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 ý 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 ý

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

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

Contents

Leading global analyst firms concur that CIOs see IT playing a distinctive role in driving enterprise strategy, over the next three years. It s 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

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

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Key performance indicators: 2002-07

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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.

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%.

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%.

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

Tranformation 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 Havaldar** ***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 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

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	

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			
	- Basic			27.95
	- Diluted			27.67
	Pro-forma earnings per equity share of Rs 2 each			
	- Basic			27.31
	- Diluted			27.04
(n)	Weighted-average exercise prices and weighted-average fair values of options, for options whose exercise price equals the market price of the stock			
	Weighted average exercise price	- Equity		348.51
	Weighted average fair value	- Equity		129.79
	Weighted average exercise price	- ADR	$	21.06
	Weighted average fair value	- ADR	$	8.72
(o)	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			0.78%
	Weighted average dividend yield			0.78%
	Expected life			3.5-6.5 years
	Risk free interest rates			8.00% - 8.22%
	Volatility			32.84% - 42.32%
	Weighted Average Volatality			36.68%
	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			0.65% - 0.79%
	Weighted average dividend yield			0.76%
	Expected life			3.5-6.5 years
	Risk free interest rates			4.25%-4.75%
	Volatility			34.32% - 44.07%
	Weighted average volatility			38.80%

	Grant Date		Price (Rs.)
The price of the underlying share in market at the time of option grant			
	2 April 2007		375
	24 April 2007		455
The price of the underlying ADR in market at the time of option grant			
	2 April 2007	$	22.35
	26 November 2007	$	15.09

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

** Net of lapsed options.

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

Disclosures required under Clause 12.2 of SEBI ESOP Guidelines

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

			As of 31 December 2007
(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		2,214,675
(d)	Options exercised		1,630,849
(e)	The total number of shares arising as a result of exercise of option		1,630,849
(f)	Options lapsed		528,725
(g)	Variation of terms of options		N/A
(h)	Money realized by exercise of options;		236,473
(i)	Total number of options in force;		583,826
(j)	Employee wise details of options granted to:		
	(I)	senior managerial personnel;	Refer Table 3
	(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 3

Employee Name	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)	27.67

	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	
(l)	Impact of Employee Compensation cost calculated as difference between intrinsic value and fair market value in accordance with SEBI Guidelines on ESOP	Profits for the year 2007 would have been lower by Rs. 17.6 lakhs and the basic and diluted EPS would have been lower by Rs. 0.01
(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.	

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, majority of the directors are Independent Directors.

At present, the Board consists of ten 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 & CEO	4
Mr. Louis Theodoor van den Boog(2)	Executive Director	3
Mr. Gajendra K Patni(3)	Non - Executive Director	2
Mr. Ashok K Patni(3)	Non - Executive Director	2
Mr. William O Grabe(4)	Non Executive Director	4
Mr. Arun Duggal	Independent Director	11
Mr. Pradip Shah	Independent Director	16
Mr. Ramesh Venkateswaran	Independent Director	
Dr. Michael A Cusumano	Independent Director	2
Mr. Arun Maira	Independent Director	

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

(2) Appointed as an Executive Director w.e.f. 29 April 2008

(3) Promoter

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

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

Changes in composition of the Board during the year ended 31 December 2007.

- Dr. Michael A Cusumano and Mr. Louis Theodoor van den Boog were subsequently reappointed as a director (liable to retire by rotation) at the Annual General Meeting held on 21 June 2007. During the year, Mr. Gajendra K Patni and Mr. Ashok K Patni ceased to be Executive Directors w.e.f. close of business hours of 1 October 2007. They remain as Directors on the Board of the Company.

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. Louis Theodoor van den Boog	NIL	1	NIL	NIL
Mr. Gajendra K Patni	NIL	NIL	NIL	NIL
Mr. Ashok K Patni	NIL	NIL	NIL	NIL
Mr. William O Grabe*	NIL	1	NIL	NIL
Mr. Arun Maira	NIL	1	NIL	NIL
Mr. Arun Duggal	1	NIL	2	2
Mr. Pradip Shah	NIL	1	2	5
Mr. Ramesh Venkateswaran	1	1	NIL	NIL
Dr. Michael A Cusumano	NIL	NIL	NIL	NIL

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

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 2007 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 7 February 2007, 24 April 2007, 25 July 2007, and 30 October 2007.

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

Name of the director	Total board meetings held	Attended in person	Attended through video / tele conference	Annual general meeting on 21 June 2007
Mr. Narendra K Patni	4	4		ü
Mr. Louis Theodoor van den Boog	4	4		X
Mr. Gajendra K Patni	4	4		X
Mr. Ashok K Patni	4	4		X
Mr. William O Grabe	4	3	1	X
Mr. Arun Maira	4	4		X
Mr. Arun Duggal	4	4		ü
Mr. Pradip Shah	4	4		ü
Dr. Michael A Cusumano	4	3	1	X
Mr. Ramesh Venkateswaran	4	4		ü
Mr. Abhay Havaldar (Alternate Director to Mr. William O Grabe)	4	1		X

5. Compensation to Directors

Details of compensation paid to Directors for the year ended 31 December 2007 as below:

Director	Relationship with other directors	Business relationship with the Company	Loans & advances from the Company	Sitting Fees* (Rs.)	Remuneration* (Rs.)	Commission* (Rs.)
Mr. Narendra K Patni	Brother of Mr. Gajendra K Patni and Mr. Ashok K Patni	Promoter	NIL	NIL	Refer note 3	NIL
Mr. Louis Theodoor van den Boog	No	None	NIL	160,000	NIL	1,647,000
Mr. Gajendra K Patni	Brother of Mr. Narendra K Patni and Mr. Ashok K Patni	Promoter	NIL	20,000	57,387,560	2,767,397
Mr. Ashok K Patni	Brother of Mr. Gajendra K Patni and Mr. Narendra K Patni	Promoter	NIL	20,000	56,523,220	2,792,329
Mr. William O Grabe	No	Nominee of strategic investor	NIL	NIL	NIL	NIL
Mr. Arun Maira	No	None	NIL	140,000	NIL	1,647,000
Mr. Arun Duggal	No	None	NIL	160,000	NIL	1,647,000

Director	Relationship with other directors	Business relationship with the Company	Loans & advances from the Company	Sitting Fees* (Rs.)	Remuneration* (Rs.)	Commission* (Rs.)
Mr. Pradip Shah	No	None	NIL	160,000	NIL	1,647,000
Dr. Michael A Cusumano	No	None	NIL	100,000	NIL	1,647,000
Mr. Ramesh Venkateswaran	No	None	NIL	140,000	NIL	1,647,000

* Gross amounts subjected to applicable TDS.

Note:

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: US$ 10,000/ - p.a.
- Members of the Audit Committee: US$ 5,000/- p.a.
- The Chairman of Compensation & Remuneration Committee: US$ 5,000/- p.a.
- The Chairman of Shareholders and Investors Grievance Committee: US$ 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 2006).

2. Payment to the Executive Directors:

During the year, the Company paid remuneration to its whole time directors 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.

During the year, Mr. Gajendra K Patni and Mr. Ashok K Patni ceased to be Executive Directors w.e.f. close of business hours of 1 October 2007 however, they remain as Directors on the Board of the Company.

The breakup of remuneration paid to them in capacity of executive directors is as under:

(Amounts in Rs.)

	Fixed Components			
	Salary, Allowances & Perquisites	**PF contribution**	**Pension**	**Total**
Mr. Gajendra K Patni	54,748,792	960,075	1,678,693	57,387,562
Mr. Ashok K Patni	53,884,452	960,075	1,678,693	56,523,220

3. Compensation to Mr. Narendra K Patni is paid by Patni Americas, Inc. (formerly Patni Computer Systems, Inc.), a wholly owned subsidiary of the Company. The Compensation is as described in footnote 28b of the financial statement.

Non-Executive Directors Shareholding in the Company

Name of Non Executive Director	No of Equity Shares	Name of Non Executive Director	No of Equity Shares
Mr. Gajendra K Patni*	19,994,302	Mr. Arun Duggal	Nil
Mr. Ashok K Patni*	20,614,302	Mr. Pradip Shah	Nil
Mr. William O Grabe	Nil	Dr. Michael A Cusumano	Nil
Mr. Arun Maira	5,000	Mr. Ramesh Venkateswaran	3,400

* shareholding includes shares held by their relatives

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 and July 2007.

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 to Independent Directors in April 2005 as mentioned above vested each in April 2006, April 2007 and April 2008.

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 and April 2008.

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.

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.

All options have been granted with an exercise price which has been arrived pursuant to the SEBI Guidelines on ESOP. All the options which have been granted, vest in four equal annual instalments 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.

All the Board Members and senior management personnel have affirmed compliance with the Code for the year 2007 and a declaration to this effect signed by the Chairman & 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 three years but they are eligible for reappointment.

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 has been appointed as an Executive Director of the Company for the period upto 31 March 2013, unless extended by the Board with the consent of Mr. Boog.

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 then corporate governance norms. Subsequently, the Audit Committee was further reconstituted on 30 March 2005 and on 29 April 2008. 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 Member 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 shareholder queries.

The Audit Committee may invite such of the executives, as it consider 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.

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 statement	As appropriate
6	Review the Company s Earning 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 and 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 and 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

Description			Period
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
D. Others			
	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, the 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 statement and perform other activities.	As appropriate
	7	Review the financial statement 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

Name of the Member	Designation	Category
Mr. Arun Duggal	Chairman	Independent Director
Mr. Pradip Shah	Member	Independent Director
Mr. Ramesh Venkateswaran	Member	Independent Director

Note: Mr. Louis Theodoor van den Boog ceased to be Audit Committee Member w.e.f. 29 April 2008 and in view of the same, the Board appointed Mr. Ramesh Venkateswaran, an Independent Director, as a Member of the Audit Committee.

3. Meetings and attendance during the year

Four meetings were held during the year ended 31 December 2007

Name of the Member	Total Audit Committee meetings held	Attended in person	Attended through video/tele conference
Mr. Arun Duggal	4	4	
Mr. Pradip Shah	4	4	
Mr. Ramesh Venkateswaran*	4	NA	NA
Mr. Louis Theodoor van den Boog	4	4	

* Became a Member of Audit Committee on 29 April 2008

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. Narendra K Patni acts as a Permanent Invitee of the Committee.

2. Composition, names of Members and Chairman

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

3. Meeting and attendance during the year.

Three meeting was held during the year ended 31 December 2007

Name of the Member	Total C&R Committee meetings held	Attended in person	Attended through video/tele conference
Mr. Ramesh Venkateswaran	3	3	
Mr. Arun Maira	3	3	
Dr. Michael A Cusumano	3	2	

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 and recently on 29 April 2008. The Committee consists of four directors, the majority being non- executive directors. The Chairman of the Committee is an Independent Director. The committee met during the year to ensure timely and efficient resolving of investor complaints.

1. Name of non-executive director heading the Committee

Mr. Ramesh Venkateswaran

2. Composition, names of the Members and Chairman

Name of the Member	Designation	Category
Mr. Ramesh Venkateswaran	Chairman*	Independent Director
Mr. Arun Maira	Member	Independent Director
Mr. Louis Theodoor van den Boog	Member	Executive Director
Mr. William O Grabe**	Member	Non Executive Director

*Mr. Arun Maira ceased to be the Chairman w.e.f. 30 October 2007 and Mr. Louis Theodoor van den Boog was appointed as the Chairman of the Committee from the same date. Mr. Louis Theodoor van den Boog ceased to be the Chairman w.e.f. 29 April 2008 and Mr. Ramesh Venkateswaran was appointed as the Chairman of the Committee from the same date.

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

3. Name and designation of Compliance Officer

Mr. Arun Kanakal, Company Secretary

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

Tel No. 91 022 66930500 • Fax No. 91 022 28321750 • E-mail: arun.kanakal@patni.com

4. Details of investors queries / complaints received and resolved during the year ended 31 December 2007

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	21 June 2007	21 June 2006	14 June 2005
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

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?

Pursuant to the Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a Notice dated 16 March 2007 was sent to the Members for seeking approval through Postal Ballot by way of the Special Resolution for raising the Foreign Institutional Investors (including sub-accounts) (FIIs) Investment limit in the Company from 24% to 74%.

4. Who conducted the postal ballot?

Mr. Taizoon M Khumri, Practicing Company Secretary, was appointed in this regard by the Board of Directors by resolution dated 13 March 2007 as Scrutinizer for conducting this postal ballot voting process in fair and transparent manner. Subsequently, based on Scrutinizer s report the said Special Resolution was declared as passed with the requisite majority.

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.

G. Shareholders information

Date and time of AGM	: 26 June 2008, Thursday at 11.30 a.m.
Venue	: Hotel Le Meridien, R.B.M. Road, Opposite Pune Railway Station, Pune - 411001
Financial year	: 1 January 2007 to 31 December 2007
Book closure dates	: 19 June 2008 to 26 June 2008 (both days inclusive)
Registered office	: S-1A, F-1, Irani Market Compound, Yerawada, Pune 411 006
Dividend payment date	: on or after 30 June 2008, 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

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 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 2007, there were 42,317 shareholders holding our equity shares.

The Company s shares fall under category B1 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.No. +91-22-22721233 / 1234 • Fax No. +91-22-22723719
   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.No. +91-22-26598235 / 36 Fax No. +91-22-26598237 / 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
Tel No. 212 6563000 • Website: www.nyse.com

Listing fees for the year 2007-08 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

Telerate Code / Moneyline code:	BSE - IN;PQS NSE - IN;PQSN NYSE - US;NYA

Reuters

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

Bloomberg Code: NYSE - 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 2007, 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 no:+91-40-23420815-820
Fax: +91-40-23420814
e-mail: igkcpl@karvy.com

Company Secretary and Compliance Officer:

Arun Kanakal
Patni Computer Systems Limited
Akruti Softech Park,
MIDC Cross Road No.2 1, Andheri (East),
Mumbai 400093.
Tel no: +91-22-66930500
e-mail: 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 no: +91-22-66930500

Investor correspondence in the U.S.:

Gaurav Agarwal
Patni Computer Systems Limited
One Broadway,
Cambridge MA 02142
Tel no: + 1-617-914-8360

e-mail: investors.redressal@patni.com e-mail: investors@patni.com

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

In the U.S.

The Bank of New York
Investor Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
Toll Free Tel # for domestic US callers: 1-888-BNY-ADRS
International Callers can call: + 1-212-815-3700
Email:shareowners@bankofny.com
Websites: http://www.stockbny.com

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

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 7639/ 37
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 2007 @ 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 19 June 2008.

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 i.e. upto expiry of 28 September 2008. 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 no:.+91 40-23420815-820

Fax:: +91 40 23420814

e-mail: 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.

Details of complaints received and resolved from 1 January 2007 to 31 December 2007

Complaints	Received	Attended to	Pending
Non-Receipt of Dividend Warrants	45	45	0
Non-Receipt of Annual Report	18	18	0
Non-Receipt of Securities	0	0	0
Non-Receipt of Refund Order	2	2	0
Non- Receipt of Electronic Credit	4	4	0
Receipt of Refund Orders/Dws for corrections	2	2	0
Complaints Received from SEBI	0	0	0
Complaints Received from Stock Exchanges	0	0	0
Total	**71**	**71**	**0**

Shareholding Pattern as on 31 December 2007

Category	Number of Shares	% to Total
Promoters and Relatives of Promoters	60,972,802	43.86
Mutual Funds/ UTI	4,220,261	3.04
Financial Institutions /Banks	1,442,004	1.04
Insurance Companies	18,958	0.01
Foreign Institutional Investors	27,196,810	19.56
Bodies Corporate	4,426,848	3.18
Individuals	4,347,876	3.13
NRIs	132,192	0.10
Foreign Corporate Bodies	2,752,081	1.98
Trusts and Clearing Members	150,283	0.11
Shares underlying ADRs*	33,239,344	23.91
Others	109,950	0.08
Total	**139,009,409**	**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 2007

Month	BSE High Rs.	BSE Low Rs.	BSE Volume Nos.	NSE High Rs.	NSE Low Rs.	NSE Volume Nos.	Total Volume (BSE+ NSE) Nos.
January 2007	511.40	379.40	2,157,261	511.80	392.50	6,904,105	9,061,366
February 2007	465.00	390.00	1,548,944	459.90	398.00	5,746,270	7,295,214
March 2007	442.00	370.25	654,112	442.55	369.00	2,461,471	3,115,583
April 2007	477.00	372.25	1,002,069	477.95	364.00	3,123,860	4,125,929
May 2007	572.95	452.05	4,390,253	599.00	450.00	15,177,699	19,567,952
June 2007	570.80	491.70	4,000,908	570.65	491.00	14,674,983	18,675,891
July 2007	545.00	458.00	3,782,848	545.00	455.05	11,996,066	15,778,914
August 2007	536.40	352.00	7,457,472	550.00	353.30	23,020,607	30,478,079
September 2007	545.80	421.00	6,616,545	546.90	420.15	18,004,279	24,620,824
October 2007	505.90	400.00	3,665,551	505.00	403.10	12,457,731	16,123,282
November 2007	410.00	300.00	3,117,002	409.00	297.25	10,242,096	13,359,098
December 2007	347.75	305.00	1,375,016	356.60	302.75	4,769,366	6,144,382

Market movement:

Stock market data relating to equity shares listed in India

Chart on Patni share price Vs. Sensex and Nifty from 1 January 2007 to 31 December 2007

Distribution of shareholding as on 31 December 2007

No. of equity shares held	No. of shareholders	%	No. of shares	%
1 5000	41,920	99.06	3,641,307	2.62
5001 10000	156	0.37	568,694	0.41
10001 20000	97	0.23	702,988	0.51
20001 30000	24	0.06	293,103	0.21
30001 40000	21	0.05	265,682	0.26
40001 50000	13	0.03	285,227	0.21
50001 100000	22	0.05	781,997	0.56
100001 and above	64	0.15	132,370,411	95.22
Total	**42,317**	**100.00**	**139,009,409**	**100.00**

Outstanding ADR

Our ADSs are traded on the NYSE under the ticker symbol PTI . As of 31 December 2007, Outstanding ADSs are 6,538,738. Each ADS 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, Narendra K Patni, Chairman & CEO, 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 2007.

Narendra K Patni
Chairman & CEO

29 April 2008

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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 2007, 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.

With respect to equity shares that can be issued under the Patni Employees Stock Option Plan, the shareholders resolution specifies the overall limit for the maximum number of equity shares that can be issued to employees, including non- executive directors. It does not specify the limits for the maximum number of stock options that can be granted to the non- executive directors, including independent directors, in any financial year and in aggregate, as required by Clause 49 (I) (B) of the Listing Agreement.

In our opinion and to the best of our information and according to the explanations given to us, subject to the aforesaid, we certify that the Company has complied with the conditions of corporate governance as stipulated in the abovementioned 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 BSR & Co.

Chartered Accountants

Natrajan Ramkrishna

Partner

Membership No: 032815

Mumbai

20 May 2008

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The Board of Directors,

Patni Computer Systems Limited

Akruti, 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

We, Narendra K Patni, Chairman & CEO and Surjeet Singh, Chief Financial Officer, 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 results do not contain any false or misleading statement or figures and do not omit any material fact which may make the financial results/ statements or figures contain therein 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 and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of 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 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.

Narendra K Patni	**Surjeet Singh**
Chairman & CEO	*Chief Financial Officer*

Mumbai

5 February 2008

Ratios (As per US GAAP)

	2005 consolidated	2006 consolidated	2007 consolidated
Ratios - growth			
Revenues	37.9%	28.5%	14.5%
Operating profit	15.8%	34.1%	25.7%
PAT	30.8%	(2.7)%	92.4%
Basic and Diluted EPS	27.3%	(10.0)%	90.7%
Ratios - financial performance			
Cost of revenues / Revenues	64.1%	63.9%	67.9%
Selling, general and administrative expenses / Revenues	20.0%	19.0%	17.5%
Operating profit / Revenues	15.6%	16.3%	17.9%
PBT / Revenues	16.6%	18.5%	20.5%
Taxation / Revenues	3.1%	8.2%	3.3%
PAT / Revenues	13.5%	10.2%	17.2%
Return on capital employed (ROCE) (PBIT / Average Capital employed)	21.5%	23.1%	23.4%
Return on average networth (RONW) (PAT / Average Networth)	17.1%	12.5%	19.2%
Ratios - Balance Sheet			
Debt Equity Ratio	0.0	0.0	0.0
Debtors Turnover (days)	62	75	76
Fixed assets turnover (days)	72	79	94
Current Ratio	4.0	3.8	4.6
Cash and Cash equivalents / Total Assets	52.5%	45.2%	35.1%
Cash and Cash equivalents / Revenues	64.5%	50.0%	44.9%
Per share data			
Basic and Diluted EPS ($)	0.48	0.43	0.82
Book value per share ($)	3.19	3.68	4.90
No. of Employees	11,802	12,804	14,945

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 2007, 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, 1956;

e) on the basis of written representation received from the directors of the Company, as at 31 December 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 December 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act, 1956, 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 2007;

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 **BSR & Co.**
Chartered Accountants

Natrajan Ramkrishna

Mumbai
7 February 2008

Partner
Membership No: 032815

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 2007 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 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 mn.)	Amount paid (Rs. in mn.)	Period	Forum where dispute is pending
Income tax Act, 1961	Income tax	630	269	Assessment year 2004-05	Commissioner of Income Tax (Appeals)
Income tax Act, 1961	Income tax	262		Assessment year 2002-03	Asst. Commissioner of Income Tax

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 In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.

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 **BSR & Co.**
Chartered Accountants

Natrajan Ramkrishna
Mumbai *Partner*
7 February 2008 Membership No: 032815

Balance Sheet as at 31 December 2007

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

	Note	2007	2006
SOURCES OF FUNDS			
Shareholders funds			
Share capital	3	278,019	276,564
Share application money		1,815	2,688
Reserves and surplus	4	25,302,071	21,811,218
		25,581,905	**22,090,470**
Loan funds			
Secured loans	5	23,785	30,639
Deferred tax liability	17	76,387	85,014
		25,682,077	**22,206,123**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	8,439,918	6,143,031
Less: Accumulated depreciation		3,489,323	2,793,545
Net block		4,950,595	3,349,486
Capital work-in-progress(I ncludes capital advances)		2,174,140	2,112,804
		7,124,735	**5,462,290**
Investments	7	15,831,734	13,870,176
Deferred tax asset, net	17	64,576	54,195
Current assets, loans and advances			
Sundry debtors	8	4,894,975	5,386,266
Cash and bank balances	9	503,153	367,937
Costs and estimated earnings in excess of billings		309,046	98,405
Loans and advances	10	978,219	457,817
		6,685,393	**6,310,425**
Less: Current liabilities and provisions			
Current liabilities	11	2,449,462	2,172,801
Provisions	12	1,574,899	1,318,162
		4,024,361	**3,490,963**
Net current assets		**2,661,032**	**2,819,462**
		25,682,077	**22,206,123**

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

As per attached report of even date.

For **BSR & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

Narendra K Patni
Chairman and CEO

Gajendra K Patni
Director

Arun Duggal
Director

Pradip Shah
Director

Natrajan Ramkrishna
Partner
Membership No: 032815

Surjeet Singh
Chief Financial Officer

Arun Kanakal
Company Secretary

Mumbai

7 February 2008

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Profit and Loss Account for the year ended 31 December 2007

Currency: in thousands of Indian Rupees except share data)

	Note	2007	2006
INCOME			
Sales and service income		11,722,988	9,978,301
Other income	13	1,666,585	477,509
		13,389,573	**10,455,810**
EXPENDITURE			
Personnel costs	14	5,601,894	4,461,532
Selling, general and administration costs	15	2,600,347	2,120,996
Depreciation	6	804,847	725,683
Less: Transfer from revaluation reserve	4	81	81
Interest costs	16	68,936	88,792
		9,075,943	**7,396,922**
Profit for the year before prior period items and taxation		4,313,630	3,058,888
Prior period items	34	(43,351)	
Profit for the year before taxation		4,356,981	3,058,888
Provision for taxation	17	706,924	971,681
MAT credit entitlement	17	(265,261)	(5,735)
Provision for taxation - Fringe benefits		40,134	35,313
Profit for the year after taxation		3,875,184	2,057,629
Profit and loss account, brought forward		9,427,283	8,048,445
Amount available for appropriation		13,302,467	10,106,074
Adjustment on account of employee benefits	32	6,914	
Proposed Dividend on equity shares		418,173	414,846
Dividend tax		83,389	58,182
Transfer to general reserve		387,518	205,763
Profit and loss account, carried forward		**12,406,473**	**9,427,283**
Earnings per equity share of Rs. 2 each			
Basic		27.95	14.91
Diluted		27.67	14.80
Weighted average number of equity shares outstanding during the year			
Basic		138,660,785	137,957,477
Diluted		140,036,922	139,067,699

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

As per attached report of even date.
For **BSR & Co.**
Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 032815

Mumbai

For and on behalf of the Board of Directors

Narendra K Patni
Chairman and CEO

Gajendra K Patni
Director

Arun Duggal
Director

Pradip Shah
Director

Surjeet Singh
Chief Financial Officer

Arun Kanakal
Company Secretary

7 February 2008

Cash Flow Statement for the year ended 31 December 2007

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

	2007	**2006**
Cash flows from operating activities		
Profit before taxation	4,356,981	3,058,888
Adjustments:		
Depreciation	804,766	725,602
Profit on sale of fixed assets, net	(13,342)	(1,022)
Profit on sale of investments, net	(265,942)	(76,954)
(Profit) / loss on revaluation of investments	(13)	332
Dividend income	(409,510)	(269,250)
Interest income	(20,022)	(102,248)
Interest expense	942	1,635
Provision for doubtful debts and advances	13,946	2,239
Unrealised foreign exchange gain	(430,999)	(163,852)
Operating cash flows before working capital changes	4,036,807	3,175,370
Decrease/(Increase) in sundry debtors	723,276	(1,178,892)
(Increase)/Decrease in cost and estimated earnings in excess of billings	(210,648)	75,926
(Increase)/ Decrease in loans and advances	(86,192)	78,719
Increase in billings in excess of cost and estimated earnings	26,722	25,248
(Decrease)/Increase in sundry creditors-Others	(110,459)	169,072
Increase/ (Decrease) in advance from customers	883	(1,068)
(Decrease)/Increase in payables to subsidiary companies	(8,500)	383,275
Increase in other liabilities	356,690	333,775
Increase in provision for retirement benefits	41,371	32,453
Cash generated from operations	**4,769,950**	**3,093,878**
Income taxes paid	(572,483)	(664,386)
Net cash provided by operating activities (A)	**4,197,467**	**2,429,492**
Cash flows from investing activities		
Purchase of fixed assets	(2,456,716)	(2,087,710)
Sale of fixed assets	22,245	4,480
Purchase of non trade investments	(36,909,875)	(26,103,267)
Sale of non trade investments	36,738,135	20,359,390
Investments in a Subsidiary	(1,523,864)	
Dividend received	409,510	269,250
Interest received	20,015	100,409
Net cash used in investing activities (B)	**(3,700,550)**	**(7,457,448)**

	2007	2006
Cash flows from financing activities		
Issue of equity shares	130,928	82,485
Share application money received pending allotment	1,815	2,688
Dividend paid, including dividend tax	(486,647)	(392,697)
Interest paid	(942)	(1,635)
Proceeds from finance lease obligations incurred	10,916	16,529
Finance lease obligations repaid	(17,771)	(17,703)
Net cash used in financing activities (C)	(361,701)	(310,333)
Net increase / (decrease) in cash and cash equivalents during the year (A+B+C)	135,216	(5,338,289)
Cash and cash equivalents at the beginning of the year	367,937	5,706,226
Cash and cash equivalents at the end of the year	503,153	367,937

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.

	2007	2006
Cash in hand	18,679	10,690
Balance with banks:		
Current accounts	261,075	348,311
Exchange earners foreign currency account	139,300	41,253
Effect of changes in Exchange rate	84,099	(32,317)
	503,153	367,937

As per attached report of even date.
For **BSR & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Narendra K Patni
Chairman and CEO

Gajendra K Patni
Director

Arun Duggal
Director

Pradip Shah
Director

Natrajan Ramkrishna
Partner
Membership No: 032815

Surjeet Singh
Chief Financial Officer

Arun Kanakal
Company Secretary

Mumbai
7 February 2008

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements for the year ended 31 December 2007

(Currency: in thousands of Indian Rupees 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 and Patni Computer Systems GmbH, a company incorporated in Germany. 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, USA, for consideration in cash. In July 2007, the Company has also set up a subsidiary in Brazil named Patni Computer Systems Brasil Ltda. Patni has foreign branches offices in USA, Japan, Sweden, Korea, Netherlands, Australia and Finland.

In July 2007, the Company acquired business and assets of LOI, a European communication, media and entertainment consulting services company in a business combination.

Patni is primarily engaged in the business of IT consulting and software development for its customers. Most of the business of Patni is subcontracted from its subsidiary companies in the USA, UK and Germany. The Company provides multiple service offerings to its clients across various industries comprising financial services, manufacturing companies, communication, media and entertainment, product engineering services and others such as energy and utilities, retail and hospitality companies. The various service offerings comprise application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering services, quality assurance services, and business process outsourcing services.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

The accompanying financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) 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 and the provisions of the Companies Act, 1956.

The preparation of the financial statements in accordance with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used in the preparation of 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	5

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

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

an impairment loss and is recognized 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 development activities. Revenue from time-and-material contracts is recognised as related services are rendered. Revenue from fixed-price contracts is recognised on a percentage of completion basis, measured by the percentage of costs incurred to-date to estimated total costs for each contract. This method is used because management considers costs to be the best available measure of progress on these contracts.

Contract costs include all direct costs such as direct labour and those indirect costs related to contract performance, such as depreciation, 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 Cost and estimated earnings in excess of billings , represents revenues recognised in excess of amounts billed. These amounts are billed after the milestones specified in the agreement are achieved and the customer acceptance for the same is received. The liability Billings in excess of costs and estimated earnings , represents billings in excess of revenues recognised.

Revenue on maintenance contracts is recognized on a straight-line basis over the period of the contract. 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 customers in the form of free services in future. The Company accounts for such volume discounts by allocating a portion of the revenue on the related transactions to the service that will be delivered in future. Further, other volume discount and rebates are also deducted from revenue.

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

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

2.6 Employee retirement and other benefits

Contributions to the provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the year in which the contributions are incurred.

Gratuity, pension, sick leave and leave encashment costs, which are defined benefits, are based on actuarial valuations carried out by an independent actuary at the balance sheet date.

The Company provides compensatory-offs to its employees, which entitle the employees to avail paid leave in future periods for services already rendered. These entitlements are not encashable by the employees. The Company makes provision for such compensatory absences by estimating the likely salary payable to the employees availing such leave based on historical data of such entitlements availed in the past.

2.7 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.

In respect of forward exchange contracts which hedge the foreign currency risk of the underlying outstanding at the year-end or which hedge a firm commitment or highly probable forecasted transactions, the Company values these contracts based on the spot rate at the year-end and the resultant gain or loss is included in the profit and loss account. The premium or discount on all forward exchange contracts arising at the inception of each contract is

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

amortised as income or expense over the life of the contract.

The Company has also entered into foreign currency option contracts in the nature of purchase options and combination options (these options) with expiration dates which range upto twenty nine months. These net written options are revalued at fair values at reporting period end, with any profit or loss arising on the revaluation being recognised in the profit and loss account. The premium paid on purchase options is marked to market (MTM) and the resultant gains / losses 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 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.

2.9 Taxation

Income tax expense comprises current tax expense, deferred tax expense or credit and fringe benefit tax is 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. In case of matters under appeal, full provision is made in the financial statements when the Company accepts the liabilities.

Deferred tax assets and liabilities are recognized 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 only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainity 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.

Substantial portion of the profits of the Company are exempted from income tax, being profits from undertakings situated at Software Technology Parks. Under the tax holiday, the Company can utilise exemption of profits from income taxes for a period of ten consecutive years. The Company has opted for this exemption and these exemptions expire on various dates between years 2005 and 2009. 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.

2.10 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.

2.11 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 recognized 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 recognized in the period in which the change occurs.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contdt.) for the year ended 31 December 2007

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

3 Share capital

	2007	2006
Authorised		
250,000,000 (2006: 250,000,000) equity shares of Rs. 2 each	**500,000**	**500,000**
Issued, subscribed and paid - up		
139,009,409 (2006: 138,281,853) equity shares of Rs. 2 each fully paid	**278,019**	**276,564**
	278,019	**276,564**

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, 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 capitalization 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) Amount received from employees on exercise of stock options pending allotment of shares is shown as share application money.

9) Refer note 24 for employee stock compensation plans.

4 Reserves and surplus

	2007	2006
Land revaluation reserve		
Balance carried forward *		**7,935**
Building revaluation reserve		
Balance brought forward	1,434	1,515
Transfer to profit and loss account	(81)	(81)
	1,353	**1,434**
Capital redemption reserve		
Balance carried forward	253,301	253,301
	253,301	**253,301**
Share premium		
Balance brought forward	10,833,827	10,752,309
Share premium received on issue of equity shares	132,161	81,518
	10,965,988	**10,833,827**
General reserve		
Balance brought forward	1,287,438	1,081,675
Transfer from profit and loss account	387,518	205,763
	1,674,956	**1,287,438**
Profit and loss account, balance carried forward	**12,406,473**	**9,427,283**
	25,302,071	**21,811,218**

* The non-agricultural land situated at Mehsana District, Gujarat on which revaluation reserve was created earlier has now been reversed on account of disposal.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

5 Secured loans

	2007	2006
Lease obligation in relation to vehicles acquired under finance lease (Refer note 22)	**23,785**	**30,639**

Nature of security

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

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 2007	Total as at 31 Decembe 2006
Gross block												
As at 1 January 2007	9,019	231,349	1,551,296	928,311	1,558,311	489,333	573,256	708,404	93,752		6,143,031	4,772,84
Additions		447,504	871,871	103,569	321,001	260,054	222,683	50,321	10,962	134,829	2,422,794	1,398,37
Deletions	8,848		17,218		7,467	21,566	16,821	28,137	25,850		125,907	28,19
As at 31 December 2007	**171**	**678,853**	**2,405,949**	**1,031,880**	**1,871,845**	**727,821**	**779,118**	**730,588**	**78,864**	**134,829**	**8,439,918**	**6,143,03**
Accumulated depreciation												
As at 1 January 2007		6,640	173,074	673,117	1,134,336	151,033	280,451	322,475	52,419		2,793,545	2,092,60
Charge		9,017	67,785	166,808	297,693	67,289	103,254	76,844	16,157		804,847	725,68
Deletions			16,742	142	8,413	21,352	16,681	27,831	17,908		109,069	24,73
As at 31 December 2007		**15,657**	**224,117**	**839,783**	**1,423,616**	**196,970**	**367,024**	**371,488**	**50,668**		**3,489,323**	**2,793,54**
Net block as at 31 December 2007	**171**	**663,196**	**2,181,832**	**192,097**	**448,229**	**530,851**	**412,094**	**359,100**	**28,196**	**134,829**	**4,950,595**	**3,349,48**
Net block as at 31 December 2006	9,019	224,709	1,378,222	255,194	423,975	338,300	292,805	385,929	41,333		3,349,486	

Notes:

1. Gross block of vehicles as of 31 December 2007 includes assets acquired on lease, refer note 22.

2. Fixed assets include building amounting to Rs. 134,829 which is retired from active use and held for disposal to an identified buyer and the sale transaction is expected to be concluded by 31 March 2008.

7 Investments

	2007	2006
Long term (at cost)		
Trade		
Unquoted		
Investment in Subsidiary companies		
6,153,350 (2006: 50,000) equity shares of 1 pound each fully paid of Patni Computer Systems (UK) Limited	492,369	2,409
Contribution of Euro 150,000 (2006: Euro 150,000) towards Capital of Patni Computer Systems GmbH	6,076	6,076
9,350 (2006: 7,500) equity shares fully paid of Patni Americas, Inc. (no par value)	4,605,465	3,571,561
	5,103,910	**3,580,046**
Others		
Investments in Bonds		
13,500 units (2006: 13,500) of Nabard Bonds	**135,000**	**135,000**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

7 **Investments** (contd.)

	2007	2006
Non-trade		
Unquoted		
Investment in Mutual Funds		
5,000,000 units (2006: Nil) of ABN Amro FTP-Sr 4-16M	50,000	
10,000,000 units (2006: Nil) of Birla FTP- Series P - Growth	100,000	
10,000,000 units (2006: Nil) of Birla FTP Inst Sr R-Gr	100,000	
7,500,000 units (2006: Nil) of Birla FTP Inst Sr S-Gr	75,000	
24,700,000 units (2006: Nil) of Birla FTF Sr T-Growth	247,000	
5,000,000 units (2006: Nil) of Birla FTP Sr U Gr (12M)	50,000	
10,000,000 units (2006: Nil) of B882G Birla FTP - INSTL - Series AE - Growth	100,000	
10,000,000 units (2006: Nil) of DWS FTF-Sr 25-14M-Inst-Gr Option	100,000	
250,000 units (2006: Nil) of DSPML FTP-Sr 3E-12.5M-Gr	250,000	
15,000,000 units (2006: Nil) of Deutsche FTF-Sr 21-390 days	150,000	
5,000,000 units (2006: Nil) of Deutsche FTF-Sr 24-Inst Gr	50,000	
3,000,000 units (2006: Nil) of SCFMP-10-Annually	30,000	
15,000,000 units (2006: Nil) of SCFMP-YS 2-Gr	150,000	
10,000,000 units (2006: Nil) of SCFMP-YS 3-Gr	100,000	
10,500,000 units (2006: Nil) of HSBC FTS Sr 22 15 mts 512570	105,000	
10,000,000 units (2006: Nil) of JM FMP Sr IV-15mts-Gr Op-7023145875	100,000	
7,500,000 units (2006: Nil) of JM FMP Sr IV-13M-Gr	75,000	
2,000,000 units (2006: Nil) of JM FMP Sr IV-375 Days Gr	20,000	
10,000,000 units (2006: Nil) of Kotak FMP Sr 2 15 Months	100,000	
5,000,000 units (2006: Nil) of Kotak FMP 14M Sr 1 Inst-Gr Option	50,000	
15,350,000 units (2006: Nil) of Kotak FMP 13M Sr 1 Inst-Gr Option	153,500	
10,000,000 units (2006: Nil) of Kotak FMP 14M Sr 2 Inst-Gr Option	100,000	
5,000,000 units (2006: Nil) of Kotak FMP 13M Sr 2 Inst Gr	50,000	
10,000,000 units (2006: Nil) of Rel FHF-II Annual Plan Sr V Inst Growth	100,000	
5,000,000 units (2006: Nil) of Tata Fixed Horizon Fund Series 7 Scheme D Growth IP	50,000	
15,000,000 units (2006: Nil) of Templeton FHF Sr 1 (15m)	150,000	
15,000,000 units (2006: Nil) of Tata FHF Sr 6 Sch C-13m	150,000	
10,000,000 units (2006: Nil) of Tata FHF Sr 7-Sch A-Inst Gr	100,000	
20,000,000 units (2006: Nil) of Templeton FHF Sr 1 (13m)-Gr	200,000	
15,000,000 units (2006: Nil) of Tata FHF Sr7 Sch B 13M-Gr	150,000	
20,000,000 units (2006: 20,000,000) of Birla Fixed Term Plan- Series O - Growth	200,000	200,000
3,718,503 units (2006: 3,718,503) of Birla Cash Plus - Ip- Growth	39,624	39,624
14,190,973 units (2006: 14,190,973) of H16 - Oisid HSBC Cash Fund - Institutional Plus - Growth	150,000	150,000
7,144,745 units (2006: 7,144,745) of HDFC Cash Management Fund - Saving Plan - Growth	100,000	100,000
	3,695,124	**489,624**
Current (at lower of cost or fair value)		
Non-trade		
Unquoted		
20,101,191 units (2006: Nil) of ABN Amro Money Plus Inst-WDR in 29719 folio	201,012	
8,550,000 units (2006: Nil) of ABN Amro Interval Fund Qly Plan G - Int Div Red	85,500	

10,160,769 units (2006: Nil) of ABN Amro Flexible Short Term Plan Ser A Qrtly Div 29719 83		101,609
10,170,875 units (2006: Nil) of ABN Amro Flexible Short Term Plan Ser B Qrtly Div 29719 83		101,710

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

7 **Investments** (contd.)

	2007	2006
10,000,000 units (2006: Nil) of ABN Amro Interval Fund Qly Plan H - Int Div Red	100,000	
7,228,743 units (2006: Nil) of ABN Amro Money Plus Inst-WDR in 275269/51	72,305	
5,884,814 units (2006: Nil) of Birla Sun Life Liquid Plus Instl - WDR 1013038717	58,888	
9,229,563 units (2006: Nil) of Birla Sun Life Liquid Plus - Instl - WDR 1000995231	92,328	
10,073,320 units (2006: Nil) of BSL Interval Income Fund - INSTL - Quarterly - Sr 2 Dividend	100,734	
47,832,452 units (2006: Nil) of Birla Sun Life Liquid Plus - Instl - WDR	479,132	
10,120,000 units (2006: Nil) of DWS Quarterly Interval Fund - Series 1- Dividend Plan	101,200	
2,518,670 units (2006: Nil) of GFRF-LT-Inst Plan B WDR	25,211	
2,007,056 units (2006: Nil) of GFRF-LT-Inst Plan B WDR (730278)	20,081	
5,000,000 units (2006: Nil) of G534 Standard Chartered Quarterly Interval Fund - Plan A -Inst Div	50,000	
12,000,000 units (2006: Nil) of G540 Standard Chartered FMP Quarterly Sr 19 Div	120,000	
20,000,000 units (2006: Nil) of ING FMP XXX Qtrly-Divi	200,000	
10,000,000 units (2006: Nil) of ING FMP 36 Inst Dividend	100,000	
9,041,152 units (2006: Nil) of JM MMF-Super Plus Plan-WDR-7021966294	90,865	
8,483,754 units (2006: Nil) of JM MMF-Super Plus Plan-WDR-7023145875	85,263	
15,353,370 units (2006: Nil) of JM FMP Sr VI-Inst-Qtrly Divi Plan 4 7023145875	153,534	
5,030,857 units (2006: Nil) of JM FMP Sr VI-Inst-Qtrly Divi Plan 5 7021966294	50,309	
17,000,000 units (2006: Nil) of JM Interval Fund Qtrly Plan 1- Inst	170,000	
25,776,660 units (2006: Nil) of Kotak Flexi Debt DDR	258,568	
27,915,101 units (2006: Nil) of Kotak Flexi Debt DDR 281827	280,017	
20,329,275 units (2006: Nil) of Kotak Quarterly Interval Plan Series 1 Dividend	203,294	
1,431,960 units (2006: Nil) of Lotus India Liquid Plus Fund-IP-WDR 58374	14,333	
4,399,254 units (2006: Nil) of Pru ICICI Liquid Plan-Super IP-WDR	44,014	
44,460,345 units (2006: Nil) of Prudential Flexible Income Plan Dividend-Weekly-2350363	468,902	
13,629,349 units (2006: Nil) of Prudential Flexible Income Plan Dividend-Weekly-2582230	143,695	
1,101,696 units (2006: Nil) of Pru ICICI Liquid Plan-Super IP-WDR (2582230)	11,024	
4,360,923 units (2006: Nil) of Prin FRF FMP Inst WDR	43,613	
1,605,290 units (2006: Nil) of Prin FRF FMP Inst WDR (19529356)	16,061	
15,000,000 units (2006: Nil) of Principal Pnb FMP (41) -91 days -Series XII-Dividend Payout	150,000	
14,893,216 units (2006: Nil) of ICICI Pru Interval Fund Monthly Plan II -Retail Dividend Reinvestment	150,000	
12,889,006 units (2006: Nil) of Principal Cash Management Fund Liquid option growth plan 12293106	200,000	
775,439 units (2006: Nil) of Reliance Liquid Plus Inst WDR	776,636	
190,960 units (2006: Nil) of Templeton India Short Term Plan Inst # 2140000237625 Weekly Dividend	192,675	
4,382,173 units (2006: Nil) of Temp FRIF LT Super IP WDR (14629835)	44,152	
41,921,287 units (2006: Nil) of Tata Floater Fund-WDR 441363/58	422,709	
31,913,017 units (2006: Nil) of Tata Floater Fund-WDR 2108400/73	321,860	
402,022 units (2006: Nil) of UTI Liquid Plus Fund-Inst. WDR 1145363242	402,682	
18,168 units (2006: 633,140) of TLSW01 Tata Liquid Super High Inv. Fund - Weekly Dividend	20,911	722,490

17,274,204 units (2006: 25,177,633) of HSBC Liquid Plus-Inst Plus Plan- WDR-129355/32	173,276	251,908
Nil units (2006: 5,000,000) of Deutsche Fixed Term Fund - Series 6 growth		50,000
Nil units (2006: 15,000,000) of TFHFD3 Tata Fixed Horizon FUND Series-3 Scheme F 18 month		150,000
Nil units (2006: 10,000,000) of M121YG ABN Amro FTP Series 2 13 Mnth plan Growth		100,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

7 **Investments** (contd.)

	2007	2006
Nil units (2006: 20,000,000) of B815G Birla FTP - Series H - Growth		200,000
Nil units (2006: 150,000) of DSP Merrill Lynch Fixed term Plan Series 3A Growth		150,000
Nil units (2006: 10,000,000) of Deutsche Fixed Term Fund - Series 5 Growth Option		100,000
Nil units (2006: 10,000,000) of G144 Grindlays Fixed Maturity - 22nd Plan Growth		100,000
Nil units (2006: 10,000,000) of G150 Standard Chartered Fixed Maturity - 2nd Plan Growth		100,000
Nil units (2006: 10,000,000) of OFTS4G HSBC Fixed Term Series 4 Growth		100,000
Nil units (2006: 15,000,000) of JM Fixed Maturity Fund Series II yearly Olan YSA Growth 156		150,000
Nil units (2006: 10,000,000) of Kotak FMP Series 13 - Growth		100,000
Nil units (2006: 13,000,000) of TFHCG3 Tata Fixed Horizon FUND Series-3 Scheme C 13 month		130,000
Nil units (2006: 10,000,000) of TFHDG3 Tata Fixed Horizon FUND Series-3 Sch-D 13 month Growth		100,000
Nil units (2006: 10,000,000) of UTI - Fixed Term Income Fund - Series 1 Plan 18-Q4 Dividend Plan		100,000
Nil units (2006: 10,000,000) of Tata FHF Series 6-Scheme A-13m Gr		100,000
Nil units (2006: 10,000,000) of ABN Amro FTP Series 3-366 days-Growth		100,000
Nil units (2006: 10,000,000) of Reliance FHF-I-Annual Plan-Series 1		100,000
Nil units (2006: 5,000,000) of Kotak FMP Series XXI - Growth		50,000
Nil units (2006: 10,000,000) of Principal Deposit Fund (FMP-4-20) 460 Days - Growth Plan - February 2006		100,000
Nil units (2006: 10,000,000) of B813G Birla FTP - Series F - Growth		100,000
Nil units (2006: 15,000,000) of Principal Deposit Fund (FMP-4-20) 385 Days - Growth Plan - March 2006		150,000
Nil units (2006: 15,257,144) of Tata FHF Series 6-Scheme G-Half Yearly		152,572
Nil units (2006: 15,000,000) of Principal Pnb FMP-91 days -Series V-Dividend Payout		150,000
Nil units (2006: 10,000,000) of Reliance FHF-I-Annual Plan-Series 2		100,000
Nil units (2006: 25,367,715) of JM FMP Series III-Qtrly (Q5) Option		253,677
Nil units (2006: 15,000,000) of ABN Amro FTP-Sr 3-Qrtly Plan H(monthly pay scheme)		150,000
Nil units (2006: 15,000,000) of ABN Amro FTP-Sr 4-Plan A-qtrly dividend		150,000
Nil units (2006: 250,000) of DSPML FTP-Sr 1F-Qtrly Divi		250,000
Nil units (2006: 9,150,000) of Deutsche FTF-Series 22-Qrtly-divi		91,500
Nil units (2006: 15,227,400) of SCFMP-QS 2-Qtrly		152,274
Nil units (2006: 20,000,000) of ABN Amro FTP-Sr 4-Qrtly Plan B		200,000
Nil units (2006: 23,195,171) of Kotak FMP 3M Series 7-Divi Reinvest		231,953
Nil units (2006: 7,500,000) of UTI - (QFMP/1206) Dividend Plan		75,000
Nil units (2006: 22,416,978) of Birla Cash Plus - Institutional Premium Dividend Plan Weekly Dividend - Reinvestment		224,865
Nil units (2006: 47,481,238) of Birla Cash Plus - IP- WD- Folio No. 1013038717		475,903
Nil units (2006: 2,568,783) of HDFCCash Management Fund - Saving Plan - Weekly Dividend Option		27,302
Nil units (2006: 40,163,586) of I-262ING Vysya Liquid Fund Super Instuitional - WD		405,049
Nil units (2006: 18,862,225) of Kotak Liquid (Institutional Premium) - Weekly Dividend		189,349
		53,530

Nil units (2006: 5,333,343) of Kotak Liquid (Institutional Premium) - WDI - Folio No.675491/51	
Nil units (2006: 14,345,967) of Principal Cash Man. Fund Liquid Option -Instl. Prem. Plan Growth	150,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

7 **Investments** (contd.)

	2007	**2006**
Nil units (2006: 42,619,971) of Principal Cash Management Fund Liquid Option - Instl. Prem Plan - Weekly Dividend Folio 19529356		426,238
Nil units (2006: 1,690) of Tlsg01 Tata Liquid Super High Inv. Fund - Appreciation		1,936
Nil units (2006: 209,736) of G71Standard Chartered liquidity Manager Weekly Dividend		209,799
Nil units (2006: 17,103,029) of GSSIF-Medium Term -Fortnightly Dividend Option		171,070
Nil units (2006: 23,343,684) of Principal Income Fund-ST-Inst Plan-WDR		255,169
Nil units (2006: 11,588,301) of Reliance Liquidity Fund-WDR		115,899
Nil units (2006: 388,776) of DSPML Liquid Plus-IP-WDR		388,919
Nil units (2006: 21,832,456) of ABN Amro Cash Fund- Institutional Plus WDR		218,357
Nil units (2006: 8,510,481) of JM Money Manager Fund-Super Plus Plan-DDR		85,105
Nil units (2006: 14,478,668) of JM Money Manager Fund-Super Plus Plan-DDR-7023145875		144,787
Nil units (2006: 59,236) of Templeton India TMA-Super IP-WDR-2109902621756		60,199
Nil units (2006: 8,980,834) of HSBC Liquid Plus-Inst Plus Plan- WDR-512570/31		89,843
Nil units (2006: 361,082) of SCLM-PLUS-WDR-730278/08		361,133
Nil units (2006: 9,593,706) of HDFC CMF Call Plan-DDR		100,030
Nil units (2006: 17,957,602) of Rel Liquid Fund-Cash Plan-DDR		200,066
Nil units (2006: 5,000,000) Tata Fixed Horizon Fund Series 7 Scheme D Growth IP		50,000
	6,898,103	**9,665,922**
Less: Provision for decline in the fair value of investments	(403)	(416)
Total	**15,831,734**	**13,870,176**
Aggregate value of unquoted investments	15,831,734	13,870,176

Refer note 26 for summary of investments purchased and sold during the year.

8 **Sundry debtors (Unsecured)**

	2007	**2006**
Debts outstanding for a period exceeding six months		
- considered good	87,141	30,225
- considered doubtful	15,383	25,925
	102,524	56,150
Other debts		
- considered good	4,807,834	5,356,041
	4,910,358	5,412,191
Less: Provision for doubtful debts	15,383	25,925
	4,894,975	**5,386,266**

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. 3,587,191 (2006: Rs. 4,846,956). This consists of debts due from Patni Americas, Inc. aggregating Rs. 3,307,700 (2006: Rs. 4,435,227); Patni Computer Systems (UK) Limited aggregating Rs. 159,644 (2006: Rs. 315,841), Patni Computer Systems GmbH aggregating Rs. 73,125 (2006: Rs. 63,312), and Patni Telecom Solutions Pvt. Ltd. Rs. 46,722 (2006: Rs. 32,576)

9 Cash and bank balances

	2007	2006
Cash on hand	18,679	10,690
Balances with scheduled banks in current account	310,012	133,957
Balances with non scheduled banks in current account (Refer note 27)	174,462	223,290
	503,153	**367,937**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

10 Loans and advances (Unsecured)

	2007	2006
Advances recoverable in cash or in kind or for value to be received	165,565	87,047
Security deposits with companies under the same management:		
Ashoka Computer Systems Private Limited		
(Maximum amount of outstanding during the year; Rs. 591, 2006: Rs. 2,732)	591	591
PCS Cullinet Private Limited		
(Maximum amount of outstanding during the year; Rs. 627, 2006: Rs. 2,766)	627	627
PCS Finance Limited		
(Maximum amount of outstanding during the year; Rs. 501, 2006: Rs. 2,810)	501	501
Ravi and Ashok Enterprises		
(Maximum amount of outstanding during the year; Rs. 30, 2006: Rs. 30)	30	30
	1,749	**1,749**
MAT Credit entitlement [Refer note 17(b)]	270,996	5,735
Interest accrued on Investments	1,847	1,841
Other deposits	239,628	238,545
Loan to employees	9,173	2,620
Others	291,537	121,408
	980,495	**458,945**
Less: Provision for doubtful loans and advances	2,276	1,128
	978,219	**457,817**

11 Current liabilities

	2007	2006
Sundry creditors *	220,585	341,178
Payable to subsidiary companies	410,297	418,797
Billings in excess of cost and estimated earnings	65,766	39,045
Advance from customers	3,914	1,456
Unclaimed dividend **	342	302
Other liabilities	1,748,558	1,372,023
	2,449,462	**2,172,801**

* Sundry creditors includes Rs. 14 (2006: Rs. 181,458) being overdrawn bank balances as per books consequent to issue of cheques at year end. The banks have positive balances as on that date.

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

12 Provisions

	2007	2006
Provision for taxation (net of advance tax 2007: Rs. 1,706,937; 2006: Rs. 1,632,565)	686,517	504,707
Provision for retirement benefits	400,480	340,427
Dividend on equity shares	417,028	414,846
Dividend tax	70,874	58,182
	1,574,899	**1,318,162**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

13 Other income

	2007	**2006**
Foreign exchange gain / (loss), net	886,920	2,947
Dividend on non-trade investments	409,510	269,250
Profit on sale of non-trade investments, net	265,942	76,954
Profit on sale of fixed assets, net	13,342	1,022
Interest from:		
- Loan to employees	154	171
- Bank deposits (tax deducted at source Rs. 32; 2006: Rs. 5,255)	4,123	88,254
- Others	15,744	13,823
Miscellaneous income	70,850	25,088
	1,666,585	**477,509**

14 Personnel costs

	2007	**2006**
Salaries, bonus and allowances, including overseas employee expenses	5,078,868	3,944,584
Contribution to provident and other funds	214,384	198,864
Staff welfare	190,784	132,255
Pension, gratuity and leave encashment costs	117,858	185,829
	5,601,894	**4,461,532**

15 Selling, general and administration costs

	2007	**2006**
Travel and conveyance	784,217	641,212
Legal and professional fees	325,010	245,275
Rent	382,884	403,907
Postage and communication	166,226	147,255
Electricity	266,687	201,800
Advertisement and publicity	25,400	44,520
Software consumables	22,378	19,462
Rates and taxes	52,402	12,823
Recruitment charges	66,916	41,270
Insurance	46,641	34,047
Training fees	23,399	18,012
Printing and stationery	27,617	24,248
Subscription, registration and license fee	10,357	10,157

Repairs and maintenance		
computers	124,278	105,615
building	33,369	16,954
others	6,642	13,771
Provision for decline in the fair value of investment		332
Provision for doubtful debts and advances	13,946	2,239
Miscellaneous expenses	221,978	138,097
	2,600,347	**2,120,996**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contdd.) for the year ended 31 December 2007

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

16 Interest costs

	2007	2006
Interest on finance lease obligations	916	1,125
Interest on loans from banks	26	510
Interest on tax assessments (Refer note 30)	67,994	87,143
Interest on others		14
	68,936	**88,792**

17 Taxes

	2007	2006
a) Provision for tax expense consists of the following:		
Current taxes		
Indian	357,947	81,644
Foreign	356,212	918,189
	714,159	999,833
Deferred tax expense / (credit)		
Indian	28,077	(13,133)
Foreign	(35,312)	(15,019)
	(7,235)	(28,152)
	706,924	**971,681**
The significant components of deferred tax asset and liability consists of the following:		
Provision for retirement benefits	107,835	61,740
Provision for bad and doubtful debts	3,362	3,086
Carry forward capital loss	10,688	
Depreciation	(117,108)	(40,518)
Others	59,799	29,887
Total deferred tax asset, net	**64,576**	**54,195**
US branch profit taxes	(76,387)	(85,014)
Total deferred tax liability	**(76,387)**	**(85,014)**

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. 2,65,261 (2006: Rs. 5,735) 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) Provision for current taxation includes Rs. 39,208 (2006: Rs. 19,720) of foreign taxes and Rs. Nil (2006: Rs. 45,898) of Indian taxes in respect of earlier years.

18 Auditors remuneration

	2007	2006
Remuneration to auditors consists of the following:		
Audit fees	10,351	9,410
Advisory services:		
- Taxation matters	5,415	100
- Other services	80	
Out of pocket expenses	423	220
	16,269	**9,730**

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 19 of the consolidated financial statements).

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

(Currency: in thousands of Indian Rupees 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 (formerly Patni Computer Systems, Inc, USA)
		2)	Patni Computer Systems (UK) Ltd.
		3)	Patni Computer Systems GmbH
		4)	Patni Telecom Solutions Inc.
		5)	Patni Telecom Solutions (UK) Limited
		6)	Patni Telecom Solutions Private Limited
		7)	Patni Life Sciences Inc.
		8)	Patni Computer Systems Brasil Ltda.
2	**Affiliates**	1)	PCS Technology Limited.
		2)	Ashoka Computer Systems Private Ltd.
		3)	PCS Cullinet Private Ltd.
		4)	PCS Finance Ltd.
		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
		8)	Mr Pradip Shah
		9)	Mr Ramesh Venkateswaran
		10)	Mr Louis Theodoor van den Boog
		11)	Mr Abhay Havaldar
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

(b) Transactions and balances with related parties

Nature of the transaction	Subsidiaries	Affiliates	Key management	Parties with substantial	Others

			personnel	interest
Transactions during the year ended 31 December 2007				
Investment	1,523,864			
Remuneration			113,911	
No of ESOP s granted			30,000	
Commission			15,442	
Sitting Fees			900	
Sales and service income	7,685,827			4,163
Professional fees	10,663			
Reimbursement of expenses by subsidiaries	263,767			
Rent and other expenses		3,874		
Dividend Paid		54,766	44,863	197,601
Amounts incurred by subsidiary on behalf of the Company	467,700			

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contdd.) for the year ended 31 December 2007

(Currency: in thousands of Indian Rupees 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	Others
Balances at 31 December 2007					
Investments	5,103,910				
Security deposits paid		1,748		3,000	
Deposits received	10,504				
Debtors	3,791,790			1,518	
Amounts payable	410,297	544			
Proposed dividend		54,766	44,863	191,264	
Commission Payable			7,933		
Provision for pension benefits			101,831		
Transactions during the year ended 31 December 2006					
Remuneration			39,828		
No of ESOP s granted			45,000		
Commission			10,900		
Sitting Fees			680		
Sales and service income	8,053,142				
Purchase of fixed assets	10,038				
Professional fees	9,088				
Reimbursement of expenses by subsidiaries	366,498				
Rent and other expenses		5,787			
Dividend Paid		54,766	44,261	248,487	
Amounts incurred by subsidiary on behalf of the Company	509,252				
Balances at 31 December 2006					
Investments	3,580,046				
Security deposits		1,748		3,000	
Debtors	4,789,880				
Deposits received	10,504				
Amounts payable	418,797	642			
Proposed dividend		54,766	53,113	189,890	
Remuneration payable to the directors			4,593		
Provision for pension benefits			107,512		
Commission Payable			2,542		

Refer note 28 for Managerial remuneration

Out of the above, transactions with related parties in excess of 10% of the total related party transactions are as under:

Particulars		2007	2006
Transactions during the year			
i)	**Remuneration**		
	Mr A. K. Patni	56,523	19,870
	Mr G. K. Patni	57,388	19,958
ii)	**No of ESOP s granted**		
	Mr Arun Duggal	5,000	5,000
	Mr Michael Cusumano	5,000	5,000
	Mr Arun Maira	5,000	20,000
	Mr Pradip Shah	5,000	5,000
	Mr Ramesh Venkateswaran	5,000	5,000
	Mr Louis Theodoor van den Boog	5,000	5,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

20 Related party transactions (contd.)

Out of the above, transactions with related parties in excess of 10% of the total related party transactions are as under:

Particulars		2007	2006
Transactions during the year			
iii)	**Commission**		
	Mr Arun Duggal	1,647	1,816
	Mr Michael Cusumano	1,647	1,816
	Mr Arun Maira	1,647	1,060
	Mr Pradip Shah	1,647	1,817
	Mr Ramesh Venkateswaran	1,647	1,817
	Mr Louis Theodoor van den Boog	1,647	1,817
	Mr Anupam Puri		757
	Mr Ashok K. Patni	2,792	
	Mr Gajendra K. Patni	2,767	
iv)	**Sitting Fees**		
	Mr Arun Duggal	160	180
	Mr Michael Cusumano	100	40
	Mr Arun Maira	140	20
	Mr Pradip Shah	160	180
	Mr Ramesh Venkateswaran	140	100
	Mr Louis Theodoor van den Boog	160	140
v)	**Sales and service income**		
	Subsidiaries		
	Patni Americas, Inc., USA	7,103,442	7,409,496
	Parties with substantial interest		
	General Atlantic Mauritius Limited (GA)	4,163	
vi)	**Dividend paid**		
	Affiliates		
	iSolutions Inc.	54,766	54,766
	Parties with substantial interest		
	General Atlantic Mauritius Limited (GA)	114,312	91,928
vii)	**Purchase of fixed assets**		
	Patni Americas, Inc., USA		10,038
viii)	**Professional fees**		
	Patni Americas, Inc., USA	10,048	9,088
ix)	**Reimbursement of expenses by subsidiaries**		
	Patni Americas, Inc., USA	95,762	168,476
	Patni Telecom Solutions Pvt. Ltd.	132,911	162,660
	Patni Computer Systems (UK) Ltd.	32,912	7,328
x)	**Rent and other expenses**		
	Ashoka Computer Systems Private Ltd.	1,047	1,197
	PCS Cullinet Private Ltd.	1,581	2,077

	PCS Finance Ltd.	916	1,615
	Ravi & Ashok Enterprises.		899
xi)	**Amounts incurred by subsidiary on behalf of the Company**		
	Patni Americas, Inc., USA	365,188	476,635
	Patni Computer Systems (UK) Ltd.	56,345	9,034

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

20 Related party transactions (contd.)

Out of the above, transactions with related parties in excess of 10% of the total related party transactions are as under:

Particulars		2007	2006
xii)	**Investments**		
	Patni Americas, Inc., USA	1,033,904	
	Patni Computer Systems (UK) Ltd.	489,961	
	Balances as at the year end		
i)	**Investments**		
	Patni Americas, Inc., USA	4,605,465	3,571,561
ii)	**Security Deposits paid**		
	Affiliates:		
	Ashoka Computer Systems Private Ltd.	591	591
	PCS Cullinet Private Ltd.	627	627
	PCS Finance Ltd.	501	501
	Parties with substantial interest:		
	S. M. Patni	3,000	3,000
iii)	**Deposit received**		
	Patni Telecom Solutions Inc.	10,504	10,504
iv)	**Debtors**		
	Subsidiaries		
	Patni Telecom Solutions Inc.	3,529,505	4,378,151
	Parties with substantial interest:		
	General Atlantic Mauritius Limited (GA)	1,518	
v)	**Amounts payable**		
	Patni Americas, Inc., USA	342,517	391,168
	Patni Computer Systems (UK) Ltd.	42,773	15,132
vi)	**Proposed dividend**		
	Affiliates:		
	iSolutions Inc.	54,766	54,766
	Parties with substantial interest:		
	General Atlantic Mauritius Limited (GA)	107,974	114,850
vii)	**Remuneration payable to the directors**		
	Mr Ashok K. Patni		2,296
	Mr Gajendra K. Patni		2,296
viii)	**Commission payable to the directors**		
	Mr Ashok K. Patni	2,792	
	Mr Gajendra K. Patni	2,767	
ix)	**Provision for pension benefits**		
	Mr Ashok K. Patni	50,916	53,756
	Mr Gajendra K. Patni	50,916	53,756

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

21 Reconciliation of basic and diluted shares used in computing earnings per share

	2007	2006
Number of shares considered as basic weighted average shares outstanding	138,660,785	137,957,477
Add: Effect of dilutive issues of stock options	1,376,137	1,110,222
Number of shares considered as weighted average shares and potential shares outstanding	**140,036,922**	**139,067,699**

22 Leases

The Company has acquired certain vehicles under finance lease for a non-cancellable period of 4 years. At the inception of the lease, fair value of such vehicles has been recorded as an asset under gross block of vehicles with a corresponding lease obligation recorded under secured loans. As per the lease agreement, the ownership of these vehicles would not transfer to the Company, however it contains a renewal clause. Fixed assets include the following amounts in relation to the above leased assets:

As at	2007	2006
Gross block of vehicles	54,223	55,626
Less: Accumulated depreciation	29,850	24,636
Net block	**24,373**	**30,990**

Future minimum lease payments in respect of the above assets as at 31 December 2007 are summarised below:

	Minimum lease payments	Finance charge	Present value of minimum lease payments
Amount due within one year from the balance sheet date	11,857	913	10,944
Amount due in the period between one year and five years	13,630	789	12,841
	25,487	**1,702**	**23,785**

The Company has operating lease agreements, primarily for leasing office space and residential premises for its employees. Most of the lease agreements provide for cancellation by either party with a notice period ranging from 30 days to 120 days and also contain a clause for renewal of the lease agreement at the option of the Company. Additionally, the Company has taken certain office premises under non-cancelable operating lease arrangements, which are renewable at the option of the Company.

The future minimum lease payments in respect of such non-cancellable operating leases as at 31 December 2007 are summarised below:

As at	**2007**	**2006**
Amount due within one year from the balance sheet date	243,385	275,943
Amount due in the period between one year and five years	183,447	231,713
	426,832	**507,656**

Rent expense for all operating leases for the year ended 31 December 2007 aggregated Rs. 394,791 (2006: Rs. 422,941)

23 Contingent liabilities and capital commitments

	2007	**2006**
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,316,119	1,413,183
Foreign currency forward contracts	6,815,412	8,082,925
Foreign currency option contracts	3,601,040	863,655
Unamortised income in respect of foreign currency forward contracts	62,521	81,125
Bank guarantees	152,036	53,369
Letters of credit	58,019	
Tax contingency	891,869	630,166

Estimated amount of contracts remaining to be executed on capital account and not provided for includes cases wherein purchase orders have been released and work has either not commenced or has been partially completed.

Outstanding forward contracts represents the total value of forward contracts entered into by the company.

In December 2006, the Company received a demand from the Indian Income tax department of approximately Rs. 630,166 including interest demand of approximately Rs. 186,850 for the Assessment Year 2004-05.The tax demand is mainly on account of disallowance of deduction claimed by the Company under Section 10A of the Income Tax Act, 1961, in respect of profits earned by its various eligible undertakings. Section

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

23 Contingent liabilities and capital commitments (Contd.)

10A of Indian Income Tax Act excempts the profits earned by an undertaking for the export of computer software upon fulfilment of certain conditions. One of the condition is that the unit should not have been formed by the splitting of an existing business. The Company had only expanded its software development business whereas the Income Tax department contends that the business of the new units is comprised of business transferred from existing units by splitting them. The Company, in consultation with its tax advisor, filed an appeal in January 2007 challenging the disallowance.

One of the requirements under the Indian Income Tax Rules to proceed with an appeal is to deposit, either immediately or through monthly installments, a sum equivalent to 50% of the amount that is under appeal. Until 31 December 2007, the Company has deposited a sum of Rs. 269,167. Considering the facts and nature of disallowances and based on the advice given by the Company s legal counsel, management believes that the disallowance is not tenable and management therefore is confident of a favorable outcome in appeal proceedings and hence no provision for such income tax demand is considered necessary. Currently, the matter is at the hearing stage.

In December 2007, the Company received another demand, of Rs. 261,703 inclusive of interest for the assessment year (AY) 2002-03. The new demand concerns the same issue of disallowance of tax benefits under Section 10A. In the opinion of management, and based on advice received, the demand is not tenable against the Company. The Company, in consultation with its tax advisor, filed an appeal in January 2008 challenging the disallowance.

Certain other income tax related legal proceedings are pending against the company. Potential liabilities, if any, have been adequately provided for, and the Company does not currently estimate any incremental liability in respect of these proceedings. Additionally, the Company is also involved in lawsuits and claims which arise in the ordinary course of business. There are no such matters pending that the Company expects to be material in relation to its business.

24 Employee stock compensation plans

On 30 June 2003, Patni established the Patni ESOP 2003 plan (the plan). Under the plan, the Company is authorized to issue up to 11,142,085 equity shares to eligible employees. Employees covered by the Plan are granted an option to purchase shares of the Company subject to the requirements of vesting. The options vest in a graded manner over four years with 25% of the options vesting at the end of each year. The options can be exercised within five years from the date of vesting. A compensation committee constituted by the Board of directors of the Company administers the plan. The plan has been amended to enable the Company to issue upto 2,000,000 ADR linked options (wherein one ADR linked option is equal to two equity shares) to the employees of the Company as well as its subsidiaries and hence Patni ESOP 2003 -

Revised 2006 has come into force with effect from 21 June 2006.

The exercise price of the grant approximated the fair value of the underlying equity shares at the date of the grant.

Stock options* activity under the plan is as follows:

	Year ended 31 December 2007		
	Shares arising out of options	**Range of exercise prices**	**Weighted average remaining contractual life (months)**
Outstanding at the beginning of the year	1,242,966	145	56
	2,420,927	254-338	65
	2,460,860	339-493	81
Granted during the year	50,000	254-338	90
Granted during the year	375,000	339-493	90
Forfeited during the year	(65,075)	145	
Forfeited during the year	(194,579)	254-338	
Forfeited during the year	(416,363)	339-493	
Exercised during the year	(594,065)	145	
Exercised during the year	(140,479)	254-338	
Exercised during the year	(3,442)	339-493	
Outstanding at the end of the year	583,826	145	47
	2,135,869	254-338	53
	2,416,055	339-493	70
Exercisable at the end of the year	583,826	145	47
Exercisable at the end of the year	1,474,250	254-338	46
Exercisable at the end of the year	706,655	339-493	53

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

24 **Employee stock compensation plans** (Contd.)

	Year ended 31 December 2006		
	Shares arising out of options	**Range of Exercise price**	**Weightage average remaining contractual life (months)**
Outstanding at the beginning of the year	1,759,550	145	67
	2,574,007	254-338	75
	851,710	381-451	86
Granted during the year	170,000	336	90
Granted during the year	1,798,750	376-493	90
Forfeited during the year	(101,650)	145	
Forfeited during the year	(254,560)	338	
Forfeited during the year	(189,600)	376-493	
Exercised during the year	(414,934)	145	
Exercised during the year	(68,520)	254-338	
Outstanding at the end of the year	1,242,966	145	56
	2,420,927	254-338	65
	2,460,860	376-493	81
Exercisable at the end of the year	727,016	145	47
Exercisable at the end of the year	1,108,256	254-338	51
Exercisable at the end of the year	186,149	376-493	56

* Includes stock options granted to employees of subsidiary companies

Patni uses the intrinsic value method of accounting for its employee stock options. Patni has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on Accounting for Employee Share-based payments issued by the ICAI with effect from 1 April 2005. Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, Patni s net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

	2007	**2006**
Profit for the year after taxation as reported	3,875,184	2,057,629
Add Stock based employee compensation determined under the intrinsic value method		
Less Stock based employee compensation determined under the fair value method	60,717	38,576
Pro-forma profit	3,814,467	2,019,053
Reported earnings per equity share of Rs. 2 each		
- Basic	27.95	14.91
- Diluted	27.67	14.80
Pro-forma earnings per equity share of Rs. 2 each		
- Basic	27.51	14.64

- Diluted	27.25	14.53

The stock based compensation disclosed above is with respect to all stock options granted on or after 1 April 2005.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

24 Employee stock compensation plans (Contd.)

The fair value of each stock option is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions for Equity Linked Options:

	2007	**2006**
Dividend yield	0.78%	0.59% to 0.63%
Weighted average dividend yield	0.78%	0.61%
Expected life	3.5-6.5 years	3.5-6.5 years
Risk free interest rates	8.00% - 8.22%	6.45% to 7.85%
Volatility	32.84% - 42.32%	30.22% to 55%
Weighted Average Volatility	36.68%	37.96%

The fair value of each stock option is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions for ADR Linked Options:

	2007	**2006**
Dividend yield	0.65% - 0.79%	
Weighted average dividend yield	0.76%	
Expected life	3.5-6.5 years	
Risk free interest rates	4.25% - 4.75%	
Volatility	34.32% - 44.07%	
Weighted average volatility	38.80%	

The Finance Act, 2007 has introduced Fringe Benefit Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The Company recovers such tax from the employees. The Company s obligation to pay FBT arises only upon the exercise of stock options, hence the FBT liability and the related recovery has been recorded at the time of the exercise of options. There is no impact on the Profit and loss account.

25 Amounts due to small scale industrial undertakings

Based on the information and records available with the Company, no amounts are payable to small and medium enterprises at 31 December 2007, which are outstanding for more than 30 days (2006: Nil)

As at 31 December 2007, the company has no dues to any vendors registered with appropriate authority under the Micro, Small and Medium Enterprises Development Act 2006. There have been no delays in settlement of dues to such vendors, warranting any payment of interest as provided in the above Act (2006: Nil).

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 Summary of investments purchased and sold during the year

Investments purchased during the year ended 31 December 2007 (non-trade)

		Year ended 31 December 2007	
		Units	**Cost of purchase**
A)	**Liquidity Fund**		
	ABN Amro Cash Fund- Institutional Plus WDR	346,116	3,461,159
	ABN Amro Money Plus Inst-DDR	44,709,925	447,103,834
	ABN Amro Money Plus Inst-DDR (275269/51)	26,482,848	264,830,060
	ABN Amro Money Plus Inst-WDR in 29719 folio	38,868,184	388,732,564
	ABN Amro Money Plus Inst-WDR in 275269/51	17,215,561	172,198,407
	Birla Cash Plus - Institutional Premium Dividend Plan Weekly Dividend - Reinvestment	98,627,571	988,727,668
	Birla FRF LT WDR-1000	10,035,684	100,404,683
	Birla Sun Life Liquid Plus - Instl - WDR 1013038717	15,875,522	158,864,150
	Birla Sun Life Liquid Plus - Instl - WDR 1000995231	10,227,975	102,315,698
	Birla Sun Life Liquid Plus - Instl - WDR	53,328,385	534,171,570
	Birla Cash Plus - IP- WD- Folio No. 1013038717	15,875,967	159,154,434
	D50 DSP ML Liquidity Institutional - WDR .88136 / 14	47,221	47,244,721
	DSPML Liquid Plus-IP-WDR	155,240	155,301,925
	DSPML Liquid Plus-IP-WDR-88136/14	810,855	811,227,402
	DSPML Liquid Plus-IP-WDR-(SPA)	250,289	250,384,012
	G66_Standard Chartered Liquidity Manager Daily Dividend	1,502,533	15,025,495
	GSSIF-Medium Term -Fortnightly Dividend Option	51,785	517,848
	GFRF-LT-Inst Plan B WDR	91,858,726	918,896,736
	GFRF-LT-Inst Plan B WDR(730278)	13,985,515	139,927,037
	GSSIF-ST-Plan C-Fortnightly Dividend 730278	8,527,723	86,047,640
	GSSIF-ST-Plan C-Fortnightly Dividend 21349	10,127,873	102,279,736
	Grindlays Floating Rate Fund-LT-Inst Plan B DDR 21349	44,442,302	444,609,979
	HDFC Cash Management Fund - Saving Plan - Weekly Dividend Option	31,538,453	335,223,627
	HSBC Cash Fund-Institutional Plus-DDR-129355/32	16,533,564	165,428,232
	HSBC Liquid Plus-Inst Plus Plan- WDR-129355/32	35,929,274	360,293,706
	HSBC Liquid Plus-Inst Plus Plan- WDR-512570/31	69,733,756	699,174,205
	HDFC CMF Call Plan-DDR	12,795	133,404
	I-262_ING Vysya Liquid Fund Super Instuitional - WD	125,680,967	1,265,774,489
	Ing Vysya Liquid Plus-Inst DDR	38,627,357	386,401,036
	ING Liquid Plus Fund - Institutional Weekly Dividend 476979 07	15,821,438	158,785,015
	JM Money Manager Fund-Super Plus Plan-DDR-7023145875	22,565,525	225,687,809
	JM MMF-Super Plus Plan-WDR-7021966294	9,041,152	90,864,818
	JM MMF-Super Plus Plan-WDR-7023145875	8,483,754	85,262,891
	JM Money Manager Fund-Super Plus Plan-DDR	42,485,733	424,900,616
	Kotak Liquid (Institutional Premium) - WDI	36,266,678	364,120,081
	Kotak Flexi Debt DDR	36,742,556	368,568,251

Kotak Flexi Debt DDR 281827	38,858,590	389,792,461
Kotak Liquid (Institutional Premium) - Weekly Dividend	92,352,645	926,986,823
Lotus India Liquid Plus Fund-IP-DDR	6,326,608	63,365,409
Lotus India Liquid Plus Fund-IP-WDR 58374	54,659,340	547,022,546
Lotus India Liquid Plus Fund-IP-WDR 126758	15,994,882	160,000,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 **Summary of investments purchased and sold during the year** (Contd.)

		Year ended 31 December 2007	
		Units	Cost of purchase
A)	**Liquidity Fund (Contd.)**		
	Principal Cash Management Fund Liquid Option - Instl. Prem Plan - Weekly Dividend Folio 19529356	148,460	1,484,736
	Principal Income Fund-ST-Inst Plan-WDR	9,369,794	101,438,861
	Pru ICICI Liquid Plan-Super IP-WDR	99,730,736	997,994,780
	Pru ICICI Sweep Cash Plan-DDR	33,350,364	333,544,080
	Prudential Flexible Income Plan Dividend - Weekly - 2350363	97,206,845	1,025,049,956
	Prudential Flexible Income Plan Dividend - Weekly - 2582230	39,186,271	413,144,257
	Pru ICICI Liquid Plan-Super IP-WDR (2582230)	36,680,247	367,031,855
	Pru ICICI Liquid Plan-WDR	1,234,171	14,609,981
	Pru ICICI FRF Plan D-DDR	20,050,572	200,505,724
	Prin FRF FMP Inst WDR	94,584,234	945,971,179
	Prin FRF FMP Inst WDR(19529356)	3,103,852	31,054,542
	Principal Cash management Fund Liquid option growth plan 12293106	12,889,006	200,000,000
	Principal CMF Liquid Option - Instl. Prem Plan - WDR- Folio 12293106	27,783,610	277,900,000
	Reliance Liquidity Fund-WDR	88,244,603	882,837,258
	Rel Liquid Fund-Cash Plan-DDR	16,817,263	187,362,805
	Reliance Liquid Plus Inst WDR	855,255	856,592,328
	G71_Standard Chartered liquidity Manager Weekly Dividend	294,324	294,402,952
	SCLM-Plus - DDR-21349/70.	12,103,718	222,212,688
	SCLM-Plus - WDR-730278/08	201,165	201,216,524
	Templeton India Short Term Plan Inst # 2140000237625 Weekly Dividend	291,238	294,014,643
	Templeton India TMA-Super IP-WDR-2100000237625	62,022	63,038,441
	Templeton India TMA-Super IP-WDR-2109902621756	100,340	101,965,904
	Tata Ship WDR	594,655	684,752,221
	Temp FRIF LT Super IP WDR (16033716)	30,811,931	308,466,916
	Tata Floater Fund-DDR	69,223,329	694,697,644
	Temp FRIF LT Super IP WDR(14629835)	43,816,923	440,207,515
	Tata Floater Fund-WDR 441363/58	51,839,068	522,713,937
	Tata Floater Fund-WDR 2108400/73	31,913,017	321,859,683
	TLSW01 Tata Liquid Super High Inv. Fund - Weekly Dividend	400,926	461,025,994
	UTI Liquid Plus Fund - ISNT WDR 1145363242	402,022	402,682,293
	Sub-total	**2,024,298,823**	**25,158,991,871**
B)	**Fixed Maturity Plan**		
	ABN Amro FTP-Sr 4-Qrtly Plan C	15,000,000	150,000,000
	ABN Amro FTP-Sr 4-16M	5,000,000	50,000,000
	ABN Amro FTP-Sr 4-(Half yrly Plan A)	10,387,138	103,881,039
	ABN Amro FTP-Sr 4-Plan E-Qtrly	15,329,514	153,297,280
	ABN Amro FTP-Sr 6-Plan C-Qtrly	20,472,704	204,727,042
	ABN Amro FTP-Sr 6-Plan D-Qtrly	15,000,000	150,000,000
	ABN Amro FTP-Sr 5-Plan A-Qtrly	10,000,000	100,000,000
	ABN FTF Sr 7 Plan B-Qtrly	15,000,000	150,000,000
	ABN FTF Sr 7 Plan C-Qtrly	10,219,244	102,196,793

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PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 Summary of investments purchased and sold during the year (Contd.)

		Year ended 31 December 2007	
		Units	**Cost of purchase**
B)	**Fixed Maturity Plan**		
	ABN FTP-Sr 7 D-Qtrly	15,312,413	153,128,992
	ABN Amro Interval Fund Qly Plan G - Int Div Red	15,548,804	155,488,045
	ABN Amro Flexible Short Term Plan Ser A Qrtly Div 29719 83	10,160,769	101,608,780
	ABN Amro Flexible Short Term Plan Ser B Qrtly Div 29719 83	10,170,875	101,709,543
	ABN Amro Flexible Short Term Plan Ser C Qrtly Div 29719 83	10,000,000	100,000,000
	ABN Amro Interval Fund Qly Plan I - Int Div Red	10,169,505	101,695,055
	ABN Amro Interval Fund Qly Plan H - Int Div Red	10,000,000	100,000,000
	Birla FTP- Series P - Growth	10,000,000	100,000,000
	Birla FTP HY 2 Dividend Reinvest	10,000,000	100,000,000
	Birla FTP QS 6 Dividend	10,000,000	100,000,000
	Birla FTP QS 7 Dividend	10,000,000	100,000,000
	Birla FTP Inst Sr R-Gr	10,000,000	100,000,000
	Birla FTP Inst Sr S-Gr	7,500,000	75,000,000
	Birla FTP QS 10 Dividend	7,500,000	75,000,000
	Birla FTF Sr T-Growth	24,700,000	247,000,000
	Birla FTP Sr U Gr (12M)	5,000,000	50,000,000
	Birla FMP Qtrly Gr 2 Divi payout	9,972,774	100,000,000
	BSL Interval Income Fund - Instl. - Quarterly - Sr 2 Dividend	10,073,320	100,734,000
	B882G Birla FTP - Instl. - Series AE - Growth	10,000,000	100,000,000
	DSPML FTP-Sr 1F-Qtrly Divi	3,940	3,940,706
	Deutsche FTF-Sr 23-110 days	10,000,000	100,000,000
	DSPML FTP-Sr 1H-Qtrly Divi	101,930	101,930,324
	DWS FTF-Sr 25-14M-Inst-Gr Option	10,000,000	100,000,000
	DSPML FTP-Sr 3E-12.5M-Gr	250,000	250,000,000
	Deutsche FTF-Sr 21-390 days	15,000,000	150,000,000
	Deutsche FTF-Sr 24-Inst Gr	5,000,000	50,000,000
	Deutsche FTF-Sr 28-3M Divi	11,900,000	119,000,000
	DSPML FTP Sr 1N Qtrly Inst	101,759	101,759,294
	DWS Quarterly Interval Fund - Series 1- Dividend Plan	10,120,000	101,200,000
	SCFMP-10-Annually	3,000,000	30,000,000
	SCFMP-QS 3-Qtrly	12,000,000	120,000,000
	SCFMP-QS 4-Qtrly	5,188,922	51,889,224
	SCFMP-QS 5-Qtrly	5,000,000	50,000,000
	SCFMP-YS 2-Gr	15,000,000	150,000,000
	SCFMP-YS 3-Gr	10,000,000	100,000,000
	SCFMP QS 9-Divi payout	10,000,000	100,000,000
	SCFMP QS 11-Divi	20,619,754	206,197,540
	G534 Standard Chartered Quarterly Interval Fund - Plan A -Inst Div	5,000,000	50,000,000
	G540 Standard Chartered FMP Quarterly Sr 19 Div	12,000,000	120,000,000
	HSBC FTS Sr 22 15 mts 512570	10,500,000	105,000,000
	HDFC FMP Sr III 90d jan07	12,600,000	126,000,000
	ING Vysya FMF Sr- XXI 185 days	15,000,000	150,000,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 **Summary of investments purchased and sold during the year** (Contd.)

	Year ended 31 December 2007 Units	Cost of purchase
B) Fixed Maturity Plan (Contd..)		
ING FMP XXX Qtrly-Divi	20,000,000	200,000,000
ING FMP 36 Inst Dividend	10,000,000	100,000,000
JM FMP Series III-Qtrly (Q5) Option	395,401	3,954,010
JM FMP Series IV-Qtrly	13,000,000	130,000,000
JM FMP Sr IV-Qtrly-Plan 2 Divi Payout	10,000,000	100,000,000
JM FMP Sr IV-15mts-Gr Op-7023145875	10,000,000	100,000,000
JM FMP Sr IV-Qtrly-Plan 3 Divi Payout	10,000,000	100,000,000
JM FMP Sr IV-Q4 Divi Payout	25,272,985	252,729,874
JM FMP Sr IV-13M-Gr	7,500,000	75,000,000
JM FMP Sr IV-375 Days Gr	2,000,000	20,000,000
JM FMP Sr V-Inst-Qtrly Divi 70219662924	7,900,000	79,000,000
JM FMP Sr VI-Inst-Qtrly Divi Plan 1 7023145875	15,248,325	152,483,251
JM FMP Sr VI-Inst-Qtrly Divi Plan 2 7021966294	5,000,000	50,000,000
JM FMP Sr VI-Inst-Qtrly Divi Plan 4 7023145875	15,353,370	153,533,703
JM FMP Sr VI-Inst-Qtrly Divi Plan 5 7021966294	5,030,857	50,308,577
JM Interval Fund Qtrly Plan 1- Inst	17,000,000	170,000,000
Kotak FMP 3M Series 9-Divi Reinvest	12,000,000	120,000,000
Kotak FMP Sr 2 15 Months	10,000,000	100,000,000
Kotak FMP 3M Series 10-Divi Payout	10,000,000	100,000,000
Kotak FMP 14M Sr 1 Inst-Gr Option	5,000,000	50,000,000
Kotak FMP 13M Sr 1 Inst-Gr Option	15,350,000	153,500,000
Kotak FMP 3M Sr 12-Divi	7,500,000	75,000,000
Kotak FMP 14M Sr 2 Inst-Gr Option	10,000,000	100,000,000
Kotak FMP 13M Sr 2 Inst Gr	5,000,000	50,000,000
Kotak FMP 3M Sr 14 Qtrly Divi	20,000,000	200,000,000
Kotak FMP 3M Sr 16 Qtrly Divi	10,920,098	109,200,981
Kotak FMP 3M Sr 25 Qtrly Divi	12,855,140	128,551,402
Kotak Quarterly Interval Plan Series 1 Dividend	20,329,275	203,294,000
Principal FMP-Series VIII-Plan 91 Days	3,000,000	30,000,000
Pru ICICI FMP Sr 34-6M Retail-Divi	5,000,000	50,000,000
Pru ICICI FMP Sr 38 3M -Plan A	8,000,000	80,000,000
Principal PNB FMP(41) -91 days -Series XII-Dividend Payout	15,000,000	150,000,000
ICICI Pru Interval Fund Monthly Plan II -Retail Dividend Reinvestment	14,893,216	150,000,000
Reliance FHF-II-Qtrly Plan -Sr II	10,000,000	100,000,000
Rel FHF-II Mthly Sr 1 Inst Plan Dividend	30,000,000	300,000,000
Rel FHF-II Annual Plan Sr V Inst Growth	10,000,000	100,000,000
Rel MIF Sr 1 Inst Divi	19,964,264	200,000,000
TataFHF Series 6-Scheme G-Half Yearly	194,534	1,945,632
Templeton FHF Sr 1 (15m)	15,000,000	150,000,000
Tata FHF Inst Sr 9 - Sch D -Qtrly	3,062,482	30,625,265
Tata FHF Sr 6 Sch C-13m	15,000,000	150,000,000
Tata FHF Sr 7-Sch A-Inst Gr	10,000,000	100,000,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 **Summary of investments purchased and sold during the year** (Contd.)

		Year ended 31 December 2007	
		Units	**Cost of purchase**
B)	**Fixed Maturity Plan (Contd..)**		
	Templeton FHF Sr 1 (13m)-Gr	20,000,000	200,000,000
	Tata FHF Sr7 Sch B 13M-Gr	15,000,000	150,000,000
	Tata FHF Sr 10-Sch D Qtrly Divid	15,301,598	153,018,000
	Templeton QIP-A-Inst Divi payout	9,000,000	90,000,000
	Tata FHF Sr 9 Sch C-Divi Payout	16,000,000	160,000,000
	Tata Dynamic Bond Fund Op A Divi	9,787,371	100,764,389
	Tata FHF Sr 11 D -3M-Inst Divi	15,814,650	158,148,165
	UTI FMP (HFMP/0207)-Divi Reinvest	15,619,672	156,196,720
	Sub-total	**1,109,196,604**	**11,549,637,626**
C)	**Investment in Bonds**		
	SBI Tier II NCB Redm 12 Sept 2022	100	101,245,082
	UBI Bond Issue XI Lower Tier II @ 9.35% maturity 12 April 2018, 10 lac per bond, 100 bonds purchased, 124 months	100	100,000,000
	Sub-total	**200**	**201,245,082**
	Total	**3,133,495,627**	**36,909,874,579**

Investments sold during the year ended 31 December 2007 (non-trade)

		Year ended 31 December 2007		
		Units	**Sale Value**	**Cost of purchase**
A)	**Liquidity Fund**			
	ABN Amro Cash Fund- Institutional Plus WDR	22,178,572	221,842,166	221,818,051
	ABN Amro Money Plus Inst-DDR	44,709,925	447,104,721	447,103,833
	ABN Amro Money Plus Inst-DDR(275269/51)	26,482,848	264,831,126	264,830,059
	ABN Amro Money Plus Inst-WDR in 29719 folio	18,766,993	187,907,857	187,720,650
	ABN Amro Money Plus Inst-WDR in 275269/51	9,986,817	100,000,000	99,893,016
	Birla Cash plus - IPDP Weekly Dividend - Reinvestment	121,044,549	1,214,271,053	1,213,447,975
	Birla FRF LT WDR-1000	10,035,684	100,458,934	100,404,683
	Birla Sun Life Liquid Plus - Instl - WDR 1013038717	9,990,709	100,000,000	99,975,717
	Birla Sun Life Liquid Plus - Instl - WDR 1000995231	998,413	10,000,000	9,987,635
	Birla Sun Life Liquid Plus - Instl - WDR	5,495,933	55,000,000	55,039,929
	Birla Cash plus - IP- WD- Folio No. 1013038717	63,357,205	635,601,841	635,201,335
	D50 DSP ML Liquidity Institutional- WDR .88136 / 14	47,221	47,263,851	47,244,721
	DSPML Liquid Plus-IP-WDR	544,016	544,609,628	544,221,423
	DSPML Liquid Plus-IP-WDR-88136/14	810,855	811,706,444	811,227,402
	DSPML Liquid Plus-IP-WDR-(SPA)	250,289	250,654,413	250,384,012
	G66_Standard Chartered Liquidity Manager Daily Dividend	1,502,397	15,042,749	15,025,495

GSSIF-Medium Term -Fortnightly Dividend Option	17,154,813	171,889,224	171,588,326
GFRF-LT-Inst Plan B WDR	89,340,056	894,447,680	893,686,228
GFRF-LT-Inst Plan B WDR(730278)	11,978,459	120,000,000	119,846,165
GSSIF-ST-Plan C-Fortnightly Dividend 730278	8,527,723	85,981,621	86,047,640

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 Summary of investments purchased and sold during the year (Contd.)

	Year ended 31 December 2007		
	Units	**Sale Value**	**Cost of purchase**
A) Liquidity Fund (Contd..)			
GSSIF-ST-Plan C-Fortnightly Dividend 21349	10,127,873	102,115,290	102,279,736
Grindlays Floating Rate Fund-LT-Inst Plan B DDR 21349	44,442,302	444,636,812	444,609,979
HDFC Cash Management Fund - Saving Plan - Weekly Dividend Option	34,107,236	362,685,354	362,525,366
HSBC Cash Fund-Institutional Plus-DDR-129355/32	16,533,564	165,428,232	165,428,232
HSBC Liquid Plus-Inst Plus Plan- WDR-129355/32	43,832,703	439,546,389	438,929,317
HSBC Liquid Plus-Inst Plus Plan- WDR-512570/31	78,714,590	790,157,616	789,017,052
HDFC CMF Call Plan-DDR	9,606,500	100,163,136	100,163,136
I-262_ING Vysya Liquid Fund Super Instuitional - WD	165,844,552	1,672,211,266	1,670,823,828
Ing Vysya Liquid Plus-Inst DDR	38,627,357	386,401,036	386,401,036
ING Liquid Plus Fund - Institutional Weekly Dividend 476979 07	15,821,438	158,837,941	158,785,015
JM Money Manager Fund-Super Plus Plan-DDR-7023145875	37,044,193	370,492,475	370,474,491
JM Money Manager Fund-Super Plus Plan-DDR	50,996,215	509,997,416	510,005,427
Kotak Liquid (Institutional Premium) - WDI - Folio	41,600,021	417,805,207	417,650,317
Kotak Flexi Debt DDR	10,965,896	110,000,000	110,000,000
Kotak Flexi Debt DDR 281827	10,943,489	109,775,229	109,775,229
Kotak Liquid (Institutional Premium) - Weekly Dividend	111,214,870	1,117,187,201	1,116,332,448
Lotus India Liquid Plus Fund-IP-DDR	6,326,608	63,365,409	63,365,409
Lotus India Liquid Plus Fund-IP-WDR 58374	53,227,380	533,000,000	532,689,647
Lotus India Liquid Plus Fund-IP-WDR 126758	15,994,882	160,033,589	160,000,000
P C M F Liquid Option - Instl.Prem Plan - Weekly Dividend	42,768,431	427,981,066	427,722,803
Principal Income Fund-ST-Inst Plan-WDR	32,713,477	356,987,754	356,607,405
Pru ICICI Liquid Plan-Super IP-WDR	95,331,482	954,350,485	953,980,966
Pru ICICI Sweep Cash Plan-DDR	33,354,438	333,544,381	333,544,080
Prudential Flexible Income Plan Dividend-Weekly-2350363	52,746,500	556,300,000	556,147,781
Prudential Flexible Income Plan Dividend-Weekly-2582230	25,556,922	269,600,000	269,448,863
Pru ICICI Liquid Plan-Super IP-WDR(2582230)	35,578,551	356,000,000	356,007,971
Pru ICICI Liquid Plan-WDR	1,234,171	14,608,385	14,609,981
Pru ICICI FRF Plan D-DDR	20,050,572	200,505,724	200,505,724
Prin FRF FMP Inst WDR	90,223,311	902,900,000	902,358,115
Prin FRF FMP Inst WDR(19529356)	1,498,561	15,000,000	14,993,377
Principal CMF Liquid Option - Instl.Prem Plan - WDR-Folio 12293106	27,783,610	277,975,016	277,900,000
Principal Cash Man. Fund Liquid Option -Instl. Prem. Plan Growth	14,345,967	169,420,136	150,000,000
Reliance Liquidity Fund-WDR	99,832,904	999,193,961	998,736,394
Rel Liquid Fund-Cash Plan-DDR	34,774,865	387,430,248	387,430,248

Reliance Liquid Plus Inst WDR	79,816	80,000,000	79,956,716
G71_Standard Chartered liquidity Manager Weekly Dividend	504,060	504,440,769	504,202,119
SCLM-Plus - DDR-21349/70.	12,103,718	222,212,688	222,212,688
SCLM-Plus - WDR-730278/08	562,247	562,683,027	562,349,065
Templeton India Short Term Plan Inst # 2140000237625 Weekly Dividend	100,278	101,185,641	101,339,975
Templeton India TMA-Super IP-WDR-2100000237625	62,022	63,081,660	63,038,441
Templeton India TMA-Super IP-WDR-2109902621756	159,575	162,224,545	162,164,501
Tata Ship WDR	594,655	684,574,758	684,366,788
Temp FRIF LT Super IP WDR (16033716)	30,811,931	310,881,076	308,466,916
Tata Floater Fund-DDR	69,223,329	694,697,644	694,697,644
Temp FRIF LT Super IP WDR(14629835)	39,434,750	397,369,782	396,053,547
Tata Floater Fund-WDR 441363/58	9,917,782	100,000,000	100,004,996
TLSW01 Tata Liquid Super High Inv. Fund - Weekly Dividend	1,017,587	1,171,363,183	1,164,926,836
Total Sales under Liquid Funds	**2,031,540,657**	**25,568,964,836**	**25,527,723,900**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 Summary of investments purchased and sold during the year (Contd.)

		Year ended 31 December 2007		
		Units	Sale Value	Cost of purchase
B)	**Fixed maturity fund**			
	ABN Amro FTP-Sr 3-Qrtly Plan H(monthly pay scheme)	15,000,000	150,000,000	150,000,000
	ABN Amro FTP-Sr 4-Plan A-qtrly divi	15,000,000	150,000,000	150,000,000
	ABN Amro FTP-Sr 4-Qrtly Plan B	20,000,000	200,000,000	200,000,000
	ABN Amro FTP-Sr 4-Qrtly Plan C	15,000,000	150,000,000	150,000,000
	ABN Amro FTP-Sr 4-(Half yrly Plan A)	10,387,138	103,871,376	103,881,039
	ABN Amro FTP-Sr 4-Plan E-Qtrly	15,329,514	153,295,137	153,297,280
	ABN Amro FTP-Sr 6-Plan C-Qtrly	20,472,704	204,727,042	204,727,042
	ABN Amro FTP-Sr 6-Plan D-Qtrly	15,000,000	150,000,000	150,000,000
	ABN Amro FTP-Sr 5-Plan A-Qtrly	10,000,000	100,000,000	100,000,000
	ABN FTF Sr 7 Plan B-Qtrly	15,000,000	150,000,000	150,000,000
	ABN FTF Sr 7 Plan C-Qtrly	10,219,244	102,192,444	102,196,793
	ABN FTP-Sr 7 D-Qtrly	15,312,413	153,124,129	153,128,992
	ABN Amro Interval Fund Qly Plan G - Int Div Red	6,998,804	69,988,045	69,988,045
	ABN Amro Flexible Short Term Plan Ser C Qrtly Div 29719 83	10,000,000	100,000,000	100,000,000
	ABN Amro Interval Fund Qly Plan I - Int Div Red	10,169,505	101,695,055	101,695,055
	M121YG ABN Amro FTP Series 2 13Mnth plan Growth	10,000,000	108,951,000	100,000,000
	ABN Amro FTP Series 3-366 days-Growth	10,000,000	108,132,000	100,000,000
	Birla FTP HY 2 Dividend Reinvest	10,000,000	100,000,000	100,000,000
	Birla FTP QS 6 Dividend	10,000,000	100,000,000	100,000,000
	Birla FTP QS 7 Dividend	10,000,000	100,000,000	100,000,000
	Birla FTP QS 10 Dividend	7,500,000	75,000,000	75,000,000
	Birla FMP Qtrly Gr 2 Divi payout	9,972,774	100,000,000	100,000,000
	B813G Birla FTP - Series F - Growth	10,000,000	108,946,000	100,000,000
	B815G Birla FTP - Series H - Growth	20,000,000	218,746,000	200,000,000
	Deutsche Fixed Term Fund - Series 6 growth	5,000,000	54,443,500	50,000,000
	DSP Merrill Lynch Fixed term Plan Series 3A Growth	150,000	163,428,495	150,000,000
	Deutsche Fixed Term Fund - Series 5 Growth Option	10,000,000	108,779,000	100,000,000
	DSPML FTP-Sr 1F-Qtrly Divi	253,940	253,966,356	253,940,706
	Deutsche FTF-Series 22-Qrtly-divi	9,150,000	91,500,000	91,500,000
	Deutsche FTF-Sr 23-110 days	10,000,000	100,000,000	100,000,000
	DSPML FTP-Sr 1H-Qtrly Divi	101,930	101,943,967	101,930,324
	Deutsche FTF-Sr 28-3M Divi	11,900,000	119,000,000	119,000,000
	DSPML FTP Sr 1N Qtrly Inst	101,759	101,783,534	101,759,294
	G144 Grindlays Fixed Maturity - 22nd Plan Growth	10,000,000	110,019,000	100,000,000
	G150 Standard Chartered Fixed Maturity - 2nd Plan Growth	10,000,000	109,041,000	100,000,000
	SCFMP-QS 2-Qtrly	15,227,400	152,278,568	152,274,000
	SCFMP-QS 3-Qtrly	12,000,000	120,000,000	120,000,000
	SCFMP-QS 4-Qtrly	5,188,922	51,889,224	51,889,224
	SCFMP-QS 5-Qtrly	5,000,000	50,000,000	50,000,000
	SCFMP QS 9-Divi payout	10,000,000	100,015,000	100,000,000

SCFMP QS 11-Divi	20,619,754	206,197,540	206,197,540
OFTS4G HSBC Fixed Term Series 4 Growth	10,000,000	108,765,000	100,000,000
HDFC FMP Sr III 90d jan07	12,600,000	126,000,000	126,000,000
ING Vysya FMF Sr- XXI 185 days	15,000,000	150,000,000	150,000,000
JM FMP Series III-Qtrly (Q5) Option	25,763,116	257,631,158	257,631,158
JM FMP Series IV-Qtrly	13,000,000	130,000,000	130,000,000

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

26 Summary of investments purchased and sold during the year (Contd.)

	Year ended 31 December 2007		
	Units	Sale Value	Cost of purchase
B) Fixed maturity fund (Contd..)			
JM FMP Sr IV-Qtrly-Plan 2 Divi Payout	10,000,000	100,000,000	100,000,000
JM FMP Sr IV-Qtrly-Plan 3 Divi Payout	10,000,000	100,000,000	100,000,000
JM FMP Sr IV-Q4 Divi Payout	25,272,985	252,729,855	252,729,874
JM FMP Sr V-Inst-Qtrly Divi 70219662924	7,900,000	79,000,000	79,000,000
JM FMP Sr VI-Inst-Qtrly Divi Plan 1 7023145875	15,248,325	152,483,252	152,483,252
JM FMP Sr VI-Inst-Qtrly Divi Plan 2 7021966294	5,000,000	50,000,000	50,000,000
JM Fixed Maturity Fund Series II yearly Olan YSA Growth 156	15,000,000	163,170,000	150,000,000
Kotak FMP Series XXI - Growth	5,000,000	54,771,368	50,000,000
Kotak FMP Series 13 - Growth	10,000,000	109,161,815	100,000,000
Kotak FMP 3M Series 7-Divi Reinvest	23,195,171	231,951,714	231,951,714
Kotak FMP 3M Series 9-Divi Reinvest	12,000,000	120,000,000	120,000,000
Kotak FMP 3M Series 10-Divi Payout	10,000,000	100,000,000	100,000,000
Kotak FMP 3M Sr 12-Divi	7,500,000	75,000,000	75,000,000
Kotak FMP 3M Sr 14 Qtrly Divi	20,000,000	200,000,000	200,000,000
Kotak FMP 3M Sr 16 Qtrly Divi	10,920,098	109,200,981	109,200,981
Kotak FMP 3M Sr 25 Qtrly Divi	12,855,140	128,551,402	128,551,402
Principal Deposit Fund (FMP-4-20) 460 Days -Growth Plan - FEB'06	10,000,000	109,757,000	100,000,000
Principal Deposit Fund (FMP-4-20) 385 Days -Growth Plan - MAR'06	15,000,000	163,161,000	150,000,000
Principal Pnb FMP-91 days -Series V-Dividend Payout	15,000,000	150,000,000	150,000,000
Principal FMP-Series VIII-Plan 91 Days	3,000,000	30,000,000	30,000,000
Pru ICICI FMP Sr 34-6M Retail-Divi	5,000,000	50,000,000	50,000,000
Pru ICICI FMP Sr 38 3M -Plan A	8,000,000	80,000,000	80,000,000
Reliance FHF-I-Annual Plan-Series 1	10,000,000	108,406,000	100,000,000
Reliance FHF-I-Annual Plan-Series 2	10,000,000	108,467,000	100,000,000
Reliance FHF-II-Qtrly Plan -Sr II	10,000,000	100,000,000	100,000,000
Rel FHF-II Mthly Sr 1 Inst Plan Dividend	30,000,000	300,000,000	300,000,000
Rel MIF Sr 1 Inst Divi	19,964,264	199,796,790	200,000,000
TFHFD3 Tata Fixed Horizon FUND Series-3 Scheme F 18 month	15,000,000	163,530,000	150,000,000
TFHCG3 Tata Fixed Horizon FUND Series-3 Scheme C 13 month	13,000,000	141,215,100	130,000,000
TFHDG3 Tata Fixed Horizon FUND Series-3 Sch-D 13 mth Growth	10,000,000	108,971,000	100,000,000
Tata FHF Series 6-Scheme A-13m Gr	10,000,000	108,623,000	100,000,000
Tata FHF Series 6-Scheme G-Half Yearly	15,451,678	154,556,954	154,517,587
Tata FHF Inst Sr 9 - Sch D -Qtrly	3,062,482	30,648,096	30,625,265
Tata FHF Sr 10-Sch D Qtrly Divid	15,301,598	153,118,500	153,018,000
Templeton QIP-A-Inst Divi payout	9,000,000	90,002,700	90,000,000
Tata FHF Sr 9 Sch C-Divi Payout	16,000,000	160,056,000	160,000,000

	Tata Dynamic Bond Fund Op A Divi	9,787,371	100,863,749	100,764,389
	Tata FHF Sr 11 D -3M-Inst Divi	15,814,650	158,246,130	158,148,165
	UTI - Fixed Term Income Fund - Series 1 Plan 18-Q4 Dividend Plan	10,000,000	111,360,000	100,000,000
	UTI - (QFMP/1206) Dividend Plan	7,500,000	75,036,750	75,000,000
	UTI FMP (HFMP/0207)-Divi Reinvest	15,619,672	156,238,893	156,196,720
	Total Sale of Fixed Maturity Plan	**1,013,812,353**	**10,963,424,620**	**10,743,223,840**
C)	**Investment in Bonds**			
	SBI Tier II NCB Redm 12 September 2022	100	105,882,022	101,245,082
	UBI Bond Issue XI Lower Tier II	100	101,000,000	100,000,000
	Total Sale of Investment in Bonds	**200**	**206,882,022**	**201,245,082**
	Total	**3,045,353,210**	**36,739,271,478**	**36,472,192,822**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

27 Names of non-scheduled banks, balances at year end and maximum amount of outstanding during the year

	2007	2006
Fleet Bank, Boston, USA (formerly Bank Boston - USA) (Maximum balance outstanding during the year: Rs. 252,264; 2006: Rs. 103,630)	8,039	18,053
Bank of Tokyo Mitsubishi Limited - Japan (Maximum balance outstanding during the year: Rs. 99,404; 2006: Rs. 212,368)	70,599	96,337
Bank of Tokyo Mitsubishi Limited - Keihiguchi-Japan (Maximum balance outstanding during the year: Rs. 8,890; 2006: Rs. NA)	513	
The Japan Net Bank (Maximum balance outstanding during the year: Rs. 3,555; 2006: Rs. 350)		4
ANZ Bank Australia - Australia 013-030-1982-72801 (Maximum balance outstanding during the year Rs. 21,160; 2006: Rs. 13,727)	4,461	1,297
ANZ Bank Australia - Australia 013-030-1982-72828 (Maximum balance outstanding during the year Rs. 32784; 2006: Rs. 27,789)	26,228	17,116
Handels Bank - Kista Sweden 585-341-338 (Maximum balance outstanding during the year Rs. 12,492; 2006: Rs. 6,374)	10,626	2,808
Handels Bank - Kista Sweden 585-130-558 (Maximum balance outstanding during the year Rs. 38,628; 2006: Rs. 49,891)	9,169	38,628
Handels Bank - Kista Sweden 43671179 (Euro account) (Maximum balance outstanding during the year Rs. 10,853; 2006: Rs. NA)	10,775	
Korea Exchange Bank - 611-016-118-609 (Maximum balance outstanding during the year: Rs. 2,124; 2006: Rs. 2,390)	1,903	2,145
ABN AMRO Bank N.V.-Netherlands A/c 43.47.90.427 (Maximum balance outstanding during the year: Rs. 58,501; 2006: Rs. 5,231)	8,431	435
Standard Chartered Bank N.Y. (Maximum balance outstanding during the year: Rs. 43,280; 2006: Rs. 5,335,052)	23,718	46,467
	174,462	**223,290**

28 Supplementary statutory information

i) Managerial remuneration

	2007	2006
Salaries and allowances	107,295	24,294
Perquisites	1,339	2,656
Contribution to provident fund	1,920	2,363
Provision for pension liability	3,358	10,515
Gratuity paid [refer note 28(i)(e)]	700	

	114,612	**39,828**

a) Executive Directors, Mr Gajendra K. Patni and Mr Ashok K. Patni, under contract until 22 October 2010, ceased to be Executive Directors effective 1 October 2007 to become founder-directors. Termination benefit payments amounting to Rs. 77,908 have been included in Salaries and allowances as indicated above in note 28(i).

b) Managerial remuneration does not include Rs. 50,386, (including provision for pension Rs. 10,652); (2006: Rs. 58,118, including provision for pension: Rs. 20,636) paid/accrued to manager by the subsidiary company during the year ended 31 December 2007.

c) Sitting fees paid to non executive directors not included above aggregated Rs. 900 (2006: Rs. 680) during the year ended 31 December 2007.

d) Commission expense in respect of Non-Executive directors not included above aggregated Rs. 15,442 (2006: Rs. 10,900).

e) In 2006, provisions for gratuity and leave encashment in respect of Directors have not been included, as actuarial valuation is carried out on an overall Company basis.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

f) Computation of Net profit in accordance with Section 349 of the Companies Act, 1956, and calculation of commission payable to non-whole time directors :-

Net profit after tax from ordinary activities		**3,875,184**
Add:		
1. Managerial remuneration	113,912	
2. Depreciation as per books of accounts	804,847	
3. Commission to Non-Wholetime Directors	15,442	
4. Directors Sitting Fees	900	
5. Provision for Dimunition in Investment	(13)	
6. Provision for Doubtful debts	13,946	
7. Provision for taxation	481,797	1,430,831
		5,306,015
Less:		
1. Depreciation under Section 350 of the Companies Act	804,847	
2. Profit on sale of Fixed assets	13,342	
3. Profit on sale of non-trade investments	265,942	1,084,131
Net profit on which commission payable		**4,221,884**
Commission payable to Non whole-time directors		
Maximum allowed as per the Companies Act, 1956 at 1%		42,219
Commission expense in Profit & Loss Account in respect of Non whole-time directors		15,442

ii) Value of imported and indigenous software consumables

	2007		2006	
Imported	3.33%	746	8.90%	1,733
Indigenous	96.67%	21,632	91.10%	17,729
	100.00%	**22,378**	**100.00%**	**19,462**

iii) Value of imports calculated on C.I.F. basis:

	2007	2006
Capital goods	952,540	287,088
Software consumables	746	1,733
	953,286	**288,821**

iv) Expenditure in foreign currency

	2007	2006
Overseas employee expenses	770,162	311,614
Travelling	288,516	360,477
Professional fees and consultancy charges	129,524	86,792
Subscription and registration fees	2,190	5,900
Others	88,306	69,082
	1,278,698	**833,865**

v) Earnings in foreign currency

	2007	2006
Sales and services income (on FOB basis)	11,620,016	9,901,111
Interest received	4,123	64,831
Other Income	479	21
	11,624,618	**9,965,963**

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

28 Supplementary statutory information (contd.)

vi) Dividend remitted in foreign currency

	2007	2006
Number of non-resident shareholders	3	4
Number of equity shares held on which dividend was due (paid up value of Rs. 2 each)	18,255,534	20,908,373
Period to which dividend relates		
Final dividend		
1 January 2006 to 31 December 2006	54,767	
1 January 2005 to 31 December 2005		52,271
1 January 2004 to 31 December 2004		7,821
	54,767	**60,092**

29 Statement of Utilisation of ADS Funds as of 31 December 2007

	No of shares	Price	Amount
Amount raised through ADS (6,156,250 ADSs @ US$ 20.34 per ADS)	12,312,500	466	5,739,262
Share issue expenses			369,406
Net proceeds			**5,369,856**
Deployment:			
1 Held as current investments			2,528,167
2 Utilised for Capital expenditure for office facilities			2,720,866
3 Exchange loss			120,823
Total			**5,369,856**

30 Change in estimates

In connection with the IRS examination of the fiscal years 2001 and 2002 which has been finalized, the Company has revised its estimates for years ended 31 March 2003, 31 March 2004 and 31 March 2005 and accounted for the same during 2006.

	2007	2006
Personnel costs		(29,967)
Interest costs		69,011

Current taxes - Foreign	607,395
Deferred tax expense / (credit) - Foreign	(5,186)
	641,253

31 Disclosure pursuant to AS-7, Construction Contracts (Revised) in respect of revenue contracts for customised software development

		2007	2006
i	Contract Revenue recognised for the year ended 31 December 2007	1,986,841	1,885,849
ii	Aggregate amount of contract costs incurred for all contracts in progress as at year end	774,508	643,395
iii	Recognised Profits (less recognised losses) for all contracts in progress as at year end	711,724	553,407

32 Employee Benefit Plans

The Company adopted Accounting standard 15 (revised 2005) Employee benefits (AS 15) from 1 January 2007. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 6,914 (net of tax). In accordance with AS-15, such liability has been adjusted (reduction) from the balance in the Profit & Loss Account as of 1 January, 2007.

Gratuity Benefits

In accordance with the Payment of Gratuity Act, 1972, Patni provides for gratuity, a defined retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee s defined portion of last salary and the years of employment with the Company.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

32 Employee Benefit Plans (Contd..)

Patni contributes each year to a gratuity fund based upon actuarial valuations performed by an actuary. The fund is administered by Patni through a trust set up for the purpose. All assets of the plan are owned by the Trust and comprise of approved debt and other securities and deposits with banks.

Amount to be recognised in Balance Sheet

As at 31 December	**2007**
Present Value of Funded Obligations	255,999
Fair Value of Plan Assets	(228,521)
Net Liability	**27,478**
Amounts recognised in Balance Sheet	
Provision for Gratuity	27,478

Expense recognised in Statement of Profit and Loss Account

As at 31 December	**2007**
Current Service Cost	49,019
Interest on Defined Benefit Obligations	15,982
Expected Return on Plan Assets	(17,249)
Net Actuarial Losses / (Gains) recognised in the Year	5,919
Total Included in Employee Benefit Expense	**53,671**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

As at 31 December	**2007**
Change in Defined Benefit Obligation	
Opening Defined Benefit Obligation	220,431
Current Service Cost	49,019
Interest Cost	15,982
Actuarial Losses/(Gain)	1,375
Benefits Paid	(30,808)
Closing Defined Benefit Obligation	**255,999**
Change in Fair Value of Assets	

Opening Fair Value of Plan Assets	235,127
Expected Return on Plan Assets	17,249
Actuarial Gain /(Losses)	(4,544)
Contributions by Employer	11,497
Benefits Paid	(30,808)
Closing Fair Value of Plan Assets	**228,521**
Expected Employer s Contribution Next Year	25,000

Plan assets have been invested in corporate bonds, mutual funds and Government of India securities.

Financial Assumptions at the Valuation Date	
Discount Rate (p.a.)	7.80%
Expected Rate of Return on Assets (p.a.)	7.50%
Salary Increase Rate (p.a.)	15% for first year, 12.5% for next three years and 7% thereafter.

Pension Benefits

Founder Directors of the Company are entitled to receive pension benefits upon retirement or termination from employment at the rate of 50% of their last drawn monthly salary. The pension is payable from the time the eligible director reaches the age of sixty five and is payable to the directors or the surviving spouse.

PATNI COMPUTER SYSTEMS LIMITED

Notes to the Financial Statements (Contd.) for the year ended 31 December 2007

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

32 Employee Benefit Plans (Contd..)

Amount to be recognised in Balance Sheet

As at 31 December	**2007**
Present Value of Unfunded Obligations	101,831
Amounts recognised in Balance Sheet	
Provision for Pension	101,831

Expense recognised in Statement of Profit and Loss Account

As at 31 December	**2007**
Current Service Cost	3,461
Interest on Defined Benefit Obligations	7,599
Net Actuarial Losses / (Gains) recognised in the Year	(7,702)
Total Included in Employee Benefit Expense	**3,358**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

As at 31 December	**2007**
Change in Defined Benefit Obligation	
Opening Defined Benefit Obligation	**99,985**
Current Service Cost	3,461
Interest Cost	7,599
Actuarial Losses/(Gain)	(7,702)
Benefits Paid	(1,512)
Closing Defined Benefit Obligation	**101,831**
Expected Employer s Contribution Next Year	6,046
Financial Assumptions at the Valuation Date	
Discount Rate (p.a.)	7.80%
Salary Increase Rate (p.a.)	0.00%

33 The Company made a provision of Rs. 32,749 for the year ended 31 December 2006, based on a substantial degree of estimation, towards committed lease rentals under onerous lease contracts. The Company settled such liability during the year, and excess amount provided of Rs. 30,580 has been written back and included under other income .

34 During the year 2006, a provision for income taxes of Rs. 299,596 was made for fiscal years ended March 2001 and March 2002, as amount reimbursable by the Company to its US subsidiary due to delinquency in the Tax Return filing by the US branch of the Company.

On assessment of the amount taxable in the hands of the subsidiary, Rs. 43,351 representing interest component in the above provision has now been reversed, as not payable to the subsidiary and has been treated as a prior period item.

35 Prior year comparatives

Previous year figures have been appropriately reclassified to conform to the current year s presentations.

31 Balance Sheet Abstract and Company s General Business Profile

I. Registration Details

Registration No.		20127		State Code	11
Balance Sheet Date	31	12	2007		
	Date	Month	Year		

II. Capital raised during the year

Public issue	Right issue
NIL	NIL
Bonus issue	Private placement
NIL	NIL

III. Position of mobilisation and deployment of funds

Total liabilities	Total assets
29706438	29706438

Sources of funds

Paid-up capital including share application money	Reserves and surplus
279834	25302071
Secured loans	Unsecured loans
23785	NIL
Deferred Tax Liability	
76387	

Application of funds

Net fixed assets	Investments
7124735	15831734
Net current assets	Deferred Tax Assets
2661032	64576
Accumulated losses	Miscellaneous expenditure
NIL	NIL

IV. Performance of Company

	Turnover		Total expenditure
	13389573		9075943
+ /	Profit before tax	+ /	Profit after tax
+	4356981	+	3875184
	Earning per share in Rs.		Dividend @ %
	27.95		150%

V. Generic names of three principal products of the Company (As per monetary terms)

Item no ITC code	NIL	Product description

Computer Software and Services

For and on behalf of the Board of Directors

Narendra K Patni	**Gajendra K Patni**	**Arun Duggal**	**Pradip Shah**
Chairman and CEO	*Director*	*Director*	*Director*

Mumbai	**Surjeet Singh**	**Arun Kanakal**
7 February 2008	*Chief Financial Officer*	*Company Secretary*

Statement pursuant to section 212 of the Company Act, 1956 relating to subsidiary companies

Sr. No.	Name of Subsidiary	Reporting Currency	Exchange Rate	Share capital	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit/(Loss) before taxation	Tax Provision	Profit/(Loss) after taxation	Propo Divide
1	Patni Americas Inc.	USD	39.41	2,638,934	330,686	8,715,693	5,746,073		17,371,602	1,235,825	495,074	740,751	
2	Patni Computer Systems (UK) Limited	GBP	78.76	497,817	130,739	1,135,761	507,205	141,449	1,442,948	(129,026)	(34,224)	(94,802)	
3	Patni Computer Systems GmbH	EUR	58.12	6,076	1,091	113,627	106,460		227,643	(33,748)	(11,068)	(22,680)	
4	Patni Telecom Solutions (P) Limited	INR	1	4,198	899,151	1,155,912	252,563	146,116	1,157,480	228,023	6,992	221,031	
5	Patni Telecom Solutions Inc.	USD	39.41	17,312	730,805	765,319	17,201	229,563	1,194,617	(11,613)	(9,456)	(2,157)	
6	Patni Telecom Solutions (UK) Limited	GBP	78.76	5,821	387,872	967,337	573,643	271,825	1,690,522	150,710	54,783	95,927	
7	Patni Life Science Inc.	USD	39.41	534,146	(252,081)	409,041	126,976		510,286	54,463	24,502	29,961	
8	Patni Computer Systems Brasil Ltda	BRL	0.05										
	Total			**3,704,305**	**2,228,263**	**13,262,689**	**7,330,121**	**788,954**	**23,595,097**	**1,494,634**	**526,604**	**968,031**	

For and on behalf of the Board of Directors

Narendra K Patni	**Gajendra K Patni**	**Arun Duggal**	**Pradip Shah**	**Surjeet Singh**	**Arun Kanakal**
Chairman and CEO	*Director*	*Director*	*Director*	*Chief Financial Officer*	*Company Secretary*

Mumbai
7 February 2008

Management s Discussion and Analysis

of the Consolidated Financials under Indian GAAP

Industry Structure and developments

Global IT Industry Overview

Enterprise adaption of technology applications continues to grow with an increasing emphasis on standardization, process efficiency and automation. Today, the electronic medium has become indispensable to most forms of business communication and for integrating the expanding global supply chain.

The year 2007 was a test of pliability of the Indian IT industry. The sector successfully countered the fresh wave of a slowing economy and financial crisis in the US and steep appreciation of the INR against the US$ in addition to the supple side constraints and maintained its double digit revenue growth.

The strength in the overall performance of the IT industry, despite concerns of a cutback in technology budgets in the US, was also supported by gradual shifts in regional spending patterns. While growth in US technology spends in 2007 was similar to that observed in 2006, the relatively faster growth in EMEA and Asia-Pacific ensured a healthy growth of the worldwide aggregate, despite the decline in the share of the Americas.

The global outsourcing market continued to become more board based in 2007. India continues to remain the nerve-centre for major global sourcing strategy, exhibiting sustained global growth for indigenous players.

IT spending experiences gradual geographical shift

Apart from the core drivers, there are number of environmental factors, namely, economic growth, technology related spending, propensity to outsource IT & business processes that influence impetus of global sourcing. Global IT spending on technology goods, services, and staff will be US$ 2.4 trillion in 2008, up 8% from US$ 2.2 trillion in 2007. The growth rates for regional IT spending, the US and Western Europe clearly are on a low-growth track, with annual growth rates for 2007 to 2008 in the 4% to 6% range. In contrast, Eastern Europe, the Middle East, and Africa as well as the Asia Pacific markets are on a high-growth track, with annual growth rates above 12% in 2007 and 2008. Latin America and Canada are in between, with moderate growth of 6% to 8% in 2006, 2007, and 2008. (Source: February 11, 2008 Global IT 2008 Market Outlook by Andrew Bartel for Vendor Strategy Professionals). Though the short term US outlook seems muted, global technology spending forecasts remain relatively on track, as supported by momentum in EMEA and APAC regions.

IT outsourcing as a means to optimize costs

The global sourcing industry is fundamentally driven by three factors, namely, access to newer talent pools, reduction in costs and business improvements. The future outlook on these factors favour strong growth for global sourcing. Cost pressures are likely to continue unabated on businesses as customers continue to demand more for less in an ever increasing competitive environment. Developed countries like US, UK, France, Japan would be facing skill workforce shortage, in contrast the developing nations like India, Philippines, Brazil and Mexico would have a surplus in the same period. This imbalance in the available pool of talent is likely to continue driving the global outsourcing demand. Buyers utilize the global sourcing effectively to achieve other business improvements such as improved quality, productivity, customer satisfaction and revenue realization. Global sourcing has become an effective tool for global companies to expand their businesses with optimized cost.

With significant potential still untapped, it is expected that the global sourcing phenomenon will continue to expand in scope, scale and geographic coverage. As global delivery matures, multi-location strategies will become the norm and most sourcing destinations, including emerging locations, will grow in size. Building on its existing strengths, India will remain the leading destination and will continue to play an important role in most global sourcing strategies. As per NASSCOM Strategic Review 2008; the Indian technology and related services sector is expected to reach US$ 64 billion in FY 2008.

Indian IT Industry Outlook

Strong fundamentals of a large talent pool, sustained cost competitiveness and an enabling business environment have helped established India as the preferred sourcing destination. Superior delivery model has ensured India remains the distinct leader in the global sourcing arena.

The industry s vertical market exposure is well diversified across several mature and emerging sectors. Banking, Financial Services and Insurance (BFSI) remains the largest vertical market for Indian IT exports followed by High Technology and Telecom. These sectors together account for nearly 60% of the Indian IT-BPO exports in

FY 2007. Manufacturing and Retail sectors contributing to 23% to the aggregate. Other key segments include Media, Healthcare, Airlines, Transportation and Utilities.

Technology adoption in the domestic market also reported steady gains in 2007. This segment is expected to cross US$ 23 billion in FY 2008, reporting healthy growth across all key segments. Domestic IT services spends are estimated to be growing at about 43% in FY 2008. Software and services and BPO spending growth in the domestic market is being supported by increasing adoption, and is expected to grow by over 42% and 45%, respectively.

(Source: NASSCOM Strategic Review 2008)

There are several key factors favoring the growth of Indian IT industry:

- Importance on delivery quality and security: The Indian IT sector has built a fine reputation for its high standards of service quality and information security- which has been acknowledged globally. The development centers at several of the Indian IT services providers have been assessed at SEI-CMM Level 5;

- Sustained cost competitiveness: India continues to deliver a significant cost advantage, driven by a wide differential in wages and other lower factor costs, and enhanced through productivity gains.

Growing Talent Pool: India s young demographic profile complemented by a vast and growing academic system continues to add to its pool of educated talent. There is no other country that offers a similar mix and scale of human resources.

Opportunities and Threats

Our Delivery Model

We address our clients needs with our global delivery model, through which we allocate resources in a cost-efficient manner using a combination of onsite client locations in North America, Europe and Asia and offshore locations in India. We believe an integral part of our delivery is our industry knowledge, which we refer to as our domain expertise.

We refer to our own industry experts, business analysts and solutions architects who are located primarily onsite with the client as our domain wedge . These experts are supported by additional personnel who provide technical services onsite on a temporary basis and by our trained professionals located normally at one or more of our eight offshore centers in India. Typically, at the initial stage of a project, we provide services through our onsite industry and technology experts and our transient onsite delivery personnel. By applying our domain wedge approach, we deliver solutions that can be structured to scale to suit our clients needs. In certain cases we provide dedicated offshore development centers, set up for a particular client. Through these offshore development centers we integrate our clients processes and methodologies and believe we are better positioned to provide comprehensive and long-term support. We maximize the cost efficiency of our service offerings by increasing the offshore portion of the work as the client relationship matures. To complement our domain wedge, we have aligned a majority of our sales and marketing teams to focus on specific industry sectors.

Our Competitive Strengths

We believe our competitive strengths enable us to deliver high-quality, efficient and scalable services. These strengths include:

Focused Industry Expertise

We concentrate on industries where we believe we can generate sustained revenue growth, such as insurance, manufacturing, financial services and communication, media and entertainment. Through our extensive experience in these industries, we provide solutions that respond to technological challenges faced by our clients. For example, to enhance our domain expertise in life sciences, we acquired Taratec during the year.

We also focus on technology practices, specifically in product engineering services.

Successful Client Relationships

We have demonstrated the ability to build and manage large client relationships. Our long-term relationships typically develop from performing discrete projects to providing multiple service offerings spread across the client s businesses. Through our flexible approach, we believe we offer services that respond to our clients needs irrespective of their size. By leveraging our industry experience with our project management capabilities and breadth of technical expertise, we solidify and expand our client relationships.

Extensive Suite of IT Services

We provide a comprehensive range of IT services, including application development, application maintenance and support, packaged software implementation, infrastructure management services, product engineering, business process outsourcing and quality assurance services. Our knowledge and experience span multiple computing platforms and technologies, which enable us to address a range of business needs and to function as a virtual extension of our clients IT departments. We offer a broad spectrum of services in select industry sectors, which we leverage to capitalize on opportunities throughout our clients organizations.

Delivery and Operational Excellence

Through our mature global delivery model, we deliver high quality and cost-effective IT services from multiple locations in a reduced timeframe. We vary the composition of our employee resource pool, in terms of seniority and location, to maximize our productivity and efficiency. Our processes and methodologies have achieved Capability Maturity Model Integrated (CMMi) Level 5, the highest attainable certification. We use project management tools to deliver services to client specifications in a timely and reliable manner while maintaining a high level of client satisfaction.

Highly skilled Professionals

We have a highly qualified management team with a broad range of experience in the IT industry. Our Chief Executive Officer is an entrepreneur and engineer who has been in the IT industry for over 30 years and has led us from our inception in 1978. Most of our senior management team has worked as a team for over twenty years. We use our competitive r