

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 15, 2003  
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Syntel, Inc.  
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(Exact Name of Registrant as Specified in Its Charter)

Michigan  
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(State or Other Jurisdiction of Incorporation)

0-22903  
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(Commission File Number)

38-2312018  
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(IRS Employer Identification No.)

525 E. Big Beaver Road, Suite 300, Troy, Michigan  
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(Address of Principal Executive Offices)

48083  
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(Zip Code)

(248) 619-2800  
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(Registrant's Telephone Number, Including Area Code)

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(Former Name or Former Address, if Changed Since Last Report)

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

Exhibit  
Number  
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99.1                    Press Release dated October 15, 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On October 15, 2003, Syntel, Inc. issued a press release announcing results of operations and related financial information for the quarter ended September 30, 2003. The full text of the press release is furnished as Exhibit 99.1 to this Report and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Syntel, Inc.

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(Registrant)

Date October 15, 2003

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By /s/ Daniel M. Moore

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Daniel M. Moore, Chief Administrative Officer

EXHIBIT INDEX

Number

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Description

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99.1

Press Release dated October 15, 2003.

## SYNTEL REPORTS SOLID THIRD QUARTER RESULTS

## THIRD QUARTER HIGHLIGHTS:

- Revenue of \$44.1M
- Gross margin of 41.6%
- EPS of \$0.26 per diluted share
- Addition of \$15.4M in cash, excluding the effect of dividend payout

TROY, Mich., October 15, 2003 - Syntel, Inc. (Nasdaq: SYNT), a global information technology services firm, today announced solid financial results for the third quarter ended September 30, 2003.

Syntel's total revenue for the third quarter was \$44.1 million, compared to \$43.9 million in the second quarter of 2003 and \$42.1 million in the third quarter of 2002.

Revenue contribution by segment for the relevant quarters is as follows:

SERVICE OFFERING	Q3, 2003	%	Q2, 2003	%	Q3, 2002	%
	-----		-----		-----	
Applications Outsourcing	\$34.6M	78%	\$32.9M	75%	\$28.7M	68%
E-Business	\$ 7.5M	17%	\$ 8.6M	19%	\$ 9.7M	23%
TeamSourcing	\$ 2.0M	5%	\$ 2.4M	6%	\$ 3.7M	9%
TOTALS:	\$44.1M	100%	\$43.9M	100%	\$42.1M	100%

The Company's gross margin was 41.6 percent in the third quarter of 2003. This compares to 45.0 percent in the second quarter of 2003 and 44.6 percent in the third quarter of 2002.

At September 30, 2003 the Company has determined the value of the sales incentive, related to warrants granted previously to a single large customer, to be \$4.6 million. The cumulative sales incentive recognized up to the second quarter of 2003 was \$2.9 million. Accordingly, net revenue for the third quarter of 2003 was reduced by \$1.6 million. Consequently, the gross margin reduction in the third quarter of 2003 was 2.1%. The remaining sales incentive of \$0.1 million will be recognized in the fourth quarter of 2003.

Syntel's income from operations was 29.5 percent for the third quarter, compared to 30.2 percent in the second quarter of 2003 and 25.7 percent in the third quarter of 2002. During the quarter the Company reversed accruals primarily related to the successful collection of overdue debts that were previously reserved for or written off. This amounted to a pre-tax reduction in the allowance for doubtful debts of \$0.7 million. The pre-tax reduction in accruals for litigation settled during the third quarter of 2003 was

\$1.4 million and that due to a change in estimate for remaining litigation costs was \$0.3 million.

Net income for the third quarter of 2003 increased to \$10.8 million or \$0.26 per diluted share from \$10.3 million, or \$0.25 per diluted share in the second quarter of 2003 and \$8.7 million or \$0.22 per diluted share in the third quarter of 2002.

"Syntel is pleased with several key operational metrics from the third quarter, including strong revenue acceleration, aggressive headcount growth, and the fact that our margins remain among the highest in our industry," said Bharat Desai, Syntel Chairman and CEO. "Our better-than-expected performance demonstrates that we are moving Syntel forward in the right direction to capitalize on the growing demand for globally-delivered IT solutions."

During the third quarter of 2003, Syntel added nine new corporate clients to its roster and launched 54 new engagements. Syntel further expanded its base of hunting licenses by 10 percent during the second quarter, bringing the total to

Global headcount grew to 3,569 in the third quarter of 2003, compared to 3,183 in the second quarter of 2003, an increase of 386 employees. This growth included a net addition of 235 billable headcount, representing a 10 percent increase over the prior quarter. Given growing market demand and current high utilization of 97 percent domestically and 70 percent offshore, Syntel will continue to hire aggressively in the fourth quarter as it did in the third quarter.

Syntel's financial position remains very strong. The Company added \$15.4 million in net cash during the quarter without considering the effect of a one-time special dividend payout of \$49.9 million, resulting in a balance of cash and short-term investments, of \$125.0 million at September 30, 2003. The Company also previously announced the initiation of a quarterly dividend payout of \$0.06 per share, beginning in the third quarter. The Company remains debt free with significant unused borrowing capacity.

#### OUTLOOK

"Although we are pleased with the continued signs of momentum and penetration we are experiencing with new and existing corporate clients, Syntel remains cautiously optimistic regarding its performance," said Syntel Chief Financial Officer Keshav Muruges. "However, based on increased visibility and historical fourth quarter seasonality, Syntel now expects revenues in the range of \$177 million to \$178 million and earnings per share between \$0.91 to \$0.93 for the full year 2003."

#### SYNTEL TO HOST CONFERENCE CALL

Syntel will discuss its third quarter performance today on a conference call at 10:00 a.m. (Eastern). To listen to the call, please dial (888) 689-9220. The call will also be broadcast live via the Internet at Syntel's web site: [www.syntelinc.com](http://www.syntelinc.com) under the "Investor

Relations" section. Please go to the web site at least 15 minutes prior to call start time to register and download any necessary audio software. A replay will be made available by calling (800) 642-1687 and entering "3138881" beginning at 11:30 a.m. (Eastern) on October 15, 2003 through midnight (Eastern) on October 17, 2003.

#### ABOUT SYNTEL

Syntel (SYNT) is a global Applications Outsourcing and e-Business company that delivers real-world technology solutions to Global 2000 corporations. Syntel's portfolio of services includes e-Business development and integration, wireless solutions, data warehousing, eCRM, as well as complex application development and enterprise integration services. The company was the first US-based firm to launch a Global Delivery Service to drive speed-to-market and quality advantages for its customers. Named one of Forbes Magazine's "Best 200 Small Companies in America" and Business 2.0 "100 Fastest Growing Tech Companies," Syntel has more than 3,500 employees worldwide and is assessed at Level 5 of the SEI's CMM. To learn more, visit us at: [www.syntelinc.com](http://www.syntelinc.com).

#### SAFE HARBOR PROVISION

This news release includes forward-looking statements, including with respect to the future level of business for Syntel, Inc. These statements are necessarily subject to risk and uncertainty. Actual results could differ materially from those projected in these forward-looking statements as a result of certain risk factors set forth in the Company's Annual Form 10-K document dated March 31, 2003. Factors that could cause results to differ materially from those set forth above include general trends and developments in the information technology industry, which is subject to rapid technological changes, and the Company's concentration of sales in a relatively small number of large customers, as well as intense competition in the information technology industry, which the Company believes will increase.

Balance sheet and income statement to follow.

SYNTEL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
(IN THOUSANDS)

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100,091	\$ 134,976
Investments, marketable securities	24,965	5,737
Accounts receivable, net of provision for doubtful accounts	30,416	24,329
Advanced billings and other current assets	8,159	9,674
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Total current assets	163,631	174,716
Property and equipment	24,335	20,950
Less accumulated depreciation	17,853	15,801
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Property and equipment, net	6,482	5,149
Goodwill	906	906
Deferred income taxes and other noncurrent assets	2,918	2,801
	-----	-----
	\$ 173,937	\$ 183,572
	=====	=====
LIABILITIES		
Current liabilities:		
Accrued payroll and related costs	\$ 11,454	\$ 11,885
Accounts payable and other current liabilities	17,155	11,557
Deferred revenue	2,124	5,286
	-----	-----
Total liabilities	30,733	28,728
SHAREHOLDERS' EQUITY		
Common stock, no par value per share, 100 million shares authorized;		
Total Shareholders' equity	143,204	154,844
	-----	-----
Total liabilities and shareholders' equity	\$ 173,937	\$ 183,572
	=====	=====

SYNTEL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	3 MONTHS ENDED SEPT 30		9 MONTHS ENDED SEPT 30	
	2003	2002	2003	2002
	-----	-----	-----	-----
Revenues (net)	\$ 44,105	\$ 42,126	\$132,098	\$122,116
Cost of revenues	25,738	23,332	74,974	71,794
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Gross profit	18,367	18,794	57,124	50,322
Selling, general and administrative expenses	5,371	7,976	19,769	23,645
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Income from operations	12,996	10,818	37,355	26,677
Other income, principally interest	632	795	2,092	2,206

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Income before income taxes	13,628	11,613	39,447	28,883
Income tax	2,884	2,924	10,052	7,548
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Net income before loss from equity investment	10,744	8,689	29,395	21,335
Profit / Loss from equity investment	(13)	0	34	0
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Net income	\$ 10,757	\$ 8,689	\$ 29,361	\$ 21,335
	=====	=====	=====	=====
EARNINGS PER SHARE				
Basic	\$ 0.27	\$ 0.22	\$ 0.74	\$ 0.55
Diluted	\$ 0.26	\$ 0.22	\$ 0.72	\$ 0.54
Weighted average common shares outstanding :				
Basic	39,718	38,726	39,478	38,672
	=====	=====	=====	=====
Diluted	40,975	39,509	40,634	39,788
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