

## Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the Members of the Company will be held on Thursday, the 21<sup>st</sup> day of July, 2005 at 3.30 P.M at Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad - 500 463, to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the profit and loss account for the financial year ended on 31st March, 2005 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. B.V.R. Mohan Reddy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mrs. B. Sucharitha, who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a Director in place of Mr. M.M. Murugappan, who retires by rotation and being eligible, offers himself for reappointment.
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

“Resolved that M/s. Price Waterhouse, Chartered Accountants who retire at the conclusion of this Annual General Meeting, be and are hereby appointed as Auditors of the Company till the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors.”

### Special Business :

7. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.  
“RESOLVED THAT pursuant to Section 257 and other applicable provisions if any of the Company's Act 1956, consent of the Company be and is hereby accorded to appoint Mr. Ranjan Chak as a Director of the Company liable to retire by rotation”.
8. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.  
“RESOLVED THAT pursuant to Section 257 and other applicable provisions if any of the Company's Act 1956, Consent of the Company be and is hereby accorded to appoint Mr. George Fink as a Director of the Company liable to retire by rotation”.

9. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution

“RESOLVED that, pursuant to Section 163 of the Companies Act, 1956, approval of the Company be and is hereby accorded to keep the register of members, index of members, returns and copies of certificates and documents, at the office of Karvy Computershare Private Limited, (Unit: Infotech Enterprises Limited) “Karvy House”, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034”

By Order of the Board

Place : Hyderabad  
Date : 20th April, 2005

**M.S.Khan**  
Company Secretary

### Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll instead of him and the proxy need not be a member. The enclosed proxy form should be deposited with the Company before the expiry of 48 hours from the date of Annual General Meeting.
2. The Register of members and the Share Transfer Registers of the company will remain closed from 13th July, 2005 to 21<sup>st</sup> July, 2005 (Both Days Inclusive) in connection with the Annual General Meeting.
3. The dividend at the rate of 15% for the year ended March, 31, 2005 as recommended by the Board, if sanctioned at the Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members as at the close of business hours on 12<sup>th</sup> July, 2005
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
5. Members / Proxies are requested to bring their copies of Annual Report to the Meeting and the attendance slip duly filled in for attending the Meeting. Copies of Annual Report will not be provided at the Meeting.
6. The Certificate from the Auditors of the Company certifying that the Company's Employee Stock Option Schemes are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, and in accordance with the resolution of the members passed at the general meeting will be available for inspection by the members at the AGM.

7. Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to send their queries to the Company at least seven days before the date of the Meeting, so that the information required by them may be made available at the Meeting.
8. Members holding shares in physical form, may write to the Company's share transfer agents for any change in their address and bank mandates, members having shares in electronic form may inform the same to their depository participants immediately so as to enable the Company to dispatch dividend warrants at their correct addresses.
9. Members are requested to send all communication relating to shares to the Company's Share Transfer Agents (Physical and Electronic) at the following address:

**Karvy Computershare Private Limited**

(Unit: Infotech Enterprises Limited)  
 "Karvy House", 46, Avenue 4,  
 Street No.1, Banjara Hills,  
 HYDERABAD - 500 034.

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

### Item No.3

#### Brief Profile of Mr. B.V.R. Mohan Reddy

Mr. BVR Mohan Reddy is the founder Chairman of Infotech Enterprises Limited. Mr. Mohan Reddy has over twenty-eight years of engineering and management experience.

Mr.Reddy started his career with DCM Group in 1974 as a senior management trainee, was with MICO BOSCH for three years as senior systems officer and with HCL as Regional Manager. Within a short period Mr. Reddy graduated from Management Trainee to Regional Manager. Mr. Reddy joined OMC Computers initially as a Marketing Manager and grew to be General Manager, President and then became the Managing Director of OMC.

Mr.Reddy has two masters degrees, one in Management Engineering from University of Michigan, Ann Arbor, USA and the other in Industrial Engineering from Indian Institute of Technology, Kanpur. His basic graduation is in Mechanical Engineering from Andhra University, India and a gold medallist for standing First in Mechanical Engineering.

Mr.Reddy worked on various professional bodies for the development of software industry and is currently a member of the executive council of NASSCOM.

The list of firms and Companies in which Mr. Reddy is a Director is available at the registered office of the Company.

Your Directors commend the resolution for your approval.

Except Mr. B.V.R. Mohan Reddy and Mrs. B. Sucharitha, none of the other Directors of the Company is in any way concerned or interested in the resolution.

### Item No.4

#### Brief Profile of Mrs. B. Sucharitha

Smt. Sucharitha has three years experience of working in computers/systems in M/S. Bhavani &Co, Hyderabad, Since 1992, she has been a Whole Time Director on the Board and has been overseeing some of the accounting and administrative functions of the Company.

Smt. Sucharitha is a post graduate in Chemistry from Sri. Venkateshwara University, Tirupati. She had an outstanding academic record obtained First Class all through her educational career.

The list of firms and Companies in which Smt. Sucharitha is a Director is available at the registered office of the Company.

Your Directors commend the resolution for your approval.

Except Mrs Sucharitha and Mr. B.V.R. Mohan Reddy, none of the other Directors of the Company is in any way concerned or interested in the resolution.

### Item No.5

#### Brief Profile of Mr. M.M. Murugappan

Mr. Murugappan, a well known industrialist, is a member – group Supervisory Board, responsible for Technology, Research and Human Resources across the Murugappa Group. He is currently the Chairman, Corborandum Universal Ltd, and a Director in several other Murugappa group and Other Companies. He brings with him vast industrial experience for more than two and half decades.

Mr. Murugappan is a B.Tech from University of Madras, has done his Master of Science in Chemical Engineering from University of Michigan. He is a member of American Institute of Chemical Engineers, Indian Institute of Chemical Engineers and Plastics & Rubber Institute. He is also trustee of the Murugappa Group's AMM Foundation, has keen interest in the development of various citizenship initiatives, particularly in education and health care. The list of firms and Companies in which Mr. Murugappan is a Director is available at the registered office of the Company.

Your Directors commend the resolution for your approval.

Except Mr.Murugappan, none of the other Directors of the Company is in any way concerned or interested in the resolution.

**Item No. 7****Profile of Mr. Ranjan Chak**

Mr. Ranjan Chak is presently working as Venture Partner with Oak Venture Capital, after spending a diverse 20 year career in information technology including over 15 years in senior management roles in international operations. A Cum laude graduate in Applied Mathematics from Harvard College, Mr. Chak has managed an AI research project at Carnegie Group Inc., and helped start up Hewlett Packard (India).

In 1994, as Vice President(Indian Operations) for Oracle Corporation, he created one of the most successful offshore development centers in India, he also took over the leadership of Oracle's Asia-Pacific Product Services Organization including global support centers in Bangalore, Hyderabad and Melbourne. Mr.Chak focuses on helping Oak's portfolio companies execute successful strategies for tapping the offshore talent in India.

Your Directors believe that the wide expertise and knowledge of Mr. Chak in the Information Technology Industry will help the Company in many ways. At the Board Meeting held on 20<sup>th</sup> January, 2005 the Board appointed Mr. Chak as additional Director of the Company.

The list of firms and Companies in which Mr. Chak is a Director is available at the registered office of the Company

Under Section 257 of the Companies Act 1956, a notice in writing has been received from a Member signifying his intention to propose to Mr. Ranjan Chak, as a Director of the Company along with a deposit of Rs.500/- as required under the aforesaid Section.

Your Directors commend the resolution for your approval.

Except Mr. Ranjan Chak, none of the other Directors of the Company is in any way concerned or interested in the resolution.

**Item No.8****Profile of Mr. George Fink**

Mr. George Fink is currently working as President and Chief Operating Officer of Tele Atlas. He has more than 20 years of domestic and international experience in consumer electronics, professional services and technology-enabled service industries. Mr.Fink specializes in growing business operations in complex emerging markets. Prior to joining Tele Atlas, he was co-founder and Chief Executive Officer of Mirus, which provides information management to the restaurant industry. George also served as the President of COMSYS Information Technology Services, a \$600 million IT services and solutions enterprise.

His career includes 15 years with Ernst & Young, where he was a Partner and served as Director of the Houston office's Entrepreneurial Services Group. He has served on the boards of several organizations including the Information Technology Association of America (ITAA), the Association's ASP Committee and the IT Services Division. Mr.Fink received a BS degree in accounting from Northland College and also attended Harvard University's Advanced Management Program for Arthur Young Partners.

Your Directors believe that the wide expertise and knowledge of Mr. Fink will help the Company in many ways. As per the Stock Purchase Agreement with the Tele Atlas, the Tele Atlas has the right to appoint one director on the Board of Infotech Enterprises Limited, as per this agreement the Board appointed Mr. Fink, COO of Tele Atlas as additional Director of the Company at the Meeting held on 24<sup>th</sup> March, 2005.

The list of firms and Companies in which Mr. Fink is a Director is available at the registered office of the Company

Your Directors commend the resolution for your approval.

Under Section 257 of the Companies Act 1956, a notice in writing has been received from a Member signifying his intention to propose to Mr. George Fink, as a Director of the Company along with a deposit of Rs.500/- as required under the aforesaid Section.

Except Mr. George Fink, none of the other Directors of the Company is in any way concerned or interested in the resolution.

**Item No.9**

Pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company is required to maintain the register of members, index of members, returns and copies of certificates at the registered office of the Company. However Section 163 provides that these documents can be kept in any other place within the city, town or village in which the registered office of the Company is situated, provided that the members at the general meeting by way of special resolution approve the same.

Karvy Computer Share (P) Ltd., being the Registrar and Share Transfer Agents will be maintaining the Register of Member, Index of Members, returns and copies of certificates.

Your Directors commend the resolution for your approval

None of the Directors of the Company are in any way interested or concerned in the resolution.

By Order of the Board

Place :Hyderabad  
Date :20th April, 2005

**M.S.Khan**  
Company Secretary

## Directors' Report

Dear Members,

Your Directors have pleasure in presenting their 14th Report on the business and operations of your Company for the financial year ended March 31, 2005.

### FINANCIAL HIGHLIGHTS:

Amount in Rs. Millions

Particulars	2004-05	2003-04	Growth%
Total Income	1573.39	1,257.82	25.1
Operating Profit	382.94	294.77	30.0
Interest	1.11	2.38	(53.4)
Depreciation	124.07	160.36	(22.6)
Profit before Tax	293.14	144.44	102.9
Provision for Tax	92.50	43.00	115.1
Deferred Tax	(22.42)	(20.66)	-
Profit after Tax	223.06	122.10	82.7
Basic Earnings per share (Rs)	15.23	8.41	81.1
Diluted Earnings per share (Rs)	15.10	8.32	81.5
Dividend recommended	15%	12.5%	20.0
Paid up Equity Share Capital	147.27	145.81	-
Reserves	1591.51	1384.39	-

### RESULTS OF OPERATIONS:

During the financial year 2004-05, your Company achieved strong business growth, and was successful in delivering higher value to customers. The Company's operations have been re-organized into two main verticals – UTG (Utilities, Transportation and Government) and EMI (Engineering, Manufacturing and Industrial Products). Verticalization has helped your company considerably in enhancing the focus levels in the chosen verticals and also in deepening the client relationships. Your Company continues to grow both organically and inorganically and shall continue the same in future also. During the year, the Company divested 51% stake of its Puerto Rico subsidiary, which was set up last year to provide near shore delivery facility to Pratt & Whitney, in favor of United Technologies International Corporation (UTIC). Your Company acquire Tele Atlas India (P) Ltd., a wholly owned subsidiary of Tele Atlas, Netherlands, based in Noida. Following are the results of operations for the year 2004-05:

### BUSINESS PERFORMANCE:

#### Revenues:

Total Income in financial year 2004-05 was Rs. 1573.39 million compared to Rs. 1,257.82 in the preceding year. Operating Revenues grew by 23.5% Year on Year to Rs. 1538.01 million, of which export revenues were Rs. 1465.14 million (95%) and domestic revenues were Rs. 72.87 million (5%). Other income was higher at Rs. 35.37 million. Your company has re-structured

its model by allowing its subsidiaries a greater measure of operating autonomy while integrating its global operations in line with its vision of 'One Global Organization'. Thus, a greater proportion of revenues were billed directly by the subsidiaries in their respective geographies.

### Profits

Operating Profit, i.e; Profit before considering Other Income, Interest, Depreciation and Tax stood at Rs. 382.94 million compared to previous year's Rs.294.77 million. This results in an increase of 30% year-on-year.

Profit After Tax (PAT) stands at Rs.223.06 million as compared to previous year's Rs.122.10 million. This represents an increase of 82.7% year-on-year.

### Dividend

The Board of Directors are pleased to recommend payment of a dividend of Rs.1.50 per equity share of Rs.10 (15%). The dividend will absorb a sum of Rs. 25.12 million, including tax on dividend.

### INCREASE IN SHARE CAPITAL:

Your Company's paid up equity share capital increased from Rs. 145,811,300 to Rs. 147,270,380 as a result of exercise of stock options issued by the Company. 145,908 Equity Shares were issued and allotted to the employees during the financial year 2004-05.

### SIGNIFICANT EVENTS:

#### Vertical Organization:

Infotech's historical business strengths and focus on some key industry segments has recently been further formalized with the re-alignment of the organization on vertical lines. The previous segmentation on GIS Services, Engineering Services and Software Development is now restructured into two vertically oriented businesses: Utilities, Transportation and Government (or UTG) and Engineering, Manufacturing and Industrial Products (or EMI). Both businesses cater to the specific requirements of customers in their respective user segments. While the erstwhile GIS Services and Engineering Services businesses are captured under UTG and EMI respectively, the Software Development business has been apportioned to the two vertical segments based on the nature of the development work delivered. The key difference is that the entire customer responsibility now rests with one individual within the organization.

Each vertical is being run by a President level associate with complete business autonomy and P&L responsibility. The management believes that such vertical realignment will enhance internal synergies and customer-focus, enabling the Company to achieve its aggressive internal growth objectives. It will also enable Infotech move up the value chain of service offerings, create

deeper, stronger relationships with customers and improve potential of participating in larger deals. From the delivery perspective, verticalization is expected to enhance the response rate to customers.

#### **Majority Stake divested in Infotech Aerospace Services Inc.,(IASI):**

During the year under review, Your Company divested 51% stake in its subsidiary Infotech Aerospace Services Inc. (IASI) in favor of United Technologies International Corporation (UTIC). The transaction is effective from September 30, 2004 and is valued at US\$ 550,000. The management is confident that given the increased resource commitment from its customer – Pratt & Whitney in particular along with other UTC Group companies, IASI will progress rapidly on business and profitability parameters and make an increasingly significant contribution to Infotech's operations.

#### **Inauguration of New Facility:**

Your company inaugurated a new facility on February 16, 2005 adjacent to the existing facility at Madhapur, Hyderabad. Honorable Chief Minister of Andhra Pradesh Mr. Y.S.Rajashankar Reddy and President of Pratt & Whitney Corporation Mr. Louis R. Chenevert, jointly inaugurated the facility. The facility is equipped with cutting edge computing and communication technologies, world class infrastructure, learning centers etc., and can house over 1000 people.

#### **Tele Atlas India (P) Limited Acquisition:**

Your Company acquired Tele Atlas India (P) Limited, an erstwhile fully owned subsidiary of Tele Atlas NV, Netherlands, based at Noida, Uttar Pradesh. The acquired company is engaged in the services of database creation and software development. The acquisition has been made in an all cash deal of Rs.8.29 crores. The Company has annual run rate revenues of Rs.35 crores per annum with a profit after tax of Rs.4.2 crores. The Company has manpower strength of 600 employees. As a part of the transaction, Tele Atlas NV has entered into a long-term services agreement with your company wherein it has guaranteed to purchase a minimum of 2.5 million hours of services over the next 3 years.

To further strengthen the existing relationship with Infotech, Tele Atlas has evinced keen interest in taking equity stake in the company. The same will be allotted to them after obtaining the necessary statutory approvals.

#### **Opening of Branch in Singapore & Australia:**

Your company opened branch offices in Singapore & Melbourne, Australia to provide services to growing number of clients in Asia Pacific region. These offices will also help the Company augment business development in Singapore, Australia and adjoining countries.

#### **Quality Standards:**

Your Company continues to maintain highest quality standards and the effort to enhance the quality will continue in the years to come. Apart from being an ISO 9001 certified & CMMi Level 5 Company, your Company was conferred with BS 7799 standards during the year. In the global outsourcing scenario, security of the data, intellectual property is becoming a high priority area for all customers and we believe BS 7799 accreditation will help us alleviate any fears that our customers/prospects may have on Infotech's ability to securely handle their data and intellectual property. During the year, the Company was also awarded with an ACE GOLD by Pratt & Whitney. This is an internal quality standard of United Technologies Corporation and Infotech became the first company outside the UTC group that has been awarded with this GOLD standard.

#### **VERTICAL WISE PERFORMANCE:**

##### **Utilities, Transportation & Government (UTG):**

The UTG vertical is a mixture of erstwhile GIS services division and part of the Software Development & Services division. Brining both the GeoSpatial Data and GeoSpatial Technology Services under the same roof has resulted in providing a comprehensive set of services to a customer and helped us position Infotech uniquely. The vertical functions as an independent business unit with separate sales & marketing and support functions.

During the year, the Company had further strengthened its engagements with British Telecom, a key customer in UTG vertical. Your company continued to participate in GIS-related shows globally, with the objective of enhancing its visibility in the business. The company has received strong response to its capabilities during these events, particularly to its solutions capabilities on hand held devices and location based services.

Revenue contribution from this business stood at Rs. 499.4 million compared to Rs.388.6 million (re-classified) during FY 2003-04. As a percentage of total operating revenues, the contribution from this vertical stands at 32.4% as compared to previous years 31.2%. The PBDIT from this vertical for the year stands at Rs. 204.1 million as compared to previous year's Rs.193.5 million (re-classified). The human resources assigned to this vertical stands at 1090 associates as at March 31, 2005.

##### **Engineering, Manufacturing and Industrial Products (EMI):**

The vertical is a mixture of erstwhile Engineering services segment and the software development & services. The vertical functions as an independent business unit with separate sales & marketing and support functions.

During the year, the relationship with Bombardier Transportation entered the second year of its contract. The engagement has

shown rapid progress in the new business areas of embedded solutions and technical publications.

The relationship with Pratt & Whitney and United Technologies continues to excel with new contracts and new challenges. The company has seen more traction from the other divisions of United Technologies such as OTIS, Sikorsky and Hamilton Sundstrand.

The revenues from this vertical for the financial year 2004-05 stand at Rs. 1048.9 million as compared to previous year's revenues of Rs.856.8 million (re-classified). This shows a year-on-year growth of 22.4%. The verticals contribution to the total revenues stands at 67.6% as compared to previous year's contribution of 68.8%. The PBDIT stands at Rs. 319.6 million as compared to Rs.242.2 million in the previous year. The current manpower deployed to the vertical stands at 1098 associates.

#### **SUBSIDIARIES:**

##### **Infotech Enterprises Europe Ltd. (IEE), U.K.**

The European subsidiary turned around significantly during the year and was profitable since the beginning of the financial year. The subsidiary re-aligned itself along the vertical lines of the parent company and now forms part of its UTG vertical. Cost controlling measures and better marketing strategy helped the subsidiary make profits. British Telecom, one of the top 10 customers of Infotech Enterprises, is a customer won by the subsidiary. IEE also added some significant new clients in the utilities and telecom market and initiated some public sector engagements.

IEE's revenues for FY 2004-05 were at UK£ 5.39 million (Rs.446.38 million) compared to UK£ 3.82 million (Rs.298.46 million) in FY 2003-04. The operations of the Company resulted in a net profit of UK£ 0.37 million (Rs. 31.16 million) as compared to loss of UK£ 0.74 million (Rs.57.50 million) in the previous financial year.

##### **Infotech Software Solutions Inc. (ISSI), USA.**

ISSI, along with its wholly owned subsidiary VARGIS, which was acquired during the last quarter of previous financial year, showed substantial growth in its operations. While ISSI concentrated in EMI vertical space, VARGIS concentrated in UTG Vertical space.

VARGIS established itself as niche player in government vertical for GIS services and also developed newer skills for the Utilities & Telecom segments. The subsidiary won major contracts from USDA – NAIP, a Government unit for Agriculture in USA. The Company grew substantially and has been significantly contributing to the revenues and profits of the Company.

For the financial year 2004-05, ISSI along with VARGIS had revenues of US\$ 19.84 million (Rs. 885.0 million) as compared to previous year's US\$ 11.42 million (Rs.526.26 million). During the year under review, the Company's net profit stands at US\$ 0.43 million (Rs. 19.41 million) from US\$ 0.88 million (Rs.40.65 million) in the last year.

##### **Advanced Graphics Software GmbH (AGS), Germany**

After the verticalization of the Company, AGS finds itself as an integral part of the EMI vertical. AGS, with its main client Bombardier Transportation and other small clients showed substantial growth in revenues. The management successfully executed a new marketing and sales strategy and has created a strong base for future business growth. The company successfully re-aligned itself to the new strategies and resources of the parent company.

For the financial year 2004-05, AGS reported net revenues of EUR 4.84 million (Rs. 274.17 million) as compared to previous years revenues of EUR 2.11 million (Rs. 113.74 million). This represents a year-on-year growth of 129.7 % in revenues. Net profit for the period under review was at EUR 117,352 (Rs. 6.63 million) as against EUR 224 (Rs.0.12 million) last year.

**The annual reports of all the subsidiaries of your Company viz. Infotech Enterprises Europe Ltd., UK, Infotech Software Solutions Inc., USA, Advanced Graphics Software GmbH, Germany have been attached to this report as required under section 212 of the Companies Act, 1956.**

#### **GROWTH:**

Your company is witnessing strong growth momentum across its business operations. The Company is now more closely aligned with its customers and is able to deliver more value to them. Your Company's enhanced leadership resources, verticalized operations and global delivery model now provide the confidence of achieving both the internal growth objectives and continued sector out performance. The company will continue to focus on strengthening its sales & marketing strategy-

During FY 05, your company further grew its engagements in a number of key markets, specifically, telecommunications, utilities, aerospace, rail, and transportation. Your company secured several new customer accounts and also grew its business from existing customers across all these segments. While we are continuing to build on certain strategic partnerships, we have increasingly moved to the end customer in all our markets and achieved greater visibility of business. We adapted our sales and delivery models towards new growth opportunities. Apart from opening offices in Singapore and Melbourne as reported above, your company has also established a Photogrammetry production facility in West Virginia that will service local production requirements for US government agencies starting FY 06. Your company is expanding into new services in GeoSpatial and engineering design that have synergy with our existing markets and customers and offer significant revenue opportunities.

The EMI vertical which is focused on Aerospace, Rail, Automotive, Industrial Segments is poised for high growth for the next three years. Today, we have executed projects in Structures, Technical Publications, Simulation, Design

Automation and the Validation & Verification area in Aerospace. From India, Infotech is the largest Aerospace Offshore Vendor (third party) worldwide.

Your Company see's increased traction from Europe, North America and Asia Pacific as three key geographies. In Asia Pacific the company has already started executing assignments for customers in China. In Europe we see France, Austria, Germany, Sweden and UK as our major markets.

Our growth in 2005-2006 will be from scaling existing customers as well as breaking into new clients. Each of these are led by in-depth service offerings in Engineering Design, Design Automation, PDM / PLM, Technical Publications, Embedded, Signaling and Interlocking, Validation & Verification, Interiors and Seating Practice and Software Development Services.

#### **HUMAN RESOURCES:**

During the year under review your Company has taken several HR initiatives to retain, train and develop the talent pool we have. Your Company has also taken up a root cause analysis on bringing down the attrition rates.

In our endeavor to retain the best talent against fierce competition, the following initiatives were taken

- a. Identified critical associates and implemented compensation rationalizations based on the market trends in those critical areas.
- b. Enhanced focus on training the associates covering technical, communication and behavioral aspects.
- c. Realizing the fact that reaching and serving the associates is possible only through a virtual delivery system a separate portal has been launched titled "HR Online" and virtualized processes like Recruitment Process, Leave Management system, Attendance Regularization, Medical Reimbursement, Resource Management system and also hosted number of interactive pages with HR policies and procedures in static form.
- d. Recognizing the aspiration of associate to enhance their academic credentials an MOU was entered with JNTU for three Master's programs in three batches and also got an accreditation from IIT Madras for external MS and PhD courses. A Policy was introduced on Higher Education to encourage and reward the associates who are pursuing higher education in their domain.
- e. To inculcate sense of belongingness and bonding with the organization, we organized series of interactive sessions involving associates at various levels.
- f. We have added 410 associates to the talent pool.

#### **DELISTING OF SECURITIES:**

Application for delisting of shares with the Madras Stock Exchange, which was pending during the previous financial year, was cleared and therefore, the Company voluntarily delisted itself from that Stock Exchange.

#### **SOCIAL RESPONSIBILITY:**

Your Company recognizes Society as a major stakeholder and has always been a significant contributor for social causes. Pledging itself by the side of the affected people in the recent Tsunami affected areas, your Company contributed Rs.25 lakhs to the chief Minister relief fund, Infotech's employees contributed to 50% of this amount. Continuing its association with Krushi Association, a foundation for rehabilitation of destitute children your company made significant contributions to the construction of new building donating an amount of Rs. 7 lakhs. Your Company Continues to work on social causes through Infotech charitable Trust and an amount of Rs.8 lakhs has been donated through the trust.

#### **FIXED DEPOSITS:**

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding as on the date of the Balance Sheet for year ended 31st March, 2005.

#### **DIRECTORS:**

Pursuant to Article 56 of the Articles of Association of your Company and Section 256 of the Companies Act, 1956, Mr. B.V.R.Mohan Reddy, Mrs.B.Sucharitha and Mr. M.M.Murugappan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Brief profiles of the above Directors are provided in the Notice to the Annual General Meeting.

#### **AUDITORS:**

The Auditors M/s Price Waterhouse, Chartered Accountants, Hyderabad, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo:**

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the annexure, which forms part of this Report.

#### **PARTICULARS OF EMPLOYEES:**

The particulars of Employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the

Companies (Particulars of Employees) rules, 1975, as amended are enclosed in an annexure to this report.

**DIRECTORS RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv) The Directors had prepared the Annual Accounts on a going concern basis.

**ACKNOWLEDGMENTS:**

Your Directors wish to place on record their gratitude to the Company's shareholders, customers, vendors and bankers for their continued support to Infotech's growth initiatives. Your Directors also wish to place on record, their appreciation of the contribution made by employees at all levels, who, through their competence, sincerity, hard work, solidarity and dedicated support, have enabled your Company to make rapid strides in its business initiatives. Your Directors also thank the Central and State Government and their various agencies, particularly, the Ministry of Communication & Information Technology, Software Technology Parks of India, Departments of Customs and Central Excise, Reserve Bank of India, APIIC, and other governmental agencies for extending their support during the year, and look forward to their continued support.

for and on behalf of the Board

Place : Hyderabad

Date : 20th April, 2005

**B V R Mohan Reddy**

Chairman & Managing Director

## Annexure to the Directors' Report

### PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

#### 1. Conservation of Energy:

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air-conditioners are used only when required and air-conditioned areas have been treated with heat resistant material like sun control film to reduce heat absorption. We believe that energy saved is energy produced.

#### 2. Research and Development:

Your Company has a modern R&D facility with a state-of-the-art Technology Center working on various R&D projects.

Currently the R &D team is working in the following areas:

- I) Development of a Car Navigation SDK on handheld computers like Windows CE devices. The plans for 05-06 include development of such a system on smart phones running Symbian OS.
- II) Simultaneous multiple editing of large GIS datasets in popular database formats.
- III) Technologies for integrating GIS into the enterprise applications
- IV) Developing applications in SAP NetWeaver Platform and Technologies

#### Benefits derived as a result of the above R&D initiatives.

Your company's R&D team has delivered a high performance Navigation system to customers based on the above SDKs. Some of these applications match world's-renowned names in performance and features. The Research and Development activities in the field of NetWeaver platform and technologies has resulted in acquiring the skills needed to service our customers and to improve the revenues for the organization. We have successfully deployed

the platform at Infotech and several of our key resources in SAP have been trained in these technologies. The customers have already derived benefits from our research in these technologies. We will also be able to add more customers that will be requiring our services.

(Rs. in millions)

Particulars	FY 2004-05	FY 2003-04
Revenue Expenditure	20.95	17.74
Capital Expenditure	0.98	1.57
Total R & D Expenditure	21.93	19.31
R & D Expenditure as % Total Revenue	1.39%	1.53%

#### 3. Technology Absorption, Adaptation and Innovation:

Your Company continues to use state-of-the-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your Company continues to invest in the latest hardware and software.

#### 4. Foreign Exchange Earnings and Outgo:

Most of your Company's earnings are from the export of Computer Software and Services. During the year, export earnings accounted for 95% of the total income. In order to promote product sales and services, your Company participated in various exhibitions and carried product promotion activities.

(Rs. in millions)

Particulars	FY 2004-05	FY 2003-04
Foreign Exchange Earning	1465.14	1,201.26
Foreign Exchange Outgo	343.85	516.54

for and on behalf of the Board

Place : Hyderabad  
Date : 20th April, 2005

**B V R Mohan Reddy**  
Chairman & Managing Director

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, and forming part of the Directors' Report for the year ended March 31, 2005.

Name of the Employee and Age	Designation	Qualification	Date of Joining	Experience	Gross Remuneration Rs.	Previous Employment	Nature of Employment	Nature of Duties
Mr. B.V.R. Mohan Reddy 54 years	Chairman & Managing Director	B.E., M Tech MSE	28.08.91	31 Years	5,510,308	OMC Computers Managing Director	As per Shareholders resolution	Overall Management and as directed by the Board from time to time.
Mr. Sudhir Sethi 49 years	President & Executive Director	B.E., M.B.A.	04.05.02	23Years	4,544,784	Walden International Investment Group General Partner	As per Shareholders resolution	Corporate strategy Sales & Marketing, M&A strategy & Fund Raising
Mr. S.A. Lakshminarayanan 53 years	Chief Operating Officer	B.E.	01.12.95	28 Years	2,742,478	OMC Computers Vice President	Permanent Employee	Head of Delivery - UTG.
Mr. Rajeev Lal 56 years	President	B.Sc. Engg. Electronics	01.04.99	35 Years	2,972,764	Boodai Computer Systems Co. Group Manager	Permanent Employee	Overall management and Head of Vertical
Mr. K. Ashok Kumar 52 years	Chief Operating Officer	M. Tech.	25.06.01	26 Years	2,967,989	Satyam Computer Services Ltd Vice President	Permanent Employee	Head of Delivery - EMI
Mr.A.V. Ram Mohan	President	B.E.,MBA	10.01.05	28 Years	631,407*	Ramco Systems Executive Director	Permanent Employee	Overall management and Head of Vertical

\* Employed for part of the financial year

### Note:

1. Remuneration includes basic salary, allowances, commission, superannuation, gratuity and taxable value of perquisites as per Income Tax Rules.
2. Particulars regarding the employees drawing salary in excess of that drawn by Managing Director or Whole-time Director and holding, either by himself or along with spouse and dependent children, not less than two percent of the equity shares of the Company, is not applicable.
3. None of the above employees is a relative of any Director of the Company.
4. Other standard terms of employment as applicable to the employees of the Company as per rules of the Company from time to time are also applicable to the above employees.

for and on behalf of the Board

Place : Hyderabad  
Date : 20th April, 2005

**B V R Mohan Reddy**  
Chairman & Managing Director

## Details of Stock Options

Pursuant to SEBI guidelines on Stock Options

Infotech Associate Stock Options Plan (Infotech ASOP)

As on 31st March, 2005

Sl. No	Description	2001 Plan		2002 Plan			2004 Plan	Total
		Apr-01	Apr-04	Oct-02	Jun-03	Apr-04	Oct-04	
1	No. of shares available under Infotech ASOP							
	A. Originally allocated	225000	-	575000	-	-	1150000	-
	B. Consequent to bonus issue	154205	-	-	-	-	-	-
	C. Total	379205	-	575000	-	-	1150000	2104205
2	No. of options granted							
	A. Originally granted	175900	15000	437400	83500	15000	5000	555900
	B. Consequent to Bonus issue	308410	-	-	-	-	-	308410
	C.Total	-	-	-	-	-	-	864310
3	Pricing Formula			Market Price on Date of Grant				
4	Options vested during FY 04-05	59085	-	133398	20375	-	-	212858
5	Options exercised during FY 04-05	85785	-	42773	17350	-	-	145908
6	Options lapsed during FY 04-05	8140	-	82370	2000	-	-	92510
7	Grant price							
	A. Original price	Rs. 72/-	Rs. 124/-	Rs. 133/-	Rs. 108/-	Rs. 124/-	Rs. 142/-	-
	B. Consequent to bonus issue	Rs. 36/-	-	-	-	-	-	-
8	Total No. of options in force as on 31st Mar 2005	12970	15000	252682	64150	15000	5000	364802
9	Grant Details to members of Senior Management Team							
	S A Lakshminarayanan	4000	-	4000	5000	-	-	13000
	Rajeev Lal	4000	-	4000	5000	-	-	13000
	A Mohan Krishna Reddy	4000	-	4000	5000	-	-	13000
	K Ashok Kumar	-	-	4000	5000	-	-	9000
	John Renard	10000	-	7500	-	-	-	17500
	Geoff Kendall	10000	-	-	-	-	-	10000
	Nick Gordon	-	-	5000	-	-	-	5000
	Martin Trostel	-	-	-	-	2500	-	2500
	Gregory Tilley	-	15000	-	-	-	5000	20000
10	No. of associates holding 5% or more of the total number of options granted during the year	NIL	NIL	NIL	NIL	NIL	NIL	NIL
11	No. of associates with 1% or more of paid up capital	NIL	NIL	NIL	NIL	NIL	NIL	NIL
12	Diluted EPS as per Accounting Standard 20	Rs.15.10	-	-	-	-	-	-

13	i)	Method of calculation of employee compensation cost	:	The Company has calculated the employee compensation cost using the intrinsic value of the stock options	
	ii)	Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	:	Rs.15.04 Million (increase)	
	iii)	The Impact of this difference on profits and on EPS of the Company	:	Profit After Tax (PAT)	Rs. 223.06 Mn
				Less: Additional employee compensation cost based on fair value	Rs. 15.04 Mn
				Adjusted PAT	Rs. 208.02 Mn
				Adjusted EPS	Rs. 14.08
	iv)	Weighted average exercise price and fair value of Stock Options granted:			
		Stock Options granted on	Weighted average exercise price (in Rs)	Weighted average Fair value (inRs)	Closing market price at NSE on the date of grant (in Rs.)
		27/04/01	36.00	198.70	36.00
		24/10/02	133.00	286.94	133.00
		23/06/03	108.00	177.07	108.00
		28/04/04	124.00	167.60	124.00
		20/10/04	142.00	197.53	142.00
	v)	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	:	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option pricing models require use of substantive assumptions, changes therein	
	v)	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	:	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.	
	vi)	The main assumptions used in the Black Scholes option-pricing model during the year were as follows:			
		Risk free interest rate	:	7%	
		Expected life of options from the date(S) of grant	:	0.45 years	
		Expected volatility	:	85%	
		Dividend yield	:	0.64%	

for and on behalf of the Board

Place : Hyderabad  
Date : 20th April, 2005

**B V R Mohan Reddy**  
Chairman & Managing Director

## Report on Corporate Governance

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Infotech Enterprises Ltd. (Infotech) is committed to optimizing long-term value for its stakeholders. The Company believes that good corporate governance is an intrinsic part of its fiduciary responsibility as a responsible citizen and has thereby laid strong emphasis on the transparency of its operations. In this respect, Infotech has created an accountability matrix that not only follows statutory disclosures and reporting norms but also voluntarily adheres to best international practices. Infotech is confident that these practices will enable it to establish enduring relationship with all its stakeholders and optimize its growth paradigm.

#### Attendance at the Board Meeting

Name of Director and Category	Designation	No. of Board Meetings held	No. of Board Meetings attended	Attendance at the last AGM held on 27.07.2004	No. of other Directorships / Committees
B.V.R. Mohan Reddy Promoter and Executive Director	Chairman and Managing Director	5	5	Yes	7
B.Sucharitha Promoter and Executive Director	Whole-time Director	5	5	Yes	2
K. Rajan Babu Promoter and Non-Executive Director	Director	5	2	No	5
Sudhir Sethi Executive Director	President and Executive Director	5	5	Yes	Nil
M.M. Murugappan Independent and Non-Executive Director	Director	5	3	Yes	16
Charles W Ayer Independent and Non-Executive Director	Director	5	3	No	2
P.N. Thirunarayana Independent and Non Executive Director	Director	5	4	Yes	1
Ranjan Chak Independent and Non-Executive Director w.e.f 20.01.05	Additional Director	5	1	No	3
George Fink Independent and Non-Executive Director w.e.f 24.03.05	Additional Director	5	0	No	0

**Dates on which Board Meetings held:** 28<sup>th</sup> April, 2004, 27<sup>th</sup> July, 2004, 20<sup>th</sup> October, 2004, 20<sup>th</sup> January, 2005 and 24<sup>th</sup> March, 2005.

### 1. BOARD COMPOSITION:

The Board has a fair representation of the executive, non-executive, and independent directors, which is imperative for a vital balanced organization. Of the Nine Directors on the Board of Infotech, only three are Promoter Directors.

The Board has three Executive Directors and the rest are non Executive Directors. Details of Directors retiring by rotation and their brief profiles are provided in the notice to the Annual General Meeting.

## 2. BOARD COMMITTEES:

Presently, the Board has Three Committees: Audit Committee, Compensation Committee and Investor Grievance/Share Transfer Committee. Members of Audit Committee consist of majority of Independent and Non-Executive Directors and that of Compensation Committee consists of two Independent and Non-Executive Directors and one promoter Executive Director and Investor Grievance/Share Transfer Committee consists of one Independent and Non-Executive Director and two promoter Directors.

### A) Audit Committee:

To adhere to the principle of transparent Governance a qualified and Independent Audit Committee has been constituted in January 2001.

- a) Members of Audit Committee
- |                        |  |
|------------------------|--|
| Mr. M.M. Murugappan    | Chairman of the Committee              |
| Mr. Charles W Ayer     | Member                                 |
| Mr. P.N. Thirunarayana | Member<br>(w.e.f. 28-04-2004)          |
| Mr. B.V.R. Mohan Reddy | Member                                 |
| Mr. Y.R.K. Reddy       | Member<br>(resigned w.e.f. 29-04-2004) |
- b) All the members of the Audit Committee are Independent and Non-Executive Directors, except Mr. B.V.R. Mohan Reddy.
- c) Attendance at the Audit Committee Meeting:
- The Committee met 4 times during the year and Quorum was present for every meeting. Mr. Y.R.K. Reddy attended only one Meeting, Mr. Murugappan attended two meetings, Mr. Charles W Ayer and Mr. Thirunarayana attended three meetings each and Mr. Mohan Reddy attended all the four meeting of the Committee.
- d) Dates of Audit Committee meetings held: 28<sup>th</sup> April, 2004, 27<sup>th</sup> July, 2004, 20<sup>th</sup> October, 2004 and 20<sup>th</sup> January, 2005.
- e) Brief terms of reference:

- Oversight of Company's financial reporting process
  - Recommendation of appointment of external auditors and their remuneration
  - Review of Quarterly, Half Yearly, Annual Financial Statements
  - Review of Internal Control systems, and internal Audit Function
  - Review of the Company's Financial and Risk Management Policies
  - Discussion with external auditors regarding nature and scope of audit
- f) The Chairman of Audit Committee attended the last AGM and answered queries raised by the shareholders.

### B) Compensation / Remuneration Committee:

The Committee has been constituted primarily to evaluate compensation and benefits for Executive Directors and to frame policies and procedures for Associate Stock Option Plans as approved by the shareholders. This Committee also acts as Nominations & Remuneration Committee of the Company. (The remuneration policy of the Company is "rewards for results and recognition for efforts". The following Directors are members of the Committee:

- a) Members of the Compensation Committee:
- |                        |                                     |
|------------------------|-------------------------------------|
| Mr. M.M. Murugappan    | Chairman of the Committee           |
| Mr. Charles W Ayer     | Member                              |
| Mr. B.V.R. Mohan Reddy | Member                              |
| Mr. Y.R.K. Reddy       | Member (Resigned W.e.f. 29-04-2004) |
- b) Attendance at the Compensation Committee:
- The Committee met thrice during the year on 28<sup>th</sup> April, 2004, 27<sup>th</sup> July, 2004 and 20<sup>th</sup> October, 2004. The Committee also passed resolutions by circulation on 1<sup>st</sup> December 2004 and 25<sup>th</sup> February, 2005. Mr.M.M. Murugappan and Mr. Y.R.K. Reddy attended one meeting each, Mr. Charles W Ayer attend two meetings and Mr. B.V.R. Mohan Reddy attended all the meetings of the Committee.

c) Details of Remuneration to Executive Directors.

Particulars	Rs.		
	B.V.R. Mohan Reddy	B. Sucharitha	Sudhir Sethi
	Chairman and Managing Director Rs.	Whole Time Director Rs.	President & Executive Director Rs.
Salary	24,00,000	12,00,000	35,84,210
Commission	29,19,059	-	600,000
PF Contribution	1,44,000	72,000	1,44,000
Superannuation	1,80,000	90,000	1,80,000
Gratuity	(1,32,751)*	89,428	36,574
<b>Total</b>	<b>55,10,308</b>	<b>14,51,428</b>	<b>45,44,784</b>

\* Excess contributed during the previous year, hence adjusted.

Mr. B.V.R. Mohan Reddy, Chairman and Managing Director and Mrs. B.Sucharitha, Whole Time Director of the Company are re-appointed on 21<sup>st</sup> January, 2004 for a period of five years and it was approved by the shareholders in the last AGM held on 27<sup>th</sup> July, 2004. Mr. Sudhir Sethi was appointed as President and Executive Director with effect from 24<sup>th</sup> April, 2002 for a period of five years. The notice period is 6 months from either side.

The Non Executive Directors are eligible for commission not exceeding an aggregate of 1% of the net profits of the Company for all such Directors and not exceeding Rs. 200,000 per person per annum. No sitting fee was paid to Non Executive Directors.

**C. Investor Grievance Committee/Share Transfer Committee:**

The Investor Grievance Committee has been constituted for redressal of Investor complaints/ grievances. The Committee's primary responsibility is to implement a smooth share transfer process, minimize shareholder/ investor grievances and to strengthen investor relations. Two Meetings were held one on 22<sup>nd</sup> April, 2004 and other on 20<sup>th</sup> August, 2004.

a) Members of the Committee:

Mr. Ranjan Chak - Chairman of the Committee  
(W.e.f 20-01-2005)

Mrs. B.Sucharitha - Member

Mr. K.Rajan Babu - Member (Upto 20-01-2005)

Mr. B.V.R.Mohan Reddy - Member

b) Name and Designation of Compliance Officer:

Mr. M. S. Khan, Company Secretary

c) Status of Share transfers as on the date of the Report:

There are no pending share transfers as on the date of this report.

d) Details of Investor correspondence/grievances for the Year 2004 – 05

Sl. No.	Nature of Complaint	2004 - 05		2003 - 04	
		Rece-ived	Pen-ding	Rece-ived	Pen-ding
1.	Change /correction of address	20	NIL	40	NIL
2	Non Receipt of Dividend warrants	32	NIL	35	NIL
3	Request for ECS Facility	1	NIL	43	NIL
4	Change/Correction of Bank Mandate	33	NIL	16	NIL
5	Correspondence/ query related to NSDL	NIL	NIL	7	NIL
6	Non receipt of Securities	4	NIL	1	NIL
7	Others	31	NIL	75	NIL
	<b>Total</b>	<b>121</b>	<b>NIL</b>	<b>217</b>	<b>NIL</b>

**3. VENUE AND TIME OF THE LAST THREE ANNUAL GENERAL MEETINGS:**

Date	Venue	Time	No. of Special Resolutions
27.07.04	Bhaskara auditorium, B M Birla Museum, Adarsh Nagar, Hyderabad - 500463	3.30 P.M.	Eight
23.07.03	—DO—	3.30 P.M	Three
22.07.02	—DO—	3.00 P.M	Three

No Resolution was circulated by postal ballot. The Resolutions are passed on show of hands with requisite majority. The venue of AGM has been chosen for its central location, prominence and capacity.

**4. DISCLOSURES:**

There are no materially significant related party transactions i.e., transactions material in nature, with its promoters, the Directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

No penalties have been imposed on the Company by the stock exchanges where the Company's shares are listed or SEBI or any other statutory authority, on any matter.

**5. MEANS OF COMMUNICATION:**

The quarterly un-audited/audited financial results of the Company are published in major newspapers including,

> Rapid Growth >

The Times Of India (national news paper) and in Andhra Bhoomi (vernacular news paper). The complete quarterly un-audited/audited financial statements, press releases etc., are posted on the Company's website, at www.infotechsw.com and on the SEBI's web site through Electronic Data Information Filing And Retrieval System (EDIFAR). The Company also hosts a conference call with analysts and fund managers soon after declaration of quarterly financial results. The Company also releases a press note on all price sensitive Information.

#### 6. THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMS PART OF THE ANNUAL REPORT.

#### 8. GENERAL SHAREHOLDER INFORMATION:

##### 1. Date, time and venue of the Annual General Meeting

July 21, 2005 03.30 pm  
Bhaskara Auditorium, BM Birla Museum, Adarsh Nagar, Hyderabad - 500 463.

##### 2. Financial Calendar

1<sup>st</sup> April to 31<sup>st</sup> March

##### 3. Date of Book Closure

13<sup>th</sup> July, 2005 to 21<sup>st</sup> July, 2005 (Both days inclusive)

##### 4. Dividend Payment Date

Within 30 days from date of AGM

##### 5. Listing on Stock Exchanges:

The Stock Exchange, Mumbai  
Phiroze Jee Jee Bhoy Towers,  
Dalal Street,  
Mumbai - 400 001.

The National Stock Exchange of India Ltd.,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E), Mumbai - 400 051.

##### 6. Details of Delisting

During the year the Company voluntarily delisted from Madras Stock Exchange Ltd.

##### 7. Listing Fee

Paid for all the above stock exchanges for the FY 2005-06

##### 8. Electronic Connectivity

National Securities Depository Ltd. & Central Depository Services (India) Ltd.

##### 9. Registered Office and Corporate Headquarters

Plot No.42, Nagarjuna Hills  
Panjagutta, Hyderabad - 500 082,  
A P, India.

Tel. No : +91 -40- 2335 2464

Fax No : +91- 40-2335 0841

+91-40- 5562 4368

Email: nandakishore@infotechsw.com

URL: www.infotechsw.com

##### 10. Software Development Facilities

#### Hyderabad- Software Development Centers

- Plot No.9,10,11,Software Units Layout, Infocity, Madhapur, Hyderabad - 500 033, India.  
Tel. No: +91 -40- 2311 0358  
Fax No: +91- 40- 2311 0354
- Plot No.104, Kavuri Hills, Madhapur, Hyderabad, India.  
Tel.No:+91-40-23112410, 23112412

#### 7. COMPLIANCE OF INSIDER TRADING NORMS:

The Company has adopted the code of internal procedures and conduct for listed companies notified by Securities and Exchange Board of India prohibiting Insider trading. A policy document on Prohibition of Insider trading is available at the registered office of the Company. The Company has also adopted a Code of Conduct to be adopted by Sr.Management & Board Members. This document is also available on the Company's website. All insiders shall comply with the model code of conduct adopted by the Company.

3. Flat No.201 & 202,  
II nd Floor, Cyber Heights,  
Plot No,13, Huda Layout,  
Road No.2, Banjara Hills, Hyderabad.  
Tel. 91-40-23540326,23540329, 23540379

**Bangalore - Software Development Center,**  
138, 5th Block, Koramangla,  
Bangalore - 560 304.  
Tel.: +91-80- 550 3117  
Fax: +91-80-5503116

### 11. Stock Market Data

Monthly closing high and low quotations of Shares traded on Mumbai and National Stock Exchanges for the year 2004-05:

Year 2004-05 Month	NSE		BSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
April, 2004	130.45	109.05	130.75	110.07
May, 2004	124.85	85.45	128.65	89.94
June, 2004	119.00	103.15	120.36	104.14
July, 2004	134.40	108.95	135.62	109.69
August, 2004	136.85	126.55	136.90	126.60
September, 2004	149.95	136.40	149.60	136.45
October, 2004	165.70	140.40	165.70	139.85
November, 2004	186.50	158.75	185.95	158.60
December, 2004	194.90	171.95	193.85	171.55
January, 2005	192.10	162.15	192.00	161.45
February, 2005	246.25	191.45	246.85	191.15
March, 2005	277.15	238.45	268.30	237.85
Yearly	277.15	85.45	268.30	89.94

Market Capitalisation - As on 31st March, 2005:

Rs.4,081.60 Million as on 31st March,2005 as per the closing stock price on The National Stock Exchange of India Limited.

### 12. Communication regarding Share Transfers in physical/electronic form and other related correspondence

Karvy Computershare Private Limited,  
Registrars & Share Transfer Agents,  
Unit: Infotech Enterprises Limited,  
“Karvy House”,46,Avenue 4,  
Street No.1, Banjara Hills,  
Hyderabad - 500 034 - India.  
Tel: +91-40-23312454, 23320251 / 751 / 752  
Fax: +91-40 - 23311968, 23323049  
email: karvyhyd@karvy.com

### 13. Share Transfer System

Shares lodged for physical transfer would be registered within a period of 8 days as against service standard of 15 days, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee. For this purpose, the Share Transfer Committee meets as often as required. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Shares in dematerialized form are transferred within 10 days.

### 14. Dematerialization of shares and liquidity

The Company's stock is under compulsory demat category in all stock exchanges where it is listed. The International Securities Identification Number (ISIN) allotted to the company scrip is INE 136B01012. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Over 81% of the company's shares are now held in electronic form. The list of depository participants is available with the National Securities Depository Limited (NSDL) at www.nsdl.co.in.



## Auditors' Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the listing Agreements

To the Members of  
**Infotech Enterprises Limited**  
Hyderabad.

We have reviewed the implementation of Corporate Governance procedures by Infotech Enterprises Limited during the year ended March 31, 2005, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as

to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have been complied with in all material respect by the Company and that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

**S. Gopalakrishnan**  
Membership No. 18863  
Partner  
for and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Hyderabad  
Date : April 20, 2005

## Certificate of Compliance

To the Members of  
**Infotech Enterprises Limited**  
Hyderabad.

On the basis of our examination of the relevant books and records of M/s Infotech Enterprises Limited ("the Company") for the year ended March 31, 2005 and the explanations provided to us in connection therewith, we certify due compliance by the Company in all material respects, including statutory and regulatory filings, with the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 (SEBI), the rules and regulations issued there under and the listing agreement entered into by the Company with the stock exchanges including the provisions of Corporate Governance as contained

in clause 49 thereof, for the financial year ended March 31, 2005.

This Certificate may be published, if the Company so deems fit, in its Annual Report for the financial year ended March 31, 2005.

for **L V V Iyer & Associates**

Place : Hyderabad  
Date : 6th June, 2005

**L V V Iyer**  
Corporate Lawyers

## Management Discussion and Analysis Report

### MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2005

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

Offshore outsourcing has shown significant growth over the last several years and India has emerged as the leading destination for global corporations, delivering quality services and cost advantages. The list of companies outsourcing their IT requirements to offshore locations in India continues to increase, as does their offshore outsourcing budgets. Industry analysts expect that India, given its intrinsic advantages as an offshore destination, would continue to be the dominant force in the foreseeable future.

According to NASSCOM's Strategic Review 2005, IT-ITES exports are expected to reach US\$ 17.9 billion in FY 2004-05 from US\$ 13.3 billion in the preceding year, recording a growth of 34.8%. With this, India's IT-ITES exports would have grown at 35.3% annually over the last five years, accounting for an ever-increasing share of the country's foreign trade and contributing to economic growth. It is expected that the Indian IT-ITES sector would create 203,500 additional jobs during FY 2004-05.

While the offshore outsourcing opportunities available to India continue to expand, Indian companies in this space have been facing ever increasing competition – not only from their local peers but also from international IT services / consulting companies and IT outsourcing customers setting up offshore operations in the country. However, the Indian software industry has shown resilience while aligning its strategies with the changing business environment.

#### OPPORTUNITIES AND THREATS

Presented below is the management's assessment of some key potential opportunities and threats associated with the business. While the management is looking to leverage such opportunities in an effective manner to optimize business advantages, it is also focused to create effective mitigants for all potential threats that could impact the business operators. A more detailed Risk Management Report is available elsewhere in the Annual Report.

##### Opportunities

Infotech re-aligned itself into two verticals namely Utilities, Transportation & Government (UTG) and Engineering, Manufacturing & Industrial Products (EMI), which offer considerable opportunity to the company considering the offshore delivery model. The company engages itself into certain niche areas such as GIS and Engineering services, which enables the Company to stand out as a leading player in these areas.

With increased focus on outsourcing in the manufacturing industry, Infotech, as an established player in this segment, believes that it can exploit the emerging opportunities and also engage itself into new services required by the customers. With Infotech's growing presence through direct offices in important centers of demand and by building partnerships, the management sees the potential for continued business expansion.

Optimizing cost structures has been one of the rationales of outsourcing to Indian IT companies. Infotech has created streamlined procedures and processes so as to provide competitive cost benefits to its client's business operations. This has resulted in key relationships turning into strategic partnerships, which provide continued visibility to the business.

##### Threats

In the recent past, many leading global software and consulting companies have entered into the niche areas in which Infotech has a presence. This increases the competition from different levels of service providers.

Fluctuations in the foreign exchange markets with some of the global currencies being re-valued has exposed the company, which derives about 93% of its revenues from exports, to foreign currency transactions risk. However, Infotech has put in place an active hedging policy to manage the risk.

Infotech derives a significant portion of its revenues from a limited number of clients. However, we are seeing a decreasing trend of dependency on large clients as the Top 10 clients contributed 57% of revenues in FY 2005 compared to 75% in FY 2004. Though Infotech has mitigated this threat to an extent, the loss of any major client could adversely affect the business. However, relationships with leading customers are considered strong and stable by the management.

##### OUTLOOK

IDC expects the global demand for IT and ITES services to grow to well over US\$ 1 trillion by 2007, growing by 8.5% annually between 2004 and 2007. The share of offshore in this growing market would further be expected to rise significantly in this period. With wider conceptual acceptance of global offshore outsourcing delivery model, leading Indian players in this sector are well-positioned for growth.

Niche players, such as Infotech, with demonstrated strengths and strong relationships are expected to benefit from the ongoing sector trends. Infotech's areas of operation constitute the core processes of its customers and therefore sales cycles are longer and the ramp up process is more gradual. However, engagements are strategic in nature and in several cases expand significantly over a period of time.

**OVERVIEW**

Infotech achieved 23.5% growth in revenues, operating margin expansion of about 120 basis points and net profit growth of 87% in FY 2005 as compared to FY 2004. These financial achievements reflect the values the Company now delivers to its global customers.

In FY 2005, Infotech re-aligned its operations on vertical lines; improved profitability of its subsidiaries; strengthened relationships with key customers; initiated several high potential engagements; reduced client concentration by divesting part stake in its Puerto Rican operations; and enhanced its offshore capability by adding infrastructure at Hyderabad.

Overall, optimization of investments made previously has delivered growth in revenues and expanded profitability. The management believes that it has in place the strategies to create ongoing value enhancements over several years from its business.

**A. FINANCIAL ANALYSIS**

**1.1 Share Capital**

(In Rs. Million)

Year ended March 31,	2005		2004	
	Nos.	Rs.	Nos.	Rs.
Balance at the beginning of the fiscal	14.58	145.81	14.47	144.70
Shares issued during the year:	0.146	1.46	0.11	1.11
Balance at the end of the year	14.73	147.27	14.58	145.81

The Share Capital of the Company increased from Rs.145.81 million (14,581,130 shares of Rs.10 each) to Rs.147.27 million (14,727,038 shares of Rs.10 each) during the year on account of shares allotted to associates of the Company under the Associate Stock Option Scheme. 145,908 shares were allotted during the year pursuant to the stock option plan.

**1.2 Reserves and Surplus**

During the year, the Company's reserves and surplus increased from Rs.1384.38 million to

Rs.1591.51 million. An amount of Rs. 9.19 million was received as share premium on account of further issue of equity shares. An amount of Rs. 189.26 million was transferred from Profit & Loss Account to General Reserve Account.

**1.3 Loan Funds:**

(In Rs. million)

SECURED LOANS	2005	2004
Other Loans	2.40	1.52

**1.4 Deferred Tax Assets**

(In Rs. Million)

Deferred Tax Asset/(Liability)	2005	2004
Fixed Assets	11.85	23.07
Employee Benefits	(22.93)	(18.96)
Others	(6.63)	0.61
Total	17.71	(4.71)

Tax expenses for year comprises of current Tax and Deferred tax. Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date.

During the year, the Company had recorded deferred tax assets of Rs.17.71 million as compared to a liability of Rs. 4.71 million in the previous year representing timing differences arising out of fixed assets, employee benefits and others.

**2.1 Fixed Assets:**

During the year, the Company had few of its assets fully written off which resulted in the amount of depreciation for the current year falling from Rs.160.36 million in last year to Rs.124.07 million during the current year. The Company continued to invest in building new infrastructure facilities and upgrading its existing development facilities on account of which a new facility was inaugurated during the year. This new facility resulted in increase in the capital work-in-progress of the company from Rs.12.46 million to Rs.140.96 million. Gross block of assets increased by 12.95% from Rs.872.45 million to Rs.985.40 million. This includes investment of Rs. 76.69 million in Technology upgradation, Computers and plant & machinery. Other assets (including land, Building, office equipment, Furniture & Fixtures, Electrical installation and vehicles) increased by Rs. 6.04 million. Company believes that these investments are necessary to keep up with growth requirements. Goodwill in the books has been fully written off during the year and hence no goodwill lies in the books as on 31 March 2005.

As of March 31

(In Rs. million)

Particulars	2005	2004	Growth %
Original Cost			
Land	19.55	15.10	29.5%
Building	70.99	69.99	1.4%
Computers & Software	697.81	594.16	17.4%
Plant & Machinery	69.18	66.31	4.3%
Office Equipment	14.76	13.70	7.7%
Furniture and Fixtures	48.42	47.92	1.0%
Electrical Installations	17.75	17.37	2.2%
Vehicles	12.09	13.09	(7.5%)
Goodwill	34.81	34.81	-
Total – Gross Block	985.40	872.45	12.9%
Less: Accumulated Depreciation	680.17	561.31	21.2%
Net Block	305.23	311.14	(1.9%)
Add: Capital Work in Progress	140.96	12.47	1030.8%
Net fixed Assets	446.19	323.61	37.9%
Depreciation as % of Total revenues	7.9%	12.7%	
Accumulated Depreciation as a % of gross block	69.0%	64.3%	

## 2.2 Investments

As of March 31

(In Rs. million)

INVESTMENTS	2005		2004	
Long-term Investments				
Investment in Subsidiaries (Valued at Cost)				
Infotech Software Solutions Inc., USA	268.04		224.18	
Infotech Enterprises Europe Ltd, UK	303.75		253.68	
Advanced Graphics Software GmbH, Germany	70.76		62.29	
	642.55		540.15	
Investments In Associates(Valued at Cost)				
Infotech Aerospace Services Inc., USA	11.17	653.72	22.86	563.01
Current Investments	20.00	20.00		
Total Investments		673.72		563.01

During the year, the Company had invested an aggregate of Rs.102.39 million in its 3 overseas subsidiaries. The Company divested 51% stake in its Puerto Rican subsidiary during the year and hence the subsidiary turned out to be an associate during the year. The amount of investment in that company came down from Rs.22.86 million to Rs.11.17 million. The subsidiaries have made considerable progress in terms of infrastructure development and this shall help them in addressing the client's requirements globally.

## 2.3 Sundry Debtors

The Sundry Debtors as on March 31, 2005 stand at Rs.567.65 million (net of provision for bad and doubtful debts) compared to Rs. 434.13 million on March 31, 2004. Sundry Debtors over six months old came down from Rs.74.59 million to Rs.8.51 million. Apart from the debtors provided for in the year under review, all debtors are considered good. The debtors above also include Rs.233.99 million outstanding from Subsidiaries and Rs.66.59 million of Unbilled revenue. Infotech's DSO (days' sales

outstanding) level was at 135 days as on March 31, 2005 compared to 127 days as on March 31, 2004. The management believes that the average receivables days will come down in the ensuing financial year.

## 2.4 Cash and Bank Balances

As of March 31	(In Rs. million)	
	2005	2004
Cash balances	0.47	0.24
Balance with Schedule Banks		
-on Current accounts	205.06	190.55
-on Deposit accounts	47.09	120.55
Unclaimed Dividend account	0.64	0.46
<b>Total cash and bank balances</b>	<b>253.27</b>	311.80

The bank balances include both rupee accounts and foreign currency accounts. As on 31 March 2005, Infotech's cash and Bank balances stand at Rs.253.27 million as compared to previous years Rs.311.80 million. During the year cash was used in the Construction of new premises and development of new infrastructure.

## 2.5 Loans and Advances

As of March 31	(In Rs. million)	
	2005	2004
(Considered good unless otherwise stated)		
Unsecured - Advances recoverable in cash or in kind or for value to be received	43.05	42.25
Advance Income Tax (net of provision)	15.93	27.62
Deposits	14.66	12.78
Dividend receivables from Subsidiary	-	-
Interest accrued on Deposits	0.43	0.95
Considered Doubtful	0.37	0.37
	74.44	83.97
Less : Provision for Doubtful Loans and Advances	0.37	0.37
<b>Total</b>	<b>74.07</b>	83.60

Loans and Advances during the year reduced to Rs.74.07 million from Rs.83.60 million in the previous year. The reduction was on account of fall in Advance Income Tax paid during the year. Loans and Advances are primarily towards amounts paid in advance and this includes advance income tax deposited with the tax authorities.

## 2.6 Current Liabilities

As of March 31	(In Rs. Million)	
	2005	2004
Sundry Creditors		
Dues to suppliers and others	167.53	95.32
Advances from Customers	17.69	15.27
Unclaimed Dividends (Investor Education and Protection fund)	0.64	0.46
Other Liabilities	8.12	7.11
<b>Total</b>	<b>193.98</b>	118.16

Sundry creditors represent the amount payable to vendors for the supply of goods and services. Creditors during the year increased from Rs.118.16 million in 2004 to Rs.195.57 million on account of increase in volumes of the Company and increase in dues to the subsidiaries. Other liabilities represent statutory dues payable to various regulations.

## 2.7 Provisions

As of March 31	(In Rs. Million)	
	2005	2004
Proposed Dividend including tax thereon	25.13	20.09
Provisions for Gratuity and Leave Encashment	72.32	41.48
<b>Total Provision</b>	<b>97.45</b>	61.57

The Infotech Board has proposed a dividend of Rs. 1.50 per share (15%) for FY 2005 as compared to Rs.1.25 per share (12.5%) in FY 2004. The Provision for Gratuity and Leave Encashment is part of the statutory provisions made in line with contracts entered into with the Company's employees.

## B. RESULTS OF OPERATIONS

### 3.1 Total Income

#### Operating Income:

Infotech's operating income increased by 23.5% from Rs.1245.40 million to Rs.1538.01 million. The increase in revenues is contributed by increase in Exports revenue from Rs.1201.26 million to Rs.1465.14 million (22%) and increase in domestic revenue from Rs. 44.14 million to Rs.72.87 million (65%).

#### Other Income

Other Income increased substantially during the year from Rs.12.42 million to Rs.35.38 million, representing a growth

of 185% year-on-year. Other Income includes an amount of Rs 136 Lakhs being profit on sale of 51% equity in the wholly owned subsidiary Infotech Aerospace Services Inc., Puerto Rico and interest earned on loans and bank deposits, income from investments in mutual funds, profit on sale of these investments and foreign exchange fluctuations.

### Total Income

Coupled with increase in both Operating Income and Other Income, the Total Income of the Company represented a 25.1% growth year-on-year, moving from Rs.1257.82 million in 2003-04 to Rs.1573.39 million in 2004-05.

(In Rs. Million)

Particulars	Financial Year ended March 31				Growth %
	2005	%	2004	%	
Income from Export sales	1,465.14	93.1	1201.26	95.5	22.0
Income from Domestic sales	72.87	4.6	44.14	3.5	65.0
Total Sales	1538.01	97.8	1245.40	99.0	23.5
Other Income	35.38	2.2	12.42	1.0	184.9
Total Income	1573.39	100.0	1257.82	100.00	25.1

### 3.2 Segment wise Performance

(In Rs. Million)

Particulars	Financial Year ended March 31				Growth %
	2005	%	2004*	%	
Utilities, Transportation & Government	499.38	32.5	388.57	31.2	28.5
Engineering, Manufacturing & Industrial Products	1,048.91	68.2	856.83	68.8	22.4
(-) Inter vertical Revenues	10.28	0.7	-	-	
Total Income	1538.01	100.0	1245.40		23.5

\* Re-classified figures

During the year, Infotech has re-aligned its business into 2 main verticals namely Utilities, Transportation & Government (UTG) and Engineering, Manufacturing & Industrial Products (EMI). UTG is combination of erstwhile GIS services and software part of SDS division. EMI is a combination of erstwhile Engineering Services division and software part of SDS division related to Engineering. The previous year figures have been re-

classified to give a comparative picture. During the year, the UTG vertical represented a growth of 28.5% on account of further strengthening of engagements with large clients in the vertical. The EMI vertical represented a growth of 22.4% on account of increased traction from other divisions of United Technologies Corporation and significant growth in accounts like Bombardier Transportation.

### 3.3 Geographical Mix:

(In Rs. Million)

Particulars	Financial Year ended March 31				Growth %
	2005	%	2004	%	
North America	1,062.61	69.1	1054.35	84.6	0.8
Europe	355.35	23.1	129.89	10.4	173.6
Others (Including domestic sales)	120.04	7.8	61.16	5.0	96.2
Total Income	1,538.01	100.0	1245.40	100.0	23.5

For the year 2004-05, the percentage of contribution from North America stands at 69.1% as compared to previous years 84.6%. Though the contribution in real terms remained the same, the proportion of percentage came

down as increased business traction was seen from European markets during the year which represented a growth of 173.6%. Contribution from Other geographies also increased substantially during the year.

**3.4 Client Concentration**

	2005	2004
Top 5 Clients	52.1%	72.5%
Top 10 Clients	57.0%	75.7%

During the year, Infotech's dependence on its top 10 clients showed a decline representing that the Company has been able to mitigate client concentration risk. The dependence on Top 5 clients, which was at 72.5% last year came down substantially to 52.1%. The contributions from other smaller accounts have been significant during the year and hence enabling Infotech reduce its risk of being over dependent on few clients. During the year, the

Company had added 47 new clients and shall continue to further expand the profile by growing new clients.

**3.5 Offshore / Onsite Revenue Mix:**

	2005	2004
Offshore	70.5%	68.4%
Onsite	29.5%	31.6%
Total	100.0%	100.0%

Infotech derives a substantial portion of its revenues from offshore delivery. This includes offshore work for overseas customers and execution of domestic projects from the development centers at Hyderabad and Bangalore. Increase in volumes of outsourcing work to India led to a marginal fall in the Onsite revenue percentage.

**3.6 Expenditure**

(In Rs. million)

Particulars	Financial Year ended March 31				Growth (%)
	2005	% of Total Income	2004	% of Total Income	
Personnel Expenses	618.96	39.3	467.81	37.2	32.3
Travel expenses	189.48	12.0	176.70	14.1	7.2
Operating & Administrative Expenses	346.62	22.0	306.13	24.3	13.2

During the year the personnel costs of the Company went up by 32.3% as the employee base increased apart from revision of salaries of the existing staff. The increase in

other costs were in line as the management focused on controlling the costs and look for other measures of cost reduction.

**3.7 Profitability**

(In Rs. million)

Particulars	Financial Year ended March 31				Growth (%)
	2005	% of Total Income	2004	% of Total Income	
Earnings before interest, depreciation & tax (EBITDA)	418.32	26.6	307.19	24.4	36.2
Financial Expenses	1.11	0.07	2.38	0.2	(53.2)
Depreciation	124.07	7.9	160.36	12.7	(22.6)
Profit Before Tax	293.14	18.6	144.45	11.5	102.9
Provision for Tax	92.50	5.9	43.00	3.4	115.1
Deferred tax	(22.42)	-	(20.65)	-	-
Profit after Tax	223.06	14.2	122.10	9.7	82.7

**3.7.1 Earnings before Interest, Tax & Depreciation and Amortization (EBITDA)**

EBITDA represents the operating profitability of the Company except for the fact that it also includes the

other income component. The EBITDA increased from Rs.307.19 million in FY 2004 to Rs.418.32 million in FY 2005, representing a growth of 36.2%. As a percentage of Total Income, the EBITDA margin stands at 26.6% as

compared to 24.4% last year. This represents the growth in efficiency levels of the Company.

### 3.7.2 Financial Expenses:

Infotech continues to be a debt free company except for a short term secured loan of Rs.0.8 million. The company continued to pursue its low leverage policy and hence the majority of the financial expenses are towards bank charges and other interest expense incurred on short term funds requirements.

### 3.7.3 Depreciation and Amortization:

Depreciation and Amortization expense was lower by 22.6% during the year as some of the long-term assets were fully depreciated during the year. The total depreciation amount, which also includes Rs. 6.96 million towards writing off of goodwill, stood at Rs. 124.07 million as compared to previous years Rs. 160.36 million. Though significant additions were made to the assets during the year, the impact of the same was lower on the depreciation amount.

### 3.7.4 Provision for Taxation

The provision for taxation for FY 2005 is Rs. 92.5 million, higher by 115.1% as compared to previous years Rs. 43.0 million as one of the largest facility of Infotech moved out of the 10A & 10B tax brackets during the year. The Company also had a deferred tax asset of Rs. 22.42 million, which reduced the overall tax of the company.

## 3.8 Liquidity

The cash and cash equivalents at the end of the year stood at Rs. 253.27 million as compared to previous years Rs. 311.80 million. During the year, cash was used to fund the construction of new facility and other amenities. The growth of the company is financed through internal cash generation. The company has a internal treasury policy through which money is invested in high rated financial instruments of different maturity periods depending on the requirement of funds.

The company's policies is to maintain sufficient cash balance to meet the following objectives:

- To fund the ongoing Capex requirements to meet its growth objectives
- To fund operational and strategic initiative for the next year.

## DISCLAIMER

Some of the statements contained within this report may be forward-looking in nature and may involve risks and uncertainties. Actual results and outcomes in future may vary materially from those discussed herein. Factors that may cause such variances include, but are not limited to, management of growth, market acceptance of Company's products and services, risks associated with new product versions, dependence on third party relationships and the activities of competitors.

## Risk Management

The changes taking place within today's business environment have greatly increased the risks that must be identified and addressed by executives and operating managers. "Risk" in this context is not defined as the traditional risk of financial loss, but rather the risk that an entity will not achieve its business objectives. Risk Assessment is a systematic process of assessing and integrating probable adverse conditions and/or events in the business process.

During the year, the Company has put into place the recommendations made by Price Waterhouse Coopers after the risk assessment audit conducted by them during the previous year. Internal Standard Operating Procedures (SOP) were released so as to have definite procedure in fulfillment of every activity. The Board of Directors is responsible for addressing the risk levels with Audit Committee providing the overall directions on the risk management policies to be followed by the Company. The Board of Directors is also responsible for putting in place required checks and balances whereas the Executive Management handles the implementation of risk mitigation measures. Proactive risk management is facilitated by formal reporting and control mechanisms, which ensure timely availability of information.

The following are the risks which the management believes form part of Infotech's business and try to address the same through corporate action

1. Financial Risks
2. Business Portfolio Risks
3. Internal Process Risks
4. Competition Risks
5. Legal and Statutory Risks
6. Political Risks
7. Macro Economic Risks

### 1. Financial risks

- Foreign currency rate fluctuations
- Liquidity
- Leverage

#### 1.1 Foreign currency rate fluctuations

During the year, the foreign currency markets have witnessed volatility and this impacted the performance of all Industries, mostly the Information Technology Industry. The industry witnessed the US Dollar touching a high of Rs.46 and falling below a low of Rs.44 during the year. Infotech derives a significant portion (more than 70%) of its revenue in US Dollar terms. Infotech is also exposed to deriving revenue from 25 different countries of the World. A large

proportion of its expenses are in Indian rupees therefore the operating profits are subject to foreign currency rate fluctuations. While the depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect the company's profitability. During the FY 2004-05, US Dollar had depreciated against the Indian Rupee which impacted the profitability of the Company to a certain extent. However, better foreign currency management through hedging of its dollar receivables in the forward market helped the company mitigate the risk of US dollar depreciation.

Dollar expenses are met out of foreign currency accounts. The company does not take active trading positions in the foreign currency markets and operates only to hedge its receivables.

#### 1.2 Liquidity

It is essential for every Company that apart from having a good fixed assets base, it shall also have a high level of liquidity so as to enable itself to re-align to any dynamic business changes. Therefore, as a strategy, Infotech always believes in having a liquid balance sheet. As on 31<sup>st</sup> March, 2005, the following is the liquidity position of the Company:

Ratio	FY 2005	FY 2004
Days of sales receivable	135	127
Cash and Cash Equivalents as % of assets	12.57%	18.17%
Cash and Cash Equivalents as % of revenue	16.10%	24.79%

Infotech also has a policy to settle its payables well within stipulated time frames. Further, the nature of business is such that significant investments may have to be made in sales & marketing, training and research & development activities. All these factors require considerable liquidity.

#### 1.3 Leverage

Your Company continues to be a debt free company except for Rs.2.40 million loan. Debt is used only as a financing option to bridge short term funding requirements as per the Company's policies.

#### 2. Business portfolio risks

A business is subject to the risks involved with respect to the service lines being offered by it, the geographies in which it operates, clients on which it is highly dependent etc. Infotech is also subject to these kinds of risks and therefore has steps in place to prevent undue concentration

in one service, vertical, client or geography. The following are the risks addressed to:

- Vertical domain concentration
- Service concentration
- Client concentration
- Geographical concentration

### 2.1 Vertical domain concentration

Vertical domains relate to the industry in which the clients operate. Infotech has a client base, which operate in Utilities (comprising of Telecom, Power), Transportation, Aerospace Railways, Automobile, Technical Publications etc. Excess dependence in any one or few verticals may lead to risk's aligned due to downturn in any Industry. Therefore, the Company has its risks divided between the various verticals so as to insure itself in the long run from downturn in any particular vertical.

During the year, the Company had its revenues distributed in the ratio of 38:62 among the Utilities, Transportation & Government vertical and Engineering, Manufacturing & Industrial Products vertical respectively.

### 2.2 Service concentration

Infotech has an array of service offerings across its Business Verticals (i.e. Utilities, Transportation & Government [UTG] and Engineering & Manufacturing, Industrial Products [EMI]) namely Geo-spatial Data Services, Geo-spatial Technology Services, Engineering Design Services etc. The Company has carefully crafted its services offering which are focused and specialized to provide expert solution in its chosen horizontals and verticals.

### 2.3 Client concentration

This risk emanates primarily from excessive exposure to a few large clients and any fluctuation in revenue streams emanating from these clients will potentially impact the profitability adversely and increases credit risk. However, in the growth stage of the business large clients with high repeat businesses lead to higher revenue growth, building domain skills and lower marketing costs. Therefore, the company needs to strike a balance when it is in such a transition stage. During the year, Infotech had 47 new clients and also expanded its service offerings to its clients. This resulted in the dependence on Top 10 clients come down significantly during the year. Going forward the company strategy would be to add more new clients to further de-risk the revenue stream.

### 2.4 Geographical concentration

Concentration of revenue in a particular geography is subject to risks arising due to economic conditions, trade policies, work culture, political situation of that particular geography. However, no limitations can be set to each geography since each market has distinct characteristics of future growth prospects. For Infotech, while North America continues to provide greater business, Europe has shown promise during the year and turned out to be new focus area. The percentage of revenue from Europe increased from a mere 10.4% to a substantial 23.1%. To mitigate this risk to lower levels, the company continues to focus on other geography segments. The Company has already established branch offices in Singapore and Australia.

Additional details with regards client concentration and geographical concentration have been provided in the Management Discussion and Analysis report.

## 3. Internal process risks

- Internal control systems
- Project execution
- Human resource management
- Technological obsolescence
- Disaster prevention and recovery
- Growth through Acquisitions

### 3.1 Internal control systems

Infotech internally has an information system which ensures that appropriate information reaches the management so as to facilitate proper monitoring. Adherence to these is in turn ensured through internal audit procedures, quality and security checks conducted from time to time. The following are some of the initiatives taken by the Company to ensure internal control:

- Internal audit team is set up which looks into proper functioning of all the systems and procedures in place.
- Security Audit is conducted each quarter to ensure confidentiality and integrity
- A Committee headed by the Chairman of the Company approves any change in policy matters.

### 3.2 Project execution

Mitigation of risk involved in each project is important as these lead to the profitability of the Company. Reducing uncertainty in delivery, completing the project

within the budgeted cost and time are the major elements of this risk. While the uncertainty in delivery is solved through proper guidance to the project leaders, the risk relating to completion in budgeted cost has been attended through implementation of Project Costing System (PCS) within the Company. PCS enables the profitability of each project at various levels of completion.

**3.3 Human Resource Management**

People are considered to be the key resource for growth of a Company. Infotech has always believed in providing a favourable work environment to its associates (employee’s are designated as associates) along with balanced compensation package. This ensures innovation and creativity towards the work and helps the Company retain the talent over the years.

During the year, the attrition rate of the Company stood at 18.3% as compared to previous years 33.7%. The fall in attrition represents the interest of the associates towards their work and focus of the Human Resources department to provide maximum satisfaction.

During the year, apart from continuation of the High Performers Club (HPC) wherein associates are identified and groomed to take up leadership and general management positions, the Company also entered into a MOU with Jawaharlal Nehru Technological University (JNTU) to offer masters programmes in various disciplines to its associates.

**3.4 Technological obsolescence**

With the extremely fast changing field of Information Technology, it is important for every company to keep itself upgraded with the latest technology solutions. This results in old technologies becoming redundant and hence needs to be written off. The only good thing that supports the changes is the reducing cost. The cost of acquiring technology also includes the cost of installation and re-training.

The following table gives depreciation expense and software expense as a proportion of revenues for the last two years.

	<b>FY 2005</b>	FY 2004
Depreciation / average gross block	<b>12.34%</b>	19.11%
Depreciation / total revenue	<b>7.89%</b>	12.75%

The company’s amortization strategy reflects the requirements of the various categories of systems.

Depreciation during the year was lower compared to previous year as some of the assets were fully written off.

**3.5 Disaster prevention and recovery**

The Company adheres to various standards to ensure that the information is secured and is not prone to controllable disasters. Adherence to ISO 9001:2000 and SEI CMMi Level 5 quality standards has ensured that the company has a disaster prevention and recovery system in place. Adherence to BS 7799 standards ensures global security of Information. The company has a disaster recovery plan for each of its work locations as well as for each technology category. Possible risks for each category have been identified and action plans have been put in place to cope with any contingencies. These plans are reviewed and updated periodically to make sure that they are in sync with changes in technology and risks.

**3.6 Growth through Acquisitions**

Infotech has grown both organically and in-organically in the past few years. During the year, the Company acquired Tele Atlas India Private Limited a subsidiary of Tele Atlas N.V., Netherlands based at NOIDA, however, Infotech will continue to consider mergers and acquisitions as a possible route for its continuous growth. The acquisition is done for variety of reasons i.e. to enter in new markets, expand services offerings, acquiring new technology & domain skills, scale of operation, cost synergies etc, but it also entails risk for the company’s future growth and profitability, if the synergy expected from the acquisition does not materialize for any external or internal reasons. To ensure preparedness for such growth, Executive Management internally outlined strategic objectives, evaluation guidelines, and tentative implementation mechanisms for any such possibility.

**4. Legal and Statutory Risks**

- Contractual Liabilities
- Statutory Compliance

**4.1 Contractual liabilities**

The management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in a contract, on ascertaining the legal responsibilities of the company under the applicable law of the contract, on restricting its liabilities under the contract and covering risks. The management reviews this on a continuous basis and takes corrective action, as

appropriate. As a matter of policy the company does not enter into contracts, which have open-ended legal obligations. To date, the company has no material litigation in relation to contractual obligations pending against it in any court in India or abroad.

#### 4.2 Statutory compliance

Infotech has a compliance officer to advise the company on compliance issues with respect to the laws of various jurisdictions in which the company has its business activities and to ensure that the company is not in violation of the laws of any jurisdiction where the company has operations. The compliance officer reports from time to time on the compliance or otherwise of the laws of various jurisdictions to the Board of Directors. Generally, the company takes appropriate business decisions after ascertaining from the compliance officer and, if necessary, from independent legal counsels, that the business operation of the company is not in contravention of any law in the jurisdiction in which it is undertaken. Legal compliance issues are an important factor in assessing all new business proposals.

#### 5. Political risks

Recognizing that India's education system, its world-class professionals, and its low cost structure give it an intrinsic comparative advantage in software exports, successive governments have accorded a special status to this industry.

task forces comprising politicians, bureaucrats and industrialists have recommended policy measures to give a fillip to the Indian IT industry. On the whole, the Government's favorable disposition towards the IT industry and specifically towards software exports is highly encouraging. Given the consensus among all leading political parties on the importance of the software industry, it is likely to remain a focus area for governmental policy in the years to come.

#### 6. Macro Economic Factors

Changes in the global economic environment are bound to have an impact on the progress of every company's growth. Infotech has succeeded in fighting through the tough economic conditions last year. The management has invested significant time in meeting the clients to provide the insights and various advantages along with the assurance, which is important to build a global delivery model.

#### 7. Disclaimer

The management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. This report also contains statements which are forward looking in nature and investors are requested to exercise their own judgement in assessing various risks associated with the company and to refer to the discussions of risks in the Company's earlier Annual reports.

## Auditors' Report

### Auditors' Report to the Members of Infotech Enterprises Limited

1. We have audited the attached Balance Sheet of Infotech Enterprises Limited as at March 31, 2005, the related Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. 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 audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 of India (the "Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2005 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**S. Gopalakrishnan**  
Membership No. 18863  
Partner

for and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Hyderabad  
Date : 20th April, 2005

## Annexure to the Auditors' Report

**[Referred to in Paragraph 3 of the Report of the Auditors to the Members of Infotech Enterprises Limited for the year ended March 31, 2005]:**

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) All tangible fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such physical verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the register maintained under Section 301 of the Act, clauses (iii) (b), (iii) (c), (iii) (d), (iii) (f) and (iii) (g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
3. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
4. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act, which have been entered in the register required to be maintained under that section.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. The Company has in general internal audit system commensurate with size and nature of its business. Based on the strategic internal audit plan, the Company is in the process of implementing the risk based audit approach so as to cover potential areas.
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, and other material statutory dues as applicable with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty and cess.
- (b) According to the information and explanations given to us and the records of the Company examined by us there are no dues of Sales Tax, Income Tax, Service tax, Customs duty and Wealth Tax which have not been deposited on account of any dispute.
8. The Company has neither accumulated losses as at March 31, 2005, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
9. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
12. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

13. The Company has not obtained any term loans during the year.
14. Based on the information & explanations given to us and on an overall examination of the balance sheet of the company, in our opinion there are no funds raised on a short-term basis which have been used for long-term investment.
15. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act, during the year.
16. The Company has not raised any money by public issue during the year.
17. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the

information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

The other Clauses 4 (ii), (viii), (xiii), and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment), 2004 are not applicable in the case of the Company since in our opinion there is no matter which arises to be reported in the aforesaid order.

**S. Gopalakrishnan**  
Membership No. 18863  
Partner

Place : Hyderabad  
Date : 20th April, 2005

for and on behalf of  
**Price Waterhouse**  
Chartered Accountants

## Balance Sheet as at March 31, 2005

(Amount in Rupees)

Schedule	As at March 31, 2005	As at March 31, 2004
<b>I. Sources of Funds :</b>		
1. Shareholders' Funds		
(a) Capital	1 <b>147,270,380</b>	145,811,300
(b) Reserves and Surplus	2 <b>1,591,514,472</b>	1,384,385,945
		<u>1,530,197,245</u>
2. Loan Funds		
Secured Loans	3 <b>2,402,683</b>	1,523,354
3. Deferred Tax (Asset)/Liability	4 <b>(17,714,521)</b>	4,709,925
	<b>1,723,473,014</b>	<u>1,536,430,524</u>
<b>II. Application of Funds :</b>		
1. Fixed Assets	5	
(a) Gross Block	<b>985,397,620</b>	872,445,811
(b) Less: Depreciation	<b>680,169,163</b>	561,302,816
(c) Net Block	<b>305,228,457</b>	311,142,995
(d) Capital Work in Progress	<b>140,958,621</b>	12,465,250
		<u>323,608,245</u>
2. Investments	6 <b>673,719,194</b>	563,019,104
3. Current Assets, Loans and Advances		
(a) Sundry Debtors	7 <b>567,650,618</b>	434,133,637
(b) Cash and Bank Balances	8 <b>253,274,546</b>	311,801,880
(c) Loans and Advances	9 <b>74,071,672</b>	83,600,276
	<b>894,996,836</b>	<u>829,535,793</u>
Less: Current Liabilities and Provisions		
(a) Liabilities	10 <b>193,978,950</b>	118,156,703
(b) Provisions	11 <b>97,451,144</b>	61,575,915
	<b>291,430,094</b>	<u>179,732,618</u>
Net Current Assets	<b>603,566,742</b>	649,803,175
Notes to Accounts	16	
	<b>1,723,473,014</b>	<u>1,536,430,524</u>

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

On behalf of the Board of Directors

**S. Gopalakrishnan**  
Partner

**B.V.R. Mohan Reddy**  
Chairman and Managing Director

**B. Sucharitha**  
Whole-time Director

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**A. Mohan Krishna Reddy**  
Chief Financial Officer

**M.S. Khan**  
Company Secretary

**S. Nataraja**  
Vice President - Finance & Accounts

Place : Hyderabad  
Date : 20th April, 2005

Place : Hyderabad  
Date : 20th April, 2005

**Profit and Loss Account for the year ended March 31, 2005**

(Amount in Rupees)

	Schedule Reference	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>Income</b>			
Services			
- Exports		1,465,137,274	1,201,260,269
- Domestic		72,873,102	44,145,481
Other Income	12	35,376,146	12,416,975
<b>TOTAL INCOME</b>		<b>1,573,386,522</b>	1,257,822,725
<b>Expenditure</b>			
Personnel Expenses	13	618,956,220	467,805,377
Operating and Administration Expenses	14	536,106,627	482,828,702
Depreciation and Amortization	5	124,068,768	160,359,477
Financial Expenses	15	1,114,606	2,383,105
<b>TOTAL EXPENDITURE</b>		<b>1,280,246,221</b>	1,113,376,661
Profit Before Taxation		293,140,301	144,446,064
Provision for Taxation			
- Current		92,500,000	43,000,000
- Deferred		(22,424,446)	(20,657,163)
<b>Profit After Taxation</b>		<b>223,064,747</b>	122,103,227
Add: Balance brought forward from previous year		15,150,621	29,402,981
<b>Amount Available for Appropriation</b>		<b>238,215,368</b>	151,506,208
Appropriations :			
Proposed Dividend @ 15% (2004 - 12.50 %)		22,090,557	18,226,413
Tax on distributed profits		3,037,452	1,868,207
Forfeiture of Upfront Consideration		-	(14,634,000)
Transfer to General Reserve		189,265,822	130,894,967
<b>Balance carried to Balance Sheet</b>		<b>23,821,537</b>	15,150,621
Earnings Per Share (Equity Shares, Par Value of Rs. 10 Each)			
- Basic		15.23	8.41
- Diluted		15.10	8.32
Number of Shares used in computing Earnings per Share			
- Basic		14,645,261	14,515,481
- Diluted		14,775,677	14,669,437
Notes to Accounts	16		

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date. On behalf of the Board of Directors

**S. Gopalakrishnan**  
Partner

**B.V.R. Mohan Reddy**  
Chairman and Managing Director

**B. Sucharitha**  
Whole-time Director

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**A. Mohan Krishna Reddy**  
Chief Financial Officer

**M.S. Khan**  
Company Secretary

**S. Nataraja**  
Vice President - Finance & Accounts

Place : Hyderabad  
Date : 20th April, 2005

Place : Hyderabad  
Date : 20th April, 2005

## Schedules to the Balance Sheet

	As at March 31, 2005	As at March 31, 2004
<b>1. CAPITAL</b>		
<b>Authorised :</b>		
18,000,000 Equity Shares of Rs. 10 each	<b>180,000,000</b>	180,000,000
<b>Issued and Subscribed :</b>		
14,727,038 Equity Shares of Rs. 10 each fully paid-up (2004 - 14,581,130 Equity Shares of Rs.10 each fully paid-up)	<b>147,270,380</b>	145,811,300
	<b>147,270,380</b>	145,811,300

**Out of the above:**

(52,000 Equity Shares of Rs. 10 each were allotted as fully paid-up Equity Shares for a consideration other than cash pursuant to the Scheme of Amalgamation with M/s Cartographic Sciences Limited.)

(270,570 Equity Shares of Rs. 10 each were allotted as fully paid-up Equity Shares for a consideration other than cash pursuant to the Acquisition of 100% Equity in M/s. Infotech Enterprises Europe Limited [formerly known as M/s.Dataview Solutions Limited])

(9,814,375 Equity Shares of Rs. 10 each were allotted as fully paid-up by way of Bonus shares by capitalising General Reserve/Share Premium account in 1994-95, 1995-96, 1996-97 and 2002-03.)

(312,083 [2004 - 166,175] Equity Shares of Rs. 10 each fully paid-up were allotted to employees of the Company pursuant to the Associate Stock Option Plans.)

## Schedules to the Balance Sheet

(Amount in Rupees)

	As at March 31, 2005	As at March 31, 2004
<b>2. RESERVES AND SURPLUS</b>		
<b>Share Premium Account</b>		
As at the commencement of the year	454,284,742	451,033,687
Add: Received on account of further issue of Equity Shares	<u>9,191,789</u>	<u>3,251,055</u>
	<b>463,476,531</b>	454,284,742
<b>General Reserve</b>		
As at the commencement of the year	869,950,582	739,055,615
Add: Transferred from the Profit and Loss Account	<u>189,265,822</u>	<u>130,894,967</u>
	<b>1,059,216,404</b>	869,950,582
<b>Share Warrants - Upfront Consideration</b>		
As at the commencement of the year	-	14,634,000
Less : Transferred to Profit & Loss Account	<u>-</u>	<u>14,634,000</u>
	-	-
<b>Contingency Reserve</b> (Refer Note 3 of Schedule 16)	<b>45,000,000</b>	45,000,000
<b>Balance in Profit and Loss Account</b>	<b>23,821,537</b>	15,150,621
	<b>1,591,514,472</b>	1,384,385,945
<b>3. SECURED LOANS</b>		
Other Loans	<b>2,402,683</b>	1,523,354
	<b>2,402,683</b>	1,523,354
<b>4. DEFERRED TAX (ASSET)/LIABILITY</b>		
Fixed Assets	<b>11,854,056</b>	23,069,321
Employee Benefits	<b>(22,936,951)</b>	(18,965,241)
Others	<b>(6,631,626)</b>	605,845
	<b>(17,714,521)</b>	4,709,925

## Schedules to the Balance Sheet

### 5. FIXED ASSETS

(Amount in Rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK	
	Cost as at 01.04.2004	Additions during the year	Deletions/ discarded during the year	Cost as at 31.03.2005	As at 01.04.2004	For the year	Deletions/ Discarded	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
<b>INTANGIBLE ASSETS</b>										
1. Goodwill	34,812,180	-	-	<b>34,812,180</b>	27,849,744	6,962,436	-	<b>34,812,180</b>	-	6,962,436
<b>TANGIBLE ASSETS</b>										
2. Land										
- Freehold *	7,970,893	4,454,894	-	<b>12,425,787</b>	-	-	-	-	<b>12,425,787</b>	7,970,893
- Leasehold	7,128,040	-	-	<b>7,128,040</b>	-	-	-	-	<b>7,128,040</b>	7,128,040
3. Building	69,992,158	1,003,720	-	<b>70,995,878</b>	9,619,905	2,524,586	-	<b>12,144,491</b>	<b>58,851,387</b>	60,372,253
4. Computers and Software	594,159,648	103,654,810	-	<b>697,814,458</b>	460,963,694	96,405,337	-	<b>557,369,031</b>	<b>140,445,427</b>	133,195,954
5. Plant and Machinery	66,306,855	4,477,399	1,602,737	<b>69,181,517</b>	21,259,205	7,600,373	502,398	<b>28,357,180</b>	<b>40,824,337</b>	45,047,650
6. Office Equipment	13,698,300	1,806,765	742,468	<b>14,762,597</b>	4,763,200	1,760,128	457,902	<b>6,065,426</b>	<b>8,697,171</b>	8,935,100
7. Furniture and Fixtures (Including Interior Work)	47,920,019	2,249,500	1,744,505	<b>48,425,014</b>	23,941,683	4,626,499	1,322,892	<b>27,245,290</b>	<b>21,179,724</b>	23,978,336
8. Electrical Installations	17,370,603	631,047	248,306	<b>17,753,344</b>	5,769,393	1,846,087	223,588	<b>7,391,892</b>	<b>10,361,452</b>	11,601,210
9. Vehicles	13,087,115	1,819,418	2,807,728	<b>12,098,805</b>	7,135,992	2,343,322	2,695,641	<b>6,783,673</b>	<b>5,315,132</b>	5,951,123
	<b>872,445,811</b>	<b>120,097,553</b>	<b>7,145,744</b>	<b>985,397,620</b>	<b>561,302,816</b>	<b>124,068,768</b>	<b>5,202,421</b>	<b>680,169,163</b>	<b>305,228,457</b>	311,142,995
Previous year	789,456,577	84,396,104	1,406,870	872,445,811	402,052,066	160,359,478	1,108,728	561,302,816	311,142,995	-
10. Capital Work-in-Progress									<b>140,958,621</b>	12,465,250

\* Includes Rs. 4,454,894 (2004 - Rs. Nil) in respect of which deed of conveyance is pending (Refer Note 5 of Schedule 16).

## Schedules to the Balance Sheet

(Amount in Rupees)

	As at March 31, 2005	As at March 31, 2004
<b>6. INVESTMENTS</b>		
<b>I) Long Term</b>		
<b>Trade - Unquoted - At Cost</b>		
<b><u>Investment in Associate</u></b> (Valued at Cost)		
<b>Infotech Aerospace Services Inc., USA</b> 490 (2004 - 1,000) Shares of \$0.01 par value fully paid up and subscribed (510 Shares of \$0.01 par value fully paid-up valuing Rs. 11,693,000 sold during the year) [Refer Note 6 of Schedule 16]	11,172,000	22,865,000
<b><u>Investment in Subsidiaries</u></b> (Valued at Cost)		
<b>Infotech Software Solutions Inc., USA</b> 500 Shares without par value (2004 : 500 Shares) (Rs. 43,854,000 subscribed during the year)	268,037,000	224,183,000
<b>Infotech Enterprises Europe Ltd, UK</b> 185,000,000 (2004 : 125,015,200) Ordinary Shares of 1 p each fully paid up (59,984,800 Ordinary Shares of 1 p each fully paid-up subscribed during the year)	303,747,950	253,683,950
<b>Advanced Graphics Software GmbH, Germany</b> 2 Shares of Euro 12,800 each fully paid up, 1 Share of Euro 30,700 each fully paid up and 1 Share of Euro 50,000 each fully paid up (Rs. 8,475,090 subscribed during the year)	70,762,244	62,287,154
<b>II) Current Investments</b>		
<b>Non Trade - Unquoted - At Lower of Cost and Fair Value</b>		
JM Equity & Derivative Fund - Dividend Option 1,000,000 Units of Rs. 10 each (Fair Value : Rs. 10,058,300)	10,000,000	-
SBI Magnum Debt Fund Series 60 Days - Dividend Option 1,000,000 Units of Rs. 10 each (Fair Value : Rs. 10,071,500)	10,000,000	-
	<b>673,719,194</b>	563,019,104

### Current Investments purchased and sold during the year :

Name of the Mutual Fund	No. of Units	Face Value Per Unit
Reliance Treasury Plan - Retail Option - Dividend Option	1,311,243.26	10
Reliance Fixed Term Scheme - Monthly Plan 7 - Dividend Option	1,000,000.00	10
Reliance Fixed Term Scheme - Monthly Plan 8 - Dividend Option	3,003,650.00	10
Principal Deposit Fund (FMP-3) 91 Days Plan - Dividend Reinvestment	1,000,000.00	10
Principal Cash Management Fund Liquid Option - Institutional Plan Dividend Reinvestment	1,009,449.35	10
Alliance Cash Manager	1,149,617.22	10
SBI Liquid Fund	1,747,169.59	10
JM Fixed Maturity Plan - QSA3-Dividend Option	1,000,000.00	10
JM Floater Fund - Short Term Plan - Dividend Option	994,977.12	10
HSBC Cash Fund - Institutional - Daily Dividend	1,436,974.31	10
GCBG Grindlays Cash Fund - Institutional Plan B - Growth	819,604.95	10
Kotak Liquid (Regular) - Growth	575,479.95	10
Sundaram Money Fund Institutional -Dividend Reinvestment	990,559.96	10
GCBG Grindlays Cash Fund - Institutional Plan B - Dividend	2,079,080.67	10

## Schedules to the Balance Sheet

	(Amount in Rupees)	
	As at March 31, 2005	As at March 31, 2004
<b>7. SUNDRY DEBTORS (Unsecured)</b>		
Considered good *		
(a) Over six months old*	8,514,246	74,594,988
(b) Other debts	<u>559,136,372</u>	<u>359,538,649</u>
Considered doubtful - Over six months old	<u>17,568,543</u>	<u>6,474,977</u>
	<u>585,219,161</u>	<u>440,608,614</u>
Less: Provision for doubtful debts	<u>17,568,543</u>	<u>6,474,977</u>
	<u>567,650,618</u>	<u>434,133,637</u>
* Debtors includes due from Subsidiaries Rs. 233,993,987 (2004 - Rs. 168,676,469) and Unbilled Revenue of Rs. 66,589,920 (2004 - 54,079,917).		
<b>8. CASH AND BANK BALANCES</b>		
Cash on hand	473,221	241,295
Balances with Scheduled Banks*		
- On Current Accounts	205,066,313	190,547,915
- On Deposit Accounts	<u>47,094,772</u>	<u>120,552,899</u>
Unclaimed Dividend Accounts	<u>640,240</u>	459,771
	<u>253,274,546</u>	<u>311,801,880</u>
* Includes unutilized amount on further issue of equity shares amounting to Rs. Nil. (2004 - Rs. 103,083,304)		
<b>9. LOANS AND ADVANCES</b>		
(Considered good unless otherwise stated)		
Unsecured - Advances recoverable in cash or in kind or for value to be received*	43,053,869	42,248,810
- Advance Tax (net of provision)	15,925,368	27,615,366
- Deposits	14,661,408	12,777,584
Interest accrued on Deposits	431,027	958,516
Considered doubtful	<u>371,286</u>	<u>371,286</u>
	<u>74,442,958</u>	<u>83,971,562</u>
Less : Provision for doubtful Loans and Advances	<u>371,286</u>	<u>371,286</u>
	<u>74,071,672</u>	<u>83,600,276</u>
* Due from Subsidiaries Rs. 2,169,786 (2004 - Rs. 3,571,866) due from officers Rs. 596,837 (2004-Rs 926,707) and maximum balance outstanding during the year Rs. 926,707 (2004 Rs 1,295,630)		
<b>10. LIABILITIES</b>		
Sundry Creditors		
- Dues to small scale industrial undertakings	-	-
- Dues to others *	167,527,597	95,321,902
Advances from Customers	17,690,175	15,268,503
Investor Education and Protection Fund		
- Unclaimed Dividends	640,240	459,771
Other Liabilities	<u>8,120,938</u>	<u>7,106,527</u>
	<u>193,978,950</u>	<u>118,156,703</u>
* Due to Subsidiaries Rs. 24,623,441 (2004 - Rs. 13,037,661)		
<b>11. PROVISIONS</b>		
Proposed Dividend including tax thereon	25,128,009	20,094,620
Provision for Gratuity and Leave Encashment	<u>72,323,135</u>	<u>41,481,295</u>
	<u>97,451,144</u>	<u>61,575,915</u>

## Schedules to the Profit and Loss Account

(Amount in Rupees)

	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>12. OTHER INCOME</b>		
Interest on Loans and Deposits - Gross (Tax Deducted at Source Rs. 410,338 : [2004 - Rs. 1,809,160])	1,371,016	8,302,991
Dividend Income from Current Investments	594,036	5,963,929
Profit on Sale of Long Term Investments	13,607,000	-
Profit on Sale of Current Investments (net)	16,339	2,201,320
Liabilities/Provisions no longer required written back	5,213,935	3,825,296
Gain/(Loss) on Exchange Fluctuations (net)	1,141,573	(11,966,795)
Miscellaneous Income	13,432,247	4,090,234
	<b>35,376,146</b>	<b>12,416,975</b>
<b>13. PERSONNEL EXPENSES</b>		
Salaries and Bonus	544,983,611	413,792,854
Contribution to Provident and Other Funds	52,809,740	37,991,082
Staff Welfare Expenses	21,162,869	16,021,441
	<b>618,956,220</b>	<b>467,805,377</b>
<b>14. OPERATING AND ADMINISTRATION EXPENSES</b>		
Rent	6,848,193	5,161,646
Rates and Taxes	2,137,689	1,794,763
Insurance	1,174,267	1,142,959
Travelling and Conveyance	189,486,012	176,698,775
Communication	13,116,862	15,743,651
Printing and Stationery	7,855,774	8,440,539
Power and Fuel	23,816,654	21,702,582
Marketing Expenses	5,067,369	5,190,934
Advertisement	1,490,913	1,387,413
Repairs and Maintenance		
- Buildings	1,903,338	1,045,943
- Machinery	49,858,313	38,666,489
- Others	3,095,351	4,690,631
Professional Charges	151,737,699	138,848,104
Bad Debts/Advances Written Off	232,691	-
Provision for Doubtful Debts and Advances	11,219,765	2,109,440
(Profit)/Loss on sale of Fixed Assets	(61,984)	45,638
Loss on Discard of Fixed Assets	1,831,236	-
Auditors' Remuneration	1,829,260	1,812,765
Recruitment Expenses	5,672,046	2,175,462
Training and Development	6,872,874	8,381,271
Purchase of Computer Software	23,955,273	26,295,023
Managerial Remuneration		
- Salaries	7,206,304	5,282,280
- Contribution to PF and Other Funds	803,251	980,713
- Commission	3,921,075	3,265,292
Miscellaneous Expenses	15,036,402	11,966,389
	<b>536,106,627</b>	<b>482,828,702</b>
<b>15. FINANCIAL EXPENSES</b>		
Interest on Term Loans	-	43,933
Interest on Other Loans	137,758	116,454
Bank and Other Finance Charges	976,848	2,222,718
	<b>1,114,606</b>	<b>2,383,105</b>

## Schedule 16 - Notes to Accounts

### 1. Description of Business

Infotech Enterprises Limited ('Infotech' or 'the Company') is a global technology services and solutions company specializing in geospatial, engineering design and IT solutions. Its range of services include digitization of drawings and maps, photogrammetry, computer aided design/engineering (CAD/CAE), design and modelling, repair development engineering, reverse engineering application software development, software products development, consulting and implementation. The Company specializes in software services and solutions for the manufacturing, utilities, telecommunications, transportation & logistics, local government and financial services markets. The Company has its headquarters and development facilities in India and serves a global customer base through its subsidiaries in United States of America (USA), United Kingdom (UK) and Germany.

### 2. Associate Stock Option Plans

Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI guidelines on Stock Options)

#### Infotech Employee Stock Offer Scheme 1999 (ESOP Plan)

In 1998-99, the Company set up Infotech Employee Stock Offer Scheme (ESOP Plan) and allotted 80,900 equity shares of Rs.10 each at a premium of Rs.100 per share to the "Infotech ESOP Trust" ("Trust"). The trust, on the recommendation of the management and upon the receipt of full payment upfront transfers the equity shares in the name of selected employees. During 2002-03, the Company modified ESOP plan and adjusted the number of options and exercise price on account of bonus issue. Accordingly the earmarked shares increased to 161800 and exercise price reduced to Rs. 55 per share. These equity shares are under lock-in period (i.e., the date of transfer of the shares from the trust to the employee) and it differs from offer to offer. Where the employee leaves the Company before the expiry of the lock-in-period the options allocated to such employee stands transferred to Trust at a predetermined price of Rs. 110. Hence, the lock-in-period has been considered as vesting period. However, the Trust and the Company have a discretionary power to waive the restriction on selling such stock to the Trust.

As this scheme is established prior to the SEBI Guidelines on the stock options, thus there is no cost relating to the grant of options under this scheme.

#### Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock

Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

#### Associate Stock Option Plan – 2001 (ASOP 2001)

The Company instituted ASOP 2001 in April 2001 and earmarked 225,000 equity shares of Rs.10 each for issue to the employees under ASOP. During 2002-03 the Company modified the ASOP 2001 and adjusted the number of options and exercise price on account of bonus issue. Accordingly the earmarked shares increased to 379,205. Under ASOP 2001, options will be issued to employees at an exercise price, which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for a total number of 27,970 equity shares of Rs.10 each were outstanding as at March 31, 2005 (2004 – 106,325).

As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options.

Changes in number of options outstanding were as follows:	2005	2004
Options outstanding at the beginning of year	106,325	262,470
Granted	15,000	-
Forfeited	(7,570)	(48,490)
Exercised	(85,785)	(107,655)
Options outstanding at the end of year	27,970	106,325

#### Associate Stock Option Plan – 2002 (ASOP 2002)

The Company instituted ASOP 2002 in October 2002 and earmarked 575,000 equity shares of Rs.10 each for issue to the employees under ASOP. Under the ASOP 2002, options will be issued to employees at an exercise price, which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for total number of 331,832 equity shares of Rs.10 each were outstanding as at March 31, 2005 (2004 – 429,275).

As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options during the year.

Changes in number of options outstanding were as follows:	2005	2004
Options outstanding at the beginning of the year	429,275	407,350
Granted	15,000	83,500
Forfeited	(52,320)	(57,900)
Exercised	(60,123)	(3,675)
Options outstanding at the end of year	331,832	429,275

**Associate Stock Option Plan – 2004 (ASOP 2004)**

The Company has instituted ASOP 2004 in October 2004 and earmarked 1,150,000 equity shares of Rs.10 each for issue to the employees under ASOP. Under the ASOP 2004, options will be issued to employees at an exercise price, which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for total number of 5,000 equity shares of Rs.10 each were outstanding as at March 31, 2005 (2004 – Nil).

As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options during the year.

**3. Contingency Reserve**

The Company is contesting the Income Tax Appellate Tribunal's (ITAT) order for the denial of certain export benefits under the Income Tax Act 1961 on the grounds of the date of establishment of the Export Oriented Unit. The petition contesting the ITAT's Order has been admitted by the High Court of Andhra Pradesh and the Company is hopeful of a favourable resolution.

**4. Secured Loans**

Vehicles acquired under Hire Purchase Finance are hypothecated to the hire vendors as security for the amounts financed.

**5. Land**

The Company has entered an agreement of sale to acquire land measuring 1.294 acres at Madhapur, Hyderabad with AP Industrial Infrastructure Corporation Limited. As per the agreement, the Company has paid Rs. 4,454,894 towards purchase of the land and the same has been disclosed as Freehold Land. On satisfaction of certain terms and conditions laid down in the agreement, the

deed of conveyance shall be executed in favour of the company after payment of differential stamp duty, if any. Non-compliance of certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

**6. Sale of Investment in Infotech Aerospace Services Inc., Puerto Rico**

On September 30, 2004, the Company sold its 51% equity in Infotech Aerospace Services Inc., Puerto Rico (IASI) to United Technologies International Corporation for US\$ 550,000 and recognised a gain of Rs. 13,607,000 as profit on sale of long term investments. Pursuant to the above, the Company's holding in IASI reduced to 49% as at September 30, 2004 and ceased to exist as a subsidiary.

**7. Investment in Tele Atlas India Private Limited**

On March 23, 2005, the Company entered a Securities Purchase Agreement with Tele Atlas Data Gent N.V, Belgium and Tele Atlas Data's Hertogenbosch B.V., Netherlands (hereinafter referred to as Tele Atlas) to acquire their 100% shareholding in Tele Atlas India Private Limited for a cash consideration of Rs. 82,875,699. The above acquisition of shares is subject to fulfilment of certain terms and conditions specified in the agreement and obtaining necessary approvals from various authorities. The Company has initiated the process of completion of all formalities in this regard.

Subsequent to the year end, the Company has paid the full amount of consideration to Tele Atlas and the equity shares of Tele Atlas India Private Limited have been transferred in the name of the Company.

**8. Segmental Information**

Management evaluates Company's performance and allocates resources based on an analysis of various performance indicators by business verticals and geographical segmentation of customers.

Consequent to the goals realignment exercise undertaken by the Company, it has realigned its organization and businesses on vertical lines. The previous segmentation on GIS Services, Engineering Services and Software Development is now restructured into two vertically oriented businesses: Utilities, Transportation, Government (or UTG) and Engineering, Manufacturing, Industrial Products (or EMI). Both businesses cater to the specific requirements of customers in their respective user segments. While the erstwhile GIS Services and Engineering Services businesses are captured under UTG

and EMI respectively, the Software Development business has been apportioned to the two vertical segments based on the nature of the development work delivered. All functions (delivery, sales & marketing, human resources and finance) have been reorganized along the verticals.

The management believes that such vertical realignment will enhance internal synergies and customer-focus, enabling the Company to achieve its internal growth objectives. It will also enable the Company move up the value chain of service offerings, create deeper, stronger relationships with customers and improve potential of participating in larger deals. A brief description of these verticals is given below:

#### I. Utilities, Transportation and Government (UTG)

UTG vertical services customers in industries such as power, gas, telecom, transportation and local government. Infotech Group's service offerings to the UTG vertical include data conversion, data maintenance, photogrammetry and IT services.

#### II. Engineering, Manufacturing, Industrial Products (EMI)

EMI vertical services customers in industries such as aerospace, automotive, off-highway transportation and industrial and commercial products, engineering design, embedded software. IT solutions, manufacturing support, technical publications and other strategic customers. New business initiatives are also handled by this vertical.

Revenue in relation to these verticals is categorized based on items that are individually identifiable to that vertical. Geographical segmentation is driven based on the location of the respective client and these are North America, Europe, and Rest of the World. Geographic information on revenue is collected based on individual customers invoiced.

Fixed assets used in the Company's business are not identified to any of the reportable segments and management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

The segment disclosures for the previous year have been reclassified to conform to the current year's presentation.

### Business Segments

(Amount in Rupees)

	UTG	EMI	Total
<b>For the year 2005</b>			
Revenues	499,382,370	1,048,911,603	1,548,293,973
Less: Inter Vertical Revenues			(10,283,597)
Revenue			1,538,010,376
Operating Expenses	(295,248,298)	(729,298,631)	(1,024,546,929)
Less: Inter Vertical Expenses			10,283,597
Segmental Operating Income	204,134,072	319,612,972	523,747,044
Un-Allocable Expenses			(265,982,890)
Other Income			35,376,147
Profit Before Tax			293,140,301
Income Tax (including Deferred Tax)			(70,075,554)
Profit After Tax			223,064,747
<b>For the year 2004</b>			
Revenues	388,567,700	856,838,050	1,245,405,750
Operating Expenses	(195,041,238)	(614,605,125)	(809,646,363)
Segmental Operating Income	193,526,462	242,232,925	435,759,387
Un-Allocable Expenses			(303,730,298)

Contd... (Amount in Rupees)

	UTG	EMI	Total
Other Income			12,416,975
Profit Before tax			144,446,064
Income Tax (including Deferred Tax)			(22,342,837)
Profit After Tax			122,103,227

**Geographic Segments**

Revenue attributable to location of customers is as follows:

(Amount in Rupees)

Geographic Location	Year ended March 31	
	2005	2004
North America	1,062,610,518	1,054,348,227
Europe	355,351,108	129,892,760
Rest of World	120,048,750	61,164,763
Total	1,538,010,376	1,245,405,750

**9. Related Party Transactions**

The Company has transactions with the following related parties:

**a) Wholly Owned Subsidiaries:**

**Name of the Subsidiary**

Infotech Enterprises Europe Limited, UK  
 Infotech Software Solutions Inc., USA and its subsidiary Vargis LLC., USA  
 Advanced Graphics Software, GmbH, Germany

**b) Associate**

**Name of the Associate**

Infotech Aerospace Services Inc. Puerto Rico USA

**c) Directors:**

**Name of Director**

**Designation**

Mr. B V R Mohan Reddy Chairman & Managing Director  
 Mrs. B Sucharitha Whole Time Director  
 Mr. Sudhir Sethi President and Executive Director

**d) Key Management Personnel:**

**Name of Key Management Personnel**

**Designation**

Mr. Rajeev Lal President  
 Mr. A V Ram Mohan President  
 Mr. S A Lakshminarayanan Chief Operating Officer  
 Mr. K Ashok Kumar Chief Operating Officer  
 Mr. Mohan Krishna Reddy Chief Financial Officer  
 Mr. B Ashok Reddy Executive Vice President – Human Resources & Corporate Affairs  
 Mr. John Patrick Renard Managing Director of Infotech Enterprises Europe Limited, UK  
 Mr. Martin Trostel Managing Director of Advanced Graphics Software GmbH, Germany.  
 Mr Greg Tilley CEO and Director of Vargis LLC., USA  
 Mr. K. Rajan Babu Director & President, Infotech Software Solutions Inc., USA

- e) The Company also has transactions with Digiquest Corporation, a US based Company run by the relative of the whole time directors.

The transactions with the related parties are summarized below:

(Amount in Rupees)

Nature of Transactions	Transactions for the year ended		Balance as on March 31	
	2005	2004	2005	2004
Transactions with Subsidiaries:				
Revenue/Receivables	557,138,604	219,221,040	233,993,987	168,676,469
Purchases of Fixed Assets/Payable	2,005,346	477,072	2,001,731	-
Reimbursement of expenses/Payable	17,297,747	16,024,668	6,047,125	2,014,157
Investments (Refer Note 6)	102,393,090	213,014,022	642,547,194	563,019,104
Consultancy Charges/Payable	134,945,597	121,153,667	15,558,280	10,298,529
Commission /payable	448,624	2,112,335	1,016,305	724,975
Reimbursement of expenses/Receivable	645,717	-	2,169,786	-
Bank Guarantee given to bankers in respect of subsidiary's bankers	14,165,000	-	14,165,000	-
<b>Transactions with Associate:</b>				
Reimbursement of expenses/Receivable	-	-	995,645	-
Investments	-	-	11,172,000	-
<b>Transactions with Directors:</b>				
Remuneration to Directors/Payable*	11,930,630	8,928,285	6,864,798	3,921,628
Rent/Payable	964,800	864,000	-	-
<b>Transactions with key managerial personnel:</b>				
Remuneration to key managerial personnel/payable	13,583,892	11,744,701	1,037,779	683,611
Loan outstanding from key managerial personnel	-	-	596,837	926,707
Stock Options Granted/Outstanding	22,500	20,000	52,400	66,300
<b>Transaction with relative of whole time directors:</b>				
Agency Commission/Payable	103,204	1,424,555	-	1,859,905

\* Refer Note No. 14 for details of remuneration paid to Directors.

## 10. Lease payments :

Lease payments made under cancellable operating leases of Rs. 6,848,193 (2004 - Rs. 5,161,646) have been recognised as an expense in the Profit and Loss Account. The Company has not entered into any non-cancellable operating leases during the year.

## 11. Earnings per Share (EPS)

Particulars	Year ended March 31	
	2005	2004
Basic:		
Weighted average shares outstanding	14,645,261	14,515,481
Profit After Tax (Rs.)	223,064,747	122,103,227
Earnings Per Share (Rs.)	15.23	8.41
Diluted:		
Effect of dilutive issue of stock options	130,416	153,956
Total shares outstanding (including dilution)	14,775,677	14,669,437
Earnings Per Share – (Rs.)	15.10	8.32

## 12. Contingent Liabilities and Commitments

- Estimated amount of contracts remaining to be executed on capital accounts not provided for, net of advances Rs. 49,333,775 (2004 - Rs. 93,883,218).
- Forward contracts outstanding Rs. 207,717,500 [Equivalent to USD 4,750,000] (2004 - Rs 104,784,000 [Equivalent to USD 2,400,000]).
- Company has outstanding counter guarantees of Rs. 33,585,000 as on March 31, 2005, to banks, in respect of guarantees given by the said banks in favour of various agencies (2004 - Rs. 18,292,645).

- d. Bank guarantee given in favour of subsidiary's bankers in respect of borrowings of subsidiary Rs. 14,165,000 (2004 – Rs. Nil).  
 e. Claims against the Company not acknowledged as debt: Income Tax Matters under appeal Rs. 22,801,181 (2004 - Rs. 22,801,181).

**13. Quantitative details**

The Company is engaged in the development of computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

**14. Managerial Remuneration**

- a. Managerial remuneration paid to Chairman and Managing Director, Whole-time director, Executive Director and Non-executive Directors:

(Amount in Rupees)

Particulars	2005	2004
Managing Director	5,510,308	3,069,575
Whole-time Director	1,451,428	805,336
Executive Director	4,544,784	5,053,374
Commission to Non-executive Directors :		
Mr. M.M. Murugappan	200,000	200,000
Dr. Y.R.K. Reddy	-	200,000
Mr. Charles W. Ayer	-	200,000
Mr. P.N.Thirunarayana	185,205	-
Mr. Ranjan Chak	38,905	-

- b. Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and commission payable to Chairman and Managing Director, Executive Director and Non -executive Directors:

(Amount in Rupees)

	2005	2004
Net Profit before tax as per Profit and Loss Account	293,140,301	144,446,064
Add:		
Depreciation as per Profit and Loss Account	124,068,768	160,359,477
Remuneration to directors	11,930,630	9,528,285
Provision for doubtful debts and advances	11,219,765	2,109,440
(Profit )/Loss on sale of Fixed Assets	(61,984)	45,638
Wealth Tax	20,119	76,000
Less:		
Depreciation as per Sec 350 of The Companies Act 1956	124,068,768	160,359,477
Profit on sale of long term investments	13,607,000	-
Profit on sale of current investments	16,339	2,201,320
Dividend income from current investments	594,036	5,963,929
Others	9,500,000	-
(Profit) /Loss on Sale of Fixed Assets	(61,984)	45,638
Net profit in accordance with Section 349 of the Companies Act, 1956	292,593,440	147,994,540
Commission payable to the Managing Director	2,896,965	1,465,292
Commission payable to Executive Director	600,000	1,200,000
Commission payable to Non-executive Directors	424,110	600,000

**15. Remuneration to the Auditors**

(Amount in Rupees)

Particulars	2005	2004
Audit (including US GAAP)	1,750,000	1,750,000
Other Services	45,000	43,200
Out of Pocket Expenses	34,260	19,565

**16. a. CIF Value of Imports**

(Amount in Rupees)

Particulars	2005	2004
Capital Goods	45,675,964	31,234,667
Consumable Spares & Stores/Software	7,468,830	9,115,986

**b. Earnings in Foreign Currency**

(Amount in Rupees)

Particulars	2005	2004
Income from services	1,465,137,274	1,201,260,269

**c. Expenditure in Foreign Currency**

(Amount in Rupees)

Particulars	2005	2004
I. Expenditure		
a. Travel	145,409,926	132,944,753
b. Professional Services	142,768,948	122,529,539
c. Others	2,527,218	4,757,011
II. Equity Dividend	3,316,794	2,943,619
Number of Shareholders	35	25
Number of Equity Shares	2,653,434	2,354,895

**17. Research and Development Expenses**

Revenue expenditure pertaining to Research and Development charged to Profit and Loss Account Rs. 20,946,066 (2004 - Rs. 17,736,366). Capital expenditure on Research and Development Rs. 983,000 (2004 - Rs. 1,567,526) is shown in the respective fixed assets.

**18. Regrouping/Reclassification**

The figures for previous year have been regrouped / reclassified wherever necessary, to conform to the current year figures.

On behalf of the Board of Directors

**S. Gopalakrishnan**  
Partner

**B.V.R. Mohan Reddy**  
Chairman and Managing Director

**B. Sucharitha**  
Whole-time Director

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**A. Mohan Krishna Reddy**  
Chief Financial Officer

**M.S. Khan**  
Company Secretary

**S. Nataraja**  
Vice President - Finance & Accounts

Place : Hyderabad  
Date : 20th April, 2005

Place : Hyderabad  
Date : 20th April, 2005

## Statement on Significant Accounting Policies

### 1. Basis for Preparation of Financial Statements

The financial statements of the Company are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

### 2. Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reported year. Actual results could differ from those estimates.

### 3. Revenue Recognition

Revenue from Software services consists primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when services are performed.

The Company also performs engagements on "time bound fixed-price" engagements, under which customers are billed, based on completion of specified milestones and/or on the basis of man-days/man hours spent as per terms of the contracts. However revenue in respect of these engagements is recognized using the percentage of completion method. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provision for estimated losses on such engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billings in accordance with contract terms.

### 4. Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation. The actual cost capitalized comprises material cost, inward freight, installation cost, duties and taxes and other incidental expenses incurred to acquire/construct/install the assets. Gains/Losses arising on foreign exchange liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets.

The cost and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of

fixed assets not put to use before such date are disclosed as Capital work in progress.

### 5. Depreciation

Depreciation on fixed assets is computed on the straight-line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are fully depreciated in the year of acquisition.

The estimated useful lives are as follows:

	Estimated Useful Lives
Building	28 years
Computers and Software	3 years
Plant and Machinery	10 years
Office Equipment	10 years
Furniture and Fixtures	10 years
Electrical Installation	10 years
Vehicles	5 years
Leasehold Improvements	Shorter of lease period or estimated useful lives

Costs of software purchased for use in the projects are depreciated over the estimated useful life or over the period of the project whichever is lower.

### 6. Goodwill

Goodwill represents the difference between the purchase price and the fair value of assets and liabilities acquired. Goodwill is amortized on a straight-line basis principally over a period of 5 years. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

### 7. Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of the cost and fair value. Provision is made to recognize any reduction in the carrying value and any reversal of such reduction is credited to profit and loss account.

Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.

Income from interest is recognized in the year in which it is accrued and stated at gross. Dividend income is recognised when the Company's right to receive dividend is established.

### 8. Sundry Debtors

Sundry Debtors represents amounts receivable for professional services rendered by the Company. Debts, which are outstanding for more than 15 months, are considered as bad/doubtful and 100% of such debts are

## Statement on Significant Accounting Policies

written off or provided for in the accounts in the year in which they become bad/doubtful. However, specific debts which are recoverable in the opinion of management and are outstanding for over 15 months need not be written off or provided in the accounts.

Specific debts, which are irrecoverable/doubtful in the opinion of the management, are written off/provided irrespective of their periodicity.

### 9. Research and Development

Revenue expenditure incurred on research and development is expensed as incurred. Assets used for research and development activities are included in fixed assets.

### 10. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction and exchange differences arising from foreign currency transactions are recognized in the profit and loss account but capitalized where they relate to fixed assets. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account for the period.

### 11. Retirement Benefits

Contributions in respect of Employees Provident Fund and Pension Fund are made to fund administered and managed by the Government of India and are charged as incurred on accrual basis. Contributions under the superannuation plan are made to the fund administered and managed by the Life Insurance Corporation of India and are charged as incurred on accrual basis. The Company also provides for other retirement benefits in the form of

gratuity and leave encashment based on actuarial valuation made by an independent actuary as at the balance sheet date.

### 12. Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Provision for current tax is made based on the applicable tax rates and tax laws with respect to that year. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the Company. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

### 13. Earnings Per Share

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e., average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### 14. Employee Stock Options

Stock options granted to the employees under the Stock Option Schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities Exchange Board of India. Accordingly the excess of market value of stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on straight line method over the vesting period of the options. The unamortized portion of the cost is shown under Reserves and Surplus.

## Cash Flow Statement

(Amount in Rupees)

FOR THE YEAR ENDED	March 31 2005	March 31 2004
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	293,140,301	144,446,064
Adjustment for :		
Depreciation and Amortisation	124,068,768	160,359,477
Financial Expenses	1,114,606	2,383,105
(Profit)/Loss on Sale of Fixed Assets	(61,984)	45,638
Loss on Discard of Fixed Assets	1,831,236	-
Interest and Dividend Income	(1,965,053)	(14,266,920)
Profit on sale of Long Term Investments	(13,607,000)	-
Profit on Sale of Current Investments	(16,339)	(2,201,320)
(Increase) / Decrease in Sundry Debtors	(133,516,981)	(42,797,767)
(Increase) / Decrease in Loans and Advances	(2,688,883)	(4,234,650)
Increase / (Decrease) in Current Liabilities and Provisions	106,483,619	(10,441,765)
Income Taxes Paid	(80,810,002)	(58,973,332)
Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	(3,917,025)	10,649,132
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>290,055,262</b>	<b>184,967,662</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and Change in Capital Work in Progress	(248,590,924)	(92,780,978)
Long term Investments in Subsidiaries	(102,393,090)	(213,014,022)
Proceeds from Sale of Fixed Assets	174,071	252,505
Proceeds from Sale of Long Term Investments	25,300,000	-
Purchase of Current Investments	(213,638,947)	(714,550,838)
Proceeds from Sale of Current Investments	193,655,286	716,752,158
Interest and dividend income	2,492,542	17,084,109
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(343,001,062)</b>	<b>(286,257,066)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	10,650,869	4,364,355
Proceeds from Secured Loans	28,855,710	-
Repayment of Secured Loans	(27,976,381)	(710,903)
Financial Expenses Paid	(1,114,606)	(2,401,004)
Dividends Paid	(19,914,151)	(20,404,679)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9,498,559)</b>	<b>(19,152,231)</b>
<b>D. EXCHANGE DIFFERENCES ON TRANSLATION OF CASH AND CASH EQUIVALENTS</b>	<b>(3,917,024)</b>	<b>(10,649,132)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(58,527,334)</b>	<b>(131,090,767)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>311,801,880</b>	<b>442,892,647</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>253,274,546</b>	<b>311,801,880</b>

This is the Cash Flow Statement referred to in our report of even date.

**S. Gopalakrishnan**  
Partner

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Hyderabad  
Date : 20th April, 2005

On behalf of the Board of Directors

**B.V.R. Mohan Reddy**                      **B. Sucharitha**  
Chairman and Managing Director      Whole-time Director

**A. Mohan Krishna Reddy**              **M.S. Khan**  
Chief Financial Officer                  Company Secretary

**S. Nataraja**  
Vice President - Finance & Accounts

Place : Hyderabad  
Date : 20th April, 2005

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No:  State Code :

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amounts in Rs. Thousands)

Public Issue  Right Issue

Bonus Issue  Stock Options

### III. Position of Mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities  Total Assets

Sources of Funds

Paid-up Capital  Reserve & Surplus

Secured Loans  Unsecured Loans

Deferred Tax

Application of Funds

Net Fixed Assets  Investments

Net Current Assets  Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover  Total Expenditure

Profit / Loss before Tax  Profit / Loss after tax

Earnings per share in (Basic)  Dividend 

### V. Generic Names of three principal products/ Services of the Company (As per monetary terms)

Item Code No. (ITC Code) :

Product Description :

**Statement pursuant to Section 212(1)(e) of the Companies Act, 1956,  
relating to the Subsidiary Companies**

Name of the Subsidiary Company	Infotech Enterprises Europe Limited	Infotech Software Solutions Inc.	Advanced Graphics Software GmbH
1. Financial year of the subsidiary ended on	March 31, 2005	March 31, 2005	March 31, 2005
2. Shares of Subsidiary Company held on the above date and extent of holding			
i) Number of shares held	185,000,000	500	1,126
ii) Extent of holding	100%	100%	100%
3. Net aggregate amount of profits/losses of the subsidiary for the above financial year so far as they concern members of Infotech Enterprises Limited			
i) dealt with in the accounts of Infotech Enterprises Limited	Nil	Nil	Nil
ii) not dealt with in the accounts of Infotech Enterprises Limited	UKP 375,867 Rs.31,163,134	US \$ 435,063 Rs.19,408,161	Euro 117,352 Rs. 6,636,266
4. Net aggregate amount of profits/losses for previous financial years of the subsidiary so far as they concern members of Infotech Enterprises Limited			
i) dealt with in the accounts of Infotech Enterprises Limited	Nil	Nil	Nil
ii) not dealt with in the accounts of Infotech Enterprises Limited	UKP 256,752 (Rs.18,056,349)	US \$ 651,691 Rs.31,000,851	Euro 137,078 Rs.7,689,881

for and on behalf of the Board

Place : Hyderabad  
Date : 20th April, 2005.

**B.V.R.Mohan Reddy**  
Chairman & Managing Director