

Patni Computer Systems LTD
Form 6-K
July 28, 2010

**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 July 28, 2010

PATNI COMPUTER SYSTEMS LIMITED

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

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

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

Form 20-F Form 40-F

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

Edgar Filing: Patni Computer Systems LTD - Form 6-K

Yes No

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



Patni Computer Systems Limited

FAX to SE

Registered Office : S-1A Irani Market Compound, Yerawada , Pune - 411 006, India.

Corporate Office : Akruti , MIDC Cross Road No 21, Andheri (E) , Mumbai - 400 093, India.

Summary of Consolidated financial results of Patni Computer Systems Limited and its subsidiaries for the quarter and six months ended**30 June 2010, prepared as per US GAAP**

US \$ in lakhs except share data

	Quarter ended 30 June		Six months ended 30 June		Year ended 31
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)	December 2009 (Audited)
Net revenues	1,676	1,619	3,398	3,186	6,559
Cost of revenues	1,089	1,057	2,151	2,106	4,213
Gross profit	587	562	1,247	1,080	2,346
Selling, general and administrative expenses	315	278	661	572	1,243
Foreign exchange (gain)/loss, net	(43)	41	(91)	106	97
Operating income	315	243	677	402	1,006
Interest and dividend income	45	26	84	53	112
Interest expense	(1)	(4)	(6)	(11)	(15)
Interest expense reversed					28
Gain on sale of investments, net	21	84	27	86	95
Other income, net	4	6	8	10	19
Income before income taxes	384	355	790	540	1,245
Income taxes	67	68	140	104	47
Net Income	317	287	650	436	1,198
Earnings per share					
- Basic	\$ 0.24	\$ 0.22	\$ 0.50	\$ 0.34	\$ 0.93
- Diluted	\$ 0.24	\$ 0.22	\$ 0.49	\$ 0.34	\$ 0.92
Weighted average number of common shares used in computing earnings per share					
- Basic	129,562,441	128,105,795	129,407,822	128,105,403	128,254,916
- Diluted	133,835,341	128,704,643	133,518,117	128,471,603	130,241,085
Total assets	9,701	8,084	9,701	8,084	9,012
Cash and cash equivalents	675	571	675	571	635
Investments	3,991	2,934	3,991	2,934	3,842

Notes:

- The consolidated financial statements of Patni Computer Systems Limited and its subsidiaries have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP). All inter-company transactions have been eliminated on consolidation.
- Effective 9 June 2010, Patni Americas Inc. acquired 100% equity interest in CHCS Services Inc. from one of its Insurance customer. CHCS Services Inc. is a Third Party Administrator (TPA) and providing services to Insurance companies. The primary purpose for the acquisition is to step into the market of TPA in the Insurance and Healthcare Sector, deliver end-to-end platform based solutions and TPA services to insurance providers' back-office transactions. The terms of the

Edgar Filing: Patni Computer Systems LTD - Form 6-K

Stock Purchase Agreement provides for the payment of consideration of \$60 and an amount equal to the working capital to the selling shareholders. This transaction has been accounted using the purchase method of accounting. The purchase price of \$72 has been allocated to the acquired assets and assumed liabilities based on management's estimates.

3 In June 2010, Patni, through its wholly owned subsidiary, Patni UK, acquired from one of its customer, an existing software Intellectual Property Rights (IPR) which is used for education sector management in UK and Ireland. Cost of acquisition of the IPR and marketing rights amounting to \$120 has been capitalized as an intangible asset and is being amortized over a period of seven years. The Company intends to increase the revenue by sale of licenses in certain geographies along with significant use in horizontals other than learning domain.

4 In June 2010, Patni Computer Systems Japan Inc. has entered into Joint Venture Agreement (49% stake) with J R Kyushu System Solutions Inc. The Joint Venture Company J R Kyushu Patni Systems Inc. has been incorporated on 1st July 2010.

5 In December 2008, the Company received a demand of approximately Rs. 4,587 for the Assessment Year (A.Y.) 2003-04 including an interest demand of Rs. 2,587 (\$99 including an interest demand of approximately \$56) and another demand in January 2009 of approximately Rs. 11,330 for the A. Y. 2005-06 including an interest demand of approximately Rs. 4,225 (\$244 including an interest demand of approximately \$91). These new demands concerns the same issue of disallowance of tax benefits under Section 10A of the Indian Income Tax Act, 1961(ACT) as per earlier assessments. Subsequently, in June 2010, the Company has filed an extension for stay of demand.

As per stay of demand order, till June 2010, the Company has paid sum of Rs. 660 (\$14) for the A. Y. 2003-04 and Rs. 2,391 (\$51) for the A.Y. 2005-06 as regards the matter under appeal. Management considers these demands as not tenable against the Company, and, therefore, no provision for this tax contingency has been established.

The tax department had earlier rejected the Company's claim under section 10A of the Act and raised a demand of approximately Rs. 6,302 (\$136 including an interest demand of approximately \$40) for A.Y. 2004-05 and Rs. 2,617 (\$ 56 including an interest demand of approximately \$ 30) for A.Y. 2002-03 in December 2006 and December 2007, respectively. However on appeal, in 2008 the CIT (Appeals) had allowed the claim under section 10A of the Act. The Indian Income tax department has appealed against the CIT (Appeals) orders in respect of A.Y. 2002-03 and 2004-05 in the tribunal. Management considers these demands as not tenable against the Company, and, therefore, no provision for this tax contingency has been established.

In December 2009 the Income tax department has issued draft assessment order for A.Y.2006-07 disallowing 10A deduction of the Indian Income Tax Act, 1961 as per the earlier assessments, as well as making a Transfer Pricing Adjustment for the Company's BPO operations. The company has filed the objections against the draft order before the Dispute Resolution Panel (DRP) newly set up under the Income Tax Act, 1961. Management considers these demands as not tenable against the Company, and, therefore, no provision for this tax contingency has been established.

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 ordinary course of business. There are no such matters pending that the Company expects to be material in relation to its business.

6 Previous period's figures have been appropriately reclassified/regrouped to conform to the current period's presentation.

7 The above summary of consolidated financial results was taken on record by the Board of Directors at its adjourned meeting held on 28 July 2010.

Summary of financial statements prepared as per US GAAP - Convenience translation (Unaudited)

Rs. in lakhs except share data

	Quarter ended 30 June		Six months ended 30 June		Year ended 31
	2010	2009	2010	2009	December 2009
Exchange Rate (Rs.)	46.41	47.74	46.41	47.74	46.4
Net revenues	77,763	77,291	157,733	152,078	304,346
Cost of revenues	50,519	50,446	99,841	100,509	195,487
Gross profit	27,244	26,845	57,892	51,569	108,859
Selling, general and administrative expenses	14,607	13,290	30,669	27,286	57,665
Foreign exchange (gain)/loss, net	(1,976)	1,972	(4,189)	5,076	4,497
Operating income	14,613	11,583	31,412	19,207	46,697
Interest and dividend income	2,071	1,239	3,907	2,539	5,208
Interest expense	(27)	(194)	(252)	(525)	(693)
Interest expense reversed					1,303
Gain on sale of investments, net	966	4,002	1,245	4,071	4,393
Other income, net	211	312	367	481	879
Income before income taxes	17,834	16,942	36,679	25,773	57,787
Income taxes	3,105	3,258	6,492	4,948	2,208
Net Income	14,729	13,684	30,187	20,825	55,579
Earnings per share					
- Basic	11.37	10.68	23.33	16.26	43.33
- Diluted	11.01	10.63	22.61	16.21	42.67
Total assets	450,242	385,925	450,242	385,925	418,148
Cash and cash equivalents	31,349	27,253	31,349	27,253	29,445
Investments	185,203	140,077	185,203	140,077	178,268

Disclaimer:

We have translated the financial data derived from our consolidated financial statements prepared in accordance with US GAAP for each period at the noon buying rate in the City of New York on the last business day of such period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The translations should not be considered as a representation that such US Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated above, or at all. Investors are cautioned not to rely on such translated amounts.

**By Order of the Board
for Patni Computer Systems Limited**

**Mumbai
28 July 2010**

Jeya Kumar
Chief Executive Officer

Edgar Filing: Patni Computer Systems LTD - Form 6-K

Audited consolidated financial results of Patni Computer Systems Limited and its subsidiaries for the quarter and six months ended 30 June 2010, as per Indian GAAP.

Rs. in lakhs except share data

	Quarter ended 30 June		Six months ended 30 June		Year ended 31
	2010 (Audited)	2009 (Audited)	2010 (Audited)	2009 (Audited)	December 2009 (Audited)
Income					
Sales and service income	76,288	77,965	154,451	155,609	314,615
Other operating income	2,577	(1,353)	5,853	(3,921)	(2,835)
	78,865	76,612	160,304	151,688	311,780
Expenditure					
Personnel costs	45,389	44,403	91,009	91,197	183,573
Selling, general and administration costs	16,485	15,616	32,193	32,438	64,435
Depreciation (net of transfer from revaluation reserves)	2,908	5,408	5,771	8,290	14,208
	64,782	65,427	128,973	131,925	262,216
Profit from Operations before Other Income and Interest					
Other income	14,083	11,185	31,331	19,763	49,564
	2,680	5,381	4,650	6,666	11,081
Profit Before Interest	16,763	16,566	35,981	26,429	60,645
Interest costs	28	197	247	587	772
Profit from Ordinary Activities before tax	16,735	16,369	35,734	25,842	59,873
Provision for taxation	3,504	2,749	8,560	5,081	5,445
MAT credit entitlement	(1,443)	2,061	(78)	2,671	(3,204)
Provision for taxation - Fringe benefits		101		241	158
Net profit for the period/year	14,674	13,597	30,378	21,249	58,661
Paid up equity share capital (Face value per equity share of Rs. 2 each)	2,598	2,562	2,598	2,562	2,583
Reserves excluding revaluation reserves					350,590
Earnings per equity share of Rs.2 each					
- Basic	11.33	10.61	23.47	16.59	45.74
- Diluted	10.93	10.49	22.68	16.48	44.93
Dividend per share (Face value per equity share of Rs. 2 each)					3.00

Notes:

Edgar Filing: Patni Computer Systems LTD - Form 6-K

1 The consolidated financial statements of Patni Computer Systems Limited and its subsidiaries have been prepared in accordance with the principles and procedures as prescribed by the Accounting Standard on Consolidated Financial Statements, mandated by Rule 3 of the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards (NACAS), the provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India (SEBI).

2 The financial statements of Patni Computer Systems Limited and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. The amounts shown in respect of accumulated reserves comprise of the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries. Consolidated financial statements are prepared using uniform accounting policies across the Group.

3 The subsidiaries considered in the consolidated financial statements as of 30 June 2010 are wholly owned subsidiaries, namely Patni Americas, Inc., Patni Computer Systems (UK) Limited, Patni Computer Systems GmbH, Patni Telecom Solutions Inc., Patni Telecom Solutions Private Limited, Patni Telecom Solutions (UK) Limited, Patni Life Sciences Inc., Patni Computer Systems (Czech) s.r.o, Patni Computer Systems Brasil Ltda, PCS Computer Systems Mexico SA de CV, Patni (Singapore) Pte. Ltd., Patni Computer Systems Japan Inc. and CHCS Services Inc.

4 Statement of Assets and Liabilities as of 30 June 2010

Particulars	As of 30 June	
	2010	2009
Shareholders funds		
a) Share Capital	6,132	2,703
b) Reserves and surplus	381,641	312,711
Loan funds		
Secured loans	77	131
Deferred tax liability, net	884	1,543
TOTAL	388,734	317,088
Goodwill	49,566	48,753
Fixed assets, net	85,942	86,663
Investments	185,104	139,269
Deferred tax asset, net	7,974	10,083
Current assets, loans and advances		
a) Sundry debtors	54,591	48,213
b) Cash and bank balances	31,377	27,402
c) Unbilled revenue	20,244	16,671
d) Loans and advances	30,079	22,106
Less: Current liabilities and provisions		
a) Liabilities	46,152	50,006
b) Provisions	29,991	32,066
TOTAL	388,734	317,088

* Share Capital includes Share application money Rs. 72 (June 2009: Rs. 15) and Stock option outstanding Rs.3,462 (June 2009: Rs. 126)

Edgar Filing: Patni Computer Systems LTD - Form 6-K

5 Investor complaints for the quarter ended 30 June 2010:

	Received during the quarter	Disposed off during the quarter	Unresolved at the end of the quarter
Pending as of 1 April 2010	16	16	

Edgar Filing: Patni Computer Systems LTD - Form 6-K

6 Statement of Utilisation of ADS Funds as of 30 June 2010:

	No of shares	Price	Amount
Amount raised through ADS (6,156,250 ADSs @ \$20.34 per ADS)	12,312,500	466	57,393
Share issue expenses			3,694
Net proceeds			53,699
Deployment :			
1 Held as short term investments			9,034
2 Utilised for Capital expenditure for office facilities			43,457
3 Exchange loss			1,208
Total			53,699

7 Total Public Shareholding*

	2010	As of 30 June 2009	As of 31 December 2009
- Number of Shares	32,414,978	30,021,007	32,479,658
- Percentage of Shareholding	24.96%	23.43%	25.15%

* Total Public Shareholding as defined under Clause 40A of the Listing Agreement (excludes shares held by founders and American Depository Receipt shareholders).

Promoters and Promoter group Shareholding

	2010	As of 30 June 2009	As of 31 December 2009
a) Pledge/Encumbered			
Number of shares	Nil	Nil	Nil
Percentage of shares (as a % of the total shareholding of promoters and promoter group)	Nil	Nil	Nil
Percentage of shares (as a % of the total share capital of the Company)	Nil	Nil	Nil
B) Non-encumbered			
Number of shares	60,091,202	61,974,202	60,091,202
Percentage of shares (as a % of the total shareholding of promoters and promoter group)	100.00%	100.00%	100.00%
Percentage of shares (as a % of the total share capital of the Company)	46.26%	48.38%	46.54%

Edgar Filing: Patni Computer Systems LTD - Form 6-K

- 8 Paid up equity share capital does not include Rs. 72 (2009 : Rs. Nil) which represents share application money received from employees, on exercise of stock options, pending allotment of shares.
- 9 Effective 9 June 2010, Patni Americas Inc. acquired 100% equity interest in CHCS Services Inc. from one of its Insurance customer. CHCS Services Inc. is a Third Party Administrator (TPA) and providing services to Insurance companies. The primary purpose for the acquisition is to step into the market of TPA in the Insurance and Healthcare Sector, deliver end-to-end platform based solutions and TPA services to insurance providers back-office transactions. The terms of the Stock Purchase Agreement provides for the payment of consideration of Rs. 2,797 and an amount equal to the working capital to the selling shareholders. This transaction has been accounted using the purchase method of accounting. The excess of purchase price of Rs. 3,334 over the book value of assets and liabilities aggregating Rs. 2,149 has been accounted as goodwill.
- 10 In June 2010, Patni, through its wholly owned subsidiary, Patni UK, acquired from one of its customer, an existing software Intellectual Property Rights (IPR) which is used for education sector management in UK and Ireland. Cost of acquisition of the IPR and marketing rights amounting to Rs. 5,580 has been capitalized as an intangible asset and is being amortized over a period of seven years. The Company intends to increase the revenue by sale of licenses in certain geographies along with significant use in horizontals other than learning domain.
- 11 In June 2010, Patni Computer Systems Japan Inc. has entered into Joint Venture Agreement (49% stake) with J R Kyushu System Solutions Inc. The Joint Venture Company J R Kyushu Patni Systems Inc. has been incorporated on 1 July 2010.
- 12 In December 2008, the Company received a demand of approximately Rs. 4,587 for the Assessment Year (A.Y.) 2003-04 including an interest demand of Rs. 2,586 and another demand in January 2009 of approximately Rs. 11,330 for the A.Y. 2005-06 including an interest demand of approximately Rs. 4,225. These new demands concern the same issue of disallowance of tax benefits under Section 10A of the Indian Income Tax Act, 1961 (ACT) as per earlier assessments. Subsequently, in June 2010, the Company has filed an extension for stay of demand. As per stay of demand order, till June 2010, the Company has paid a sum of Rs. 660 for the A. Y. 2003-04 and Rs. 2,391 for the A. Y. 2005-06 as regards the matter under appeal. Management considers these demands as not tenable against the Company, and, therefore, no provision for this tax contingency has been established.

The Tax department had earlier rejected the Company's claim under section 10A and raised a demand of Rs. 6,302 for A.Y. 2004-05 and Rs. 2,617 for AY 2002-03 in December 2006 and December 2007 respectively. However on appeal in 2008, the CIT (Appeals) had allowed the claim under section 10A of the Income Tax Act, 1961. The Indian Income tax department has appealed against the CIT (Appeals) orders in respect of A. Y. 2002-03 and 2004-05 in the tribunal. Management considers these demands as not tenable against the Company and, therefore, no provision for this tax contingency has been established.

In December 2009 the Income tax department has issued draft assessment order for A.Y. 2006-07 disallowing 10A deduction of the Indian Income Tax Act, 1961 as per the earlier assessments, as well as making a Transfer Pricing Adjustment for BPO operations of the Company. The Company has filed the objections against the draft order before the Dispute Resolution Panel (DRP) newly set up under the Income Tax Act, 1961. Management considers these demand as not tenable against the Company and in absence of any demand raised at this juncture, no provision is required.

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 ordinary course of business. There are no such matters pending that the Company expects to be material in relation to its business.

- 13 The Finance Act, 2009 has extended the availability of the 10-year income tax holiday by a period of one year such that the tax holiday will be available until the earlier of fiscal year ending 31 March 2011 or 10 years after the commencement of a Company's undertaking. The fringe benefit tax has also been abolished w.e.f. 1 April 2009.
-

14 Segment Information:

Particulars	Financial services	Insurance	Manufacturing, Retail & Distribution	Communications, Media & Utilities	Product Engineering	Total
For the three months ended 30 June 2010						
Sales and service income	9,336	21,397	23,492	9,189	12,874	76,288
For the six months ended 30 June 2010						
Sales and service income	18,522	44,192	47,503	18,646	25,588	154,451
Balances as at 30 June 2010						
Sundry debtors	6,616	18,230	15,425	7,308	7,012	54,591
Unbilled revenue	2,327	3,982	6,784	3,124	4,026	20,244
Billings in excess of cost and estimated earnings	(161)	(255)	(747)	(108)	(835)	(2,106)
Advance from customers	(126)	(56)	(224)	(115)	(146)	(667)

Particulars	Financial services	Insurance	Manufacturing, Retail & Distribution	Communications, Media & Utilities	Product Engineering	Total
For the three months ended 30 June 2009						
Sales and service income	10,790	23,332	21,460	10,624	11,759	77,965
For the six months ended 30 June 2009						
Sales and service income	21,484	44,709	43,875	21,808	23,733	155,609
Balances as at 31 December 2009						
Sundry debtors	6,269	11,734	18,475	7,924	6,495	50,897
Unbilled revenue	1,047	1,199	3,245	2,523	1,168	9,182
Billings in excess of cost and estimated earnings	(123)	(140)	(1,148)	(465)	(784)	(2,660)
Advance from customers	(152)	(26)	(216)	(115)	(37)	(546)

Industry segments of the Group comprise financial services, insurance services, manufacturing, retail and distribution companies, communications, media and utilities, and technology services (comprising product engineering). The Group evaluates segment performance and allocates resources based on revenue growth. Revenue in relation to segments is categorized based on items that are individually identifiable to that segment. Costs are not specifically allocable to individual segment as the underlying resources and services are used interchangeably. Property, plant and equipment used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the property, plant and equipment and services are used interchangeably between segments.

15 Previous period's figures have been appropriately reclassified/regrouped to conform to the current period's presentation.

16 The above statement of financial results was reviewed by the Audit Committee and approved by the Board of Directors at its adjourned meeting held on 28 July 2010.

**By Order of the Board
for Patni Computer Systems Limited**

**Mumbai
28 July 2010**

Jeya Kumar
Chief Executive Officer

Reconciliation of significant differences between Consolidated Net Income determined in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) and Consolidated Net Income determined in accordance with US Generally Accepted Accounting Principles (US GAAP) (Unaudited)

	Rs. in lakhs				
	Quarter Ended 30 June		Six months ended 30 June		Year ended 31
	2010	2009	2010	2009	December 2009
Consolidated net income as per Indian GAAP	14,674	13,597	30,378	21,249	58,661
Income taxes	(950)	332	(952)	236	(318)
Foreign currency differences	91	59	(114)	488	509
Employee retirement benefits	823	(342)	977	(962)	(419)
ESOP related Compensation Cost	(87)	(310)	(248)	(58)	(471)
Impairment of Intangibles		1,396		1,396	1,396
Business acquisition	(321)	(197)	(557)	(389)	(903)
Others	(3)	54	10	63	(4)
Total	(447)	992	(884)	774	(210)
Consolidated net income as per US GAAP	14,227	14,589	29,494	22,023	58,451

Note:

The consolidated net income as per USGAAP shown in the table above differs from the consolidated net income shown under Summary of financial statements prepared as per USGAAP - Convenience Translation for reasons explained below the same table.

Audited financial results of Patni Computer Systems Limited for the quarter and six months ended 30 June 2010, as per Indian GAAP (Standalone)

Rs. in Lakhs except share data

	Quarter ended 30 June		Six months ended 30 June		Year ended 31
	2010 (Audited)	2009 (Audited)	2010 (Audited)	2009 (Audited)	December 2009 (Audited)
Income					
Sales and service income	45,671	42,749	91,440	83,701	173,486
Other operating income	2,038	(973)	5,521	(4,359)	(3,161)
	47,709	41,776	96,961	79,342	170,325
Expenditure					
Personnel costs	21,801	19,664	43,401	38,610	81,247
Selling, general and administration costs	8,982	7,812	17,605	14,692	31,114
Depreciation (net of transfer from revaluation reserves)					