

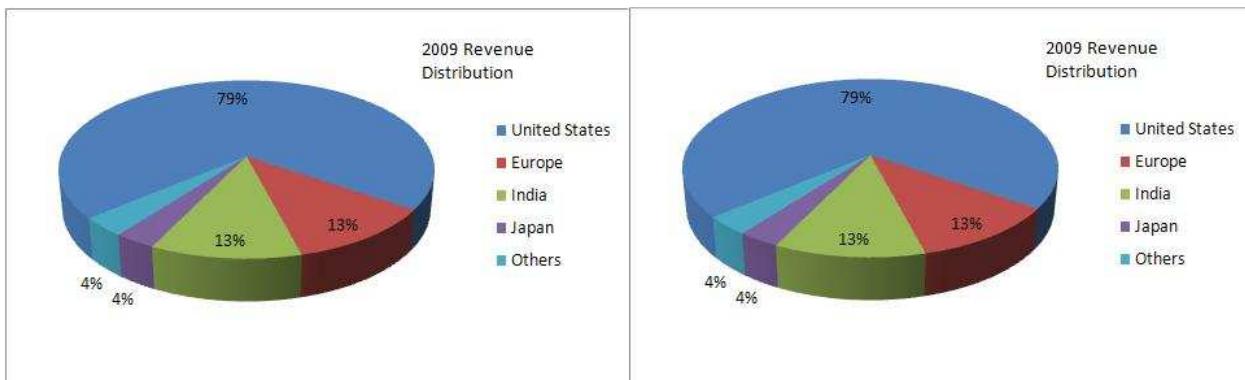
Another Hidden Gem: Patni Computer Systems

Patni systems incorporated on February 10, 1978 under the Indian Companies Act registered at Pune, India and went to public in 2003. Patni is one of the leading information technology service firms with multi-national operations, predominantly in North America. Patni provides comprehensive IT services through onsite and offshore delivery locations primarily in India. Majority of its customer base is in insurance, manufacturing retail and financial service sectors.

In 2009 insurance, manufacturing retail, communications media and financial services accounted for 29.7%, 29.0% 13.5%, and 12.8% of its revenue. Patni's revenue grew from \$ 450.3 million in 2005 to \$ 655.9 million in 2009, at compounded annual growth of 9.9% and net income grew from \$ 60.9 million in 2005 to \$ 119.8 million in 2009, representing a CAGR of 18.4%.

As of 2009, eighty percent of its revenue came from North American customers and rest came from other parts of the world. The revenue trend appears to be more from North America and showing continuous growth in Japan and other countries.

Patni employs around 14,000 IT staff, among them 2200 of them work in US, 11,000 of them in India. For past five years number of employees grew from 11,000 odd to 14,000.



Global Economy and IT Sector:

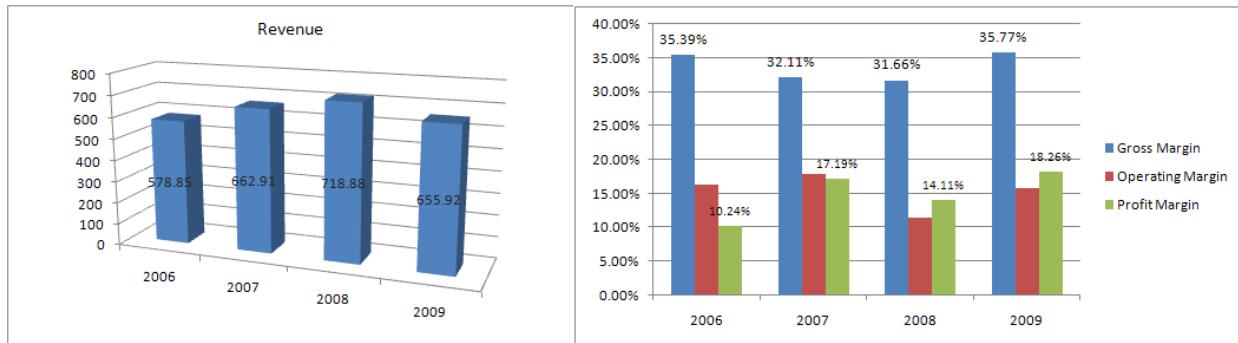
As global economies emerging from great depression caused by housing bubble, easy interests and financial troubles, global economy is expected to grow 3 percent in 2010 and 4% in 2011 from negative one percent growth in 2009. As government spending decline in near future, private spending picks up. Major portion of capital spending among private sector will be in IT spending. For many firms spending on IT infrastructure and IT services makes good tactical strategy in near term. Many firms in US are outsourcing their non-core competencies like IT services to third parties, to stay lean on operating expenses and to focus their efforts on core business practices. That emerging trend is going to help IT service firms like Patni.

Patni competes directly with other Indian software service providers like Tata Consultancy, Wipro, Infosys and Satyam. At global front Patni's major competitors are Accenture, IBM and Cognizant. Patni employs most of their workforce in India where development costs are low and skilled workforce is abundant. Patni's revenue growth, profit margin in align with major players, however its valuation and price ratios are relatively low. That is one of the reasons Patni looks attractive at this level.

Revenue and Margins:

Patni realized aggregate 9.86 percent growth in sales from 2005 to 2009 despite dip in 2009 sales due to great recession. 2009 sales reached \$656 million from \$579 million in 2006; Top 10 customers contribute fifty percent of Patni's revenue in 2009, and 12 percent of revenue from single client.

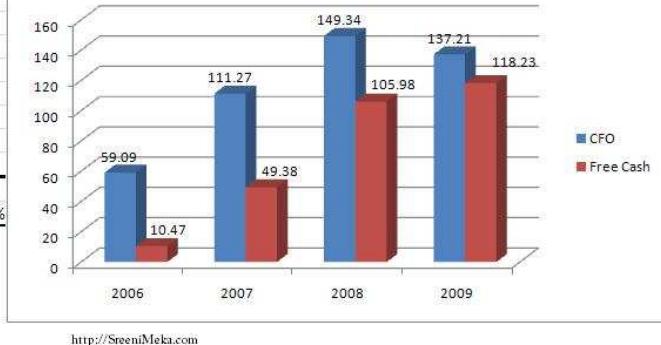
Patni's gross margins stayed at strong 36 percent for past five years. Most of their cost of services include employee salaries and sub contacting expenses.



Excellent Balance sheet:

Patni balance sheet looks very healthy and liquid. Patni has total of \$ 900 million in assets and more than two thirds of it current liquid assets. It's a cash rich company. It is generating around \$2 free cash a year and pacing rapidly. Patni is trading twice the book value and 12.5 times its past year earnings. At this price levels price ratios are very low and compared to its Indian peers it is trading half of the competitor's price levels.

Current Ratio	5.47	Strong Balance Sheet		
Net Working Capital:	448.82 \$mil			
Net Equity	747.03 \$mil			
Tangle Book	658.30 \$mil			
Common Indian Shares	129.13 mil			
Underlying shares for ADS	64.57 mil			
Book Value/Share	\$ 10.20			
EPS	\$ 1.86			
	2009	2008	2007	2006 Avg
ROE	16.03%	17.76%	16.74%	11.65% 15.55%
	2007	2008	2009	
Receivable Turn over	5	6	6	
Payable Turn Over	42	50	57	
Cash Conversion Cycle	61	57	56	
FCFF/Share	\$ 0.71	\$ 1.65	\$ 1.83	



With virtually no debt on balance sheet and rapid growth prospects Patni trading at utter bargain price levels. With niche in financial and insurance sectors any uptrend in financial sector is a big plus for Patni in future.

Risk factors:

Patni's most revenue is derived from US and its revenue stream is correlated with US economy. Dollar strengths and weaknesses and improper foreign currency hedging may impact its foreign currency translation. However most US investors realize less impact and may not realize diversification benefits. Most of Patni employees support client services in India or at client sites in USA and other foreign countries, there by stringent US immigration laws directly impacts its ability to grow its operations abroad. Finally demand for Indian workforce drive put wage pressure on its cost of goods sold, however number of four year engineering degree holders in India reached close to seven to eight hundred thousand this year that is ten to twelve times the US output, significantly dilute wage fears.

Disclosure: Long on Patni and holds Patni.

Reference: 10K statements from SEC EDGAR.