

VIRTUSA CORP (VRTU)

10-K

Annual report pursuant to section 13 and 15(d)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2011
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number 001-33625

VIRTUSA CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3512883
(I.R.S. Employer
Identification Number)

2000 West Park Drive
Westborough, Massachusetts 01581
(Address of principal executive office)

(508) 389-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value per share
(Title of each class)

The NASDAQ Stock Market LLC
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No:

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No:

The aggregate market value of the registrant's voting and non-voting shares of common stock held by non-affiliates of the registrant on September 30, 2010, based on \$9.69 per share, the last reported sale price on the NASDAQ Global Market on that date, was \$182,391,401.

The number of shares outstanding of each of the issuer's class of common stock as of May 25, 2011:

Class	Number of Shares
Common Stock, par value \$0.01 per share	25,413,731

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement for its 2011 annual meeting of stockholders pursuant to Regulation 14A within 120 days of the end of the fiscal year ended March 31, 2011. Portions of the registrant's Proxy Statement are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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Part I

This Annual Report on Form 10-K (the "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. These statements relate to, among other things, our expectations concerning our business strategy. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "seek," "intends," "plans," "estimates," "projects," "anticipates," or other comparable terms. These forward-looking statements involve risk and uncertainties. We cannot guarantee future results, levels of activity, performance or achievements, and you should not place undue reliance on our forward-looking statements. Our actual results may differ significantly from the results discussed in the forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or strategic investments. Factors that might cause such a difference include, but are not limited to, those set forth in "Item 1A. Risk Factors" and elsewhere in this Annual Report. Except as may be required by law, we have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and 8-K reports to the Securities and Exchange Commission (the "SEC").

Item 1. Business.

Overview

Virtusa Corporation (the "Company", "Virtusa", "we", "us" or "our") is a global information technology services company. We use an offshore delivery model to provide a broad range of information technology ("IT") services, including IT consulting, technology implementation and application outsourcing. Using our enhanced global delivery model, innovative platforming approach and industry expertise, we provide cost-effective services that enable our clients to use IT to enhance business performance, reduce their total cost of ownership, accelerate time-to-market, increase productivity and improve their end customers' experience. Headquartered in Massachusetts, we have offices in the United States, the United Kingdom, and the Netherlands and global delivery centers in Bangalore, Hyderabad and Chennai, India, as well as in Colombo, Sri Lanka and Budapest, Hungary.

Our enhanced global delivery model leverages a highly-efficient onsite-to-offshore service delivery mix and proprietary tools and processes to manage and accelerate delivery, foster innovation and promote continual improvement. Our global service delivery teams work seamlessly at our client locations and at our global delivery centers in India, Sri Lanka and Hungary to provide value-added services rapidly and cost-effectively. They do this by using our enhanced global delivery model, which we manage to a 20/80, or better, onsite-to-offshore service delivery mix.

We apply our innovative platforming approach across all of our services. We help our clients combine common business processes and rules, technology frameworks and data into reusable application platforms that can be leveraged across the enterprise to build, enhance and maintain existing and future applications. Our platforming approach enables our clients to continually improve their software platforms and applications in response to changing business needs and evolving technologies while also improving business agility and realizing long-term and ongoing cost savings.

We enable our clients to use IT to accelerate business outcomes, including improving their time-to-market, increasing productivity and improving their end customers' experience. We are able to improve return on investment ("ROI") through our enhanced global delivery model. We also reduce the effort and costs required to maintain and develop IT applications by streamlining and consolidating our clients' applications on an ongoing basis. We believe that our solutions provide our clients with the consultative

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and high-value services associated with large consulting and systems integration firms, the cost-effectiveness associated with offshore IT outsourcing firms and the ongoing benefits of our innovative platforming approach.

We provide our IT services primarily to enterprises engaged in the following industries: communications and technology; banking, financial services and insurance ("BFSI"); and media and information. Our current clients include leading global enterprises such as Aetna Life Insurance Company, British Telecommunications plc ("BT"), Iron Mountain Information Management, Inc., JPMorgan Chase Bank, N.A. ("JPMC"), Fidelity National Information Services, Inc. ("FIS") (f/k/a Metavante Corporation, which was acquired by FIS) ("Metavante"), Thomson Reuters (Healthcare) Inc. ("Thomson"), and leading enterprise software developers such as Pegasystems Inc. We have a high level of repeat business among our clients. For instance, during the fiscal year ended March 31, 2011, 89% of our revenue came from clients to whom we had been providing services for at least one year. Our top ten clients accounted for approximately 60%, 69% and 73% of our total revenue in the fiscal years ended March 31, 2011, 2010 and 2009, respectively. Our largest client, BT, accounted for 14% and 16% of our total revenue in the fiscal years ended March 31, 2011 and 2010, respectively. During the fiscal year ended March 31, 2011, JPMC and Thomson accounted for 12% and 9%, respectively, of our total revenue. For the fiscal year ended March 31, 2010, Metavante and Thomson accounted for 11% and 10% of our revenue, respectively.

We have master services agreements with each of BT, Metavante, Thomson, and JPMC. Pursuant to our 2009 master services agreement ("MSA") with BT, BT has committed to a minimum aggregate expenditure under the MSA of approximately £102 million by March 31, 2013. Our agreement with Thomson has a perpetual term. Our agreement with Metavante remains in effect for the term of any statement of work in effect. Generally we renew our Metavante agreement on an annual basis for a 12-month term. Our current agreement with JPMC expires on December 5, 2014. Our agreements with Metavante, Thomson and JPMC do not provide for any minimum purchase obligations. All of these agreements generally may be terminated without additional liability by our clients (although BT is liable for certain minimum commitments per the above) for convenience on written notice of between 30 and 90 days, as well as by either party upon an uncured, material breach of the other party. There can be no assurance that these agreements will not be terminated or further amended prior to the end of their terms. The agreements with these clients also contain provisions for warranties, insurance, indemnification, limitations of liability, liquidated damages (in the case of BT), and other customary terms and conditions.

Our solution

We deliver a broad range of IT services using an enhanced global delivery model and an innovative platforming approach to application rationalization. We have significant domain expertise in IT-intensive industries, including communications and technology, BFSI and media and information. We enable our clients to leverage IT to improve business performance, use IT assets more effectively and optimize IT costs.

Broad range of IT services. We provide a broad range of IT services, either individually or as part of an end-to-end solution, from business and IT consulting and technology implementation to application outsourcing. Our IT consulting services include strategic activities such as up front business case development and ROI, technology roadmaps, architecture services, and application portfolio assessment. Our technology implementation services include application development, systems integration, legacy system conversion and enablement, and quality assurance ("QA") and testing services. Our application outsourcing services include application enhancement, maintenance and infrastructure management. We also use our solution based service offerings, which are based on specialty skills and domain expertise in areas such as enterprise content management, data warehousing and business intelligence, business process management, mobility, cloud computing and social media, to accelerate business outcomes and improve the customer experience.

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Enhanced global delivery model. We believe we have an enhanced and integrated global delivery model. Our enhanced global delivery model leverages a highly-efficient onsite-to-offshore service delivery mix and proprietary tools and processes to manage and accelerate delivery, foster innovation and promote continual improvement. We manage to a 20/80, or better, onsite-to-offshore service delivery mix, which allows us to provide value-added services rapidly and cost-effectively. During the past four fiscal years, we performed more than 80% of our total billable hours at our offshore global delivery centers. Our onsite client service teams are comprised of senior technical and industry experts who work on an integrated basis with our offshore teams in India and Sri Lanka. We leverage our global delivery model across all of our service offerings.

Platforming approach. We apply an innovative platforming approach across our IT consulting, technology implementation and application outsourcing services to rationalize IT application portfolios and reduce costs, increase productivity and improve the efficiency and effectiveness of our clients' IT application environments. As part of our platforming approach, we assess our clients' application environments to identify common elements, such as business processes and rules, technology frameworks and data. We incorporate those common elements into one or more application platforms that can be leveraged across the enterprise to build, enhance and maintain existing and future applications in a leaner environment. Our platforming approach enables our clients to continually improve their software platforms and applications in response to changing business needs and evolving technologies while also realizing long-term and ongoing cost savings.

Services

We provide a broad range of IT consulting, technology implementation and application outsourcing services to our clients, either individually or as part of an end-to-end solution.

IT consulting services

We provide IT consulting services to assist our clients with their continually-changing IT environments. Our goal is to help them to continually improve the effectiveness and efficiency of their IT application environments by adopting and evolving towards re-useable software platforms. We help clients analyze business and/or technology problems and identify and design platform-based solutions. We also assist our clients in planning their IT initiatives and transition plans.

Our IT consulting services include the following assessment and planning, architecture and design and governance-related services:

Assessment and Planning Services	Architecture and Design Services	Governance-Related Services
<ul style="list-style-type: none">• application inventory and portfolio assessment	<ul style="list-style-type: none">• enterprise architecture analysis	<ul style="list-style-type: none">• program governance and change management
<ul style="list-style-type: none">• business/technology alignment analysis	<ul style="list-style-type: none">• technology roadmaps	<ul style="list-style-type: none">• program management planning
<ul style="list-style-type: none">• IT strategic planning	<ul style="list-style-type: none">• product evaluation and selection	<ul style="list-style-type: none">• IT process/methodology consulting
<ul style="list-style-type: none">• quality assurance process consulting	<ul style="list-style-type: none">• business process analysis and design	

On November 4, 2009, we expanded our service offerings and domain expertise in the insurance and healthcare industries through the acquisition of InSource Holdings, Inc. ("InSource") and now offer additional services such as evaluation, assessment and remediation services for health care payers and providers related to The International Statistical Classification of Diseases and Related Health Problems 10th Revision ("ICD-10").

During our consulting engagements, we often leverage proprietary frameworks and tools to differentiate our services from our competitors and to accelerate delivery. Examples of these frameworks and tools include our Strategic Enterprise Information Roadmap framework, our Business Process Visualization tools and our Accelerated Solution Design Workshops ("ASD Workshops"). We believe that our consulting

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services are further differentiated by our ability to leverage our global delivery model for our engagements. Our onsite teams work directly with our clients to understand and analyze the current-state problems and to design the conceptual solutions. Our offshore teams work seamlessly with our onsite teams to design and expand the conceptual solution, research alternatives, perform detailed analyses, develop prototypes and proofs-of-concept and produce detailed reports. We believe that this approach reduces cost, allows us to explore more alternatives in the same amount of time and improves the quality of our deliverables.

Technology implementation services

Our technology implementation services involve building, testing and deploying IT applications, and consolidating and rationalizing our clients' existing IT applications and IT environments into platforms.

Our technology implementation services include the following development, legacy asset management, data warehousing and testing services:

Development Services	Legacy Asset Management Services	Data Warehousing Services	Testing Services
<ul style="list-style-type: none"> • application development 	<ul style="list-style-type: none"> • systems consolidation and rationalization 	<ul style="list-style-type: none"> • data management and transformation 	<ul style="list-style-type: none"> • testing frameworks
<ul style="list-style-type: none"> • package implementation and integration 	<ul style="list-style-type: none"> • technology migration and porting 	<ul style="list-style-type: none"> • business intelligence, reporting and decision support 	<ul style="list-style-type: none"> • automation of test data and cases
<ul style="list-style-type: none"> • software product engineering 	<ul style="list-style-type: none"> • web-enablement of legacy applications 		<ul style="list-style-type: none"> • test cycle execution
<ul style="list-style-type: none"> • Business Process Management implementations 			
<ul style="list-style-type: none"> • Enterprise Content Management 			

Our technology implementation services are typically characterized by short delivery cycles, stringent service levels and evolving requirements. We have incorporated rapid, iterative development techniques into our approach, extensively employing prototyping, solution demonstration labs and other collaboration tools that enable us to work closely with our clients to understand and adapt to their changing business needs. Through our ASD Workshops, we are able to develop and deploy applications quickly, often within solution delivery cycles of less than three months. We provide technology implementation services across Microsoft and Java-based client-server and mainframe technologies.

On February 1, 2010, we extended our enterprise application, rationalization and modernization capabilities and service offerings through the acquisition of the business of ConVista Consulting, LLC ("ConVista") and now offer a wide range of financial transformation services built on the SAP platform.

Application outsourcing services

We provide a broad set of application outsourcing services that enable us to provide comprehensive support for our clients' software applications and platforms. We endeavor to continually improve the applications under our management and to evolve our clients' IT applications into leverageable platforms.

Our application outsourcing services include the following application and platform management, infrastructure management and quality assurance management services:

Application and Platform Management Services	Infrastructure Management Services	Quality Assurance Management Services
<ul style="list-style-type: none"> • production support 	<ul style="list-style-type: none"> • systems administration 	<ul style="list-style-type: none"> • outsourcing of quality assurance planning
<ul style="list-style-type: none"> • maintenance and enhancement of custom-built and package-based applications 	<ul style="list-style-type: none"> • database administration 	<ul style="list-style-type: none"> • preparation of test cases, scripts and data
<ul style="list-style-type: none"> • ongoing software engineering services for software companies 	<ul style="list-style-type: none"> • monitoring 	<ul style="list-style-type: none"> • execution of test cases, scripts and data

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We believe that our application outsourcing services are differentiated because they are based on the principle of migrating installed applications to flexible platforms that can sustain further growth and business change. We do this by:

- developing a roadmap for the evolution of applications into platforms
- establishing an ongoing planning and governance process for managing change
- analyzing applications for common patterns and services
- identifying application components that can be extended or enhanced as core components
- integrating new functions, features and technologies into the target architecture

Platforming approach

Our platforming approach is embodied in a set of proprietary processes, tools and frameworks that address the fundamental challenges confronting IT executives. These challenges include the rising costs of technology ownership and the need to accelerate time-to-market, improve service and enhance productivity.

Our platforming approach draws from analogs in industries that standardize on platforms composed of common components and assemblies used across multiple product lines. Similarly, we work with our clients to evolve their diverse software assets into unified, rationalized software platforms. Our platforming approach leads to simplified and standardized software components and assemblies that work together harmoniously and readily adapt to support new business applications. For example, a software platform for trading, once developed within an investment bank, can be the foundation for the bank's diverse trading applications in equities, bonds and currencies. Our platforming approach stands in contrast to traditional enterprise application development projects, where different applications remain separate and isolated from each other, replicating business logic, technology frameworks and enterprise data.

At the center of our platforming approach is a five-level maturity framework that allows us to adapt our service offerings to meet our clients' unique needs. Level 1 maturity in our platforming approach represents traditional applications where every line of code is embedded and unique to the application and every application is monolithic. Level 2 applications are less monolithic and more flexible and demonstrate characteristics such as configurability and customizability. Level 3 applications are advanced applications where the common code components and software assets are leveraged across multiple application families and product lines. Level 4 applications are framework-driven where the core business logic is reused with appropriate custom logic built around it. At the highest level of maturity are Level 5 applications, where platforms are greatly leveraged to simplify and accelerate application development and maintenance.

At lower levels of maturity, few assets are created and reused. Consequently, agility, total cost of ownership and ability to quickly meet client needs are sub-optimal. As organizations mature along this continuum, from Level 1 to Level 5, substantial intellectual property is created and embodied in software platforms that enable steady gains in agility, reduce overall cost of ownership and accelerate time-to-market.

Our platforming approach improves software quality and IT productivity. Software assets within platforms are reused across applications, their robustness and quality improve with time and our clients are able to develop software with fewer defects. A library of ready-made building blocks significantly enhances productivity and reduces software development risks compared to traditional methods. This establishes a cycle of continual improvement in that the more an enterprise embraces platform-based solutions, the better the quality of its applications will be, and the less the effort required to build, enhance and maintain them.

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Global delivery model

We have developed an enhanced global delivery model that allows us to provide innovative IT services to our clients in a flexible, cost-effective and timely manner. Our model leverages an efficient onsite-to-offshore service delivery mix and our proprietary Global Innovation Process ("GIP"), to manage and accelerate delivery, foster innovation and promote continual improvement.

We manage to a highly-efficient 20/80, or better, onsite-to-offshore service delivery mix, which allows us to cost-effectively deliver value-added services and rapidly respond to changes in resources and requirements. During the past four fiscal years, we performed at least 80% of our total annual billable hours at our offshore global delivery centers. Using our global delivery model, we generally maintain onsite teams at our clients' locations and offshore teams at one or more of our global delivery centers. Our onsite teams are generally composed of program and project managers, industry experts and senior business and technical consultants. Our offshore teams are generally composed of project managers, technical architects, business analysts and technical consultants. These teams are typically linked together through common processes and collaboration tools and a communications infrastructure that features secure, redundant paths enabling seamless global collaboration. Our global delivery model enables us to provide around-the-clock, world-class execution capabilities that span multiple time zones.

Our enhanced global delivery model is built around our proprietary GIP, which is a software lifecycle methodology that combines our decade-long experience building platform-based solutions for global clients with leading industry standards such as Rational Unified Process, eXtreme Programming, Capability Maturity Model and Product Line Engineering. By leveraging GIP templates, tools and artifacts across diverse disciplines such as requirements management, architecture, design, construction, testing, application outsourcing and production support, each team member is able to take advantage of tried and tested software engineering and platforming best practices and extend these benefits to clients.

We have adapted and incorporated modern techniques designed to accelerate the speed of development into GIP, including rapid prototyping, agile development and eXtreme Programming. During the initial process-tailoring phase of an engagement, we work with the client to define the specific approach and tools that will be used for the engagement. This process-tailoring takes into consideration the client's business objectives, technology environment and currently-established development approach. We believe our innovative approach to adapting proven techniques into a custom process has been an important differentiator. For example, a large high-tech manufacturer engaged us to use our process-tailoring approach to design a common, standards-based development process for use by its own product development teams.

The backbone of GIP is our global delivery operations infrastructure. This infrastructure combines enabling tools and specialized teams that assist our project teams with important enabling services such as workforce planning, knowledge management, integrated process and program management and operational reporting and analysis.

Two important aspects of our global delivery model are innovation and continual improvement. A dedicated process group provides three important functions: they continually monitor, test and incorporate new approaches, techniques, tools and frameworks into GIP; they advise project teams, particularly during the process-tailoring phase; and they monitor and audit projects to ensure compliance. New and innovative ideas and approaches are broadly shared throughout the organization, selectively incorporated into GIP and deployed through training. Clients also contribute to innovation and improvement as their ideas and experiences are incorporated into our body of knowledge. We also seek regular informal and formal client feedback. Our global leadership and executive team regularly interacts with client leadership and each client is typically given a formal feedback survey on a quarterly basis. Client feedback is qualitatively and quantitatively analyzed and forms an important component of our teams' performance assessments and our continual improvement plans.

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Sales and marketing

Our global sales, marketing and business development teams seek to develop strong relationships with IT and business executives at prospective and existing clients to establish long-term business relationships that continue to grow in size and strategic value. As of March 31, 2011, we had 127 marketing and business development professionals, including sales managers, sales representatives, client service partners, account managers, telemarketers, sales support personnel and marketing professionals.

The sales cycle for our services often includes initiating contact with a prospective client, understanding the prospective client's business challenges and opportunities, performing discovery or assessment activities, submitting proposals, providing client case studies and references and developing proofs-of-concept or solution prototypes. We organize our sales teams in strategic business units by geography and with professionals who have specialized industry knowledge. This industry focus enables our sales teams to better understand the prospective client's business and technology needs and to offer appropriate industry-focused solutions.

Sales and sales support. Our sales and sales support teams focus primarily on identifying, targeting and building relationships with prospective clients. These teams are supported in their efforts by industry specialists, technology consultants and solution architects, who work together to design client-specific solution proposals. Our sales and sales support teams are based in offices throughout the United States, Europe, India and Sri Lanka.

Account management. We assign experienced account managers who build and regularly update detailed account development plans for each of our clients. These managers are responsible for developing strong working relationships across the client organization, working day-to-day with the client and our service delivery teams to understand and address the client's needs. Our account managers work closely with our clients to develop a detailed understanding of their business objectives and technology environments. We use this knowledge to identify and target additional consulting engagements and other outsourcing opportunities.

Marketing. We maintain a marketing presence in the United States, Europe, including the United Kingdom and the Netherlands, India and Sri Lanka. Our marketing team seeks to build our brand awareness and generate target lists and sales leads through industry events, press releases, thought leadership publications, direct marketing campaigns and referrals from clients, strategic alliances and industry analysts. The marketing team maintains frequent contact with industry analysts and experts to understand market trends and dynamics.

Strategic alliances. We have strategic alliances with software companies, some of which are also our clients, to provide services to their customers. We believe these alliances differentiate us from our competition. Our extensive engineering, quality assurance and technology implementation and support services to software companies enable us to compete more effectively for the technology implementation and support services required by their customers. In addition, our strategic alliances with software companies allow us to share sales leads, develop joint account plans and engage in joint marketing activities.

Clients and industry expertise

We market and provide our services to companies in North America, Europe, the Middle East, India and Sri Lanka. For additional discussion regarding geographic information, see note 18 to our consolidated financial statements included elsewhere in this Annual Report. A majority of our revenue for the fiscal year ended March 31, 2011 was generated from Forbes Global 2000 firms or their subsidiaries. We believe that our regular, direct interaction with senior executives at these clients, the breadth of our client relationships and our reputation within these clients as a thought leader differentiates us from our competitors. The strength of our relationships has resulted in significant recurring revenue from existing

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clients. In the fiscal year ended March 31, 2011, 65% of our revenue came from clients who spent more than \$5 million with us and 81% of our revenue came from clients who spent more than \$2 million with us. Our largest client, BT, accounted for 14% and 16% of our total revenue in the fiscal years ended March 31, 2011 and 2010, respectively. During the fiscal year ended March 31, 2011, JPMC and Thomson accounted for 12% and 9%, respectively, of our total revenue. For the fiscal year ended March 31, 2010, Metavante and Thomson accounted for 11% and 10%, respectively, of our revenue.

We focus primarily on three industries: communications and technology, BFSI and media and information. We build expertise in these industries through our customer experience and industry alliances, by hiring industry specialists and by training our business analysts and other team members in industry-specific topics. Drawing on this expertise, we strive to develop industry-specific perspectives and services.

Communications and technology. For our communications clients, we focus on customer service, sales and billing functions and regulatory compliance and help them improve service levels, shorten time-to-market and modernize their IT environments. For our technology clients, which include hardware manufacturers and software companies, we provide a wide range of industry-specific service offerings, including product management services, product architecture, engineering and quality assurance services, and professional services to support product implementation and integration. These clients often employ cutting-edge technology and generally require strong technical skills and a deep understanding of the software product lifecycle.

Banking, financial services and insurance. We provide services to clients in the retail, wholesale and investment banking areas; financial transaction processors; and insurance companies encompassing life, property-and-casualty and health insurance. For our BFSI clients, we have developed industry-specific services for each of these sectors, such as an account opening framework for banks, compliance services for financial institutions and customer self-service solutions for insurance companies. The need to rationalize and consolidate legacy applications is pervasive across these industries and we have tailored our platforming approach to address these challenges.

Media and information. For our media and information clients, we focus primarily on solutions involving electronic publishing, online learning, content management, information workflow and mobile content delivery as well as personalization, search technology and digital rights management. Many media and information providers are focused on building common platforms that provide customized content from multiple sources, customized and delivered to many consumers using numerous delivery mechanisms. We believe our platforming approach is ideally suited to these opportunities.

Competition

The IT services market in which we operate is highly competitive, rapidly evolving and subject to shifting client needs and expectations. This market includes a large number of participants from a variety of market segments, including:

- offshore IT outsourcing firms, such as Cognizant Technology Solutions Corporation, HCL Technologies Limited, Infosys Technologies Limited, Patni Computer Systems Limited (recently acquired by iGate Corporation), Tata Consultancy Services Limited, Tech Mahindra Limited and Wipro Limited
- consulting and systems integration firms, such as Accenture Ltd., Cap Gemini S.A., Computer Sciences Corporation, Deloitte Consulting LLP, IBM Global Services Consulting and Sapient Corporation

We also occasionally compete with in-house IT departments, smaller vertically-focused IT service providers and local IT service providers based in the geographic areas where we compete. We expect additional competition from offshore IT outsourcing firms in emerging locations such as Eastern Europe, Latin

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America and China, as well as offshore IT service providers with facilities in less expensive geographies within India.

We believe that the principal competitive factors in our business include technical expertise and industry knowledge, a breadth of service offerings to provide one-stop solutions to clients, a well-developed recruiting, training and retention model, responsiveness to clients' business needs and quality of services. We believe that we compete favorably with respect to these factors. Many of our competitors, however, have significantly greater financial, technical and marketing resources and a greater number of IT professionals than we do. We cannot assure you that we will continue to compete favorably or that we will be successful in the face of increasing competition.

Human resources

We seek to maintain a culture of innovation by aligning and empowering our team members at all levels of our organization. Our success depends upon our ability to attract, develop, motivate and retain highly-skilled and multi-dimensional team members. Our people management strategy is based on six key components: recruiting, performance management, training and development, employee engagement and communication, compensation and retention. Although not currently a material component of our people management strategy, we also retain subcontractors at all of our locations on an as-needed basis for specific client engagements.

Recruiting. Our global recruiting and hiring process addresses our need for a large number of highly-skilled, talented team members. In all of our recruiting and hiring efforts, we employ a rigorous and efficient interview process. We also employ technical and psychometric tests for our IT professional recruiting efforts in India and Sri Lanka. These tests evaluate basic technical skills, problem-solving capabilities, attitude, leadership potential, desired career path and compatibility with our team-oriented, thought-leadership culture.

We recruit from leading technical schools in India and Sri Lanka through dedicated campus hiring programs. We maintain a visible position in these schools through a variety of specialized programs, including IT curriculum development, classroom teaching and award sponsorships. We also recruit and hire laterally from leading IT service and software product companies and use employee referrals as a significant part of our recruitment process.

Performance management. We have a sophisticated performance assessment process that evaluates team members and enables us to tailor individual development programs. Through this process, we assess performance levels, along with each team member's potential. We create and manage development plans, adjust compensation and promote team members based on these assessments.

Training and development. We devote significant resources to train and integrate all new hires into our global team. We conduct a training program for all lateral hires that teaches them our culture and value system. We provide a comprehensive training program for our campus hires that combines classroom training with on-the-job learning and mentoring. We strive to continually measure and improve the effectiveness of our training and development programs based on team member feedback.

Employee engagement and communication. We believe open communication is essential to our team-oriented culture. We maintain multiple communication forums, such as regular company-wide updates from senior management, complemented by team member sessions at the regional, local and account levels, as well as regular town hall sessions to provide team members a voice with management.

Compensation. We consistently benchmark our compensation and benefits with relevant market data and make adjustments based on market trends and individual performance. Our compensation philosophy rewards performance by linking both variable compensation and salary increases to performance.

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Retention. To attract, retain and motivate our team members, we seek to provide an environment that rewards entrepreneurial initiative, thought leadership and performance. During the twelve months ended March 31, 2011, we experienced voluntary team member attrition at a rate of 22.6% and involuntary team member attrition at a rate of 5.1%. We remain committed to improving and sustaining our voluntary attrition levels in-line with our long-term stated goals. We define attrition as the ratio of the number of team members who have left us during a defined period to the total number of team members that were on our payroll at the end of the period. Our human resources team, working with our business units, proactively manages voluntary team member attrition by addressing many factors that improve retention, including:

- providing team members with opportunities to handle challenging technical and organizational problems and learn our platforming approach
- providing team members with clear career paths, rotation opportunities across clients and domains and opportunities to advance rapidly
- providing team members opportunities to interact with our clients and help shape their IT strategy and solutioning
- creating a strong peer group work environment that pushes our team members to succeed
- creating a climate where there is a free exchange of ideas cutting across organizational hierarchy
- creating a family-oriented work environment that is fun and engaging
- recognizing team performance through highly-visible team recognition awards

As of March 31, 2011, we had 5,056 team members worldwide. We also retain outside contractors from time to time to supplement our services on an as needed basis. None of our team members are covered by a collective bargaining agreement or represented by a labor union. We consider our relations with our team members to be good.

Network and infrastructure

Our global IT infrastructure is designed to provide uninterrupted service to our clients. We use a secure, high-performance communications network to enable our clients' systems to connect seamlessly to each of our offshore global delivery centers. We provide flexibility for our clients to operate their engagements from any of our offshore global delivery centers by using mainstream network topologies, including site-to-site Virtual Private Networks, International Private Leased Circuits and MultiProtocol Label Switching. We also provide videoconferencing, voice conferencing and Voice over Internet Protocol capabilities to our global delivery teams and clients to enable clear and uninterrupted communication in our engagements, be it intra-company or with our clients.

We monitor our network performance on a 24x7 basis to ensure high levels of network availability and periodically upgrade our network to enhance and optimize network efficiency across all operating locations. We use leased telecommunication lines to provide redundant data and voice communication with our clients' facilities and among all of our facilities in Asia, the United States and Europe. We also maintain multiple sites across our global delivery centers in India, Sri Lanka and Hungary as back-up centers to provide for continuity of infrastructure and resources in the case of natural disasters or other events that may cause a business interruption.

We have also implemented numerous security measures in our network to protect our and our clients' data, including multiple layers of anti-virus solutions, network intrusion detection, host intrusions detection and information monitoring. We are ISO 27001 certified and believe that we meet all of our clients' stringent security requirements for ongoing business with them.

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Intellectual property

We believe that our continued success depends in part on the skills of our team members, the ability of our team members to continue to innovate and our intellectual property rights. We rely on a combination of copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights and proprietary methodologies. It is our policy to enter into confidentiality agreements with our team members and consultants and we generally control access to and distribution of our proprietary information. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. We pursue the registration of certain of our trademarks and service marks in the United States and other countries. We have registered the mark "Virtusa" in the United States, the European Community and India and have filed for registration of "Virtusa" in Sri Lanka. We have a registered service mark in the United States, "Productization", which we use to describe our methodology and approach to delivery services. We have also registered in the United States the service marks "BPM Test Drive" which we use to describe our consulting service offering involving business process management or BPM project implementation and "ACCELERATING BUSINESS OUTCOMES," which we use to describe the benefits of our services. We have no issued patents.

Our business also involves the development of IT applications and other technology deliverables for our clients. Our clients usually own the intellectual property in the software applications we develop for them. We generally implement safeguards designed to protect our clients' intellectual property in accordance with their needs and specifications. Our means of protecting our and our clients' proprietary rights, however, may not be adequate. Despite our efforts, we may be unable to prevent or deter infringement or other unauthorized use of our and our clients' intellectual property. Legal protections afford only limited protection for intellectual property rights and the laws of India and Sri Lanka do not protect intellectual property rights to the same extent as those in the United States and the United Kingdom. Time-consuming and expensive litigation may be necessary in the future to enforce these intellectual property rights.

In addition, we cannot assure you that our intellectual property or the intellectual property that we develop for our clients does not infringe the intellectual property rights of others, or will not in the future. If we become liable to third parties for infringing upon their intellectual property rights, we could be required to indemnify our client and pay substantial damage awards and be forced to develop non-infringing technology, obtain licenses or cease delivery of the applications that contain the infringing technology.

Business Segments and Geographic Information

We view our operations and manage our business as one operating segment. For information regarding net revenue by geographic regions for each of the last three fiscal years, see note 18 to our consolidated financial statements for the fiscal year ended March 31, 2011 contained in this Annual Report.

For information regarding risks and dependencies associated with foreign operations, see our risk factors listed in "Item 1A. Risk Factors" contained in this Annual Report.

Our corporate and available information

We were originally incorporated in Massachusetts in November 1996 as Technology Providers, Inc. We reincorporated in Delaware as eRunway, Inc. in May 2000 and subsequently changed our name to Virtusa Corporation in April 2002. Our principal executive offices are located at 2000 West Park Drive, Westborough, Massachusetts 01581, and our telephone number at this location is (508) 389-7300. Our website address is www.virtusa.com. We have included our website address as an inactive textual reference only. The information on, or that can be accessed through, our website is not part of this Annual Report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the investor relations page of our internet

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website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. In addition, we make available our Code of Business Conduct and Ethics free of charge through our website. We intend to disclose any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Stock Market by filing such amendment or waiver with the SEC and posting it on our website.

No information on our Internet website is incorporated by reference into this Annual Report on Form 10-K.

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Our operating results and financial condition have varied in the past and may vary significantly in the future depending on a number of factors. We cannot be certain that we will successfully address these risks. If we are unable to address these risks, our business may not grow, our stock price may suffer and/or we may be unable to stay in business. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations.

Except for the historical information in this Annual Report, various matters contained in this Annual Report include forward-looking statements that involve risks and uncertainties. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report and presented elsewhere by management from time to time. Such factors, among others, may have a material adverse effect upon our business, results of operations and financial condition. You should consider carefully the following risk factors, together with all of the other information included in this Annual Report. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock.

Risks relating to our business

Our revenue is highly dependent on a small number of clients and the loss of, or material reduction in, revenue from any one of our major clients could significantly harm our results of operations and financial condition.

We have historically earned, and believe that over the next few years we will continue to earn, a significant portion of our revenue from a limited number of clients. For instance, we generated approximately 44%, 51% and 54% of our revenue in our fiscal years ended March 31, 2011, 2010 and 2009, respectively, from our top five clients during those periods. For the fiscal year ended March 31, 2011, BT, JPMC and Thomson accounted for 14%, 12% and 9% of our total revenue, respectively. In addition, during the fiscal years ended March 31, 2011 and 2010, 89% and 85% of our revenue, respectively, came from clients to whom we had been providing services for at least one year. The loss of, or material reduction in, revenue from any one of our major clients could materially reduce our total revenue, harm our reputation in the industry and/or reduce our ability to accurately predict our revenue, net income and cash flow. The loss of, or material reduction in revenue from any one of our major clients could also adversely affect our gross profit and utilization as we seek to redeploy resources previously dedicated to that client. Generally, our clients retain us on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts and may typically terminate or reduce our engagements without termination related penalties. Accordingly, we cannot assure you that revenue from our major clients will not be significantly reduced in, the future, including from factors unrelated to our performance or work product such as consolidation by or among our clients or the acquisition of a client. Further, the loss of, or material reduction in revenue from any one of our major clients has required, and could in the future require, us to

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increase involuntary attrition. This could have a material adverse effect on our attrition rate and make it more difficult for us to attract and retain IT professionals in the future.

We may not be able to maintain our client relationships with our major clients on existing or on continued favorable terms and our clients may not renew their agreements with us, in which case, our business, financial condition and results of operations would be adversely affected. For instance, on October 30, 2009, we amended our master services agreement with BT to, among other things, revise various pricing terms between the parties, including reductions in rates charged and discounts provided by our U.K. subsidiary, Virtusa U.K. Limited, to BT. There can be no assurance that the agreement will not be terminated or further amended prior to the end of its term, or that the depreciation of the U.K. pound sterling against the United States dollar will not reduce the aggregate size of the minimum commitment which is set forth in the agreement, when translated into U.S. dollars.

In addition, this client concentration may subject us to perceived or actual leverage that our clients may have, given their relative size and importance to us. If our clients seek to negotiate their agreements on terms less favorable to us and we accept such unfavorable terms, such unfavorable terms may have a material adverse effect on our business, financial condition and results of operations. Accordingly, unless and until we diversify and expand our client base, our future success will significantly depend upon the timing and volume of business from our largest clients and the financial and operational success of these clients. If we were to lose one of our major clients or have a major client cancel substantial projects or otherwise significantly reduce its volume of business with us, our revenue and profitability would be materially reduced and our business would be seriously harmed.

If we cannot attract and retain highly-skilled IT professionals, our ability to obtain, manage and staff new projects and expand existing projects may result in loss of revenue and an inability to expand our business.

Our business is labor intensive and our ability to execute and expand existing projects and obtain new clients depends largely on our ability to hire, train and retain highly-skilled IT professionals, particularly project managers, IT engineers and other senior technical personnel. The improvement in demand for global IT services has further increased the need for employees with specialized skills or significant experience in IT services, particularly at senior levels and those with special skills. If we cannot hire and retain such additional qualified personnel, our ability to obtain, manage and staff new projects and to expand, manage and staff existing projects, may be impaired. We may then lose revenue and our ability to expand our business may be harmed. For example, in our fiscal year ended March 31, 2011, our voluntary attrition rate was 22.6%. There is intense worldwide competition for IT professionals with the skills necessary to perform the services we offer. We and the industry in which we operate generally experience high employee attrition and we cannot assure you that we will be able to hire or retain the number and quality of technical personnel necessary to satisfy our current and future client needs. We also may not be able to hire and retain enough skilled and experienced IT professionals to replace those who leave. Additionally, if we have to replace personnel who have left our company, we will incur increased costs not only in hiring replacements but also in training such replacements until they can become productive and billable to our clients. In addition, we may not be able to redeploy and retrain our IT professionals in anticipation of continuing changes in technology, evolving standards and changing client preferences. Our inability to attract and retain IT professionals, or delays or inability to staff needed resources on client engagements may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

The IT services market is highly competitive and our competitors may have advantages that may allow them to compete more effectively than we do to secure client contracts and attract skilled IT professionals.

The IT services market in which we operate includes a large number of participants and is highly competitive. Our primary competitors include offshore IT outsourcing firms and consulting and systems

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integration firms. We also occasionally compete with in-house IT departments, smaller vertically-focused IT service providers and local IT service providers based in the geographic areas where we compete. We expect additional competition from offshore IT outsourcing firms in emerging locations such as Eastern Europe, Latin America and China, as well as offshore IT service providers with facilities in less expensive geographies within India.

The IT services industry in which we compete is experiencing rapid changes in its competitive landscape. Some of the large consulting firms and offshore IT service providers with which we compete have significant resources and financial capabilities combined with a greater number of IT professionals. Many of our competitors are significantly larger and some have gained access to public and private capital or have merged or consolidated with better capitalized partners, which events have created and may in the future create, larger and better capitalized competitors. Our competitors may have superior abilities to compete for market share, and compete against us for our existing and prospective clients, as well as larger engagements offered by our existing or prospective clients which, due to our competitor size and scale, may have a competitive advantage in the bidding process. Our competitors may be better able to use significant economic incentives, such as lower billing rates or non-billable resources, to secure contracts with our existing and prospective clients or gain a competitive advantage by being able to staff engagements that we are unable to staff, due to shortage of resources or our lack of special skill sets. Our competitors may also be better able to compete for and retain skilled professionals by offering them more attractive compensation or other incentives. These factors may allow our competitors to have advantages over us to meet client demands in an engagement requiring large numbers and varied types of resources with specific experience or skill-sets that we may not have readily available in the short-term or the long-term. We cannot assure you that we can maintain or enhance our competitive position against current and future competitors. Our failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations.

We depend on clients primarily located in the United States and the United Kingdom, as well as clients concentrated in specific industries, such as BFSI, and are therefore subject to risks relating to developments affecting these clients and industries that may cause them to reduce or postpone their IT spending.

For our fiscal year ended March 31, 2011, we derived substantially all of our revenue from clients located in the United States and the United Kingdom, as well as clients concentrated in certain industries. During the fiscal year ended March 31, 2011, we generated 74% of our revenue from clients in the United States, 21% of our revenue from clients in the United Kingdom and 5% from clients in the rest of the world. While the United States and European economies recently have marginally improved, if a weakening or slowing of these economies or a deterioration in these financial markets occurs, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenue and profitability. Additionally, any prolonged recession or weakening of the growth rates and economies in the United States and/or Europe could have an adverse impact on our revenue as a large portion of our revenue is derived from the United States and Europe. In addition, in our fiscal year ended March 31, 2011, we derived substantially all of our revenue from clients in three industries: BFSI, communications and technology, and media and information. During our fiscal year ended March 31, 2011, we earned approximately 54% of our revenue from clients in the BFSI industries and our revenue from this industry vertical grew by approximately 52% from the prior fiscal year. Any decline in the growth of the BFSI industries, particularly the financial services industry, significant consolidation in these industries or decrease in growth or consolidation in other industry verticals on which we focus, could materially reduce the demand for our services and negatively affect our revenue and profitability. If economic conditions weaken or slow, particularly in the United States, Europe or any of the geographies or industries in which we focus, our clients may significantly reduce or postpone their IT spending. Reductions in IT budgets, increased consolidation or increased competition in these geographic locations or industries could result in an erosion of our client base and a reduction in our target market. Any reductions in the IT spending of

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companies in any one of these industries may reduce the demand for our services and negatively affect our revenue and profitability.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, the United Kingdom, or other countries, which could result in lost revenue and delays in client engagements and otherwise adversely affect our ability to meet our growth and revenue projections.

The vast majority of our team members are Indian and Sri Lankan nationals. The ability of our IT professionals to work in the United States, the United Kingdom and other countries depends on our ability to obtain the necessary visas and entry permits. In recent years, the United States has increased the level of scrutiny in granting H-1(B), L-1 and ordinary business visas. The H-1(B) visa classification enables U.S. employers to hire qualified foreign workers in positions that require an education at least equal to a four-year bachelor degree in the United States in specialty occupations such as IT systems engineering and systems analysis. The H-1(B) visa usually permits an individual to work and live in the United States for a period of up to six years. Under certain circumstances, H-1(B) visa extensions after the six-year period may be available. In addition, there are strict labor regulations associated with the H-1(B) visa classification. Larger users of the H-1(B) visa program are often subject to investigations by the Wage and Hour Division of the United States Department of Labor. A finding by the United States Department of Labor of willful or substantial failure by us to comply with existing regulations on the H-1(B) classification may result in back-pay liability, substantial fines, and/or a ban on future use of the H-1(B) program and other immigration benefits. We are users of the H-1(B) visa classification with respect to some of our key offshore workers who have relocated onsite to perform services for our clients.

We also regularly transfer employees from India and Sri Lanka to the United States to work on projects and at client sites using the L-1 visa classification. The L-1 visa allows companies abroad to transfer certain managers, executives and employees with specialized company knowledge to related United States companies such as a parent, subsidiary, affiliate, joint venture, or branch office. We have an approved "Blanket L Program," under which the corporate relationships of our transferring and receiving entities have been pre-approved by the United States Citizenship and Immigration Services, or USCIS, thus enabling individual L-1 visa applications to be presented directly to a visa-issuing United States consular post abroad rather than undergoing the pre-approval process through USCIS in the United States. In recent years, both the United States consular posts that review initial L-1 applications and USCIS, which adjudicates petitions for initial grants and extensions of L-1 status, have become increasingly restrictive with respect to this category and all applications are subject to increased scrutiny. As a result, the rate of refusals of initial L-1 petitions and of extensions has increased. In addition, even where L-1 visas are ultimately granted and issued, security measures undertaken by United States consular posts around the world have delayed visa issuances as they are allowed the right to further scrutinize the visa and request for additional supporting documentation. Any inability to bring, or delays in bringing, qualified technical personnel into the United States to staff on-site customer locations would have a material adverse effect on our business, results of operations and financial condition.

In response to terrorist attacks and global unrest, U.S. and U.K. immigration authorities, as well as other countries, have not only increased the level of scrutiny and conditions to granting visas, but have also introduced new security procedures, which include extensive background checks, personal interviews and the use of biometrics, as conditions to granting visas and work permits. A number of European countries are considering changes in immigration policies as well. The inability of key project personnel to obtain necessary visas or work permits could delay or prevent our fulfillment of client projects, which could hamper our growth and cause our revenue to decline. These restrictions and additional procedures may delay, or even prevent the issuance of a visa or work permit to our IT professionals and affect our ability to staff projects in a timely manner. Any delays in staffing a project can result in project postponement, delays or cancellation, which could result in lost revenue and decreased profitability and have a material adverse effect on our business, revenue, profitability and utilization rates.

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Immigration laws in countries in which we seek to obtain visas or work permits may require us to meet certain other legal requirements as conditions to obtaining or maintaining entry visas. These immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events, including terrorist attacks. For instance, there are certain restrictions on transferring employees to work in the United Kingdom, where we have experienced growth. The United Kingdom requires that all employees who are not nationals of European Union countries (plus Bulgaria and Romania) to obtain work permission before obtaining a visa/entry clearance to travel to the United Kingdom. New European nationals from countries such as Hungary, Poland, Lithuania, Slovakia, and the Czech Republic do not have a work permit requirement but do need to obtain a worker registration within 30 days of arrival. On November 27, 2008, the United Kingdom changed its immigration practices and introduced a points-based system under which certain certificates of sponsorship are issued by licensed employer sponsors, provided the employees they seek to employ in the United Kingdom can demonstrate that the employee can accumulate 50 points based on certain attributes, which include academic qualifications, intended salary and other factors plus 10 points for English language (not necessary where the employee is an intra company transferee) and 10 points for maintenance. Where the employee has not worked for a Virtusa group company outside the United Kingdom for at least 12 months, we will need to carry out a resident labor market test to confirm that the intended role cannot be filled by a European Economic Area national. While we are an A-rated sponsor and have been able to obtain certificates of sponsorship to satisfy our demand for transfers to the United Kingdom, we can make no assurance that we can continue to do so.

Further, we cannot predict the political or economic events that could affect immigration laws or any restrictive impact those events could have on obtaining or monitoring entry visas for our personnel. Our reliance on work visas and work permits for a significant number of our IT professionals makes us particularly vulnerable to such changes and variations, particularly in the United States and Europe, because these immigration and legislative changes affect our ability to staff projects with IT professionals who are not citizens of the country where the onsite work is to be performed. We may not be able to obtain a sufficient number of visas for our IT professionals or may encounter delays or additional costs in obtaining or maintaining such visas. To the extent we experience delays due to such immigration restrictions, we may encounter client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

Changes, and proposed changes, in U.S. immigration law, if approved into law, may increase our cost of revenue and may substantially restrict or eliminate our ability to obtain visas to use offshore resources onsite, which could have a material adverse impact on our business, revenue, profitability and utilization rates.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest market. For example, measures aimed at limiting or restricting outsourcing by United States companies are periodically considered in the U.S. Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs domestically. On August 13, 2010, President Barack Obama signed Public Law 111-230, which contained provisions to impose additional fees of \$2,000 for certain H-1(B) petitions and \$2,250 for certain L-1A and L-1B petitions beginning in August 2010 through September 20, 2014. These fees were extended through September 20, 2015 in Public Law 111-347 and already have had a negative impact on our gross profits and overall cost of operations, given especially the very competitive environment in which we operate, and despite our efforts to recoup these costs either directly from our clients or indirectly through our billing rates. Legislators have also discussed comprehensive immigration reform. While the comprehensive immigration reform legislation focuses primarily on the millions of illegal immigrants in the United States, there is speculation that it may include some content regarding H-1(B) and L-1 visas as described in the recently proposed legislation. The

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potential risks and impact to our business if some or all of the proposed immigration legislation relating to use of H-1 (B) and L-1 visas is approved include:

- Reduced ability to bring in Level 1 foreign workers on a L-1 or H-1(B) visa
- Increased scrutiny and requests for proof of eligibility on the use of L-1 and H-1(B) visas, including a requirement to pay prevailing wages for L-1 visa holders from the first day of transfer
- Elimination of a company's ability to pay the living expenses of an L-1 visa holder on a tax free basis
- Increased oversight by the Department of Labor ("DOL") over issuance, use and administration of L-1 visas, just as the DOL currently oversees H-1(B) visas

In addition, new proposed legislation, including legislation being proposed by Senators Richard Durbin (D-Illinois) and Charles Grassley (R-Iowa), if enacted, may restrict companies with more than 50% of the U.S. based work force comprised of employees with an L-1 or H-1(B) visa from filing additional visa petitions, including visa petitions for H-1(B) or L-1 visas. Finally, the new legislation being discussed may require companies seeking H-1(B) and L-1 visas to undertake a good faith recruitment process to prove that there is no displacement of U.S. workers. If some or all of the legislation discussed above were passed into law, we may not be able to apply for or obtain necessary visas or work permits for key offshore personnel or other offshore resources needed for onsite assignments. Even if we are able to apply for, or obtain, such visas, we could incur substantial delays and costs in processing. Any inability to obtain, or extended delays in obtaining, these visas could materially delay or prevent our commencement or fulfillment of client projects, which could hamper our growth and cause our revenue to decline. In addition, we may have to hire or use local onsite resources rather than using existing offshore resources to staff onsite engagements. Even if we use our offshore resources, we may have to put offshore resources on U.S. payroll at U.S. prevailing wage levels and full benefits, rather than the existing practice of being able to provide a per diem reimbursement to the offshore resource on a tax free basis to cover living expenses while onsite. Our costs of revenue could then substantially increase and our gross profit and our gross margins could then be materially and adversely affected. Finally, if the legislation requires additional "good faith" recruiting processes to occur locally before applying for H-1(B) visas, our costs of hiring could increase, and our ability to staff appropriately skilled resources on client projects could be restricted or substantially delayed. Any such delays or inability to staff needed resources on client engagements may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

Negative public perception in the markets in which we sell services regarding offshore IT service providers and proposed anti-outsourcing legislation may adversely affect demand for our services.

We have based our growth strategy on certain assumptions regarding our industry, services and future demand in the market for such services. However, the trend to outsource IT services may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the United States and the United Kingdom. For example, recently many organizations and public figures in the United States and the United Kingdom have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries. In addition, there has been recent publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends towards offshore outsourcing would seriously harm our ability to compete effectively with competitors that operate out of facilities located in the United States or the United Kingdom.

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Legislation in the United States or in certain European countries may be enacted that is intended to discourage or restrict outsourcing. In the United States, a variety of federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing their services to companies outside the United States. For example, legislation has been proposed that would require offshore providers to identify where they are located. In addition, it is possible that legislation could be adopted that would restrict U.S. private sector companies that have federal or state government contracts from outsourcing their services to offshore service providers. Recent legislation introduced in the United Kingdom would restrict or discourage companies from outsourcing their services, including IT services. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing in the United States or the United Kingdom may adversely affect our ability to do business in the United States or in the United Kingdom, particularly if these changes are widespread, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The international nature of our business exposes us to several risks, such as significant currency fluctuations and unexpected changes in the regulatory requirements of multiple jurisdictions.

We have operations primarily in the United States, India, Sri Lanka, Hungary, the Netherlands and the United Kingdom and we serve clients across North America, Europe, the Middle East and Asia. For the fiscal years ended March 31, 2011, 2010 and 2009, revenue generated outside of the United States accounted for 26%, 26% and 28% of total revenue, respectively. Our corporate structure also spans multiple jurisdictions, with Virtusa Corporation incorporated in Delaware and its operating subsidiaries organized in India, Sri Lanka, the United Kingdom, Hungary and the Netherlands. As a result, our international revenue and operations are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- negative currency fluctuations between the U.S. dollar and the currencies in which we conduct transactions, including most significantly, the U.K. pound sterling (in which our foreign revenue is principally denominated) and the Indian and Sri Lankan rupees (in which our foreign costs are primarily denominated)
- adverse income tax consequences resulting from foreign income tax examination, such as challenges to our transfer pricing arrangements and challenges to our ability to claim tax holiday benefits in the countries in which we operate
- difficulties in staffing, managing and supporting operations in multiple countries
- potential fluctuation or decline in foreign economies
- unexpected changes in regulatory requirements, including immigration restrictions, potential tariffs and other trade barriers
- legal uncertainty owing to the overlap of different legal regimes and problems in asserting contractual or other rights across international borders, including compliance with local laws of which we may be unaware
- government currency control and restrictions on repatriation of earnings
- the burden and expense of complying with the laws and regulations of various jurisdictions
- domestic and international economic or political changes, hostilities, terrorist attacks and other acts of violence or war

Negative developments in any of these areas in one or more countries could result in a reduction in revenue or demand for our services, the cancellation or delay of client contracts, business interruption, threats to our intellectual property, difficulty in collecting receivables and a higher cost of doing business, including higher taxes, any of which could negatively affect our business, financial condition or results of operations.

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Currency exchange rate fluctuations may materially and negatively affect our revenue, gross margin, operating margin, net income and cash flows.

The exchange rates among the Indian and Sri Lankan rupees and the U.S. dollar and the U.K. pound sterling, as well as the exchange rates between the U.S. dollar and the U.K. pound sterling, have changed substantially in recent periods and may continue to fluctuate substantially in the future. We expect that a majority of our revenue will continue to be generated in the U.S. dollar and U.K. pound sterling for the foreseeable future. During the fiscal year ended March 31, 2011, the U.K. pound sterling has shown continued volatility which has had, and may continue to have, a materially negative impact on our revenue generated in the U.K. pound sterling, as well as our operating income and net income. Any appreciation of the U.S. dollar against the U.K. pound sterling will likely have a negative impact on our revenue, operating income and net income. For the foreseeable future, we also expect that a significant portion of our expenses, including personnel costs and operating expenditures, will continue to be denominated in Indian and Sri Lankan rupees. Accordingly, any material appreciation of the Indian rupee or the Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse effect on our cost of revenue, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition and results of operations. Although we have entered into, and may continue to enter into, derivative contracts to mitigate the impact of the fluctuation in the U.K. pound sterling and the Indian rupee, we cannot assure you that these hedges will be effective. These hedges may also cause us to forego certain benefits including benefits caused by depreciation of the Indian rupee with respect to our expenses or by a depreciation of the U.K. pound sterling with respect to our revenue.

Our operating results may be adversely affected by our use of derivative financial instruments.

There is no guarantee that our financial results will not be adversely affected by currency exchange rate fluctuations or that any efforts by us to engage in currency hedging activities will be effective. In addition, in some countries we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which could limit our ability to use this cash across our global operations.

Although we have adopted an eight quarter cash flow hedging program to minimize the effect of any Indian rupee fluctuation on our financial condition, these hedges may not be effective or may cause us to forego benefits, especially given the volatility of the currency. In addition, to the extent that these hedges cease to qualify for hedge accounting, we may have to recognize the derivative instruments unrealized gains or losses in earnings prior to maturity. If we are unable to accurately forecast our Indian-rupee denominated costs, we may lose our ability to qualify for hedge accounting. We cannot guarantee our ability to accurately forecast such expenses. Furthermore, we are exposed to foreign currency volatility related to the Canadian dollar, the euro, and the Sri Lankan rupee which are not currently hedged. Any significant change as compared to the U.S. dollar could have a negative impact on our revenue, operating profit, and net income. Finally, as we continue to leverage our global delivery model, more of our expenses will be incurred in currencies other than those in which we bill for the related services. An increase in the value of these currencies, such as the Indian rupee or Sri Lankan rupee, against the U.S. dollar or U.K. pound sterling could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in the respective local currency.

Recently, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which seeks to regulate, among other matters, the manner in which companies and their financial institutions engage in hedging activities. In addition, the Commodity Futures Trading Commission (the "CFTC") and the Securities and Exchange Commission have recently proposed rules to implement certain provisions of the of Dodd-Frank Act, which if enacted, may have a material and negative impact on the manner in which we are able to engage in hedging activities. For instance, such proposed rules may require us to use cash or liquid investments (rather than a line of credit) to collateralize our hedging activities, which may require us to shift cash and cash equivalents freely available to us into restricted cash. Such requirement could become prohibitive and prevent us from continuing with

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our hedging program. Other proposed rules may also increase the costs of our hedging program, or may prevent us from working with our preferred banking institutions to effect these forward contracts or require us to clear these trades through a third party, each of which could materially increase our costs of operating our hedging program. While the proposed rules may change before enactment, if some of these rules are enacted, we can make no assurance that we will be able to continue to operate our hedging program, or if we are, on terms that are commercially viable to us.

We may face damage to our professional reputation if our services do not meet our clients' expectations.

Many of our projects involve technology applications or systems that are critical to the operations of our clients' businesses and handle a very large volumes of transactions. If we fail to perform our services correctly, we may be unable to deliver applications or systems to our clients with the promised functionality or within the promised time frame, or to satisfy the required service levels for support and maintenance. If a client is not satisfied with our services or products, including those of subcontractors we employ, we may not be able to invoice for our services, or if we do invoice, we may not be able to collect the fees due on such engagement, and our business may suffer. Moreover, if we fail to meet our contractual obligations, our clients may terminate their contracts and we could face legal liabilities and increased costs, including warranty claims against us. Any failure in a client's project could result in a claim for substantial damages, our inability to recognize all or some of the revenue for the client project, non-payment of outstanding invoices, increased expenses due to increase in reserves for doubtful accounts, loss of future business with such client and increased costs due to non-billable time of our resources dedicated to address any performance or client satisfaction issues, regardless of our responsibility for such failure.

Acquisitions that we have completed and any future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate and/or identify, divert the attention of key management personnel, disrupt our business, dilute stockholder value and adversely affect our financial results, including impairment of goodwill and other intangible assets.

We have acquired, and in the future may acquire, or make strategic investments in complementary businesses, technologies or services or enter into strategic partnerships or alliances with third parties to enhance our business. If we do identify suitable candidates, we may not be able to complete transactions on terms commercially acceptable to us, if at all. These types of transactions involve numerous risks, including:

- difficulties in integrating operations, technologies, accounting and personnel
- difficulties in supporting and transitioning clients of our acquired companies or strategic partners
- diversion of financial and management resources from existing operations
- risks of entering new markets
- potential loss of key team members
- inability to generate sufficient revenue to offset transaction costs
- unknown liabilities

Our organizational structure could make it difficult for us to efficiently integrate acquired businesses or technologies into our ongoing operations and assimilate employees of those businesses into our culture and operations. Accordingly, we might fail to realize the expected benefits or strategic objectives of any acquisition we undertake. Acquisitions also frequently result in the recording of goodwill and other intangible assets that are subject to potential impairments in the future that could harm our financial results. For instance, in November 2009, we completed the acquisition of InSource, a consulting company focused on the insurance and healthcare industries for approximately \$7.8 million, which includes post closing adjustments. In February 2010, we acquired the business of ConVista Consulting LLC, a consulting

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company focused on implementing high volume collection, disbursement claims and billing systems using SAP software, for an aggregate of approximately \$26.8 million cash consideration, which includes post closing adjustments. In connection with these acquisitions, we are carrying \$3.7 million (related to InSource) and \$15.3 million (related to ConVista) in goodwill on our consolidated balance sheets at March 31, 2011. If we fail to successfully integrate these companies and maintain their value, we may suffer an impairment of our assets, resulting in an immediate charge to our consolidated statement of income. Any such failure to integrate an acquired company or impairment of assets of any such company could have a material adverse impact on our consolidated balance sheet and consolidated statements of income.

It is also possible that we may not identify suitable acquisition, strategic investment or partnership or alliance candidates. Our inability to identify suitable acquisition targets, strategic investments, partners or alliances, or our inability to complete such transactions, may negatively affect our competitiveness and growth prospects. Moreover, if we fail to properly evaluate acquisitions, alliances or investments, we may not achieve the anticipated benefits of any such transaction and we may incur costs in excess of what we anticipate.

Future acquisitions financed with our own cash could deplete the cash and working capital available to adequately fund our operations. We may also finance future transactions through debt financing, the issuance of our equity securities, existing cash, cash equivalents or investments or a combination of the foregoing. Acquisitions financed with the issuance of our equity securities could be dilutive, which could affect the market price of our stock. Acquisitions financed with debt could require us to dedicate a substantial portion of our cash flow to principal and interest payments and could subject us to restrictive covenants.

We may be subject to certain liabilities assumed in connection with our acquisitions that could harm our operating results.

Although we conduct due diligence in connection with each of our acquisitions, there may be liabilities that we fail to discover or that we inadequately assess in our due diligence efforts. In particular, to the extent that any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations to clients, we, as the successor owner, may be financially responsible for these violations and failures and may suffer reputational harm or otherwise be adversely affected. While we generally require the selling party to indemnify us for any and all liabilities associated with such liabilities, if for any reason the seller does not perform their indemnification obligation, we may be held responsible for such liabilities. In addition, as part of an acquisition, we may assume responsibilities and obligations of the acquired business pursuant to the terms and conditions of services agreements entered by the acquired entity that are not consistent with the terms and conditions that we typically accept and require. Although we attempt to structure acquisitions in such a manner as to minimize the liability that could arise from such contractual commitments, we cannot assure you that any of our efforts to minimize the liability will be effective in all instances or will otherwise protect us from liability for damages under such agreements. The discovery of any material liabilities associated with our acquisitions for which we are unable to receive indemnification could harm our operating results.

Our ability to raise capital in the future may be limited and our failure to raise capital when needed could prevent us from growing.

We anticipate that our current cash and cash equivalents and short-term investments, together with cash generated from operations, will be sufficient to meet our current needs for general corporate purposes for the foreseeable future. However, we may also need additional financing to execute our current or future business strategies, including to:

- add additional global delivery centers
- procure additional capacity and facilities

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- hire additional personnel
- enhance our operating infrastructure
- acquire businesses or technologies
- otherwise respond to competitive pressures

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we incur additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. Any such debt financing could require us to comply with restrictive financial and operating covenants, which could have a material adverse impact on our business, results of operations or financial condition. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, when we desire them, our ability to fund our operations and growth, take advantage of unanticipated opportunities or otherwise respond to competitive pressures may be significantly limited.

We are investing substantial cash in new facilities and our profitability could be reduced if our business does not grow proportionately.

We have spent \$20.5 million through March 31, 2011 and currently plan to spend approximately an additional \$7.0 million in the fiscal year ending March 31, 2012, in connection with the construction and build-out of a facility on our campus in Hyderabad, India. We also intend to make increased investments in our existing global delivery centers in Chennai, India and Colombo, Sri Lanka. We may face cost overruns and project delays in connection with these facilities or other facilities we may construct or seek to lease in the future. Such delays may also cause us to incur additional leasing costs to extend the terms of existing facility leases or to enter into new short-term leases if we cannot move into the new facilities in a timely manner. Such investment may also significantly increase our fixed costs, including an increase in depreciation expense. If we are unable to expand our business and revenue proportionately, our profitability will be reduced.

We may lose revenue if our clients terminate, reduce, or delay their contracts with us.

Our clients typically retain us on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts. Many of our contracts for services have terms of less than 12 months and permit our clients to terminate or reduce our engagements on prior written notice of 90 days or less for convenience, and without termination-related penalties. Further, many large client projects typically involve multiple independently defined stages, and clients may choose not to retain us for additional stages of a project or cancel or delay their start dates. These terminations, reductions, cancellations or delays could result from factors unrelated to our work product or the progress of the project, including:

- client financial difficulties or general or industry specific economic downturns
- a change in a client's strategic priorities, resulting in a reduced level of IT spending
- a client's demand for price reductions
- a change in a client's outsourcing strategy that shifts work to in-house IT departments or to our competitors
- consolidation by or among clients or an acquisition of a client
- replacement by our client of existing software to packaged software supported by licensors

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If our contracts were terminated early, materially delayed or reduced in size or scope, our business and operating results could be materially harmed and the value of our common stock could be impaired. Unexpected terminations, reductions, cancellation or delays in our client engagements could also result in increased operating expenses as we transition our team members to other engagements.

We may not be able to continue to maintain or increase the profitability, and growth rates of previous fiscal years.

We may not succeed in maintaining our profitability and could incur losses in future periods. If we experience declines in demand or declines in pricing for our services, or if wages in India or Sri Lanka continue to increase at a faster rate than in the United States and the United Kingdom, we will be faced with continued growing costs for our IT professionals, including wage increases. We also expect to continue to make investments in infrastructure, facilities, sales and marketing and other resources as we expand our operations, thus incurring additional costs. If our revenue does not increase to offset these increases in costs or operating expenses, our operating results would be negatively affected. In fact, in future quarters we may not have any revenue growth and our revenue and net income could decline. You should not consider our historic revenue and net income growth rates as indicative of future growth rates. Accordingly, we cannot assure you that we will be able to maintain or increase our profitability in the future.

Our inability to manage to a desired onsite-to-offshore service delivery mix may negatively affect our gross margins and costs and our ability to offer competitive pricing.

We may not succeed in maintaining or increasing our profitability and could incur losses in future periods if we are not able to manage to a desired onsite-to-offshore service delivery mix. To the extent that our engagements involve an increasing number of consulting, production support, software package implementation or other services typically requiring a higher percentage of onsite resources, we may not be able to manage to our desired service delivery mix. Additionally, other factors like client constraint or preferences or our inability to manage engagements effectively with limited resources onsite may result in a higher percentage of onsite resources than our desired service delivery mix. Accordingly, we cannot assure you that we will be able to manage to our desired onsite-to-offshore service delivery mix. If we are unable to manage to our targeted service delivery mix, our gross margins may decline and our profitability may be reduced. Additionally, our costs will increase and we may not be able to offer competitive pricing to our clients.

Our profitability is dependent on our billing and utilization rates, which may be negatively affected by various factors.

Our profit margin is largely a function of the rates we are able to charge for our services and the utilization rate of our IT professionals. The rates we are able to charge for our services are affected by a number of factors, including:

- our clients' perception of our ability to add value through our services
- the introduction of new services or products by us or our competitors
- the size and/or duration of the engagement
- the pricing policies of our competitors
- our ability to charge premium prices when justified by market demand or type of skill set or service
- general economic conditions

In addition, the factors impacting our utilization rate, include:

- our ability to transition team members quickly from completed or terminated projects to new engagements

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- our ability to maintain continuity of existing resources on existing projects
- our ability to obtain visas or applicable work permits for offshore personnel to commence projects at a client site for new or existing engagements
- the amount of time spent by our team members on non-billable training activities
- our ability to maintain resources who are appropriately skilled for specific projects
- our ability to forecast demand for our services and thereby maintain an appropriate number of team members
- our ability to manage team member attrition seasonal trends, primarily our hiring cycle, holidays and vacations
- the number of campus hires

If we are not able to maintain the rates we charge for our services or maintain an appropriate utilization rate for our IT professionals, our revenue will decline, our costs will increase and we will not be able to sustain or increase our gross or operating profit margins, any of which could have a material adverse effect on our profitability.

We may be required to spend substantial time and expense before we can recognize revenue, if any, from a client contract.

The period between our initial contact with a potential client and the execution of a client contract for our services is lengthy, and can extend over one or more fiscal quarters. To sell our services successfully and obtain an executed client contract, we generally have to educate our potential clients about the use and benefits of our services, which can require significant time, expense and capital without the ability to realize revenue, if any. If our sales cycle unexpectedly lengthens for one or more large projects, it would negatively affect the timing of our revenue, and hinder our revenue growth. Furthermore, a delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement or to complete certain contract requirements in a particular fiscal quarter could reduce our revenue in that period. These delays or failures can cause our gross margin and profitability to fluctuate significantly from quarter to quarter. Overall, any significant failure to generate revenue or delays in recognizing revenue after incurring costs related to our sales or services process could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to recognize revenue in the period in which our services are performed, which may cause our revenue and margins to fluctuate.

Our services are performed under both time-and-material and fixed-price arrangements. All revenue is recognized pursuant to generally accepted accounting standards. These standards require us to recognize revenue once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured. If we perform our services prior to the period when we are able to recognize the associated revenue, which may be due to our failure to obtain fully executed contracts from our clients during the performance period of our services, our revenue and margins may fluctuate significantly from quarter to quarter.

Additionally, a portion of our revenue is obtained from fixed price arrangements with our clients. Payment of our fees on fixed-price contracts is based on our ability to provide deliverables on certain dates or meet certain defined milestones. Our failure to produce the deliverables or meet the project milestones in accordance with agreed upon specifications or timelines, or otherwise meet a client's expectations, may result in non-payment of invoices, termination of engagements and our having to record the cost related to the performance of services in the period that services were rendered, but delay the timing of revenue recognition to a future period in which the milestone is met, if we are able to achieve such milestone.

Unexpected costs or delays could make our contracts unprofitable.

A portion of our client engagements represent fixed price engagements. When making proposals for engagements, especially our fixed price engagements, we estimate the costs and timing for completion of the projects. These estimates reflect our best judgment regarding the efficiencies of our methodologies, staffing of resources, complexities of the engagement and costs. The profitability of our engagements, and in particular our fixed-price contracts, may be adversely affected by our ability to accurately estimate effort and resources needed to complete the project, increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, which could make these contracts less profitable or unprofitable. If we underestimate the effort and resources required to complete a project and cannot recoup additional costs from our client, or if we endure additional costs or delays, and cannot complete the project, our utilization rates may lower as we remediate project issues, our profit from these engagements may be adversely affected and we may be subject to litigation claims.

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Our quarterly financial position, revenue, operating results and profitability are challenging to predict and may vary from quarter to quarter, which could cause our share price to decline significantly.

Our quarterly revenue, operating results and profitability have varied in the past and are likely to vary significantly from quarter to quarter in the future. The factors that are likely to cause these variations include:

- unanticipated contract or project terminations, or reductions in scope or size of IT engagements
- the continuing financial stability and growth prospects of our clients
- general economic conditions
- the number, timing, scope and contractual terms of IT projects in which we are engaged
- delays in project commencement or staffing delays due to immigration issues or our inability to assign appropriately skilled or experienced personnel
- the accuracy of estimates of resources, time and fees required to complete fixed-price projects and costs incurred in the performance of each project
- changes in pricing in response to client demand and competitive pressures
- the mix of onsite and offshore staffing
- the mix of leadership and senior technical resources to junior engineering resources staffed on each project
- unexpected changes in the utilization rate of our IT professionals
- seasonal trends, primarily our hiring cycle and the budget and work cycles of our clients
- the ratio of fixed-price contracts to time-and-materials contracts
- employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases, particularly in India and Sri Lanka
- our ability to have the client reimburse us for travel and living expenses, especially the airfare and related expenses of our Indian and Sri Lankan offshore personnel traveling and working onsite in the United States or the United Kingdom
- one-time, non-recurring projects

As a result, our revenue and our operating results for a particular period are challenging to predict and may decline in comparison to corresponding prior periods regardless of the strength of our business. Our future revenue is also challenging to predict because we derive a substantial portion of our revenue from fees for services generated from short-term contracts that may be terminated or delayed by our clients without penalty. In addition, a high percentage of our operating expenses, particularly related to personnel and facilities, are relatively fixed in advance of any particular quarter and are based, in part, on our expectations as to future revenue. If we are unable to predict the timing or amounts of future revenue accurately, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall and fail to meet our forecasts. Unexpected revenue shortfalls may also decrease our gross margins and could cause significant changes in our operating results from quarter to quarter. As a result, and in addition to the factors listed above, any of the following factors could have a significant and adverse impact on our operating results, could result in a shortfall of revenue and could result in losses to us:

- a client's decision not to pursue a new project or proceed to succeeding stages of a current project
- the completion during a quarter of several major client projects resulting in our having to pay underutilized team members in subsequent periods

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- adverse business decisions of our clients regarding the use of our services
- our inability to transition team members quickly from completed projects to new engagements
- our inability to manage costs, including personnel, infrastructure, facility and support services costs
- exchange rate fluctuations

Due to the foregoing factors, it is possible that in some future periods our revenue and operating results may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly, or over time, and our business, financial condition and results of operations would be adversely affected.

Adverse or uncertain conditions in the global economy and disruption of financial markets could negatively impact our clients and therefore our results of operations.

The recent economic downturn has negatively impacted financial markets in the United States, Europe and Asia, resulting in extreme disruption and volatility in recent periods of financial markets, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of certain investments. These adverse economic developments affect our clients in a number of ways and could result in decreased global IT spending which, in turn, could result in delays, reductions in, or cancellation of engagements for our services. Regional and global economic weakness and uncertainty have also resulted in some companies reassessing their spending for technology and IT related projects and services. Our revenue and profitability depend on the overall demand for IT services from our clients, including discretionary IT spending. Portions of our expenses are fixed and other expenses are tied to expected levels of utilization. To the extent that we do not achieve anticipated level of revenue growth, our gross profit and net income could be adversely affected until such expenses are reduced to an appropriate level.

A significant or prolonged economic downturn in the IT services industry, or industries in which we focus, may result in our clients reducing or postponing spending on the services we offer.

Our revenue is dependent on us entering into large contracts for our services with a limited number of clients each year. As we are not the exclusive IT service provider for our clients, the volume of work that we perform for any specific client is likely to vary from year to year. There are a number of factors, other than our performance, that could affect the size, frequency and renewal rates of our client contracts. For instance, if economic conditions weaken or deteriorate in the IT services industry, or in any industry in which we focus, our clients may reduce or postpone their IT spending significantly which may, in turn, lower the demand for our services and negatively affect our revenue and profitability. As a way of dealing with a challenging economic environment, clients may change their outsourcing strategy by performing more work in-house or replacing their existing software with packaged software supported by the licensor. The loss of, or any significant decline in business from, one or more of our major clients likely would lead to a significant decline in our revenue and operating margins, particularly if we are unable to make corresponding reductions in our expenses in the event of any such loss or decline. Moreover, a significant change in the liquidity or financial position of any of these clients could have a material adverse effect on the collectability of our accounts receivable, liquidity and future operating results.

The loss of key members of our senior management team may prevent us from executing our business strategy.

Our future success depends to a significant extent on the continued service and performance of key members of our senior management team. Our growth and success depends to a significant extent on our ability to retain Kris Canekeratne, our chief executive officer, who is a founder of our company and has led the growth, operation, culture and strategic direction of our business since its inception. The loss of his services or the services of other key members of our senior management could seriously harm our ability to

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execute our business strategy. Although we have entered into agreements with our executive officers providing for severance and change in control benefits to them, each of our executive officers or other key employees could terminate employment with us at any time. We also may have to incur significant costs in identifying, hiring, training and retaining replacements for key employees. The loss of any member of our senior management team might significantly delay or prevent the achievement of our business or development objectives and could materially harm our business. We do not maintain key man life insurance on any of our team members.

Our failure to anticipate rapid changes in technology may negatively affect demand for our services in the marketplace.

Our success will depend, in part, on our ability to develop and implement business and technology solutions that anticipate rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis, which may negatively affect demand for our solutions in the marketplace. Also, if our competitors respond faster than we do to changes in technology, industry standards and client preferences, we may lose business and our services may become less competitive or obsolete. Any one or a combination of these circumstances could have a material adverse effect on our ability to obtain and successfully complete client engagements.

We may not be able to obtain, develop or implement new systems, infrastructure, procedures and controls that are required to support our operations, maintain cost controls, market our services and manage our relationships with our clients.

To manage our operations effectively, we must continue to maintain and may need to enhance our IT infrastructure, financial and accounting systems and controls and manage expanded operations in several locations. We also must attract, integrate, train and retain qualified personnel, especially in the areas of accounting, internal audit and financial disclosure. Further, we will need to manage our relationships with various clients, vendors and other third parties. We may not be able to develop and implement on a timely basis, if at all, the systems, infrastructure procedures and controls required to support our operations, including infrastructure management, and controls regarding usage and deployment of hardware and software, for performance of our services. Any failure by us to comply with these controls or our contractual obligations could result in legal liability to us, which would have a negative impact on our consolidated statements of income and consolidated balance sheets. Additionally, some factors, like changes in immigration laws or visa processing restrictions that limit our ability to engage offshore resources at client locations in the United States, the United Kingdom or other countries, are outside of our control. Our future operating results will also depend on our ability to develop and maintain a successful sales organization and processes that can ensure our ability to effectively monitor, manage and forecast our sales activities and resource needs. If we are unable to manage our operations effectively, our operating results could fluctuate from quarter to quarter and our financial condition could be materially adversely affected.

Interruptions or delays in service from our third-party providers could impair our global delivery model, which could result in client dissatisfaction and a reduction of our revenue.

We depend upon third parties to provide a high speed network of active voice and data communications 24 hours per day and various satellite and optical links between our global delivery centers and our clients. Consequently, the occurrence of a natural disaster or other unanticipated problems with the equipment or at the facilities of these third-party providers could result in unanticipated interruptions in the delivery of our services. For example, we may not be able to maintain active voice and data communications between our global delivery centers and our clients' sites at all times due to disruptions in these networks, system failures or virus attacks. Any significant loss in our ability to communicate or any impediments to any IT

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professional's ability to provide services to our clients could result in a disruption to our business, which could hinder our performance or our ability to complete client projects in a timely manner. This, in turn, could lead to substantial liability to our clients, client dissatisfaction, loss of revenue and a material adverse effect on our business, our operating results and financial condition. We cannot assure you that our business interruption insurance will adequately compensate our clients or us for losses that may occur. Even if covered by insurance, any failure or breach of security of our systems could damage our reputation and cause us to lose clients.

Some of our client contracts contain restrictions or penalty provisions that, if triggered, could result in lower future revenue and decrease our profitability.

We have entered in the past, and may in the future enter, into contracts that contain restrictions or penalty provisions that, if triggered, may adversely affect our operating results. For instance, some of our client contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not use the same personnel to provide similar services to any of the client's competitors. This restriction may hamper our ability to compete for and provide services to clients in the same industry. In addition, some contracts contain provisions that would require us to pay penalties to our clients if we do not meet pre-agreed service level requirements. If any of the foregoing were to occur, our future revenue and profitability under these contracts could be materially harmed.

Our services may infringe on the intellectual property rights of others, which may subject us to legal liability, harm our reputation, prevent us from offering some services to our clients or distract management.

We cannot be sure that our services or the deliverables that we develop and create for our clients do not infringe on the intellectual property rights of third parties and infringement claims may be asserted against us or our clients. These claims may harm our reputation, distract management, increase costs and prevent us from offering some services to our clients. Historically, we have generally agreed to indemnify our clients for all expenses and liabilities resulting from infringement of intellectual property rights of third parties based on the services and deliverables that we have performed and provided to our clients. In some instances, the amount of these indemnities may be greater than the revenue we receive from the client. In addition, as a result of intellectual property litigation, we may be required to stop selling, incorporating or using products that use or incorporate the infringed intellectual property. We may be required to obtain a license or pay a royalty to make, sell or use the relevant technology from the owner of the infringed intellectual property. Such licenses or royalties may not be available on commercially reasonable terms, or at all. We may also be required to redesign our services or change our methodologies so as not to use the infringed intellectual property, which may not be technically or commercially feasible and may cause us to expend significant resources. Subject to certain limitations, under our indemnification obligations to our clients, we may also have to provide refunds to our clients to the extent that we must require them to cease using an infringing deliverable if we are unable to provide a work around or acquire a license to permit use of the infringing deliverable that we had provided to them as part of a service engagement. If we are obligated to make any such refunds or dedicate time to provide alternatives or acquire a license to the infringing intellectual property, our business and financial condition could be materially adversely affected. In addition, from time to time, we may be subject to audit by our vendors from whom we license and use software to confirm compliance with usage and deployment requirements. If these vendors conduct an audit and determine usage or deployment violations, we may be required to purchase software from these vendors, and we may be subject to claims of infringement or wrongful usage which may result in legal liability to us, including damages, legal fees and expenses. In addition to legal liability and related expense of any litigation, which may include damages and the obligation to purchase software from such software vendor, we may be prevented from using the vendor's software in the future which may have a material and negative impact on our ability to service our customers, conduct training of our IT professionals and generally perform our services.

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Any claims or litigation involving intellectual property, whether we ultimately win or lose, could be extremely time-consuming, costly and injure our reputation.

As the number of patents, copyrights and other intellectual property rights in our industry increases, we believe that companies in our industry will face more frequent infringement claims. Defending against these claims, even if the claims have no merit, may not be covered by or could exceed the protection offered by our insurance and could divert management's attention and resources from operating our company.

We may face liability if we inappropriately disclose confidential client information.

In the course of providing services to our clients, we may have access to confidential client information. We are bound by certain agreements to use and disclose this information in a manner consistent with the privacy standards under regulations applicable to our clients. Although these privacy standards may not apply directly to us, if any person, including a team member of ours, misappropriates client confidential information, or if client confidential information is inappropriately disclosed due to a breach of our computer systems, system failures or otherwise, we may have substantial liabilities to our clients or our clients' customers. In addition, in the event of any breach or alleged breach of our confidentiality agreements with our clients, these clients may terminate their engagements with us or sue us for breach of contract, resulting in the associated loss of revenue and increased costs. We may also be subject to civil or criminal liability if we are deemed to have violated applicable regulations. We cannot assure you that we will adequately address the risks created by the regulations to which we may be contractually obligated to abide.

Regulatory compliance may divert our attention from the day-to-day management of our business.

Our management team and other personnel will need to devote a substantial amount of time to compliance initiatives. In particular, these obligations will require substantial attention from our senior management and divert its attention away from the day-to-day management of our business, which could materially and adversely affect our business operations.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

Risks related to our Indian and Sri Lankan operations

Political instability or changes in the central or state government in India could result in the change of several policies relating to foreign direct investment and repatriation of capital and dividends. Further, changes in the monetary and economic policies could adversely affect economic conditions in India generally and our business in particular.

We have three subsidiaries in India and a significant portion of our business, fixed assets and human resources are located in India. As a result, our business is affected by foreign exchange rates and controls, interest rates, local regulations, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalization. In the past, the Indian economy has experienced many of

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the problems that commonly confront the economies of developing countries, including high inflation, erratic gross domestic product growth and shortages of foreign exchange. The Indian government has exercised, and continues to exercise, significant influence over many aspects of the Indian economy and Indian government actions concerning the economy could have a material adverse effect on private sector entities like us. In the past, the Indian government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the software development services industry. Programs that have benefited us include, among others, tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. Notwithstanding these benefits, as noted above, India's central and state governments remain significantly involved in the Indian economy as regulators. In recent years, the Indian government has introduced non-income related taxes, including the fringe benefit tax (which was repealed as of April 1, 2009) and new service taxes, and income-related taxes, including the Minimum Alternative Tax. In addition, a change in government leadership in India or change in policies of the existing government in India that results in the elimination of any of the benefits realized by us from our Indian operations or the imposition of new taxes applicable to such operations could have a material adverse effect on our business, results of operations and financial condition. For instance, certain changes to the application of the Minimum Alternative Tax with respect to SEZ units may negatively impact our cash flows and other benefits enjoyed by us which could have a material adverse effect on our business, results of operations and financial condition.

Changes in the policies or political stability of the government of Sri Lanka adversely affect economic conditions in Sri Lanka, which could adversely affect our business.

Our subsidiary in Sri Lanka has been approved as an export computer software developer by the Board of Investment in Sri Lanka, which is a statutory body organized to facilitate foreign investment into Sri Lanka and grant concessions and benefits to entities with which it has entered into agreements. Pursuant to our current agreement with the Board of Investment, our subsidiary is entitled to an exemption from income taxation for a period of 12 years expiring on March 31, 2019 provided that certain job creation requirements are met. Nevertheless, government policies relating to taxation other than on income would have an impact on the subsidiary, and the political, economic or social factors in Sri Lanka may affect these policies. Historically, past incumbent governments have followed policies of economic liberalization. However, we cannot assure you that the current government or future governments will continue these liberal policies.

Regional conflicts or terrorist attacks and other acts of violence or war in India, Sri Lanka, the United States, the United Kingdom or other regions could adversely affect financial markets, resulting in loss of client confidence and our ability to serve our clients which, in turn, could adversely affect our business, results of operations and financial condition.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, there have been military hostilities and civil unrest in Iraq and Afghanistan. Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, Bali on October 12, 2002, London on July 7, 2005, and Mumbai on November 26, 2008, civil or political unrest and military hostilities in Sri Lanka and other acts of violence or war, including those involving India, Sri Lanka, the United States, the United Kingdom or other countries, may adversely affect U.S., U.K. and worldwide financial markets. Prospective clients may wish to visit several of our facilities, including our global delivery centers in India or Sri Lanka, prior to reaching a decision on vendor selection. Terrorist threats, attacks and international conflicts could make travel more difficult and cause potential clients to delay, postpone or cancel decisions to use our services. In addition, such attacks may have an adverse impact on our ability to operate effectively and interrupt lines of communication and restrict our offshore resources from traveling

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onsite to client locations, effectively curtailing our ability to deliver our services to our clients. These obstacles may increase our expenses and negatively affect our operating results. In addition, military activity, terrorist attacks, political tensions between India and Pakistan and, historically, conflicts within Sri Lanka, despite the current cessation of hostilities, could create a greater perception that the acquisition of services from companies with significant Indian or Sri Lankan operations involves a higher degree of risk that could adversely affect client confidence in India or Sri Lanka as a software development center, each of which would have a material adverse effect on our business.

In May 2009, the Sri Lankan government claimed victory in the ethnic conflict against the Tamil Tigers in Sri Lanka. The many years of the ethnic conflict have substantially affected the political and economic climate of Sri Lanka. With the military conflict now ended, the Sri Lankan economy may benefit from increased tourism, foreign investment and overall political stability. With economic growth and stability, the Sri Lankan currency may appreciate and there may be increased diversification in job opportunities for the Sri Lankan workforce. If the Sri Lankan rupee appreciates, our costs of operations may increase. In addition, if the Sri Lankan labor pool gains a growing number of alternatives due to an expanding and diversifying local economy, we may encounter increased competition and costs in recruiting, hiring and retaining qualified resources, each of which could have a negative impact on our costs of revenue and margins.

Our net income may decrease if the governments of the United Kingdom, the United States, Netherlands, Hungary, India or Sri Lanka adjust the amount of our taxable income by challenging our transfer pricing policies.

Our subsidiaries conduct intercompany transactions among themselves and with the U.S. parent company on an arm's-length basis in accordance with U.S. and local country transfer pricing regulations. The jurisdictions in which we operate could challenge our determination of arm's-length profit and issue tax assessments. Although the United States has income tax treaties with all countries in which we have operations, which should alleviate the risk of double taxation, the costs to appeal any such tax assessment and potential interest and penalties could decrease our earnings and cash flows.

The Indian taxing authorities issued assessment orders for the fiscal years ended March 31, 2004, March 31, 2005 and March 31, 2007 of our Indian subsidiary, Virtusa (India) Private Ltd. ("Virtusa India"). At issue in these assessments were several matters, the most significant of which was the re-determination of the arm's-length profit related to intercompany transactions. For fiscal year ended March 31, 2004 and 2005 we contested both assessments and also filed appeals with Indian tax authorities and U.S. Competent Authorities. Although we have settled certain tax obligations for the fiscal years ended March 31, 2004 and 2005, we have appealed certain other tax related matters effecting our fiscal year ended March 31, 2004 and 2005 with the Indian tax authorities. During the fiscal year ended March 31, 2005, we have appealed the redetermination of arm length pricing for transactions with our U.K subsidiary. We continue to appeal the fiscal year ended March 31, 2007 assessment with the Indian tax authorities. If we do not prevail in our appeals, we may incur an additional legal liability and obligations to pay additional interest, penalties and costs related to such matters.

Our net income may decrease if the governments of India or Sri Lanka levy new taxes or reduce or withdraw tax benefits and other incentives provided to us.

Virtusa India is an export-oriented company under the Indian Income Tax Act of 1961 and is entitled to claim tax exemption for each Software Technology Park ("STP"), which it operates. Virtusa India historically has operated STPs in Chennai and in Hyderabad. The income tax benefits of the STP in Chennai and Hyderabad expired on March 31, 2011 and 2010, respectively. Historically, however, substantially all of the earnings of both STPs qualified as tax-exempt export profits. Although we believe we have complied with and were eligible for the STP holidays, the government of India may deem us ineligible for the STP holiday or make adjustments to the profit level in previous tax years, subject to the applicable statute of limitations, which could result in additional legal liability, including obligations to pay

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additional taxes, penalties, interest and other costs arising out of such matter. For instance, the Indian taxing authorities issued an assessment order for the fiscal year ended March 31, 2006 of Virtusa India related to the denial of all STP benefits for our Chennai STP on the basis that it was formed by the splitting up or the reconstruction of our Hyderabad STP. Although we have filed appeals with the appropriate Indian tax authorities, we may incur additional legal liability and obligations to pay additional interest, penalties and costs related to such matter. We have appealed such assessment but we can make no assurance that our appeal will be successful.

We have located a portion of our Indian operations in areas designated as a Special Economic Zone ("SEZ"), under the SEZ Act of 2005. In particular, we are continuing our construction of a facility on a 6.3 acre parcel of land in Hyderabad, India that has been designated as a SEZ. In addition, we have leased space and operate in a SEZ designated location in Chennai, India. Although our profits from the SEZ operations would be eligible for certain income tax exemptions for a period up to 15 years, we may not be able to take full advantage of the tax holidays in each SEZ if we are not able to grow our operations, including the hiring of IT professionals into the SEZ facilities and there is no guarantee that we will secure SEZ status for any other future locations in India. Additionally, the government of India may deem us ineligible for a SEZ holiday or make adjustments to the transfer pricing profit levels resulting in an overall increase in our effective tax rate.

In addition, our Sri Lankan subsidiary, Virtusa Private Ltd. ("Virtusa SL"), was approved as an export computer software developer by the Sri Lanka Board of Investment in 1998 and has negotiated various extensions and new arrangements of the original holiday period in exchange for further capital investments in Sri Lanka facilities. The most recent 12-year agreement, which is set to expire on March 31, 2019, requires that we meet certain new job creation and investment criteria. As of March 31, 2011, we have not yet met the job creation target. We have received notice that the Sri Lanka Board of Investment is unable to certify our tax holiday for the tax years ended March 31, 2007. Although we will vigorously contest any resulting tax assessment, we cannot provide assurance that we will prevail or, if we settle, it will be on terms favorable to us. If any such tax assessment were ruled against us, such a ruling may materially harm our business, operating results, financial results and materially reduce our profitability.

Wage pressures and increases in government mandated benefits in India and Sri Lanka may reduce our profit margins.

Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States and Europe for comparably-skilled professionals. However, wages in India and Sri Lanka are increasing, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition.

In addition, we contribute to benefit funds covering our employees in India and Sri Lanka as mandated by the Indian and Sri Lankan governments. Benefits are based on the team member's, years of service and compensation. If the governments of India and/or Sri Lanka were to legislate increases to the benefits required under these plans or mandate additional benefits, our profitability and cash flows would be reduced.

Our facilities are at risk of damage by earthquakes, tsunamis and other natural disasters.

In December 2004, Sri Lanka and India were struck by multiple tsunamis that devastated certain areas of both countries. Our Indian and Sri Lankan facilities are located in regions that are susceptible to tsunamis and other natural disasters, which may increase the risk of disruption of information systems and telephone

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service for sustained periods. Damage or destruction that interrupts our ability to deliver our services could damage our relationships with our clients and may cause us to incur substantial additional expense to repair or replace damaged equipment or facilities. Our insurance coverage may not be sufficient to cover all such expenses. Furthermore, we may be unable to secure such insurance coverage or to secure such insurance coverage at premiums acceptable to us in the future. Prolonged disruption of our services as a result of natural disasters may cause our clients to terminate their contracts with us and may result in project delays, project cancellations and loss of substantial revenue to us. Prolonged disruptions may also harm our team members or cause them to relocate, which could have a material adverse effect on our business.

The laws of India and Sri Lanka do not protect intellectual property rights to the same extent as those of the United States and we may be unsuccessful in protecting our intellectual property rights. Unauthorized use of our intellectual property rights may result in loss of clients and increased competition.

Our success depends, in part, upon our ability to protect our proprietary methodologies, trade secrets and other intellectual property. We rely upon a combination of trade secrets, confidentiality policies, non-disclosure agreements, other contractual arrangements and copyright, patent, and trademark laws to protect our intellectual property rights. However, existing laws of India and Sri Lanka do not provide protection of intellectual property rights to the same extent as provided in the United States. The steps we take to protect our intellectual property may not be adequate to prevent or deter infringement or other unauthorized use of our intellectual property. Thus, we may not be able to detect unauthorized use or take appropriate and timely steps to enforce our intellectual property rights. Our competitors may be able to imitate or duplicate our services or methodologies. The unauthorized use or duplication of our intellectual property could disrupt our ongoing business, distract our management and team members, reduce our revenue and increase our costs and expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be extremely time-consuming and costly and could materially adversely impact our business.

Any changes in U.S. corporate income tax law to impose U.S. tax on untaxed foreign profits could result in a higher effective income tax rate for us and adversely impact net income.

The current administration has indicated it would support a tax policy that would limit certain incentives for U.S. companies which invest and reinvest overseas. If the current exemption for permanently reinvested foreign profits were to be repealed, it would have a material adverse impact on our effective tax rate and net income. We permanently reinvest our profits in and through our non-U.S. subsidiaries located in India and Sri Lanka where certain of such profits are not currently subject to tax under tax holidays in these countries. We can provide no assurance that a far reaching tax proposal impacting permanently reinvested foreign profits could be enacted which would reduce our net income and cash flows.

Risks related to our common stock

The market price of our common stock continues to be volatile.

The market price of our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of the common stock of many technology companies in ways that may have been unrelated to such companies' operating performance. Furthermore, we believe the market price of our common stock should reflect future growth and profitability expectations. If we fail to meet these expectations, the market price of our common stock may significantly decline.

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In addition, there are many other factors that may cause the market price of our common stock to fluctuate, including:

- actual or anticipated variations in our quarterly operating results or the quarterly financial results of companies perceived to be similar to us
- deterioration and decline in general economic, industry and/or market conditions
- announcements of technological innovations or new services by us or our competitors
- changes in estimates of our financial results or recommendations by market analysts
- announcements by us or our competitors of significant projects, contracts, acquisitions, strategic alliances or joint ventures
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt
- regulatory developments in the United States, the United Kingdom, Sri Lanka, India or other countries in which we operate or have clients
- litigation involving our company, our general industry or both
- additions or departures of key team members
- investors' general perception of us
- changes in the market valuations of other IT service providers

If any of the foregoing occurs or continues to occur, it could cause our stock price to fall and may expose us to securities class action litigation. Any securities class action litigation could result in substantial costs and the diversion of management's attention and resources. Many of these factors are beyond our control.

Provisions in our charter documents and under Delaware law may prevent or delay a change of control of us and could also limit the market price of our common stock.

Certain provisions of Delaware law and of our certificate of incorporation and by-laws could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us, even if such a change in control would be beneficial to our stockholders or result in a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- a classified board of directors
- limitations on the removal of directors
- advance notice requirements for stockholder proposals and nominations
- the inability of stockholders to act by written consent or to call special meetings
- the ability of our board of directors to make, alter or repeal our by-laws

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions that are contained in our certificate of incorporation. In addition, our board of directors has the ability to designate the terms of and issue new series of preferred stock without stockholder approval. Also, absent approval of our board of directors, our by-laws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting

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stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

These provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

Our existing stockholders and management control a substantial interest in us and thus may influence certain actions requiring stockholder vote.

Our executive officers, directors and stockholders affiliated with our directors beneficially own, in the aggregate, shares representing approximately 31.9% of our outstanding capital stock. Although we are not aware of any voting arrangements that are in place among these stockholders, if these stockholders were to choose to act together, as a result of their stock ownership, they would be able to exert substantial influence in the matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

Our principal executive offices are located in Westborough, Massachusetts, where pursuant to an amendment to our existing lease dated as of March 31, 2010, we lease approximately 22,147 square feet for a term expiring February 28, 2018. We also have sales and business development offices located in Maidenhead and London in the United Kingdom. We also have a lease in Connecticut totaling approximately 8,535 square feet expiring in the fiscal year ending March 31, 2013.

We have global delivery centers located in Bangalore, Hyderabad and Chennai, India as well as in Colombo, Sri Lanka and Budapest, Hungary. We lease space at two facilities in Hyderabad, India, totaling approximately 75,280 square feet, and at two facilities in Chennai, India, totaling approximately 158,883 square feet. In Colombo, Sri Lanka, we lease space at two facilities totaling approximately 165,302 square feet. Our leases in India and Sri Lanka vary in duration and term, have varying renewable terms and have expiration dates extending from 2011 to 2014. In addition, in March 2008, we entered into a 99-year lease, as amended in August 2008, with an option for an additional 99 years for approximately 6.3 acres of land in Hyderabad, India, where we are presently building a campus. We are in the process of constructing a facility on such campus which, when completed, will total approximately 325,000 square feet.

We also have sales and business development offices located in New York, California, and the Netherlands. These are short term leases with maturities not longer than one year.

We believe that our existing and planned facilities are adequate to support our existing operations and that, as needed; we will be able to obtain suitable additional facilities on commercially reasonable terms.

Item 3. *Legal Proceedings.*

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of such claims and legal actions, if decided adversely, is not currently expected to have a material adverse effect on our operating results, cash flows or consolidated financial position.

Item 4. (Removed and Reserved)

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PART II

Item 5. Market for Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock commenced trading on the NASDAQ Global Market on August 3, 2007 under the symbol "VRTU". The following table sets forth, for the periods indicated, the high and low sale prices for our common stock for our fiscal years ended March 31, 2011 and March 31, 2010, respectively, as reported on the NASDAQ Global Market.

	<u>High</u>	<u>Low</u>
Fiscal 2010:		
First quarter	\$ 8.50	\$ 6.04
Second quarter	\$ 10.64	\$ 7.58
Third quarter	\$ 10.69	\$ 8.50
Fourth quarter	\$ 10.50	\$ 8.08
Fiscal 2011:		
First quarter	\$ 11.45	\$ 8.09
Second quarter	\$ 11.20	\$ 8.12
Third quarter	\$ 16.82	\$ 9.57
Fourth quarter	\$ 18.86	\$ 15.92

As of May 25, 2011, there were approximately 25,413,731 shares of our common stock outstanding held by approximately 129 stockholders of record and the last reported sale price of our common stock on the NASDAQ Global Market on May 25, 2011 was \$19.14 per share.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and we do not anticipate paying any cash dividends in the foreseeable future. We intend to permanently reinvest our foreign earnings. Our line of credit with a bank could restrict our ability to declare or make any dividends or similar distributions.

Equity Compensation Plan Information

The following table provides information as of March 31, 2011 with respect to the shares of our common stock that may be issued under our existing equity compensation plans. We have three equity compensation plans, each of which has been approved by our stockholders: (1) the Amended and Restated 2000 Stock Option Plan, which we refer to as the 2000 Plan; (2) the 2005 Stock Appreciation Rights Plan, which we refer to as the SAR Plan; and (3) the 2007 Stock Option and Incentive Plan, which we refer to as the 2007 Plan. For additional information on our equity compensation plans, including the material

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features of plans not approved by our stockholders, please see note 11 to the consolidated financial statements included elsewhere in this Annual Report.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Vesting of Awards or Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Awards or Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Available for Future Issuance Under Equity Compensation Plans</u>
Equity compensation plans that have been approved by security holders—stock options(1)	1,662,713	\$ 8.34	1,091,213(2)(3)
Equity compensation plans that have been approved by security holders—stock appreciation rights(4)	48,361	\$ 4.21	—(2)
Equity compensation plans not approved by security holders(5)	70,333	\$ 6.89	—
Total	1,781,407		1,091,213

- (1) Consists of the 2000 Plan and the 2007 Plan.
- (2) In the event that any stock option issued under the 2000 Plan or any stock appreciation right issued under the SAR Plan terminates without being exercised, the number of shares underlying such option or stock appreciation right becomes available for grant under the 2007 Plan. No further awards are authorized to be granted under the 2000 Plan or the SAR Plan.
- (3) Under the 2007 Plan, the number of shares reserved and available for issuance under the 2007 Plan is automatically increased each April 1 by 2.9% of the outstanding number of shares of common stock outstanding on the immediately preceding March 31 or such lower number of shares of common stock as determined by our board of directors.
- (4) Consists of the SAR Plan.
- (5) Consists of 70,333 shares issuable upon exercise of options granted to Mr. Martin Trust, a board member. These options vested over a four-year period, are now fully vested and were granted on terms substantially similar to options granted under the 2000 Plan.

Issuer Purchases of Equity Securities

On July 28, 2008, our board of directors authorized a share repurchase program of up to \$15 million of shares of our common stock which expired on July 28, 2009. On August 5, 2009, our board of directors authorized a new share repurchase program of up to \$15 million of our common stock expiring August 5, 2010. This program terminated on August 5, 2010. During the fiscal year ended March 31, 2011, we did not purchase any shares under this program.

Under the terms of our 2007 Plan, we have issued shares of restricted stock to our employees. On the date that these restricted shares vest, we automatically withhold, via a net exercise provision pursuant to our applicable restricted stock agreements and the 2007 Plan, the number of vested shares (based on the closing price of our common stock on such vesting date) equal to tax liability owed by such grantee. The shares withheld from the grantees to settle their tax liability are reallocated to the number of shares available for issuance under the 2007 Plan. For the three month period ended March 31, 2011, we withheld an aggregate of 6,999 shares of restricted stock at a price of \$16.77 per share.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None

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Item 6. Selected Financial Data.

The selected historical financial data set forth below at March 31, 2011 and 2010 and for the fiscal years ended March 31, 2011, 2010, and 2009 are derived from our consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K. The selected historical financial data at March 31, 2009, 2008 and 2007 and for the fiscal years ended March 31, 2008 and 2007 are derived from our consolidated financial statements which are not included elsewhere in this Annual Report. The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report. The historical results are not necessarily indicative of the results to be expected for any future period.

Consolidated statements of income data

	Fiscal Year Ended March 31,				
	2011	2010	2009	2008	2007
	(In thousands, except share and per share amounts)				
Revenue	\$ 217,979	\$ 164,365	\$ 172,942	\$ 165,198	\$ 124,660
Costs of revenue	134,496	94,142	105,100	92,847	68,031
Gross profit	83,483	70,223	67,842	72,351	56,629
Operating expenses	65,697	57,330	57,864	52,972	42,478
Income from operations	17,786	12,893	9,978	19,379	14,151
Other income	441	56	2,888	3,249	1,209
Income before income tax expense (benefit)	18,227	12,949	12,866	22,628	15,360
Income tax expense (benefit)	2,027	820	809	4,857	(3,630)
Net income	\$ 16,200	\$ 12,129	\$ 12,057	\$ 17,771	\$ 18,990
Net income per share of common stock					
Basic	\$ 0.68	\$ 0.52	\$ 0.53	\$ 0.83	\$ 1.09
Diluted	\$ 0.66	\$ 0.50	\$ 0.50	\$ 0.76	\$ 1.03
Weighted average number of common shares outstanding					
Basic	23,783,457	23,153,973	22,763,759	21,368,470	6,005,619
Diluted	24,714,808	24,032,675	24,136,716	23,282,663	18,351,161

Note: The net income per share calculations for the fiscal year ended March 31, 2007 give effect to the automatic conversion of our outstanding redeemable convertible preferred stock into 11,425,786 shares of common stock upon the closing of the initial public offering on August 8, 2007. The decrease in net income and earnings per share in the fiscal year ended March 31, 2008 from the fiscal year ended March 31, 2007 is due to a one-time income tax benefit of \$5.0 million in fiscal year 2007 caused by the release of our deferred tax asset valuation allowance.

Consolidated balance sheets data

	At March 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Cash and cash equivalents	\$ 50,218	\$ 43,851	\$ 55,698	\$ 41,047	\$ 45,079
Working capital	\$ 123,264	\$ 92,367	\$ 94,823	\$ 108,808	\$ 65,765
Total assets	\$ 246,177	\$ 215,873	\$ 187,023	\$ 180,770	\$ 99,319
Redeemable convertible preferred stock	—	—	—	—	\$ 60,862
Total stockholders' equity	\$ 207,336	\$ 181,794	\$ 152,586	\$ 155,834	\$ 19,259

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Business overview

We are a global information technology services company. We use an offshore delivery model to provide a broad range of IT services, including IT consulting, technology implementation and application outsourcing. Using our enhanced global delivery model, innovative platforming approach and industry expertise, we provide cost-effective services that enable our clients to use IT to enhance business performance, accelerate time-to-market, increase productivity and improve customer service. Headquartered in Massachusetts, we have offices in the United States, the United Kingdom and the Netherlands and global delivery centers in Bangalore, Hyderabad and Chennai, India, as well as Colombo, Sri Lanka and Budapest, Hungary. At March 31, 2011, we had 5,056 employees, or team members, and for the fiscal year ended March 31, 2011, we had revenue of \$218 million and income from operations of \$17.8 million. In our fiscal year ended March 31, 2011, our revenue increased 33% to \$218 million, as compared to \$164.4 million in our fiscal year ended March 31, 2010. Our net income increased from \$12.1 million in our fiscal year ended March 31, 2010 to \$16.2 million in our fiscal year ended March 31, 2011.

The key drivers of the increase in revenue in our fiscal year ended March 31, 2011, as compared to our fiscal year ended March 31, 2010, were as follows:

- Higher revenue contribution from our existing clients, including two of our largest clients
- Broad based growth across all of our industry groups, particularly BFSI, which grew 52% and contributed 54% of our total revenue for the fiscal year ended March 31, 2011
- Larger contributions from clients located in geographies other than North America and Europe
- Full fiscal year revenue contribution of clients acquired in the ConVista and InSource acquisitions
- Continued expansion of the markets in which we operate and increased demand for global IT services

The key drivers of our increase in net income in our fiscal year ended March 31, 2011, as compared to our fiscal year ended March 31, 2010, were as follows:

- Higher revenue, partially offset by increases in cost of revenue
- An increase in operating profit, which also reflects a lower gross margin, and partially offset by an increase in sales, general and administrative expenses, particularly increases in compensation related expenses due to market competition and annual performance based reviews

High repeat business and client concentration are common in our industry. During our fiscal year ended March 31, 2011, 89% of our revenue was derived from clients who had been using our services for more than one year. Accordingly, our global account management and service delivery teams focus on expanding client relationships and converting new engagements to long-term relationships to generate repeat revenue and expand revenue streams from existing clients. We also have a dedicated business development team focused on generating engagements with new clients to continue to expand our client base and, over time, reduce client concentration. As a result of our business development efforts, our average revenue per new client closed in the fiscal year ended March 31, 2011 increased as compared to the fiscal year ended March 31, 2010.

We perform our services under both time-and-materials and fixed-price contracts. Revenue from fixed-price contracts was 19%, 18%, and 26% of total revenue for the fiscal years ended March 31, 2011, 2010 and 2009, respectively. The decreased revenue earned from fixed-price contracts reflects our clients' preferences. For the fiscal years ended March 31, 2011, 2010 and 2009, we generated 49%, 56%, and 67%, respectively, of revenue from application outsourcing and 51%, 44% and 33%, respectively, of revenue from consulting services.

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At March 31, 2011, we had cash and cash equivalents, short-term and long-term investments of \$112 million as compared to \$96 million at March 31, 2010.

For the fiscal year ending March 31, 2012, we expect the following factors, among others, to affect our business and our operating results:

- Continued stabilization of global economic conditions and the financial services sector
- Continued growth in overall demand for global IT services
- Continued foreign currency volatility
- Increase in our effective income tax rate as a result of the expiration of tax holiday benefits related to our STP facilities in Chennai, India

For the fiscal year ending March 31, 2012, we plan to:

- Continue to invest in our talent base
- Continue our focus on client generation and expansion of revenue gained from existing clients
- Invest in healthcare solutions as well as leverage our expertise in customer relations management and business process management
- Deepen our domain expertise in our service offerings related to mobile applications, social media and cloud computing
- Broaden our consulting and solutions capabilities related to our service offerings
- Pursue opportunistically acquisitions that would improve or broaden our overall service delivery capabilities, domain expertise and / or service offerings
- Implement resource and operating optimization initiatives to improve operating efficiencies

As an IT services company, our revenue growth has been, and will continue to be, highly dependent on our ability to attract, develop, motivate and retain skilled IT professionals. For the fiscal year ended March 31, 2011, we finished the fiscal year with a total headcount of 5,056, as compared with a total headcount of 4,038 for the fiscal year ended March 31, 2010. There is intense competition for IT professionals with the skills necessary to provide the type of services we offer. We closely monitor our overall attrition rates and patterns to ensure our people management strategy aligns with our growth objectives. For the last twelve months ended March 31, 2011, our voluntary attrition rate was 22.6%, while our involuntary attrition rate was 5.1%. The majority of our attrition occurs in India and Sri Lanka, and is weighted towards the more junior members of our staff. In response to higher attrition and as part of our retention strategies, we have experienced increases in compensation and benefit costs, which may continue in the future. However, we try to absorb such cost increases through price increases or cost management strategies such as managing discretionary costs, the mix of professional staff and utilization levels and achieving other operating efficiencies. If our attrition rate increases or is sustained at higher levels, our growth may slow and our cost of attracting and retaining IT professionals could increase.

We have continued to maintain an eight quarter hedging program, which we believe has been effective since inception at reducing the impact of fluctuations in local currencies on our operating results, although there is no assurance that this hedging program will continue to be effective. These hedges may also cause us to forego benefits of a positive currency fluctuation, especially given the volatility of these currencies. In addition, to the extent that these hedges cease to qualify for hedge accounting, we may have to recognize gains or losses on the aggregate amount of hedges placed earlier than expected.

We monitor a number of operating metrics to manage and assess our earnings, including:

- *Days sales outstanding ("DSO")* is a measure of the number of days our accounts receivable are outstanding based upon the last 90 days of revenue activity, which indicates the timeliness of our cash collection from clients and our overall credit terms to our clients. DSO was 76 days and 68 days

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as of March 31, 2011 and March 31, 2010, respectively. Higher DSO reduces our cash balance because the revenue-to-cash conversion process takes longer.

- *Realized billing rates* are the rates we charge our clients for our services, which reflect the value our clients place on our services, market competition and the geographic location in which we perform our services. Our realized billing rates have marginally increased for our fiscal year ended March 31, 2011 as compared to our fiscal year ended March 31, 2010. Any increase in realized billing rates is a result of our ability to successfully preserve or increase our billing rates with existing and/or new clients.
- *Average cost per IT professional* is the sum of team member salaries, including variable compensation, and fringe benefits, divided by the average number of IT professionals during the period. We experienced an increase in our average cost per IT professional in Asia from our fiscal year ended March 31, 2010 to our fiscal year ended March 31, 2011, primarily driven by competition and industry wide wage increases.
- *Utilization rate* is the percentage of time billable IT professionals deployed on client engagements, which indicates the efficiency of our billable IT resources. Our utilization rate is defined as the number of billable hours in a given period of time divided by the total number of available hours of our IT professionals in a given period of time, excluding trainees. We track our utilization rates to measure revenue potential and gross profit margins. Management's targeted range for the utilization rate is between 70% and 75%. Generally, our gross profit margin moves directionally with the utilization rate. The utilization rate is affected by the rate of quarterly sequential revenue growth, as well as ability to staff existing IT professionals on billable engagements. In growth periods, utilization tends to rise as more resources are deployed to meet rising demand. Utilization rates above the target 75% may also indicate that there are insufficient IT professionals to staff existing or future engagements which may result in loss of revenue or inability to service client engagements.
- *Attrition rate* is the ratio of terminated team members during the latest twelve months to the total number of team members at the end of such period, which measures team member turnover. Increased voluntary attrition rates result in increased hiring, training and on-boarding costs and productivity losses, which may adversely affect our revenue, gross margin and operating profit margin. Our voluntary attrition rate was 22.6%, while our involuntary attrition rate was 5.1%, for the fiscal year ended March 31, 2011. Our voluntary attrition rate was 16.0% for the fiscal year ended March 31, 2010, while our involuntary attrition rate was 2.6% for the same fiscal year.
- *Operating expense efficiency* is a measure of operating expenses as a percentage of revenue. If we continue to successfully grow our revenue, we anticipate that operating expenses will decrease as a percentage of revenue as such expenses are absorbed across a larger revenue base. In the near term, however, any operating expense efficiency may decline if our revenue declines.
- *Effective tax rate* is our worldwide tax expense as a percentage of our consolidated net income before tax, which measures the impact of income taxes worldwide on our operations and net income. We monitor and assess our effective tax rate to evaluate whether our tax structure is competitive as compared to our industry. Our effective tax rate was 11.1% and 6.3% for the fiscal years ended March 31, 2011 and 2010 respectively. The expiration of our STP tax holidays in Chennai and Hyderabad, which expired on March 31, 2011 and 2010, respectively, will increase our effective tax rate and will also have a negative effect on our earnings in future periods.
- *Onsite-to-offshore mix* is the measurement of hours billed by resources located offshore to hours billed by our team members onsite over a defined period. We strive to manage both fixed-price contracts and time-and-materials engagements to a highly-efficient 20/80, or better, onsite-to-offshore service delivery team mix.

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Sources of revenue

We generate revenue by providing IT services to our clients located primarily in North America and Europe. We have historically earned, and believe that over the next few fiscal years we will continue to earn, a significant portion of our revenue from a limited number of clients. For the fiscal year ended March 31, 2011, collectively, our five largest and ten largest clients accounted for 44% and 60% of our revenue, respectively. Our three largest clients accounted for 14%, 12%, and 9%, respectively, of our revenue for the fiscal year ended March 31, 2011. The loss of any one of our major clients could reduce our revenue and operating profit and harm our reputation in the industry. During the fiscal year ended March 31, 2011, 74% of our revenue was generated in North America, 21% in Europe and 5% in rest of the world. We provide IT services on either a time-and-materials or a fixed-price basis. For the fiscal year ended March 31, 2011, the percentage of revenue from time-and-materials and fixed-price contracts was 81% and 19%, respectively.

Revenue from services provided on a time-and-materials basis is derived from the number of billable hours in a period multiplied by the contractual rates at which we bill our clients. Revenue from services provided on a fixed-price basis is recognized as efforts are expended pursuant to the percentage-of-completion method. Revenue also includes reimbursements of travel and out-of-pocket expenses with equivalent amounts of expense recorded in costs of revenue. Most of our client contracts, including those that are on a fixed-price basis, can be terminated by our clients with or without cause on 30 to 90 days prior written notice. All fees for services provided by us through the date of cancellation are generally due and payable under the contract terms.

Our unit pricing is driven by business need, delivery timeframes, and complexity of the engagement, operating differences (such as onsite/offshore ratio), competitive environment and engagement size or volume. As a pricing strategy to encourage clients to increase the volume of services that we provide to them, we may, on occasion, offer volume discounts. We manage our business carefully to protect our account margins and our overall profit margins. We find that our clients generally purchase on the basis of total value, rather than on minimum cost, considering all of the factors listed above.

While we are subject to the effects of overall market pricing pressure, we believe that there is a fairly broad range of pricing offered by different competitors for each service we provide. We believe that no one competitor, or set of competitors, sets pricing in our industry. We find that our unit pricing, as a result of our global delivery model, is generally competitive with other firms who operate with a predominately offshore operating model.

The proportion of work performed at our offshore facilities and at onsite client locations varies from period-to-period. Effort, in terms of the percentage of hours billed to clients by onsite resources, was 18% and 17% of total hours billed in each of the fiscal years ended March 31, 2011 and 2010, respectively, while the revenue from resources located onsite and offshore accounted for 49% and 51% respectively in the fiscal year ended March 31, 2011, and 45% and 55% respectively during the fiscal year ended March 31, 2010. We charge higher rates and incur higher compensation costs and other expenses for work performed at client locations in the United States and the United Kingdom as compared to work performed at our global delivery centers in India, Sri Lanka and Hungary. Services performed at client locations or at our offices in the United States or the United Kingdom generate higher revenue per-capita at lower gross margins than similar services performed at our global delivery centers in India and Sri Lanka. We manage to a 20/80, or better, onsite-to-offshore service delivery mix and intend to manage to an efficient onsite-to-offshore service delivery ratio for the foreseeable future.

Costs of revenue and gross profit

Costs of revenue consist principally of payroll and related fringe benefits, reimbursable and non-reimbursable costs, immigration-related expenses, fees for subcontractors working on client engagements and share-based compensation expense for IT professionals including account management personnel.

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Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States and Europe for comparably-skilled IT professionals. However, wages in India and Sri Lanka are increasing in local currency, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition. We deploy a campus hiring philosophy and encourage internal promotions to minimize the effects of wage inflation pressure and recruiting costs. Additionally, any material appreciation in the Indian or Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse impact on our cost of services.

Our revenue and gross profit are also affected by our ability to efficiently manage and utilize our IT professionals and fluctuations in foreign currency exchange rates. We define utilization rate as the total number of days billed in a given period divided by the total available days of our IT professionals during that same period, excluding trainees. We manage employee utilization by continually monitoring project requirements and timetables to efficiently staff our projects and meet our clients' needs. The number of IT professionals assigned to a project will vary according to the size, complexity, duration and demands of the project. An unanticipated termination or reduction of a significant project could cause us to experience a higher than expected number of unassigned IT professionals, thereby lowering our utilization rate.

Although, we have adopted an eight quarter cash flow hedging program to minimize the effect of the Indian rupee movement on our financial condition, particularly our costs of revenue, these hedges may not be effective or may cause us to forego benefits, especially given the volatility of these currencies. In addition, to the extent that these hedges do not qualify for hedge accounting, we may have to recognize gains or losses on the aggregate amount of hedges remaining outstanding as of the balance sheet date.

Operating expenses

Operating expenses consist primarily of payroll and related fringe benefits, commissions, selling, share-based compensation and non-reimbursable costs, as well as promotion, communications, management, finance, administrative, occupancy, marketing and depreciation and amortization expenses. In the fiscal years ended March 31, 2011, 2010, and 2009, we invested in all aspects of our business, including sales, marketing, IT infrastructure, facilities, human resources programs and financial operations. Additionally, any material appreciation in the Indian or Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse impact on our cost of operating expenses.

Other income (expense)

Other income (expense) includes interest income, interest expense, investment gains and losses, foreign currency transaction gains and losses and disposal of fixed assets. We generate interest income by investing in money market instruments, short-term investments and long-term investments. The functional currencies of our subsidiaries are their local currencies. Foreign currency gains and losses are generated primarily by fluctuations of the Indian rupee, Sri Lankan rupee and U.K. pound sterling against the U.S. dollar on intercompany transactions. We place our cash in liquid investments at highly-rated financial institutions based on our investment policy approval by our audit committee and board of directors. We believe that our credit policies reflect normal industry terms and business risk.

Income tax expense

Our net income is subject to income tax in those countries in which we perform services and have operations, including India, Sri Lanka, the United Kingdom, the Netherlands, Hungary and the United States. In the fiscal year ended March 31, 2011, our effective tax rate was impacted by the mix of income by jurisdiction and availability and term of certain tax holidays. We have benefited from long-term income tax

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holiday arrangements in both India and Sri Lanka that are offered to certain export-oriented IT services firms. As a result of these tax holiday arrangements, our worldwide profit has been subject to a relatively low effective tax rate as compared to the statutory rates in the countries in which we operate. The effect of the income tax holidays in India and Sri Lanka decreased our income tax expense in the fiscal years ended March 31, 2011 and 2010 by \$4.6 million and \$3.4 million, respectively. Our effective tax rate increased in the fiscal year ended March 31, 2011 due to the expiration of our STP tax holiday in Hyderabad on March 31, 2010. The expiration of our STP tax holiday in Chennai, which expired on March 31, 2011, will also increase our effective tax rate and have a negative effect on our earnings in future periods.

Our effective tax rate was 11.1% and 6.3% for each of the fiscal years ended March 31, 2011 and 2010 respectively. Our effective tax rate in future periods will be affected by the geographic distribution of our earnings, as well as the availability of tax holidays in India and Sri Lanka.

Application of critical accounting estimates and risks

Our consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. Preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical to the preparation of our consolidated financial statements when both of the following are present:

- the estimate is complex in nature or requires a high degree of judgment; and
- the use of different estimates and assumptions could have a material impact on the consolidated financial statements.

We have discussed the development and selection of our critical accounting estimates and related disclosures with the audit committee of our board of directors. Those estimates critical to the preparation of our consolidated financial statements are listed below.

Revenue recognition

Our revenue is derived from a variety of IT consulting, technology implementation and application outsourcing services. Our services are performed under both time-and-material and fixed-price arrangements. All revenue is recognized pursuant to U.S. GAAP. Revenue is recognized as work is performed and amounts are earned. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured. For contracts with fees billed on a time-and-materials basis, we generally recognize revenue as the service is performed.

Fixed-price engagements are accounted for under the percentage-of-completion method. Under the percentage-of-completion method, we estimate the percentage-of-completion by comparing the actual number of work days performed to date to the estimated total number of days required to complete each engagement. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and costs to completion, including assumptions and estimates relative to the length of time to complete the project, the nature and complexity of the work to be performed and anticipated changes in other engagement-related costs. Estimates of total contract revenue and costs to completion are continually monitored during the term of the contract and are subject to revision as the contract progresses. Unforeseen circumstances may arise during an engagement requiring us to revise our original estimates and may cause the estimated profitability to decrease. When revisions in estimated contract revenue and efforts are determined, such adjustments are recorded in the period in which they are first identified.

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Valuation and impairment of investments and/or marketable securities

We classify our marketable securities as available-for-sale or trading securities, and carry them at fair market value. Changes in fair value subsequent to the balance sheet date are recorded in the period in which they occur. The difference between amortized cost and fair market value, net of tax effect, for available-for-sale securities is recorded as a separate component of stockholders' equity. The difference between amortized cost and fair market value for trading securities is reflected in "other income, net" on our consolidated statements of income. Investments and/or marketable securities classified as available-for-sale are considered to be impaired when a decline in fair value below cost basis is determined to be other than temporary. We conduct a periodic review and evaluation of our investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. We have no intention to sell any securities in an unrealized loss position at March 31, 2011 nor is it more likely than not that we would be required to sell such securities prior to the recovery of the unrealized losses. As of March 31, 2011, we believe that all impairments of investment securities are temporary in nature.

Our investments in auction rate securities are valued primarily based on an income approach using an estimate of future cash flows because there are currently no active markets or observable market prices. We have estimated the fair value using a discounted cash flow analysis which considered the following key inputs: (i) the underlying structure and maturity of each security; (ii) the timing of expected future principal and interest payments; and (iii) discount rates that are believed to reflect current market conditions and the relevant risk associated with each security.

Derivative instruments and hedging activities

We enter into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies. Certain of these transactions meet the criteria for hedge accounting as cash flow hedges under accounting standards codification. Changes in the fair values of these hedges are deferred and recorded as a component of accumulated other comprehensive income (loss), net of tax until the hedged transactions occur and are then recognized in the consolidated statements of income. The Company measures the effectiveness of these hedges at the time of inception, as well as on an ongoing basis. If any portion of the hedges is deemed ineffective, the respective portion is recorded in the consolidated statement of earnings in other income (expense). Changes in the fair value for other derivative contracts, if any, are recognized in the same line item as the underlying exposure being hedged in the statements of income. We value our derivatives based on market observable inputs including both forward and spot prices for currencies. Any significant change in the forward or spot prices for currencies would have a significant impact on the value of our derivatives.

Goodwill and Other Intangible Assets

We allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at the reporting unit level, defined at the Company level, at least annually in the fourth quarter of each fiscal year or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit.

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Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Significant judgment is applied when goodwill is assessed for impairment.

For the Company's goodwill impairment analysis, the Company operates under one reporting unit. Any impairment would be measured based upon the fair value of the related assets. In performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the market price of the Company's common stock. If the market capitalization is not sufficiently in excess of the Company's book value, the Company will calculate the control premium which considers appropriate industry, market and other pertinent factors. If the fair value of the reporting unit is less than the book value, the second step is performed to determine if goodwill is impaired. If the Company determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in the consolidated statement of operations. The Company completed the annual impairment test required during the fourth quarter of the fiscal year ended March 31, 2011 and determined that there was no impairment. The Company continues to closely monitor its market capitalization. If the Company's market capitalization, plus an estimated control premium, is below its carrying value for a period considered to be other-than-temporary, it is possible that the Company may be required to record an impairment of goodwill either as a result of the annual assessment that the Company conducts in the fourth quarter of each fiscal year, or in a future quarter if an indication of potential impairment is evident. The estimated fair value of goodwill exceeded the carrying book value by 105%.

Other intangible assets with definite lives are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. We test other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. We use a discounted cash flow approach or other methods, if appropriate, to assess fair value. The intangible impairment test is performed at the reporting unit level, and the Company is considered a single reporting unit for goodwill and intangible impairment testing purposes.

Income taxes

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple jurisdictions. We record liabilities for estimated tax obligations in the United States and other tax jurisdictions. Determining the consolidated provision for income tax expense, tax reserves, deferred tax assets and liabilities and related valuation allowance, if any, involves judgment. We calculate and provide for income taxes in each of the jurisdictions in which we operate, including India, Sri Lanka, the United States, the United Kingdom, Hungary and the Netherlands, and these calculations and determinations can involve complex issues which require an extended period of time to resolve. In the fiscal year of any such resolution, additional adjustments may need to be recorded that result in increases or decreases to income. Our overall effective tax rate fluctuates due to a variety of factors, including arm's-length prices for our intercompany transactions, changes in the geographic mix or estimated level of annual pretax income, as well as newly enacted tax legislation in each of the jurisdictions in which we operate. Applicable transfer pricing regulations require that transactions between and among our subsidiaries be conducted at an arm's-length price. On an ongoing basis, we estimate appropriate arm's-length prices and use such estimates for our intercompany transactions.

At each financial statement date, we evaluate whether a valuation allowance is needed to reduce our deferred tax assets to the amount that is more likely than not to be realized. This evaluation considers the weight of all available evidence, including both future taxable income and ongoing prudent and feasible tax

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planning strategies. In the event that we determine that we will not be able to realize a recognized deferred tax asset in the future, an adjustment to the valuation allowance would be made resulting in a decrease in income in the period such determination was made. Likewise, should we determine that we will be able to realize all or part of an unrecognized deferred tax asset in the future, an adjustment to the valuation allowance would be made resulting in an increase to income (or equity in the case of excess stock option tax benefits).

We have benefited from long-term income tax holiday arrangements in both India and Sri Lanka. One of our Indian subsidiaries is an export-oriented company that is entitled to claim a tax exemption for a period of ten years for each STP it operates. Our STP holiday for Chennai, India was completely phased out by March 31, 2011 and subsequent to that date, any profits will be fully taxable at the Indian statutory rate, which is currently 32.45%. During the fiscal year ended March 31, 2011, most of our profits in India were generated from our STPs. Although we believe we have complied with, and are eligible for the STP holidays, it is possible that upon examination the government of India may deem us ineligible for the STP holidays or make adjustments to the profit level in previous tax years. We have located new development centers in areas designated as Special Economic Zones ("SEZ") to secure additional tax exemptions for these operations for a period of ten years, which could extend to 15 years if we meet certain reinvestment requirements. Our Sri Lanka subsidiary has been granted an income tax holiday by the Sri Lanka Board of Investment which expires on March 31, 2019. The tax holiday is contingent upon a certain level of job creation by us during a given timetable. Any inability to meet the agreed upon level or timetable for new job creation would jeopardize the benefits from this holiday arrangement. Primarily as a result of these tax holiday arrangements, our worldwide profit has been subject to a relatively low effective tax rate, and the loss of any of these arrangements would increase our overall effective tax rate and reduce our net income.

It is our intent to reinvest all accumulated earnings from India and Sri Lanka back into their respective operations to fund growth. As a component of this strategy, we do not accrue incremental U.S. taxes on India, Sri Lanka, or U.K. earnings as these earnings are considered to be permanently or indefinitely reinvested outside of the United States. If such earnings were to be repatriated in the future or are no longer deemed to be indefinitely reinvested, we will accrue the applicable amount of taxes associated with such earnings, which would increase our overall effective tax rate.

Share-based compensation

Under the fair value recognition provisions of accounting standards, share-based compensation cost is measured at the grant date based on the value of the award and is recognized over the vesting period. Determining the fair value of the share-based awards at the grant date requires judgment, including estimating the expected term over which stock options will be outstanding before they are exercised, the expected volatility of our stock and the number of share-based awards that are expected to be forfeited. If actual results differ significantly from our estimates, share-based compensation expense and our results of operations could be materially impacted.

The risk-free interest rate assumptions are based on the interpolation of various U.S. Treasury bill rates in effect during the month in which stock option awards are granted. The Company's volatility assumption is based on the historical volatility rates of the common stock of its publicly held peers over periods commensurate with the expected term of each grant.

The expected term of employee share-based awards represents the weighted average period of time that awards are expected to remain outstanding. The determination of the expected term of share-based awards assumes that employees' behavior is a function of the awards vested, contractual lives, and the extent to which the award is in the money. Accordingly, the Company has elected to use the "simplified" method of determining the expected term or life of its share-based awards due to the Company's limited trading history.

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The following table presents an overview of our results of operations for the fiscal years ended March 31, 2011 and 2010:

	Fiscal Year Ended March 31,		\$ Change	% Change
	2011	2010		
	(Dollars in thousands)			
Revenue	\$ 217,979	\$ 164,365	\$ 53,614	32.6%
Costs of revenue	134,496	94,142	40,354	42.9%
Gross profit	83,483	70,223	13,260	18.9%
Operating expenses	65,697	57,330	8,367	14.6%
Income from operations	17,786	12,893	4,893	38.0%
Other income	441	56	385	687.5%
Income before income tax expense	18,227	12,949	5,278	40.8%
Income tax expense	2,027	820	1,207	147.2%
Net income	\$ 16,200	\$ 12,129	\$ 4,071	33.6%

Revenue

Revenue increased by 32.6%, or \$53.6 million, from \$164.4 million during the fiscal year ended March 31, 2010 to \$218.0 million in the fiscal year ended March 31, 2011, due primarily to higher revenue contribution from all of our industry groups led by BFSI, larger contributions from clients located in geographies other than North America and Europe and full fiscal year revenue contribution of clients acquired in the ConVista and InSource acquisitions. Revenue from clients existing as of March 31, 2010 increased in the fiscal year ended March 31, 2011 by \$42.7 million. Revenue from new clients added since March 31, 2010 decreased by \$2.8 million to \$17.1 million, for the fiscal year ended March 31, 2011 as compared to 19.9 million for the fiscal year ended March 31, 2010. Revenue from European clients in the fiscal year ended March 31, 2011 increased by \$5.7 million, or 14.6%, as compared to the fiscal year ended March 31, 2010. Excluding BT, our largest European client, our European revenue increased by \$0.9 million, or 6.9%, in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. Revenue from North American clients increased by \$40.8 million, or 33.5%, as compared to the fiscal year ended March 31, 2010. Revenue from clients in each of the BFSI, communications and technology and media and information industries increased by 52%, 24% and 5% respectively, in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. We had 80 active clients as of March 31, 2011 as compared to 68 active clients as of March 31, 2010.

Costs of revenue

Costs of revenue increased from \$94.1 million in the fiscal year ended March 31, 2010 to \$134.5 million in the fiscal year ended March 31, 2011, an increase of \$40.4 million, or 43%. A significant portion of the increase was attributable to an increase in compensation and benefit costs of \$34.9 million due to an increase in headcount, and an increase in base and variable compensation. The increased costs of revenue is also attributable to increased cost of subcontractors of \$6.3 million, increases in travel and related expenses of \$2.8 million, and an increase of \$0.5 million in immigration expenses. These increases were partially offset by a decrease in losses of \$4.2 million recorded as a result of our cash flow hedging program in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

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Gross profit

Our gross profit increased by \$13.3 million or 19%, to \$83.5 million for the fiscal year ended March 31, 2011 as compared to \$70.2 million in the fiscal year ended March 31, 2010 primarily due to our growth in revenue. As a percentage of revenue, our gross profit margin was 38.3% and 42.7% in the fiscal years ended March 31, 2011 and 2010, respectively. The principal reason for the decrease in gross profit margin during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010, was higher cost of revenue during the fiscal year ended March 31, 2011 due in part to higher percentage of onsite effort, increased used of subcontractors and compensation increases of our IT professionals.

Operating expenses

Operating expenses increased from \$57.3 million in the fiscal year ended March 31, 2010 to \$65.7 million in the fiscal year ended March 31, 2011, an increase of \$8.4 million. The increase in operating expenses was due to an increase of \$4.0 million in facilities expenses, \$2.4 million in amortization expenses, and \$7.1 million in base and variable compensation. This increase was partially offset by a \$2.1 million reduction in foreign currency forward contract losses as part of our hedging program, a decrease of \$0.6 million in consultant fees, and a decrease in \$0.7 million in travel expenses during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. As a percentage of revenue, our operating expenses decreased from 34.9% in the fiscal year ended March 31, 2010 to 30.1% in the fiscal year ended March 31, 2011.

Income from operations

Income from operations increased from \$12.9 million in the fiscal year ended March 31, 2010 to \$17.8 million in the fiscal year ended March 31, 2011, an increase of \$4.9 million or 38%. This increase in income from operations resulted primarily from higher gross profit and our operating expenses being allocated over a larger revenue base. As a percentage of revenue, income from operations increased from 7.8% in the fiscal year ended March 31, 2010 to 8.2% in the fiscal year ended March 31, 2011.

Other income

Other income increased from \$0.1 million in the fiscal year ended March 31, 2010 to \$0.4 million in the fiscal year ended March 31, 2011. The increase is primarily attributed to an increase in interest income of \$0.1 million and a decrease of foreign currency transaction losses of \$0.4 million in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

Income tax expense

We had income tax expense of \$2.0 million and \$0.8 million for the fiscal years ended March 31, 2011 and 2010 respectively. Our effective tax rate was 11.1% and 6.3% for the fiscal years ended March 31, 2011 and 2010 respectively.

Net income

Net income for the fiscal year ended March 31, 2011 was \$16.2 million, increasing by 34% or \$4.1 million compared to net income of \$12.1 million for the fiscal year ended March 31, 2010 due to higher revenue partially offset by higher cost of revenue and increased operating expenses, which were leveraged over a larger revenue base.

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Fiscal year ended March 31, 2010 compared to fiscal year ended March 31, 2009

The following table presents an overview of our results of operations for the fiscal years ended March 31, 2010 and 2009:

	Fiscal Year Ended March 31,		\$ Change	% Change
	2010	2009		
	(Dollars in thousands)			
Revenue	\$ 164,365	\$ 172,942	\$ (8,577)	(5.0)%
Costs of revenue	94,142	105,100	(10,958)	(10.4)%
Gross profit	70,223	67,842	2,381	3.5%
Operating expenses	57,330	57,864	(534)	(0.9)%
Income from operations	12,893	9,978	2,915	29.2%
Other income	56	2,888	(2,832)	(98.1)%
Income before income tax expense	12,949	12,866	83	0.6%
Income tax expense	820	809	11	1.4%
Net income	\$ 12,129	\$ 12,057	\$ 72	0.6%

Revenue

Revenue decreased by 5.0%, or \$8.6 million, from \$172.9 million during the fiscal year ended March 31, 2009 to \$164.4 million in the fiscal year ended March 31, 2010, due primarily to lower revenue contribution from our existing clients, including two of our largest clients, completion of certain projects or engagements with certain clients, and appreciation of the U.S. dollar against U.K. pound sterling in the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009. Revenue from clients existing as of March 31, 2009 decreased in the fiscal year ended March 31, 2010 by \$28.4 million. However, revenue from new clients added since March 31, 2009 increased by \$11.0 million to \$19.9 million, for the fiscal year ended March 31, 2010 as compared to \$8.9 million in revenue from new clients added since March 31, 2008 for the fiscal year ended March 31, 2009. Revenue from European clients in the fiscal year ended March 31, 2010 decreased by \$5.0 million, or 11.4%, as compared to the fiscal year ended March 31, 2009. However, excluding BT, our largest European client, our European revenue increased by \$1.4 million, or 12%, in the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009. Revenue from North American clients decreased by \$2.9 million, or 2.3%, as compared to the fiscal year ended March 31, 2009. Revenue from clients in the BFSI industry increased by 3%, while revenue from clients in the communications and technology industry decreased by 4% and revenue from clients in the media and information industry decreased by 20%, in the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009. We had 68 and 56 active clients as of March 31, 2010 and 2009, respectively.

Costs of revenue

Costs of revenue decreased from \$105.1 million in the fiscal year ended March 31, 2009 to \$94.1 million in the fiscal year ended March 31, 2010, a decrease of \$11.0 million, or 10.4%. A significant portion of the decrease was attributable to reduction in compensation and benefits costs of \$10.5 million due to improved resource optimization and lower variable compensation, decreases in travel and related expenses of \$0.3 million, decreases in share based compensation of \$0.2 million, decreases of \$0.2 million in training programs, decreases in losses by \$1.7 million recorded on foreign currency forward contracts as part of our hedging program due to depreciation of the Indian rupee against the U.S. dollar and U.K. pound sterling in the fiscal year ended March 31, 2009 as compared to the fiscal year ended March 31, 2010, partially offset by an increase of \$2.6 million in sub-contractor services.

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Gross profit

Our gross profit increased by \$2.4 million or 3.5%, to \$70.2 million for the fiscal year ended March 31, 2010 as compared to \$67.8 million in the fiscal year ended March 31, 2009. The principal reason for our increase in gross profit during the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009 was a decrease in cost of revenue. As a percentage of revenue, gross profit margin was 42.7% and 39.2% in the fiscal years ended March 31, 2010 and 2009, respectively. The principal reason for our increase in gross profit margin during the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009, was lower cost of revenue and higher utilization during the fiscal year ended March 31, 2010.

Operating expenses

Operating expenses decreased from \$57.9 million in the fiscal year ended March 31, 2009 to \$57.3 million in the fiscal year ended March 31, 2010, a decrease of \$0.5 million, or 0.9%. The decrease in operating expenses was due to a decrease of \$1.3 million in facilities expenses, \$0.5 million in professional services fees, \$0.3 million in share based compensation and a \$0.4 million reduction in foreign currency forward contract losses, as part of our hedging program. This decrease was partially offset by an increase of \$1.2 million in compensation expense and an increase of \$0.7 million in consultant fees during the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009. As a percentage of revenue, our operating expenses increased from 33.5% in the fiscal year ended March 31, 2009 to 34.9% in the fiscal year ended March 31, 2010.

Income from operations

Income from operations increased from \$10.0 million in the fiscal year ended March 31, 2009 to \$12.9 million in the fiscal year ended March 31, 2010, an increase of \$2.9 million or 29.2%. This increase in income from operations resulted primarily from higher gross profit and decreased operating expenses. As a percentage of revenue, income from operations increased from 5.8% in the fiscal year ended March 31, 2009 to 7.8% in the fiscal year ended March 31, 2010.

Other income

Other income decreased from \$2.9 million in the fiscal year ended March 31, 2009 to \$56 thousand in the fiscal year ended March 31, 2010. The decrease is primarily attributed to a decrease in interest income of \$0.7 million and an increase of foreign currency transaction losses of \$2.1 million in the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009.

Income tax expense

We had income tax expense of \$0.8 million in each of the fiscal years ended March 31, 2010 and 2009. Our effective tax rate was 6.3% for each of the fiscal years ended March 31, 2010 and 2009.

Net income

Net income for the fiscal year ended March 31, 2010 was \$12.1 million, and remained relatively unchanged as compared to net income for the fiscal year ended March 31, 2009 due to lower cost of revenue and operating expenses despite a lower revenue base.

Liquidity and capital resources

We have financed our operations primarily from sales of shares of common stock and from cash from operations. We have not borrowed against our existing or preceding credit facilities.

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On July 30, 2010, we entered into a \$3,000 credit agreement with J.P. Morgan Chase Bank, N.A. ("JPMC") which expires on July 31, 2013. The primary purpose of this credit agreement is to support our foreign currency hedging programs. The credit agreement is secured by a grant of a security interest in our U.S. assets in favor of JPMC as well as other collateral. The agreement contains financial and reporting covenants and limitations. At March 31, 2011, there were no amounts outstanding under this credit facility and we are in compliance with all covenants.

Beginning in fiscal 2009, our U.K. subsidiary entered into an agreement with an unrelated financial institution to sell, without recourse, certain of its European-based accounts receivable balances from one client to such financial institution. During the fiscal year ended March 31, 2011, we sold \$15.9 million of receivables under the terms of the financing agreement. Fees paid pursuant to this agreement were immaterial during the fiscal year ended March 31, 2011. We may elect to use this program again in future periods. However, we cannot provide any assurance that this or any other financing facilities will be available or utilized in the future.

Anticipated capital expenditures

We are constructing a facility as part of a planned campus on a 6.3 acre site in Hyderabad, India. We intend to continue the construction and build out of this facility, which will be approximately 325,000 square feet, over the next fiscal year ending March 31, 2012, at a total estimated cost of \$27.5 million. Of this amount, we have spent \$20.5 million as of March 31, 2011 toward the completion of this facility, with approximately \$4.7 million spent during the fiscal year ended March 31, 2011. We anticipate spending approximately \$7.0 million during the fiscal year ending March 31, 2012. Other capital expenditures during the fiscal year ended March 31, 2011 were approximately \$5.0 million. We expect other capital expenditures in the normal course of business during the fiscal year ending March 31, 2012 to be approximately \$4.4 million, primarily for leasehold improvements, capital equipment and purchased software.

Cash flows

The following table summarizes our cash flows for the periods presented:

	Fiscal Year Ended March 31,		
	2011	2010	2009
		(In thousands)	
Net cash provided by operating activities	\$ 19,766	\$ 18,577	\$ 25,611
Net cash used for investing activities	(18,345)	(33,181)	(3,470)
Net cash provided by (used for) financing activities	4,291	1,547	(5,190)
Effect of exchange rates on cash	655	1,210	(2,300)
Net increase (decrease) in cash and cash equivalents	6,367	(11,847)	14,651
Cash and cash equivalents, beginning of fiscal year	43,851	55,698	41,047
Cash and cash equivalents, end of fiscal year	\$ 50,218	\$ 43,851	\$ 55,698

Net cash provided by operating activities

Net cash provided by operating activities was \$19.8 million during the fiscal year ended March 31, 2011 as compared to \$18.6 million during the fiscal year ended March 31, 2010. This increase was primarily attributable to an increased change in liabilities of \$7.3 million, an increase in net income of \$4.1 million, and an increase in depreciation and amortization expenses of \$3.1 million; partially offset by an increase in accounts receivable of \$9.6 million and an increase in other assets of \$3.7 million.

Net cash provided by operating activities was \$18.6 million during the fiscal year ended March 31, 2010 as compared to \$25.6 million during the fiscal year ended March 31, 2009. This decrease was primarily

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attributable to a decreased change in liabilities of \$8.8 million and an increase of \$0.6 million in deferred tax benefit, partially offset by an increase in foreign currency losses of \$2.1 million and an increase in amortization of intangibles of \$0.6 million.

Net cash used for investing activities

Net cash used for investing activities was \$18.3 million during the fiscal year ended March 31, 2011 as compared to \$33.2 million used during the fiscal year ended March 31, 2010. The decrease in cash used during the fiscal year ended March 31, 2011 was due primarily to the decrease of payments related to acquisitions of \$25.3 million, and a decrease in restricted cash of \$4.3 million, partially offset by an increase of capital expenditures on property and equipment of \$5.7 million and an increase of short term and long term investments of \$9.1 million during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

Net cash used for investing activities was \$33.2 million during the fiscal year ended March 31, 2010 as compared to \$3.5 million used during the fiscal year ended March 31, 2009. The increase in cash used during the fiscal year ended March 31, 2010 was due primarily to our acquisitions of InSource and ConVista resulting in our paying \$6.1 million, net of cash acquired and \$22.3 million, respectively, in cash consideration at the closing of these two transactions, an increase of our net purchases of investment securities of \$6.3 million, and an increase in restricted cash of \$1.2 million. This increase was partially offset by reduced capital expenditures on property and equipment of \$6.2 million during the fiscal year ended March 31, 2010 as compared to the fiscal year ended March 31, 2009.

Net cash provided by financing activities

Net cash provided by financing activities was \$4.3 million during the fiscal year ended March 31, 2011, as compared to net cash provided by financing activities of \$1.5 million during the fiscal year ended March 31, 2010. The primary change in net cash provided was due to an increase in proceeds from stock option exercises of \$2.9 million offset by a decrease in capital lease obligations of \$1.1 million

Net cash provided by financing activities was \$1.5 million during the fiscal year ended March 31, 2010, as compared to net cash used by financing activities of \$5.2 million during the fiscal year ended March 31, 2009. The change in net cash provided was due to our not repurchasing any of our common stock under our stock repurchase program for the fiscal year ended March 31, 2010 as compared to \$7.8 million in stock repurchases made during the fiscal year ended March 31, 2009. This was partially offset by reduced proceeds from stock option exercises of \$0.4 million and the payment of contingent consideration for the InSource acquisition of \$0.5 million.

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Contractual obligations

We have no long term debt and have various contractual obligations and commercial commitments. The following table sets forth our future contractual obligations and commercial commitments at March 31, 2011.

	Payments Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years
		(In thousands)			
Operating lease obligations(1)	\$ 9,856	\$ 4,312	\$ 3,709	\$ 903	\$ 932
Capital lease obligation(2)	1,958	1,958	—	—	—
Contingent consideration(3)	2,000	2,000	—	—	—
Defined benefit plans(4)	7,044	406	1,009	1,282	4,347
Capital and other purchase commitments(5)	2,238	2,238	—	—	—
Total	\$ 23,096	\$ 10,914	\$ 4,718	\$ 2,185	\$ 5,279

- (1) Our obligations under our operating leases consist of future payments related to our real estate leases.
- (2) Capital lease relates to purchase of software license.
- (3) Relates to the ConVista acquisition.
- (4) We accrue and contribute to benefit funds covering our employees in India and Sri Lanka. The amounts in the table represent the expected benefits to be paid out over the next ten years. We are not able to quantify expected benefit payments beyond ten years with any certainty. We make periodic contributions to the plans such that the unfunded amounts are immaterial.
- (5) Relates to construction of our campus in Hyderabad and other purchase commitments, India, net of advances.

Off-balance sheet arrangements

We do not have any investments in special purpose entities or undisclosed borrowings or debt.

We have entered into foreign currency derivative contracts with the objective of limiting our exposure to changes in the Indian rupee as described below and in "Qualitative and Quantitative Disclosures about Market Risk."

We maintain a foreign currency cash flow hedging program designed to further mitigate the risks of volatility in the Indian rupee against the U.S. dollar and U.K. pound sterling as described below in "Qualitative and Quantitative Disclosures about Market Risk." From time to time, we may also purchase multiple foreign currency forward contracts designed to hedge fluctuation in foreign currencies, such as the U.K. pound sterling, against the U.S. dollar, or the U.K. pound sterling against the Sri Lankan rupee, and multiple foreign currency hedges designed to hedge foreign currency transaction gains and losses on our intercompany balances. Other than these foreign currency derivative contracts, we have not entered into off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

Recent Accounting Pronouncements

In January 2010, the FASB issued an amendment to the accounting standards related to the disclosures about an entity's use of fair value measurements. Among these amendments, entities will be required to provide enhanced disclosures about transfers into and out of the Level 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and Level 2 (fair value determined based

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on significant other observable inputs) classifications, provide separate disclosures about purchases, sales, issuances and settlements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and provide greater disaggregation for each class of assets and liabilities that use fair value measurements. Except for the detailed Level 3 roll-forward disclosures, the new standard was effective for the Company for interim and annual reporting periods beginning after December 31, 2009. The adoption of this accounting standards amendment did not have a material impact on the Company's disclosure or consolidated financial results. The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for the Company for interim and annual reporting periods beginning after December 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued a new accounting standard requiring that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective for fiscal years beginning after December 15, 2010 and interim periods within those years. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued new guidance clarifying some of the disclosure requirements related to business combinations that are material on an individual or aggregate basis. Specifically, the guidance states that, if comparative financial statements are presented, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year occurred as of the beginning of the comparable prior annual reporting period only. Additionally, the new standard expands the supplemental pro forma disclosure required by the authoritative guidance to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination in the reported pro forma revenue and earnings. This guidance became effective January 1, 2011. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results. However, it may result in additional disclosures in the event that we enter into a business combination that is material either on an individual or aggregate basis

Item 7A. *Quantitative and qualitative disclosures about market risk.*

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk in the ordinary course of business. We have historically entered into, and in the future we may enter into, foreign currency derivative contracts to minimize the impact of foreign currency fluctuations on both foreign currency denominated assets and forecasted expenses. Certain of these contracts meet the criteria for hedge accounting as cash flow hedges. We evaluate our foreign exchange policy on an ongoing basis to assess our ability to address foreign exchange exposures on our consolidated balance sheets, consolidated statements of income and operating cash flows from all foreign currencies, including most significantly the Indian rupee, U.K. pound sterling, and the Sri Lankan rupee.

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges, designed to mitigate the impact of volatility in the U.S. dollar equivalent of the company's Indian rupee denominated expenses over a rolling 24 month period. As of March 31, 2011, the notional value of these contracts was \$76.9 million. The outstanding contracts as of March 31, 2011 are scheduled to mature each month through calendar years 2011 and 2012. At March 31, 2011 the net unrealized gain on our outstanding cash flow hedge contracts was \$1.1 million. Based upon a sensitivity analysis of our cash flow hedge contracts at March 31, 2011, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10% change in the foreign currency exchange rate against the U.S. dollar with

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all other variables held constant would have resulted in a change in fair value of approximately \$6.3 million.

The Company's "U.K. Revenue and Cost Program" involves the purchase of derivative instruments with maturities of up to 92 days, is designed to mitigate the impact of foreign exchange on U.K. pound sterling denominated revenue and costs with respect to the quarter for which such instruments are purchased and does not meet the criteria for hedge accounting. Such hedges may not be effective in mitigating this currency volatility. As of March 31, 2011, the notional value of these contracts was \$13.1 million. The outstanding contracts as of March 31, 2011 are scheduled to mature each month through June 2011. Based upon a sensitivity analysis of the foreign exchange forward contracts at March 31, 2011, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10% change in the foreign currency exchange rate against the U.S. dollar with all other variables held constant would have resulted in a change in fair value of approximately \$0.2 million.

The Company's "Balance Sheet Program" involves the use of 30-day derivative instruments designed to mitigate the monthly impact of foreign exchange gains/losses on certain intercompany balances and payments. As of March 31, 2011, the notional value of these contracts was \$21.4 million. The outstanding contracts as of March 31, 2011 matured and expired in April 2011. Based upon a sensitivity analysis of these contracts at March 31, 2011, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10% change in the foreign currency exchange rate against the U.S. dollar with all other variables held constant would have resulted in a change in fair value of approximately \$0.2 million.

Interest rate risk

We had no debt outstanding at March 31, 2011. We do not believe we are exposed to material direct risks associated with changes in interest rates other than with our cash and cash equivalents, short-term investments and long-term investments. At March 31, 2011, we had \$111.8 million in cash and cash equivalents, short-term investments and long-term investments, the interest income from which is affected by changes in interest rates. Our invested securities primarily consist of government sponsored entity bonds, money market mutual funds, commercial paper, corporate debts and auction-rate securities. Our investments in debt securities are classified as "available-for-sale" and are recorded at fair value. Our "available-for-sale" investments are sensitive to changes in interest rates. Interest rate changes would result in a change in the net fair value of these financial instruments due to the difference between the market interest rate and the market interest rate at the date of purchase of the financial instrument. A 100 basis point increase in market interest rates at March 31, 2011 would impact the net fair value of such interest-sensitive financial instruments by \$0.3 million.

Concentration of credit risk

Financial instruments which potentially expose us to concentrations of credit risk primarily consist of cash and cash equivalents, short-term investments and long-term investments, accounts receivable, derivative contracts, other financial assets and unbilled accounts receivable. We place our operating cash, investments and derivatives in highly-rated financial institutions. We adhere to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties and, accordingly, do not require collateral. Credit losses and write-offs of accounts receivable balances have historically not been material to our consolidated financial statements and have not exceeded our expectations.

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Item 8. *Financial Statements and Supplementary Data.*

Virtusa Corporation and Subsidiaries
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Virtusa Corporation and Subsidiaries (the Company) as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virtusa Corporation and Subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 27, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
May 27, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We have audited Virtusa Corporation and Subsidiaries' (the Company) internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2011, and our report dated May 27, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
May 27, 2011

Virtusa Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2011	March 31, 2010
(In thousands, except share and per share amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 50,218	\$ 43,851
Short-term investments	45,713	27,820
Accounts receivable, net of allowance of \$1,160 and \$700 at March 31, 2011 and 2010, respectively	41,823	31,160
Unbilled accounts receivable	7,512	6,123
Prepaid expenses	6,074	3,451
Deferred income taxes	1,244	540
Restricted cash	163	3,225
Other current assets	6,284	7,100
Total current assets	159,031	123,270
Property and equipment, net	29,183	24,525
Long-term investments	15,819	24,309
Deferred income taxes	7,591	5,865
Goodwill	19,046	19,090
Intangible assets, net	9,666	12,697
Other long-term assets	5,841	6,117
Total assets	\$ 246,177	\$ 215,873
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,692	\$ 6,769
Accrued employee compensation and benefits	13,447	8,949
Accrued expenses and other	12,165	13,575
Deferred revenue	811	685
Income taxes payable	1,652	925
Total current liabilities	35,767	30,903
Long-term liabilities	3,074	3,176
Total liabilities	38,841	34,079
Stockholders' equity:		
Undesignated preferred stock, \$0.01 par value; Authorized 5,000,000 shares at March 31, 2011 and 2010, respectively; Issued zero shares at March 31, 2011 and 2010, respectively	—	—
Common stock, \$0.01 par value; Authorized 120,000,000 shares at March 31, 2011 and 2010, respectively; issued 26,094,418 and 25,197,790 shares at March 31, 2011 and 2010, respectively; outstanding 24,335,030 and 23,438,402 shares at March 31, 2011 and 2010, respectively	261	252
Treasury stock, 1,759,388 common shares, at cost, at March 31, 2011 and 2010	(8,244)	(8,244)
Additional paid-in capital	158,338	149,394
Retained earnings	58,814	42,614
Accumulated other comprehensive loss	(1,833)	(2,222)
Total stockholders' equity	207,336	181,794
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 246,177	\$ 215,873
<i>See accompanying notes to consolidated financial statements</i>		

Virtusa Corporation and Subsidiaries
Consolidated Statements of Income

	Year Ended March 31,		
	2011	2010	2009
	(In thousands, except per share amounts)		
Revenue	\$ 217,979	\$ 164,365	\$ 172,942
Costs of revenue	134,496	94,142	105,100
Gross profit	83,483	70,223	67,842
Operating expenses:			
Selling, general and administrative expenses	65,697	57,330	57,864
Income from operations	17,786	12,893	9,978
Other income (expense):			
Interest income, net	1,974	1,895	2,643
Foreign currency transaction gains (losses)	(1,436)	(1,830)	293
Other, net	(97)	(9)	(48)
Total other income	441	56	2,888
Income before income tax expense	18,227	12,949	12,866
Income tax expense	2,027	820	809
Net income	\$ 16,200	\$ 12,129	\$ 12,057
Net income per share of common stock			
Basic	\$ 0.68	\$ 0.52	\$ 0.53
Diluted	\$ 0.66	\$ 0.50	\$ 0.50

See accompanying notes to consolidated financial statements

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Virtusa Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity and
Comprehensive Income (Loss)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity	Total Comprehensive Income (Loss)
	Shares	Amount	Shares	Amount					
(In thousands, except share amounts)									
Balance at March 31, 2008	23,427,976	\$ 234	(419,565)	\$ (442)	\$ 137,774	\$ 18,428	\$ (160)	\$ 155,834	\$ 17,941
Proceeds from the exercise of stock options	977,287	10	—	—	2,217	—	—	2,227	
Exercise of warrants	12,009	—	—	—	204	—	—	204	
Restricted stock awards withheld for tax	—	—	—	—	(214)	—	—	(214)	
Repurchase of common stock	—	—	(1,339,823)	(7,802)	—	—	—	(7,802)	
Share based compensation	—	—	—	—	3,772	—	—	3,772	
Unrealized gain (loss) on available-for-sale securities, net of taxes of \$(92)	—	—	—	—	—	—	142	142	142
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$2,773	—	—	—	—	—	—	(4,322)	(4,322)	(4,322)
Pension benefit adjustment	—	—	—	—	—	—	101	101	101
Reimbursement of fringe benefit tax on stock awards	—	—	—	—	142	—	—	142	
Excess tax benefits from stock option exercises	—	—	—	—	391	—	—	391	
Cumulative translation adjustment, net of taxes of \$628	—	—	—	—	—	—	(9,946)	(9,946)	(9,946)
Net income	—	—	—	—	—	12,057	—	12,057	12,057
Balance at March 31, 2009	24,417,272	\$ 244	(1,759,388)	\$ (8,244)	\$ 144,286	\$ 30,485	\$ (14,185)	\$ 152,586	\$ (1,968)
Proceeds from the exercise of stock options and restricted stock releases	780,518	8	—	—	1,787	—	—	1,795	
Restricted stock awards withheld for tax	—	—	—	—	(225)	—	—	(225)	
Share based compensation	—	—	—	—	3,377	—	—	3,377	
Unrealized gain (loss) on available-for-sale securities, net of taxes of \$(61)	—	—	—	—	—	—	141	141	141
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$(4,446)	—	—	—	—	—	—	7,140	7,140	7,140
Pension benefit adjustment	—	—	—	—	—	—	(173)	(173)	(173)

Reimbursement of fringe benefit tax on stock awards	—	—	—	—	(37)	—	—	(37)	
Excess tax benefits from stock option exercises	—	—	—	—	206	—	—	206	
Cumulative translation adjustment, net of taxes of \$(157)	—	—	—	—	—	—	4,855	4,855	4,855
Net income	—	—	—	—	—	12,129	—	12,129	12,129
Balance at March 31, 2010	25,197,790	\$ 252	(1,759,388)	\$(8,244)	\$ 149,394	\$ 42,614	\$ (2,222)	\$ 181,794	\$ 24,092
Proceeds from the exercise of stock options and restricted stock releases	896,628	9	—	—	4,640	—	—	4,649	
Restricted stock awards withheld for tax	—	—	—	—	(375)	—	—	(375)	
Share based compensation	—	—	—	—	3,921	—	—	3,921	
Unrealized gain (loss) on available-for-sale securities, net of taxes of \$48	—	—	—	—	—	—	(90)	(90)	(90)
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$675	—	—	—	—	—	—	(1,210)	(1,210)	(1,210)
Pension benefit adjustment	—	—	—	—	—	—	(479)	(479)	(479)
Excess tax benefits from stock option exercises	—	—	—	—	758	—	—	758	
Cumulative translation adjustment, net of taxes of \$178	—	—	—	—	—	—	2,168	2,168	2,168
Net income	—	—	—	—	—	16,200	—	16,200	16,200
Balance at March 31, 2011	26,094,418	\$ 261	(1,759,388)	\$(8,244)	\$ 158,338	\$ 58,814	\$ (1,833)	\$ 207,336	16,589

See accompanying notes to consolidated financial statements

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Virtusa Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended March 31,		
	2011	2010	2009
	(In thousands)		
Cash provided by operating activities:			
Net income	\$ 16,200	\$ 12,129	\$ 12,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,398	5,286	4,406
Share-based compensation expense	3,921	3,377	3,772
Gain on disposal of property and equipment	(33)	(27)	(18)
Deferred income taxes, net	(986)	(1,435)	(842)
Net foreign currency loss (gain)	1,436	1,830	(293)
Excess tax benefits from stock option exercises	(758)	(206)	(391)
Net changes in operating assets and liabilities:			
Accounts receivable, net	(11,978)	(2,349)	(485)
Prepaid expenses and other current assets	(2,783)	2,580	(2,036)
Other long-term assets	(677)	(2,381)	644
Accounts payable	245	(9)	7,719
Accrued employee compensation and benefits	3,496	(916)	685
Accrued expenses—other	2,508	(811)	1,123
Deferred revenue	104	601	715
Income taxes payable	1,774	459	352
Other long-term liabilities	(1,101)	449	(1,797)
Net cash provided by operating activities	<u>\$ 19,766</u>	<u>\$ 18,577</u>	<u>\$ 25,611</u>
Cash flows used for investing activities:			
Proceeds from sale of property and equipment	101	40	12
Purchase of short-term investments	(20,647)	(7,696)	(16,068)
Proceeds from sale or maturity of short-term investments	30,441	32,353	52,880
Purchase of long-term investments	(30,815)	(39,524)	(37,925)
Proceeds from sale or maturity of long-term investments	11,808	14,740	7,236
Business acquisition, net of cash acquired	(3,219)	(28,483)	—
Decrease (increase) in restricted cash	3,704	(575)	586
Purchase of property and equipment	(9,718)	(4,036)	(10,191)
Net cash used for investing activities	<u>\$ (18,345)</u>	<u>\$ (33,181)</u>	<u>\$ (3,470)</u>
Cash flows provided by (used for) financing activities:			
Proceeds from exercise of common stock options	4,649	1,795	2,227
Payment of contingent consideration related to acquisitions	—	(450)	—
Purchase of treasury stock	—	—	(7,802)
Principal payments on capital lease obligation	(1,116)	(4)	(6)
Excess tax benefits from stock option exercises	758	206	391
Net cash provided by (used for) financing activities	<u>\$ 4,291</u>	<u>\$ 1,547</u>	<u>\$ (5,190)</u>
Effect of exchange rate changes on cash and cash equivalents	655	1,210	(2,300)
Net increase (decrease) in cash and cash equivalents	6,367	(11,847)	14,651
Cash and cash equivalents, beginning of year	43,851	55,698	41,047
Cash and cash equivalents, end of year	<u>\$ 50,218</u>	<u>\$ 43,851</u>	<u>\$ 55,698</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 19	\$ —	\$ 18
Cash receipts from interest	\$ 1,800	\$ 1,970	\$ 3,342
Cash paid for income tax	\$ 4,281	\$ 1,950	\$ 879
Non Cash Investing Activities			
Assets acquired under capital lease	\$ —	\$ 3,056	\$ —

See accompanying notes to consolidated financial statements

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(thousands, except share and per share amounts)

(1) Nature of the Business

Virtusa Corporation (the "Company" or "Virtusa") is a global information technology services company. The Company uses an offshore delivery model to provide a broad range of information technology, or IT services, including IT consulting, technology implementation and application outsourcing. Using its enhanced global delivery model, innovative platforming approach and industry expertise, the Company provides cost-effective services that enable its clients to accelerate time to market, improve service and enhance productivity. Headquartered in Massachusetts, Virtusa has offices in the United States, the United Kingdom, and the Netherlands, and has global delivery centers in Bangalore, Hyderabad, Chennai, India as well as Colombo, Sri Lanka and Budapest, Hungary.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements reflect the accounts of the Company and its direct and indirect subsidiaries, Virtusa (India) Private Limited, Virtusa Consulting Services, Private Limited and Virtusa Software Services, Private Limited, each organized and located in India, Virtusa (Private) Limited, organized and located in Sri Lanka, Virtusa UK Limited, organized and located in the United Kingdom, Virtusa Securities Corporation, a Massachusetts securities corporation, InSource Holdings, Inc., a company incorporated in the state of Connecticut, InSource LLC, a Connecticut limited liability company, Virtusa International, B.V., organized and located in the Netherlands and Virtusa Hungary KFT, organized and located in Hungary. All intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Management reevaluates these estimates on an ongoing basis. The most significant estimates relate to the recognition of revenue and profits based on the percentage of completion method of accounting for fixed-price contracts, share-based compensation, income taxes, including reserves for uncertain tax provisions, deferred tax assets and liabilities and intangible assets, contingent consideration and the valuation of financial instruments including derivative contracts and investments. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying consolidated financial statements.

(c) Foreign Currency Translation

The functional currencies of the Company's non-U.S. subsidiaries are the local currency of the country in which they operate except for Hungary which operates in the euro. Operating and capital expenditures of the Company's subsidiaries located in India, Sri Lanka, the Netherlands and the United Kingdom, are denominated in their local currency which is the currency most compatible with their expected economic results. India and Sri Lanka local expenditures form the underlying basis for intercompany transactions

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

which are subsequently conducted in both U.S. dollars and U.K. pounds sterling. U.K. client sales contracts are primarily conducted in U.K. pounds sterling.

All transactions and account balances are recorded in the functional currency. The Company translates the value of these non-U.S. subsidiaries' local currency denominated assets and liabilities into U.S. dollars at the rates in effect at the balance sheet date. Resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income (loss). The local currency denominated statement of income amounts are translated into U.S. dollars using the average exchange rates in effect during the period. Realized foreign currency transaction gains and losses are included in the consolidated statements of income. The Company's non-U.S. subsidiaries do not operate in "highly inflationary" countries.

(d) Derivative Instruments and Hedging Activities

The Company enters into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies. The Company designates derivative contracts as cash flow hedges if they satisfy the criteria for hedge accounting. Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income net of taxes until the hedged transactions occur and are then recognized in the consolidated statements of income. Changes in fair value of derivatives not designated as hedging instruments and the ineffective portion of derivatives designated as cash flow hedges are recognized immediately in the consolidated statements of income.

With respect to derivatives designated as cash flow hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative will be highly effective in offsetting changes in fair values or cash flows of the hedged item. If the Company determines that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to qualify for hedge accounting, the Company prospectively discontinues hedge accounting with respect to that derivative.

(e) Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with a remaining maturity of three months or less from the date of purchase to be cash equivalents. At March 31, 2011, cash equivalents consisted of money market instruments and certificates of deposit. The Company had short-term and long-term restricted cash totaling \$397 and \$4,178 at March 31, 2011 and 2010 respectively. Restricted cash includes restricted deposits with banks to secure the import of computer and other equipment of \$194 and \$244 at March 31, 2011 and 2010, respectively, deposits under lien of \$54 and \$52, respectively, against bank guarantees issued by a bank in favor of government agencies associated with the construction of the Company's campus facility in India, and deposits under lien of \$0 and \$620, respectively, against a bank guarantee related to a tax appeal with the government of India at March 31, 2011 and 2010, \$39 relating to the subleasing of office space to a third party at March 31, 2011, \$63 for a bank guarantee related to value added tax, or VAT, with the government of Sri Lanka and other restricted cash of \$47 at March 31, 2011. Additionally, the Company had restricted cash of \$725 related to its acquisition of InSource Holdings Inc.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

and its subsidiaries ("InSource"), and \$2,500 of restricted cash related to the acquisition of all of the assets of ConVista Consulting LLC ("ConVista") at March 31, 2010.

(f) Investment Securities

The Company classifies all debt securities as "available for sale". These securities are classified as short-term investments and long-term investments on the consolidated balance sheet and are carried at fair market value. Any unrealized gains and losses on available for sale securities are reported as other comprehensive income (loss), net of tax, as a separate component of stockholders' equity unless the decline in value is deemed to be other-than-temporary, in which case, investments are written down to fair value and the loss is charged to the consolidated statement of income. Any realized gains and losses on trading securities are charged to the consolidated statement of income.

The Company conducts a periodic review and evaluation of its investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company has no intention to sell any securities in an unrealized loss position at March 31, 2011 nor is it more likely than not that the Company would be required to sell such securities prior to the recovery of the unrealized losses. As of March 31, 2011, the Company believes that all impairments of investment securities are temporary in nature.

(g) Goodwill and Other Intangible Assets

The Company allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at the reporting unit level, defined as the Company level, at least annually in the fourth quarter of each fiscal year or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Significant judgment is applied when goodwill is assessed for impairment.

For the Company's goodwill impairment analysis, the Company operates under one reporting unit. Any impairment would be measured based upon the fair value of the related assets. In performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the market price of the Company's common stock. If the market capitalization is not sufficiently in excess of the Company's book value, the Company will calculate the control premium which considers appropriate industry, market and other pertinent factors. If the fair value of the reporting unit is less than the book

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

value, the second step is performed to determine if goodwill is impaired. If the Company determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in the consolidated statement of operations. The Company completed the annual impairment test required during the fourth quarter of the fiscal year ended March 31, 2011 and determined that there was no impairment. The Company continues to closely monitor its market capitalization. If the Company's market capitalization, plus an estimated control premium, is below its carrying value for a period considered to be other-than-temporary, it is possible that the Company may be required to record an impairment of goodwill either as a result of the annual assessment that the Company conducts in the fourth quarter of each fiscal year, or in a future quarter if an indication of potential impairment is evident. The estimated fair value of goodwill exceeded the carrying book value by 105%

Other intangible assets with definite lives are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. The Company tests other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. The intangible impairment test is performed at the reporting unit level, and the Company is considered a single reporting unit for goodwill and intangible impairment testing purposes.

(h) Fair Value of Financial Instruments

At March 31, 2011 and 2010, the carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, unbilled accounts receivable, restricted cash, accounts payable, accrued employee compensation and benefits and other accrued expenses, approximate their fair values due to the nature of the items. See note 6 for a discussion of the fair value of the Company's other financial instruments.

(i) Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk are primarily comprised of cash and cash equivalents, investments, derivatives, accounts receivable and unbilled accounts receivable. The Company places its cash, investments and derivatives in highly-rated financial institutions. The Company adheres to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. Management believes its credit policies reflect normal industry terms and business risk. The Company does not anticipate non-performance by the counterparties and, accordingly, does not require collateral.

At March 31, 2011, two clients accounted for 13% and 11%, respectively of gross accounts receivable. At March 31, 2010, one client accounted for 20% of gross accounts receivable. During the fiscal year ended March 31, 2011, sales to three clients accounted for 14%, 12%, and 9% of the Company's revenue. During the fiscal year ended March 31, 2010, three clients accounted for 16%, 11% and 10% of the Company's revenue.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

(j) Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. Repair and maintenance costs are expensed as incurred.

(k) Long-lived Assets

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

(l) Internally-Developed Software

The Company capitalizes costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are typically amortized over the estimated life of the software, typically three years, using the straight line method, beginning with the date that an asset is ready for its intended use. At March 31, 2011 and 2010, capitalized software development costs were approximately \$1,928 and \$1,419, respectively. These costs were recorded in property and equipment. For the fiscal years ended March 31, 2011, 2010 and 2009, amortization of capitalized software development costs amounted to approximately \$270, \$240 and \$275, respectively.

(m) Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple jurisdictions. The Company records liabilities for estimated tax obligations in the United States and other tax jurisdictions (see note 12).

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

(n) Revenue Recognition

The Company derives its revenue from a variety of IT consulting, technology implementation and application outsourcing services. Contracts for these services have different terms and conditions based on the scope, deliverables, and complexity of the engagement which require management to make judgments and estimates in determining the overall cost to the customer. Fees for these contracts may be in the form of time-and-materials or fixed price arrangements and volume discounts are recorded as a reduction of revenue over the contractual period as services are performed.

Revenue on time-and-material contracts is recognized as the services are performed and amounts are earned. The Company considers amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectability is reasonably assured. For contracts with fees based on time-and-materials, the Company recognizes revenue over the period of performance.

Revenue from fixed price contracts is accounted for under the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage of completion based upon efforts incurred as a percentage of the total estimated efforts for the specified engagement. When total cost estimates exceed revenue, the Company accrues for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and efforts, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in other engagement-related costs. Estimates of total contract revenue and efforts are continuously monitored during the term of the contract and are subject to revision as the contract progresses. When revisions in estimated contract revenue and efforts are determined, such adjustments are recorded in the period in which they are first identified.

Revenue includes reimbursements of travel and out-of-pocket expenses, with equivalent amounts of expense recorded in costs of revenue, of \$5,837, \$3,971 and \$3,485 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from revenue and reported on a net basis.

(o) Costs of Revenue and Operating Expenses

Costs of revenue consist principally of salaries, employee benefits and stock compensation expense, reimbursable and non-reimbursable travel costs, subcontractor fees, and immigration related expenses for IT professionals. Selling and marketing expenses are charged to operating expenses as incurred. Selling and marketing expenses are those expenses associated with promoting and selling the Company's services and include such items as sales and marketing personnel salaries, stock compensation expense and related fringe benefits, commissions, travel, and the cost of advertising and other promotional activities. Advertising and promotional expenses incurred were approximately \$243, \$215 and \$166 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively.

General and administrative expenses include other operating items such as officers' and administrative personnel salaries, stock compensation expense and related fringe benefits, legal and audit expenses,

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

public company related expenses, insurance, provision for doubtful accounts, depreciation and operating lease expenses.

(p) Share-Based Compensation

The Company adopted the fair value recognition provisions using the modified prospective method. Accordingly, the statements of income for the fiscal years ended March 31, 2011, 2010 and 2009, include compensation costs related to newly granted share-based awards, as well as for those issued in prior years that vest after the adoption date. The compensation cost is determined by estimating the fair value at the grant date of the Company's common stock using the Black-Scholes option pricing model, and expensing the total compensation cost on a straight line basis (net of estimated forfeitures) over the requisite employee service period. The total share based compensation expense for the fiscal years ended March 31, 2011, 2010 and 2009 was \$3,921, \$3,377 and \$3,772, respectively, with \$422, \$417 and \$588, respectively, of this amount included in the costs of revenue, and \$3,499, \$2,960 and \$3,184, respectively, included in selling, general and administrative expenses.

The fair value of each stock option is estimated on the date of grant using the respective option pricing valuation model with the following assumptions:

<u>Weighted Average Fair Value Options Pricing Model Assumptions</u>	<u>Year Ended March 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Risk-free interest rate	2.23%	2.75%	3.21%
Expected term (in years)	6.16	6.10	6.09
Anticipated common stock volatility	61.74%	54.75%	41.37%
Expected dividend yield	—	—	—

The risk-free interest rate assumptions are based on the interpolation of various U.S. Treasury bill rates in effect during the month in which stock option awards are granted. The Company's volatility assumption is based on the historical volatility rates of the common stock of its publicly held peers over periods commensurate with the expected term of each grant.

The expected term of employee share-based awards represents the weighted average period of time that awards are expected to remain outstanding. The determination of the expected term of share-based awards assumes that employees' behavior is a function of the awards vested, contractual lives, and the extent to which the award is in the money. Accordingly, the Company has elected to use the "simplified" method of determining the expected term or life of its share-based awards due to the Company's limited trading history.

As of March 31, 2011, there was \$4,015 of total unrecognized compensation cost related to nonvested stock options granted under the Company's Amended and Restated 2000 Option Plan and the Company's 2007 Stock Option and Incentive Plan (see note 11 for a more complete description of these plans). That cost is expected to be recognized over a remaining weighted average period of 1.96 years.

During the fiscal years ended March 31, 2011, 2010 and 2009, the Company recognized compensation expense related to stock appreciation rights in the amount of \$66, \$104 and \$149, respectively, with \$51, \$90 and \$122 of this amount included in costs of revenue, and \$15, \$14 and \$27 in selling, general and administrative expenses.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

(q) Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit worthiness of each client, historical collections experience and other information, including the aging of the receivables.

(r) Unbilled Accounts Receivable

Unbilled accounts receivable represent revenue on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

(s) Recent Accounting Pronouncements

In January 2010, the FASB issued an amendment to the accounting standards related to the disclosures about an entity's use of fair value measurements. Under these amendments, entities will be required to provide enhanced disclosures about transfers into and out of the Level 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and Level 2 (fair value determined based on significant other observable inputs) classifications, provide separate disclosures about purchases, sales, issuances and settlements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and provide greater disaggregation for each class of assets and liabilities that use fair value measurements. Except for the detailed Level 3 roll-forward disclosures, the new standard was effective for the Company for interim and annual reporting periods beginning after December 31, 2009. The adoption of this accounting standards amendment did not have a material impact on the Company's disclosure or consolidated financial results. The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for the Company for interim and annual reporting periods beginning after December 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued a new accounting standard requiring that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective for fiscal years beginning after December 15, 2010 and interim periods within those years. Our adoption of this standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued new guidance clarifying some of the disclosure requirements related to business combinations that are material on an individual or aggregate basis. Specifically, the guidance states that, if comparative financial statements are presented, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year occurred as of the beginning of the comparable prior annual reporting period only. Additionally, the new standard expands the supplemental pro forma disclosure required by the authoritative guidance to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination in the reported pro forma revenue and earnings. This guidance became effective January 1, 2011. Our adoption of this standard did not have a material impact on the Company's disclosure or consolidated financial results. However, it may result in additional disclosures in

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

the event that we enter into a business combination that is material either on an individual or aggregate basis

(t) Reclassifications

Certain prior-year amounts have been reclassified to conform to the fiscal year ended March 31, 2011 presentation.

(3) Net Income per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding for the period, and diluted earnings per share is computed by including common stock equivalents outstanding for the period in the denominator. Common stock equivalents include shares issuable upon the exercise of outstanding stock options, SARs, unvested restricted stock, net of shares assumed to have been purchased with the proceeds, using the treasury stock method. The following table sets forth the computation of basic and diluted net income per share for the periods set forth below:

	<u>Fiscal Year Ended March 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Numerators:			
Net income available to common stockholders	\$ 16,200	\$ 12,129	\$ 12,057
Denominators:			
Weighted average common shares outstanding	23,783,457	23,153,973	22,763,759
Dilutive effect of employee stock options and unvested restricted stock awards	894,729	828,916	1,275,473
Dilutive effect of stock appreciation rights	36,622	49,786	97,484
Weighted average shares—Diluted	<u>24,714,808</u>	<u>24,032,675</u>	<u>24,136,716</u>
Net income per share—Basic	\$ 0.68	\$ 0.52	\$ 0.53
Net income per share—Diluted	<u>\$ 0.66</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>

During the fiscal years ended March 31, 2011, 2010, and 2009, options to purchase 726,499, 1,227,316 and 1,177,861 shares of common stock, respectively, were excluded from the calculations of diluted earnings per share as their effect would have been anti-dilutive.

(4) Acquisitions

On November 4, 2009, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with InSource Holdings, Inc., a privately held Connecticut corporation ("InSource") and its shareholders, to acquire all of the issued and outstanding stock of InSource and each of its subsidiaries (the "InSource Acquisition"). The Company completed the InSource Acquisition on November 4, 2009, and InSource is now a wholly-owned subsidiary of the Company. The InSource Acquisition was consummated to expand Virtusa's service offerings in the insurance and health care industries.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(4) Acquisitions (Continued)

The InSource Acquisition has been accounted for using the purchase method of accounting. Under the terms of the Stock Purchase Agreement, the purchase price for the InSource Acquisition was \$7,250 in cash, subject to post-closing adjustments. Ten percent (10%), or \$725, of the purchase price was subject to a holdback by the Company for a period of 12 months as security for the sellers' indemnification obligations under the Stock Purchase Agreement. During the three months ended December 31, 2010, the Company released \$710 to the InSource sellers with respect to the holdback and retained \$15 related to certain indemnification obligations resulting in a decrease to short term restricted cash of \$725 at December 31, 2010.

The purchase price was subject to adjustment after the closing for up to an additional \$500 in earn-out consideration based on the achievement of certain revenue and operating margin targets for InSource's calendar year and fourth quarter 2009. At December 31, 2009, the Company determined that InSource met 100% of the performance targets. The earn-out consideration was paid as of March 31, 2010. The purchase price was also subject to an adjustment that would reimburse the InSource sellers if their tax burden from a specified tax election made by the Company exceeds \$120. Upon the closing of the InSource Acquisition, the Company estimated the fair value of the purchase price adjustment related to this tax election to be \$208. During the three months ended September 30, 2010, the Company and InSource sellers agreed upon a final purchase price adjustment of \$164 and the resulting decrease in fair value of the purchase price adjustment of \$44 was recorded to goodwill.

On February 1, 2010, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with ConVista Consulting LLC, a privately held Virginia limited liability company ("ConVista"), to acquire all of the assets of ConVista (the "ConVista Acquisition"). The Company completed the ConVista Acquisition on February 1, 2010. The ConVista Acquisition was consummated to expand the Company's enterprise service offerings.

The ConVista Acquisition has been accounted for using the purchase method of accounting. Under the terms of the Asset Purchase Agreement, the purchase price for the ConVista Acquisition was \$24,846 in cash, subject to post-closing adjustments. Ten percent (10%) or \$2,500 including interest, of the purchase price was subject to a holdback by the Company for a period of 12 months as security for the sellers' indemnification obligations under the Asset Purchase Agreement. During the three months ended December 31, 2010, the Company released the entire amount of the holdback, plus interest to the ConVista sellers, resulting in a decrease to short-term restricted cash of \$2,509.

The purchase price was subject to adjustment after the closing for up to an additional \$2,000 in earn-out consideration based on the achievement of certain revenue and operating margin targets for the fiscal year ended March 31, 2011. The Company determined the fair value of the contingent consideration upon the closing of the ConVista Acquisition based on the probability of ConVista attaining the specified performance targets and assigned a fair value of \$1,620 to the purchase price. As of March 31, 2010 and 2011, the present value of the contingent consideration was \$1,664 and \$2,000 respectively. The change in the present value of \$336 was recorded to selling, general and administration expenses during the fiscal year ended March 31, 2011.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(4) Acquisitions (Continued)

The following unaudited, pro forma information assumes the InSource Acquisition and ConVista Acquisition occurred at the beginning of the periods presented. The pro-forma results of the acquisitions were combined as the InSource Acquisition was not material to the consolidated financial results.

	2010	
Revenue	\$	186,140
Net income	\$	11,052

Intangible Assets

The following are details of the Company's intangible asset carrying amounts acquired and amortization for the fiscal year ended March 31, 2011 and March 31, 2010.

	March 31, 2011			
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:				
Customer relationships	7.9	\$ 10,700	\$ 1,629	\$ 9,071
Partner relationships	6.0	700	135	565
Trademark	2.0	100	70	30
Backlog	1.0	1,800	1,800	—
	6.9	\$ 13,300	\$ 3,634	\$ 9,666

	March 31, 2010			
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:				
Customer relationships	7.9	\$ 10,700	\$ 278	\$ 10,422
Partner relationships	6.0	700	19	681
Trademark	2.0	100	20	80
Backlog	1.0	1,800	286	1,514
	6.9	\$ 13,300	\$ 603	\$ 12,697

The amortization expense was \$3,031, \$603 and \$0 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively. The components included in the gross carrying amounts reflect the InSource Acquisition on November 4, 2009, and ConVista Acquisition on February 1, 2010. The intangible assets are being amortized on a straight-line basis over their estimated useful lives.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(4) Acquisitions (Continued)

The estimated expenses for the following fiscal years related to the purchased intangible assets at March 31, 2011 are as follows:

	<u>Amount</u>
2012	\$ 1,500
2013	1,466
2014	1,467
2015	1,467
2016	1,451
Thereafter	2,315
Total	<u>\$ 9,666</u>

Goodwill:

The Company has one reportable segment at March 31, 2011. The following are details of the changes in goodwill balance at March 31, 2011:

	<u>Amount</u>
Balance at April 1, 2010	\$ 19,090
Purchase Price adjustment	(44)
Balance at March 31, 2011	<u>\$ 19,046</u>

The acquisition costs and goodwill balance deductible for tax purposes is \$19,600.

The Company performed the annual assessment of its goodwill during the fourth quarter of the fiscal year ended March 31, 2011 and determined that the estimated fair value of the Company's reporting unit exceeded its carrying value and therefore goodwill was not impaired. The Company will continue to complete goodwill impairment analysis at least annually during the fourth quarter of each ensuing fiscal year. The Company will continue to evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets, including intangible assets, may warrant revision or that the carrying value of these assets may be impaired. Any write downs are treated as permanent reductions in the carrying amount of the assets.

(5) Investment Securities

At March 31, 2011, all of the Company's investment securities were classified as available-for-sale and were carried on its balance sheet at their fair market value. A fair market value hierarchy based on three levels of inputs was used to measure each security (see note 6).

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(5) Investment Securities (Continued)

The following is a summary of investment securities at March 31, 2011:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate bonds:				
Current	\$ 21,688	\$ 50	\$ (3)	\$ 21,735
Non-current	6,567	2	(14)	6,555
Auction-rate securities:				
Non-current	900	—	(25)	875
Agency bonds:				
Current	500	—	—	500
Non-current	8,401	1	(13)	8,389
Municipal bonds:				
Current	2,385	3	(6)	2,382
Time Deposits:				
Current	21,096	—	—	21,096
Total available-for-sale securities	<u>\$ 61,537</u>	<u>\$ 56</u>	<u>\$ (61)</u>	<u>\$ 61,532</u>

The following is a summary of investment securities at March 31, 2010:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate bonds:				
Current	\$ 6,663	\$ 68	\$ —	\$ 6,731
Non-current	14,372	73	(14)	14,431
Auction-rate securities:				
Non-current	900	—	(30)	870
Agency bonds:				
Current	7,619	30	—	7,649
Non-current	7,200	12	—	7,212
Municipal bonds:				
Current	1,210	4	—	1,214
Non-current	1,805	—	(9)	1,796
Time Deposits:				
Current	5,773	—	—	5,773
Total available-for-sale securities	<u>45,542</u>	<u>187</u>	<u>(53)</u>	<u>45,676</u>
Trading securities:				
Auction-rate securities (current)	5,501	952	—	6,453
Total investments	<u>\$ 51,043</u>	<u>\$ 1,139</u>	<u>\$ (53)</u>	<u>\$ 52,129</u>

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(5) Investment Securities (Continued)

The Company evaluates investments with unrealized losses to determine if the losses are other than temporary. The Company has determined that the gross unrealized losses on its available-for-sale securities at March 31, 2011 are temporary. The Company conducts a periodic review and evaluation of its investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income.

The following tables show the gross unrealized losses and fair value of the Company's investment securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2011 and March 31, 2010:

Less Than 12 Months

	Fair Value	Gross Unrealized Loss
Available-for-sale securities at March 31, 2011:		
Corporate bonds	\$ 2,579	\$ (3)
Municipal bonds	1,219	(6)
Total	\$ 3,798	\$ (9)

Greater Than 12 Months

	Fair Value	Gross Unrealized Loss
Available-for-sale securities at March 31, 2011:		
Corporate bonds	\$ 4,087	\$ (14)
Auction-rate securities	875	(25)
Agency bonds	5,912	(13)
Total	\$ 10,874	\$ (52)

Less Than 12 Months

	Fair Value	Gross Unrealized Loss
Available-for-sale securities at March 31, 2010:		
Corporate bonds	\$ 5,378	\$ (14)
Treasuries and Agencies	1,000	—
Municipal bonds	1,796	(9)
Total	\$ 8,174	\$ (23)

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(5) Investment Securities (Continued)

Greater than 12 Months

	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>
Available-for-sale securities at March 31, 2010:		
Auction-rate securities	\$ 870	\$ (30)
Total	<u>\$ 870</u>	<u>\$ (30)</u>

At March 31, 2011, there was no investment securities owned by the Company for which the fair value was less than the carrying value for a period greater than 12 months.

Available-for-sale securities by contractual maturity were as follows:

	<u>March 31, 2011</u>	
Due in one year or less	\$	45,713
Due after 1 year through 5 years		15,819
Total	<u>\$</u>	<u>61,532</u>

The Company previously invested in auction-rate securities whose underlying assets are generally student loans which are substantially backed by the U.S. federal government. In February 2008, auctions began to fail for these securities and each auction since then has failed. As of March 31, 2008, due to the auction failures, the Company reclassified its investment in auction-rate securities from short-term investments to long-term investments, reflecting the fact that the Company's auction-rate securities had underlying final maturities of greater than one year and the Company's intent and ability to hold the securities beyond one year. These investments were recorded at fair value at March 31, 2011 and 2010, respectively.

In November 2008, the Company entered into an agreement (the "Agreement") with UBS AG, the investment firm that had sold the Company auction-rate securities at a par value of \$6,675. Under the Agreement, the Company (1) received the right to sell (the "Put Option") these auction-rate securities back to the investment firm at par ("Put Option"), at the Company's sole discretion, any time during the period from June 30, 2010 through July 2, 2012, and (2) provided the investment firm the right to purchase these auction-rate securities or sell these securities on the Company's behalf at par any time after the execution of the Agreement through July 2, 2012. During the twelve months ended March 31, 2011, the Company sold certain auction rate securities, subject to the Put Option under the Agreement, in the amount of \$6,675 at par value.

During the fiscal year ended March 31, 2011, the Company recorded net realized loss on investments of \$10 and during the fiscal year ended March 31, 2010, the Company recorded net realized gain on investments of \$46 on sales of marketable securities.

(6) Fair Value of Financial Instruments

The Company uses a framework for measuring fair value under U.S. generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(6) Fair Value of Financial Instruments (Continued)

advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's financial assets and liabilities reflected in the consolidated financial statements at carrying value include marketable securities and other financial instruments which approximate fair value. Fair value for marketable securities is determined using a market approach based on quoted market prices at period end in active markets. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

An entity is allowed to elect to record financial assets and financial liabilities at fair value upon their initial recognition on a contract-by-contract basis. In the fiscal year ended March 31, 2009, the Company elected the fair value option to account for the Put Option (as defined and described in note 5 above) related to certain of the Company's auction-rate securities.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash equivalents:				
Money market mutual funds	\$ 3,807	\$ —	\$ —	\$ 3,807
Investments:				
Available-for-sales securities—current	45,713	—	—	45,713
Available-for-sales securities—non-current	14,944	—	875	15,819
Foreign currency derivative contracts	—	1,532	—	1,532
Total assets	<u>\$ 64,464</u>	<u>\$ 1,532</u>	<u>\$ 875</u>	<u>\$ 66,871</u>
Liabilities:				
Foreign currency derivative contracts	\$ —	\$ 418	\$ —	\$ 418
Contingent consideration	—	—	2,000	2,000
Total liabilities	<u>\$ —</u>	<u>\$ 418</u>	<u>\$ 2,000</u>	<u>\$ 2,418</u>

The Company's investments in auction-rate securities are classified within Level 3 because there are currently no active markets or observable market prices. Therefore, the auction-rate securities were valued

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(6) Fair Value of Financial Instruments (Continued)

primarily based on an income approach using an estimate of future cash flows. The Company has estimated the fair value using a discounted cash flow analysis which considered the following key inputs:

(i) the underlying structure and maturity of each security; (ii) the timing of expected future principal and interest payments; and (iii) discount rates that are believed to reflect current market conditions and the relevant risk associated with each security. Level 3 assets as listed in the table above include auction-rate securities whose underlying assets are generally student loans which are substantially backed by the U.S. federal government. In February 2008, auctions began to fail for these securities and each auction since then has failed. The Company classifies its investment in auction-rate securities as short and long-term investments, reflecting the fact that the Company's auction-rate securities have underlying final maturities of greater than one year and based on the Company's intent and ability to sell the securities within one year. These investments were recorded at fair value at March 31, 2011 and 2010.

The following table provides a summary of changes in fair value of the Company's Level 3 financial assets at March 31, 2011:

	Level 3 Assets
Balance at April 1, 2010	\$ 7,545
Redemption of auction rate securities under Put Option	(6,675)
Total unrealized gains (losses):	
Included in accumulated other comprehensive income	5
Balance at March 31, 2011	<u>\$ 875</u>

During the fiscal year ended March 31, 2011, the Company recognized unrealized gains on certain auction-rate securities, which were fully offset by the unrealized loss on the Put Option.

The Company determines the fair value of the contingent consideration related to the ConVista Acquisition based on the probability of ConVista attaining certain revenue and operating margin targets for the fiscal year ended March 31, 2011 using an appropriate discount rate to present value the liability. The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities as of March 31, 2011:

	Level 3 Liabilities
Balance at April 1, 2010	\$ 1,664
Contingent consideration for the ConVista acquisition	336
Balance at March 31, 2011	<u>\$ 2,000</u>

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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(7) Property and Equipment

Property and equipment and their estimated useful lives in years consist of the following:

	Estimated Useful Life (Years)	March 31,	
		2011	2010
Computer and other equipment	3 - 5	\$ 21,377	\$ 18,916
Furniture and fixtures	7	5,356	2,840
Vehicles	4	630	153
Software	3 - 6	9,544	8,347
Leasehold improvements	Lesser of estimated useful life or lease term	2,707	2,182
Buildings	15 - 30	13,677	5,799
Land		446	441
Capital work-in-progress		2,117	8,655
		55,854	47,333
Less—accumulated depreciation and amortization		26,671	22,808
		\$ 29,183	\$ 24,525

Depreciation and amortization expense for the fiscal years ended March 31, 2011, 2010 and 2009 was \$5,367, \$4,683 and \$4,406, respectively. Capital work-in-progress represents advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date. The cost and accumulated amortization of assets under capital leases at March 31, 2011 were \$3,056 and \$578, respectively. The cost and accumulated amortization of assets under capital leases at March 31, 2010 were \$3,056 and \$61 respectively.

(8) Accrued Expenses and Other

Accrued expenses and other consisted of the following:

	March 31, 2011	March 31, 2010
Accrued taxes	\$ 2,081	\$ 1,524
Accrued professional fees	1,938	1,576
Acquisition related liabilities(1)	2,000	5,097
Capital lease liability, short term	1,958	2,115
Accrued miscellaneous	4,188	3,263
Total	\$ 12,165	\$ 13,575

(1) Consists of \$2,000 of contingent earn-out consideration.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(9) Debt

On July 30, 2010, the Company entered into a \$3,000 credit agreement with J.P. Morgan Chase Bank, N.A. ("JPMC") which expires on July 31, 2013. The primary purpose of this credit agreement is to support the Company's foreign currency hedging programs. The agreement contains financial and reporting covenants and limitations. The Company is currently in compliance with all covenants contained in its credit facility and believes that the credit facility provides sufficient flexibility so that it will remain in compliance with its terms. Advances under this credit facility accrue interest at an annual rate equal to LIBOR plus 2.5% or Prime Rate plus 2.5%. In connection with the execution of this credit facility, the Company terminated its prior \$3,000 amended and restated line of credit agreement.

Beginning in fiscal 2009, the Company's U.K. subsidiary entered into an agreement with an unrelated financial institution to sell, without recourse or continuing involvement, certain of its European-based accounts receivable balances from one client to such third party financial institution. During the course of the fiscal year ended March 31, 2011, \$15,931 of receivables were sold under the terms of the financing agreement. Fees paid pursuant to this agreement was immaterial during the fiscal year ended March 31, 2011. No amounts were due as of March 31, 2011, but the Company may elect to utilize this program again in future periods. However, the Company cannot provide any assurances that this or any other financing facilities will be available or utilized in the future. The Company has no letter of credit outstanding at March 31, 2011 or 2010.

(10) Treasury Stock

In July 2008, the Company adopted a stock repurchase program for the purchase of up to \$15,000 of shares of the Company's outstanding common stock which expired on July 28, 2009. On August 5, 2009, the Company's board of directors approved a new stock repurchase program that authorized the purchase of up to \$15,000 of shares of the Company's outstanding common stock on or prior to August 5, 2010, subject to certain price and other trading restrictions. The stock repurchase program expired on August 5, 2010. No shares were purchased by the Company during the fiscal year ended March 31, 2011.

(11) Stock Options, Restricted Stock Awards and Stock Appreciation Rights

The Company's Amended and Restated 2000 Stock Option Plan (the "2000 Plan"), was adopted in the fiscal year ended March 31, 2001. Under the 2000 Plan, shares were reserved for issuance to the Company's employees, directors, and consultants. The 2000 Plan was amended over the years to reduce the number of shares reserved for issuance to a total of 547,592 as of March 31, 2011. Options granted under the 2000 Plan may be incentive stock options, nonqualified stock options or restricted stock. Incentive stock options may only be granted to employees. Options granted have a term of ten years and generally vest over four years. The Company settles employee stock option exercises with newly issued shares. The compensation committee of the board of directors determines (upon board of director approval) the term of awards on an individual case basis. The exercise price of incentive stock options shall be no less than 100% of the fair market value per share of the Company's common stock on the grant date. If an individual owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of fair market value.

The Company's board of directors and its stockholders approved the Company's 2007 Stock Option and Incentive Plan (the "2007 Plan"), in May 2007, and the stockholders of the Company again approved the 2007 Plan in September 2008. The 2007 Plan permits the Company to make grants of incentive stock

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(thousands, except share and per share amounts)****(11) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)**

options, non-qualified stock options, SARs, deferred stock awards, restricted stock awards, unrestricted stock awards, and dividend equivalent rights. The Company reserved 830,670 shares of its common stock for the issuance of awards under the 2007 Plan. The 2007 Plan provides that the number of shares reserved and available for issuance under the plan will be automatically increased each April 1, beginning in 2008, by 2.9% of the outstanding number of shares of common stock on the immediately preceding March 31 or such lower number of shares of common stock as determined by the board of directors. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. Generally, shares that are forfeited or canceled from awards under the 2007 Plan also will be available for future awards. In addition, available shares under the 2000 Plan and the SAR Plan, as a result of the forfeiture, expiration, cancellation, termination or net issuances of awards, are automatically made available for issuance under the 2007 Plan. The number of shares reserved for issuance under the 2007 Plan is 2,206,336. In May 2007, the Company's board of directors determined that no further grants would be made under the 2000 Plan or the SAR Plan.

The Company has 70,333 stock options outstanding at a weighted average exercise price of \$6.89 and a weighted average contractual term of 3.48 years under equity compensation plans not approved by security holders. During the fiscal year ended March 31, 2011, 795,189 stock options were exercised at a weighted average exercise price of \$5.86. The following tables summarize stock option and restricted stock award activity under the 2000 Plan and the 2007 Plan for the fiscal years ended March 31, 2011, 2010, 2009 and 2008:

	Number of Options to Purchase Common Shares	Weighted Average Exercise Price
Outstanding at March 31, 2008	2,551,757	\$ 5.64
Granted	613,504	8.52
Exercised	(491,489)	2.54
Forfeited	(324,291)	8.06
Outstanding at March 31, 2009	2,349,481	6.71
Granted	546,084	8.83
Exercised	(309,783)	3.01
Forfeited	(98,461)	10.60
Outstanding at March 31, 2010	2,487,321	7.48
Granted	110,408	12.12
Exercised	(795,189)	5.86
Forfeited	(139,827)	10.15
Outstanding at March 31, 2011	1,662,713	\$ 8.34

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(11) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)

	Restricted Stock Activity	
	Number of Restricted Stock Awards	Weighted Average Issuance Price
Outstanding at March 31, 2008	—	\$ —
Awarded	628,860	7.86
Released	(98,861)	9.36
Forfeited	(49,119)	7.53
Outstanding at March 31, 2009	480,880	7.59
Awarded	71,497	9.55
Released	(103,048)	8.84
Forfeited	(40,440)	8.21
Outstanding at March 31, 2010	408,889	7.56
Awarded	282,079	10.01
Released	(115,243)	8.56
Forfeited	(79,965)	8.10
Outstanding at March 31, 2011	495,760	\$ 8.63

The following table summarizes options exercisable and shares available for future grant under the 2000 Plan and 2007 Plan at March 31, 2011:

	March 31, 2011
Options exercisable	1,017,335
Shares available for future grant	1,091,213

The aggregate intrinsic value and weighted average remaining contractual life of all stock options outstanding at March 31, 2011 were approximately \$17,283 and 6.39 years, respectively. The aggregate intrinsic value, weighted average remaining contractual life and weighted average exercise price of stock options exercisable at March 31, 2011 were \$11,692, 5.45 years and \$7.24, respectively. The aggregate intrinsic value of options vested and expected to vest during the fiscal year ended March 31, 2011 was \$14,981. The aggregate intrinsic value of options exercised during the fiscal years ended March 31, 2011, 2010 and 2009 was \$6,191, \$1,832 and \$1,572, respectively. The weighted average fair value of options granted during the fiscal year ended March 31, 2011, 2010 and 2009 was \$12.12, \$8.83 and \$8.52, respectively. During the fiscal year ended March 31, 2011, the Company realized \$758 of income tax benefit from the exercise of stock options as a windfall credit.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(11) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)

The tables below summarize information about the SAR Plan activity for the fiscal years ended March 31, 2011, 2010, 2009 and 2008 as follows:

	SAR Plan Activity	
	Number of SARs	Weighted Average Exercise Price
Outstanding at March 31, 2008	151,274	\$ 4.12
Granted	—	—
Exercised	(15,945)	3.32
Forfeited or expired	(22,443)	4.71
Outstanding at March 31, 2009	112,886	4.11
Granted	—	—
Exercised	(19,733)	3.67
Forfeited or expired	(11,945)	5.76
Outstanding at March 31, 2010	81,208	3.98
Granted	—	—
Exercised	(26,378)	3.76
Forfeited or expired	(6,469)	3.18
Outstanding at March 31, 2011	48,361	\$ 4.21

SARs exercisable and available for future grant at March 31, 2011:

	March 31, 2011
SARs exercisable	41,499
SARs available for future grant	—

The aggregate intrinsic value and weighted average remaining contractual life of outstanding SARs were approximately \$702 and 3.59 years at March 31, 2011. The aggregate intrinsic value and weighted average remaining contractual life of the exercisable SARs at March 31, 2011 were approximately \$604 and 3.30 years, respectively. The aggregate intrinsic value of SARs exercised during the fiscal years ended March 31, 2011 and 2010 was \$238 and \$103, respectively.

There were no SARs granted during the fiscal years ended March 31, 2011, 2010 or 2009.

(12) Income Taxes

The income (loss) before income tax expense (benefit) shown below is based on the geographic location to which such income (loss) is attributed for each of the fiscal years ended March 31, 2011, 2010 and 2009:

	Year Ended March 31,		
	2011	2010	2009
United States	\$ (5,130)	\$ 1,014	\$ (2,538)
Foreign	23,357	11,935	15,404
Total	\$ 18,227	\$ 12,949	\$ 12,866

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(12) Income Taxes (Continued)

The provision for income taxes for each of the fiscal years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Year Ended March 31,		
	2011	2010	2009
Current provision:			
Federal	\$ (64)	\$ 804	\$ 388
State	149	130	(14)
Foreign	2,930	1,315	1,764
Total current provision	<u>\$ 3,015</u>	<u>\$ 2,249</u>	<u>\$ 2,138</u>
Deferred (benefit) provision:			
Federal	\$ (887)	\$ (223)	\$ (290)
State	(134)	(21)	(23)
Foreign	33	(1,185)	(1,016)
Total deferred (benefit) provision	<u>\$ (988)</u>	<u>\$ (1,429)</u>	<u>\$ (1,329)</u>
Total provision for income taxes	<u>\$ 2,027</u>	<u>\$ 820</u>	<u>\$ 809</u>

The items which gave rise to differences between the income taxes in the statements of income and the income taxes computed at the U.S. statutory rate are summarized as follows:

	Year Ended March 31,		
	2011	2010	2009
Statutory tax rate	34.0%	34.0%	34.0%
U.S. state and local taxes, net of U.S federal income tax effects	(0.4)	1.2	(0.5)
Benefit from foreign subsidiaries' tax holidays	(25.4)	(25.9)	(34.6)
Permanent items	2.0	2.1	6.2
Other adjustments	0.9	(5.1)	1.2
Effective income tax rate	<u>11.1%</u>	<u>6.3%</u>	<u>6.3%</u>

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(12) Income Taxes (Continued)

Deferred tax assets (liabilities) at March 31, 2011 and 2010 were as follows:

	<u>March 31,</u>	
	<u>2011</u>	<u>2010</u>
Deferred revenue	\$ 126	\$ 97
Bad debt reserve	48	34
Depreciation	193	60
Tax credit carry forwards	3,298	2,888
Accrued expenses and reserves	1,612	1,619
Compensation expense	2,283	2,293
Intangibles	1,000	286
Unrealized losses	15	(872)
Total deferred tax assets	<u>\$ 8,575</u>	<u>\$ 6,405</u>
Unrealized gains	(451)	(193)
Goodwill	(154)	—
Total deferred tax liabilities	<u>(605)</u>	<u>(193)</u>
Net deferred tax assets/liabilities	<u>\$ 7,970</u>	<u>\$ 6,212</u>

At March 31, 2011 and 2010, the Company recorded short term deferred tax liabilities of \$0 and \$180, respectively, which are included in accrued liabilities and long-term deferred tax liabilities of \$865 and \$13, respectively, which are included in long-term liabilities.

The ultimate realization of deferred tax assets is dependent upon management's assessment of the Company's ability to generate sufficient taxable income to realize the deferred tax assets during the periods in which the temporary differences become deductible. Management considers the historical level of taxable income, projections for future taxable income, and tax planning strategies in making this assessment. The Company has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

During the fiscal year ended March 31, 2011, the Company recorded \$901 of net income tax benefit directly in other comprehensive income related to the unrealized gain/loss on available for sale securities, and the unrealized gain/loss on effective cash flow hedges and the foreign currency loss on certain long term intercompany balances. During the fiscal year ended March 31, 2011, the Company recognized \$758 of net income tax benefit directly in additional paid in capital related to net excess tax benefits of share-based compensation. Additionally, the Company has state net operating loss carry forwards of approximately \$745 resulting from excess tax benefits of share-based compensation which will be recognized in additional paid in capital when recognized.

The Company's Indian subsidiaries are export-oriented companies under the Indian Income Tax Act of 1961 and are entitled to claim tax exemption for a period of ten consecutive years for export profits related to each Software Technology Park ("STP"), which they operate. The Indian subsidiaries currently operate two STPs, one in Chennai and one in Hyderabad. The STP holiday for the Hyderabad unit expired on March 31, 2010 and the STP tax holiday for the Chennai unit expired on March 31, 2011. When the tax holiday ends, the taxable profit is taxed at the full statutory rate, currently at 32.45%. Further, the

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(12) Income Taxes (Continued)

Company created a new unit in Bangalore (Export Oriented Unit) and Hyderabad (Special Economic Zone or "SEZ") during the fiscal year ended March 31, 2011 for which no income tax exemptions were availed. At March 31, 2011, the Indian subsidiaries have an Indian Minimum Alternative Tax ("MAT") credit carry forward of \$3,298, which is available to reduce certain future Indian income tax liabilities, and which expires at various dates through 2018. The Indian subsidiaries also operate two development centers in areas designated as a SEZ, under the SEZ Act of 2005. In particular, the Company was approved as an SEZ Co-developer and is building a campus on a 6.3 acre parcel of land in Hyderabad, India that has been designated as an SEZ. As an SEZ Co-developer, the Company is entitled to certain tax benefits for any consecutive period of 10 years during the 15 year period starting in fiscal year March 2009. The Company has not yet claimed any SEZ Co-developer income tax benefits. In addition, the Company has leased facilities in an SEZ designated location in Chennai, India. The Company's profits from the Hyderabad and Chennai SEZ operations are eligible for certain income tax exemptions for a period of up to 15 years beginning in fiscal March 2009. Based on the latest changes in tax laws, book profits of SEZ units will be subject to MAT, commencing April 1, 2011 which will negatively impact the Company's cash flows.

In addition, the Company's Sri Lankan subsidiary was approved as an export computer software developer by the Sri Lanka Board of Investment in 1998 and has negotiated multiple extensions and new agreements to the original holiday period in exchange for further capital investments in Sri Lanka facilities. The most recent 12-year agreement, which is set to expire on March 31, 2019, requires that the Company meet certain new job creation and investment criteria in Sri Lanka. The current agreement provides income tax exemption for all business income.

The effect of the India and Sri Lanka income tax holidays was to reduce the overall tax provision and increase both net income and diluted net income per share in the fiscal years ended March 31, 2011, 2010 and 2009 by \$4,565, \$3,359 and \$4,505, respectively, and by \$0.18, \$0.14 and \$0.19, respectively. The India STP tax holiday, which expired on March 31, 2011 for the Chennai STP and expired on March 31, 2010 for the Hyderabad STP, increased net income and diluted net income per share in the fiscal years ended March 31, 2011, 2010 and 2009 by \$954, \$1,564 and \$3,301 and by \$0.04, \$0.07 and \$0.14 respectively.

The Company intends to permanently reinvest all of its foreign earnings outside of the United States. The Company did not provide for incremental U.S. income taxes for approximately \$82,018 of unremitted earnings of international subsidiaries as of March 31, 2011. Due to the various methods by which such earnings could be repatriated in the future, the amount of taxes attributable to the permanently reinvested undistributed earnings is not practicably determinable.

Due to the geographical scope of the Company's operations, the Company is subject to tax examinations in various jurisdictions. The Company's ongoing assessments of the more-likely-than-not outcomes of these examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact the Company's operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. The Company does not believe that the outcome of any ongoing examination will have a material effect on its consolidated financial statements within the next twelve months. The Company's major taxing jurisdictions include the United States, the United Kingdom, India and Sri Lanka. In the United States, the Company remains subject to examination for all tax years ended after March 31, 2004. In the foreign jurisdictions the Company generally remains subject to examination for tax years ended after March 31, 2005.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(12) Income Taxes (Continued)

The total amount of unrecognized tax benefits would reduce income tax expense and the effective income tax rate, if recognized, are \$293, \$1,015 and \$680 as of March 31, 2011, 2010 and 2009, respectively. We do not anticipate any material change to its unrecognized tax benefits over the twelve month period ending March 31, 2012.

The following summarizes the activity related to the gross unrecognized tax benefits:

	<u>Year Ended March 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Balance as of beginning of the year	\$ 1,015	\$ 680	\$ 756
Foreign currency translation related to prior year tax positions	43	(9)	(115)
Decreases related to prior year tax positions	(827)	—	—
Decreases related to prior year tax positions due to lapse in applicable statute of limitations	(66)	(13)	—
Increases related to prior year tax positions	128	357	39
Balance at end of the year	<u>\$ 293</u>	<u>\$ 1,015</u>	<u>\$ 680</u>

The Company continues to classify accrued interest and penalties related to unrecognized tax benefits in income tax expense. The total accrued for interest and penalties relating to certain tax matters in India at March 31, 2011 and March 31, 2010 was \$0 and \$222, respectively. The amount of interest and penalties expensed in fiscal years 2011, 2010, and 2009 were not material. The total accrued interest and penalties relating to certain tax matters in the United States at March 31, 2011 and March 31, 2010 were \$98 and \$86, respectively.

The Company has been under income tax examination in India. The Indian taxing authorities issued an assessment order with respect to their examination of the tax returns for the fiscal years ended March 31, 2004 and 2005 of the Company's Indian subsidiary, Virtusa (India) Private Ltd., or Virtusa India. At issue were several matters, the most significant of which was the redetermination of the arm's-length profit which should be recorded by Virtusa India on the intercompany transactions with its affiliates. For the fiscal year ended March 31, 2011, the Company entered into a competent authority settlement and settled the uncertain tax position for the fiscal years ended March 31, 2004 and 2005. However, the redetermination of arm's-length profit on transactions with respect to the Company's subsidiaries and Virtusa UK Limited has not been resolved and remains under appeal for the fiscal year ended March 31, 2005.

(13) Post-retirement Benefits

The Company has noncontributory defined benefit plans (the "Benefit Plans") covering its employees in India and Sri Lanka as mandated by the Indian and Sri Lankan governments. Benefits are based on the employee's years of service and compensation at the time of termination. The Company uses March 31 as the measurement date for its plans.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(13) Post-retirement Benefits (Continued)

Cost of pension plans

	Year Ended March 31,		
	2011	2010	2009
Components of net periodic pension expense			
Expected return on plan assets	\$ (147)	\$ (102)	\$ (90)
Service costs for benefits earned	363	329	338
Interest cost on projected benefit obligation	124	110	88
Recognized net actuarial loss	52	38	26
Net periodic pension expense	<u>\$ 392</u>	<u>\$ 375</u>	<u>\$ 362</u>

Actuarial assumptions

	Year Ended March 31,		
	2011	2010	2009
Discount rate	8% - 10.5%	6.75% - 12.50%	6.75% - 15.75%
Compensation increases (annual)	7% - 7.50%	5.50% - 7.50%	5.50% - 10.00%
Expected return on assets	8.50% - 14.00%	8.50% - 14.00%	8.50% - 10.00%

The discount rate is based upon high quality fixed income investments in India and Sri Lanka. The discount rates at March 31, 2011 were used to measure the year-end benefit obligations and the pension cost for the subsequent year.

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. The Company amortizes unrecognized actuarial gains or losses over a period no longer than the average future service of employees.

The Company's benefit obligations are described in the following tables. Accumulated and projected benefit obligations ("ABO" and "PBO", respectively) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(13) Post-retirement Benefits (Continued)**Accumulated benefit obligation and projected benefit obligation**

	<u>March 31,</u>	
	<u>2011</u>	<u>2010</u>
Accumulated benefit obligation	\$ 1,385	\$ 1,011
Projected benefit obligation:		
Balance at April 1, 2010	\$ 1,404	\$ 968
Service cost	363	329
Interest cost	124	110
Actuarial (gain) loss	487	38
Benefits paid	(362)	(265)
Other adjustments	129	129
Exchange rate adjustments	33	95
Balance at March 31, 2011	\$ 2,178	\$ 1,404

Fair value of plan assets

	<u>March 31, 2011</u>	
Balance at April 1, 2010	\$	1,284
Employer contributions		513
Actual gain on plan assets		249
Benefits paid		(360)
Exchange rate adjustments		21
Balance at March 31, 2011	\$	1,707

Fair value of the plan assets and projected benefit obligation are recorded on the consolidated balance sheets at March 31, 2011 and March 31, 2010.

Plan asset allocation

	<u>March 31, 2011</u>	
	<u>Target Allocation</u>	<u>Actual Allocation</u>
Government securities	60 - 70%	67%
Corporate debt	20 - 30%	25%
Other	1 - 10%	8%

The Company's plan assets are being managed by insurance companies in India and Sri Lanka.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(13) Post-retirement Benefits (Continued)

Plan Assets

The following table presents the fair values of the Company's pension plan assets.

<u>Asset Category</u>	<u>Fair Value Measurements</u>		
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
At March 31, 2011			
Government Bonds(1)	\$ 1,144	\$ —	\$ 1,144
Corporate Bonds(2)	427	—	427
Equity Shares and Others(3)	136	28	108
	<u>\$ 1,707</u>	<u>\$ 28</u>	<u>\$ 1,679</u>
At March 31, 2010			
Government Bonds(1)	\$ 821	\$ —	\$ 821
Corporate Bonds(2)	356	—	356
Equity Shares and Others(3)	107	38	69
	<u>\$ 1,284</u>	<u>\$ 38</u>	<u>\$ 1,246</u>

- (1) This category comprises government fixed income investments with investments in India and Sri Lanka.
- (2) This category represents investment in bonds and debentures from diverse industries.
- (3) This category represents equity shares, money market investments and other investments.

The fair values of the government bonds are measured based on market quotes. Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date. Equity share funds are valued at their market prices as of the balance sheet date. Money market funds are valued at their market price.

The Company's pension plan assets invested in India are guaranteed a minimum return of 6% per annum.

Pension liability

	<u>March 31,</u>	
	<u>2011</u>	<u>2010</u>
PBO	\$ 2,178	\$ 1,404
Fair value of plan assets	1,707	1,284
Funded status recognized	\$ 471	\$ 120
Amount recorded in accumulated other comprehensive income	\$ 854	\$ 376

The amount in accumulated other comprehensive income (loss) that is expected to be recognized as a component of net periodic benefit cost over the fiscal year ended March 31, 2012 is \$127. The Company expects to contribute \$507 to its gratuity plans during the fiscal year ending March 31, 2012.

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(13) Post-retirement Benefits (Continued)

The pretax amounts of prior service cost recognized in accumulated other comprehensive income consists of:

	<u>2011</u>	<u>March 31,</u>	
		<u>2010</u>	<u>2009</u>
Prior service cost (credit)	\$ 101	\$ —	\$ (31)
Net amortization gain (loss)	—	—	(13)
Total	<u>\$ 101</u>	<u>\$ —</u>	<u>\$ (44)</u>

Estimated future benefits payments

<u>Fiscal year ending March 31:</u>		
2012		\$ 406
2013		467
2014		542
2015		601
2016		681
2017 - 2021		\$ 4,347

(14) 401(k) Plan

The Company sponsors a defined contribution retirement savings plan, qualified under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). Eligible employees may defer a portion of their compensation into the Company's 401(k) Plan on a pre-tax and/or Roth basis. The Company's 401(k) Plan currently offers a safe harbor match feature that provides Company matching contributions for certain employee contributions. For the periods ended March 31, 2011 and 2010, the Company recorded \$456 and \$191 for the employer match, respectively. The Company's 401(k) Plan may be amended at the direction of the Company's Board of Directors to discontinue the safe harbor match program at any time.

Effective January 1, 2011, the Company's subsidiary, InSource, froze their 401(k) Plan and all eligible employees can now participate in the Company's 401(k) Plan.

(15) Related Party Transactions

During the fiscal year ended March 31, 2009, the Company purchased approximately \$7 in services from Lotus Travel Services. The managing director of Lotus Travel Services is a relative of an executive officer of the Company. During the fiscal year ended March 31, 2010, there were no related party transactions. During the fiscal year ended March 31, 2011, the Company executed an agreement for approximately \$119 in services to Nadastra Inc. as a subcontractor for the benefit of an end user client. The managing director of Nadatsra Inc., is the spouse of an executive officer of the Company.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(16) Commitments, Contingencies and Guarantees

The Company leases office space under operating leases, which expire at various dates through the year 2018. Certain leases contain renewal provisions and generally require the Company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum lease payments under non-cancelable leases for the five fiscal years following March 31, 2011 and thereafter are:

	<u>Operating Leases</u>	<u>Capital Lease</u>
Fiscal year ending March 31:		
2012	\$ 4,312	\$ 2,196
2013	2,935	—
2014	774	—
2015	445	—
2016	458	—
2017 and thereafter	932	—
Total minimum lease payments	<u>\$ 9,856</u>	<u>\$ 2,196</u>
Less: amount representing interest		238
Present value of future lease payments		\$ 1,958
Less: current portion		1,958
Long term capital lease obligation		<u>\$ —</u>

Total rental expense for operating leases was approximately \$4,798, \$4,206 and \$4,706 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively. Total amortization expenses for the assets purchased under capital leases were \$517 for the fiscal year ended March 31, 2011. Amortization expenses for assets purchased under capital leases for the fiscal year ended March 31, 2010 were \$61 and were not material for the fiscal year ended March 31, 2009.

The Company acquired a software license under a capital lease agreement during the fiscal year ended March 31, 2010. Estimated useful life of the asset acquired is 6 years. The Company expects to pay \$1,958 as principal payment in this lease.

The Company continues to construct a facility as part of a planned campus on a 6.3 acre site in Hyderabad, India which includes planned construction of approximately 325,000 square feet, over the next fiscal year at a total estimated cost of \$27,522, of which \$20,460 has been expended as of March 31, 2011. As of March 31, 2011 the Company had outstanding fixed capital commitments of \$1,480 net of advances, related to this facility construction.

The Company has deposits under lien of \$54 against a bank guarantee issued by a bank in favor of Andhra Pradesh Industrial Infrastructure Corporation Limited which would be forfeited if the Company fails to meet certain hiring criteria with established timelines at its Hyderabad facility.

The Company indemnifies its officers and directors for certain events or occurrences under its charter or by-laws and under indemnification agreements while the officer or director is, or was, serving at its request in a defined capacity. The term of the indemnification period is with respect to the period that such person

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(16) Commitments, Contingencies and Guarantees (Continued)

was an officer or director of the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification obligations is unlimited. The costs incurred to defend lawsuits or settle claims related to these indemnification obligations have not been material. As a result, the Company believes that its estimated exposure on these obligations is minimal. Accordingly, the Company had no liabilities recorded for these obligations as of March 31, 2011.

The Company is insured against any actual or alleged act, error, omission, neglect, misstatement or misleading statement or breach of duty by any current or former officer, director or employee while rendering information technology services. The Company believes that its financial exposure from such actual or alleged actions, should they arise, is minimal and no liability was recorded at March 31, 2011.

The Company is not a party to any pending litigation or other legal proceedings that are likely to have a material adverse affect on its consolidated financial statements.

(17) Derivative Financial Instruments and Trading Activities

The Company evaluates its foreign exchange policy on an ongoing basis to assess its ability to address foreign exchange exposures on its consolidated balance sheets, statements of income and consolidated statement of cash flows from all foreign currencies, including most significantly the U.K. pound sterling, Indian rupee and Sri Lankan rupee. The Company enters into hedging programs with highly rated financial institutions in accordance with its foreign exchange policy (as approved by the Company's audit committee and board of directors) which permits hedging of material, known foreign currency exposures. Currently, the Company maintains three hedging programs, each with varying contract types, duration and purposes. The Company's "Cash Flow Program" is designed to mitigate the impact of volatility in the U.S. dollar equivalent of the Company's Indian rupee denominated expenses over a rolling 24-month period. The Cash Flow Program transactions currently meet the criteria for hedge accounting as cash flow hedges. The Company's "Balance Sheet Program" involves the use of 30-day derivative instruments designed to mitigate the monthly impact of foreign exchange gains/losses on certain intercompany balances and payments. The Company's "U.K. Revenue and Cost Program" involves the purchase of derivative instruments with maturities of up to 92 days, and is designed to mitigate the impact of foreign exchange on U.K. pound sterling denominated revenue and costs with respect to the quarter for which such instruments are purchased. The Balance Sheet Program and the U.K. Revenue and Cost Program are treated as economic hedges as these programs do not meet the criteria for hedge accounting and all gains and losses are recognized in Consolidated Statement of Income under the same line item as the underlying exposure being hedged.

Changes in fair value of the designated cash flow hedges for our Cash Flow Program are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"), net of tax until the forecasted hedged transactions occur and are then recognized in the consolidated statement of income. The Company evaluates hedge effectiveness at the time a contract is entered into, as well as on an ongoing basis. If and when hedge relationships are discontinued, and should the forecasted transaction be deemed probable of not occurring by the end of the originally specified period or within an additional two-month period of time thereafter, any related derivative amounts recorded in equity are reclassified to earnings. There were no amounts reclassified to earnings as a result of hedge ineffectiveness for the fiscal years ended March 31, 2011 and 2010

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(17) Derivative Financial Instruments and Trading Activities (Continued)

Changes in the fair value for all other derivative contracts, if any, are recognized in the same line item as the underlying exposure being hedged and the ineffective portion of cash flow hedges, if any, are recognized as other income. The Company values its derivatives based on market observable inputs including both forward and spot prices for currencies. Any significant change in the forward or spot prices for hedged currencies would have a significant impact on the value of the Company's derivatives.

The Company also uses derivatives not designated as hedging instruments to hedge intercompany balances and certain other revenue and expenses denominated in currencies other than the functional currency. Changes in the fair value of these derivatives purchased under the Balance Sheet Program or the U.K. Revenue and Cost Program are recognized in the consolidated statement of income and are included in foreign exchange gains (losses).

The U.S. dollar equivalent market value, which consists of the notional value and net unrealized gain or loss, of all outstanding foreign currency derivative contracts was \$112,468 and \$43,173 as of March 31, 2011 and March 31, 2010, respectively. Unrealized net gains related to these contracts which are expected to be reclassified from AOCI to earnings during the next 12 months are \$1,030 at March 31, 2011. At March 31, 2011, the maximum outstanding term of any derivative instrument was 21 months.

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets at March 31, 2011 and March 31, 2010:

Derivatives designated as hedging instruments

	March 31, 2011	March 31, 2010
Foreign currency exchange contracts:		
Other current assets	\$ 1,327	\$ 2,402
Other long-term assets	\$ 205	\$ 591
Accrued expenses and others	\$ 297	\$ —
Long-term liabilities	\$ 121	\$ —

The following tables set forth the effect of the Company's foreign currency exchange contracts on the consolidated financial statements of the Company for the fiscal years ended March 31, 2011 and 2010:

	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	
	March 31, 2011	March 31, 2010
Derivatives Designated as Cash Flow Hedging Relationships		
Foreign currency exchange contracts	\$ (2)	\$ 7,168

	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	
	March 31, 2011	March 31, 2010
Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)		
Costs of revenue	\$ 1,262	\$ (2,860)
Operating expenses	\$ 616	\$ (1,558)

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(17) Derivative Financial Instruments and Trading Activities (Continued)

Derivatives not Designated as Hedging Instruments	Location of Gain Or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		March 31, 2011	March 31, 2010
Foreign currency exchange contracts	Foreign currency transaction gains (losses)	\$ (517)	\$ 40
	Revenue	\$ (444)	\$ (273)
	Costs of revenue	\$ 202	\$ 87
	Selling, general and administrative expenses	\$ 15	\$ 46

(18) Business Segment Information

Accounting pronouncements establish standards for the manner in which public companies report information about operating segments in annual and interim financial statements. Operating segments are component of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") on deciding on how to allocate resources and in assessing performance. The Company's CODM is considered to be the Company's chief executive officer ("CEO"). The CEO reviews financial information presented on an entity level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Company has determined that it operates in a single operating and reportable segment.

Geographic information:

Total revenue is attributed to geographic areas based on location of the client. Geographic information is summarized as follows:

	Year Ended March 31,		
	2011	2010	2009
Customer revenue:			
North America	\$ 162,528	\$ 121,727	\$ 124,582
Europe	45,065	39,322	44,368
Other	10,386	3,316	3,992
Consolidated revenue	\$ 217,979	\$ 164,365	\$ 172,942

	March 31,	
	2011	2010
Long-lived assets, net of accumulated depreciation and amortization:		
North America	\$ 10,807	\$ 14,332
India	25,386	20,784
Sri Lanka	2,600	2,005
Europe	56	101
Consolidated long-lived assets, net	\$ 38,849	\$ 37,222

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Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(19) Quarterly Results of Operations (unaudited)

	Three Months Ended							
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Revenue	\$ 58,294	55,606	52,676	51,403	\$ 47,808	\$ 41,692	\$ 37,497	\$ 37,368
Costs of revenue	36,105	34,169	32,335	31,887	28,413	23,744	21,114	20,871
Gross profit	22,189	21,437	20,341	19,516	19,395	17,948	16,383	16,497
Operating expenses	16,532	16,453	16,292	16,420	16,173	14,549	13,206	13,401
Income from operations	5,657	4,984	4,049	3,096	3,222	3,399	3,177	3,096
Other income (expense)	308	(6)	(23)	162	(93)	105	171	(127)
Income before income tax expense (benefit)	5,965	4,978	4,026	3,258	3,129	3,504	3,348	2,969
Income tax expense (benefit)	739	772	310	206	(454)	572	362	340
Net income	\$ 5,226	4,206	3,716	\$ 3,052	\$ 3,583	\$ 2,932	\$ 2,986	\$ 2,629
Net income per share —Basic	\$ 0.22	\$ 0.18	\$ 0.16	\$ 0.13	\$ 0.15	\$ 0.13	\$ 0.13	\$ 0.11
Net income per share —Diluted	\$ 0.21	\$ 0.17	\$ 0.15	\$ 0.13	\$ 0.15	\$ 0.12	\$ 0.12	\$ 0.11

(20) Subsequent Events

On April 28, 2011, the Company purchased multiple foreign currency forward contracts designed to hedge fluctuation in the Indian rupee against the U.S. dollar and U.K. pound sterling. The U.S. dollar contracts have an aggregate notional amount of approximately 698,523 Indian rupees (approximately \$14,898) and an average settlement rate of 46.33 Indian rupees. The U.K. pound sterling contracts have an aggregate notional amount of approximately 320,754 Indian rupees (approximately £4,118) and have an average settlement rate of 77.66 Indian rupees. These contracts will expire at various dates during the period ending on March 31, 2013. The Company has the obligation to settle these contracts based upon the Reserve Bank of India published Indian Rupee exchange rates. Based on the U.S. dollar to U.K. pound sterling spot rate on April 28, 2011 of \$1.65, the blended weighted average India rupee rate associated with both the U.S. dollar and U.K. pound sterling contracts would be approximately 46.96 Indian rupees. Such blended weighted average Indian rupee rate is subject to change, to the extent of any appreciation or depreciation in the U.K. pound sterling against the U.S. dollar, as compared to the spot rate listed above.

On May 26, 2011, Virtusa Software Services Pvt. Ltd., a company incorporated under the laws of India ("VSS") and a subsidiary of Virtusa Corporation, entered into a lease agreement with DLF Assets Private Limited, a company incorporated under laws of India ("DLF") for the lease of approximately 49,974 square feet of office space in Chennai, India. The term of the lease is for five years, expiring on May 14, 2016, with VSS having the option to renew the lease for an additional five years, and if mutually agreed upon by the parties, the lease may be renewed for an additional five years. The initial annual base rent under the lease is approximately \$530,000 per year, but escalates to approximately \$609,000 per year after three years, to approximately \$700,000 after six years (if extended) and to approximately \$806,000 after nine years (if extended). In addition to the base rent, VSS will also pay its proportionate share of building operating expenses, insurance expenses and real estate taxes, as well as charges for car parking, maintenance charges and other related costs and expenses. Additionally, after thirty months, VSS may terminate the lease on six months prior written notice to DLF.

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

(1) Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and the participation of our management of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act), as of March 31, 2011. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of that period, our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(2) Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act as a process designed by, or under the supervision of, the issuers principal executive and principal financial officers or other persons performing similar functions and effected by the issuers board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the receipts and expenditures of the issuers are being made only in accordance with authorizations of the management and directors of the issuer; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework.

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Based on this assessment, our management has concluded that, as of March 31, 2011, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of March 31, 2011 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

(3) Changes in Internal Controls over Financial Reporting

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal control over financial reporting in all annual reports. There were no changes in our internal control over financial reporting during the fiscal year ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2011.

Item 11. *Executive Compensation.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2011.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2011.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2011.

Item 14. *Principal Accountant Fees and Services.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2011.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8:

Reports of Independent Registered Public Accounting Firm	58
Consolidated Balance Sheets at March 31, 2011 and 2010	60
Consolidated Statements of Income for the Years Ended March 31, 2011, 2010 and 2009	61
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss) for the Years ended March 31, 2011, 2010 and 2009	62
Consolidated Statements of Cash Flows for the Years Ended March 31, 2011, 2010 and 2009	63
Notes to Consolidated Financial Statements	64

2. Financial Statement Schedules

The financial statement schedule entitled "Schedule II—Valuation and Qualifying Accounts" is filed as part of this Annual Report on Form 10-K under this Item 15.

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

Under date of May 27, 2011, we reported on the consolidated balance sheets of Virtusa Corporation and Subsidiaries (the Company) as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2011, which are contained in the Company's March 31, 2011 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Boston, Massachusetts
May 27, 2011

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Virtusa Corporation and Subsidiaries
Schedule II—Valuation and Qualifying Accounts
For the years ended March 31, 2011, 2010, and 2009

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions/ Other</u>	<u>Balance at End of Period</u>
(In thousands)				
Accounts receivable allowance for doubtful accounts:				
Year ended March 31, 2009	\$ 653	\$ 533	\$ (145)	\$ 1,041
Year ended March 31, 2010	\$ 1,041	\$ 261	\$ (602)	\$ 700
Year ended March 31, 2011	\$ 700	\$ 690	\$ (230)	\$ 1,160

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3. Exhibits

The following exhibits are filed as part of and incorporated by reference into this Annual Report:

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Title</u>
2.1	Asset Purchase Agreement by and among the Company, ConVista Consulting, LLC., a Virginia limited liability company, and the members thereof dated as of February 1, 2010 (previously filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K, filed February 1, 2010, and incorporated herein by reference)
3.1	Amended and Restated By-laws of the Registrant (previously filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
3.2	Form of Seventh Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.1	Specimen certificate evidence shares of the Registrant's common stock (previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.2	Fourth Amended and Restated Registration Rights Agreement by and among the Registrant and the Investors named therein, dated as of March 29, 2007 (previously filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.1	Lease Agreement by and between the Registrant and W9/TIB Real Estate Limited Partnership, dated June 2000, as amended (previously filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.2	Third Amendment to Lease by and between the Registrant and Westborough Investors Limited Partnership dated as of March 31, 2010 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed April 6, 2010, and incorporated herein by reference).
10.3+	Amended and Restated 2000 Stock Option Plan and forms of agreements thereunder (previously filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.4+	2005 Stock Appreciation Rights Plan and form of agreements thereunder (previously filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.5†	Material Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A., dated as of December 6, 2004, as amended (previously filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.6	Amendment No. 236169, dated as of March 1, 2008 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.7†	Amendment No. 3, dated as of January 1, 2009 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.8+	Form of Indemnification Agreement between the Registrant and each of its directors (previously filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.9†	BT Contract for the Provision of IT Services by and between the Registrant and British Telecommunications plc, dated as of March 29, 2007, as amended by Amendment Nos. 1-4 (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.10†	Amendment No. 5 to the BT Contract for the Provision of IT Services by and between Registrant and British Telecommunications plc, dated as of March 31, 2009 (previously filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.11†	Amendment No. 6 to the BT Contract for the Provision of IT Services by and between Registrant and British Telecommunications plc, dated as of October 30, 2009 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed February 3, 2010, and incorporated herein by reference)
10.12†	Master Services Agreement between the Registrant and Metavante Corporation dated as of March 23, 2004, as amended by Nos. 1-6 (previously filed as Exhibit 10.11 to the Registrant's Amendment No. 1 to Annual Report on Form 10-K/A, filed July 15, 2009, and incorporated herein by reference).
10.13+	Executive Agreement between the Registrant and Kris Canekeratne, dated as of April 5, 2007 (previously filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.14+	Executive Agreement between the Registrant and Ranjan Kalia, dated as of July 15, 2009 (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.15+	Executive Agreement between the Registrant and Thomas R. Holler, dated as of April 5, 2007 (previously filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.16+	Executive Agreement between the Registrant and Roger Keith Modder, dated as of April 5, 2007 (previously filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.17+	Executive Agreement between the Registrant and Raj Rajgopal, dated as of July 15, 2009 (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.18	Co-Developer Agreement and Lease Deed between the Registrant and APIICL, a state government agency in India, dated as of March 2007 (previously filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.19+	2007 Stock Option and Incentive Plan, including Form of Incentive Stock Option Agreement, Form of Non-Qualified Stock Option Agreement for Company Employees, Form of Non-Qualified Stock Option Agreement for Non-Employee Directors, and Form of Employee Restricted Stock Agreement (previously filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.20	Fifth Amended and Restated Stockholders Agreement by and among the Registrant and the Stockholders named therein, dated as of March 29, 2007 (previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.21	Agreement for Civil and Structural Works, including the General Conditions of the Contract by and between Virtusa (India) Private Limited and Shapoorji Pallionji & Company Limited, dated as of July 2, 2007 (previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.22*+	Amended and Restated Non-Employee Director Compensation Policy (previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K, filed May 27, 2010, and incorporated herein by reference).
10.23	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services Pvt. Ltd. dated as of July 21, 2008 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 1, 2008, and incorporated herein by reference).
10.24	LEASE DEED by and between Andhra Pradesh Industrial Infrastructure Corporation Limited and Virtusa (India) Private Limited dated as of August 22, 2007 previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed September 7, 2007, and incorporated herein by reference).
10.25	Stock Purchase Agreement by and among Registrant, InSource Holdings, Inc, David Shalaby and Michelle Shalaby, dated as of November 4, 2009 (previously filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed November 5, 2009, and incorporated herein by reference).
10.26+	FY2011 Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2010, and incorporated herein by reference).
10.27†	Master Services Agreement by and between the Registrant and Thomson Healthcare dated as of September 9, 2004, as amended by Amendment No. 1 dated as of January 23, 2007, Amendment No. 2 dated as of May 9, 2008, Amendment No. 3 dated as of August 6, 2008 and effective as of March 1, 2008, Amendment No. 3 dated as of May 27, 2009, and Amendment No. 5 dated as of September 3, 2009 (previously filed as Exhibit 10.35 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).
10.28‡	Amendment number 7 to the Master Service Agreement dated December 21, 2009 between the registrant and Metavante Corporation (previously filed as Exhibit 10.36 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.29	Credit Agreement dated as of July 30, 2010 by and among Registrant as Borrower, InSource Holdings, Inc. and InSource, LLC, as Loan Parties, JPMORGAN CHASE BANK, N.A., and JPMORGAN CHASE BANK, N.A as Administrative Agent (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.30	Negative Pledge Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.31	Pledge Agreement dated as of July 30, 2010 by and between Registrant and JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders which are parties to the Credit Agreement (previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.32	Security Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.33+*	Executive Agreement between the Registrant and Samir Dhir dated as of May 16, 2011.
10.34+*	Form of Deferred Stock Award Agreement under the 2007 Stock Option and Incentive Plan.
10.35*	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services, Inc. dated as of May 26, 2011.
21.1*	Subsidiaries of Registrant.
23.1*	Consent of KPMG LLP
24.1*	Power of Attorney (included on signature page)
31.1*	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of principal accounting and financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
32.2**	Certification of principal accounting and financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350

+ Indicates a management contract or compensation plan, contract or arrangement.

† Confidential treatment has been requested for certain provisions of this Exhibit.

* Filed herewith.

** Furnished herewith. This certification shall not be deemed filed for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, amended or the Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 27th day of May, 2011.

VIRTUSA CORPORATION
By:

/s/ KRIS CANEKERATNE

Kris Canekeratne
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 27, 2010

POWER OF ATTORNEY AND SIGNATURES

We the undersigned officers and directors of Virtusa Corporation, hereby severally constitute and appoint Kris Canekeratne and Ranjan Kalia, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us and in our names in the capacities indicated below, any amendments to this Annual Report on Form 10-K, and generally to do all things in our names and on our behalf in such capacities to enable Virtusa Corporation to comply with the provisions of the Securities Act of 1934, as amended, and all the requirements of the Securities Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 27th day of May, 2011.

<u>Signature</u>	<u>Title</u>
<hr/> <p>/s/ KRIS CANEKERATNE</p> <hr/> <p>Kris Canekeratne /s/ RANJAN KALIA</p> <hr/>	Chairman and Chief Executive Officer (Principal Executive Officer)
<hr/> <p>Ranjan Kalia /s/ ROBERT E. DAVOLI</p> <hr/>	Senior Vice President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
<hr/> <p>Robert E. Davoli /s/ IZHAR ARMONY</p> <hr/>	Director
<hr/> <p>Izhar Armony /s/ RONALD T. MAHEU</p> <hr/>	Director
<hr/> <p>Ronald T. Maheu /s/ MARTIN TRUST</p> <hr/>	Director
<hr/> <p>Martin Trust /s/ ROWLAND MORIARTY</p> <hr/>	Director
<hr/> <p>Rowland Moriarty /s/ WILLIAM K. O'BRIEN</p> <hr/>	Director
<hr/> <p>William K. O'Brien /s/ AL-NOOR RAMJI</p> <hr/>	Director
<hr/> <p>Al-Noor Ramji</p>	

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Title</u>
2.1	Asset Purchase Agreement by and among the Company, ConVista Consulting, LLC., a Virginia limited liability company, and the members thereof dated as of February 1, 2010 (previously filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K, filed February 1, 2010, and incorporated herein by reference)
3.1	Amended and Restated By-laws of the Registrant (previously filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
3.2	Form of Seventh Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.1	Specimen certificate evidence shares of the Registrant's common stock (previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.2	Fourth Amended and Restated Registration Rights Agreement by and among the Registrant and the Investors named therein, dated as of March 29, 2007 (previously filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.1	Lease Agreement by and between the Registrant and W9/TIB Real Estate Limited Partnership, dated June 2000, as amended (previously filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.2	Third Amendment to Lease by and between the Registrant and Westborough Investors Limited Partnership dated as of March 31, 2010 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed April 6, 2010, and incorporated herein by reference).
10.3+	Amended and Restated 2000 Stock Option Plan and forms of agreements thereunder (previously filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.4+	2005 Stock Appreciation Rights Plan and form of agreements thereunder (previously filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.5†	Material Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A., dated as of December 6, 2004, as amended (previously filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.6	Amendment No. 236169, dated as of March 1, 2008 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.7†	Amendment No. 3, dated as of January 1, 2009 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.8+	Form of Indemnification Agreement between the Registrant and each of its directors (previously filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.9†	BT Contract for the Provision of IT Services by and between the Registrant and British Telecommunications plc, dated as of March 29, 2007, as amended by Amendment Nos. 1-4 (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.10†	Amendment No. 5 to the BT Contract for the Provision of IT Services by and between Registrant and British Telecommunications plc, dated as of March 31, 2009 (previously filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.11†	Amendment No. 6 to the BT Contract for the Provision of IT Services by and between Registrant and British Telecommunications plc, dated as of October 30, 2009 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed February 3, 2010, and incorporated herein by reference)
10.12†	Master Services Agreement between the Registrant and Metavante Corporation dated as of March 23, 2004, as amended by Nos. 1-6 (previously filed as Exhibit 10.11 to the Registrant's Amendment No. 1 to Annual Report on Form 10-K/A, filed July 15, 2009, and incorporated herein by reference).
10.13+	Executive Agreement between the Registrant and Kris Canekeratne, dated as of April 5, 2007 (previously filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.14+	Executive Agreement between the Registrant and Ranjan Kalia, dated as of July 15, 2009 (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.15+	Executive Agreement between the Registrant and Thomas R. Holler, dated as of April 5, 2007 (previously filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.16+	Executive Agreement between the Registrant and Roger Keith Modder, dated as of April 5, 2007 (previously filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.17+	Executive Agreement between the Registrant and Raj Rajgopal, dated as of July 15, 2009 (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.18	Co-Developer Agreement and Lease Deed between the Registrant and APIICL, a state government agency in India, dated as of March 2007 (previously filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.19+	2007 Stock Option and Incentive Plan, including Form of Incentive Stock Option Agreement, Form of Non-Qualified Stock Option Agreement for Company Employees, Form of Non-Qualified Stock Option Agreement for Non-Employee Directors, and Form of Employee Restricted Stock Agreement (previously filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.20	Fifth Amended and Restated Stockholders Agreement by and among the Registrant and the Stockholders named therein, dated as of March 29, 2007 (previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.21	Agreement for Civil and Structural Works, including the General Conditions of the Contract by and between Virtusa (India) Private Limited and Shapoorji Pallionji & Company Limited, dated as of July 2, 2007 (previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.22+	Amended and Restated Non-Employee Director Compensation Policy (previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K, filed May 27, 2010, and incorporated herein by reference).
10.23	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services Pvt. Ltd. dated as of July 21, 2008 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 1, 2008, and incorporated herein by reference).
10.24	LEASE DEED by and between Andhra Pradesh Industrial Infrastructure Corporation Limited and Virtusa (India) Private Limited dated as of August 22, 2007 previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed September 7, 2007, and incorporated herein by reference).
10.25	Stock Purchase Agreement by and among Registrant, InSource Holdings, Inc, David Shalaby and Michelle Shalaby, dated as of November 4, 2009 (previously filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed November 5, 2009, and incorporated herein by reference).
10.26+	FY2011 Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2010, and incorporated herein by reference)
10.27†*	Master Services Agreement by and between the Registrant and Thomson Healthcare dated as of September 9, 2004, as amended by Amendment No. 1 dated as of January 23, 2007, Amendment No. 2 dated as of May 9, 2008, Amendment No. 3 dated as of August 6, 2008 and effective as of March 1, 2008, Amendment No. 3 dated as of May 27, 2009, and Amendment No. 5 dated as of September 3, 2009 (previously filed as Exhibit 10.35 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).
10.28†*	Amendment number 7 to the Master Service Agreement dated December 21, 2009 between the registrant and Metavante Corporation (previously filed as Exhibit 10.36 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.29	Credit Agreement dated as of July 30, 2010 by and among Registrant as Borrower, InSource Holdings, Inc. and InSource, LLC, as Loan Parties, JPMORGAN CHASE BANK, N.A., and JPMORGAN CHASE BANK, N.A as Administrative Agent (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.30	Negative Pledge Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.31	Pledge Agreement dated as of July 30, 2010 by and between Registrant and JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders which are parties to the Credit Agreement (previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.32	Security Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.33+*	Executive Agreement between the Registrant and Samir Dhir dated as of May 16, 2011.
10.34+*	Form of Deferred Stock Award Agreement under the 2007 Stock Option and Incentive Plan.
10.35*	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services, Inc. dated as of May 26, 2011.
21.1*	Subsidiaries of Registrant.
23.1*	Consent of KPMG LLP
24.1*	Power of Attorney (included on signature page)
31.1*	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of principal accounting and financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
32.2**	Certification of principal accounting and financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350

+ Indicates a management contract or compensation plan, contract or arrangement.

† Confidential treatment has been requested for certain provisions of this Exhibit.

* Filed herewith.

** Furnished herewith. This certification shall not be deemed filed for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, amended or the Exchange Act of 1934, as amended.

EXECUTIVE AGREEMENT

AGREEMENT made as of this 16th day of May 2011 by and between Virtusa Corporation (the "Company"), and Samir Dhir (the "Executive").

1. Purpose. The Company considers it essential to the best interests of its stockholders to promote and preserve the continuous employment of key management personnel. The Board of Directors of the Company (the "Board") recognizes that, as is the case with many corporations, the possibility of a Change in Control (as defined in Section 2 hereof) exists and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders. Therefore, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's key management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control. Nothing in this Agreement shall be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

2. Change in Control. A "Change in Control" shall be deemed to have occurred upon the occurrence of any one of the following events:

(a) any "Person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than the Company, any of its subsidiaries, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

(b) persons who, as of the date hereof, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the date hereof shall be considered an Incumbent Director if such person's election was approved by or such person was nominated for election by either (A) a vote of at least a majority of the Incumbent Directors or (B) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of members of the Board of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(c) the consummation of (A) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate more than 50 percent of the voting shares of the Company issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), or (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company; or

(d) the approval by the Company's stockholders of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred for purposes of the foregoing clause (a) solely as the result of an acquisition of securities by the Company that, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 50 percent or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns 50 percent or more of the combined voting power of all then outstanding Voting Securities, then a "Change in Control" shall be deemed to have occurred for purposes of the foregoing clause (a).

3. Terminating Event. A "Terminating Event" shall mean any of the events provided in this Section 3:

(a) Termination by the Company. Termination by the Company of the employment of the Executive with the Company for any reason other than for Cause, death or Disability. For purposes of this Agreement, "Cause" shall mean:

(i) conduct by the Executive constituting a material act of willful misconduct in connection with the performance of his duties, including, without limitation, misappropriation of funds or property of the Company or any of its subsidiaries or affiliates other than the occasional, customary and de minimis use of Company property for personal purposes; or

(ii) the commission by the Executive of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Executive that would reasonably be expected to result in material injury to the Company or any of its subsidiaries and affiliates if he were retained in his position; or

(iii) continued, willful and deliberate non-performance by the Executive of his duties to the Company (other than by reason of the Executive's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Board; or

(iv) a violation by the Executive of the Company's employment policies which has continued following written notice of such violation from the Chief Executive Officer; or

(v) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials.

A Terminating Event shall not be deemed to have occurred pursuant to this Section 3(a) solely as a result of the Executive being an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company following a Change in Control. For purposes of clauses (i), (iii) and (v) hereof, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive without reasonable belief that the Executive's act, or failure to act, was in the best interests of the Company and its subsidiaries and affiliates. For purposes hereof, the Executive will be considered "Disabled" if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties to the Company on a full-time basis for 180 calendar days in the aggregate in any 12-month period.

(b) Termination by the Executive for Good Reason. Termination by the Executive of the Executive's employment with the Company for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events:

(i) a substantial diminution or other substantial adverse change, not consented to by the Executive, in the nature or scope of the Executive's responsibilities, authorities, powers, functions or duties from the responsibilities, authorities, powers, functions or duties exercised by the Executive immediately prior to the Terminating Event; or

(ii) a material reduction in the Executive's annual base salary or targeted total annual cash compensation (i.e., base salary and targeted bonus) as in effect on the date hereof or as the same may be increased from time to time hereafter except for across-the-board reductions similarly affecting all or substantially all management employees; or

(iii) the relocation of the Company's offices at which the Executive is principally employed immediately prior to the date of a Terminating Event (the "Current Offices") to any other location more than 50 miles from the Current Offices, or the requirement by the Company for the Executive to be based anywhere other than the Current Offices, except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations immediately prior to the Terminating Event; or

(iv) the failure by the Company to obtain an effective agreement from any successor to assume and agree to perform this Agreement, as required by Section 20.

4. Severance and Change in Control Payments.

(a) In the event a Terminating Event occurs within 12 months after a Change in Control, the following shall occur:

(i) the Company shall pay to the Executive an amount equal to the sum of (x) one-half of the Executive's annual base salary in effect immediately prior to the Terminating Event (or the Executive's annual base salary in effect immediately prior to the Change in Control, if higher) and (y) provided that the Company achieves its corporate performance targets for the period, a pro rated portion of the Executive's targeted annual bonus for the period in which the Change in Control occurred, payable in one lump-sum payment no later than three days following the Date of Termination (provided that any pro rated bonus amount shall be payable no later than three days following the date on which such bonus is payable to other management employees);

(ii) subject to the Executive's copayment of premium amounts at the active employees' rate, the Executive shall continue to participate in the Company's group health, dental and vision program for six months;

provided, however, that the continuation of health benefits under this Section shall reduce and count against the Executive's rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"); and

(iii) all stock options and other stock-based awards granted to the Executive by the Company shall immediately accelerate and become exercisable or non-forfeitable as of the effective date of such Change in Control.

(b) In the event a Terminating Event occurs prior to a Change in Control, the following shall occur:

(i) the Company shall pay to the Executive an amount equal to the sum of (x) one-half of the Executive's annual base salary in effect immediately prior to the Terminating Event and (y) provided that the Company achieves its corporate performance targets for the period, a pro rated portion of the Executive's targeted annual bonus for the period in which the Terminating Event occurred, payable in one lump-sum payment no later than three days following the Date of Termination (provided that any pro rated bonus amount shall be payable no later than three days following the date on which such bonus is payable to other management employees); and

(ii) subject to the Executive's copayment of premium amounts at the active employees' rate, the Executive shall continue to participate in the Company's group health, dental and vision program for six months; provided, however, that the continuation of health benefits under this Section shall reduce and count against the Executive's rights under COBRA.

(c) Notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, upon a Change in Control, all stock options and other stock-based awards granted to the Executive (whether before or after the date of this Agreement) by the Company shall immediately accelerate twelve (12) months so that the shares that would have vested in the one-year period following such Change in Control would become immediately vested and the remaining unvested shares would continue to vest in accordance with their terms but on a schedule that would be twelve (12) months earlier than had the Change in Control not transpired. The Executive shall also be entitled to any other rights and benefits with respect to stock-related awards, to the extent and upon the terms provided in the employee stock option or incentive plan or any agreement or other instrument attendant thereto pursuant to which such options or awards were granted.

(d) Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive's termination of employment, the Executive is considered a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and if any payment that the Executive becomes entitled to under this Agreement is considered deferred compensation subject to interest and additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, then no such payment shall be payable prior to the date that is the earliest of (i) six months after the Executive's Date of Termination, (ii) the Executive's death, or (iii) such other date as will cause such payment not to be subject to such interest and additional tax, and the initial payment shall include a catch-up amount covering amounts that would otherwise have been paid during the first six-month period but for the application of this Section 4(e).

5. ADDITIONAL LIMITATION.

(a) Additional Limitation. Anything in this Agreement to the contrary notwithstanding, in the event that any compensation, payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Severance Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, then the benefits payable under this Agreement shall be reduced (but not below zero) to the extent necessary so that the maximum Severance Payments shall not exceed the Threshold Amount. To the extent that there is more than one method of reducing the payments to bring them within the Threshold Amount, the Executive shall determine which method shall be followed; provided that if the Executive fails to make such determination within 15 business days after the Company has sent the Executive written notice of the need for such reduction, the Company may determine the amount of such reduction in its sole discretion.

For the purposes of this Section 5(a), "Threshold Amount" shall mean three times the Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar (\$1.00); and "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by the Executive with respect to such excise tax.

6. Term. This Agreement shall take effect on the date first set forth above and shall terminate upon the earlier of (a) the termination of the Executive's employment with the Company for any reason other than the occurrence of a Terminating Event, or (b) the date which is 12 months after a Change in Control if the Executive is still employed by the Company.

7. Withholding. All payments made by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

8. Notice and Date of Termination.

(a) Notice of Termination. During the term of this Agreement, any purported termination of the Executive's employment (other than by

reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with this Section 8. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and the Date of Termination.

(b) Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment during the term of this Agreement, shall mean the date specified in the Notice of Termination. In the case of a termination by the Company following a Change in Control other than a termination for Cause (which may be effective immediately), the Date of Termination shall not be less than 30 days after the Notice of Termination is given. In the case of a termination by the Executive, the Date of Termination shall not be less than 30 days from the date such Notice of Termination is given. Notwithstanding the foregoing, in the event that the Executive gives a Notice of Termination to the Company, the Company may unilaterally accelerate the Date of Termination and such acceleration shall not result in a termination by the Company for purposes of this Agreement.

9. No Mitigation. The Company agrees that, if the Executive's employment by the Company is terminated during the term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 4 hereof. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

10. Arbitration of Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach thereof or otherwise arising out of the Executive's employment or the termination of that employment (including, without limitation, any claims of unlawful employment discrimination whether based on age or otherwise) shall, to the fullest extent permitted by law, be settled by arbitration in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("AAA") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the selection of arbitrators. In the event that any person or entity other than the Executive or the Company may be a party with regard to any such controversy or claim, such controversy or claim shall be submitted to arbitration subject to such other person or entity's agreement.

Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This Section 10 shall be specifically enforceable. Notwithstanding the foregoing, this Section 10 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or a preliminary injunction in circumstances in which such relief is appropriate; provided that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 10.

11. Consent to Jurisdiction. To the extent that any court action is permitted consistent with or to enforce Section 10 of this Agreement, the parties hereby consent to the jurisdiction of the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Executive (a) submits to the personal jurisdiction of such courts; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

12. Integration. This Agreement shall constitute the sole and entire agreement among the parties with respect to the subject matter hereof, and supersedes and cancels all prior, concurrent and/or contemporaneous arrangements, understandings, promises, programs, policies, plans, practices, offers, agreements and/or discussions, whether written or oral, by or among the parties regarding the subject matter hereof; provided, however, that this Agreement is not intended to, and shall not, supersede, affect, limit, modify or terminate any of the following, all of which shall remain in full force and effect in accordance with their respective terms: (i) any written agreements, programs, policies, plans, arrangements or practices of the Company that do not relate to the subject matter hereof; (ii) any written stock or stock option agreements between the Executive and the Company (except as expressly modified hereby); and (iii) any written agreements between Executive and the Company concerning noncompetition, non-solicitation, inventions and/or nondisclosure obligations.

13. Successor to the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal representatives, executors, administrators, heirs, distributees, devisees and legatees. In the event of the Executive's death after a Terminating Event but prior to the completion by the Company of all payments due him under Section 4 of this Agreement, the Company shall continue such payments to the Executive's beneficiary designated in writing to the Company prior to his death (or to his estate, if the Executive fails to make such designation).

14. Enforceability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

15. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

16. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and

delivered in person or sent by registered or certified mail, postage prepaid, to the Executive at the last address the Executive has filed in writing with the Company, or to the Company at its main office, attention of the Board of Directors.

17. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Company.

18. Effect on Other Plans. An election by the Executive to resign for Good Reason under the provisions of this Agreement shall not be deemed a voluntary termination of employment by the Executive for the purpose of interpreting the provisions of any of the Company's benefit plans, programs or policies. Nothing in this Agreement shall be construed to limit the rights of the Executive under the Company's benefit plans, programs or policies except as otherwise provided in Section 5 hereof, and except that the Executive shall have no rights to any severance benefits under any Company severance pay plan.

19. Governing Law. This is a Massachusetts contract and shall be construed under and be governed in all respects by the laws of the Commonwealth of Massachusetts, without giving effect to the conflict of laws principles of such Commonwealth. With respect to any disputes concerning federal law, such disputes shall be determined in accordance with the law as it would be interpreted and applied by the United States Court of Appeals for the First Circuit.

20. Successors to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment.

21. Gender Neutral. Wherever used herein, a pronoun in the masculine gender shall be considered as including the feminine gender unless the context clearly indicates otherwise.

22. Confidential Information. The Executive shall never use, publish or disclose in a manner adverse to the Company's interests, any proprietary or confidential information relating to (a) the business, operations or properties of the Company or any subsidiary or other affiliate of the Company, or (b) any materials, processes, business practices, technology, know-how, research, programs, customer lists, customer requirements or other information used in the manufacture, sale or marketing of any of the respective products or services of the Company or any subsidiary or other affiliate of the Company; provided, however, that no breach or alleged breach of this Section 22 shall entitle the Company to fail to comply fully and in a timely manner with any other provision hereof. Nothing in this Agreement shall preclude the Company from seeking money damages, or equitable relief by injunction or otherwise without the necessity of proving actual damage to the Company, for any breach by the Executive hereunder.

23. Conditions of Benefits. The amounts payable to the Executive by the Company pursuant to Section 4 hereof shall be condition upon, and payable only if, the Executive: (a) executes a general release in a form and of a scope reasonably acceptable to the Company; (b) returns all property, equipment, confidential information and documentation of the Company; (c) has complied and continues to comply in all material respects with any noncompetition, inventions and/or nondisclosure obligations that the Executive may owe to the Company, whether pursuant to an agreement or applicable law; and (d) provides a signed, written resignation of Executive's status as an officer and director (if applicable) of the Company and, if applicable, its subsidiaries.

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument by the Company by its duly authorized officer, and by the Executive, as of the date first above written.

VIRTUSA CORPORATION

By: /s/ Kris Canekeratne

Name: Kris Canekeratne

Title: Chairman and Chief Executive Officer

/s/ Samir Dhir

Name: Samir Dhir

Title: SVP, Global Delivery and Head of India Operations

DEFERRED STOCK AWARD AGREEMENT
 UNDER THE VIRTUSA CORPORATION
 2007 STOCK OPTION AND INCENTIVE PLAN

Name of Awardee: [NAME]
 Award Date: [DATE]
 Number of Deferred Stock Awards: [NUMBER]

Pursuant to the Virtusa Corporation 2007 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Virtusa Corporation, a Delaware corporation (together with its successors, the "Company") hereby awards to the person named (the "Awardee") in the Notice of Award of Deferred Stock Award (the "Notice") which is either attached hereto or provided electronically to the Awardee, [NUMBER] Deferred Stock Awards (the "Deferred Stock Awards"). Upon execution of this Agreement, the Awardee shall receive the number of Deferred Stock Awards specified above, subject to the restrictions and conditions set forth herein and in the Plan.

1. Vesting.

No portion of this Award may be received until such portion shall have vested. Except as otherwise provided herein, the Deferred Stock Awards shall vest in accordance with Schedule 1 hereto, provided in each case that the Awardee is then, and since the Award Date has continuously been, employed by the Company or its Affiliates.

2. Issuance of Stock.

(a) Each vested Deferred Stock Award entitles Awardee to receive one share of the Company's Common Stock, par value \$0.01 per share (the "Stock"), upon issuance on each Vesting Date for such Deferred Stock Award.

(b) As soon as practicable after the initial Vesting Date, the Awardee's name shall be entered as the stockholder of record on the books and records of the Company with respect to the Shares of Stock underlying the Deferred Stock Awards issued in accordance with Section 3(a) and upon compliance to the satisfaction of the Compensation Committee with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Compensation Committee as to such compliance shall be final and binding on Awardee.

(c) Until such time as shares of Stock have been issued to Awardee pursuant to Section 3(b) above, and except as set forth in Section 3(d) below regarding dividends and dividend equivalents, Awardee shall not have any rights as a holder (and is not deemed a beneficial owner of the shares) of the shares of Stock underlying this Award including but not limited to voting rights.

(d) Subject to the terms herein, if on any date the Company shall pay any dividend on shares of Stock of the Company, the number of Deferred Stock Awards credited to Awardee shall, as of such date, be increased by an amount determined by the following formula:

W = (X multiplied by Y) divided by Z, where:

W = the number of additional Deferred Stock Awards to be credited to Awardee on such dividend payment date;

X = the aggregate number of Deferred Stock Awards (whether vested or unvested) credited to Awardee as of the record date of the dividend;

Y = the cash dividend per share amount; and

Z = the Fair Market Value per share of Stock (as determined under the Plan) on the dividend payment date;

In the case of a dividend paid on Stock in the form of Stock, including without limitation a distribution of Stock by reason of a stock dividend, stock split or otherwise, the number of Deferred Stock Awards credited to Awardee shall be increased by a number equal to the product of (i) the aggregate number of Deferred Stock Awards that have been awarded to Awardee through the related dividend record date, and (ii) the number of shares of Stock (including any fraction thereof) payable as dividend on one share of Stock. In the case of a dividend payable in property other than shares of Stock or cash, the per share of Stock value of such dividend shall be determined in good faith by the Board of Directors of the Company and shall be converted to additional Deferred Stock Awards based on the formula above. Any additional Deferred Stock Awards shall be subject to the vesting and restrictions of this Agreement in the same manner and for so long as the Deferred Stock Awards granted pursuant to this Agreement to which they relate remain subject to such vesting and restrictions, and shall be promptly forfeited to the Company if and when such Deferred Stock Awards are so forfeited.

3. Termination of Employment. If Awardee's employment by the Company or any of its Affiliates (as defined in the Plan) is voluntarily or involuntarily terminated for any reason (including death or disability), Awardee's right in any Deferred Stock Awards that are not vested shall automatically terminate upon the effective date of such termination of employment with the Company and its Affiliates and such Deferred Stock Awards shall be canceled as provided within the terms of the Plan and shall be of no further force and effect. In the event of such termination, the Company, as soon as practicable following the effective date of termination shall issue shares of Stock to Awardee (or Awardee's designated beneficiary or estate executor in the event of Awardee's death) with respect to any Deferred Stock Awards which, as of the effective date of termination, have vested but for which shares of Stock had not yet been issued to Awardee.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to Awardee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Award is available, during Awardee's lifetime, only to Awardee, and thereafter, only to Awardee's designated beneficiary.

6. Tax Withholding and Sale of Shares of Stock Pursuant to Rule 10b5-1. Awardee shall, not later than the date on which the Award becomes a taxable event for Federal income tax purposes, pay to the Company any Federal, state, and local taxes required by law to be withheld on account of such taxable event. To satisfy in full such minimum tax withholding obligation, Awardee hereby authorizes the Company to withhold from shares of Stock to be issued hereunder that number of shares of Stock that would satisfy the minimum required tax withholding amount due and, at the Company discretion, to sell such shares of Stock through a broker of the Company's choosing (i.e., "sell to cover"). As of the date hereof, I certify that (a) I am currently unaware of any material, non-public information with respect to the Company, and (b) this Agreement is entered into in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or any other securities laws. While this Agreement is in effect, I agree (i) not to enter into or alter any corresponding or hedging transaction or position with respect to the securities covered by this Agreement (including, without limitation, with respect to any securities convertible or exchangeable into shares of Stock) and (ii) not to attempt to exercise any influence over how, when or whether to effect the withholding and sale of shares of Stock pursuant to this Section 6.

7. Tax Consequences. The Company makes no representation or warranty as to the tax

treatment to the Awardee of Awardee's receipt of the Award or vesting of Deferred Stock Awards or upon Awardee's sale or other disposition of the Stock. The Awardee should rely on his or her own tax advisors for such advice.

8. Miscellaneous.

(a) Notice hereunder shall be given to the Company at its principal place of business, and shall be given to the Awardee at the address set forth below, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(b) This Agreement does not confer upon the Awardee any rights with respect to continuation of employment by the Company or any of its subsidiaries.

(c) The Compensation Committee may amend the terms of this Agreement, prospectively or retroactively, provided that the Agreement as amended is consistent with the terms of the Plan, but no such amendment shall impair the Awardee's rights under this Agreement without the Awardee's consent.

(d) This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

(e) This Agreement shall be binding upon and inure to the benefit of any successor or assign of the Company and any executor, administrator, trustee, guardian or other legal representative of the Awardee.

(f) This Agreement may be executed in one or more counterparts, all of which together shall constitute but one instrument. This Agreement and the Plan together constitute the entire agreement between the parties relative to the subject matter hereof, and supersede all proposals written or oral relating to the subject matter hereof.

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In witness whereof, the parties have executed this Agreement as a sealed instrument as of the date first written above.

VIRTUSA CORPORATION

By: [NAME]
Title: [TITLE]

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

AWARDEE

Date: _____

Name:
Address:

Schedule 1

This Award shall vest over four years per the following schedule:

25% of the Deferred Stock Award vesting on [June] 1, 2012
25% of the Deferred Stock Award vesting on [June] 1, 2013
25% of the Deferred Stock Award vesting on [June] 1, 2014
25% of the Deferred Stock Award vesting on [June] 1, 2015

(each such date, a "Vesting Date").

LEASE DEED

THIS LEASE DEED (Lease Deed') is made at Chennai on this 26 day of May 2011.

BY AND BETWEEN

M/s DLF Assets Private Limited, a Company incorporated under the Companies Act, 1956 and having its registered office at 1-E, Jhandewalan Extension, Naaz Cinema Complex, New Delhi — 110 055 (hereinafter referred to as "**THE LESSOR**" which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include its successors and assigns) acting through its signatory, **Mr. A.C. Sachdev** authorized vide Board Resolution dated 16.04.2009 of the **First Part**.

AND

M/s Virtusa Software Services Pvt. Ltd., a company incorporated under the Companies Act, 1956, and presently having its office in India at 1st Floor, 5th Block, DLF IT Park —SEZ, 1/124 Mount Poonamallee Road, Manapakkam, Chennai — 600089 (hereinafter referred to as **THE LESSEE**' which expression shall, unless it be repugnant to the context or meaning thereof, be deemed to mean and include M/s Virtusa Software Services Pvt. Ltd. and its successors) having Permanent Account Number AACC6856G and Tax Deduction and Collection Account Number CHEV08944F, acting through its authorized signatory **Mr. Neeraj Dutt** vide Board Resolution dated 24th December, 2010 of the **Second Part**.

(Both **THE LESSOR** and **THE LESSEE** are collectively referred to as "**the Parties**").

- A. **WHEREAS** DLF Info City Developers (Chennai) Limited, as owners of the said Plot described in Annexure III (a) of this Lease Deed, has been granted approval for and notified as Developers at SEZ situated at Chennai (SEZ unit) vide notification F-2/124/2006-SEZ dated 16th November, 2006 and approval letter No. F-2/124/2005- EPZ dated 22nd June, 2006.
- B. **AND WHEREAS** subsequently DLF Info City Developers (Chennai) Limited has executed Co-Development Agreement dated 29th November, 2006 for the purpose of development of the said SEZ unit with THE LESSOR as well as a perpetual lease of the said Plot in favour of THE LESSOR.
- C. **AND WHEREAS** the Govt. of India, Ministry of Commerce and Industry, Department of Commerce, SEZ Section vide their letter No. F 2 / 124 / 2005 — EPZ dated 14th February, 2007 has also approved THE LESSOR as a Co-Developer of the said SEZ unit.
- D. **AND WHEREAS** THE LESSOR is constructing multi-storeyed buildings comprising of approx. 10 blocks with basements and named as DLF IT Park @ Chennai' (hereinafter referred to as the "said Complex") in accordance with the building plans as shall be approved by the Chennai Metropolitan Development Authority (CMDA) or from such other authorities as may be needed to form the same as a Special Economic Zone under the rules framed by the Government of India from time to time for its approval.
- E. **AND WHEREAS** THE LESSOR is seized and possessed of the said Plot and the buildings to be constructed thereon, as per the Master Plan to be approved by the Chennai Metropolitan Development Authority (CMDA) and such other authorities as may be required and THE LESSOR being competent to lease office spaces in the said Complex on the said Plot has agreed to give on lease, office space in Block 10 (hereinafter referred to as the "said Building") as per detailed terms stipulated in this Lease Deed and Annexures from I to XIII forming part of this Lease Deed.
- F. **AND WHEREAS** THE LESSEE being in need of premises approximately 49,974 sq. ft. (approx. 4642.688 sq. mtrs.) in Block 10 (hereinafter referred to as the "Demised Premises") to house its offices, has sought from THE LESSOR a lease of the office space in the said Building being constructed in the said Complex having a total area admeasuring approx. 7,039,168 sq. ft. more or less at site as described in Annexure III, from the Lease Commencement Date, as per the terms stipulated herein.
- G. **AND WHEREAS** based on the above representations made by THE LESSOR and after due inspection and verification of the said Plot, said Building, ownership record of the said Plot, building and other documents relating to the title, competency and all other relevant details, THE LESSEE is satisfied in all respects

with regard to the right, title and authority of THE LESSOR to enter into this Lease Deed.

- H. AND WHEREAS THE LESSOR when permits THE LESSEE to carry out the interiorworks in the Demised Premises, THE LESSEE, agrees to pay THE LESSOR at 1.2 times of the actual cost of electricity, water, charges for security services and other direct expenses incurred by THE LESSOR on account of THE LESSEE during the fit out period. In the event the building is already operational and THE LESSEE is carrying out the fit out works but does not utilize the central air-conditioning for the Demised Premises during the fit-out period; THE LESSEE shall be liable to pay fifty percent of the normal maintenance charges for the same in addition to the power consumed in the Demised Premises on Cost + 20% basis. THE LESSEE hereby confirms that it shall carry out, implement and execute all interior works/designs of the Demised Premises in compliance/adherence with the approval/ guidelines issued by THE LESSOR from time to time for carrying out such interior works in the Demised Premises.

THE LESSEE hereby confirms that it shall carry out, implement and execute all interior works/designs of the Demised Premises in compliance/adherence with the approval/ guidelines issued by THE LESSOR from time to time for carrying out such interior works in the Demised Premises.

- I. THE LESSEE further confirms that it shall obtain/has obtained all pre-requisite sanctions, approvals, licences, from all the Statutory/Competent Authorities, which may be necessary for commencement of its business in the Demised Premises. Upon assurances of THE LESSEE that it shall strictly abide by the stipulations contained in this Deed, THE LESSOR has agreed to give on lease to THE LESSEE the Demised Premises on the terms and conditions recorded herein.

J. On THE LESSEE's behalf Mr. Neeraj Dutt, the authorised signatory of this Lease Deed, has negotiated the Lease Deed through Legal counsel, Mr. S T Prashantha Kumar, ALMT Legal. On THE LESSOR's behalf the lease has been negotiated through Mr. Amit Grover, Head - Corporate Marketing (South & West India).

- K. AND WHEREAS both the Parties have agreed to enter into this Lease Deed on the terms and conditions stipulated in this Lease Deed and **Annexures I to XIII** annexed hereto:

NOW THEREFORE IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:-

1. THE LESSOR hereby leases out to THE LESSEE and THE LESSEE takes on lease from the Lease Commencement Date i.e. 15th May, 2011 (as specified in **Annexure- II**), an office space admeasuring an aggregate super built up area of 4,642.688 sq. mtrs (approx. 49,974 sq.ft.) on part of 7th Floor in Block 10 (as shown in **Annexure III(b)** in DLF IT Park @ Chennai 1/124, Shivaji Gardens, Moonlight Stop, Nandambakkam, Mount Poonamallee Road, Manapakkam, Chennai- 600 089) as more detailed in **Annexure — II** (hereinafter referred to as the "**Demised Premises**"), the area calculations for which are defined in

Annexure — IV to this Lease Deed, and also obtains the right to use only the common areas in the said Building/said Plot to be used by THE LESSEE together with other occupants in the said Building and the right to park cars in terms of this Lease Deed, in the car /two wheeler parking spaces earmarked in the basement(s)/stilt/surface/mechanical car /two wheeler parking spaces by THE LESSOR.

2. The rent as specified in this Lease Deed shall commence from the Date of Rent Commencement as specified in **Annexure — II**. The car /two wheeler parking space charges, maintenance and other charges as specified in this Lease Deed shall commence from the Date of Rent Commencement as specified in **Annexure —II**. Façade signage charges shall commence from the 13th month of the Lease Tenure. The detailed calculations of rent, car/ two wheeler parking space charges & security deposits payable by THE LESSEE during the period of this lease are given in **Annexure — V** to this Lease Deed.
3. THE LESSEE confirms that THE LESSEE shall not terminate the Lease Deed during the Lock-in Period of Thirty Six (36) months from the Lease commencement Date, as mentioned in **Annexure II** of this Lease Deed. However, THE LESSEE can terminate the Lease Deed, without cause, at any time after the expiry of Thirty (30) months from the Lease Commencement Date by giving prior notice in writing or payment of rent and other dues in lieu of the notice to THE LESSOR as per the notice period of Six (06) months mentioned in **Annexure — II**. In the event of THE LESSEE terminating the Lease Deed before the expiry of Lock- in- period, THE LESSOR shall also be entitled to payment of rent, car /two wheeler parking space charges, façade signage charges (due for the year in which the lease is terminated), maintenance charges, taxes and any other charges payable under the lease deed etc., if any, for the entire unexpired period of the Lock- in- period, from THE LESSEE and THE LESSEE undertakes to pay the said charges without any objections whatsoever. The lock-in period shall also be applicable to car /two wheeler parking spaces

THE LESSEE agrees that if THE LESSOR is constrained by the acts of THE LESSEE which involve breaches / defaults of the Lease Deed or if THE LESSEE or its bankers have dishonored the cheque(s) made in payment of various sums due under the Lease Deed and THE LESSEE failing to rectify the breach/ default within 15 (Fifteen) days of intimation from THE LESSOR of such dishonour of cheque(s), THE LESSOR shall be vested with a specific right to terminate this Lease Deed and claim outstanding arrear of rent, maintenance charges, car /two wheeler parking charges, signage charges, taxes and other charges payable under the Lease Deed including the rent for the unexpired lock-in-period and THE LESSEE hereby undertakes to pay the said sums without any demur or protest whatsoever and will not raise any claims or disputes in this regard.

THE LESSOR's right of terminating this Lease Deed shall be as contained in this Clause and Clause 58 of the **Annexure — I** appended to the Lease Deed

4. THE LESSEE agrees, that in consideration of THE LESSOR granting the right to use car/ two wheeler parking spaces as mentioned in Annexure — II earmarked in the basement(s)/surface/mechanical car/ two wheeler parking spaces (plan attached as Annexure —VII to this Lease Deed) to perform all its obligations under this Lease Deed pertaining to use of car/ two wheeler parking spaces. The lock-in period shall also be applicable to car /two wheeler parking spaces.
5. THE LESSEE shall not have the right to terminate this Lease Deed and vacate the Demised Premises until the expiry of the Lock in period as mentioned in Annexure — II starting from the Date of Lease Commencement. However after expiry of the Lock in period, THE LESSEE may terminate the Lease Deed by giving Six (06) months advance written notice or making the payments due in lieu of such notice period. On such termination, within 15 days of THE LESSEE paying all its dues under this Lease Deed and delivering peaceful, vacant and physical possession of the Demised Premises, THE LESSOR shall refund all the refundable security deposits without any interest thereon under this Lease Deed deposited by THE LESSEE only after adjusting outstanding dues, if any.

THE LESSEE shall have an option to renew the Lease Deed for such term as mentioned in Annexure — II by giving advance notice in writing six (6) months' prior to the expiry of the first term of the Lease Deed. THE LESSOR may pursuant to the notice of renewal received by THE LESSOR, execute and cause the renewed Lease Deed to be registered, at the cost of THE LESSEE, and the renewed Lease Deed shall be, to the extent possible, on the same lines hereof except only that the rent (and correspondingly, the security deposits and signage charges if any) shall be enhanced as mentioned in Annexure — II. Subject to clauses contained herein, till the time Lease Deed is renewed THE LESSEE will continue to pay rental at escalated rate and THE LESSOR will send the invoices at such escalated rate, as mentioned in Annexure II of this Lease Deed. There shall be no lock in period during the renewal term of the Lease Deed, however advance written notice of six (06) months for termination by THE LESSEE shall be applicable as under the initial Lease Deed.

THE LESSEE agrees that in case THE LESSEE terminates the Lease Deed prior to the expiry of Lock- in -period as mentioned in **Annexure — II** to this Lease Deed, then THE LESSEE hereby authorizes THE LESSOR to deduct from the deposits lying with THE LESSOR, the entire rent, car/ two wheeler parking charges, façade signage charges (due for the year in which the lease is terminated), maintenance charges, taxes and any other sums due and payable under this Lease Deed for the unexpired period of the Lock- in- period and such other sums due and payable under this Lease Deed as on that date. Further, THE LESSEE undertakes to pay the balance, if any, remaining after such adjustments, deductions on or before the expiry of notice of termination or termination by THE LESSOR for breach of terms and conditions contained in the Lease Deed by THE LESSEE.

In the event THE LESSEE terminates the Lease Deed prior to the expiry of lease tenure and has also availed any rent free period (period between the Lease

Commencement Date and Rent Commencement Date) during the lease tenure, an amount equivalent to the proportionate rent free period extended for the unexpired lease tenure shall be refunded by THE LESSEE to THE LESSOR or deducted from the deposits lying with THE LESSOR.

6. Within 15 days of THE LESSEE paying all its dues under this Lease Deed and delivering peaceful, vacant and physical possession of the Demised Premises on or before the last day of the validity of the Lease Deed, THE LESSOR shall refund all the refundable security deposits without any interest thereon under this Lease Deed deposited by THE LESSEE only after adjusting outstanding dues, if any.
7. The Lease Deed along with the Annexures annexed hereto constitutes the entire agreement between the Parties and revokes and supersedes all previous discussions written or oral, correspondence, MOU and/or any deeds between the Parties. This Lease Deed shall not be changed or modified except by written amendment duly agreed and signed by the Parties.
8. That this Lease Deed is executed and registered in two sets i.e. Original and Duplicate. The original Lease Deed duly executed and registered in terms of this Lease Deed shall be retained by THE LESSEE and the Duplicate copy of the Lease Deed shall be retained by THE LESSOR. The original Lease Deed shall be produced by THE LESSEE as and when required by THE LESSOR.
9. Failure of either Party to enforce at any time or for any period of time the provisions hereof shall not be construed to be waiver of any provisions or of the right thereafter to enforce each and every provision hereof.
10. THE LESSOR shall not be held responsible for any consequences or liabilities under this Lease Deed if it is prevented in performing its obligations under the terms of this Lease Deed by reason of laws or regulations, action by any local body or authority, local or otherwise, riots, insurrection, war, terrorist action, acts of God and unforeseen circumstances beyond its control. The performance of THE LESSOR's obligation under this Lease Deed shall be subject to the regular payment of rent including other payments as stipulated in this Lease Deed.
11. The disputes or differences between THE LESSEE and THE LESSOR pertaining to performance of the terms and conditions of this Agreement shall, so far as possible, be settled amicably through consultation between authorised representatives of the Parties. If after 15 days of consultation the Parties fail to reach an amicable settlement on the disputes or differences pertaining to the performance of this Agreement, such disputes or differences shall be submitted to Arbitration for final adjudication. Reference to arbitration shall be in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and/or any statutory modifications thereto by an Arbitral Tribunal consisting of three arbitrators. Each Party shall appoint its nominee arbitrator and both the appointed nominee arbitrators shall appoint third arbitrator, who shall be the Presiding Arbitrator. If the nominee arbitrators fail to reach a consensus on the Presiding Arbitrator, the parties shall approach the Court for appointment of a Presiding

Arbitrator. The decision of the Presiding Arbitrator shall be final and binding upon the Parties.

During the arbitration proceedings, both THE LESSEE and THE LESSOR shall continue to fulfill their obligations under the Lease Deed.

The Civil Courts and High Court at Chennai, alone shall have jurisdiction for the purposes of this agreement.

12. That this Lease Deed and the rights and obligations of the Parties under or arising out of this Lease Deed be construed and enforced in accordance with the laws of India.

The terms and conditions agreed between THE LESSOR and THE LESSEE containing interalia a) covenants and conditions to be observed and performed by THE LESSEE, and b) covenants and conditions to be observed and performed by THE LESSOR, are as per Annexures I to XIII of this Lease Deed. These Annexures I to XIII shall form an integral part of this Lease Deed and shall be binding on THE LESSOR and THE LESSEE.

THE LESSOR M/s DLF Assets Private Limited through its Authorized Signatory Shri A.C. Sachdev authorized to execute Lease Deeds etc. has executed this Lease Deed. This Lease Deed will be presented for registration before the Registering Authority and got registered by Shri Ernest David, who has been authorized vide Power of Attorney dated 18.03.2008 of the company to appear before the Registering Authority and present for registration, acknowledge and get registered the Deed executed by Shri A.C. Sachdev on behalf of THE LESSOR.

IN WITNESS WHEREOF the Parties hereto have set their hands to these presents on the day, month and year first and above mentioned.

THE LESSOR:

SIGNED AND DELIVERED on behalf of the above named DLF Assets Private Limited acting through Mr. A. C. Sachdev, its Authorized Signatory

In the presence of:

WITNESSES:

1.

For and on behalf of
DLF Assets Private Limited

/s/ A.C. Sachdev

(A.C. Sachdev)
AUTHORIZED SIGNATORY

2.

THE LESSEE:

SIGNED AND DELIVERED on behalf of the above named Virtusa Software Services Pvt. Ltd. acting through Mr. Neeraj Dutt, its Authorized Signatory:

In the presence of:

WITNESSES:

For and on behalf of
Virtusa Software Services Pvt. Ltd

1. /s/ Sivakumar L.

/s/ Neeraj Dutt

(Neeraj Dutt)
AUTHORIZED SIGNATORY

2. /s/ B. Rathinavel

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ANNEXURES

I	-	Detailed Terms and Conditions between THE LESSOR and THE LESSEE
II	-	Commercial Terms and Conditions
III	-	Description of the Plot
IV	-	Super Built-up area calculations
V	-	Statement of rent, Interest Free Refundable Security Deposit, Interest Free Refundable Maintenance Security Deposit and Car/ Two Wheeler parking space charges payable by THE LESSEE to THE LESSOR during the
lease	-	period.
VI	-	Monthly Maintenance and service expenditure (Indicative)
VII	-	Car/ Two Wheeler parking spaces earmarked for use by THE LESSEE.
VIII	-	Tentative Building Specifications
IX	-	Handover of Demised Premises for Occupation
X	-	THE LESSEE's responsibility during interior fit-outs work, additions/modifications/alterations of interior works and during the Lease Tenure/Lease Renewal and operations during the lease period/ lease renewal
XI (a)	-	Charges for Power
XI (b)	-	Charges for Maintenance
XII	-	Merger and Amalgamation Undertaking
XIII	-	Electronic Clearing System Activation form

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ANNEXURE-I

Terms and conditions forming an integral part of the Lease Deed dated _____ between DLF Assets Private Limited and Virtusa Software Services Pvt. Ltd., while not derogating from the mutual promises set out therein:

TERMS AND CONDITIONS

1. THE LESSOR shall charge and THE LESSEE shall pay an initial bare shell rent Of Rs. 40/- (Rupees Forty only) per sq. ft. per month as detailed in Annexure — II on the super built — up area of the Demised Premises to be paid fully without any and all deductions whatsoever save and except the deduction of tax at source, if applicable. The liability towards payment of Service Tax and other taxes as applicable on monthly rents shall be borne by THE LESSEE.
2. THE LESSEE will have the First Right of refusal (FRR) on approx 20,592 sq.ft. on part of 7th Floor in Block 10 till 15th September, 2011 (Phase II). During this period, THE LESSOR will intimate THE LESSEE of any client interested in the aforesaid space in writing.

THE LESSEE will revert on their interest on the aforesaid space within 10 days of such intimation. If THE LESSEE does not reply within 10 days, then THE LESSOR shall assume that THE LESSEE is not interested in the aforesaid space and THE LESSOR will be free to offer the same to any other client and the FRR will expire for THE LESSEE.

In case THE LESSEE is interested in taking up the aforesaid space during the option period, THE LESSEE will within 10 days of written offer by THE LESSOR, give in writing its confirmation to take up the space. The lease and rent for this option shall commence upon expiry of 3 months from the date of exercise of such option or 15th September, 2011 whichever is earlier. Lease documentation for the aforesaid space shall be completed on the same format of original area lease (Phase I) within 7 days of THE LESSEE's confirmation to THE LESSOR for taking up the space, subject to THE LESSEE obtaining prior SEZ approval.

However, the rent escalation for this space (Phase II) will be along with the rent escalation for the Premises of Phase I. As such, the rent escalation for both Phases will be on 15th July, 2014. All other terms & conditions will remain same as that of Phase I except any rent free period agreed for Phase I.

3. THE LESSEE shall pay to THE LESSOR or its nominees/permitted assigns, by cheque / bank draft/ wire transfer payable as detailed in Annexure II of this Lease Deed the rent and all other sums payable under this Lease Deed. Payments to be done as per Annexure XIII. In case the Rent Commencement Date is other than the first of the month, in such case THE LESSEE shall pay Rent and other sum payable under the lease Deed in advance for the portion of the month i.e. from the Rent Commencement Date to last day of the month and also for the following month. Thereafter the rent and all other sums payable under this Lease Deed shall

be paid on the 1st day of each calendar month (due date) but not later than the 7th day, in advance for the month in respect of which such sums are payable.

4. The rent is exclusive of all the taxes. In addition to the rent payable for the Demised Premises as stipulated in this Lease Deed, THE LESSEE shall also be liable to bear and pay on its sole account the entire part of any and all levies, duties, taxes on Demised Premises, land and building, charges, rates, cesses, fees, wealth-tax, penalties thereof (as attributable due to THE LESSEE's default in making such payments) etc. imposed/demanded by the Central or the State Government / any local body and/or other authorities and all increases and/or fresh impositions thereof as applicable and attributable to the said Plot / said Building / Demised Premises on and from the Lease Commencement Date.

THE LESSEE shall also be liable to fulfill any and all procedural requirements as may be prescribed by the Central or the State Government/any local body/all other authorities in connection with the clause above.

5. In the event, any such fresh imposition and/or increase as stated above in Clause 4 hereof is levied retrospectively, the liability of THE LESSEE shall relate only to the period on and from the Lease Commencement Date. The said amount shall be paid separately by THE LESSEE to THE LESSOR as indicated below in terms of this Lease Deed. All such fresh impositions and/or increases as above stated shall be paid by THE LESSEE to THE LESSOR within fifteen (15) days of written demand by THE LESSOR to THE LESSEE, giving details thereof duly supported with copies of the relevant documents, if any, from the Central or State Government/local body / any and all authorities, as the case may be. In the event any and all such levies, duties, taxes on property, charges, rates, cesses, fees, wealth-tax, penalties (as attributable due to THE LESSEE's default in making such payments) etc., referred to above and/or such fresh imposition and/or increase is payable by THE LESSEE directly to the Central or State Government/local body/any and all authorities as the case may be, THE LESSEE shall pay the same directly immediately upon the same becoming due. Any default made by THE LESSEE in complying with the terms of the clause under reference and clause 3, shall be entirely at the costs and consequences of THE LESSEE and THE LESSEE shall be liable for payment/s of penalties, outstanding dues arising there from.

6. Power/ Electricity and Power back-up Charges:

THE LESSEE shall pay by due date the bills for consumption of power/ electricity in the Demised Premises as recorded in the meters or as demanded by THE LESSOR or its nominees or assigns. The power/electricity for the Demised Premises during interior works/lease tenure shall be supplied from Grid/ Utility Companies. However, in case of non availability of power/ electricity from grid/utility companies, THE LESSOR shall provide THE LESSEE with back up power from their diesel/gas based generators. The charges for such power/ electricity and back-up power will be as per Annexure XI (a).

A separate meter for recording power/ electricity consumption in the Demised

Premises shall be provided by THE LESSOR for the supply of power/ electricity from normal grid/utility companies subject to availability of such power/ electricity. The cost of such meter shall be borne by THE LESSEE.

A separate meter shall be provided by THE LESSOR for recording consumption of power in the Demised Premises supplied through the back-up power. The cost of such meter shall be borne by THE LESSEE.

Water Charges: THE LESSEE shall pay by due date the bills for consumption of water in the Demised Premises as recorded in the meters or as demanded by THE LESSOR or its nominees or assigns.

A separate meter for recording water consumption shall be provided in the Demised Premises by THE LESSOR. The cost of such meter including any deposit required shall be borne by THE LESSEE.

In case of there being common meter(s) for recording the consumption by THE LESSEE jointly with the other tenants or occupants of the said Building, THE LESSEE shall pay the proportionate cost of water calculated on the super built-up area of the Demised Premises.

7. **Maintenance Charges:** At present various maintenance services, facilities and amenities within the said Plot / said Building/ Demised Premises and civic amenities in the said Complex where the Demised Premises/said Building are located are being maintained by THE LESSOR, or the nominees/ assigns of THE LESSOR. Maintenance services are as set out in **Annexure — VI** to this Lease Deed, charges of which are payable to THE LESSOR or nominees / assigns of THE LESSOR by THE LESSEE as per bills raised by THE LESSOR or its nominees/assigns.

The maintenance charges for normal office hours/extra office hours/ 24*7 operations excluding Public and National Holidays shall be calculated at 1.2 times the actual expenditure being incurred payable from the Lease commencement Date. The maintenance charges will be as per Annexure XI (b).

Maintenance services on National Holidays can only be provided if THE LESSEE gets the requisite approval from the local administration/ competent authority(ies) and not otherwise.

The maintenance charges shall be subject to deduction of Income Tax at source as applicable, from time to time. Additional charges towards Service Tax (es) and other taxes as applicable on maintenance charges, shall also be payable by THE LESSEE.

On completion of the financial year, THE LESSOR/its nominees will provide THE LESSEE audited certificate of expenditure towards Maintenance Charges incurred during the said financial year. Any under-recovery by THE LESSOR/its nominees shall become payable by THE LESSEE to the LESSOR /its nominees and any

overrecovery by THE LESSOR/its nominees shall become refundable by LESSOR/its nominees to THE LESSEE.

8. THE LESSEE agrees that, in consideration of THE LESSOR granting lease and THE LESSEE in consideration of taking on lease the Demised Premises and due performance of all its obligations stipulated in this Lease Deed, THE LESSEE shall pay and always maintain with THE LESSOR during the entire term of this Lease Deed, an Interest Free Refundable Security Deposit ("Interest Free Refundable Security Deposit") for an amount as mentioned in **Annexure — II**.
9. THE LESSEE has paid an amount as mentioned in **Annexure II**, as a portion of The Interest Free Refundable Security Deposit, payable at the time of execution of the Memorandum of Understanding. The sum as mentioned in **Annexure — II**, being the balance of the Interest Free Refundable Security Deposit shall be paid by THE LESSEE simultaneous with the signing of this Lease Deed.
10. Upon increase in rent as mentioned in Annexure — II, the aforesaid Interest Free Refundable Security Deposit shall automatically stand increased proportionately as mentioned in Annexure— II. The increased amount of Interest Free Refundable Security Deposit shall be paid by THE LESSEE along with the rent due for the month succeeding the month in which the term of the Lease Deed is renewed.
11. The entire amount paid by THE LESSEE as Interest Free Refundable Security Deposit during the lease period shall be kept by THE LESSOR which shall be refunded by THE LESSOR to THE LESSEE without any interest within 15 days of THE LESSEE surrendering peaceful, vacant and physical possession of the Demised Premises in bare shell condition on expiry or earlier termination of this Lease Deed, if any and subject to adjustment or deduction of arrears of rent, charges and any other dues, if any, due and payable under this Lease Deed or renewal thereof.
12. No Interest Free Refundable Maintenance Security Deposit is payable by THE LESSEE to the LESSOR for Normal Office Hour Operations or for 24x7 operations.
13. After the said Lock- in- period, THE LESSEE may terminate the lease by giving six (6) months' prior notice in writing to THE LESSOR or by payment of proportionate equivalent rent, car/ two wheeler parking space charges, signage charges, maintenance charges, taxes and all other charges / sums stipulated under this Lease Deed in lieu of the notice period stipulated herein. Upon the expiry of six (6) months from the date of notice, as aforesaid, the lease shall stand terminated and THE LESSEE shall be liable to pay to THE LESSOR the entire rent, car/ two wheeler parking charges, maintenance charges, other charges, taxes etc. as set out in this Lease Deed for the period upto the date of vacation of the Demised Premises and handing over vacant, peaceful and physical possession of the Demised Premises.

That upon the expiry of lease or renewed lease as mentioned in **Annexure — II** or

upon expiry or earlier termination during the initial lease period or renewed period as stipulated above, this Lease Deed will expire and come to an end and THE LESSEE shall pay to THE LESSOR for the period of occupation of the Demised Premises till the date of vacation of the Demised Premises, the entire rent, car/ two wheeler parking space charges, maintenance charges, other charges, taxes etc. as set out in this Lease Deed and till handing over vacant, peaceful and physical possession of the Demised Premises. If THE LESSEE fails to pay as aforesaid and/ or hand over vacant, peaceful and physical possession of the Demised Premises on the date of expiry of the last day of lease as contained in this paragraph or termination by THE LESSOR for breach of terms and conditions contained in the Lease Deed, THE LESSEE agrees to pay to THE LESSOR additional rent calculated @ Rs.1,99,896/- (Rupees One Lakh Ninety Nine Thousand Eight Hundred and Ninety Six only) per day for occupation of the Demised Premises by THE LESSEE along with prevailing normal lease rentals and other charges under this Lease Deed and in such an event THE LESSEE hereby authorizes THE LESSOR to withhold without any interest the refund of all the refundable security deposits lying with THE LESSOR. THE LESSEE confirms that the payment of such additional rent is fair and reasonable and undertakes not to call in question the same. THE LESSEE further agrees and authorizes THE LESSOR, in the event of such occupation of the Demised Premises exceeding a period of three (3) months beyond the expiry or last day of earlier termination of the lease, to forfeit all the refundable security deposits lying with THE LESSOR and in addition to continue to be liable and pay additional rent as given above in this para per day for the number of days of such occupation beyond the expiry or earlier termination of the Lease Deed along with normal prevailing lease rentals alongwith other charges under this Lease Deed, till all payments due under the Lease Deed and in this clause are paid and THE LESSEE hands over peaceful, vacant and physical possession of the Demised Premises to THE LESSOR.

The above shall be without prejudice to the rights and remedies available to THE LESSOR under this Lease Deed and/ or under any law for the time being in force.

14. THE LESSEE shall pay every month in advance, along with the rent, proportionate charges for the operation / maintenance / service charges (more specifically detailed in **Annexure —VI**) in respect of the central air-conditioning / heating plant, the cost of running, maintenance and servicing of the service / utility lifts, generators, the cost of cleaning the said Plot and said Building , maintenance of lawn/grounds/ cost of security services, electricity charges, water charges and such other necessary/ancillary expenses of and incidental to the preservation and maintenance of the said Building / Plot in which the Demised Premises is located and for the adequate provision of common services and facilities at a charge which shall be 1.2 times the actual expenditure on a calculation based on pro rata basis corresponding to the super built-up area of the Demised Premises.
15. Subject to all local laws applicable, THE LESSOR shall, through its architect identify the location(s) and provide space for signage if available at the floor

occupied by THE LESSEE, as approved by the architect and THE LESSEE shall be allowed to put signage on such location(s). All taxes including service tax, duties, rates, cesses, costs and charges relating to the signages payable to the authorities concerned shall be borne and paid by THE LESSEE directly.

FAÇADE SIGNAGE

THE LESSEE will be allowed to put up a signage on the external façade of the said Building, the size and the place of affixation of the signage will be as per the approval by THE LESSOR's architect free of any charges for initial Twelve (12) months of the Lease Tenure, and thereafter at an annual payment of Rs.6,00,000/- (Rupees Six Lakhs Only) payable in advance from the 13th month of the Lease Tenure. These charges are on yearly basis and no refund/ adjustment will be made, if the lease expires earlier or lease is terminated before the completion of the year for which the payment is made in advance. All taxes including service tax, duties, rates, cesses, costs and charges relating to the signage, payable to the authorities concerned shall be borne and paid by THE LESSEE directly. No signage of any kind either inside or outside shall be allowed on the façade glass/ columns of the Demised Premises.

The above mentioned charges for the façade signage shall escalate together and on the same rate as that of the escalation of bare shell rent, Interest Free Refundable Security Deposit as stipulated in the Lease Deed.

16. THE LESSOR reserves the Building Naming rights inside and on the external façade of the said Building. The façade of the said Building shall also be used by other Lessees for displaying their name and advertisements as per THE LESSOR's approval. THE LESSEE shall, at no point of time, raise any objection on any ground whatsoever in relation to the same.

Upon naming the said Building, THE LESSOR and other Lessees of the said Building, shall use such Building name in the business addresses for all purposes. THE LESSEE shall further raise no objection if THE LESSOR is made to display some other number or name on the said Building or in compliance of any court order, government order, order of the local body etc.

17. THE LESSEE shall not pay interest free refundable deposit for bulk supply of electricity to THE LESSOR for 300 KVA of power load. Further, THE LESSEE agrees to reimburse to THE LESSOR or any authorized company /nominees / assigns of THE LESSOR, any costs, charges, deposits, etc. as may be demanded by THE LESSOR or any authorized company / nominees / assigns of THE LESSOR or any other agency supplying power to the Demised Premises from time to time during the term of the Lease Deed/Renewed Lease Deed for arranging bulk electricity supply to the said Plot / said Building / Demised Premises and such deposits are to be payable on the basis of proportionate electricity load provided to the Demised Premises and proportionate load attributable to THE LESSEE in respect of common areas of the said Plot / said Building. Any deposit to be refunded shall be refunded by THE LESSOR to THE LESSEE after adjusting amounts, if any, due and payable by THE LESSEE to

THE LESSOR on the expiry and / or earlier termination of this Lease Deed and on handing over the peaceful physical and vacant possession of the Demised Premises by THE LESSEE to THE LESSOR.

It is however clarified that the above mentioned power load of 0.006 KVA per sq.ft. of super built-up area is exclusive of power load for air conditioning provided by THE LESSOR.

18. The specifications and information as to the materials used in construction of the Demised Premises are set out in Annexure - VIII and any change in the specifications as set out in Annexure — VIII, if desired by THE LESSEE, shall be implemented by THE LESSOR subject to feasibility and approvals at a rate which shall be 1.2 times the actual cost which shall be paid by THE LESSEE to THE LESSOR.

The terms and conditions quoted above are for bare shell condition of the Demised Premises.

The entire cost of the finishing works related to the common passage including the cost of the partition wall will be paid by THE LESSEE to THE LESSOR @ Rs. 15 per sq. ft. of the leased area on signing of the Lease Deed. This amount is non refundable and THE LESSEE will not deduct this amount from the rent or any amount payable by THE LESSEE under the Lease Deed. The Service Tax as applicable shall be additional and shall be borne by THE LESSEE.

THE LESSEE shall construct the toilets within the Demised Premises at its own cost.

The necessary electrical connection for the FCU/AHU to be done by THE LESSEE and connected to THE LESSOR's panel by doing the necessary modifications. Also, the cost of chilled water piping/any electrical/plumbing/fire fighting modification shall be borne by THE LESSEE.

HVAC plenum and lowside ducting needs to be done by THE LESSEE at its own cost.

Any dismantling of false ceiling of common areas for services provisioning by THE LESSEE is to be made good(as per THE LESSOR's specifications) by THE LESSEE at their own cost.

Sprinkler tap — off: THE LESSEE has to take tap — off for down type Sprinklers with installation of valves under supervision of Building services.

19. THE LESSOR has provided to THE LESSEE car/ two wheeler parking spaces In the basement/surface/mechanical car parking/two wheeler spaces as earmarked in **Annexure — VII** subject to payment of rent and maintenance charges as per details mentioned in Annexure — II. In the event additional car /two wheeler parking spaces are required by THE LESSEE, THE LESSEE shall pay to THE LESSOR additional car /two wheeler parking space charges as may be mutually

agreed between the Parties hereto for every additional car parking/two wheeler parking space provided by THE LESSOR, if available, on the same terms and conditions applicable to rent, interest free refundable security deposit, maintenance charges stipulated in this Lease Deed. The lock in period shall also be applicable to the car/ two wheeler parking spaces.

In the event of THE LESSOR providing electro mechanical system for car/ two wheeler parking spaces, the car/ two wheeler parking spaces as earmarked in **Annexure —VII** may be re-allocated, provided, however, the number of car/two wheeler parking spaces shall remain the same in terms of this Lease Deed.

The liability towards payment of Service Tax and other taxes as applicable shall be borne by THE LESSEE.

20. The use of car/ two wheeler parking spaces in the basement(s)/surface/mechanical car/ two wheeler parking spaces in the said Building shall be allowed to THE LESSEE only from 8 a.m. to 8 p.m. from Monday to Friday and from 8 a.m. to 2.p.m. on Saturday, except Sundays Public and National Holidays or on THE LESSEE's specific operating hours. The above timings shall, however, be subject to such restrictions as may be imposed by any statutory authority or for security reason. THE LESSEE shall use the parking spaces only for the purposes of parking its cars and for no other use. THE LESSEE undertakes that it shall not make any constructions on the car /two wheeler parking spaces or create obstruction of any kind on it or around these spaces to hinder the movement of vehicles and persons. Further, without prior permission in writing of THE LESSOR, overnight parking of vehicles shall not be permitted for security reasons. Any usage of car/two wheeler parking spaces from 8 p.m. to 8 a.m. on weekdays and after 2 p.m. on Saturdays and any usage thereof on Sundays, Public and National Holidays or beyond THE LESSEE's specific operating hours would entail additional charges as determined by THE LESSOR.
21. All costs, charges, expenses including penalties, payable on or in respect of execution and registration of this Lease Deed and on all other instruments and deeds to be executed pursuant to this Lease Deed , shall be borne and paid solely by THE LESSEE who shall be responsible for compliance of the provisions of Indian Stamp Act, 1899. The stamp duty and registration charges shall be paid by THE LESSEE to THE LESSOR at the time of signing of the Lease Deed and in any case before the handover for interior works. The Building Services will be released on registration of the Lease Deed.
22. THE LESSEE shall be liable to pay interest @ 15% per annum on all amounts due and payable by THE LESSEE under this Lease Deed for the period of delay beyond the due date. This is in addition to the rights of THE LESSOR under clause 13 and Clause 59 of this Annexure-I given herein.
23. THE LESSEE shall pay all amounts agreed to be paid in the Lease Deed, provided, however, that the liability of THE LESSEE for such payments shall be calculated proportionately to the super built-up area of the Demised Premises and

provided further that such liability shall commence from the date such revision / imposition/increase is effective or any subsequent date.

COVENANTS AND CONDITIONS TO BE OBSERVED AND PERFORMED BY THE LESSEE:

24. THE LESSEE shall plan and distribute its electrical loads in conformity with the electrical systems installed by THE LESSOR and get these works executed after due approval in writing from THE LESSOR. Provided further that, should modifications, additions, alterations be required in the fire-fighting, electrical and other systems already installed, THE LESSOR shall, if feasible make such changes and be entitled to recover from THE LESSEE, all additional cost incurred on this account at a charge which shall be 1.2 times of actual costs.
25. To carry out day-to-day maintenance of the Demised Premises and the fixtures and fittings installed therein and the normal maintenance, minor repairs, including painting and distempering and polishing the interiors of the Demised Premises at its own cost.
26. That if THE LESSEE fails to make full payments of rent, car/ two wheeler parking charges, façade signage charges, Maintenance Charges of any kind and actual consumption charges of water, power and electricity, air-conditioning or discharge any rates, taxes, duties imposed upon the Demised Premises and payable by THE LESSEE in terms of this Lease within 15 days of its due date, THE LESSOR shall be entitled, in its sole discretion and with prior intimation, to stop supplying to THE LESSEE electricity / air conditioning/ water and / or all other services in addition to any other remedies/ actions THE LESSOR may take in its sole discretion. By doing so, THE LESSOR shall have no responsibility or liability for any loss and damage, if any, suffered by THE LESSEE and THE LESSEE shall not be entitled to lodge any claim whatsoever against THE LESSOR as a result of such action.
27. That the common areas, facilities and amenities within the said Building shall be available for use only subject to the timely payment of maintenance charges and THE LESSEE agrees, that in the event of failure to pay maintenance charges within 15 days of the due date, THE LESSEE shall not have the right to use or demand such common areas, facilities and amenities. THE LESSEE shall have no ownership rights, title, interest or claim whatsoever in the said Plot, common areas, facilities and amenities within the said Building.
28. Not to do or permit to be done any act or thing which may render void or voidable any insurance relating to or in respect of a part or the whole of the said Plot, the said Building or the Demised Premises, or cause any increase in premium payable in respect thereof.
29. To permit THE LESSOR and its agents along with authorized representative of THE LESSEE, except in case of emergency(ies) at all hours to enter into the Demised Premises for the purpose of inspection or for any other purposes connected with or incidental to any maintenance issues such as fire, safety and

security of the Demised Premises and the said Building including any emergency and/or unforeseen circumstances or in case of any inspection by any Government agency or any inspection by THE LESSOR with the directions of Government Agency. However, for periodic inspections, 2 days advance intimation will be given in writing to THE LESSEE, except in case of emergency (ies).

30. To hand over the Demised Premises in bare shell condition together with THE LESSOR's fixtures and fittings therein, in good order and condition (reasonable wear and tear excepted) on the expiry /earlier termination of the Lease, which ever is earlier.
31. To use the Demised Premises as per zoning plan only and shall not carry on or permit to be carried on in the Demised Premises or in any part thereof any activities which shall be or are likely to be unlawful, obnoxious or of nuisance, annoyance or disturbance to other tenants/occupants of the said Building herein the Demised Premises are situated or store any goods of hazardous or combustible nature or which are heavy so as to affect the construction or the structure of the said Building or any part thereof or in any manner interfere for common use.
32. THE LESSEE has obtained the Unit Approvals for the Demised Premises as on the date of signing of this Lease Deed.

THE LESSEE shall arrange to get their Unit Approvals for the Demised Premises terminated and complete all formalities with regards to such termination at its cost and expenses prior to the expiry of the Lease term / or renewal term thereof.

In case of THE LESSEE's failure to get the unit approvals terminated within the aforesaid period, it will be assumed that the peaceful, vacant and physical possession of the Demised Premises have not been handed over by THE LESSEE to THE LESSOR on the expiry of the Lease Term and THE LESSOR shall be entitled to claim damages, payments, dues in accordance with the terms of the Lease Deed.

33. The Demised Premises shall be used by THE LESSEE only and THE LESSEE shall not assign, transfer, mortgage, sublease or grant leave & license or transfer or part with or share possession in any manner whatsoever, of any portion of the Demised Premises.

In the event, THE LESSEE merges / amalgamates / consolidates and transfer its assets with/to any entity on account of any merger/amalgamation/consolidation, then a fresh Lease Deed shall be executed between THE LESSOR and the new entity/ transferee on the same terms and conditions as set forth in this Lease Deed, subject to the new entity/ transferee obtaining prior SEZ approval. The new entity shall execute an undertaking as per the draft attached. In case of any outstanding dues payable by THE LESSEE to THE LESSOR as per Lease Deed, such outstanding amounts should be included in the petition to the appropriate court seeking permission for such merger/amalgamation/consolidation. THE LESSEE shall ensure that before approval of the scheme of merger/ amalgamation by the court having jurisdiction, the new entity executes an

undertaking as per the format attached as the Annexure XII. Pending approval of any merger/ amalgamation/ consolidation, THE LESSEE will continue to make all payments payable as per the Lease Deed.

All costs, charges, expenses including penalties, payable on or in respect of execution and registration of the fresh Lease Deed and on all other instruments and deeds to be executed pursuant to the fresh Lease Deed, shall be borne and paid solely by new entity/transferee who shall be responsible for compliance of the provisions of Indian Stamp Act, 1899.

However, a fresh Lease Deed will not be executed by THE LESSOR till all dues are cleared by THE LESSEE and related documents are given to THE LESSOR.

The aforesaid shall be subject to SEZ Acts and Rules but within the above procedure.

34. Subject to clause 46, THE LESSEE shall not make any structural changes, additions or alterations in the Demised Premises without prior consent of THE LESSOR in writing.
35. Upon its taking possession of the Demised Premises from THE LESSOR, THE LESSEE is satisfied that the construction work as also various Installations as per **Annexure-IX** like electrification work, sanitary fittings, water, sewerage connections, fire fighting equipment and detection systems etc. are in good working condition and any issues, if any with respect thereto, have been resolved and rectified before its taking possession from THE LESSOR and that it shall not require THE LESSOR to perform any construction work, installations, etc in the Demised Premises (except structural repairs if any) and there shall be no obligation whatsoever on the part of THE LESSOR to repair, renovate, improvise or to do anything concerning the Demised Premises, the said Building and the said Plot in any manner whatsoever.
36. THE LESSOR has provided the fire fighting and fire detection system in accordance with the Amendment no.3 to the National Building Code of 1983 (SP7):1983 Part IV on each floor, common areas and basements of the building.

When the Demised Premises are handed over to THE LESSEE for interior fit-out works or when THE LESSEE carries any additional interior works/modifications/alterations during the Lease period or renewed lease period, THE LESSEE agrees that it shall carry out such work(s), without altering/ tampering with the fire fighting systems as installed therein. However, any modifications / additions / alterations to the existing fire fighting system shall be made by THE LESSEE with the prior written approval of THE LESSOR and by providing alternative and standby fire fighting system in the building.

THE LESSEE shall not, whether in the course of its interior fit-out works or as any thing ancillary thereto or at any time for any purpose whatsoever, execute or permit to be executed any works involving cutting/ chopping/ digging/ hacking/ dismantling in any manner or form/ destroying in any manner or form of the

floors or walls of the Demised Premises without prior written permission of THE LESSOR.

Any lapse/violation/negligence on the part of THE LESSEE or its contractors / agents during any such interior works or additions/modifications/alterations resulting in any kind of hazard or fire in the Demised Premises/ the said Building, loss of life/ property including third party, damage to the Demised Premises / said building structure etc. and all financial and legal consequences arising there from shall be the sole responsibility of THE LESSEE and THE LESSEE shall not impose any legal and financial liability on THE LESSOR.

THE LESSEE'S responsibility during interior fitouts work, additions/modifications/alterations of interior works (referred hereinafter as interior works) and during the Lease Tenure/Lease Renewal Tenure and during operations is more detailed in ANNEXURE X to this Lease Deed.

In the event of any mishap occurring due to usage of lifts/escalators/elevators provided in said Building / said Complex, THE LESSOR or its employees shall not be held responsible for the same.

37. THE LESSEE hereby represents to THE LESSOR that it is the owner of and has full right, title and interest in and to all trade names, trademarks, service marks, brand name(s), logos, symbols and other proprietary marks etc. (collectively IPR') and that any IPR if used by it in Demised Premises and in the said Building/ Complex would not infringe the IPR of any third party. THE LESSEE further covenants that it has not received any notice of any claim against it involving any conflict or claim of conflicts.

THE LESSEE covenants to THE LESSOR and undertakes to hold THE LESSOR harmless from any action brought about by any third party for any IPR infringement by THE LESSEE. THE LESSEE further undertakes that it shall defend any and all such acts, suits, proceedings, claims, judgments etc against THE LESSOR and any fees, costs, expenses of any kind related or incidental to any of the foregoing (including but not limited to) any fee (whether advocates, accountants or other professionals) costs and expenses of any kind incurred by THE LESSOR in preparing for, defending or taking any action with respect to the foregoing shall be borne by THE LESSEE, which THE LESSEE agrees to pay within fifteen (15) days of demand by THE LESSOR.

38. That THE LESSEE has been informed by THE LESSOR hereby to comply with all the Laws, Rules, Regulations as may be applicable to the operations of THE LESSEE in the Demised Premises including but not limited to the provisions of Environment (Protection) Act, 1986, Water (Prevention and Control of Pollution) Act, 1974 Air (Prevention and Control of Pollution) Act, 1981, Municipal Solid Wastes (Management and Handling) Rules, 2000, Hazardous Wastes (Management and Handling) Rules, 1989 and Batteries (Management and Handling) Rules, 2001, Sales Tax, Service Tax and other applicable taxes and the Rules, Notifications etc. and their amendments made from time to time, and ascertain, in particular, compliance with the Central and State regulations

concerning safe handling, storage, treatment and disposal of the wastes, and THE LESSEE shall always remain solely responsible for the consequences of non-compliance of the aforesaid Acts/ Rules.

39. That THE LESSEE has been informed by THE LESSOR hereby to install and operate and keep at all times in operational condition, various equipments, machinery etc. at its own cost and expenses in conformity with the provisions of Environment (Protection) Act, 1986, Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Municipal Solid Wastes (Management and Handling) Rules, 2000, Hazardous Wastes (Management and Handling) Rules, 1989 and Batteries (Management and Handling) Rules, 2001 etc as applicable to THE LESSEE's operations in the Demised Premises and it shall always remain solely responsible to obtain and always keep valid and make available necessary certificates from the Pollution Control Board and/or other appropriate authorities in this regard.

COVENANTS AND CONDITIONS TO BE OBSERVED AND PERFORMED BY THE LESSOR:

40. During the term of the Lease Deed, THE LESSOR shall at its own cost, design and install a continuous and proper air conditioning and shall use its best efforts to maintain the same in good order and shall operate and run the same to ensure airconditioning facilities to the Demised Premises throughout the year and shall be entitled to recover from THE LESSEE, charges on the basis as are stipulated in this Lease Deed. Provided, however, that should THE LESSEE require any changes, additions, alterations, in the system, due to its interior layouts, THE LESSOR may, if possible, make such changes and be entitled to recover from THE LESSEE, all additional costs incurred on this account at a rate which shall be 1.2 times of the actual costs incurred.
41. Except in the event of a mechanical defect and / or electrical failure, THE LESSOR shall provide air-conditioning facilities to the Demised Premises during the normal office hours i.e. from 8 a.m. to 8 p.m. on all week days except Saturdays, Sundays, , Public and National Holidays or THE LESSEE's specific operating hours. On Saturdays, the air-conditioning will be provided from 8 a.m. to 2 p.m. only or as per THE LESSEE's specific operating hours. Provided, however, that on receiving twenty four (24) hours' notice, in writing, should THE LESSEE so desires, THE LESSOR, if possible and permissible, may at the exclusive cost of THE LESSEE, provide air - conditioning facilities, on the second half of Saturday and also Sundays and Public/ National Holidays or beyond THE LESSEE's specific operating hours, calculated at a rate which shall be 1.2 times the actual cost incurred on this account, to the Demised Premises beyond the timings fixed, as aforesaid for the provision of such facilities.
42. Except to the extent of a mechanical defect and /or electrical failure, THE LESSOR shall maintain the lifts in the said Building serving the Demised remises and operate and run the same during the normal office hours as specified above, on all week days except on Saturdays, Sundays, Public and National Holidays or THE LESSEE's specific operating hours. On Saturdays, the lifts shall operate for

first half of the day only or as per THE LESSEE's specific operating hours. These timings shall, however, be subject to such restrictions as may be imposed by any competent authority/ies in this behalf. One of the lifts in the said Building shall, however, operate even after normal office hours as well as in the second half on Saturdays and also on Sundays, Public and National Holidays.

Provided, however, should THE LESSEE so desire, THE LESSEE may by giving twenty four (24) hours' notice in writing request for provision of lift facility beyond the timings fixed as aforesaid for the provision of such lift facility to the Demised Premises, on the second half of Saturdays and also on Sundays, Public and National Holidays or beyond THE LESSEE's specific operating hours. Upon receipt of such a written request, THE LESSOR may provide lift facilities to THE LESSEE calculated at a rate which shall be 1.2 times the actual cost incurred on this account.

43. To carry out at its own cost, all major and structural repairs to the Demised Premises and also to the said Building.
44. To supply and maintain regular supply of power/ electricity and water to the Demised Premises.
45. To keep the Demised Premises in wind and watertight condition.
46. To permit to carry out at the cost of THE LESSEE, but without in any way damaging the main structure of the Demised Premises or the said Building, erection of internal partitions and other internal alterations and additions which are not visible from outside, as may be necessary for the business of THE LESSEE provided THE LESSEE shall give prior written intimation of thirty (30) days to THE LESSOR in writing and with prior written approval of THE LESSOR's architect, THE LESSEE shall commence such alteration(s) or addition(s), provided, further that if any such additions or alterations, require the prior approval or permission of any Municipality or any other local body or authority, local or otherwise, or are governed by any rules or regulations. THE LESSEE shall not carry out such additions or alterations or erections without obtaining the prior permission or approval aforesaid and complying with such rules and regulations of such Municipal or local body or Government Authority. Provided further, that THE LESSEE shall upon vacating the Demised Premises remove such fixtures and fittings and restore the Demised Premises to THE LESSOR in its original condition, excepting reasonable wear and tear.
47. To allow during the term of the Lease Deed, peaceful enjoyment of the Demised Premises, subject to THE LESSEE performing all its obligations under this Lease Deed.

COVENANTS AND CONDITIONS TO BE OBSERVED AND PERFORMED BY THE PARTIES:

48. The super built — up area calculations are as provided in **Annexure – IV** hereto. All payments by THE LESSEE towards rent, interest free security deposit, interest free maintenance security deposit, maintenance and other charges etc. shall be determined and payable by THE LESSEE in terms of the final super built-up area to be determined on the Date of Possession/ Lease Commencement whichever is earlier.
49. In the event any local body / authority takes over the maintenance of such services and facilities / amenities and the payment for such services and facilities / amenities of said Complex (more particularly set out in **Annexure – VI**) to the local body / authority is to be made by THE LESSOR, then THE LESSEE agrees to reimburse all such costs and charges as may be levied in respect of the Demised Premises to THE LESSOR as may be demanded by THE LESSOR at actuals, duly supported by relevant documents, if available.
50. THE LESSOR has provided electrical wiring only up to the main distribution board on each floor in the said Building and shall not provide any electric wiring, fixtures and fans etc., inside the office spaces which shall be installed by THE LESSEE at its own cost. Similarly air conditioning is provided by THE LESSOR up to air handling unit on each floor of the said Building. The internal distribution system of air conditioning in the Demised Premises shall be the sole responsibility of THE LESSEE.
51. The fire fighting and fire detection system which is provided by THE LESSOR in accordance with Amendment no.3 to the National Building Code of 1983 (SP7):1983 Part IV is limited to installation of sprinklers and fire detection system in the basement(s) and common areas of the said Building such as lobbies, staircases corridors, etc. and service shaft for fire fighting and sprinkler services on each floor.

If, however, due to any subsequent legislation, Government orders, directives or guidelines or due to any change in the National Building Code, additional fire safety measures are undertaken, then THE LESSEE agrees to pay on demand additional expenditure incurred thereon for installing additional fire safety measures as determined by THE LESSOR which shall be final and binding on THE LESSEE. THE LESSEE agrees that, in case THE LESSEE so desires, it shall at its own cost and responsibility install fire fighting equipment and systems within the Demised Premises which shall be in compliance with the fire fighting regulations and safety systems as prevalent and approved by the Competent Authorities.

However, it is made clear that any lapse on the part of THE LESSEE in installing safe and adequate fire fighting systems within the Demised Premises or any fire, electrical or otherwise, or any kind of hazard originating from the Demised Premises shall not impose any legal and financial liability on THE LESSOR and THE LESSEE agrees to keep THE LESSOR indemnified and harmless in this regard. Similarly THE LESSEE shall ensure that the internal air-conditioning electrical systems and any other work done internally within the Demised

Premises shall not pose any fire, electrical, structural, pollution and health hazards. THE LESSEE shall be solely responsible for all legal and financial consequences arising there from and THE LESSEE agrees to keep THE LESSOR indemnified and harmless in this regard.

52. If THE LESSEE requires any extra fire fighting systems to be installed in the Demised Premises, including but not limited to extending fire fighting system in the Demised Premises, then the same shall be installed by THE LESSOR at a cost which shall be 1.2 times the actual costs, to be payable by THE LESSEE to THE LESSOR.
53. In the event THE LESSOR suggests additional fire safety measures, though not statutorily required, for installation by THE LESSEE within the Demised Premises and THE LESSEE fails to implement THE LESSOR's suggestion either fully or in part, then THE LESSEE alone shall be liable and responsible for all consequences arising from such inaction/decision on its part.
54. It is abundantly made clear to THE LESSEE that the cost incurred by THE LESSEE, during the lease period, to install fire fighting and fire detection systems within the Demised Premises, shall be to its account solely and shall not be borne or refunded by THE LESSOR or deducted from the rent payable to THE LESSOR under any circumstances whatsoever.
55. During the term of the Lease Deed and the renewed Lease Deed if any, THE LESSOR shall obtain fire and special peril insurance coverage of the entire said Building, including third-party liability and shall make timely payment of all insurance premiums.
56. During the term of the Lease Deed and the renewed Lease Deed if any, THE LESSEE shall obtain comprehensive insurance coverage, including third-party coverage, of all interior works while carrying out interiors or thereafter from the time of take over of possession for interiors and lease term(s), renovations, furniture, equipment and/or other items kept or stored in the Demised Premises, third party shall make timely payments of all insurance premia. THE LESSOR shall in no way be responsible for any loss occasioned by THE LESSEE on account of not obtaining comprehensive insurance coverage of all renovations, furniture, equipment and/or other items kept or stored in the Demised Premises.
57. However, it is made clear that in the event of an accident or fire or damages for any other reason resulting in any loss, financial or otherwise to either party or to third parties, both Parties agree to take up the matter with their respective Insurance Companies through the insurance cover including third party liability.

THE LESSEE shall allow third party fire /safety inspectors being appointed by THE LESSOR /its nominees for fire /safety audit.

58. That if at any time during the occupation by THE LESSEE of the Demised Premises, the lifts or the air conditioning system fails to function or fails to

maintain the required temperature levels, THE LESSEE shall be entitled to call upon and require THE LESSOR to remedy and rectify the system within a reasonable time. Provided, however, that THE LESSOR shall ensure that there will not be total absence of lifts and air-conditioning for more than one day at a time.

59. THE LESSOR may forthwith re-enter upon the Demised Premises or upon any part thereof or may terminate this Lease and this Lease Deed shall thereupon stand determined but without prejudice to any claim which THE LESSOR may have against THE LESSEE in respect of any breach, non — performance or non — observance of the covenants or conditions herein contained in the following events:

- (a) If any amount payable by THE LESSEE to THE LESSOR by way of rent and other sums/ charges payable under this Lease Deed shall be in arrears and unpaid for a period of Thirty (30) days after the same has become due and THE LESSEE fails to clear the payments.
- (b) If THE LESSEE shall omit to perform, observe any covenant or condition to be observed and performed on the part of THE LESSEE and shall continue to do so or fails to remedy the breach within seven (7) days of the intimation of such breach or THE LESSEE is adjudicated as insolvent

It is further agreed by THE LESSEE that THE LESSOR shall be entitled to adjust all and any sums due to THE LESSOR including rent, car/two wheeler parking space charges, façade signage charges (due for the year in which the lease is terminated) and maintenance charges for the unexpired lock in period of lease and to the extent of shortfall in notice period, taxes, interests, damages etc., against all security deposits made by THE LESSEE with THE LESSOR under this Lease Deed. In the event the aggregate of arrears of rent, any other sum due and payable and the above mentioned costs exceed the amounts deposited as security deposits with THE LESSOR, then THE LESSEE shall pay to THE LESSOR such amounts due to THE LESSOR, over and above such sums deposited by THE LESSEE with THE LESSOR.

60. That if the Demised Premises or any part thereof be destroyed or damaged by fire (not caused by any willful act or negligence of THE LESSEE), earthquake, tempest, flood, lightning, violence of any army or mob or enemies of the country or by any other irresistible force so as to render the Demised Premises unfit for the purpose for which the same was leased, THE LESSEE may, temporarily vacate the whole or such portion of the Demised Premises as may be required to enable THE LESSOR to carry out repairs in order to restore the Demised Premises as it was then existing at the time of THE LESSEE entering into the Demised Premises (reasonable wear and tear excepted) and in such event, the payment of rent, other charges and maintenance/service charges till the affected area of the Demised Premises or portion thereof are repaired and restored to the state as specified above shall abate.

However, if such force majeure conditions persist for more than 90 days, THE LESSEE shall have the option to terminate the Lease Deed vide giving 30 days written notice to THE LESSOR. In such an event, THE LESSOR shall be liable to refund the Security Deposits paid by THE LESSEE towards the lease of the Demised Premises to THE LESSEE.

61. THE LESSEE undertakes that during the term of this Lease Deed or any renewal thereof, it shall maintain its corporate existence and shall not dissolve or liquidate or enter into an agreement with any party, including but not restricted to a compromise with its creditor(s) such that its corporate existence is or may be questioned, in which event, this Lease Deed shall automatically terminate.

In the event of THE LESSEE being adjudged insolvent or in the case of Company/ Firm being liquidated, the Lease shall stand automatically terminated and THE LESSOR shall enter into the Demised Premises to assume the possession which shall be without prejudice to the rights of THE LESSOR to claim/ recover its dues along with interest/ damages till the date of termination.

62. THE LESSOR shall have the right to install posters, banners, contra-visions, any displays of multimedia/visual format in the common areas like lift lobbies, atrium(s), lifts etc. of the said Building.

63. The entry to the lift lobby/atrium of the said Building will be permitted to the employees of THE LESSEE only through the Access Cards provided by THE LESSOR. The cost of such Access Cards shall be borne by THE LESSEE. THE LESSEE shall provide THE LESSOR details of all employees for whom the cards are to be made at least one month prior to the Date of Occupation. Any additional cards required by THE LESSEE will be provided after one month from the date of request.

The cost of the Access Cards shall be paid to THE LESSOR at the time of making such request.

In the event of loss of Access Card by THE LESSEE's employee(s), the same shall be intimated to THE LESSOR immediately by THE LESSEE so as to avoid any misuse thereof.

The new Access Card will be issued on receipt of written request from THE LESSEE along with the cost of Rs.35/- per card.

In the event of cessation or termination of any employee of THE LESSEE, the Access Card shall be returned to THE LESSOR immediately to avoid any misuse thereof.

64. THE LESSEE agrees and consents that it would have no objection to THE LESSOR mortgaging or creating a third party charge on the Demised Premises subject to, however, that the creation of such mortgage / charge of the Demised Premises shall not affect the rights of THE LESSEE to use the Demised Premises during the lease period.
65. THE LESSEE agrees and consents that it would have no objection for transfer either by way of sale, mortgage or in any other manner howsoever, of the Demised Premises and/or the said Building, provided, the rights of THE LESSEE in the Demised Premises remain unaffected vis-à-vis the transferee.
66. THE LESSEE agrees and commits that THE LESSOR shall have sole and absolute right to make additions, raise storeys or put up additional structures as may be permitted by competent authorities and such additional structures and storeys shall be the sole property of THE LESSOR, which THE LESSOR will be entitled to dispose of in any way it chooses without any interference on the part of THE LESSEE by itself or with one or more of the rest of occupants of the said Building. Further all the terraces of the said Building including the parapet walls of the terraces shall always be the property of THE LESSOR and THE LESSOR shall be entitled to use the same for any purpose as it may deem fit.
67. That if during the term of the Lease Deed and the renewed Lease Deed if any, the Demised Premises or any part thereof be lawfully acquired or requisitioned by the Government or any local body or authority, local or otherwise, THE LESSOR alone shall be entitled to any and all compensation payable and THE LESSEE shall not raise any claim in respect thereof on THE LESSOR.
68. That where two or more persons are included in the term "THE LESSEE" all covenants, terms, conditions and restrictions shall be binding on them jointly and each of them severally and shall be binding on their personal representatives respectively, jointly and severally.
69. That if any provision of this Lease Deed shall be determined to be void or unenforceable under applicable law, such provisions shall be deemed amended or deleted to the extent necessary to conform to applicable law and the remaining provisions of this Lease Deed shall remain valid and enforceable.
70. That THE LESSEE and THE LESSOR shall abide by the laws of the land and any and all local enactments in respect of this Lease Deed of the Demised Premises. THE LESSOR may, with intimation in writing to THE LESSEE, inspect the Demised Premises from time to time at frequencies considered necessary by THE LESSOR and should there be any violations, contraventions as are observed by

THE LESSOR, THE LESSEE will ensure compliance with the requirements as per applicable laws.

71. Any penalties levied by the Government, State, Municipal Body etc. as a result of non-compliance by either Party will be borne by the defaulting party in respect of the Demised Premises.
72. That the building wherein the Demised Premises are located is a strictly no-smoking area. THE LESSEE shall ensure that no act in contravention of the provisions of Prohibition of Smoking in Public Places Rules, 2008' is committed in the Demised Premises or in the common spaces of the Building wherein the Demised Premises are located. In case any offence under the Prohibition of Smoking in Public Places Rules, 2008' is committed in the Demised Premises or in common areas of the said Building wherein the Demised Premises are located, by any employee/visitor of THE LESSEE, THE LESSEE shall be responsible for the same and any fine payable in respect thereof shall be paid by THE LESSEE and THE LESSOR shall not be responsible for the same.
73. That any notice, letter or communication to be made, served or communicated unto THE LESSOR under these presents shall be in writing and shall be deemed to be duly made, served or communicated only if the notice, letter or communication is addressed to THE LESSOR at the address given below or such other addresses as may be intimated in writing by THE LESSOR in this behalf and sent by registered post/fax/email (given hereunder)/ speed post or delivered personally with acknowledgement. Similarly any notice, letter or communication to THE LESSEE by THE LESSOR or other authorized representatives of THE LESSOR shall be deemed to be made, served or communicated only if the same in writing is addressed to the below mentioned address of THE LESSEE or to the address of the Demised Premises when THE LESSEE has shifted to the same, by registered post/fax/email (given hereunder)/ speed post or delivered personally with acknowledgement. The communication is to be addressed to the following:

For THE LESSOR

Head – Marketing (South, East & West)
10th Floor, DLF Gateway Tower,
R' Block, DLF City Ph – III,
Gurgaon – 122002

Phone 91-124- 4057410

For THE LESSEE

Facilities Head
Virtusa Software Services Pvt. Ltd.
The Lords, Plot no. 1 & 2,
Northern Extension Area,
Thiru-VI- KA, Industrial Estate,
Guindy, Chennai – 600 032
Phone: +91 – 44 – 3927 7700

Fax 91-124-4057414
E Mail: lease-chennai@dlf.in

Fax: + 91 – 44 – 4200 2800
E mail: virtusaindfinance@virtusa.com

This Annexure forms an integral part of the Lease Deed.

**For and on behalf of
DLF Assets Private Limited**

**(A.C. Sachdev)
AUTHORIZED SIGNATORY**

**For and on behalf of
Virtusa Software Services Private Limited**

**(Neeraj Dutt)
AUTHORIZED SIGNATORY**

ANNEXURE II

**Commercial Terms and Conditions forming integral part of Lease Deed dated
Services Private Limited and DLF Assets Private Limited.**

between Virtusa Software

S.N	Item	Description	Cross Reference (For convenience only) Reference Clause of
(a)	Demised Premises	Location- Chennai Building — DLF IT Park @ Chennai Block— 10 Super Built up Area - . 49,974 sq.ft. (4,642.688 sq.mtrs.) Floor — Part of 7 th (Hereinafter referred to as "Demised Premises").	1 of Lease Deed
(b)	Aggregate super built up area under this Lease Deed	4,642.688 Sq. Mtr. 49,974 Sq.ft. (Forty Nine Thousand Nine Hundred and Seventy Four Square ft.)	1 of Lease Deed 1 of Lease Deed
(c)	Number of car/two wheeler parks in basement/ stilt/ surface/ mechanical car parking spaces At the rate of Rs. 1,000/- per car park per month and the said car parking charges of Rs. 1,000/- per car park per month shall be inclusive of car park maintenance charges. The Service Tax and other taxes as applicable shall be additional. Additional Car /two wheeler Parking Spaces, required by THE LESSEE will be given, subject to availability on payment of Rs. 1,000/- per car park per month. The Service Tax as applicable	Fifty (50) NIL	4 of Lease Deed & 18 of Annexure — I

shall be additional.

TOTAL Fifty (50)

(d)	Date of Possession	15 th May, 2011	2 of Lease Deed
(e)	Date of Lease Commencement	15 th May, 2011	2 of Lease Deed
(f)	Date of Rent Commencement	Bare Shell Payment of Rent by LESSEE shall commence from 15 th July, 2011. For Car /Two Wheeler Parking spaces charges: The payment shall commence from the Rent Commencement Date. For Façade Signage Charges, payment shall commence from the 13 th month of the Lease Tenure i.e. 15 th May, 2012.	2 of Lease Deed
(g)	Initial lease period from the Date of Lease Commencement	The initial Lease shall be for a period of 5 years with THE LESSEE having the sole option to renew the lease for one term of 5 Years. Further, beyond 5+5 years, if mutually agreed between the parties, the lease may be renewed for a further additional term under mutually agreed terms and conditions, provided THE LESSEE obtains prior SEZ approval for the lease term / renewed lease term(s). Both THE LESSOR and THE LESSEE shall maintain their SEZ/ Unit Approvals valid during the entire Lease Tenure/ renewed Lease Tenure.	12 of Annexure I of Lease Deed
(h)	Option to renew Lease Deed for further period	One term of Five years Further beyond 5+5 years, if mutually agreed between the parties, the lease may be renewed for a further additional term under mutually agreed terms and conditions, provided THE LESSEE	5 of Lease Deed

	obtains prior SEZ approval for the lease term / renewed lease term(s).	
(i)	<p>Monthly Rent Payable on super built up area for initial 36 months of the lease period</p> <p>Bare Shell</p> <p>Rs. 40/- (Rupees Forty only) Per Sq. Ft. Per Month amounting to Rs.19,98,960/- (Rupees Nineteen Lakhs Ninety Eight Thousand Nine Hundred and Sixty Only) per month</p> <p>The Service Tax and other taxes on monthly rents as applicable shall be additional and shall be borne by THE LESSEE.</p>	1 of Annexure I of Lease Deed
(j)	<p>Increase in rent, Interest Free Security Deposit, façade signage charges, any other charges</p> <p>The rent will be enhanced by fixed 15% over the last paid rent at the end of Thirty Six (36) months, Seventy Two (72) months and One Hundred and Eight (108) months respectively from the date of Lease Commencement.</p> <p>The interest free security will be enhanced to be always equal to Six (06) months rent and shall increase by 15% at the end of the Thirty Six (36) Months, Seventy Two (72) months and One Hundred and Eight (108) months respectively from the date of Lease Commencement.</p>	5 of Lease Deed & 9 of Annexure I of Lease Deed

The enhancement of rent and payment of enhanced Interest Free Refundable Security Deposit shall not lead to waiver of 6 months' notice required to be given by THE LESSEE, as per the terms of this Lease Deed, for renewal(s) of the Lease Deed.

In the event, THE LESSEE shifts into another block/ tower/ building of THE LESSOR which is operational at a later date, then in all such cases, the escalation for the space taken up in the new block/Tower/ Building shall be co-terminus with the previous block/ tower/ building escalation dates.

In the event THE LESSEE takes up space in phased manner or additional space subsequently, then the escalation for all subsequent phases shall be co-terminus with the escalation date for Phase I take up.

(k) Car parking space charges

50 Car/two wheeler parking spaces will be provided in basement/ stilt/ surface/ mechanical car parking spaces on payment of Rs. 1,000/- per car park per month and the said car parking charges of Rs. 1,000/- per car park per month shall be inclusive of car park maintenance charges.

18 of Annex — I

Car parks required by THE LESSEE will be given @ Rs. 1,000/- per car park per month. Any additional car parks required by THE LESSEE will be given, subject to availability, @ Rs.1,000/- per car park per month. The lock-in period shall also be applicable to car parking spaces.

The Service Tax and any other taxes on car parking charges as applicable shall be additional and shall be borne by THE LESSEE.

There shall be no escalation in the car parking space charges.

(l)	Bulk Electricity Supply Deposit for 300 KVA of Power Load.	<p>NIL</p> <p>Any additional power load required by THE LESSEE shall be provided not exceeding 3% of 0.006 KVA per sq.ft. of leased area, subject to availability and on payment of a non-refundable charge of Rs. 10,000/- per KVA of power load in addition to the refundable deposit of Rs. 4,000/- per KVA of power load. However, any additional infrastructure cost required for supply of power from the source of power to the electrical tap off box on the floor shall be borne by THE LESSEE at Cost + 20% basis. Any additional power load requirement beyond 3% of 0.006 KVA per sq.ft of leased area shall be discussed separately between the parties. It is however clarified that the above mentioned power load of 0.006 KVA per sq.ft. of super built-up area is exclusive of power load for air conditioning provided by THE LESSOR.</p>	16 of Annex-I
(m)	<p>Interest Free Refundable Security Deposit always equivalent to rent of Six (06) months at any given point of lease.</p> <p>- Paid at the time of signing of MOU vide cheque dated 02.04.2011, bearing No. 00204 drawn on HDFC Bank</p> <p>- Payable on signing of this Lease Deed and before handover for interior works.</p>	<p>Rs.1,19,93,760 (Rupees One Crore Nineteen Lakhs Ninety Three Thousand Seven Hundred and Sixty Only)</p> <p>The amount shall stand increased by such percent as mentioned in Clause (j) above.</p> <p>Interest free refundable security deposit amounting to Rs. 59,96,880/- (Rupees Fifty Nine Lakhs Ninety Six Thousand Eight Hundred and Eighty Only)</p> <p>Interest free refundable security deposit amounting to Rs. 59,96,880/- (Rupees Fifty Nine Lakhs Ninety Six Thousand Eight Hundred and Eighty Only)</p>	8, 9,10 & 11 of Annexure I of Lease Deed

(n)	<p>Interest Free Refundable Maintenance Security Deposit @ Rs 11.50 per sq.ft. per month for normal office hours i.e. from 8.00 a.m. to 8.00 p.m. from Monday to Friday and from 8.00 a.m. to 2.00 p.m. on Saturday except Sundays, Public and National Holidays orfor 24*7 operations except Public & National Holidays.</p> <p>Maintenance services on National Holidays can only be provided if THE LESSEE gets the requisite approvals from the local administration / competent authority(ies) and not otherwise.</p> <p>The above rates are estimations as on 1st April 2008 and will depend on the relevant rates of petroleum products, taxes, electricity rates, wages & salaries during the Lease Tenure/ Renewed Lease Tenure. All maintenance charges are at cost + 20% as given in Clause 7 Annexure I.</p>	NIL	11 of Annexure I of Lease Deed
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(o)	Facade Signage Charges for initial 12 months of the lease term starting from the date of Lease Commencement Façade Signage charges from 13 th month of the lease term starting from the date of Lease Commencement i.e. w.e.f. 15 th May, 2012	NIL Rs. 6,00,000/- (Rupees Six Lakhs only) per annum	Clause 16 of Annexure I of Lease Deed
(p)	Lock- in period from the Date of Lease Commencement.	Thirty Six (36)Months	3 of Lease Deed and 12 of Annexure I
(q)	Notice period for termination of Lease Deed	Six (06)Months	3 of Lease Deed
(r)	Cost of finishing works related to the common passage @ Rs. 15 per sq. ft. of the leased area on signing of this Lease Deed. The Service Tax and other taxes, as applicable shall be additional.	Rs. 7,49,610/- (Rupees Seven Lakhs Forty Nine Thousand Six Hundred and Ten only)	17 of Annexure I
(s)	Place at which the rent and all other sums payable by THE LESSEE to THE LESSOR by Cheques/ Bank drafts/ wire transfer.	New Delhi	2 of Annexure I
(t)	Charges for Electricity/Power for internal Usage	As per Annexure XI	

This Annexure forms an integral part of the Lease Deed.

**For and on behalf of
DLF Assets Private Limited**

**(A C Sachdev)
AUTHORIZED SIGNATORY**

**For and on behalf of
Virtusa Software Services Private Limited**

**(Neeraj Dutt)
AUTHORIZED SIGNATORY**

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ANNEXURE — III (a)
DESCRIPTION OF THE PLOT

All those pieces and parcels of lands admeasuring a total area of 12.3808 hectares comprised in

Sl. No.	Survey Number	Area in Hectares
1.	58/5	0.3650
2.	58/2B	0.3050
3.	58/2A	0.2550
4.	58/6B	0.3400
5.	57/14	0.1039
6.	58/6A	0.1100
7.	57/5C	0.0600
8.	57/2	0.3050
9.	57/7B	0.0037
10.	57/4	0.3350
11.	57/6	0.0290
12.	57/5A	0.0600
13.	57/5B	0.0600
14.	58/3	0.3400
15.	58/4	0.3450
16.	59/2	0.2350
17.	59/3A2A	0.0600
18.	61/3B	0.1050
19.	61/3C	0.0250
20.	55/6A1	0.6397
21.	59/3A3	0.4050

22.	59/3A4	0.4050
23.	59/3A2B	0.3168
24.	59/3A2C	0.9450
25.	57/15A	0.2450
26.	58/7B2	0.0300
27.	58/8	0.0960
28.	57/15B	0.4054
29.	58/7A1	0.0600
30.	58/7B1	0.0300
31.	56/2B2	0.0850
32.	56/2C	0.3011
33.	59/3A1	0.4050
34.	58/9	0.0575
35.	59/1	0.0636
36.	59/3B	0.5271
37.	60/2	0.8950
38.	60/1A	0.0250
39.	60/1B	0.0150
40.	60/1D	0.5700
41.	60/1E	0.3150
42.	60/1F	0.3450
43.	58/7B2	0.0200
44.	58/8	0.0700
45.	58/9	0.0720
46.	58/10	0.0810
47.	59/1	0.4870
48.	59/3B	0.0600
49.	56/2C	0.1000
50.	56/2E	0.0280
51.	56/2F	0.0280
52.	56/2G	0.0490
53.	56/3	0.0210
54.	56/4	0.0320
55.	57/6	0.0120
56.	57/7B	0.0890
57.	57/10B	0.0890
58.	57/13	0.0400
59.	57/14	0.0740
60.	57/15A	0.3130
61.	57/15B	0.0890
62.	59/3A2B	0.0030

Mugalivakkam Village, Sriperumbudur Taluk, Kancheepuram District, and situated within the sub-registration district of Kunrathur, and registration district of South Chennai.

Item II

All those pieces and parcels of lands admeasuring a total area of 4.35012 hectares comprised in Survey Nos.55 (0.07500 Hec), 57 (0.10445 Hec), 58/1 (3.38925 Hec), 58/2 (0.19538 Hec) and 58/3 (0.58604 Hec). Manapakkam Village, Sriperumbudur Village, Kancheepuram District, and situated within the sub-registration district of Joint-I, South Chennai and registration district of South Chennai.

Item I and Item II in all measuring 16.73092 hectares

Situated in DLF IT PARK @ Chennai, 1/124 Shivaji Gardens, Moonlight Stop, Nandambakkam Post, Ramapuram, Mount-Poonamallee Road, Chennai 600 089

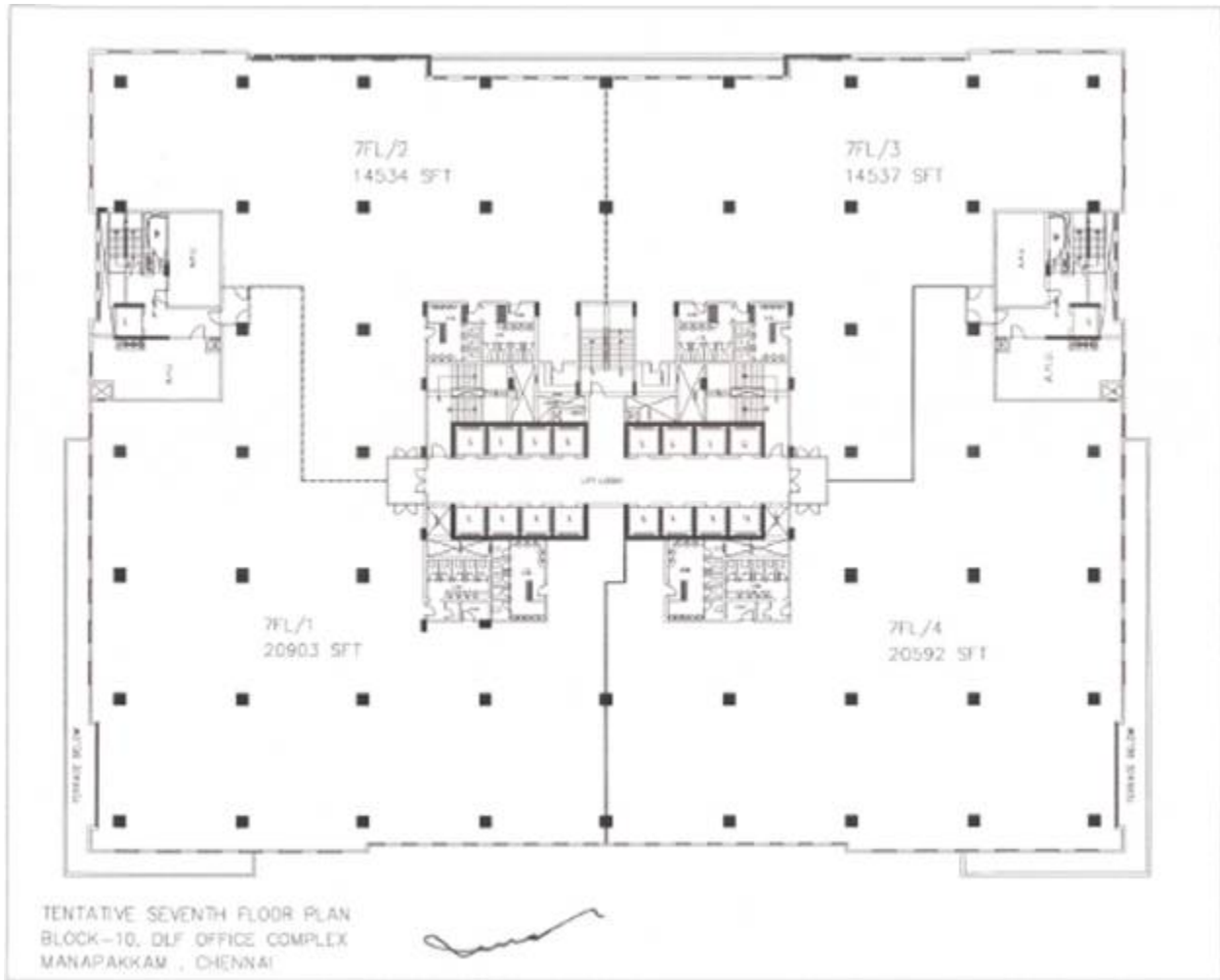
SCHEDULE B - (Description of leased Premises)



49,974 sq. ft (4642.688 sq. mtrs.) of super built up area on part of 7th Floor of Block 10 situated in the Schedule A Property.

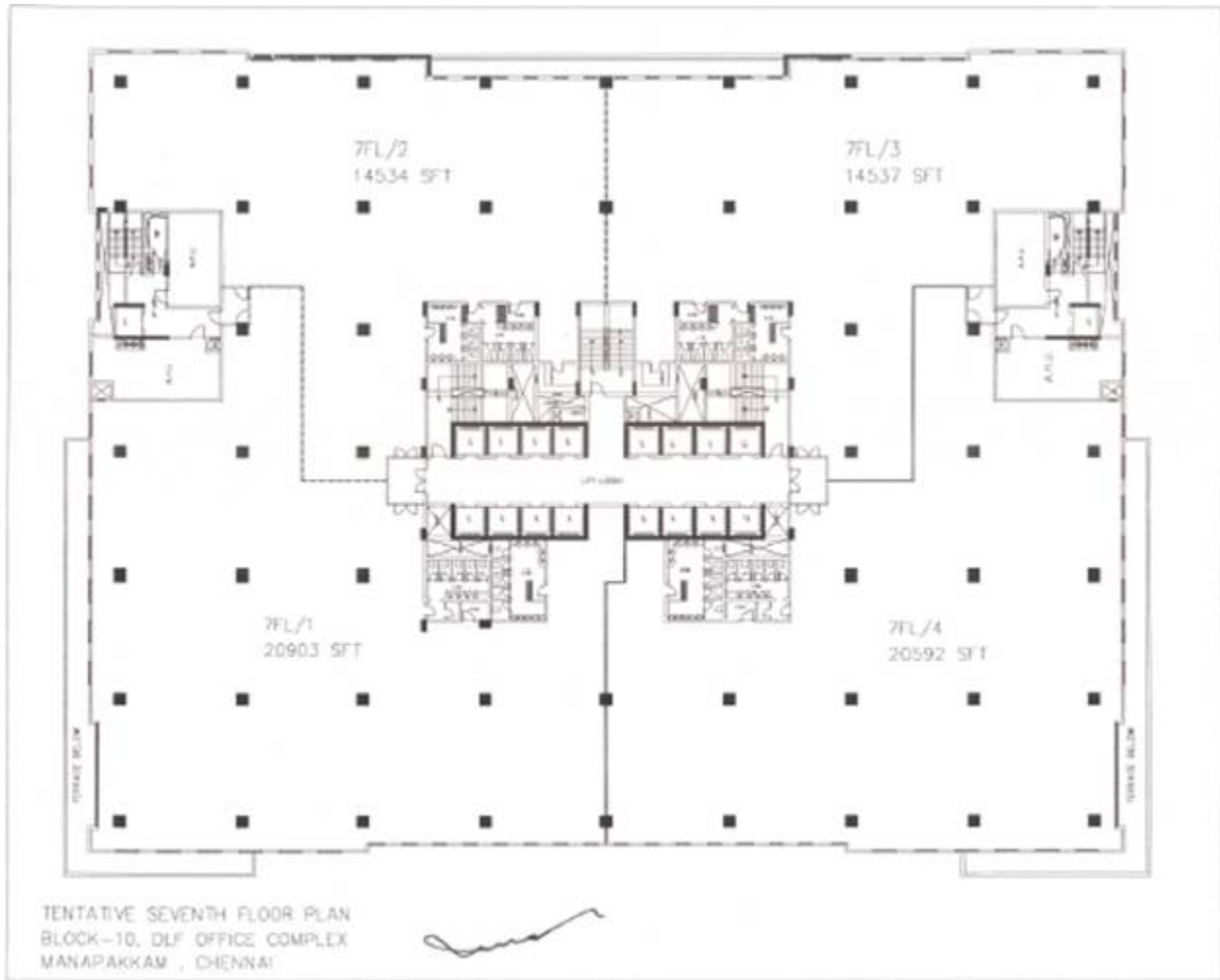
DLF IT Park @ Chennai is a Special Economic Zone IT Park notified vide official gazette numbers F- 2/124/2006 dated 16th November 2006 and F-2/124/2005 dated 14th February 2007 approved by Ministry of Commerce.

ANNEXURE — III(b)
DESCRIPTION OF THE FLOOR PLAN



Ministry of Commerce.

ANNEXURE — III(b)
DESCRIPTION OF THE FLOOR PLAN



ANNEXURE — IV
AREA STATEMENT

SUPER BUILT UP AREA CALCULATIONS
BLOCK- 10, OFFICE COMPLEX, MANAPAKKAM, CHENNAI

FLOOR OFFICE NO.	OFFICE AREA		SUPER AREA		TERRACE AREA		TOTAL SUPER BUILT UP AREA	
	(SQM)	(SFT)	(SQM)	(SFT)	(SQM)	(SFT)	(SQM)	(SFT)
SEVENTH 7F1	1553.554	16722	1941.942	20903	—	—	1941.942	20903
SEVENTH 7F2	1080.216	11627	1350.271	14534	—	—	1350.271	14534
SEVENTH 7F3	1080.380	11629	1350.475	14537	—	—	1350.475	14537
TOTAL	3714.150	39978	4642.688	49974	—	—	4642.688	49974

The Super built up area shall be the sum of Office areas, the Common areas in the entire said building, i.e., Block-10 and useable terrace(s) area attached to Office area. The aforesaid areas are tentative and are subject to change, the final Super built up areas shall be confirmed by the DLF Assets Private Limited on the date of possession upon completion of construction of above said building after accounting for changes, if any, during construction.

Whereas the Office area on a floor shall mean the entire area enclosed by its periphery walls including area under walls, wall cladding, columns, toilets, pantries, lift lobbies, AHU, Electrical rooms, which form integral part of said office floor and the Common areas shall mean all such parts / areas in said building which the M/s Virtusa Software Services Pvt. Ltd. / Occupants of one floor shall use by sharing with the Occupants of other floors, including entrance canopy, corridors and passages, area of cooling towers and chillers, security / fire control room(s), lift shafts, all electrical shafts, D.G. shafts, A.C. shafts, pressurisation shafts, plumbing and fire shafts on all floors and rooms, staircases, munties, lift machine rooms, over head water tanks and services area on roof of said building. In addition prorata share of common services area in the basement and on surface of the said plot, including but not limited to electric sub-station, transformers, D.G. set rooms. Underground water and other storage tanks, A.C. Plant room, Pump rooms, Sewage treatment plant, maintenance and service rooms, fan rooms, circulation areas etc. shall be counted towards common areas. Office area to Super area ratio shall be 80%.

Area of terrace(s), attached to Office area, if any, shall be counted 50% and added to the total Super built up area. However, lessee shall not be allowed to cover such terrace(s) and shall use same as open areas only and in no other manner whatsoever.

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ANNEXURE V

STATEMENT OF RENT, INTEREST FREE SECURITY, INTEREST FREE MAINTENANCE SECURITY, CAR, TWO WHEELER PARKING SPACE CHARGES PAYABLE BY VIRTUSA SOFTWARE SERVICE PRIVATE LIMITED, TO DLF ASSETS PRIVATE LIMITED DURING THE PERIOD OF LEASE

BEGINNING FROM	ENDING ON	AREA (in Sq.ft.)	Rent (Rs per sq.ft. per mth)	MONTHLY RENT PAYMENT OF THE SUPER BUIL T-UP AREA (Rs.)	INTEREST F REE SECURITY (E QUIVALEN T TO SIX (06) MO NTHS PREVAILIN G RENT	INTEREST F REE MAINTENA NCE SECURITY DEPOSIT FO R NORMAL WORKING HOURS/ 24x 7 OPERATION S	CAR PARKING	
							50 Nos. of Ca r Parking @ Rs 1,000 per Car Park per month (In Rupees)	0 Nos. of Additional Car Parking @ Rs. 1,000 per Car Park per month
15.05.2011	14.05.2014	49,974	40.00	19,98,960.0 0	1,19,93,760 .00	NIL	50,000.00	NIL
15.05.2014	14.05.2016	49,974	46.00	22,98,804.0 0	1,37,92,824 .00	NIL	50,000.00	NIL

Note: All terms as per Lease Deed are applicable.

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ANNEXURE VI

MONTHLY MAINTENANCE AND SERVICE EXPENDITURE (INDICATIVE)

- A. The expected monthly maintenance and service expenditure shall be charged at actuals +20% of the sum total of the following expenditure calculated on 49,974 sq.ft. of Super Built — up area basis and shall be charged every month. The expenditure shall include but shall not be limited to the following:
1. Annual maintenance contracts, Service contract expenditure including taxes & statutory levies as applicable, lease rental and other charges for operation and maintenance of all electro-mechanical equipments and all other equipment installed and to be additionally installed by THE LESSOR/maintenance agency.
 2. Cost of water for all purposes.
 3. Cost of electricity for central air-conditioning and all services provided including in the parking, common and external areas.
 4. Cost of maintenance of landscaped areas, compound wall, tube well, electrification sewerage, roads and paths and any other services within the boundary of the said plot.
 5. Cost of maintenance, cleaning, painting and necessary replacements of a revenue nature in common areas including cost of maintenance of basements and common services therein.
 6. Cost of security services.
 7. Cost of administrative staff, maintenance staff of the building and the manager directly related to the maintenance of the building.
 8. Cost of all consumables for all services in common areas.
 9. Annual fees of various authorities.
 10. Cost of diesel and lubricants etc. for DG sets and cost of gas and lubricants etc. for gas generators and air conditioning systems etc.
 11. Cost of all replacements / refurbishing of parts of various equipments used in maintenance services.

12. Cost of augmentation/upgradations/replacement/deployment of existing and additional security/fire/other electromechanical systems acquired through leasing/amortization/ rental basis.
 13. Cost of expenses incurred on infrastructure in and around the said Building.
 14. Cost of insurance of Building and fitouts when fitted out space is provided.
 15. Township maintenance charges till the services of the colony are handed over to a local body or authority.
 16. Depreciation / sinking fund /lease rentals of all electro-mechanical equipments, including but not limited to chillers, D.G. Sets and lifts.
 17. Maintenance Charges for Car/ Two Wheeler Parking Spaces
 18. Any expenditure incurred on personnel, administrative and any other related cost of the custom/excise staff posted at SEZ operations.
- B. Cost of exclusive services, if any, provided to the occupant shall be extra.
- C. Service Tax and other taxes, as applicable, shall be additional.

ANNEXURE-VII

CAR/ TWO WHEELER PARKING SPACES EARMARKED FOR USE BY THE LESSEE

Number of car/ two wheeler parking spaces earmarked in the basement/ surface/ mechanicalcar/ two wheeler parking spaces for use by THE LESSEE

Fifty (50) Numbers

ANNEXURE VIII

TENTATIVE SPECIFICATIONS FOR BLOCK 10, DLF IT Park @ Chennai

STRUCTURE	RCC framed structure
Finishes	
External Façade	Combination of Clear Float Glass and/or Reflective floats glass with Granite / Metal Cladding / Exterior paint / any other.
Atrium, Lift Lobbies Floors & Walls.	Combination of Indian marbles and / or granites.
Main staircase(s) / Fire Escape staircase(s)	Terrazzo / Kota Stone / Good concrete.
Elevators	High Speed Passenger Elevators. Service Elevator
Parking	Stilt/Surface/Basements/Mechanical
Amenities	Centrally Air Conditioned Building — Provision for office area Air Conditioning provided upto AHU on each floor. The internal distribution system of Air Conditioning shall be sole responsibility of the tenant.
Power Back up	100% power back-up including power back up for AC system also.
Fire Fighting	Sprinkler and fire detection system will be provided in the basement area and common area only as per NBC. For fire fighting & sprinkler services in Office area, provisions will be made upto service shaft on each floor.
Wash room	Gents / Ladies Toilet on each floor as per statutory norms, CI/GI piping will be provided, but no CP fittings, Fixtures Wall / Floor finishes. Door & shutters will be provided.
Electricity/Telephone	Provision on each floor up to the shaft. Connections have to be arranged by respective owners/users. No Electric conduits or wiring shall be provided in the slab.

NOTE:

- a) Materials specially the imported ones are subject to availability as per prevalent policies of Govt. of India.
- b) Wherever larger floor heights are provided due to architectural reasons, from the viewpoint of air conditioning load, the height of false ceiling to be done by the Occupants shall not exceed 3 mtrs. from the finished floor level.
- c) The above-mentioned specifications are for common area only. The office area will be in "BARE SHELL" condition only i.e. cement flooring, no plaster on concrete columns, walls or ceiling except on brick walls wherever provided. All fittings, A.C. Ducts, Electrical distribution and Fire Fighting etc. shall be the sole responsibility of the Occupants.
- d) Plumbing provision for extra toilets may be provided at one / two different locations
- e) The above specifications are tentative and are subject to change at the sole discretion of THE LESSOR.

ANNEXURE IX

HANDOVER OF DEMISED PREMISES FOR OCCUPATION

1. Gas Generators, DG and Chillers shall be commissioned for servicing the Demised Premises when THE LESSEE has completed their scope of work for the low side before the integration with THE LESSOR high side services can be done. The services will be provided/ connected within three working days of THE LESSEE's request after THE LESSEE has completed their scope of work including interiors.
2. Lift facility will be available one day before THE LESSEE starts operations, when advised by THE LESSEE.
3. THE LESSEE to discuss and finalize all connectivity issues relating to telephone service provider with the service provider. Cables of Telephone Service Provider shall be terminated to the basement of the building.
4. THE LESSOR shall not provide any storage space to THE LESSEE in the basements of the said Building.

ANNEXURE X

THE LESSEE'S RESPONSIBILITY DURING INTERIOR FITOUTS WORK, ADDITIONS/ MODIFICATIONS/ ALTERATIONS OF INTERIOR WORKS (REFERRED HEREINAFTER AS INTERIOR WORKS) AND DURING THE LEASE TENURE / LEASE RENEWAL TENURE AND DURING OPERATIONS

THE LESSOR has provided the fire detection systems as elaborated in Part B. These systems are as per NBC norm.

A THE LESSEE will be responsible to ensure the following elaborated under different sub heads:

(I) FIRE DETECTION & FIRE FIGHTING

1. The existing sprinkler systems provided is not to be isolated or closed at any point of time during interior works.
 - a) For providing sprinklers below false ceiling a separate network of sprinklers to be installed.
 - b) Before starting the interior/fitout works, THE LESSEE will also check for themselves that the sprinkler systems are in working condition. .
 - c) Upon completion of False Ceiling, the sprinkler below false ceiling is to be charged. Only upon charging the sprinklers below false ceiling THE LESSEE can do other interior works and can bring in the carpets / furniture / modular workstations/ chairs / wood for partitions etc. into the premises for installation.
2. Fire detection, alarm systems and fire fighting systems must not be closed or isolated during the period when interior works are carried out or during the lease period or lease renewal period.
- 2(a). As and when there is Puja/ Havan in THE LESSEE's Premises the Building Manager to take proper action for alarm system so that other occupants are not disturbed. THE LESSEE shall send prior notice for the Puja/ Havan including the essential details like time, date and the venue to the Building Manager.
3. Before start of Interior works THE LESSEE to ensure 4 nos. Fire Extinguishers, 4 Nos. Sand buckets & 4 nos. Water buckets are placed at different locations on each floor of the premises when THE LESSEE is starting the interiors.
4. Before doing any welding works, THE LESSEE to obtain hot works permit and ensure that the site is clear, no paper/wood pieces/or any other combustible material is around and adequate standby fire-fighting mechanism in place, which includes at least 2 nos of fire extinguishers, 1 nos of sand buckets, 1 nos of water bucket etc are in place. Once the welding is completed, the site to be re-inspected for any welding spark.

5. No gas of any kind to be used for welding purposes. Only arc/electrical welding to be used.
6. Zonal fire detection panels are provided on all floors. THE LESSEE to ensure that at any point of time there would be some smoke detectors spread over the Said Premises operational and connected to the Zonal panel.
7. During interior works, THE LESSEE to ensure proper signages and fire escape routes are prominently displayed inside their premises.
8. Security Guards professionally trained in fire fighting systems to be deployed on each floor during all shifts round the clock. They should be capable of handling the fire-fighting equipments provided on the floors such as fire hydrants etc.
9. The entire building is a no smoking zone. THE LESSEE to ensure that even during interior works no person smokes inside the building. Match Boxes & Cigarette Lighters are not allowed at site in the building.
10. No items of any nature to be stored in Electrical Control / Panel Room. A stray electrical spark may result in such items catching fire; moreover, presence of such items may impede access to Control Panel in times of emergency.
11. Use/storage of cooking gas / cooking gas cylinders in the Demised Premises is not allowed.
12. THE LESSEE's Security Personnel except during the interior fit-out period should not remain inside the offices after they have been closed for the day. Unauthorised smoking by such staff can also contribute to major fire. After closing hours, your Security/Guard be stationed outside the office (and not within), and the interiors of the offices can be monitored by then over closed circuit video cameras.

However, only the security guards professionally trained in fire fighting systems may remain inside the offices after they have been closed for the day. They should be capable of handling the fire-fighting equipments provided on the floors such as fire hydrants etc.

(II) ELECTRICAL & MECHANICAL

13. For the operational usage THE LESSOR has provided the electrical tap-off in electrical room alongwith sub-meters installed for supply of power from grid/supplying agency and back-up power. THE LESSEE to tap-off electricity through proper distribution panel / board properly earthed. The distribution of electricity inside the premises during the interior works shall be responsibility of THE LESSEE.

14. All electrical installation shall be carried by authorised licensed contractor and client shall submit installation test certificate issued by same contractor and certificate of verification of these installation by a reputed electrical consultant.
15. During interior works Electrical supply for fitout to be given through portable DG/Building DG (if installed). In case power for fitouts is provided through temporary portable DG installed outside, THE LESSEE will have to take the tapping through a cable of suitable rating from outside the building. Lessee to take the electricity in a proper panel/fitted with MCB & ELCB with proper earthing. Cable of proper rating to be used as per load. No loose connection & joints in wires will be allowed. During interior works while using drilling/hammering machine or any other electrical equipment, THE LESSEE shall ensure that proper 3 pin plugs are used. No over loading of socket will be allowed.
16. All outgoing feeders single phase & 3 phase in Panels & DBs outlets shall be suitable of individual equipment rating and outgoing feeders must have a protection arrangement so that it should trip in the event of overload, short circuit & earth fault.
17. All material to be used should be of IS Standard & from reputed manufacturer. No sub standard material to be used.
18. No aluminum cable to be used. Only copper cables of ISI make to be used.
19. Under no circumstances during interiors / operations should the safety system in the circuit / MCB / ELCB be bypassed. THE LESSOR to ensure that this is adhered to under all circumstances.
20. Only CFL & tubes with electronic chokes or LED to be used. No Aluminum / Copper chokes to be used.
21. Compressors of Split AC/ Precision AC shall be serviced regularly to avoid overheating / jamming of compressor / fan motor. Stabilizer sockets to be checked regularly for heating.
22. Supply from one socket to be used for one source only and 3 wire cable to be used rather than 3 different cables. No overloading of sockets.
23. Balancing of load should be proper in all 3 phases.
24. Coffee machine / water cooler/ oven and any other Electrical appliances should be properly earthed and to be used with a proper rating of cable through ELCB.
25. For power output 15 amp plug; for lighting 5 amp plug and for AC industrial sockets to be used.
26. Small step down transformer on false ceiling for lighting to be properly secured.
27. No PVC pipes to be used for Electrical wiring, only MS pipes to be used.
28. Electrical panel wiring to be properly dressed and the gap between the phases to be proper.

29. CT provided in the electrical panel should be of proper size and should have a proper gap between the space and CT to be checked for any heating/ cracking.
30. One circuit should not have more than eight light point or two power points.
31. For neon signages, transformer should be placed outside safe place or LED signages to be used.
32. THE LESSEE to ensure that the electro-mechanical systems installed in the Said Premises is properly maintained during their interior works and at the time of operations. THE LESSEE to also ensure that no fire spreads from the premises.
33. THE LESSEE to have the audit of their entire Electrical systems done on a quarterly basis by a reputed Electrical consultant and provide a certificate certifying that all THE LESSEE's installations including insulation resistance are in good and safe working condition and does not have any possibility of short circuit and becoming a fire source. To be submitted to the facility manager on quarterly basis.
34. THE LESSEE to have the audit of their entire HVAC systems done on a quarterly basis by a reputed HVAC consultant and provide a certificate certifying that all THE LESSEE's installations are in good and safe working condition and does not have any possibility of short circuit and becoming a fire source. To be submitted to the facility manager on quarterly basis.

(III) DRAWINGS & SPECIFICATIONS

35. THE LESSEE shall ensure that the fitout works is done as per the drawings approved by THE LESSOR's architect. No deviation will be allowed.
36. THE LESSEE to use fire retardant material in the design of their interior works.
37. While designing of interior works, it should be kept in mind that the access to the fire hydrants is not restricted in any way.
38. For flushing of water closets only cisterns/concealed cisterns are to be used. No flushing valves to be installed.
39. THE LESSEE to install automatic gas flooding Fire Extinguishing System, FM 200 or equivalent, in case THE LESSEE wants to remove the sprinkler system in the Server Room. The FM 200 will not be kept on manual mode under any circumstances.

(IV) WORK PROCEDURE

40. THE LESSEE shall ensure that no structural damage takes place.

41. Every day, on completion of work, THE LESSEE shall ensure that the site is cleaned all combustible & non-combustible scrap including any wood/paper/lose paint /any other material/scrap is remove from the premises.
42. THE LESSEE shall ensure that the malba/scrap is disposed out of project once in every three day.
43. THE LESSEE shall ensure that the stair cases are not blocked with interior fitout material.
44. No material shall be stocked in the lift lobby area.
45. THE LESSEE shall not store paint and other combustible material at Demised Premises. The material may be brought onto the floor for interior finishing as and when it is required.
46. No storage of any material / records in basement is allowed as it obstructs free movement. However, for a limited period of 10 days during interior works THE LESSEE with the permission of the facility manager can use this earmarked car/two wheeler parking space as temporary storage for fixture/furniture which is in the process of being installed. The same must be barricaded by THE LESSEE and THE LESSEE must depute a security guard for the same. THE LESSEE must install a Fire Fighting system such as extinguishers, sand buckets & water buckets to the satisfaction of the facility manager for this temporary storage area. This furniture/fixture will be allowed to be brought only 7 days in advance of installation. The storage area must be cleared by THE LESSEE immediately after shifting the material in their premises. In case the interiors are getting delayed beyond the targeted date, THE LESSEE will clear the temporary store immediately and shift all material in their premises. When the material is shifted on the floor the packing / covering to be removed the same day and all packing / covering material to be shifted out of the premises and the building on the same day.
47. During normal office hours, no noisy interior works such as drilling, hammering, cutting, chisilling etc is to be carried out by THE LESSEE. The same can be done after normal office hours. However, works other than the above can be carried on which cause no disturbance to the occupied floors.

(V) OTHER REQUIREMENTS

48. No Parking of CNG / LPG powered cars in basements as the chances of occurrence of fire / explosion in such vehicles are very high.

However, Original Manufacturer company-fitted CNG / LPG vehicles will be allowed in car parking spaces designated by THE LESSOR.

49. Working Norms for Interior Works

In New Building where no client is operational the interior works can be done on 24 hrs. basis.

In a multi-tenanted building as soon as any client completes their interior works and becomes operational; no noisy works to be done during office hours.

Noisy works such as drilling, hammering, cutting, chiseling etc. to be carrying out by THE LESSEE after normal office hours.

50. That before any machinery, equipment, safe or furniture, etc. is moved into or out of the Demised Premises, due approval in writing must be taken by THE LESSEE from the Building Manager or other authorized personnel appointed by THE LESSOR, in the absence of which the movement thereof will not be permitted by THE LESSOR, provided, however, such movement will be allowed during normal business hours only.

51. Lifts/ elevators/ escalators of reputed makes have been provided in the said Building/ Building Complex.

THE LESSEE should educate its employees, visitors and customers with regard to the DO's and DONT's of the safe usage of these items. These are self operating lifts/ elevators/ escalators. Do's and Don'ts as recommended by the suppliers are as displayed therein.

The maintenance of these items is done by giving AMC's to suppliers/ third parties.

In the event of any mishap occurring, THE LESSOR or its employees shall not be held responsible for any consequences arising from usage of these items.

- B.** The following fire-detection and alarm system are provided as per NBC norms inside the premises:

Fire Detection & Alarm System:

- Main control / Alarm panel located in security room connected with the floor-wise zonal panel located near the staircase.

- The Smoke / Heat Detectors installed by the floor occupant are connected to the zonal panels located on the floors.
- The main panel has inbuilt zone-wise fire detector and automatic alarm on all floors, through an amplifier.
- All AHUs and other ventilation / pressurization systems are operationally hooked-up with fire alarm / detection system.

Fire Fighting System

The following fire fighting systems are provided along with:

- Fire Pumps (Hydrants & sprinkler)
- Jockey pumps

ANNEXURE XI (a)

Charges for Usage of Power in the Demised Premises

(a) Usage of power during interior fitouts:

- i. To the extent grid power is available and used — To be charged as per applicable grid rates
- ii. For supply of power from back up sources — To be charged at Cost + 20%
- iii. When power taken from Utilities company is used — To be charged at Cost + 20%

(b) Usage of power during lease tenure

- i. If grid power is available and used — To be charged as per applicable grid rates
- ii. For supply of power from back up sources — To be charged at Cost + 20%
- iii. When power taken from Utilities company is used — To be charged at Cost + 20%

For power used for common areas from any source, along with other expenditure like security, housekeeping etc, the total cost of above is charged in the overall maintenance charges at Cost + 20%.

ANNEXURE XI (b)

MAINTENANCE CHARGES

The maintenance charges for Demised Premises shall be calculated at actual cost + 20% payable from the Lease Commencement Date/Date of Occupation, whichever is earlier.

The estimated maintenance charges as on 1.4.2008 subject to increase in prices of diesel, gas and petroleum products, electricity rates, taxes, wages and salaries during the lease tenure/ renewed lease tenure are as below:

For normal office hours (8 am to 8 pm on Weekdays and 8 am to 2 pm on Saturdays except Sundays, Public and National Holidays): Rs 11.50 per sq.ft. per month

For 24*7 operations (except Public and National Holidays) is Rs 23/- per sq. ft. per month

For working beyond normal office hours (provided it is a full floor): Rs 0.15/- per sq. ft. per hour on the super built up area of the full floor even if the area of Demised Premises is less than the full floor area or per hour for the Demised Premises to be intimated by the Building Manager when required.

Note: In the event the building is already operational and THE LESSEE is carrying out the fit out works but does not utilize the central air conditioning for the Demised Premises during the fitout period; maintenance will be charged at 50% of the normal maintenance charges.

ANNEXURE XII

**(Applicable in case THE LESSEE merges or amalgamates after the Lease Deed is signed) To be given by transferee company
UNDERTAKING**

TO,

DLF

Ref : Lease Deed dated -

I, _____, the authorized representative, vide Board resolution/Power of attorney dated _____ (Copy enclosed), _____, do hereby declare that

1. We are fully aware with the Lease Deed dated _____ executed between M/s DLF _____ and M/s. _____ contents thereof.
2. We are fully aware with the terms and conditions of the abovementioned Lease Deed. We are aware that as per the terms and conditions of the aforementioned Lease Deed, in case of merger/consolidation or amalgamation of the Lessee with any other entity, a fresh Lease Deed shall be executed between the Lessor and the other entity as provided in clause _____ - of the Annexure I of the abovesaid Lease Deed subject to the new entity obtaining prior SEZ approval.
3. We undertake that as per the provisions of the Lease Deed we shall execute a fresh lease deed on same terms and conditions within 30 days of passing of the order by the Court approving the scheme of merger.
4. We are aware that we will step into the shoes of _____ and that our liability to make payments of rental and other charges as per the Lease Deed shall commence from the date of passing of the final order approving the merger. Till then the payments of rent and other charges payable under the Lease Deed shall be borne and paid regularly by M/s. _____.
5. We unequivocally agree, confirm and acknowledge to the Lessor that we shall be responsible for enforcement/compliance of all the terms and conditions of the Lease Deed and that we bind ourselves with the terms and conditions of the aforementioned Lease Deed and we shall also be liable for breach/non-compliance of the terms and conditions as per the Lease Deed dated _____.

(Authorised Signatory)

Confirmed by:

(_____)
THE LESSEE

ANNEXURE — XIII

ELECTRONIC CLEARING SYSTEM ACTIVATION FORM

Fields in red are mandatory for activating ECS (NEFT / IFSC) mode of payment

1	Name of the Vendor :	DLF Assests Private Limited
2	Contact person :	R. Ramgopal
3	Designation :	Senior Manager — Accounts Upper Basement, Block 1B, DLF IT Park @ Chennai, 1/124 Shivaji Gardens, Moonlight Stop, Nandambakkam Post, Manapakkam, Mount Poonamallee Road, Chennai 600 089
4	Address :	Chennai 600 089
5	Mobile No :	+91 9962003099
6	Contact No :	+91 — 44 — 45497601
7	Email ID :	ramgopal-r@dlf.in
8	Fax :	+91- 44 - 42669802
9	Bank Name :	CITI BANK
10	Bank Address :	CONNAUGHT PLACE, NEW DELHI
11	Account No. :	0011812228
12	Permanent Account Number	AACCD4923A
13	Tax Account Number	DELD09632A
13	NEFT Code :	-
14	RTGS Code :	IFSC: CITI0000002
15	Swift Code * :	CITIINBX

Note:

- THE LESSEE to check with concerned bank for NEFT / RTGS / SWIFT Codes.
- Swift Code is required in case THE LESSEE has an account with HSBC bank.
- Bill-wise details against NEFT payments by mail.

Subsidiaries of Virtusa Corporation

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation/Formation</u>
InSource Holdings, Inc	Connecticut
InSource, L.L.C.	Connecticut
Virtusa Consulting Services, Pvt. Ltd.	India
Virtusa Hungary Kft.	Hungary
Virtusa (India) Private Limited	India
Virtusa International, B.V.	Netherlands
Virtusa (Private) Limited	Sri Lanka
Virtusa Securities Corporation	Massachusetts
Virtusa Software Services, Pvt. Ltd.	India
Virtusa UK Limited	United Kingdom

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We consent to the use of our reports dated May 27, 2011, with respect to the consolidated financial statements, the related financial statement schedule, and the effectiveness of internal control over financial reporting included herein in this Form 10-K.

/S/ KPMG LLP

Boston, Massachusetts
May 27, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Virtusa Corporation (the "Company") on Form 10-K for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kris Canekeratne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Kris Canekeratne

Name: Kris Canekeratne

Title: *Chairman and Chief Executive Officer*

Date: May 27, 2011

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Virtusa Corporation (the "Company") on Form 10-K for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ranjan Kalia, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ranjan Kalia

Name: Ranjan Kalia
Title: *Senior Vice President of Finance and Chief Financial Officer*

Date: May 27, 2011
