Financial Performance

Income

Income from software development:

(Rs. in million)

Revenue	Quarter ended June 30, 2008	%	March 31, 2008	%	Growth %
Overseas	2,096	94.3	1,883	92.3	11.3
Domestic	126	5.7	156	7.7	-19.2
Total	**2,222**	**100.0**	**2,039**	**100.0**	**9.0**

Our revenues for the quarter is Rs.2,222 million and have grown by 9% in rupee terms and 5.4% in dollar terms over the previous quarter.

We have 196 active customers as at June 30, 2008 of which 37 are Fortune 500 accounts.

Our million dollar client count is follows:

No of million dollar clients*	Quarter ended June 30, 2008	Quarter ended March 31, 2008
$1 million clients	48	46
$5 million clients	8	6
$10 million clients	2	2

*Based on last 12 months revenues

We provide our software development services on time-and-material basis or fixed-price basis. Revenue from software development on time-and-material basis is recognized as the related services are rendered. Revenue from fixed price contracts is recognised using the proportionate completion method, which is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Our revenues by project type are as follows:

Project Type	Quarter ended June 30, 2008	Quarter ended March 31, 2008
Fixed price	17.5%	19.4%
Time and Material	82.5%	80.6%
Total	**100.0%**	**100.0%**

Our revenue breakdown by service offerings is given below:

Service offerings	Quarter ended June 30, 2008	Quarter ended March 31, 2008
Development	50.4%	50.7%
Maintenance	28.8%	31.5%
Consulting	4.4%	3.5%
Package Implementation	5.2%	4.4%
Independent Testing	6.3%	5.0%
Infrastructure Management and Tech Support	4.7%	4.0%
IP Licensing	0.2%	0.9%
Total	**100.0%**	**100.0%**

We derive revenues from services provided both offshore and onsite. Offshore revenues consist of revenues from software services work conducted in our offshore facilities in India. Onsite revenues consist of revenues from software services work conducted at clients' premises or from our premises outside India. Services performed at a client site or our premises located outside India typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. The mix in this category is as follows:

Effort mix	Quarter ended June 30, 2008	Quarter ended March 31, 2008
Onsite	13.2%	12.4%
Offshore	86.8%	87.6%
Total	**100.0%**	**100.0%**
Revenue mix		
Onsite	27.9%	26.6%
Offshore	72.1%	73.4%
Total	**100.0%**	**100.0%**

We have classified our revenues into four geographic segments comprising the Americas, Europe, India and Rest of the World. The geographic break down of revenues contained in the following table is based on the location of the specific client entity for which the project has been executed, irrespective of the location where the invoice is rendered or whether the work for a specific client entity is performed onsite or from our offshore delivery centres in India.

(Rs million)

Quarter ended	June 30, 2008	%	March 31, 2008	%
America	1,351	60.8	1,308	64.2
Europe	540	24.3	392	19.2
India	103	4.6	129	6.3
Rest of World	228	10.3	210	10.3
Total	**2,222**	**100.0**	**2,039**	**100.0**

Our operations predominantly relate to providing IT services in two primary business segments viz. IT Services and R&D Services. Revenues in these segments are as follows:

(Rs million)

Quarter ended	June 30, 2008	%	March 31, 2008	%	Growth %
IT Services	1,755	79.0	1,620	79.5	8.3
R&D Services	467	21.0	419	20.5	11.5
Total	**2,222**	**100.0**	**2,039**	**100.0**	**9.0**

Under IT Services and R&D Services, we are organized by Industry Groups (Verticals). The revenue mix of these verticals as compared to previous quarter is as below:

IT Services

Quarter ended	**June 30, 2008**	**March 31, 2008**
Manufacturing	23.5%	29.2%
Banking, Financial & Insurance	27.2%	24.8%
Travel and Transportation	19.7%	18.7%
Hitech	10.6%	15.1%
Others	19.0%	12.2%
Total	**100.0%**	**100.0%**

R&D Services

Quarter ended	**June 30, 2008**	**March 31, 2008**
Storage and Servers	37.6%	40.2%
Consumer Appliances	29.9%	28.7%
Communication Systems	16.5%	11.7%
Automotive and Industrial Systems	11.7%	14.6%
Multimarkets	4.3%	4.8%
Total	**100.0%**	**100.0%**

Other income

Other income (mainly comprises of interest on deposits, profit on sale of investments, profit on sale of assets, dividend from investments and miscellaneous income) for the quarter ending June 30, 2008 is Rs.44 million and has decreased by about 30% (YoY). The decrease is mainly because of redemption of investments during the quarter and the proceeds were utilized for acquiring the equity shares in Aztecsoft Limited ('Aztec').

During the current quarter, the Company has acquired 30.59% of outstanding equity shares in Aztec at a cost of Rs. 1,115 million including direct costs of acquisition. Additionally, the Company has also entered into a Share Purchase Agreement (SPA) with a shareholder of Aztec to acquire 32.57 % of the equity shares in Aztec at Rs.80 per share aggregating to a consideration of Rs.1,172.42 million.

Analysis of expenses

- Software development expenses (Rs 1,349 million) as a % of revenue has marginally decreased to 61% for the quarter ended June 30, 2008 as compared to 63% for the quarter ended June 30, 2007. In absolute terms, there was an increase of Rs 331 million (33% YoY). The main reasons for the increase were salary increases (Rs 187 million) which accounted for about 56% of the increase and other increases of staff welfare, travel, communication expenses, subcontractor charges, consumables and rent of Rs 150 million. Expenditure such as software purchases and post contract services decreased by Rs 6 million.
- Administrative expenses (Rs 410 million) as % of revenue has decreased to 18% for the quarter ended June 30, 2008 as compared to 21% for the quarter ended June 30, 2007. In absolute terms, there was an increase of Rs 69 million (20% YoY) mainly due to increases in salary, power and fuel, general overheads and provision for doubtful debts. We had cost

savings in staff training, legal and professional fees, printing & stationery expenses and rates and taxes.
- Interest expense (Rs.24 million) has increased by Rs 15 million (159% YoY) due to additional working capital loan taken during the current quarter.

Profitability and Margins

- EBITDA margins for the quarter ended June 30, 2008 was at 20.8% as compared to 16.1% for the quarter ended June 30, 2007.
- Net Loss of Rs 130 million for the quarter ended June 30, 2008 as compared to Net profit Rs 206 million for the quarter ended June 30, 2007, thereby net profit decreasing by 163%. The loss is due to provision for derivative financial instruments, which do not qualify for cash flow hedge accounting under Accounting Standard (AS) 30. These are USD/INR leverage options entered into by the Company to hedge its revenues. These contracts are economic hedges, but do not meet the definition of qualifying hedges as per AS 30.

Significant changes in Balance Sheet items

- Reserves and Surplus decreased to Rs 4,708 million at June 30, 2008 million as compared to Rs 4,961 million at March 31, 2008 mainly because of exchange loss of Rs.129.5 million which has been debited to hedging reserve of the company on derivative financial instruments which qualify for cash flow hedge accounting.

- Secured loans increased to Rs 1,808 million at June 30, 2008 as compared to Rs 917 million at March 31, 2008 mainly because of increase in working capital loan, which was obtained for general business purpose.

- Additions to fixed assets at June 30, 2008 were Rs 71 million mainly because of Leasehold improvements and computer systems. Additions were on account of capitalization of leasehold improvements of Global Village SEZ building and Chennai SEZ building. Deletions to fixed assets at June 30, 2008 were Rs.43 million mainly because of Leasehold improvements and leased vehicles. Deletion to lease hold improvements were on account for retirement of assets at one of our offices.

- Investments increased to Rs 1,775 million at June 30, 2008 as compared to Rs 1,654 million at March 31, 2008. The net increase is Rs.121 million. During the quarter we had additional investment of 30.59% of equity shares in Aztec amounting to Rs. 1,115 million and redemption of current investments amounting to Rs 994 million.

- The Days Sales Outstanding (DSO) on debtors at June 30, 2008 is 86 days as compared to 87 days at March 31, 2008.