total revenues in 2007.

Our focus to expand our service offerings continues, with contribution of Application Development & Maintenance reducing considerably to 64.9% in 2007 from 70.8% in 2006. Simultaneously, the contribution of Enterprise Application Solutions, Infrastructure Management Services and BPO together increased to 23.6% in 2007 from 19.8% in the previous year.

Sales and Marketing Initiatives

Your Company has further consolidated global verticalization initiative. The Company has realigned its business unit structures to create sharper focus on select industry and technology practices. The North American sales organization has been realigned and integrated with the said industry and technology practices. A majority of your Company's sales and marketing teams focus on specific industries & have Accounts Managers to manage relationship with large customers. In addition to sales executives, there are industry experts and solution architects who complement the sales efforts by providing specific industry and service line expertise.

Personnel & Performance

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.

On 31 December 2007, the employee strength of your Company stood at 14,945 with approximately 2,141 additions over year 2006.

Facility Expansion

During the year, your Company added net 3,12,000 sq. ft. of space of Mumbai East and Hyderabad. With a view to build our own campuses, your Company has acquired land in four locations - Noida, Pune, Hyderabad and Kolkata, in addition to the land your Company has in Mumbai and Chennai.

All of your Company's development centers were assessed at SEI-CMMI Level 5 by KPMG, India.

Challenges ahead - 2008

As the Company enters 2008, we must be ready to face the challenging times ahead. External factors like the appreciating rupee, concern around overall IT spending in the US and competition with major global players continue to loom large. The Company's internal challenges come from the various changes in our client and geography mix and poor revenue visibility.

With the growing commoditization of global services, the Company needs to strongly differentiate itself. The Company needs to find ways to extend its value chain and bolster bottom-line. The Company needs to work harder towards delivering tangible results to its global customers. The Company can achieve this by focusing on building and enhancing our consulting capabilities, and frameworks, solutions and platform-enabled services

across its verticals and horizontals. As the market dynamics are changing, the Company needs to keep up with the times in terms of customer demand, market shifts and changing nature of competition.

Corporate Developments & Accolades

Your Company signed a Memorandum of Understanding (MoU) with BITS Pilani through the BITS Off-Campus Distance Learning & Collaborative Programmes scheme to hone the skills of employees for our growing Product Engineering Services (PES) division.

Your Company acquired Microsoft Gold Partner Certification status with Business Intelligence as one of our key competencies. This puts us in the elite list of global partners who have this standing with Microsoft.

Trillium Software, a leading enabler of Total Data Quality solutions, aligned with the Company to help provide organizations with an assessment of their data quality needs. With this partnership, your Company will provide organizations with data quality assessment using Trillium Software's Discovery and Insight solutions.

Your Company was bestowed with the prestigious Golden Peacock National Training Award (GPNTA) for 2007. This award is recognition of excellence in training practices and relates effective training with improved business and individual performance by providing role models in all sectors of Indian Corporate life.

Patni ESOP 2003 (Revised 2006)

Your Company had introduced the Employees Stock Option Plan known as Patni ESOP 2003. Under the Plan, the Company is authorised to issue 11,142,085 equity shares of Rs. 2/- each upon the exercise of options granted to employees and / or directors of the Company and its subsidiaries. As these Options were issued on market related prices, the recent fall in the market prices in general and the information technology companies shares in particular, the Options granted to the employees have become unattractive. In order to make them attractive and to motivate the employees to perform better, it is now proposed to modify Options terms by reducing the number of Options at the revised exercise price of Rs. 2/- per share at the option of the employees, as detailed in the notice convening the Annual General Meeting. This proposal requires the approval of the Members by way of special resolution.

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

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The Company has wholly owned subsidiaries viz. Patni Americas, Inc. (formerly Patni Computer Systems, Inc), Patni Computer Systems (UK) Limited and Patni Computer Systems GmbH.

Patni Telecom Solutions, Inc. is a subsidiary 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.

During the year, Patni Americas, Inc., Company's one of the main subsidiaries, had acquired Taratec Development Corp. (Taratec). Name of Taratec was later changed to Patni Life Sciences, Inc.

Your Company also set up a wholly owned Subsidiary in Brazil viz. Patni Computer Systems Brasil Ltda.

In view of the above and by virtue of Section 4 of the Companies Act, 1956, the Company has following eight subsidiaries (Collectively to be referred as Subsidiary Companies): i) Patni Americas, Inc.; ii) Patni Computer Systems (UK) Limited; iii) Patni Computer Systems GmbH; iv) Patni Telecom Solutions, Inc.; v) Patni Telecom Solutions (UK) Limited; vi) Patni Telecom Solutions (P) Limited; Vii) Patni Life Sciences, Inc. and viii) Patni Computer Systems Brasil Ltda.

The Company has been granted exemption for the year ended 31 December 2007 by the Ministry of Corporate

Affairs vide its letter dated 29 February 2008 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 2007 is included in the Annual Report. The annual accounts 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 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. Arun Duggal and Mr. William Grabe are liable to retire and eligible for reappointment in the forthcoming Annual General Meeting.

During the year, Mr. Gajendra K Patni & Mr. Ashok K Patni ceased to be Executive Directors w.e.f. 2 October 2007. However, they continue to act as Directors on the Board of Directors of the Company.

The Board of Directors, at their meeting held on 29 April 2008 had appointed Mr. Louis Theodoor van den Boog as an Executive Director of the Company upto 31 March 2013. It is proposed to obtain the necessary approval from the Members of the Company in the ensuing Annual General Meeting. The Board recommends the resolution for your approval.

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 being 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 BSR & Co., Chartered Accountants, the present statutory auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting. It is proposed to reappoint them as the statutory auditors of the Company until the conclusion of the next Annual General Meeting. M/s BSR & 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 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 2007 and the Profit of the Company for the period 1 January 2007 to 31 December 2007;
- (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 only 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 Dec 2007 (Rs. in million)
Export Sale	11,620
Others	5
Total Earnings	11,625

Expenditure in Foreign

Currency on account of:

	31 Dec 2007 (Rs. in million)
Traveling Expenses	289
Overseas Employment Expenses	770
Professional Fees & Consultancy Charges	130
Subscription & Registration Fees	2
Other Matters	88
Total Expenditure	1,279

Net Earnings in Foreign Currency

10,346

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 & CEO

Gajendra K Patni
Director

29 April 2008

Annexure to the Directors Report - ESOP

Information as on 31 December 2007

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

		As of 31 December 2007
(a) No. of options granted		8,856,092*
(b) Pricing formula		As per market price as defined in SEBI guidelines on ESOP
(c) Options vested		4,566,021**
(d) Options exercised		1,871,290
(e) The total number of shares arising as a result of exercise of option		1,871,290
(f) Options lapsed		1,849,052***
(g) Variation of terms of options		N/A
(h) Money realized by exercise of options;		317,548
(i) Total number of options in force;		5,135,750
(j) Ratio of ADS to Equity Shares		1 ADR = 2 Shares
(k) 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;	Nil

Table 1

Employee Name	ADS options granted
Brian Stones	25,000

Table 2

Employee Name	ADS options granted
Jim Pena	11,000
Raghavendra Prasad Krishnamurthy	11,000
Samvit Raina	19,000
Rohit Bedi	25,000

(l) 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	27.67
(m) Impact of Employee Compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP	

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Profit for the year after taxation as reported	3,875,184
Add Stock based employee compensation deteremined under the intrinsic value method	
Less Stock based employee compensation deteremined under the fair value method (1)	88,237
Pro-forma profit	3,786,947

As of 31 December 2007

Reported earnings per equity share of Rs 2 each