



TATA INFOTECH

ANNUAL REPORT 2004 - 2005

Technologically Ahead

V
INTEGRITY

UNDERSTANDING

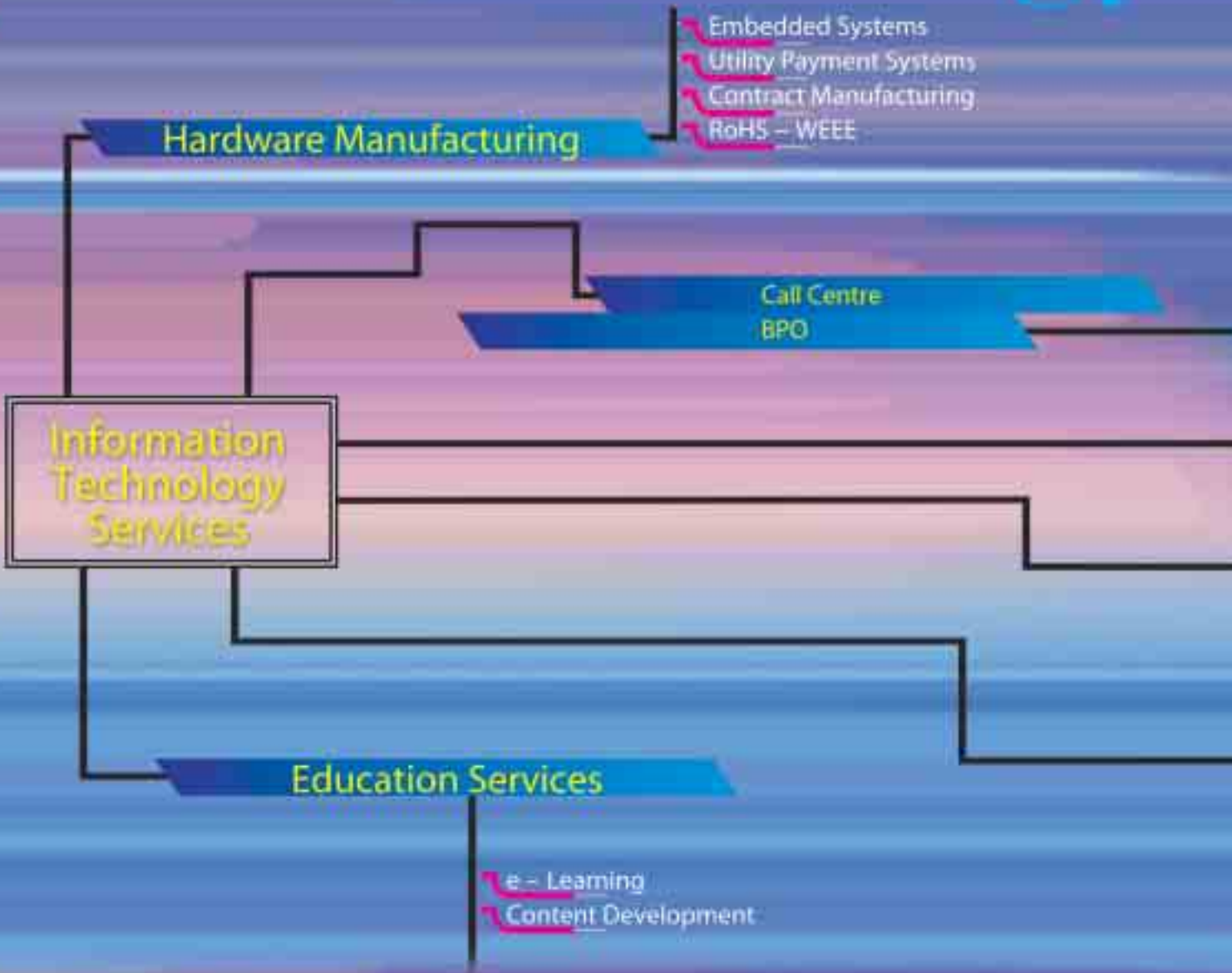
Values

EXCELLENCE

UNITY

RESPONSIBILITY

The Technology



Matrix

Telecom Solutions

- Wireless SI
- NexGen Solutions
- WIFI
- OSS & BSS
- Infrastructure Setup
- Wireless Testing & Tools
- Wireless Applications

IT Services

- Software Development
- Support

Infrastructure Services

- Hardware & Software
- Networking
- Security

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Board of Directors



F. K. Kavarana
Chairman

F. C. Kohli

J. K. Setna

A. R. Gandhi

D. B. Engineer

N. M. Munjee

P. D. Karkaria
Executive Director & CFO

Company Secretary

M. M. Surti

Registered Office

Manish Commercial Centre
216-A, Dr. Annie Besant Road
Worli, Mumbai 400 030.
Tel.: +91-022-5666 4300
Fax.: +91-022-5666 4333
Website: www.tatainfotech.com

Share Registrars

Tata Share Registry Ltd.
Army & Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001.
Tel.: +91-022-5656 8484
Fax.: +91-022-5656 8494
Website: www.tatashare.com

Auditors

G. N. Joshi Associates
S. R. Batliboi & Associates

Bankers

State Bank of India
Standard Chartered Bank
Allahabad Bank
ABN Amro Bank N. V.

Solicitors & Advocates

Mulla & Mulla and Craigie Blunt & Caroe

Chairman's Statement

Dear Shareholders,

The year 2004-05 has indeed been a momentous year for the Tata Group and Tata Infotech. We observed three centenaries of great significance to the Tata Group - the death centenary of the Founder, Mr. Jamsetji Tata, as well as the 100th birth anniversaries of Mr. J.R.D. Tata and Mr. Naval Tata and commemorated their pioneering and significant contributions to the Nation and to the Group - an enormous legacy of which we are very proud.

For Tata Infotech it has been an outstanding year of achievement and excellent business performance. We have continued to achieve our stated objectives of steady growth and continuously enhanced profitability. In 2004-05, the Company's consolidated revenues grew by 57% to Rs.967 crores and profits after tax by 40% to Rs.80 crores. Both being the highest levels ever in the Company's 27 year history, and the Board have recommended dividend payments totaling 150% for the year ended 31st March 2005 compared to 100% in the previous year.

All segments of our business continue to grow at a healthy pace and profitably, as amply demonstrated by the recently announced First Quarter April-June 2005 results with income from operations having risen by 18% and net profit after taxes by 72% compared to that of the previous year.

The Company's focus on leveraging its IT and telecom domain skills to provide a comprehensive range of value-added integrated solutions to telecom carriers and service providers paid off handsomely. Tata Infotech successfully implemented in record time one of the largest Metro-Ethernet / Broadband / Triple Play projects in the world for an Indian telecom major. The flow of such sizeable projects in this area is increasing all the time and leading international vendors are looking to Tata Infotech to be their implementation partners. There have been similar successes in other domains on the systems integration side of the business, as well as on the hardware design and contract manufacturing services side.

The Indian IT industry continues to grow at a rapid pace of around 30% per annum. NASSCOM and other agencies predict that this rate of growth is sustainable for the rest of this decade and certainly for the next 3 years. The drivers of growth include increased IT spending both domestic and international in the banking, telecom and government verticals, combined with the continuing strong business case of significant cost savings through offshore outsourcing especially to India.

However, there are several challenges in maintaining and attempting to enhance the market position of medium-sized players in the IT market place. The offshore outsourcing phenomenon is now entering the next phase where clients are consolidating their requirements with larger vendors, who are becoming providers of complete services covering a wide range of domains in which they can demonstrate in-depth knowledge and experience. Clients are increasingly looking for justifications for their IT spend not just in terms of processing efficiencies, but in measures of contribution to business competitiveness, improved product development and speed to market, regulatory reporting requirements and return on investment. It is becoming more and more evident that size does matter - both in terms of breadth in the number of domains addressed and depth of skills and experience in each domain - all supported by state of the art processes, infrastructure and security, delivery scalability and reliability.



In the context of the fast evolving IT industry scenario and the worldwide trend of consolidations, the Boards of Tata Infotech Ltd. and Tata Consultancy Services Ltd. on 15th July 2005 approved the merger of both companies as being in the best long term interests of all stakeholders. This combination of knowledge, expertise, resources and customer base of two highly regarded Tata IT organizations will result in the combined entity being able to more effectively address the "end-to-end" needs of clients worldwide. Post merger, the enlarged Tata Consultancy Services in which the shareholders of Tata Infotech will become shareholders should offer an opportunity for further long term enhancement of the value of their holdings.

In ending let me thank you for all your encouragement, support, patience and understanding, through good times and bad. In turn, I believe, over the years, the previous eminent Chairmen, Board members, management and all employees have given their best to safeguard and enhance the reputation and value of the Company for the benefit of all its stakeholders.

20th July 2005

Farrokh K. Kavarana

T e c h n o l o g i e

Whether it is in business or in life, 'ahead' has come to be the essence of leadership, the inherent desire to strive and excel.

While staying ahead is a need, technology is a key to the success of endeavour. In the information management business, technology is the core as well as the expertise as demonstrated by Tata Infotech - to stay at the fore as leaders, technologically ahead.

Last year saw Tata Infotech connecting "dreams to enterprise". The upswing at Tata Infotech continues with profitable growth in all business units during the current fiscal year. This momentum of consistent growth, quarter upon quarter has been enabled by focused efforts to harness the benefits of newer technology to meet the changing needs of the customer. The Company is leading the way in bringing the advantages of information technology to service business needs and to facilitate education. Emerging technologies have fuelled innovative ideas, which have then translated into effective solutions. Newer technologies are helping the Company's clients to boost performance, while optimizing resources.

Customers propel our passion for innovation. We believe innovative technologies have the power to overcome obstacles and create opportunities; possible avenues for people and businesses to realize the extent of their potential. We work to make technology more affordable and easier to use. Delivering these is Tata Infotech's core competence in Systems Integration, Hardware Manufacturing and e-Learning.

The Manufacturing Division's facilities include a Centre of Excellence for RoHS-WEEE compliance services. RoHS - Restriction of Hazardous Substances and WEEE - Waste Electrical and Electronic Equipment, both are directives that will come into force in Europe in 2006. Tata Infotech services consist of Bills of Materials analysis, Parts Qualification, Design Changes of PCBs using the Mentor Graphics PCB CAD package and Testing and Certification of the redesigned products. RF testing of PCBs and Modules is a new focus area for Tata Infotech.

During the year Tata Infotech continued its focus on customers, diversified the client base, improved productivity and controlled costs. To facilitate a high performance environment, empowering people has been given a fresh impetus with cross-functional

*Tata Infotech's
Systems
Integration
Division has
been certified at
BS7799.*

a l l y a h e a d

teams entrusted with leadership roles. Measures and metrics introduced by the Company have ensured visibility of critical operating parameters and procedures enabling timely corrective actions towards meeting targeted objectives.

Quality Certifications

Fuelling Tata Infotech's technology leadership has been its thrust on strategic initiatives in high-end technology, operational efficiency and quality processes. During the year, Tata Infotech acquired two international quality certifications in Telecommunications and Security.

Tata Infotech is now part of a select group of four Indian companies to have achieved TL 9000 certification.

Tata Infotech's global delivery centres at Mumbai and Bangalore have been awarded TL 9000 certification for their Telecom practice by Underwriters Laboratories (UL) Inc. Tata Infotech is now part of a select group of four Indian companies to have achieved this certification.

TL 9000, a registered Trademark of the Quality Excellence for Suppliers of Telecommunications (QUEST) forum, aims at continually improving the Telecom industry performance by promoting

a harmonized set of quality system standards and models for the Telecom industry.

Tata Infotech's Systems Integration Division has been certified at BS7799 by the international audit firm Det Norske Veritas (DNV). The BS7799 certification covers Tata Infotech's services at its

global delivery centres in Bangalore, Chennai, Delhi, Mumbai and Pune, and will help Tata Infotech develop, implement and measure effective processes and practices to manage information and data security.

The scope of the certification covers Tata Infotech's operations in software development, software consultancy, turnkey project management, software application & product maintenance and support.

Wide Range of Applications

The adoption of high-end technology has been the hallmark of Tata Infotech's growth. Leveraging our in-depth expertise in Systems Integration, Hardware Manufacture and e-Learning, the Company successfully executed a wide range of projects worldwide. The applications were as diverse as demonstrating the benefits of technology to a targeted half a million students taking on-line examinations spread across 4000 schools in Europe or to the composite operations of a cruise liner on the high seas.

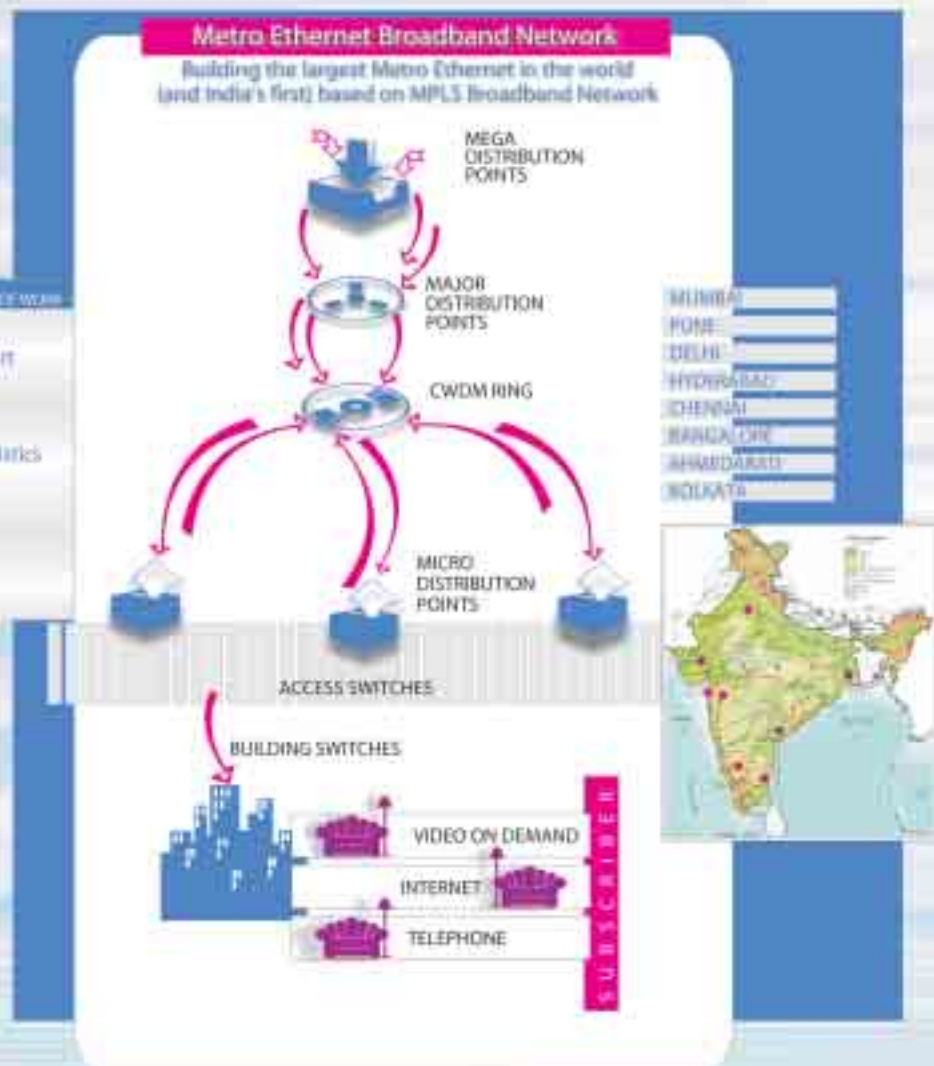
T O E X C E L

Some of the technology solutions implemented by Tata Infotech for customers worldwide include: -

Broadband-Ethernet

Building of a broadband network across eight cities, targeting a population of about 200 million, the solution offers voice, data and video to residential and corporate users. This is the largest triple play implementation in the world for the vendor.

- TATA INFOTECH'S SCOPE OF WORK**
- Proof of Concept, Lab - Support
 - Design Activities - Support
 - Installation Site Readiness
 - Equipment Procurement / Logistics
 - Equipment Installation
 - Basic IP connectivity
 - Network Configuration
 - Network Readiness Testing



Managed Services

Providing 24x7 Facility Management Services for a leading international airline. System administration services and support are provided for Help Desk, Data & Voice Network Management, Database & Mail and Asset & Vendor Management.

E-Governance

Tata Infotech is very closely associated with the e-Governance projects of State governments. In one, we are setting up a large data centre with MPLS based core network; also providing value added services and management of operations for handling e-Governance initiatives in the State.

Photo-ID System

Visitor Management System integrating Photo-ID application and remote employee database for a Fortune 500 company in its pioneering effort to supply its affiliates with a technologically advanced photo-ID system.



P D Karkaria
Executive Director & CFO

Online Testing System

Tata Infotech has developed a first-of-its-kind on-line testing system for the 4200 centres of secondary education for a qualifications and curriculum authority in Europe. The project is deployed using a custom built security solution developed by Tata Infotech.

Yellow Pages on Mobile Phone

Tata Infotech has developed an SMS-based yellow pages application for a CDMA operator in India. The mobile subscribers can thereby download yellow-pages onto their mobile phones. This application uses Tata Infotech's intellectual property in natural language processing.

The Manufacturing Division's facilities include a Centre of Excellence for RoHS-WEEE compliance services.

GSM

This project is part of a GSM network expansion rollout, which is billed as the largest in the world. The cellular mobile network project is with a multinational OEM for the largest telecom operator in India. It involves setting up the cellular network on a turnkey basis comprising around 2500 cellular sites. The project is unique as it represents the convergence of integration services in the area of IT, IP and Telecommunication.

GSM NETWORK ROLLOUT

TATA INFOTECH'S SCOPE OF WORK

- RF Cells Site Planning
- I & C of MW and GSM Antennae
- I & C RF Cables, Sensors, Aviation Lamps
- I & C RF Cable Trays
- Preparation of Earthing/Ground
- I & C Telecom equipment inside shelter
- I & C DG set
- Integration of Cell Sites
- Optimisation of Cell Sites (Cluster wise)
- Acceptance testing of Cell Sites
- Acceptance of Network



The Project is part of a GSM network rollout billed as the largest in the world

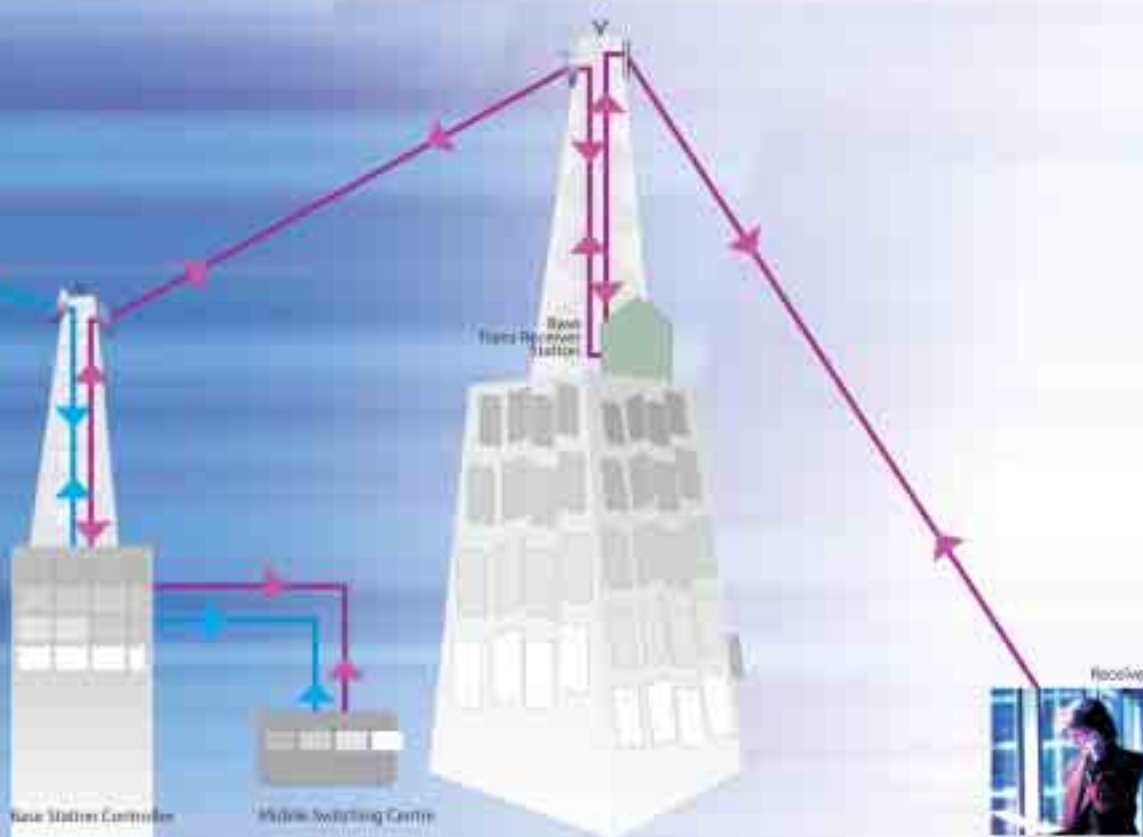
Travel System

Support for the largest cruise line operator in the world for some of its applications towards effective operations.

TATA Values

As part of the Tata Relief Committee initiatives, Tata Infotech team members went onsite to the calamity stricken areas to provide first-hand relief operations and solace to the afflicted. Employees across the organisation also contributed by way of a day's salary.

As Tata Infotech enters into a new financial year the Company will continue to remain customer focused towards ensuring profitable growth in the times ahead.





Directors' Report

To
The Members of
Tata Infotech Limited

The Directors present their Twenty-seventh Annual Report together with the audited statement of accounts for the year ended 31st March 2005.

1. Financial Results	2004-2005 Rs. Crores	2003-2004 Rs. Crores
Income	769.96	597.94
Profit before tax	94.89	61.05
Less: Provision for taxation (Net)	14.65	1.57
Profit after tax	80.24	59.48
Add: Balance brought forward from previous year	30.12	14.38
Amount available for appropriations	110.36	73.86
Appropriations:		
General Reserve	25.00	23.00
Dividend		
Interim	12.87	—
Proposed Final	14.70	18.38
	27.57	18.38
Tax on dividend	3.79	2.36
Balance carried forward	54.00	30.12

Income for the year increased by 29% to Rs.769.96 Crores from the previous year's Rs.597.94 Crores, while profit after tax for the year 2004-05 at Rs.80.24 Crores rose by 35% from the previous year's Rs.59.48 Crores.

2. Dividend

The Board of Directors recommend the payment of a final dividend @ 80% i.e. Rs.8 per equity share on 1,83,80,880 Equity Shares of Rs.10 each, subject to approval by the members at the Annual General Meeting. Taking into account the interim dividend @70% i.e. Rs.7 per equity share paid during the year, the total dividend for the year would amount to 150% i.e. Rs.15 per equity share for the year ended 31st March 2005 (2003-04 : @ 100% i.e. Rs.10 per share).

3. Systems Integration Services

Revenue from systems integration services increased by 35% to Rs.618.63 Crores from Rs.457.70 Crores. Increase in demand for high level value added services from existing customers, selective engagements in niche areas, and improved utilization of resources enhanced the profitability in this segment.

Strong marketing impetus has enabled the Company to establish itself as an independent quality service provider offering services through its development centres in India, all of which are assessed at **SEI-CMM Level 5**. These centres were also awarded the **BS7799 Information Security Management System Certification**, enabling the Company to be viewed as a secure partner.

The Company's focus on telecommunications yielded results with products and services being provided to telecom majors in the domestic and overseas markets. Certain centres were also awarded the **TL9000 certification for Telecom** practice, one of the first few IT companies to be awarded this certification. This would facilitate quality offerings in the telecom area and higher levels of customer satisfaction. **The ISO9001-2000 certification for Installation and Facilities Management** was also awarded to the Company which is an extension of such certification in this area. The systems integration domestic offerings were mainly in the areas of telecommunication, government, transportation and infrastructure.

The year was filled with significant achievements for systems integration. Domestically it saw, for a Telecom major in India, the promulgation of one of the largest Metro-E/Broadband/ Triple Play engagements in the world - the largest order executed by Tata Infotech to-date. The year also saw the initiation of a Secure Messaging Framework for an arm of the Government covering a footprint of more than 150 locations nationwide. A ten-year plus engagement - which also makes use of Tata Infotech intellectual property in connection with secure messaging - this was also one of the biggest orders received by Tata Infotech domestically. Yet other multi million dollar engagements include the setting up of an IT Facility and Infrastructure for an E-governance initiative for a State Government in India; Radio Frequency Planning, Installation and Commissioning engagements for a major Telecom supplier; Infrastructure development for yet another major Telecom operator in the country.

The year also saw significant success internationally. Some examples are: offshore application development resulting in significant revenue enhancement for one of the world's largest cruise lines; the development of an online assessment system for a curriculum authority in UK (where Tata Infotech intellectual property in connection with digital certification is included) that will eventually be rolled out to several million students; a new application development and rollout (several thousand stores) for a major pharmacy in the US; a seamless operating system migration involving over 150 production servers with over 50 applications for a major financial institution.

4. Manufacturing Services

Revenue from manufacturing services grew by 20% to Rs.129.92 Crores from Rs.108.25 Crores in the previous year.

The Company provides value added design, engineering and contract manufacturing services in the areas of document processing systems, automated teller machines, cash dispensers, critical board assemblies and electro mechanical assemblies for various customers in line with the highest quality standards.

Discussions are being held with the customer to extend the contract manufacturing arrangement of automated teller machines, which is coming to an end in June 2005.

The Company's efforts to explore other niche areas for manufacture of products and offer of services yielded results. It has commenced offering to an overseas customer

through a Software Technology Park (STP) set up in Goa, the implementation of RoHS (restriction of use of certain hazardous substances) and WEEE (waste management of electrical and electronic equipments). While RoHS requires usage of environment friendly materials during design and manufacturing process, WEEE aims to efficiently recycle the materials used in the products. These requirements are based on recent directives from European Union.

This diversification of the Company's manufacturing activity is expected to provide sustained revenues in the years ahead.

5. Education Services

Profitability in the education services segment improved, despite a decline in revenue by 24% to Rs.17.57 Crores from Rs.23.03 Crores in the previous year. The profitability improved with focus on corporate training, e-learning solutions, content development, further consolidation of affiliate channel business and improved offerings to overseas customers.

The division is certified **ISO 9001-2000** for courseware design, development and conduct of career and professional short term courses in information technology and related areas.

6. Quality and Technology Initiatives

The Company participates in the Tata Business Excellence Model (TBEM), which emphasizes quality, leadership, strategic planning, customer orientation and services, process orientation, human relations, shareholder value and commitment to community development.

The Company's Applied Technology Group (ATG) focuses on new and advanced technology areas showing potential for growth, such as speech, analytics, wireless solutions and managed services. Currently services are being rendered in some of the aforesaid areas to companies overseas.

7. Subsidiaries and Joint Venture

Exegenix Canada Inc., engaged in the Extensible Markup Language (XML) document conversion technology area, has started receiving an encouraging response from the market place and initial orders have been received.

Tata Infotech (Singapore) Pte. Limited, has commenced operations during the year with significant revenues flowing from supply of equipment for telecommunication projects.

Tata Infotech Deutschland GmbH has not yet commenced operations.

Pursuant to the Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include financial information of its subsidiaries. The Company has received an exemption from the Government of India under Section 212 (8) of the Companies Act, 1956, from attachment of the documents of its subsidiaries. Any member interested in obtaining such particulars may write to the Company at its Registered Office.

Revenues of the contact/call centre joint venture Company increased, but the profitability was impacted mainly on account of increased cost of servicing customer requirements. All efforts are being made to increase revenue from existing and new customers and change the business mix.

8. Corporate Governance

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming compliance with conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd., is annexed hereto.

9. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have, in the selection of accounting policies, consulted the Statutory Auditors, and have 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. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

10. Public Responsibility and Corporate Citizenship

Through the Tata Council for Community Initiatives, as well as through the voluntary efforts of its employees, the Company undertook several social initiatives, such as facilitating NGOs to hold exhibitions in the Company's premises for the sale of the NGOs products to its employees. Company Volunteers visited NGOs senior citizen homes/orphanages/organisations for socially marginalized children. The Company and its employees donated generously towards relief and rehabilitations operations for the Tsunami victims. Blood and eye donation camps were held across various locations. IT education was conducted for socially marginalized children. The Company has also financially supported good causes including empowering women and children through education and career.

The Company continues to encourage its employees to participate on a voluntary basis in various social activities wherever the Company operates.

11. Directors

Mr. C. Antony resigned from the services of the Company and as a Whole-time Director with effect from 30th September 2004 on his transfer to another company in the Tata Group. The Directors place on record their appreciation of the valuable contribution made by Mr. C. Antony during his tenure with the Company.

Mr. J. K. Setna and Mr. A. R. Gandhi retire by rotation and are eligible for reappointment.

12. Auditors

The Auditors, M/s. G. N. Joshi Associates and M/s. S. R. Batliboi & Associates, retire and are eligible for reappointment. It is proposed to reappoint the Auditors to hold office up to the conclusion of the Annual General Meeting for the year ending 31st March 2006.

13. Statutory Information**A. Fixed Deposits**

As on 31st March 2005 there were no deposits which were unclaimed and due for repayment.

B. Particulars of employees

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(IV) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company at its Registered Office.

C. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgoings

The information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended and forms part of this Report.

14. Acknowledgements

The Board wishes to place on record their sincere appreciation to the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's improved performance.

The Board would also like to convey their thanks for the continued support which the Company has received from its customers, shareholders, bankers, group companies and all the other business associates.

On behalf of the Board of Directors

Mumbai, 11th May 2005

F. K. Kavarana
Chairman

The Information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

The Company's operations involve low energy consumption. There are no major areas where any energy conservation measures can be taken. However, efforts are being made to conserve and optimize the use of energy in regular operations.

B. Form of Disclosure of particulars with respect to Absorption of Technology, Research & Development (R & D)

FORM B

Research and Development

1. Specific areas in which R&D carried out by the Company

Software Products and Computer Systems

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

The creation of software tools, new prototypes/products, and the development of state-of-the-art techniques and processes.

3. Future Plan of Action

The ongoing process of R&D is directed towards the creation of new software tools and products and developing state-of-the-art techniques and processes, creation and value enhancement of the Company's proprietary software products with a view to enhancing market revenues for these products in India and abroad.

4. Expenditure on R&D

(a) Capital : Rs.0.09 Crore

(b) Recurring : Rs.0.84 Crore

(c) Total : Rs.0.93 Crore

(d) Total R&D Expenditure as a percentage to total turnover 0.12 %

Technology absorption, adaptation and innovation and benefits derived therefrom:

The technologies developed through R&D have been absorbed and adapted to a large extent resulting in the successful commercialization of revised versions of the Company's proprietary software products.

Technology imported and absorbed:

No technology has been imported by way of foreign collaboration.

C. Foreign Exchange Earnings/Outgoings

The Company's activities are to a significant extent export oriented and the Company is constantly reviewing and augmenting its efforts to increase exports to existing and new markets.

The particulars regarding foreign exchange earnings and outgoings are reflected in Schedule 17 Notes (4 and 5) to the Accounts.

Management Discussion and Analysis

1. Overview

Tata Infotech's operations can be broadly classified into three business segments, addressing markets in India and internationally:

- Systems Integration Services
- Manufacturing Services
- Education Services

The systems integration segment brings together the Company's and key partners' capabilities (including hardware, software and services) to offer complete end-to-end information technology solutions.

The manufacturing segment is primarily engaged in contract manufacturing of electromechanical products, and in providing design and engineering services.

The education segment provides information technology education services, including computer-based training and e-learning solutions to serve the needs of its clients.

2. Systems Integration Services

Tata Infotech brings to its customers a wealth of experience in key domain areas. The Company's offerings include selection, supply, installation and support of equipment and infrastructure, providing outsourcing, networking, customer support, and software services to its clients in the banking, financial services and insurance, telecom, retail and distribution, manufacturing, government, defence, information technology, and education sectors.

The technology solutions it offers its clients in these industries include: e-business services, IT security solutions, business intelligence services, portal development services, enterprise application integration (EAI) services, content management services, re-engineering services, testing services, networking computing services, RF planning and geographic information systems (GIS) services. At an overall level these services can be classified as systems integration services, software development services and IT-enabled services.

Tata Infotech has development centres in Mumbai, Pune, Noida, and Bangalore which are all assessed at SEI – Level 5 and offer onsite and offshore information technology solutions. In the IT Enabled / Business Process outsourcing (ITES / BPO) services, the Company has a joint venture with Sitel, a leading global corporation.

a. Industry Structure, Developments and Outlook

According to a NASSCOM publication "Strategic Review 2005- The Industry in India", IDC estimates that the global demand for IT services and BPO at USD 847 billion in 2004, is expected to reach USD 1,082 billion by 2007. Over the same period, the 'offshore-able' market is estimated to increase from USD 634 billion to USD 836 billion. NASSCOM estimates suggest that offshore penetration is likely to increase from an estimated 6.3% of the global IT services and BPO market in 2004 to 8.8% by 2007. The value of global services delivered from offshore locations is forecast to rise from USD 39.6 billion in 2004 to nearly USD 74 billion by 2007.

According to NASSCOM the IT Software and Services and ITES-BPO segments constitute an estimated USD 22.3 billion of the total Indian IT-ITES Industry of USD 28.2 billion in 2004-05 as compared to USD 16.7 billion in 2003-04 out of the Indian IT Industry size of USD 21.5 billion.

The size of the Indian IT industry (which includes hardware, peripherals, networking, training, domestic and export market for software and services and IT enabled Services) would increase by 30% from Rs. 978 billion (USD 21.5 billion) to Rs. 1275.8 billion (USD 28.2 billion) in 2004-05.

The IT-ITES exports grew from USD 9.9 billion in 2002-03 to USD 13.3 billion in 2003-04. This is estimated to have grown to USD 17.9 billion in 2004-05 by NASSCOM. The key drivers of this growth include the growing adoption of IT outsourcing and the rapid expansion in the scale and breadth of ITES-BPO offerings by Indian vendors.

NASSCOM estimates that the domestic market for IT and ITES will grow to USD 10.3 billion in 2004-05 from a level of USD 8.2 billion in 2003-04. Hardware and IT Services remained the dominant segments accounting for approximately 90% of revenues in both years. The drivers of growth include increased spending in the banking, telecom and government verticals.

For IT outsourcing deals, business continuity planning and information security is a major criterion. The offshore outsourcing phenomenon is now entering the next phase where clients are consolidating their outsourcing requirements with larger vendor organizations. The key drivers of IT spending are driven by business priorities such as, improved product development and management, new regulatory reporting requirements, the continued pursuit of a single customer view and the expansion of business services. Focus on IT spending by the buyers is being measured in the sense of its contribution to business competitiveness and return on investment.

Tata Infotech as a 'global systems integrator', will bring the offshore advantage to its global clients, and best-of-breed end-to-end services for all its clients. The continuing economic boom in the Company's major market - the USA, coupled with stellar growth witnessed in the domestic market had a positive impact on the Company's business during the current year.

b. Risks, Concerns, Opportunities

The challenges in maintaining Tata Infotech's position in the market are coming from: (1) Increasing pressure on margins in the domestic operations as more and more IT spending organizations are getting more demanding and many new global players are entering the growing market for IT and Telecom products and services in India. (2) The large investments in India by, and the growth of, the global systems integration developers poses a threat to the India cost advantage of most Indian IT organizations. (3) The increasing gravitation of business towards the big Indian software organizations as the preferred vendors as compared with smaller vendors. (4) The many non-tariff barriers being set up in developing countries such as the availability of visas and work permits in these countries, which restrict free movement of skilled personnel to these countries,

constraining the ability to service clients' increasing demands. (5) The strengthening of the Indian rupee vis-à-vis the US dollar. (6) The expected demand for experienced IT skills that are not easily available. (7) The major amount of IT spending continues to be in the price-sensitive and lowest bidder (L1) category customer viz. Government / PSU's.

The opportunities in the domestic market are anticipated on the basis of the following assumptions: (1) Major investments in telecom segment which are continuing and which are expected to continue for the next two/three years. (2) Banking and insurance segment will also continue to grow. (3) The spending in the Government/PSU sector, will also increase. Overall the Indian market continues to mature in selective segments.

The spending pattern of customers in the domestic market is predominantly focused towards building up their IT infrastructure comprising hardware and software products. This spending on products driven by their capital expenditure budgets, constitutes a major portion of the Company's domestic revenue and generally leads to a fluctuation in revenue streams from quarter to quarter.

The key trends and opportunities visible for Indian IT companies in the export market are: (1) The existence of a strong business case for offshore outsourcing. (2) The availability of English-speaking talent pool of skilled IT personnel in India giving it a distinct competitive advantage. (3) Increased global demand for network integration, application management and services, infrastructure systems maintenance, and services.

The trends and opportunities enunciated above are expected to continue in the foreseeable future. With a view to responding to the pressure on margins and the increasing competition, the Company is focusing on offering a comprehensive set of services in its chosen industry segments in servicing the changing needs of domestic and international clients. Strengthening the delivery model, focusing on increasing employee productivity, improving processes to help increase utilization of the Company's pool of IT professionals and managing the cost structure should enable the Company to remain competitive.

Tata Infotech with its experience of handling large and complex projects is well positioned to handle the challenges outlined above and address the large opportunities in the major markets it is focusing on.

c. Financial Performance

Revenue from the systems integration services segment grew by 35% to Rs. 618.63 Crores from Rs. 457.70 Crores. The growth in business came from increased levels of business from existing clients primarily in the USA and execution of large value contracts in India. With improved utilization of resources, this segment showed a profit before tax of Rs. 71.63 Crores, which is 89% higher than the previous year profits of Rs. 37.93 Crores.

3. Manufacturing Services

The Company's manufacturing facilities are certified under ISO 9002 Quality Systems, Underwriters Laboratory and Canadian Standards Association.

The Company provides value added design, engineering and contract manufacturing services in the areas of document processing systems, automated teller machines, cash dispensers, critical board assemblies and electro mechanical assemblies for various customers in line with the highest quality standards.

a. Industry Structure, Developments and Outlook

Electronic Trend Publications (ETP) estimates that total electronics assembly value will grow to USD 875 billion by 2008 and that the Electronic Manufacturing Services (EMS) industry will grow to USD 244 billion by 2008.

According to Technology Forecasters Inc.(TFI), a supply chain consultancy, providers of electronics manufacturing and design services are expected to grow at a compounded annual rate of 15% for the foreseeable future.

The demand for niche offerings for the electromechanical product offerings and contract manufacturing services is expected to increase. Though margins are under pressure the Company believes it is in a position to compete in the low to medium volume, niche electromechanical manufacturing business.

b. Risks, Concerns, Opportunities

Contract manufacturing activities are dependent on customer demand and carry an inbuilt risk. The Company is constantly striving to broad base its offerings to address customer requirements from different geographical regions and industry segments. Its current dependence on a few customers for most of the revenues is seen as a risk. Any changes in the buying pattern of current customers would result in fluctuations in business and profits.

EMS industry's concern today is to meet the requirements for RoHS (restriction of use of certain hazardous substances) and WEEE (waste management of electrical and electronic equipments) compliance, as several overseas countries are passing regulations to ensure that electronic products are free of hazardous substances like lead, mercury etc. The Company is focusing on this opportunity by targeting acquisition of clients that require RoHS related design and engineering services. The design and development capabilities already available in the Company are expected to provide a competitive edge in addressing this new segment.

The Company has built unique capabilities and skills in niche electromechanical manufacturing and is focusing on low to mid sized volumes with reasonable margins. The contract manufacturing industry is both capital and labor intensive as well as extremely cost sensitive. It is critical for Tata Infotech to manage cost of manufacturing and retain world-class quality standards in manufactured products to remain competitive and attract new clients.

c. Financial Performance

Company's focus in its chosen niche areas has enabled the manufacturing services to achieve a turnover of Rs. 129.92 Crores in 2004-05 as compared to Rs. 108.25 Crores in the previous year, a 20% growth and a profit before tax of Rs. 29.99 Crores as compared to Rs 28.93 Crores for the previous year.

4. Education Services

The Company provides IT education in select areas and e-learning solutions to its corporate customers.

a. Industry Structure, Developments and Outlook

The global IT education and training market spend has remained stagnant for the past 2 years. The fortunes of the training industry in India has dipped for the third year in a row as per Dataquest and it is expected that this trend will continue.

Given the negative impact that the slowdown has had on the training business and the continuing slump in the admission rate for the standard long-term courses, the larger training companies tried to find new markets, mainly outside India and smaller ones started providing courses on corporate training.

Market demand in the student segment is expected to remain sluggish. Demand for long-term career courses is expected to continue its decline. More students are expected to go for 'Degree Courses' in IT offered by recognized colleges/universities. It is expected that the demand for training will continue to grow in the following areas: IT enabled services, and hardware and networking courses. The trends also indicate that the key emerging opportunities in this business segment lies in training in the emerging new technology areas of embedded systems, security, e-CRM, legal services, bio-informatics and engineering design.

Specialized courses in high-end software technologies like enterprise application integration, training in domain and industry segments, IT training projects in schools are likely to be rolled out in many states; corporate training, custom content development by corporations to train employees on specific processes and applications are expected to show further increase.

b. Risks, Concerns, Opportunities

The education market is highly competitive with margins constantly under pressure. For your Company, a major portion of the revenue from this segment is dependent on a few clients and any delays or postponement of decisions will cause variations in the results of this segment.

The Company is focusing on corporate training and markets overseas. The Company believes there is a market for IT education and training in the developing countries as these countries aspire to become significant players in the emerging knowledge economy. Actions taken to consolidate domestic affiliate operations and achieve a lower cost structure for this business to attain profitability from this business segment have been successful as is evident from the financial performance in the current year.

c. Financial Performance

Revenue from education services was Rs. 17.57 Crores in 2004-05 lower from Rs. 23.03 Crores in 2003-04. The profit from this business in the current financial year was higher by 70% at Rs. 2.73 Crores as compared to a profit of Rs. 1.61 Crores in the previous financial year, 2003-04.

5. Financial Performance

Despite the many challenges Tata Infotech has faced, it has shown the resilience to capitalize on the different capabilities of the systems integration, manufacturing and education services to achieve profitable growth in all its business segments in the current financial year ended 31st March 2005.

The Company's net turnover increased by 30% from a level of Rs.585.58 Crores in 2003-04 to Rs.763.29 Crores in the 2004-05.

The profit after tax for 2004-05 at Rs. 80.24 Crores was 35% higher than 2003-04 , which was at Rs 59.48 Crores.

The following table sets forth the Company's financial performance as a percentage of net turnover:

	Percentage of Net Turnover	
	Year ended 31st March	
	2005	2004
Net turnover	100.0	100.0
Expenditure:		
Materials	27.7	24.4
Employee costs	19.8	21.4
Operating and other expenses	39.4	43.3
Total expenditure	86.9	89.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13.1	10.9
Other income	0.9	2.1
Interest	0.0	0.1
Depreciation and amortization	1.6	2.5
Profit before tax	12.4	10.4
Net tax	1.9	0.2
Profit after tax	10.5	10.2

1. The increase in net turnover was driven primarily by a 34% increase in the international business revenues and 39% increase in the domestic business revenues for the systems integration services segment and a 20% rise in manufacturing revenues.
2. EBITDA margins increased to 13% from 11% in 2003-04, mainly due to increase in revenues, improved utilization of resources, and the Company's continuing cost control efforts.

3. Depreciation and amortisation decreased 19% to Rs. 11.82 Crores from Rs. 14.69 Crores in 2003-04, primarily due to identification and recognition of opening impairment losses on fixed assets /intangible assets, which were offset against opening reserves.
4. The Company's profit before tax (PBT) was Rs. 94.89 Crores, an improvement by 55% over the PBT of Rs. 61.05 Crores in 2003-04.
5. The Company provided Rs. 14.65 Crores towards net taxes, which was significantly higher than the amount of Rs. 1.57 Crores in 2003-04, on account of higher profits and increased taxable income primarily due to the cessation of tax holiday period for the manufacturing operations.
6. The Company's net profit after tax of Rs. 80.24 Crores was 35% higher than Rs. 59.48 Crores in 2003-04 and consequently the earnings per share (basic and diluted) improved to Rs. 43.65 from Rs. 32.36 in 2003-04.

6. Internal Control Systems

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of its business. These systems and procedures provide reasonable assurance of maintenance of proper accounting records, reliability of financial information, protection of resources and safeguarding of assets against unauthorized use.

The internal audit department conducts audits of various department based on an annual audit plan. The planning and conduct of internal audits are oriented towards the review of controls in management of the Company's activities. The internal audit department reports significant audit observations to the audit sub-committee of the Board of Directors, which includes Non Whole-time Directors. The committee meets at regular intervals during the year to review audit observations and follow-up on implementation of corrective actions. The committee also meets the Company's statutory auditors to ascertain their views on adequacy of internal control systems in the Company. The committee submits reports of its observations to the Board of Directors.

7. Human Resource Management

As on 31st March 2005, the Company had a knowledge work force of close to 3300 (previous year 2834). There is continuous focus on training and upgrading of technical and managerial skills appropriate to the businesses. The Company has put in place an e-learning business suite application to enable its employees avail of the self-learning modules for IT and Business skills. It also encourages employees to update their skills regularly to enable them to face the challenges of the changing global IT industry requirements.

Training needs analysis is done on a regular basis and systematic methodologies are employed to ensure that skills, competencies and capabilities of all employees are constantly upgraded to enable them to perform in the challenging work environment.

8. Cautionary Statement

Statements in the Management Discussion and Analysis describing Company objectives, expectations, projections, estimates may be 'forward looking statements' within the meaning of the applicable security laws and regulations.

Actual results could differ materially from those expressed or implied, depending upon economic conditions, changes in Government regulations and policies, demand, supply and price conditions, political and economic developments within and outside the country and various incidental factors.

The Company assumes no responsibility to publicly amend, modify, or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Corporate Governance Report

1. Company's Philosophy on Corporate Governance

As a member of the Tata Group, your Company's philosophy on Corporate Governance encompasses the active observance of fair and ethical business practices ensuring transparency, accountability, integrity and the statutory compliance of various laws.

As a part of the Tata Brand Equity and Business Promotion (BEBP) agreement with Tata Sons Ltd., your Company has adopted the Tata Business Excellence Model to achieve a high standard of performance, and adheres to the Tata Code of Conduct.

The Company has complied with all the requirements of Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd.

2. Board of Directors

During the financial year, six Board Meetings were held on 11th May 2004, 18th June 2004, 27th July 2004, 4th November 2004, 27th January 2005 and 2nd February 2005. The composition of the Board, attendance at the Board Meetings during the financial year and the last Annual General Meeting, number of Directorships, Memberships/Chairmanships in Indian Public Companies (including the Company) are given below:

Name of the Director	Category	2004-05		As on 11th May 2005		
		Attendance at		No. of Directorships	Committee Positions	
		Board Meetings	Last AGM		Member	Chairman
Mr. F. K. Kavarana	Executive Chairman	6	Yes	11	4	3
Mr. F. C. Kohli	Non-Executive, Independent	4	Yes	4	1	3
Mr. J. K. Setna	Non-Executive, Independent	6	No	6	4	2
Mr. S. Ramadorai <small>Resigned w.e.f. 19th May 2004</small>	Non-Executive	1	—	—	—	—
Mr. A. R. Gandhi	Non-Executive	6	Yes	9	4	2
Mr. D. B. Engineer	Non-Executive, Independent	5	Yes	14	7	3
Mr. N. M. Munjee <small>Appointed w.e.f. 10th June 2004</small>	Non-Executive, Independent	4	Yes	14	8	2
Mr. C. Antony <small>Resigned w.e.f. 30th September 2004</small>	Executive Director	1	Yes	—	—	—
Mr. P. D. Karkaria <small>Appointed w.e.f. 1st July 2004</small>	Executive Director	4	Yes	1	—	—

3. Audit Committee

The terms of reference of the Audit Committee are in accordance with the requirements of Clause 49 II (D) of the Listing Agreement and the provisions of Section 292A of the Companies Act, 1956.

The scope and role of the Audit Committee inter-alia includes:

- * overseeing that management has maintained the reliability and integrity of the accounting policies, financial reporting and the disclosure practices of the Company;
- * ensuring that management has established and maintained an adequate system of internal control which is functioning within the Company, and the Company has complied with all applicable laws, regulations and policies;
- * reviewing the annual financial statements, adequacy of internal control and the internal audit function;
- * considering matters relating to the financial affairs of the Company and its accounts.

Powers of the Audit Committee are:

- a. to investigate any activity within its terms of reference;
- b. to seek information from any employee;
- c. to obtain outside legal or other professional advice;
- d. to secure attendance of outsiders with relevant expertise, if it considers necessary.

During the financial year 2004-05, four Audit Committee Meetings were held on 11th May 2004, 27th July 2004, 4th November 2004 and 27th January 2005.

The Audit Committee Meetings were usually attended by the Executive Director(s), the Non-Executive Director(s), the Chief Financial Officer, Representative of the Internal Audit Department and other invitees, Statutory Auditors and the Company Secretary who also acts as the Secretary of the Audit Committee. The Chairman of the Audit Committee was also present at the last Annual General Meeting of the Company.

The present composition of the Audit Committee and their attendance at its meetings are as under:

Composition	Category	No. of meetings attended
Mr. F. C. Kohli - Chairman	Non-Executive, Independent	Three
Mr. J. K. Setna - Member	Non-Executive, Independent	Four
Mr. A. R. Gandhi - Member	Non-Executive	Four
Mr. D. B. Engineer - Member	Non-Executive, Independent	Three
Mr. N. M. Munjee - Member	Non-Executive, Independent	Two

4. Remuneration Committee

The scope, powers and functions of the Remuneration Committee inter-alia include determination of the remuneration and/or commission payable to the Executive Directors.

During the financial year 2004-05, two Remuneration Committee Meetings were held on 18th June 2004 and 3rd September 2004.

The present composition of the Remuneration Committee and their attendance at its meetings are as under:

Composition	Category	No. of meetings attended
Mr. J. K. Setna - Chairman	Non-Executive, Independent	Two
Mr. F. C. Kohli - Member	Non-Executive, Independent	Two
Mr. A. R. Gandhi - Member	Non-Executive	Two

Remuneration Policy

The remuneration of Executive Directors is decided by the Remuneration Committee based on certain criteria such as industry benchmark, individual performance, Company's performance, etc.

The sitting fees and commission of Non-Executive Directors are decided by the Board of Directors on the basis of their attendance and contribution at meetings.

The members, at the Annual General Meeting held on 27th September 2002, approved the payment of commission to the Non Whole-time Directors of a sum not exceeding 1% per annum of the net profits of the Company, as computed under the provisions of the Companies Act, 1956.

The members, at the Annual General Meeting held on 13th August 2004, had also approved the payment of sitting fees (in addition to commission) to the Non Whole-time Directors for attending each meeting of the Board or its Committees.

Details of remuneration paid to all the Directors

Name	Remuneration (Rs. Lakhs)	Commission* (Rs. Lakhs)	Sitting fees (Rs. Lakhs)	Notice Period	Severance Fee
Mr. F. K. Kavarana	53.36	33.00	-	6 months	6 months remuneration
Mr. F. C. Kohli	-	4.20	0.95	-	-
Mr. J. K. Setna	-	3.60	1.10	-	-
Mr. S. Ramadorai <small>Resigned w.e.f. 19th May 2004</small>	-	2.50	0.10	-	-
Mr. A. R. Gandhi	-	3.70	1.10	-	-
Mr. D. B. Engineer	-	3.00	0.80	-	-
Mr. N. M. Munjee <small>Appointed w.e.f. 10th June 2004</small>	-	-	0.60	-	-
Mr. C. Antony <small>Resigned w.e.f. 30th September 2004</small>	10.07	-	-	6 months	6 months remuneration
Mr. P. D. Karkaria <small>Appointed w.e.f. 1st July 2004</small>	27.19	-	-	6 months	6 months remuneration

* Commission relates to the financial year ended 31st March 2004, which was paid during the year 2004-05.

Remuneration of Mr. F. K. Kavarana includes: Salary Rs.24.00 Lakhs, Gratuity Rs.2.00 Lakhs and Monetary benefits Rs.27.36 Lakhs.

Remuneration of Mr. C. Antony includes: Salary Rs.4.20 Lakhs, Gratuity Rs.0.70 Lakhs and Monetary benefits Rs.5.17 Lakhs for the period during which he was an Executive Director (1st July 2004 to 30th September 2004).

Remuneration of Mr. P. D. Karkaria includes: Salary Rs.9.90 Lakhs, Gratuity Rs.1.10 Lakhs and Monetary benefits Rs.16.19 Lakhs for the period 1st July 2004 to 31st March 2005.

Mr. P. D. Karkaria had also been granted 570 and 1000 Stock Options in 2000 and 2003 respectively, prior to his appointment as a Whole-time Director. The Stock Options offered in 2000 and 2003 are granted at a rate of Rs.224/- and Rs.293/-per Stock Option respectively.

Mr. Karkaria had also been granted 1500 Stock Options in 2005, after his appointment as a Whole-time Director at a rate of Rs.383/- per Stock Option.

All the aforesaid Stock Options had been offered by the Tata Infotech Limited Employees' Share Participation Trust. The Stock Options would vest over a period of three years based on time and performance and could be exercised within a period of six years from the respective Grant dates.

A sum of Rs. 74 Lakhs has been determined as commission for the Whole-time Directors and a sum of Rs. 26 Lakhs has been provided for the Non Whole-time Directors for the year ended 31st March 2005. The individual commission amounts would be determined and paid after the annual accounts are approved at the forthcoming Annual General Meeting.

5. Shareholders' Grievance Committee

During the financial year 2004-05, three Shareholders' Grievance Committee Meetings were held on 20th July 2004, 25th October 2004 and 24th January 2005.

The present composition of the Shareholders' Grievance Committee and their attendance at its meeting is as under:

Composition	Category	No. of meetings attended
Mr. F. C. Kohli – Chairman	Non-Executive, Independent	Three
Mr. F. K. Kavarana – Member	Executive	Three

Mr. M. M. Surti is the Company Secretary and the Compliance Officer.

During the year, ninety three Investors' complaints were received. All the Investors' complaints were resolved to the satisfaction of the shareholders. The Board also reviewed the aforesaid information regularly.

As on 31st March 2005, eleven dematerialization requests were pending. Four requests were lodged on 28th March 2005, two requests were lodged on 29th March 2005, one request was lodged on 30th March 2005, and the remaining four were lodged on 31st March 2005. All the pending dematerialization requests have been processed on 8th April 2005.

As on 31st March 2005, one case was pending for transfer of shares. The same was lodged on 28th March 2005 and has been processed on 6th April 2005.

The aforesaid information is based on the reports received from the Company's Registrar.

6. General Body Meetings

Location and time for the last three Annual General Meetings:

Year	Date	Venue	Time
2003-04	13th August 2004	Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai - 400 001	4:00 p.m.
2002-03	28th August 2003		4:30 p.m.
2001-02	27th September 2002		4:30 p.m.

There have been no special resolutions passed by the shareholders through postal ballot for the year ended 31st March 2005.

7. Disclosures

During the year under review there were no related party transactions with its Promoter, Directors, Management and Subsidiaries that had a potential conflict with the interest of the Company at large. The relevant information is disclosed under Schedule 17 (Note 14) forming a part of the accounts for the year ended 31st March 2005.

The Company has complied with various rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India and any other statutory authority relating to the capital markets during the last three years. They have imposed no penalties or strictures on the Company.

8. Means of Communication

Quarterly and Annual financial results were sent to all members on the following dates:

Date of Board Meeting	Date of posting of financial results to the Members
11th May 2004	14th May 2004
27th July 2004	29th July 2004
4th November 2004	8th November 2004
27th January 2005	31st January 2005

The results are published in the *Indian Express* and *Loksatta (Marathi)*. It is also displayed on the Company's website www.tatainfotech.com and Electronic Data Information Filing and Retrieval (EDIFAR) website. Any member who requires a copy of the results shall write to the Company at its Registered Office.

Generally all official news releases are sent to the Stock Exchanges and also posted on the Company's Website.

The Company made a presentation to Analysts on 12th August 2004. The Stock Exchanges were intimated that the presentation made to the Analysts was posted on the Company's website.

Management Discussion and Analysis forms part of this Report.

9. General Information

Date, time & venue of the Annual General Meeting **Wednesday, 24th August 2005 at 4:00 p.m., at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai – 400 001.**

As required under Clause 49VI(A), particulars of Directors seeking reappointment are given in the Notice of the Annual General Meeting to be held on Wednesday, 24th August 2005

Financial Calendar 1st April to 31st March

Date of Book Closure Tuesday, 9th August 2005 to Thursday, 11th August 2005 (both days inclusive)

Dividend Payment Date On or after 25th August 2005

Listing on Stock Exchanges The Stock Exchange, Mumbai (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.
The National Stock Exchange of India Ltd. (NSE)
Exchange Plaza
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

Stock Code The Stock Exchange, Mumbai – 504290
National Stock Exchange of India Ltd. – TATAINFOTE

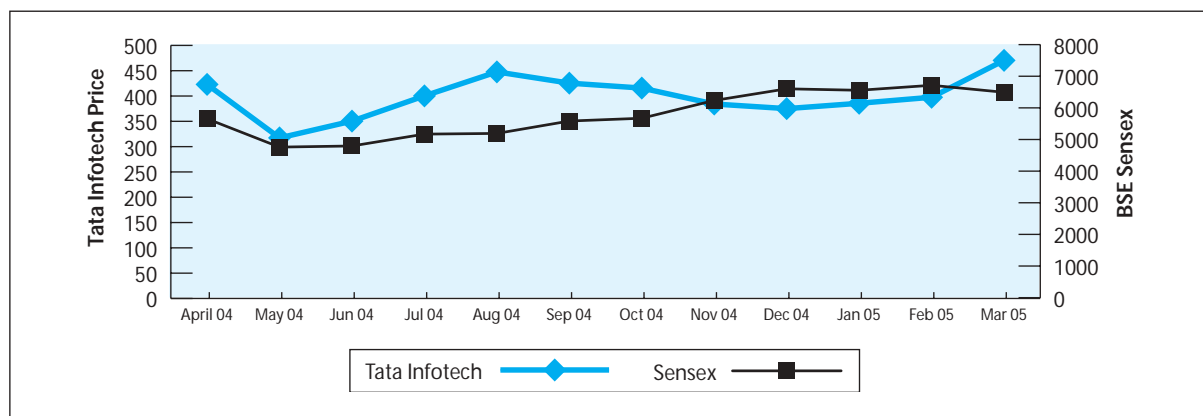
Market Price Data Average High/Low during each month in the last financial year on BSE

Month	High	Low
April 2004	490.00	405.00
May 2004	464.70	288.00
June 2004	409.95	305.00
July 2004	412.00	326.80
August 2004	465.70	387.30
September 2004	459.85	419.80
October 2004	450.00	406.00
November 2004	435.00	375.00
December 2004	400.00	365.00
January 2005	400.00	360.50
February 2005	426.00	380.00
March 2005	499.00	381.50

(Source : The Stock Exchange, Mumbai.)

Share Price Movement

Performance of the Company's scrip on BSE as compared to Sensex for the period 1st April 2004 to 31st March 2005



Registrar & Transfer Agents

Tata Share Registry Ltd. (TSRL), Unit : Tata Infotech Ltd. TB, Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai – 400 001. Tel: +91-022-56568484. Fax: +91-022-56568494/56568496. E-mail: csg-unit@tatashare.com Website: www.tatashare.com Business Hours: Monday to Friday (10:00 a.m. to 3:30 p.m.) excluding bank holidays.

Branches of TSRL: The shareholders based in the following cities may contact the local branches for their convenience.

503, Barton Centre (5th Floor), 84, Mahatma Gandhi Road, Bangalore – 560 001 Tel: +91-080-25320321. Fax: +91-080-25580019 E-mail: tsrlbang@tatashare.com	Bungalow No. 1, "E" Road, Northern Town, Bistupur, Jamshedpur – 831 001 Tel: +91-0657-2426616. Fax: +91-0657-2426937 E-mail: tsrljsr@tatashare.com
Tata Centre, 1st Floor, 43, Jawaharlal Nehru Road, Kolkata – 700 071. Tel: +91-033-22883087. Fax: +91-033-22883062. E-mail: tsrlcal@tatashare.com	2/42, Sant Vihar, Ansari Road, Daryaganj, New Delhi – 110 002. Tel: +91-011-23271805 Fax: +91-011 –23271802 E-mail: tsrlidel@tatashare.com

Share Transfer System

Shares lodged for transfer in the physical form at the Registrars' office mentioned above are normally processed at the earliest, but within the statutory time frame from the date of lodgment, provided the documents are complete in all respects.

Secretarial Audit

A practicing Company Secretary carried out secretarial audits to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. These audits confirm that the total issued/paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Distribution of Shareholding as on 31st March 2005

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% of capital
1 to 500	17623	95.17	2099580	11.42
501 to 1000	603	3.26	437106	2.38
1001 to 2000	165	0.89	236410	1.29
2001 to 3000	48	0.26	123377	0.67
3001 to 4000	18	0.10	64530	0.35
4001 to 5000	17	0.09	79740	0.43
5001 to 10000	13	0.07	97087	0.53
Greater than 10000	30	0.16	15243050	82.93
Total	18517	100.00	18380880	100.00

Categories of Shareholders

Category	As on 31st March 2005		As on 31st March 2004	
	No. of shares	% of capital	No. of shares	% of capital
Tata Group Companies'	13760843	74.86	13761203	74.87
Individuals	3041130	16.55	3288575	17.89
Companies, Mutual Funds & Trusts	834288	4.54	660697	3.59
FI (LIC, UTI, GIC & subsidiaries)	625105	3.40	566819	3.08
Non-Resident Individuals	111220	0.61	94740	0.52
Foreign Institutional Investors/OCB's	6173	0.03	6773	0.04
Banks (Nationalized / other Banks)	2121	0.01	2073	0.01
Total	18380880	100.00	18380880	100.00

Dematerialization of Shares

The shares of the Company are to be compulsorily traded in dematerialized mode by all investors. The shareholders have the option to hold and trade shares of the Company in electronic form through National Securities Depository Ltd. (NSDL) or Central Depository Services (India) Ltd. (CDSL).

As on 31st March 2005, around 94% of the total paid-up capital has been dematerialized.

Listing of Company's Equity Shares on The Stock Exchanges (BSE / NSE)

The Equity Shares of the Company are listed and regularly traded on The Stock Exchange, Mumbai, (BSE) and the National Stock Exchange of India Ltd. (NSE).

There were no outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date which would have an impact on the equity.

Address for Correspondence

Registered Office: TATA INFOTECH LIMITED, Manish Commercial Centre, 216-A, Dr. Annie Besant Road, Worli, Mumbai - 400 030. Tel: +91-22-5666 4300. Fax: +91-22-5666 4333.

Website: www.tatainfotech.com

Plant Locations

17-B, Tivim Industrial Estate, Karaswada, Mapusa, Goa – 403 526.

Plot Nos. 45 & 46, Tivim Industrial Estate, Karaswada, Mapusa, Goa – 403 526.

Auditors' Certificate

**To
The Members of
Tata Infotech Limited**

We have examined the compliance of conditions of corporate governance by Tata Infotech Limited ("the Company"), for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending as at March 31, 2005 for a period exceeding one month against the Company, as per the records maintained by the share registrar and reviewed by the Shareholders' Grievance Committee.

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.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner

*Membership No: 44757
Mumbai, 11th May 2005*

For and on behalf of
G.N. JOSHI ASSOCIATES
Chartered Accountants

G.N. Joshi
Partner

*Membership No: 2373
Mumbai, 11th May 2005*

Auditors' Report

To

The Members of Tata Infotech Limited

1. We have audited the attached Balance Sheet of Tata Infotech Limited ('the Company') as at March 31, 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 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 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose 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 above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
 - v. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that 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.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2005;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner

*Membership No: 44757
Mumbai, 11th May 2005*

For and on behalf of
G.N. JOSHI ASSOCIATES
Chartered Accountants

G.N. Joshi
Partner

*Membership No: 2373
Mumbai, 11th May 2005*

Annexure referred to in paragraph 3 of our report of even date**Re: Tata Infotech Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund,

employees' state insurance, income tax, wealth tax, service tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiary from bank, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair nature of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner

*Membership No: 44757
Mumbai, 11th May 2005*

For and on behalf of
G.N. JOSHI ASSOCIATES
Chartered Accountants

G.N. Joshi
Partner

*Membership No: 2373
Mumbai, 11th May 2005*

Balance Sheet as at 31st March 2005

	Schedule	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores
Sources of Funds :				
Shareholders' funds				
Capital	1	18.38		18.38
Reserves and surplus	2	270.96		225.89
			289.34	244.27
Loan funds				
Secured loan	3	0.12		0.23
Unsecured loan	4	0.05		0.06
			0.17	0.29
Total			289.51	244.56
Application of Funds :				
Fixed assets				
Gross block	5	170.22		152.59
Less: Depreciation, amortisation and impairment		121.51		109.54
Net block		48.71		43.05
Capital work-in-progress/advances		1.74		11.27
			50.45	54.32
Investments	6		66.50	70.70
Deferred tax asset (Note 12 - Schedule 17)			15.39	10.96
Current assets, loans and advances				
Inventories	7	33.22		22.27
Sundry debtors	8	157.29		125.10
Cash and bank balances	9	15.57		25.08
Other current assets	10	17.30		9.87
Loans and advances	11	78.20		73.61
		301.58		255.93
Less: Current liabilities and provisions	12			
Liabilities		111.29		110.52
Provisions		33.12		36.83
		144.41		147.35
Net current assets			157.17	108.58
Total			289.51	244.56

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Profit and Loss Account for the year ended 31st March 2005

	Schedule	Rs. Crores	Year ended 31.03.2004 Rs. Crores
Income	13		
Income from operations (gross)		777.67	596.80
Less: Excise duty		14.38	11.22
Income from operations (net)		763.29	585.58
Other income		6.67	12.36
		<u>769.96</u>	<u>597.94</u>
Expenditure			
Materials	14	211.03	142.65
Employee costs	15	151.45	125.53
Operating and other expenses	16	300.67	253.71
Interest		0.10	0.31
Depreciation and amortisation		11.82	14.69
		<u>675.07</u>	<u>536.89</u>
Profit before tax		94.89	61.05
Provision for taxation			
Current tax (Note 9 - Schedule 17)		22.49	7.20
Deferred tax (Note 12 - Schedule 17)		(2.24)	(3.31)
Tax adjustment for prior years		(5.60)	(2.32)
Net tax		<u>14.65</u>	<u>1.57</u>
Profit after tax		80.24	59.48
Balance brought forward from previous year		30.12	14.38
Profit available for appropriation		110.36	73.86
Appropriations			
General reserve		25.00	23.00
Proposed dividend		14.70	18.38
Interim dividend		12.87	-
Tax on dividend		3.79	2.36
Balance carried forward		<u>54.00</u>	<u>30.12</u>
Earnings per share (Equity shares, par value Rs.10/- each)			
Basic and diluted		43.65	32.36
Number of shares used in computing earnings per share			
Basic and diluted		1,83,80,880	1,83,80,880

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Statement of Cash Flows for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	94.89	61.05
Adjusted for :		
Depreciation and amortisation	11.82	14.69
Exchange differences on translation of foreign currency cash and cash equivalents	0.36	0.29
Provision for doubtful debts	(0.19)	(5.63)
Provision for investment	-	4.50
Interest expenses	0.10	0.31
Lease finance charges	0.02	0.03
Profit on sale of fixed assets (net)	(0.22)	(1.20)
Interest on income tax refund	(0.61)	(0.33)
Profit on sale of investments	(1.09)	(0.31)
Interest on inter-corporate deposits, bonds and bank fixed deposits	(2.35)	(2.80)
Dividend income	(0.66)	(5.97)
Inter-corporate deposit written off earlier, recovered	(0.17)	-
Operating profit before working capital changes	101.90	64.63
Net effect of changes in working capital (Annexure I)	(55.30)	37.37
Direct taxes paid	(12.21)	(7.59)
Net cash from operating activities	34.39	94.41
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings (net)	(0.14)	(8.74)
Dividend paid (including tax on dividend)	(35.15)	(15.55)
Interest paid	(0.11)	(0.34)
Net cash from financing activities	(35.40)	(24.63)
C. CASH FLOWS FROM INVESTING ACTIVITIES		
Short term inter-corporate deposits (placed)/refunded (net)	(2.75)	12.50
Inter-corporate deposit written off earlier, recovered	0.17	-
Purchase of long-term investments	(6.86)	(7.79)
Current investments (net)	11.06	(47.48)
Proceeds from sale of fixed assets	0.46	5.76
Purchase of fixed assets (including CWIP)	(14.32)	(30.18)
Income from investments	3.76	9.02
Net cash from investing activities	(8.48)	(58.17)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(0.36)	(0.29)
Total increase/(decrease) in cash and cash equivalents during the year	(9.85)	11.32
Cash and cash equivalents at the beginning of the year (Annexure II)	24.55	13.23
Cash and cash equivalents at the end of the year (Annexure II)	14.70	24.55

Statement of Cash Flows for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
Annexure I		
Changes in working capital		
Decrease/(increase) in sundry debtors	(32.00)	4.14
Decrease/(increase) in inventories	(10.95)	4.85
(Increase) in other current assets, loans and advances	(14.40)	(10.08)
Increase in sundry creditors and provisions	2.05	38.46
Net effect of changes in working capital	<u>(55.30)</u>	<u>37.37</u>
Annexure II		
(a) Cash and cash equivalents at the beginning of the year		
Cash and bank balances as per the balance sheet	25.08	13.73
Less: Unpaid dividend and debenture payment bank accounts	0.53	0.50
	<u>24.55</u>	<u>13.23</u>
(b) Cash and cash equivalents at the end of the year		
Cash and bank balances as per the balance sheet	15.57	25.08
Less: Unpaid dividend and debenture payment bank accounts	0.87	0.53
	<u>14.70</u>	<u>24.55</u>

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Schedules annexed to and forming part of the Balance Sheet as at 31st March 2005

	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores								
1. SHARE CAPITAL											
Authorised:											
1,90,00,000 equity shares of Rs.10/- each (Previous year 1,90,00,000 equity shares of Rs.10/- each)		19.00	19.00								
Issued, subscribed and paid-up:											
1,83,80,880 equity shares of Rs.10/- each (Previous year 1,83,80,880 equity shares of Rs.10/- each) [includes 1,52,54,880 equity shares (Previous year 1,52,54,880 equity shares) issued as fully paid-up bonus shares by capitalisation of reserves] (Note 17 - Schedule 17)		18.38	18.38								
2. RESERVES AND SURPLUS											
General reserve											
Balance as per last balance sheet	195.77		172.77								
Add: Transferred from profit and loss account	25.00		23.00								
Less: Impairment loss adjustment as on 01.04.2004 (Note 22 - Schedule 17)	6.00		-								
Add: Deferred tax adjustment on impairment loss (Note 22 - Schedule 17)	2.19		-								
Profit and loss account		216.96	195.77								
		54.00	30.12								
		<u>270.96</u>	<u>225.89</u>								
3. SECURED LOAN											
Finance lease obligation (secured by vehicles taken on lease)		0.12	0.23								
		<u>0.12</u>	<u>0.23</u>								
4. UNSECURED LOAN											
Interest-free sales tax loan [repayable within 1 year Rs. 0.01 Crore (Previous year Rs. 0.01 Crore)]		0.05	0.06								
		<u>0.05</u>	<u>0.06</u>								
5. FIXED ASSETS			Rs. Crores								
	Gross block			Depreciation, amortisation and impairment			Net block				
Particulars	As at 01.04.2004	Additions during the year	Deductions during the year	As at 31.03.2005	As at 01.04.2004	For the year	Impairment loss as on 01.04.2004	Deductions during the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
Leasehold land	0.23	-	-	0.23	0.13	0.02	-	-	0.15	0.08	0.10
Buildings	23.86	10.11	-	33.97	6.29	1.72	-	-	8.01	25.96	17.57
Leasehold improvements	7.90	0.58	0.49	7.99	5.72	0.47	-	0.47	5.72	2.27	2.18
Plant and machinery	12.64	1.12	0.76	13.00	9.40	1.47	-	0.72	10.15	2.85	3.24
Computers	65.60	5.70	2.74	68.56	59.45	3.76	-	2.74	60.47	8.09	6.15
Furniture, fixtures and equipments	27.57	3.63	1.16	30.04	22.35	2.92	-	1.12	24.15	5.89	5.22
Vehicles owned	3.65	0.61	0.88	3.38	1.99	0.72	-	0.77	1.94	1.44	1.66
Vehicles taken on lease	0.40	-	0.06	0.34	0.18	0.08	-	0.03	0.23	0.11	0.22
Intangible assets:											
Intellectual property rights (Note 22 - Schedule 17)	10.74	-	-	10.74	4.03	0.50	6.00	-	10.53	0.21	6.71
Licence fee - distributorship rights	-	1.97	-	1.97	-	0.16	-	-	0.16	1.81	-
	152.59 (155.82)	23.72 (26.54)	6.09 (29.77)	170.22 (152.59)	109.54 (120.06)	11.82 (14.69)	6.00 (-)	5.85 (25.21)	121.51 (109.54)	48.71	43.05
Capital work-in-progress/advances										1.74	11.27
Total										<u>50.45</u>	<u>54.32</u>

NOTES: a. Buildings include Rs. 1000/- (Previous year - Rs. 1000/-) being the value of 20 shares (Previous year 20 shares) of Rs. 50/- each in Co-operative Housing Societies.
b. Figures in brackets are in respect of previous year.

Schedules annexed to and forming part of the Balance Sheet as at 31st March 2005

	Quantity	Quantity	Rs. Crores	As at 31.03.2004 Rs. Crores
6. INVESTMENTS				
(A) LONG TERM - At cost				
(i) In trust securities (Non trade, quoted)				
6.75% tax free US 64 bonds(2008) of Rs.100/- each	79,300	(79,300)	0.79	0.79
(ii) Shares (Unquoted)				
(a) In subsidiary companies (Trade)				
Exegenix Canada Inc. (100%):				
Common shares of USD 0.25 each, fully paid	1,000	(1,000)	*	*
Class A special cumulative preference shares of USD 6.25 each, fully paid	1,99,960	(1,99,960)	6.02	6.02
Tata Infotech Deutschland GmbH (100%):				
Common share of Euro 100,000/- each, fully paid	1	(1)	0.43	0.43
Tata Infotech (Singapore) Pte. Limited (100%):				
Ordinary shares of SGD 1 each, fully paid	55,001	(-)	0.15	-
(b) In joint venture (Trade)				
Sitel India Limited (40%):				
Equity shares of Rs.100/- each, fully paid	8,80,000	(8,80,000)	10.70	10.70
(c) Others (Non trade)				
Rallis India Limited:				
Cumulative redeemable preference shares of Rs.10/- each, fully paid	35,00,000	(35,00,000)	3.50	3.50
Tata AutoComp Systems Limited:				
Cumulative redeemable preference shares of Rs. 10/- each, fully paid	50,00,000	(-)	5.00	-
(iii) Bonds and debentures (Non trade)				
Quoted:				
Bonds, face value Rs. 10,00,000/- each, fully paid:				
10% Housing Urban Development Corporation Limited bonds (2014)	15	(15)	1.78	1.95
Bonds, face value Rs. 1,00,000/- each, fully paid:				
8% IDBI bonds (2013)	180	(180)	1.95	2.08
8% IDBI bonds (2018)	10	(10)	0.11	0.12
Bonds, face value Rs. 5,00,000/- each, fully paid:				
10% Housing Urban Development Corporation Limited bonds (2012)	5	(-)	0.29	-
Unquoted:				
Debentures, face value Rs. 5,00,000/- each, fully paid:				
14.75% non-convertible debentures in Tata Motors Limited (2008)	2	(2)	0.13	0.14
Bonds, face value Rs. 5,00,000/- each, fully paid:				
12.15% Steel Authority of India Limited bonds (2007)	12	(-)	0.63	-
14% Steel Authority of India Limited bonds (2005)	8	(-)	0.40	-
Bonds, face value Rs. 1,00,000/- each, fully paid:				
9% Industrial Finance Corporation of India Limited bonds (2006)	70	(-)	0.71	-
			32.59	25.73
Less: Provision for investment			4.50	4.50
			28.09	21.23

* Value below Rs. 50,000

Schedules annexed to and forming part of the Balance Sheet as at 31st March 2005

	Quantity	Quantity	Rs. Crores	As at 31.03.2004 Rs. Crores
6. INVESTMENTS (Continued)				
(B) CURRENT - At lower of cost and fair value (Non trade, unquoted)				
Mutual fund units, face value of Rs.10/- per unit				
DSP Merrill Lynch Floating Rate Fund-Dividend Reinvestment	26,32,182	(-)	2.64	-
HDFC Fixed Investment Plan-June2004(2) Growth	17,00,000	(-)	1.70	-
Templeton Floating Rate Income Fund-Long Term-Dividend Reinvestment	42,47,748	(-)	4.35	-
Kotak Liquid (Institutional Premium)-Dividend Reinvestment	26,58,158	(-)	3.25	-
Tata Fixed Horizon Fund-Series1-Plan A-Growth	50,00,000	(-)	5.00	-
Templeton Floating Rate Income Fund-Short Term Plan-Growth	44,33,292	(44,33,292)	5.00	5.00
HDFC Floating Rate Income Fund-Short Term-Growth	13,81,627	(13,81,627)	1.45	1.45
HDFC Fixed Investment Plan-March 2004(I)-Growth	50,00,000	(50,00,000)	5.00	5.00
Tata Liquid High Investment Fund-Dividend Reinvestment ..	-	(27,04,898)	-	3.02
Tata Monthly Income Fund-Dividend Reinvestment	-	(13,09,502)	-	1.51
Grindlays Super Saver Income Fund-Short Term-Growth	-	(32,78,415)	-	4.10
Tata Dynamic Bond Fund-Option B-Growth	-	(19,44,372)	-	2.00
Grindlays Cash Fund-Institutional Plan B-Growth	-	(34,38,457)	-	4.00
Tata Floating Rate Fund-Short Term-Dividend Reinvestment	-	(20,20,063)	-	2.02
Kotak Liquid Institutional Plan-Growth	-	(47,61,552)	-	6.00
Tata Liquid Super High Investment Fund-Appreciation	-	(1,35,27,790)	-	15.37
Mutual fund units, face value of Rs.1,000/- per unit				
Tata Liquid Super High Investment Fund-Appreciation	83,974	(-)	10.02	-
			38.41	49.47
			66.50	70.70
Aggregate amount of unquoted investments			61.58	65.76
Aggregate amount of quoted investments			4.92	4.94
			66.50	70.70
Aggregate market value of quoted investments			4.84	4.77

Investments bought and sold during the year (Note 23 - Schedule 17)

Quantitative figures in brackets are in respect of previous year

Schedules annexed to and forming part of the Balance Sheet as at 31st March 2005

	Rs. Crores	As at 31.03.2004 Rs. Crores
7. INVENTORIES		
Raw materials, sub-assemblies and components	22.02	13.49
Work-in-progress	3.47	0.85
Stores and spares	1.55	2.18
Goods-in-transit (Note 26 - Schedule 17)	3.11	3.44
Saleable goods	3.07	2.31
	<u>33.22</u>	<u>22.27</u>
8. SUNDRY DEBTORS		
Unsecured:		
Over six months		
Considered good	13.29	11.29
Considered doubtful	13.78	13.84
	<u>27.07</u>	<u>25.13</u>
Others:		
Considered good	144.00	113.81
Considered doubtful	-	0.13
	<u>144.00</u>	<u>113.94</u>
Less: Provision for doubtful debts	13.78	13.97
	<u>157.29</u>	<u>125.10</u>
9. CASH AND BANK BALANCES		
Cheques on hand	-	0.54
BANK BALANCES		
With scheduled banks:		
On current accounts	4.03	2.35
On deposit accounts	3.02	17.15
With non-scheduled banks:		
On current accounts (Note 25 - Schedule 17)	8.52	5.04
	<u>15.57</u>	<u>25.08</u>
10. OTHER CURRENT ASSETS		
Accrued revenue	16.88	9.84
Interest accrued on investments	0.42	0.03
	<u>17.30</u>	<u>9.87</u>

Schedules annexed to and forming part of the Balance Sheet as at 31st March 2005

	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores
11. LOANS AND ADVANCES			
Advances - recoverable in cash or kind or for value to be received		31.98	25.22
Due from Subsidiary-Tata Infotech (Singapore) Pte. Limited		1.17	-
Short term inter-corporate deposits		23.00	20.25
Interest accrued on short term inter-corporate deposits		0.28	0.33
Advance payment of taxes (net)		13.60	19.06
Balances with customs and excise authorities		0.78	0.65
Sundry deposits - considered good		7.39	8.10
Sundry deposit - considered doubtful		0.58	0.58
		<u>78.78</u>	<u>74.19</u>
Less: Provision for doubtful deposit		0.58	0.58
		<u>78.20</u>	<u>73.61</u>
Secured - considered good		0.13	0.26
Unsecured - considered good		78.07	73.35
		<u>78.20</u>	<u>73.61</u>
12. CURRENT LIABILITIES AND PROVISIONS			
Current liabilities:			
Sundry creditors (Note 14 and 18 - Schedule 17)	87.75		81.80
Security deposits received	1.39		1.55
Advances from customers	7.53		12.95
Deferred revenue	13.83		13.89
Investor Education and Protection Fund:			
Unpaid dividends	0.79		0.28
Unpaid matured debentures	*		0.04
Interest accrued on unpaid matured debentures	*		0.01
		<u>111.29</u>	<u>110.52</u>
Provisions:			
Provision for taxation (net)	8.65		10.01
Proposed dividend	14.70		18.38
Tax on dividend	2.06		2.36
Provision for leave encashment	6.84		5.54
Provision for warranty (Note 24 - Schedule 17)	0.87		0.54
		<u>33.12</u>	<u>36.83</u>
		<u>144.41</u>	<u>147.35</u>

* Value below Rs. 50,000

Schedules annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2005

	Rs. Crores	Rs. Crores	Year ended 31.03.2004 Rs. Crores
13. INCOME			
(a) Income from operations			
Sales (net of excise duty)		232.79	196.94
Services (net of discount)		486.70	388.64
Income from composite contracts		43.80	-
Total income from operations (a)		<u>763.29</u>	<u>585.58</u>
(b) Other income			
Income from long term investments:			
Dividends (trade)	-		5.90
Interest on securities* (non trade)	0.44		0.06
		0.44	5.96
Interest on deposits, loans and advances and others *		2.65	3.27
Dividend from current investments in mutual funds		0.66	0.07
Profit on sale of current investments (non trade)		1.09	0.31
Profit on sale of fixed assets (net)		0.22	1.40
Miscellaneous Income		1.61	1.35
Total other income (b)		<u>6.67</u>	<u>12.36</u>
Total income (a + b)		<u>769.96</u>	<u>597.94</u>
*Tax deducted at source		0.34	0.50
14. MATERIALS			
Raw materials, sub-assemblies and components consumed		84.91	63.73
Purchases:			
Saleable goods	90.48		72.34
Materials for composite contracts	39.02		-
		<u>129.50</u>	<u>72.34</u>
(Increase) / decrease in inventories:			
Opening stock:			
Saleable goods	2.31		9.09
Work-in-progress	0.85		0.65
	<u>3.16</u>		<u>9.74</u>
Less: Closing stock:			
Saleable goods	3.07		2.31
Work-in-progress	3.47		0.85
	<u>6.54</u>		<u>3.16</u>
		(3.38)	6.58
		<u>211.03</u>	<u>142.65</u>

Schedules annexed to and forming part of the Profit and Loss Account for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
15. EMPLOYEE COSTS		
Salaries and bonus	133.42	108.03
Company's contribution to provident and other funds	13.81	13.42
Staff welfare expenses	4.22	4.08
	<u>151.45</u>	<u>125.53</u>
16. OPERATING AND OTHER EXPENSES		
Rent	5.28	7.20
Rates and taxes	0.76	0.57
Insurance	2.80	2.38
Electricity	3.88	3.73
Communication expenses	10.96	11.26
Travelling and related expenses	189.38	143.73
Software services	28.30	23.39
Legal and professional fees	6.55	5.20
Repairs and maintenance:		
Buildings	0.06	0.18
Machinery	1.06	1.24
Others	1.12	1.37
Auditors' remuneration	0.22	0.27
Expenditure for maintenance contracts	10.79	11.91
Provision for investment	-	4.50
Stores and spares consumed	1.48	2.42
Deposits written off	0.12	0.02
Affiliate expenses	8.19	10.50
Installation and support charges	0.75	2.49
Bad debts written off [Net of recovery of Rs. 0.08 Crore (<i>Previous year Rs. 0.73 Crore</i>)]	0.83	3.17
Provision for doubtful debts (net)	(0.19)	(5.63)
Advertisement expenses	0.28	0.54
Licence fees	0.98	2.14
Loss on fixed assets discarded	-	0.20
Other expenses	27.07	20.93
	<u>300.67</u>	<u>253.71</u>

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS

1. Significant accounting policies:

a) Basis of preparation

The financial statements are prepared under the historical cost convention, on an accrual basis, in conformity with the accounting principles generally accepted in India and in accordance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include accounting for contract costs expected to be incurred to complete software development, provisions for doubtful debts, obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

c) Revenue recognition

Sales are recognised on shipment of products. Revenue on fixed price contracts (including composite contracts) is recognized based on the percentage of completion method. Foreseeable losses on such contracts are recognized, when probable. Revenue from time and material contracts are recognised as the services are rendered. Income from support and maintenance services is recognised proportionately over the period in which such services are rendered. Student fees are recognised over the course duration and license fee income is recognised on completion of substantial obligation by the Company.

d) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation, amortisation and impairment loss. Costs related to the development of intellectual property rights are capitalised after technological feasibility has been established and until the asset is ready for commercial use. All other costs are expensed as incurred.

e) Depreciation and amortisation

Depreciation on fixed assets is applied using the straight-line method as per the useful lives of assets estimated by management, or at the rates prescribed under Schedule X1V to the Companies Act, 1956 whichever is higher.

Intellectual property rights are amortized over a period of twenty-four months from the date of capitalisation. Licence fee - distributorship rights are amortised over a period of thirty-six months from the date of capitalisation.

Leasehold improvements, including additions thereto, and leasehold land premium are depreciated taking into consideration the rates derived from the lease period or over the useful life of the asset, whichever is lower. Vehicles taken under finance lease are amortised over the shorter of the useful life and lease tenure. Other assets are depreciated using the straight-line method at the following rates:

Asset	Per cent
Factory buildings	10.00
Other buildings	5.00
Plant and machinery	33.33
Computers	33.33
Office equipment, electrical installations	20.00
Furniture and fixtures	20.00
Vehicles	25.00
Any asset costing upto Rs 5,000/-	100.00

Depreciation / amortisation on assets acquired or disposed off during the year is provided on a pro-rata basis from / upto the date of acquisition / disposal. Assets are depreciated / amortised over their estimated

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005**17. NOTES TO THE ACCOUNTS (Continued)**

useful lives, commencing from the date the assets are available to the Company for use. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

f) Impairment of assets

The carrying value of assets is reviewed for impairment, when events or changes in circumstances indicate that the carrying values may not be recoverable. In addition, at each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

g) Inventory valuation

Inventories are valued as follows:

Raw materials, sub-assemblies, components are valued at lower of cost and net realisable value. Cost is determined on a weighted average cost basis.

Work-in-progress and finished goods are valued at lower of cost or net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads. Saleable goods are valued at lower of cost and net realisable value.

h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments are stated at cost less any diminution in their value, which is other than temporary. Premium paid on acquisition of non-trade long-term investments is amortised over the life of the investment. Current investments are stated at lower of cost and market value.

i) Income taxes

Income taxes are computed using the tax effect accounting method, which includes current taxes and deferred taxes. Differences between the provision and payments, if any, are recognised in the year in which assessment is completed or on expiry of the statutory limitation period. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the reversal of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to set off against the deferred tax asset.

j) Foreign currency transactions

The Company translates all foreign currency transactions at month-end rates. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are restated at year-end rates. The exchange difference on restatement of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Exchange difference in respect of liabilities incurred to acquire fixed assets is adjusted to the carrying amount of such fixed assets.

In respect of forward exchange contracts entered into with the objective of establishing the amount of reporting currency required or available at the settlement date of the foreign currency transaction, the premium or discount arising at the inception is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

- k) Retirement benefits
Contribution to provident fund and superannuation fund, which are based on defined contribution plans, are expensed as incurred. Contribution to the gratuity fund, which is a defined benefit plan, is expensed based on actuarial valuation as on the Balance Sheet date. Accrual for leave encashment on retirement is estimated on the basis of an actuarial valuation for the available leave balance standing to the credit of the employees at the year-end.
- l) Assets acquired on lease
Assets acquired under finance lease are recognised as fixed assets at the lower of the fair value of the leased assets at the inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.
- m) Earnings per share
Basic and diluted earnings per share (EPS) are calculated by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the period.
- n) Investment in joint venture
Investment in joint venture in which the Company has joint control, is accounted for at the cost of investment. Proportionate consolidation of the financial results of the joint venture is applied in the consolidated financial statements of the Company.
- o) Provisions
A provision is recognised when the Company has a present obligation resulting from past events and it is probable that an outflow of resources will be required to settle the obligation for which a reliable estimate can be made. Provisions are based on management's best estimate of the amount required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect revision in estimates.

	Rs. Crores	2003-2004 Rs. Crores
2. (a) Claims against the Company not acknowledged as debts	1.21	4.45
(b) Disputed income tax matters under appeal, which have been fully paid ..	-	11.14
(c) Estimated amount of contracts to be executed on capital account not provided for (net of advances)	1.60	3.28
(d) Estimated amount of contracts to be executed on capital account not provided for (net of advances) in respect of joint venture - Sitel India Limited .	0.02	-
(e) Other sums for which Company is contingently liable	1.81	1.81
(f) Forward contracts:		
Outstanding forward contracts (in US\$ million)	9.30	4.50
Equivalent amount in Rs. Crores	42.66	20.18
Un-amortised income in Rs. Crores	0.36	0.36
(g) Guarantees given on behalf of subsidiary:		
Counter indemnity-payment undertaking to bankers:		
Full value of payment undertaking, US\$23 million	101.15	-
Amount outstanding as of 31.03.2005, US\$4.80 million	21.11	-
3. Value of imports calculated on C.I.F. basis:		
Raw materials, sub-assemblies and components	82.11	51.13
Saleable goods *	97.48	61.67
Capital goods	4.49	13.99
Stores and spare parts	0.69	0.12

* Includes value of units capitalised for internal use.

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

	Rs. Crores	2003-2004 Rs. Crores
4. Expenditure in foreign currency:		
Travelling expenses	167.96	124.70
Software services	23.25	17.80
Legal and professional fees	3.69	2.84
Communication expenses	4.51	3.95
Royalty (net of tax)	0.10	0.09
License fees, registration fees	0.89	2.05
Others	6.77	5.15
5. Earnings in foreign exchange:		
Export of goods calculated on F.O.B. basis	35.43	34.80
Services	427.22	311.02
Interest income	0.01	**
** Value below Rs. 50,000		
6. Auditors' remuneration:		
Audit fees	0.10	0.11
Other services (including tax audit)	0.11	0.15
Out-of-pocket expenses	0.01	0.01
7. Computation of commission to directors:		
Profit before tax as per profit and loss account	94.89	61.05
Add: Directors' remuneration and commission and sitting fees to non-whole time directors charged to the profit and loss account	1.95	0.96
Depreciation charged in the accounts	11.82	14.69
Profit/(loss) on sale of fixed assets as per section 349 of the Companies Act, 1956	(1.00)	(2.30)
Provision for doubtful debts (net)	(0.19)	(5.63)
Loss on fixed assets discarded	-	0.20
	12.58	7.92
	107.47	68.97
Less: Profit/(loss) on sale of fixed assets as per profit and loss account (net)	0.22	1.40
Depreciation as per section 350 of the Companies Act, 1956.	10.46	14.71
	10.68	16.11
Net profit as per section 349 of the Companies Act, 1956	96.79	52.86
Maximum permissible	10.65	3.17
Commission to whole-time director(s)	0.74	0.33
Commission to non-executive director(s)	0.26	0.17
Total commission charged in the accounts	1.00	0.50
8. The remuneration for the year in respect of the whole-time director(s) (including two whole-time directors for part of the year) is made up of salary Rs. 0.38 Crore (Previous year Rs. 0.22 Crore), gratuity Rs. 0.04 Crore (Previous year Rs. 0.02 Crore), commission Rs. 0.74 Crore (Previous year Rs. 0.33 Crore) and other benefits, the estimated money value being Rs. 0.49 Crore (Previous year Rs. 0.24 Crore).		
9. Current tax includes Rs. 0.07 Crore (Previous year Rs. 0.07 Crore) towards wealth tax.		
10. Licensed and installed capacities and production:		
Licensed capacity for document processing systems is not applicable.		
Installed capacity is 2000 units (Previous year 2000 units) for document processing systems.		
Installed capacity is certified by the management and accepted by the auditors without verification, this being a technical matter.		

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

11. Segment Information

The Company's business and operations relate to providing IT products and services such as systems integration, manufacturing and education. The systems integration segment integrates the Company's and key participants' capabilities, including hardware, software and services. The manufacturing segment is primarily engaged in manufacture of electromechanical products, circuit board assembly and contract manufacturing services. The education division provides education services including computer-based training to serve the needs of students and corporates through its own and franchise training centres across India and international markets. These segments comprise the primary basis of segmental information. The analysis of secondary segmental reporting is based on the geographical location of the customer and geographical location of assets.

Unallocable expenses represent those expenses, which cannot be allocated to any business segment.

	Rs. Crores									
	Systems Integration Services*		Manufacturing Services		Education Services		Eliminations		Consolidated Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
External revenue	617.63	456.67	128.14	105.87	17.52	23.04	-	-	763.29	585.58
Other income	1.00	1.03	0.27	0.27	0.05	(0.01)	-	-	1.32	1.29
Inter segment revenue	-	-	1.51	2.11	-	-	(1.51)	(2.11)	-	-
TOTAL SEGMENT REVENUE	618.63	457.70	129.92	108.25	17.57	23.03	(1.51)	(2.11)	764.61	586.87
SEGMENT RESULT	71.63	37.93	29.99	28.93	2.73	1.61	-	-	104.35	68.47
Less: Unallocable expenses									14.71	18.18
Operating profit									89.64	50.29
Less: Interest expenses									0.10	0.31
Add: Unallocable income									5.35	11.07
Profit before tax									94.89	61.05
Less: Provision for taxation (including deferred tax)									14.65	1.57
Profit after tax									80.24	59.48
OTHER INFORMATION										
Segment assets	218.08	180.73	56.14	43.18	4.97	7.81	-	-	279.19	231.72
Unallocable assets									154.73	160.19
Total assets									433.92	391.91
Segment liabilities	98.69	97.89	9.10	9.59	5.05	4.56	-	-	112.84	112.04
Unallocable liabilities									31.74	35.60
Shareholders' funds									289.34	244.27
Total liabilities									433.92	391.91
Capital expenditure	9.55	20.60	3.59	5.50	2.04	0.10	-	-	15.18	26.20
Unallocable capital expenditure									8.54	0.34
Total capital expenditure									23.72	26.54
Segment depreciation and amortisation	8.25	11.78	1.96	1.32	0.32	0.52	-	-	10.53	13.62
Unallocable depreciation and amortisation									1.29	1.07
Total depreciation and amortisation									11.82	14.69

* Refer to note no. 22 for details of impairment loss.

	GEOGRAPHICAL SEGMENTS					
	India		Overseas		Consolidated Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Distribution of income by geographical location of customers						
Segment revenue	301.96	241.05	462.65	345.82	764.61	586.87
Segment assets and capital expenditure by geographical location						
Segment assets	178.03	32.07	101.16	199.65	279.19	231.72
Capital expenditure	14.79	25.71	0.39	0.49	15.18	26.20

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

12. Deferred tax

In accordance with the Accounting Standard (AS 22) relating to "Accounting for Taxes on Income", the Company has recorded a net deferred tax asset of Rs. 4.43 Crores (*Previous year Rs. 3.31 Crores*) out of which Rs. 2.24 Crores (*Previous year Rs. 3.31 Crores*) has been credited to the profit and loss account and Rs. 2.19 Crores (*Previous year Rs. Nil*) has been credited to the general reserves.

The major components of deferred tax assets at the year-end are as follows:

	Rs. Crores	As at 31.03.2004 Rs. Crores
<u>Deferred tax assets</u>		
Provision for doubtful debts	4.83	5.22
Depreciation, amortisation and impairment	5.23	4.26
Leave encashment	2.15	0.87
Others	3.18	0.61
Total	<u>15.39</u>	<u>10.96</u>

13. Disclosure in respect of finance lease

Assets (vehicles) taken on finance lease

Total of minimum lease payments at the year end and their present value, for each of the following periods:

	Minimum lease payments Rs. Crores	Present value Rs. Crores
(i) Not later than one year	0.09	0.07
(2003-2004)	(0.11)	(0.08)
(ii) Later than one year but not later than five years	0.06	0.03
(2003-2004)	(0.18)	(0.12)
Total	0.15	0.10
(2003-2004)	(0.29)	(0.20)

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

14. Related party disclosure

The names of the related parties, as certified by the management together with the transactions and related balances are presented below:

Rs. Crores

Relationship	Subsidiaries / Fellow Subsidiaries		Holding Company		Joint Venture	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Sales / services	100.98	0.48	0.12	19.01	0.59	2.34
<i>Tata Teleservices Limited</i>	63.71	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	28.99	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i> ...	2.15	0.34	-	-	-	-
<i>Exegenix Canada Inc.</i>	0.20	0.06	-	-	-	-
<i>CMC Limited</i>	0.03	0.08	-	-	-	-
<i>Others</i>	5.90	-	-	-	-	-
Interest income on short term deposits	0.08	0.09	-	-	-	-
<i>Tata Teleservices Limited</i>	0.08	-	-	-	-	-
<i>THDC Limited</i>	*	0.09	-	-	-	-
Purchases of goods and services	10.29	5.99	0.22	1.71	-	-
<i>Exegenix Canada Inc.</i>	6.12	4.98	-	-	-	-
<i>Tata Consultancy Services Limited</i>	2.09	-	-	-	-	-
<i>Tata Teleservices (Maharashtra) Limited</i>	1.28	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i> ...	0.51	0.98	-	-	-	-
<i>Others</i>	0.29	0.03	-	-	-	-
Debtors	25.03	0.12	-	8.12	0.38	0.50
<i>Tata Teleservices Limited</i>	11.85	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	9.04	-	-	-	-	-
<i>Tata America International Corporation</i>	3.07	-	-	-	-	-
<i>Exegenix Canada Inc.</i>	0.27	0.06	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i> ...	0.15	0.03	-	-	-	-
<i>CMC Limited</i>	0.02	0.03	-	-	-	-
<i>Others</i>	0.63	-	-	-	-	-
Short term inter-corporate deposits placed during the year	3.00	1.00	-	-	-	-
<i>Tata Teleservices Limited</i>	3.00	-	-	-	-	-
<i>THDC Limited</i>	-	1.00	-	-	-	-
Short term deposits at the year end	-	1.00	-	-	-	-
<i>THDC Limited</i>	-	1.00	-	-	-	-
Rent expenses	0.29	0.25	0.07	0.07	-	-
<i>Tata Limited</i>	0.29	0.25	-	-	-	-
Royalty expenses	-	-	1.91	1.46	-	-
Dividend paid	-	-	23.18	10.23	-	-
Sundry deposits placed during the year	-	-	-	0.03	-	-
Sundry deposits at the year end	-	-	0.33	0.33	-	-

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005
17. NOTES TO THE ACCOUNTS (Continued)

Rs. Crores

Relationship	Subsidiaries / Fellow Subsidiaries		Holding Company		Joint Venture	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Equity capital contribution	0.15	-	-	-	-	-
<i>Tata Infotech (Singapore) Pte. Limited</i>	0.15	-	-	-	-	-
Capital assets	0.04	10.87	-	-	-	-
<i>TCE Consulting Engineers Limited</i>	0.04	0.13	-	-	-	-
<i>Exegenix Canada Inc.</i>	-	10.74	-	-	-	-
Dividend income	0.32	-	-	-	-	5.90
<i>Tata Asset Management Limited</i>	0.32	-	-	-	-	-
Short term deposits repaid during the year	6.00	-	-	-	-	-
<i>Tata Teleservices Limited</i>	5.00	-	-	-	-	-
<i>THDC Limited</i>	1.00	-	-	-	-	-
Profit on sale of current investments	0.64	-	-	-	-	-
<i>Tata Asset Management Limited</i>	0.64	-	-	-	-	-
Current investments made during the year	44.87	-	-	-	-	-
<i>Tata Asset Management Limited</i>	44.87	-	-	-	-	-
Redemption of current investments during the year	54.47	-	-	-	-	-
<i>Tata Asset Management Limited</i>	54.47	-	-	-	-	-
Current investments at the year end	15.02	-	-	-	-	-
<i>Tata Asset Management Limited</i>	15.02	-	-	-	-	-
Miscellaneous income	0.35	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.35	-	-	-	-	-
Sundry creditors / payables	2.95	1.78	1.91	1.86	-	-
<i>Exegenix Canada Inc.</i>	1.73	1.78	-	-	-	-
<i>Tata Consultancy Services Limited</i>	1.12	-	-	-	-	-
<i>Others</i>	0.10	-	-	-	-	-
Accrued revenue	1.13	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	0.89	-	-	-	-	-
<i>Tata America International Corporation</i>	0.24	-	-	-	-	-
Deferred revenue	2.62	0.12	-	-	-	-
<i>Tata Teleservices Limited</i>	1.76	-	-	-	-	-
<i>Tata America International Corporation</i>	0.60	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i>	-	0.12	-	-	-	-
<i>Others</i>	0.26	-	-	-	-	-
Advances recoverable in cash or kind or for value to be received	1.09	1.04	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i>	0.84	1.04	-	-	-	-
<i>Tata AIG Life Insurance Company Limited</i>	0.18	-	-	-	-	-
<i>Others</i>	0.07	-	-	-	-	-
Due from subsidiary companies	1.17	-	-	-	-	-
<i>Tata Infotech (Singapore) Pte. Limited</i>	1.17	-	-	-	-	-

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

Rs. Crores

Relationship	Subsidiaries / Fellow Subsidiaries		Holding Company		Joint Venture	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Security deposits received and outstanding at the year end	0.10	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.10	-	-	-	-	-
Advances from customers	0.08	0.07	-	-	-	-
<i>CMC Limited</i>	0.07	0.07	-	-	-	-
<i>Tata Teleservices Limited</i>	0.01	-	-	-	-	-
<i>Others</i>	*	-	-	-	-	-
Reimbursement of expenses	0.58	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	0.45	-	-	-	-	-
<i>Tata America International Corporation</i>	0.12	-	-	-	-	-
<i>Others</i>	0.01	-	-	-	-	-
Guarantees and collaterals on behalf of subsidiary [Note 17 (2) g]	101.15	-	-	-	-	-
<i>Tata Infotech (Singapore) Pte. Limited</i>	101.15	-	-	-	-	-
Company's contribution to gratuity fund	0.78	2.63	-	-	-	-
<i>Tata AIG Life Insurance Company Limited</i>	0.78	2.63	-	-	-	-

*Value below Rs. 50,000

Names of related parties and description of relationship:

1. Holding Company Tata Sons Limited
2. Subsidiaries / Fellow subsidiaries Exegenix Canada Inc.
 Tata Infotech Deutschland GmbH
 Tata Infotech (Singapore) Pte. Limited
 Tata Consultancy Services Limited (w.e.f. 01.04.2004)
 Tata Teleservices Limited (w.e.f. 01.04.2004)
 Tata Teleservices (Maharashtra) Limited (w.e.f. 01.04.2004)
 Tata America International Corporation (w.e.f. 01.04.2004)
 Tata AIG General Insurance Company Limited
 Tata AIG Life Insurance Company Limited
 TCE Consulting Engineers Limited
 THDC Limited (formerly known as Tata Housing Development Company Limited)
 Tata Limited
 CMC Limited
 Tata Asset Management Limited (w.e.f. 01.04.2004)
 Tata Internet Services Limited (w.e.f. 01.04.2004)
3. Joint Venture Sitel India Limited
4. Key Management Personnel # Mr. F. K. Kavarana - Chairman
 Mr. C. Antony - President and Chief Operating Officer (01.07.2004 to 30.09.2004)
 Mr. P. D. Karkaria - Executive Director and Chief Financial Officer (w.e.f. 01.07.2004)

Remuneration to Key Management Personnel is disclosed in notes to the accounts (Note 8 - Schedule 17)

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

15. Quantitative information Rs. Crores

Particulars	Opening stock		Purchases		Production	Turnover		Closing stock	
	Qty	Value	Qty	Value	Qty	Qty	Value	Qty	Value
Mini / micro processor based systems #	33	1.19	544	90.48	-	538	105.65	39	1.78
(2003-2004)	(22)	(7.84)	(612)	(72.34)	-	(607)	(97.68)	(33)	(1.19)
Document processing systems	12	1.12	-	-	1323	1146	25.80	189	1.29
(2003-2004)	(195)	(1.25)	-	-	(1031)	(1214)	(23.72)	(12)	(1.12)
Automated teller systems	-	-	-	-	1792	1792	81.16	-	-
(2003-2004)	-	-	-	-	(1353)	(1353)	(60.16)	-	-
Others	-	-	-	-	-	-	20.18	-	-
(2003-2004)	-	-	-	-	-	-	(15.38)	-	-

Includes software sets, peripherals etc.

16. Value of imported and indigenous raw materials, sub-assemblies and components, stores and spare parts consumed:

	Raw materials, sub-assemblies and components		Stores and spare parts *	
	Rs.	%	Rs.	%
Imported	74.29	88	-	-
(2003-2004)	(52.08)	(82)	(0.01)	(-)
Indigeneous	10.62	12	1.48	100
(2003-2004)	(11.65)	(18)	(2.41)	(100)
Total	84.91	100	1.48	100
(2003-2004)	(63.73)	(100)	(2.42)	(100)

* Includes appropriate write down for obsolescence

No individual item of raw materials, sub-assemblies and components exceeds 10% of aggregate consumption of Rs. 84.91 Crores (Previous year Rs. 63.73 Crores).

17. Tata Sons Limited (Holding company) is holding 1,36,34,393 shares of Rs.10/- each fully paid (Previous year 1,36,34,393 shares) in the paid-up share capital of the Company.

18. The identification of small scale industry suppliers is based on management's knowledge of their status. There are no dues to small scale industry suppliers outstanding as on 31st March 2005 (Previous year Rs. Nil).

19. An amount of net exchange loss of Rs. 0.83 Crore (Previous year Rs. 3.77 Crores), net of forward exchange contracts, resulting from settlement and revaluation of foreign exchange transactions has been charged to the profit and loss account. Income from sales, services and other income include a net exchange loss of Rs. 0.68 Crore (Previous year Rs. 5.39 Crores). Material costs and operating expenses include a net exchange loss of Rs. 0.15 Crore (Previous year Rs. 1.62 Crores). The net exchange loss of Rs. 0.04 Crore (Previous year net exchange gain of Rs. 0.14 Crore) resulting from settlement of liabilities pertaining to fixed assets has been adjusted to the carrying amount of fixed assets.

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

20. Expenditure on research and development:

	Rs. Crores
Revenue expenditure	0.84
(2003-2004)	(1.25)
Capital expenditure	0.09
(2003-2004)	(0.10)

21. The Company's share (40%) in the assets, liabilities, income and expenses of its joint venture, Sitel India Limited, is as follows:

	Rs. Crores	2003-2004 Rs. Crores
Fixed assets	6.41	8.95
Current assets	9.00	8.40
Current liabilities	1.79	2.16
Secured loans	0.05	0.13
Total income	27.96	23.08
Total expenses	29.43	22.26
Profit before tax	(1.47)	0.82
Provision for taxation	0.03	0.12
Profit after tax	(1.50)	0.70

22. In accordance with the transitional provisions of the new Accounting Standard (AS 28) relating to "Impairment of Assets" that became effective from 1st April 2004, the Company has recorded accumulated impairment loss of Rs. 3.81 Crores (net of deferred tax credit of Rs. 2.19 Crores) on the intangible asset - intellectual property rights, as an adjustment to the general reserves. The impairment loss pertains to the systems integration services business segment. The recoverable amount of the asset is its value-in-use as of 1st April 2004, which is based on the present value of estimated cash flows at the appropriate discount rate. The impairment loss was due to the projected levels of demand not materialising.

23. Investments bought and sold during the year:

	No. of units	Rs. Crores Bought	Rs. Crores Sold
Birla Cash Plus-Dividend Reinvestment	-	-	-
(2003-2004)	(32,48,047)	(3.50)	(3.50)
Birla Cash Plus IP-Growth	-	-	-
(2003-2004)	(8,77,871)	(1.50)	(1.50)
Deutsche Insta Cash Plus Fund-Growth	20,53,088	2.25	2.27
(2003-2004)	(-)	(-)	(-)
DSP Merrill Lynch Floating Rate Fund-Dividend Reinvestment	19,93,402	2.00	2.00
(2003-2004)	(-)	(-)	(-)
Grindlays Cash Fund-Growth	-	-	-
(2003-2004)	(39,19,963)	(4.50)	(4.51)
Grindlays Cash Fund-Inst Plan B-Growth	-	-	-
(2003-2004)	(79,58,320)	(9.00)	(9.04)
HDFC Floating Rate Income Fund-Short term plan-Growth	-	-	-
(2003-2004)	(16,19,402)	(1.70)	(1.70)

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

	No. of units	Rs. Crores Bought	Rs. Crores Sold
HDFC Monthly Income Plan-Long term-Dividend Reinvestment . (2003-2004)	24,94,207 (-)	2.56 (-)	2.55 (-)
Kotak Liquid Institutional Plan-Dividend Reinvestment	6,54,764 (-)	0.80 (-)	0.80 (-)
Kotak Liquid Institutional Plan-Growth	49,61,792 (-)	6.50 (-)	6.50 (-)
Kotak Liquid Institutional Premium Plan-Growth	83,54,336 (-)	11.00 (-)	11.06 (-)
Kotak Liquid Plan-Institutional Premium-Dividend Reinvestment (2003-2004)	49,17,008 (-)	6.01 (-)	6.01 (-)
Prudential ICICI Liquid Plan-Institutional Plus-Dividend Reinvestment	1,16,21,295 (-)	13.77 (-)	13.77 (-)
SBI MF-Magnum Institutional Income Savings-Dividend Reinvestment	37,40,919 (-)	3.75 (-)	3.75 (-)
Tata Monthly Income Plan-Dividend Reinvestment	42,159 (-)	0.05 (-)	0.05 (-)
Tata Floating Rate Fund-Short term-Dividend Reinvestment ... (2003-2004)	44,81,171 (-)	4.49 (-)	4.51 (-)
Tata Liquid High Investment Fund-Growth	- (25,62,438)	- (2.59)	- (2.60)
Tata Liquid High Investment Fund-Dividend Reinvestment (2003-2004)	11,96,093 (35,91,994)	2.59 (4.00)	2.60 (4.00)
Tata Liquid Super High Investment Fund-Growth	2,03,40,497 (2,13,61,816)	24.04 (22.48)	24.08 (22.70)
Tata Short Term Bond Fund-Growth	- (28,39,866)	- (3.00)	- (3.02)
Templeton Treasury Management Account-Growth	26,353 (-)	4.25 (-)	4.25 (-)
		Rs. Crores	2003-2004 Rs. Crores
24. Provision for warranty			
Carrying amount at the beginning of the year		0.54	0.24
Add: Additional provision during the year		0.87	0.54
Less: Unused amounts reversed during the year		0.54	0.24
Carrying amount at the end of the year		<u>0.87</u>	<u>0.54</u>

A provision of Rs. 0.73 Crore (Previous year Rs. 0.54 Crore) for expected warranty claims on products sold and Rs. 0.14 Crore (Previous year Rs. Nil) for expected warranty costs for services rendered during the financial year 2004-2005 is carried as of the balance sheet date. It is expected that the entire expenditure will be incurred in the next financial year.

Schedules annexed to and forming part of the accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

25. Details of balances with non-scheduled banks on current accounts and maximum amounts outstanding during the year:

	Balances as at		Maximum balances during the year ended	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004
Bank of America, USA.	6.16	2.53	11.32	12.40
Bank of America, London	0.88	0.98	3.28	2.06
Bank of America, Australia	0.58	0.58	2.46	0.58
Standard Chartered Bank, Botswana	0.37	0.66	1.20	1.50
Bank of America, Singapore	0.30	-	0.54	-
Bank of America, Holland	0.14	0.14	0.70	0.42
National City Bank, Ohio	0.09	0.12	0.24	0.29
ANZ Bank, Australia	-	-	-	1.47
Sanwa Bank, Japan	-	0.03	0.05	0.12
	<u>8.52</u>	<u>5.04</u>		

26. Goods-in-transit consist of raw materials Rs. 2.33 Crores (*Previous year Rs. 2.22 Crores*) and saleable goods Rs. 0.78 Crore (*Previous year Rs. 1.22 Crores*).

27. There are no loans and advances in the nature of loans made or outstanding at the year-end to subsidiaries, (other than amounts paid under contractual agreement, as disclosed under Note 14 - Schedule 17) associates, firms / companies in which any of the directors are interested, nor are there any investments made by any of the subsidiaries in the capital of the Company. Further none of the loans and advances (other than to employees) have a repayment schedule beyond seven years, nor are the interest rates charged less than the interest rate provided u/s 372A of the Companies Act, 1956.

28. Previous year's figures have been regrouped, wherever necessary.

Signatures to Schedules 1 to 17

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Auditors' Report to the Board of Directors of Tata Infotech Limited on the Consolidated Financial Statements of Tata Infotech Limited and its Subsidiaries

To
The Board of Directors of Tata Infotech Limited

We have audited the attached consolidated balance sheet of Tata Infotech Limited and its subsidiaries and joint venture (collectively 'the Group'), as at March 31, 2005, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 44.86 Crores as at March 31, 2005 and total revenues of Rs. 169.40 Crores for the year then ended. We also did not audit the financial statements of Sitel India Limited, the entity jointly controlled by the Group, whose financial statements have been proportionately consolidated and reflect total assets of Rs. 15.40 Crores as at March 31, 2005 and total revenues of Rs. 27.96 Crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards ('AS') 21 - Consolidated Financial Statements, AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 - Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2005;
- b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Farokh T. Balsara
Partner
Membership No: 44757
Mumbai, 11th May 2005

For and on behalf of
G.N. JOSHI ASSOCIATES
Chartered Accountants
G.N. Joshi
Partner
Membership No: 2373
Mumbai, 11th May 2005

Consolidated Balance Sheet as at 31st March 2005

	Schedule	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores
Sources of Funds :				
Shareholders' funds				
Capital	1	18.38		18.38
Reserves and surplus	2	274.93		231.57
			293.31	249.95
Loan funds				
Secured loans	3	21.11		0.36
Unsecured loan	4	0.05		0.06
			21.16	0.42
Total			314.47	250.37
Application of Funds :				
Fixed assets				
Gross block	5	187.03		169.13
Less: Depreciation, amortisation and impairment		131.87		115.81
Net block		55.16		53.32
Capital work-in-progress/advances		1.75		11.27
			56.91	64.59
Investments	6		55.50	59.47
Deferred tax asset (Note 5 - Schedule 17)			15.39	10.96
Current assets, loans and advances				
Inventories	7	33.22		22.27
Sundry debtors	8	202.35		128.91
Cash and bank balances	9	18.16		28.19
Other current assets	10	17.47		10.05
Loans and advances	11	79.33		75.72
		350.53		265.14
Less: Current liabilities and provisions	12			
Liabilities		130.04		112.77
Provisions		33.82		37.02
		163.86		149.79
Net current assets			186.67	115.35
Total			314.47	250.37

The schedules referred to above and notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Consolidated Profit and Loss Account for the year ended 31st March 2005

	Schedule	Rs. Crores	Year ended 31.03.2004 Rs. Crores
Income			
	13		
Income from operations (gross)		974.23	618.93
Less: Excise duty		14.38	11.22
Income from operations (net)		959.85	607.71
Other income		6.75	6.80
		966.60	614.51
Expenditure			
Materials	14	374.02	142.65
Employee costs	15	168.19	135.45
Operating and other expenses	16	313.14	259.48
Interest		1.75	0.39
Depreciation and amortisation		14.59	18.03
		871.69	556.00
Profit before tax		94.91	58.51
Provision for taxation			
Current tax (Note 4 - Schedule 17)		22.96	7.32
Deferred tax (Note 5 - Schedule 17)		(2.24)	(3.31)
Tax adjustment for prior years		(5.59)	(2.32)
Net tax		15.13	1.69
Profit after tax		79.78	56.82
Prior period miscellaneous expenditure		-	0.15
Balance brought forward from previous year		25.03	12.63
Profit available for appropriation		104.81	69.60
Appropriations			
General reserve		25.00	23.07
Proposed dividend		14.70	18.38
Interim dividend		12.87	-
Tax on dividend		3.79	3.12
Balance carried forward		48.45	25.03
Earnings per share			
(Equity shares, par value Rs.10/- each)			
Basic and diluted		43.41	30.91
Number of shares used in computing earnings per share			
Basic and diluted		1,83,80,880	1,83,80,880

The schedules referred to above and notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Consolidated Statement of Cash Flows for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	94.91	58.51
Adjusted for :		
Depreciation and amortisation	14.59	18.03
Amortisation of pre-operative expenses	-	0.05
Exchange differences on translation of foreign currency cash and cash equivalents	0.36	0.29
Provision for doubtful debts	(0.19)	(5.63)
Interest expenses	1.75	0.39
Lease finance charges	0.02	0.03
Profit on sale of fixed assets (net)	(0.22)	(1.41)
Loss on fixed assets discarded (net)	-	0.20
Interest on income tax refund	(0.61)	(0.33)
Profit on sale of investments	(1.09)	(0.31)
Interest on inter-corporate deposits, bonds and fixed deposits	(2.42)	(3.12)
Dividend income	(0.66)	(0.07)
Inter-corporate deposit written off earlier, recovered	(0.17)	-
Operating profit before working capital changes	106.27	66.63
Net effect of changes in working capital (Annexure I)	(78.94)	36.21
Direct taxes paid	(12.26)	(7.74)
Net cash from operating activities	15.07	95.10
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds/(repayment) of borrowings (net)	20.73	(9.95)
Dividend paid (including tax on dividend)	(35.15)	(15.55)
Interest paid	(1.76)	(0.42)
Net cash from financing activities	(16.18)	(25.92)
C. CASH FLOWS FROM INVESTING ACTIVITIES		
Short term inter-corporate deposits (placed)/refunded (net)	(2.75)	12.50
Inter-corporate deposit written off earlier, recovered	0.17	-
Purchase of long-term investments	(7.08)	(8.90)
Current investments (net)	11.04	(47.48)
Proceeds from sale of fixed assets	0.47	5.79
Purchase of fixed assets (including CWIP)	(14.68)	(30.66)
Income from investments	3.84	3.44
Net cash from investing activities	(8.99)	(65.31)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(0.27)	(0.07)
Total increase/(decrease) in cash and cash equivalents during the year	(10.37)	3.80
Cash and cash equivalents at the beginning of the year (Annexure II)	27.66	23.86
Cash and cash equivalents at the end of the year (Annexure II)	17.29	27.66

Consolidated Statement of Cash Flows for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
Annexure I		
Changes in working capital		
Decrease/(increase) in sundry debtors	(73.26)	4.06
Decrease/(increase) in inventories	(10.94)	4.85
(Increase) in other current assets and loans and advances	(13.40)	(10.85)
Increase in sundry creditors and provisions	18.66	38.15
Net effect of changes in working capital	(78.94)	36.21
Annexure II		
(a) Cash and cash equivalents at the beginning of the year		
Cash and bank balances as per the balance sheet	28.19	24.36
Less: Unpaid dividend and debenture payment bank accounts	0.53	0.50
	<u>27.66</u>	<u>23.86</u>
(b) Cash and cash equivalents at the end of the year		
Cash and bank balances as per the balance sheet	18.16	28.19
Less: Unpaid dividend and debenture payment bank accounts	0.87	0.53
	<u>17.29</u>	<u>27.66</u>

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Schedules annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores
1. SHARE CAPITAL			
Authorised:			
1,90,00,000 equity shares of Rs.10/- each (<i>Previous year</i> 1,90,00,000 equity shares of Rs.10/- each)		19.00	19.00
		<u>19.00</u>	<u>19.00</u>
Issued, subscribed and paid-up:			
1,83,80,880 equity shares of Rs.10/- each (<i>Previous year</i> 1,83,80,880 equity shares of Rs.10/- each) [includes 1,52,54,880 equity shares (<i>Previous year</i> 1,52,54,880 equity shares) issued as fully paid-up bonus shares by capitalisation of reserves]		18.38	18.38
		<u>18.38</u>	<u>18.38</u>
2. RESERVES AND SURPLUS			
Capital reserve		9.05	9.05
General reserve			
Balance as per last balance sheet	197.04		174.12
<i>Less:</i> Prior period miscellaneous expenditure	-		0.15
<i>Add:</i> Transferred from profit and loss account	25.00		23.07
<i>Less:</i> Impairment loss adjustment as on 01.04.2004 (Note 9 - Schedule 17)	7.34		-
<i>Add:</i> Deferred tax adjustment on impairment loss (Note 9 - Schedule 17)	2.19		-
	<u>2.19</u>		<u>-</u>
		216.89	197.04
Foreign currency translation account			
Balance as per last balance sheet	0.45		0.23
<i>Add:</i> For the current year	0.09		0.22
	<u>0.09</u>		<u>0.22</u>
		0.54	0.45
Profit and loss account		48.45	25.03
		<u>48.45</u>	<u>25.03</u>
		274.93	231.57
		<u>274.93</u>	<u>231.57</u>
3. SECURED LOAN			
Advances from banks			
Advances from banks against hypothecation of inventories, debtors, assignment of receivables and payment undertaking		20.94	0.06
Finance lease obligation (secured by vehicles taken on lease)		0.17	0.30
		<u>0.17</u>	<u>0.30</u>
		21.11	0.36
		<u>21.11</u>	<u>0.36</u>
4. UNSECURED LOAN			
Interest-free sales tax loan [repayable within 1 year Rs. 0.01 Crore (<i>Previous year</i> Rs. 0.01 Crore)]		0.05	0.06
		<u>0.05</u>	<u>0.06</u>
		0.05	0.06
		<u>0.05</u>	<u>0.06</u>

Schedules annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

5. FIXED ASSETS

Rs. Crores

Particulars	Gross block			Depreciation, amortisation and impairment				Net block			
	As at 01.04.2004	Additions during the year	Deductions during the year	As at 31.03.2005	As at 01.04.2004	For the year	Impairment loss as on 01.04.2004	Deductions during the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
Goodwill (Note 9 - Schedule 17)	1.35	-	-	1.35	-	-	1.35	-	1.35	-	1.35
Leasehold land	0.23	-	-	0.23	0.13	0.02	-	-	0.15	0.08	0.10
Buildings	23.86	10.11	-	33.97	6.29	1.72	-	-	8.01	25.96	17.57
Leasehold improvements	8.89	0.58	0.49	8.98	6.08	0.67	-	0.47	6.28	2.70	2.81
Plant and machinery	19.79	1.15	0.76	20.18	11.56	2.90	-	0.72	13.74	6.44	8.23
Computers	69.07	5.96	2.74	72.29	61.90	4.27	-	2.74	63.43	8.86	7.17
Furniture, fixtures and equipments	31.32	3.65	1.16	33.81	23.73	3.67	-	1.12	26.28	7.53	7.59
Vehicles owned	3.70	0.61	0.93	3.38	2.01	0.72	-	0.80	1.93	1.45	1.69
Vehicles taken on lease	0.47	-	0.05	0.42	0.18	0.10	-	0.03	0.25	0.17	0.29
Intangible assets:											
Intellectual property rights (Note 9 - Schedule 17)	10.45	-	-	10.45	3.93	0.36	6.00	-	10.29	0.16	6.52
Licence fee - distributorship rights	-	1.97	-	1.97	-	0.16	-	-	0.16	1.81	-
	169.13	24.03	6.13	187.03	115.81	14.59	7.35	5.88	131.87	55.16	53.32
	(168.35)	(30.62)	(29.84)	(169.13)	(123.04)	(18.03)	(-)	(25.26)	(115.81)		
Capital work-in-progress/advances										1.75	11.27
Total										56.91	64.59

NOTES: a. Buildings include Rs. 1,000/- (Previous year - Rs. 1,000/-) being the value of 20 shares (Previous year 20 shares) of Rs. 50/- each in Co-operative Housing Societies.
b. Figures in brackets are in respect of previous year.

6. INVESTMENTS

(A) LONG TERM - At cost

(i) In trust securities (Non trade, quoted)

6.75% tax free US 64 bonds(2008) of Rs.100/- each

Quantity Quantity Rs. Crores Rs. Crores

79,300 (79,300) 0.79 0.79

(ii) Shares (Unquoted)

(a) In other companies (Trade)

Exegenix Research Inc. :

Common shares of CND 0.10 each, fully paid

499 (499) 1.09 0.75

Class A special cumulative preference shares of

CND 10.00 each, fully paid

20,000 (20,000) 0.72 0.67

(b) In other companies (Non trade)

Rallis India Limited:

Cumulative redeemable preference shares of Rs.10/- each, fully paid

35,00,000 (35,00,000) 3.50 3.50

Tata AutoComp Systems Limited:

Cumulative redeemable preference shares of Rs. 10/- each, fully paid

50,00,000 (-) 5.00 -

(iii) Bonds and Debentures (Non trade)

Quoted:

Bonds, face value Rs. 10,00,000/- each, fully paid:

10% Housing Urban Development Corporation Limited bonds (2014)

15 (15) 1.78 1.95

Bonds, face value Rs. 1,00,000/- each, fully paid:

8% IDBI bonds (2013)

180 (180) 1.95 2.08

8% IDBI bonds (2018)

10 (10) 0.11 0.12

Bonds, face value Rs. 5,00,000/- each, fully paid:

10% Housing Urban Development Corporation Limited bonds (2012)

5 (-) 0.29 -

Schedules annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

	Quantity	Quantity	Rs. Crores	As at 31.03.2004 Rs. Crores
6. INVESTMENTS (Continued)				
Unquoted:				
Debentures, face value Rs. 5,00,000/- each, fully paid:				
14.75% non-convertible debentures in Tata Motors Limited (2008)	2	(2)	0.13	0.14
Bonds, face value Rs. 5,00,000/- each, fully paid:				
12.15% Steel Authority of India Limited bonds (2007)	12	(-)	0.63	-
14% Steel Authority of India Limited bonds (2005)	8	(-)	0.40	-
Bonds, face value Rs. 1,00,000/- each, fully paid:				
9% Industrial Finance Corporation of India Limited bonds (2006)	70	(-)	0.70	-
			<u>17.09</u>	<u>10.00</u>
(B) CURRENT - At lower of cost and fair value (Non trade, unquoted)				
Mutual fund units, face value of Rs.10/- per unit				
DSP Merrill Lynch Floating Rate Fund-Dividend Reinvestment	26,32,182	(-)	2.64	-
HDFC Fixed Investment Plan-June2004(2) Growth	17,00,000	(-)	1.70	-
Templeton Floating Rate Income Fund-Long term-Dividend Reinvestment	42,47,748	(-)	4.35	-
Kotak Liquid (Institutional Premium)-Dividend Reinvestment	26,58,158	(-)	3.25	-
Tata Fixed Horizon Fund-Series1-Plan A-Growth	50,00,000	(-)	5.00	-
Templeton Floating Rate Income Fund-Short term Plan-Growth	44,33,292	(44,33,292)	5.00	5.00
HDFC Floating Rate Income Fund-Short term-Growth	13,81,627	(13,81,627)	1.45	1.45
HDFC Fixed Investment Plan-March 2004(I)-Growth	50,00,000	(50,00,000)	5.00	5.00
Tata Liquid High Investment Fund-Dividend Reinvestment	-	(27,04,898)	-	3.02
Tata Monthly Income Fund-Dividend Reinvestment	-	(13,09,502)	-	1.51
Grindlays Super Saver Income Fund-Short term-Growth	-	(32,78,415)	-	4.10
Tata Dynamic Bond Fund-Option B-Growth	-	(19,44,372)	-	2.00
Grindlays Cash Fund-Institutional Plan B-Growth	-	(34,38,457)	-	4.00
Tata Floating Rate Fund-Short term-Dividend Reinvestment	-	(20,20,063)	-	2.02
Kotak Liquid Institutional Plan-Growth	-	(47,61,552)	-	6.00
Tata Liquid Super High Investment Fund-Appreciation	-	(1,35,27,790)	-	15.37
Mutual fund units, face value of Rs.1000/- per unit				
Tata Liquid Super High Investment Fund-Appreciation	83,974	(-)	10.02	-
			<u>38.41</u>	<u>49.47</u>
			<u>55.50</u>	<u>59.47</u>
Aggregate amount of unquoted investments			50.58	54.53
Aggregate amount of quoted investments			4.92	4.94
			<u>55.50</u>	<u>59.47</u>
Aggregate market value of quoted investments			4.84	4.77

Quantitative figures in brackets are in respect of previous year

Schedules annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

	Rs. Crores	As at 31.03.2004 Rs. Crores
7. INVENTORIES		
Raw materials, sub-assemblies and components.....	22.02	13.49
Work-in-progress	3.47	0.85
Stores and spares	1.55	2.18
Goods-in-transit (Note 15 - Schedule 17)	3.11	3.44
Saleable goods	3.07	2.31
	<u>33.22</u>	<u>22.27</u>
8. SUNDRY DEBTORS		
Unsecured:		
Over six months		
Considered good	13.25	11.27
Considered doubtful	13.78	13.84
	<u>27.03</u>	<u>25.11</u>
Others:		
Considered good	189.10	117.64
Considered doubtful	-	0.13
	<u>189.10</u>	<u>117.77</u>
Less: Provision for doubtful debts	13.78	13.97
	<u>202.35</u>	<u>128.91</u>
9. CASH AND BANK BALANCES		
Cash on hand	*	*
Cheques on hand	-	0.54
BANK BALANCES		
With scheduled banks:		
on current accounts	4.67	2.88
on deposit accounts	3.94	18.90
With non-scheduled banks:		
on current accounts	8.99	5.33
on deposit accounts	0.56	0.54
	<u>18.16</u>	<u>28.19</u>
* Value below Rs. 50,000		
10. OTHER CURRENT ASSETS		
Accrued revenue	17.06	10.02
Interest accrued on investments	0.41	0.03
	<u>17.47</u>	<u>10.05</u>

Schedules annexed to and forming part of the Consolidated Balance Sheet as at 31st March 2005

	Rs. Crores	Rs. Crores	As at 31.03.2004 Rs. Crores
11. LOANS AND ADVANCES			
Advances - recoverable in cash or kind or for value to be received		33.15	26.21
Short term inter-corporate deposits		23.00	20.25
Interest accrued on short term inter-corporate deposits		0.28	0.33
Advance payment of taxes (net)		13.63	19.08
Balances with customs and excise authorities		0.78	0.66
Sundry deposits - considered good		8.49	9.19
Sundry deposit - considered doubtful		0.58	0.58
		<u>79.91</u>	<u>76.30</u>
Less: Provision for doubtful deposit		0.58	0.58
		<u>79.33</u>	<u>75.72</u>
Secured - considered good		0.13	0.27
Unsecured - considered good		79.20	75.45
		<u>79.33</u>	<u>75.72</u>
12. CURRENT LIABILITIES AND PROVISIONS			
Current liabilities:			
Sundry creditors	106.50		84.06
Security deposits received	1.39		1.55
Advances from customers	7.53		12.95
Deferred revenue	13.83		13.88
Investor Education and Protection Fund :			
Unpaid dividends	0.79		0.28
Unpaid matured debentures	*		0.04
Interest accrued on unpaid matured debentures	*		0.01
		<u>130.04</u>	<u>112.77</u>
Provisions:			
Provision for taxation (net)	9.08		10.02
Proposed dividend	14.70		18.38
Tax on dividend	2.06		2.36
Provision for leave encashment	7.11		5.72
Provision for warranty (Note 14 - Schedule 17)	0.87		0.54
		<u>33.82</u>	<u>37.02</u>
		<u>163.86</u>	<u>149.79</u>

* Value below Rs. 50,000

Schedules annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2005

	Rs. Crores	Rs. Crores	Year ended 31.03.2004 Rs. Crores
13. INCOME			
(a) Income from operations			
Sales (net of excise duty)		401.90	197.25
Services (net of discount)		514.15	410.46
Income from composite contracts		43.80	-
Total income from operations (a)		<u>959.85</u>	<u>607.71</u>
(b) Other income			
Income from long term investments:			
Dividends (trade)	-		-
Interest on securities* (non trade)	<u>0.44</u>		<u>0.05</u>
		0.44	0.05
Interest on deposits, loans and advances and others *		2.73	3.60
Dividend from current investments in mutual funds		0.66	0.07
Profit on sale of current investments (non trade)		1.09	0.31
Profit on sale of fixed assets (net)		0.22	1.41
Miscellaneous Income		1.61	1.36
Total other income (b)		<u>6.75</u>	<u>6.80</u>
Total income (a + b)		<u>966.60</u>	<u>614.51</u>
*Tax deducted at source		0.36	0.57
14. MATERIALS			
Raw materials, sub-assemblies and components consumed		84.91	63.73
Purchases:			
Saleable goods	253.47		72.34
Materials for composite contracts	<u>39.02</u>		-
		292.49	72.34
(Increase) / decrease in inventories:			
Opening stock:			
Saleable goods	2.31		9.09
Work-in-progress	<u>0.85</u>		<u>0.65</u>
	3.16		9.74
Less: Closing stock:			
Saleable goods	3.07		2.31
Work-in-progress	<u>3.47</u>		<u>0.85</u>
	6.54		3.16
		<u>(3.38)</u>	<u>6.58</u>
		<u>374.02</u>	<u>142.65</u>

Schedules annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2005

	Rs. Crores	Year ended 31.03.2004 Rs. Crores
15. EMPLOYEE COSTS		
Salaries and bonus.....	149.58	117.56
Company's contribution to provident and other funds.....	14.21	13.70
Staff welfare expenses.....	4.40	4.19
	<u>168.19</u>	<u>135.45</u>
16. OPERATING AND OTHER EXPENSES		
Rent.....	6.80	8.52
Rates and taxes.....	0.76	0.57
Insurance.....	2.88	2.45
Electricity.....	4.48	4.21
Communication expenses.....	13.86	14.18
Travelling and related expenses.....	191.57	145.22
Software services.....	28.34	23.54
Legal and professional fees.....	7.05	5.35
Repairs and maintenance:		
Buildings.....	0.18	0.35
Machinery.....	1.56	1.59
Others.....	1.16	1.38
Auditors' remuneration.....	0.27	0.34
Expenditure for maintenance contracts.....	10.79	11.91
Stores and spares consumed.....	1.48	2.42
Deposits written off.....	0.12	0.02
Affiliate expenses.....	8.19	10.50
Installation and support charges.....	0.75	2.49
Bad debts written off [Net of recovery of Rs. 0.08 Crore (Previous year Rs. 0.73 Crore)].....	0.83	3.17
Provision for doubtful debts (net).....	(0.19)	(5.63)
Advertisement expenses.....	0.53	0.75
Licence fees.....	0.98	2.14
Loss on fixed assets discarded.....	-	0.20
Other expenses.....	30.75	23.81
	<u>313.14</u>	<u>259.48</u>

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS

1. Background

Tata Infotech Limited (TIL) is principally engaged in the business of providing IT products and services. Besides the two existing wholly owned subsidiaries viz., Exegenix Canada Inc. (ECI) and Tata Infotech Deutschland GmbH incorporated in Canada and Germany respectively, during the current year, the Company has formed another wholly owned subsidiary in Singapore viz. Tata Infotech (Singapore) Pte. Limited. ECI is engaged in the rendering of services primarily in the field of XML technology, while the Singapore subsidiary is engaged in supply and trading of IT related equipment and products. The German subsidiary, Tata Infotech Deutschland GmbH, has not yet commenced commercial operations. TIL holds 40% share capital in Sitel India Limited (SIL), which is a joint venture between Systems Integrated Telemarketing Netherlands BV and the Tata Group and is engaged in the customer contact centre services business.

2. Significant Accounting Policies:

a) Principles of consolidation

- (i) The consolidated financial statements are prepared under the historical cost convention and on an accrual basis using generally accepted accounting principles accepted in India and in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (ii) The Company has consolidated its subsidiaries as per the Accounting Standard (AS 21) on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and has accounted for investments in joint venture by way of proportionate consolidation of the financial results of the joint venture as per the Accounting Standard (AS 27) on "Financial Reporting of Interests in Joint Ventures". All significant intra-group balances and intra-group transactions have been eliminated on consolidation.
- (iii) Foreign currency translation: The consolidated financial statements are prepared in Indian Rupees, which is the reporting currency for Tata Infotech Limited and its domestic joint venture. However in the case of its subsidiaries located in Canada, Germany and Singapore, the measurement currency is Canadian Dollar, Euro and US Dollar respectively.

The translation of the respective functional currencies into Indian Rupees has been done, in case of assets and liabilities using the year-end rate in effect at the Balance Sheet date, for revenues, costs and expenses using the average exchange rates prevailing during the reporting periods and for share capital using the transaction rate at the date of the transaction. The resultant gain or loss is recognised as Foreign Currency Translation Account in the reserves.

b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include accounting for contract costs expected to be incurred to complete software development, provisions for doubtful debts, obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates.

c) Revenue recognition

Sales are recognised on shipment of products. Revenue on fixed price contracts (including composite contracts) is recognized based on the percentage of completion method. Foreseeable losses on such contracts are recognized, when probable. Revenues from time and material contracts are recognised as the services are rendered. Income from support and maintenance services is recognised proportionately over the period in which such services are rendered. Student fees are recognised over the course duration and license fee income is recognised on completion of substantial obligation by the Company. Revenue from customer contact centre is recognised, upon completion of services as accepted by the customer and is in accordance with the contracts with the customers.

d) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation, amortisation and impairment loss. Costs related to the development of intellectual property rights are capitalised after technological

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

feasibility has been established and until the asset is ready for commercial use. All other costs are expensed as incurred.

e) Depreciation and amortisation

Depreciation on fixed assets is applied using the straight-line method as per the useful lives of assets estimated by management, or at the rates prescribed under Schedule XIV to the Companies Act, 1956 whichever is higher.

Intellectual property rights are amortized over a period of twenty four months from the date of capitalisation. Licence fee – distributorship rights are amortised over a period of thirty six months from the date of capitalisation.

Leasehold improvements, including additions thereto, and leasehold land premium are depreciated taking into consideration the rates derived from the lease period or over the useful life of the asset, whichever is lower. Vehicles taken under finance lease are amortised over shorter of the useful life and lease tenure. Other assets are depreciated using the straight-line method at the following rates:

Asset	Per cent
Factory buildings	10.00
Other buildings	5.00
Plant and machinery	33.33
Computers and data processing equipment	33.33
Office and other hardware equipment and electrical installations	20.00
Furniture and fixtures	20.00
Vehicles	25.00
Any asset costing upto Rs 5,000/-	100.00

Depreciation / amortisation on assets acquired or disposed off during the year is provided on a pro-rata basis from / upto the date of acquisition / disposal. Assets are depreciated / amortised over their estimated useful lives, commencing from the date the assets are available to the Company for use. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

f) Impairment of assets

The carrying value of assets is reviewed for impairment, when events or changes in circumstances indicate that the carrying values may not be recoverable. In addition, at each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

g) Inventory valuation

Inventories are valued as follows:

Raw materials, sub-assemblies, components are valued at lower of cost and net realisable value. Cost is determined on a weighted average cost basis.

Work-in-progress and finished goods are valued at lower of cost or net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads. Saleable goods are valued at lower of cost and net realisable value.

h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (*Continued*)

are stated at cost less any diminution in their value, which is other than temporary. Premium paid on acquisition of non-trade long-term investments is amortised over the life of the investment. Current investments are stated at lower of cost and market value.

i) Income taxes

Income taxes are computed using the tax effect accounting method, which includes current taxes and deferred taxes. Differences between the provision and payments, if any, are recognised in the year in which assessment is completed or on expiry of the statutory limitation period. Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the reversal of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to set off against the deferred tax asset.

j) Foreign currency transactions

The Company translates all foreign currency transactions at month-end rates. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are restated at year-end rates. The exchange difference on restatement of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Exchange difference in respect of liabilities incurred to acquire fixed assets is adjusted to the carrying amount of such fixed assets.

In respect of forward exchange contracts entered into with the objective of establishing the amount of reporting currency required or available at the settlement date of the foreign currency transaction, the premium or discount arising at the inception is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.

k) Retirement benefits

Contribution to provident fund and superannuation fund, which are based on defined contribution plans, are expensed as incurred. Contribution to the gratuity fund, which is a defined benefit plan, is expensed based on actuarial valuation as on the Balance Sheet date. Accrual for leave encashment on retirement is estimated on the basis of an actuarial valuation for the available leave balance standing to the credit of the employees at the year-end.

l) Assets acquired on lease

Assets acquired under finance lease are recognised as fixed asset at the lower of the fair value of the leased assets at the inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

m) Earnings per share

Basic and diluted earnings per share (EPS) are calculated by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the period.

n) Provisions

A provision is recognised when the Company has a present obligation resulting from past events and it is probable that an outflow of resources will be required to settle the obligation for which a reliable estimate can be made. Provisions are based on management's best estimate of the amount required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect revision in estimates.

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

	Rs. Crores	2003-2004 Rs. Crores
3. (a) Claims against the Company not acknowledged as debts	1.21	4.45
(b) Disputed income tax matters under appeal, which has been fully paid.....	-	11.14
(c) Estimated amount of contracts to be executed on capital account not provided for (net of advances)	1.63	3.28
(d) Other sums for which Company is contingently liable	1.81	1.81
(e) Forward contracts :		
Outstanding forward contracts (in US\$ million)	9.30	4.50
Equivalent amount in Rs. Crores	42.66	20.18
Un-amortised income in Rs. Crores	0.36	0.36
(f) Guarantees-payment undertaking given to bankers :		
Full value of payment undertaking, US\$23 million	101.15	-
Amount outstanding as of 31.03.2005, US\$4.80 million	21.11	-
4. Current tax includes Rs. 0.07 Crore (Previous year Rs. 0.07 Crore) towards wealth tax.		
5. Deferred tax		
In accordance with the Accounting Standard (AS 22) relating to " Accounting for Taxes on Income ", the Company has recorded a net deferred tax asset of Rs. 4.43 Crores (Previous year Rs. 3.31 Crores) out of which Rs. 2.24 Crores (Previous year Rs. 3.31 Crores) has been credited to the profit and loss account and Rs. 2.19 Crores (Previous year Rs. Nil) has been credited to the general reserves.		
The major components of deferred tax assets at the year-end are as follows:		
<u>Deferred tax assets</u>		
Provision for doubtful debts	4.83	5.22
Depreciation, amortisation and impairment	5.23	4.26
Leave encashment	2.15	0.87
Others	3.18	0.61
Total	<u>15.39</u>	<u>10.96</u>
6. Disclosure in respect of leases		
<u>Finance lease</u>		
Assets (vehicles) taken on finance lease		
Total of minimum lease payments at the year end and their present value, for each of the following periods:		
	Minimum lease payments	Present value
	Rs. Crores	Rs. Crores
(i) Not later than one year	0.12	0.08
(2003-2004)	(0.14)	(0.10)
(ii) Later than one year but not later than five years	0.10	0.07
(2003-2004)	(0.24)	(0.16)
Total	0.22	0.15
(2003-2004)	(0.38)	(0.26)
	Rs. Crores	
<u>Operating lease</u>		
Lease rentals paid during the year	0.04	
(2003-2004)	(0.07)	
Minimum lease payments		
(i) Not later than one year	0.24	
(2003-2004)	(0.07)	
(ii) Later than one year but not later than five years	0.02	
(2003-2004)	(0.10)	

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

7. An amount of net exchange loss of Rs. 1.54 Crores, (Previous year Rs.4.28 Crores), net of forward exchange contracts resulting from settlement and revaluation of foreign exchange transactions has been charged to the profit and loss account. Income from sales, services and other income include a net exchange loss of Rs. 0.70 Crore (Previous year Rs. 5.90 Crores). Material costs and operating expenses include a net exchange loss of Rs. 0.84 Crore (Previous year net exchange gain of Rs.1.62 Crores). The net exchange loss of Rs. 0.03 Crore (Previous year net exchange gain of Rs. 0.14 Crore) resulting from settlement of liabilities pertaining to fixed assets has been adjusted to the carrying amount of fixed assets.

8. The details of subsidiaries and joint venture are as follows:

Name	Country of incorporation	% Holding
a) Subsidiary		
i) Exegenix Canada Inc.	Canada	100
ii) Tata Infotech Deutschland GmbH..... (reporting date : 31 st December 2004)	Germany	100
iii) Tata Infotech (Singapore) Pte. Limited	Singapore	100
b) Joint Venture		
i) Sitel India Limited	India	40

9. In accordance with the transitional provisions of the new Accounting Standard (AS 28) relating to "Impairment of Assets" that became effective from 1st April 2004, the Company has, for its cash-generating unit "XML business operations", recorded accumulated impairment loss of Rs. 5.15 Crores, (net of deferred tax credit of Rs. 2.19 Crores) as an adjustment to the general reserves. The impairment loss pertains to the systems integration services segment and the classes of assets to which the impairment loss relates are disclosed under the fixed assets schedule (Schedule 5).

The recoverable amount of the cash-generating unit is its value-in-use as of 1st April 2004, which is based on the present value of estimated cash flows at the appropriate discount rate. The impairment loss was due to the projected levels of demand not materialising.

10. The consolidated financial statements are based on the audited financial statements of the foreign subsidiaries prepared as per the respective countries' Generally Accepted Accounting Principles(GAAP). These financial statements have been considered for consolidation since the transactions are not materially different as compared to Indian GAAP.

11. The Company's share (40%) in the reserves, assets, liabilities, income and expenses of its joint venture, Sitel India Limited, is as follows:

	Rs. Crores	2003-2004 Rs. Crores
(i) Reserves and surplus:		
General reserve.....	1.28	1.28
Profit and loss account	(1.57)	(0.06)
Total reserves and surplus	(0.29)	1.21
(ii) Secured loans	0.05	0.13
(iii) Fixed assets	6.41	8.95
(iv) Current assets, loans and advances	8.88	8.24
(v) Current liabilities and provisions	1.68	2.00
(vi) Total income	27.72	22.21
(vii) Total expenditure	29.19	21.39
(viii) Profit before tax	(1.47)	0.82
(ix) Provision for taxation	0.03	0.12
(x) Profit after tax	(1.50)	0.70
(xi) Proportionate share of capital commitments	0.02	-

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005
17. NOTES TO THE ACCOUNTS (Continued)
12. Segment Information

The Holding Company's business and operations relate to providing IT products and services such as systems integration, manufacturing and education. The systems integration segment integrates the Company's and key participants' capabilities, including hardware, software and services. The manufacturing segment is primarily engaged in manufacture of electromechanical products, circuit board assembly and contract manufacturing services. The education division provides education services including computer-based training to serve the needs of students and corporates through its own and franchise training centres across India and international markets. These segments comprise the primary basis of segmental information. The analysis of secondary segmental reporting is based on the geographical location of the customer and geographical location of assets.

Unallocable expenses represent those expenses, which cannot be allocated to any business segment.

Rs. Crores

	System Integration Services*		Manufacturing Services		Education Services		Eliminations		Consolidated Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
External revenue	814.19	478.80	128.14	105.87	17.52	23.04	-	-	959.85	607.71
Other income	1.00	1.04	0.27	0.27	0.05	(0.01)	-	-	1.32	1.30
Inter segment revenue	-	-	1.51	2.11	-	-	(1.51)	(2.11)	-	-
TOTAL SEGMENT REVENUE	815.19	479.84	129.92	108.25	17.57	23.03	(1.51)	(2.11)	961.17	609.01
SEGMENT RESULT	73.20	36.53	29.99	28.93	2.73	1.61	-	-	105.92	67.07
Less: Unallocable expenses									14.70	13.67
Operating profit									91.22	53.40
Less: Interest expenses									1.75	0.39
Add: Unallocable income									5.44	5.50
Profit before tax									94.91	58.51
Less: Provision for taxation (including deferred tax)									15.13	1.69
Profit after tax									79.78	56.82
OTHER INFORMATION										
Segment assets	273.68	197.15	56.14	43.18	4.97	7.81	-	-	334.79	248.14
Unallocable assets									143.55	152.02
Total assets									478.34	400.16
Segment liabilities	117.70	100.32	9.10	9.59	5.05	4.56	-	-	131.85	114.47
Unallocable liabilities									53.18	35.74
Shareholders' funds									293.31	249.95
Total liabilities									478.34	400.16
Capital expenditure	9.87	24.68	3.59	5.50	2.04	0.10	-	-	15.50	30.28
Unallocable capital expenditure									8.53	0.34
Total capital expenditure									24.03	30.62
Segment depreciation and amortisation	11.01	15.12	1.96	1.32	0.32	0.52	-	-	13.29	16.96
Unallocable depreciation and amortisation									1.30	1.07
Total depreciation and amortisation									14.59	18.03

* Refer to note no. 9 for details of impairment loss.

GEOGRAPHICAL SEGMENTS	India		Overseas		Consolidated Total	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Distribution of income by geographical location of customers						
Segment revenue	301.96	241.05	659.21	367.96	961.17	609.01
Segment assets and capital expenditure by geographical location						
Segment assets	191.73	46.97	143.06	201.17	334.79	248.14
Capital expenditure	15.09	30.02	0.41	0.26	15.50	30.28

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

13. Related party disclosure

The names of the related parties, as certified by the management together with the transactions and related balances are presented below:

Rs. Crores

Relationship	Fellow Subsidiaries		Holding Company		Joint Venture		Key Management Personnel	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Sales / services	100.78	0.42	0.12	19.01	0.35	1.41	-	-
<i>Tata Teleservices Limited</i>	63.71	-	-	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	28.99	-	-	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i>	2.15	0.34	-	-	-	-	-	-
<i>CMC Limited</i>	0.03	0.08	-	-	-	-	-	-
<i>Others</i>	5.90	-	-	-	-	-	-	-
Interest income on short term deposits	0.08	0.09	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.08	-	-	-	-	-	-	-
<i>THDC Limited</i>	*	0.09	-	-	-	-	-	-
Purchases of goods and services	23.68	1.02	0.22	1.71	-	-	-	-
<i>CMC Limited</i>	19.51	-	-	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i>	0.51	0.99	-	-	-	-	-	-
<i>Others</i>	3.66	0.03	-	-	-	-	-	-
Debtors	24.77	0.06	-	8.12	0.23	0.30	-	-
<i>Tata Teleservices Limited</i>	11.85	-	-	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	9.05	-	-	-	-	-	-	-
<i>Tata America International Corporation</i>	3.07	-	-	-	-	-	-	-
<i>CMC Limited</i>	0.02	0.03	-	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i>	0.15	0.03	-	-	-	-	-	-
<i>Others</i>	0.63	-	-	-	-	-	-	-
Short term inter-corporate deposits placed during the year	3.00	1.00	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	3.00	-	-	-	-	-	-	-
<i>THDC Limited</i>	-	1.00	-	-	-	-	-	-
Short term deposits at the year end	-	1.00	-	-	-	-	-	-
<i>THDC Limited</i>	-	1.00	-	-	-	-	-	-
Rent expenses	0.29	0.25	0.07	0.07	-	-	-	-
<i>Tata Limited</i>	0.29	0.25	-	-	-	-	-	-
Royalty expenses	-	-	1.91	1.46	-	-	-	-
Dividend paid	-	-	23.18	10.23	-	-	-	-
Sundry deposits placed during the year	-	-	-	0.03	-	-	-	-
Sundry deposits at the year end	-	-	0.33	0.33	-	-	-	-
Capital assets	0.04	0.13	-	-	-	-	-	-
<i>TCE Consulting Engineers Limited</i>	0.04	0.13	-	-	-	-	-	-
<i>Others</i>	*	-	-	-	-	-	-	-

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

Rs. Crores

Relationship	Fellow Subsidiaries		Holding Company		Joint Venture		Key Management Personnel	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Dividend income	0.32	-	-	-	-	-	-	-
<i>Tata Asset Management Limited</i>	0.32	-	-	-	-	-	-	-
Short term deposits repaid during the year	6.00	-	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	5.00	-	-	-	-	-	-	-
<i>THDC Limited</i>	1.00	-	-	-	-	-	-	-
Profit on sale of current investments	0.64	-	-	-	-	-	-	-
<i>Tata Asset Management Limited</i>	0.64	-	-	-	-	-	-	-
Current investments made during the year	44.87	-	-	-	-	-	-	-
<i>Tata Asset Management Limited</i>	44.87	-	-	-	-	-	-	-
Redemption of current investments during the year	54.47	-	-	-	-	-	-	-
<i>Tata Asset Management Limited</i>	54.47	-	-	-	-	-	-	-
Current investments at the year end	15.02	-	-	-	-	-	-	-
<i>Tata Asset Management Limited</i>	15.02	-	-	-	-	-	-	-
Miscellaneous income	0.35	-	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.35	-	-	-	-	-	-	-
Sundry creditors / payables	10.72	-	1.91	1.86	-	-	-	-
<i>CMC Limited</i>	9.49	-	-	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	1.12	-	-	-	-	-	-	-
<i>Others</i>	0.11	-	-	-	-	-	-	-
Accrued revenue	1.13	-	-	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	0.89	-	-	-	-	-	-	-
<i>Tata America International Corporation</i>	0.24	-	-	-	-	-	-	-
Deferred revenue	2.62	0.12	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	1.76	-	-	-	-	-	-	-
<i>Tata America International Corporation</i>	0.60	-	-	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i> ...	-	0.12	-	-	-	-	-	-
<i>Others</i>	0.26	-	-	-	-	-	-	-
Advances recoverable in cash or kind or for value to be received	1.09	1.04	-	-	-	-	-	-
<i>Tata AIG General Insurance Company Limited</i> ...	0.84	1.04	-	-	-	-	-	-
<i>Tata AIG Life Insurance Company Limited</i>	0.18	-	-	-	-	-	-	-
<i>Others</i>	0.07	-	-	-	-	-	-	-
Security deposits received and outstanding at the year end	0.10	-	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.10	-	-	-	-	-	-	-
Advances from customers	0.08	0.07	-	-	-	-	-	-
<i>CMC Limited</i>	0.07	0.07	-	-	-	-	-	-
<i>Tata Teleservices Limited</i>	0.01	-	-	-	-	-	-	-
<i>Others</i>	*	-	-	-	-	-	-	-

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

Rs. Crores

Relationship	Fellow Subsidiaries		Holding Company		Joint Venture		Key Management Personnel	
	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004	2004-2005	2003-2004
Reimbursement of expenses	0.58	-	-	-	-	-	-	-
<i>Tata Consultancy Services Limited</i>	0.45	-	-	-	-	-	-	-
<i>Tata America International Corporation</i>	0.12	-	-	-	-	-	-	-
<i>Others</i>	0.01	-	-	-	-	-	-	-
Company's contribution to gratuity fund	0.78	2.63	-	-	-	-	-	-
<i>Tata AIG Life Insurance Company Limited</i>	0.78	2.63	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	1.65	0.80

*Value below Rs. 50,000

Names of related parties and description of relationship:

1. Holding Company Tata Sons Limited
2. Fellow subsidiaries Tata Consultancy Services Limited (w.e.f. 01.04.2004)
 Tata Teleservices Limited (w.e.f. 01.04.2004)
 Tata Teleservices (Maharashtra) Limited (w.e.f. 01.04.2004)
 Tata America International Corporation (w.e.f. 01.04.2004)
 Tata AIG General Insurance Company Limited
 Tata AIG Life Insurance Company Limited
 TCE Consulting Engineers Limited
 THDC Limited (formerly known as Tata Housing Development Company Limited)
 Tata Limited
 CMC Limited
 Tata Asset Management Limited (w.e.f. 01.04.2004)
 Tata Internet Services Limited (w.e.f. 01.04.2004)
3. Joint Venture Sitel India Limited
4. Key Management Personnel Mr. F. K. Kavarana - Chairman
 Mr. C. Antony - President and Chief Operating Officer (01.07.2004 to 30.09.2004)
 Mr. P. D. Karkaria - Executive Director and Chief Financial Officer (w.e.f. 01.07.2004)

Schedules annexed to and forming part of the consolidated accounts for the year ended 31st March 2005

17. NOTES TO THE ACCOUNTS (Continued)

	Rs. Crores	2003-2004 Rs. Crores
14. Provision for warranty		
Carrying amount at the beginning of the year	0.54	0.24
Add: Additional provision during the year	0.87	0.54
Less: Unused amounts reversed during the year	0.54	0.24
Carrying amount at the end of the year	<u>0.87</u>	<u>0.54</u>

A provision of Rs. 0.73 Crore for expected warranty claims on products sold and Rs. 0.14 Crore for expected warranty costs for services rendered during the financial year 2004-2005 is carried as of the balance sheet date. It is expected that the entire expenditure will be incurred in the next financial year.

15. Goods-in-transit consist of raw materials Rs. 2.33 Crores (*Previous year Rs. 2.22 Crores*) and saleable goods Rs. 0.78 Crore (*Previous year Rs. 1.22 Crores*).

16. Previous year's figures have been regrouped, wherever necessary.

Signatures to Schedule 1 to 17

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of
G. N. JOSHI ASSOCIATES
Chartered Accountants

Farokh T. Balsara
Partner
Membership No. 44757
Mumbai, 11th May 2005

G. N. Joshi
Partner
Membership No. 2373
Mumbai, 11th May 2005

M. M. Surti
Company Secretary

For and on behalf of the Board

F. K. Kavarana
Chairman
J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria
Directors
Mumbai, 11th May 2005

Information on subsidiary companies as per approval received from the Department of Company Affairs, Ministry of Finance, Government of India, under Section 212(8) of the Companies Act, 1956.

Particulars	Tata Infotech (Singapore) Pte. Limited			Exegenix Canada Inc.			Tata Infotech Deutschland GmbH		
	United States Dollar	Rs. Crores	Exch. rate	Canadian Dollar	Rs. Crores	Exch. rate	Euro	Rs. Crores	Exch. rate
a) Capital	32,564	0.15	46.37	1,934,639	6.02	31.11	100,000	0.43	42.98
b) Reserves#	391,577	1.70	-	(1,705,533)	(5.20)	-	(3,855)	0.14	-
c) Total assets	9,273,848	40.46	43.63	1,064,446	3.81	35.84	98,095	0.58	59.18
d) Total liabilities	8,849,707	38.61	43.63	835,340	2.99	35.84	1,950	0.01	59.18
e) Details of investments: Investment in shares of other companies	Nil	Nil	N/A	502,805	1.80	35.84	Nil	Nil	N/A
f) Turnover	37,432,404	167.81	44.83	448,241	1.58	35.17	Nil	Nil	N/A
g) Profit before taxation	489,577	2.19	44.83	(346,343)	(1.22)	35.21	(629)	*	56.19
h) Provision for taxation	98,000	0.44	44.83	Nil	Nil	N/A	Nil	Nil	N/A
i) Profit after taxation	391,577	1.76	44.83	(346,343)	(1.22)	35.21	(629)	*	56.19
j) Proposed dividend	Nil	Nil	N/A	Nil	Nil	N/A	Nil	Nil	N/A

* Value below Rs. 50,000

Including Foreign Currency Translation Account Reserves

For and on behalf of the Board

F. K. Kavarana
Chairman

J. K. Setna
A. R. Gandhi
D. B. Engineer
N. M. Munjee
P. D. Karkaria

M. M. Surti
Company Secretary

Directors
Mumbai, 11th May 2005

Financial Statistics (Rs. Crores)

FINANCIAL YEAR	CAPITAL ACCOUNTS						REVENUE ACCOUNTS					RATIOS			
	Capital	Reserves & surplus	Borrowings	Fixed assets			Total revenue	Depreciation and amortisation	Profit after tax	Dividend including tax on dividend	Profit after tax to total revenue (%)	Dividend rate %	Earnings per share in Rs.	Net Worth per share in Rs.	
Gross block				Depreciation and amortisation	Net block										
1995-1996	6.13	68.79	3.48	55.79	36.85	18.94	175.71	7.29	20.07	3.68	11%	60%	32.75	122.27	
1996-1997	6.13	86.35	4.31	68.05	42.61	25.44	212.81	6.05	21.60	4.05	10%	60%	35.26	150.93	
1997-1998 **	12.25	106.47	19.74	95.60	49.72	45.88	330.58	9.12	34.33	8.09	10%	60%	28.02	96.88	
1998-1999	12.25	144.16	24.36	115.48	63.40	52.08	401.00	13.84	47.21	9.52	12%	70%	38.53	127.64	
1999-2000 #	18.38	143.09	12.32	133.17	79.45	53.72	432.31	17.64	12.20	7.14	3%	35%	6.64	87.85	
2000-2001	18.38	157.48	24.54	148.19	95.42	52.77	523.62	17.70	26.54	12.15	5%	60%	14.44	95.67	
2001-2002	18.38	172.24	21.18	155.61	110.88	44.73	483.78	16.06	20.50	7.35	4%	40%	11.15	103.70	
2002-2003	18.38	187.15	9.02	166.66	120.06	46.60	462.06	13.40	30.46	15.56	7%	75%	16.57	111.82	
2003-2004	18.38	225.89	0.29	163.86	109.54	54.32	597.94	14.69	59.48	20.74	10%	100%	32.36	132.90	
2004-2005	18.38	270.96	0.17	171.96	121.51	50.45	769.96	11.82	80.24	31.36	10%	150%	43.65	157.41	

** Bonus shares were issued in the ratio of 1:1 during financial year 1997-1998

Bonus shares were issued in the ratio of 1:2 during financial year 1999-2000

Voice of the Customer

"All the project team members have been a credit to their company and are splendid examples of all that is right in the information technology business. Without exception, the technical people from TATA with whom I have had contact, were knowledgeable, articulate and responsive to the needs and desires... in this project. The excellent calibre of the people on the project team has made it possible to pursue the common goal of successful project completion. It has been a distinct pleasure to have had a business relationship with them, and their performance will allow me to speak positively of Tata Infotech Ltd, in the future."

The Director of Claims,
Customer Company, USA

"I would like to thank the Tata team for a superb job in delivering Enterprise... Thank you very much for working so hard and for such long hours over the last few days to achieve the most significant milestone yet for Enterprise- i.e. getting a customer up and running with our solution."

Director - New Technology,
A World Leader in Labels & RFID Tags, USA

"Our overall experience of working with Tata Infotech has been extremely good. The people working on the... project have done an excellent job."

Chief Business Analyst,
World's Leading
Tank Container Company, USA

"Partnering with a leader such as Tata Infotech has contributed greatly to SkillSoft's presence in the Asia Pacific region. We look forward to many more years success together developing e-Learning strategies and delivering value to India's corporate and government institutions."

Vice President and Managing Director
Asia Pacific, SkillSoft

"...has over the years, come to look upon Tata Infotech as an ally and outsourcing partner - in its quest for zero outage data center operations for its mission critical applications. A noteworthy feature of this relationship has been the excellent spirit of teamwork and togetherness exhibited by the two organizations. We hope this close cooperation is further strengthened in the future."

Officiating Director-DIT,
An International Airline

"A big thank you to all those who made this possible. I am sending this email directly from our beach and the connectivity is just superb. High speed, really fast and most enjoyable, as one is out of the office and yet, fully connected to the Internet..."

A WiFi User

"It would have been impossible to achieve this (technology strategy) without the support of your organization. While we have grown in leaps and bounds over the past decade, you too have kept pace with us and matched us stride for stride. While we have been demanding the near impossible, you have delivered to our exacting standards and striven harder to keep ahead of the competition.

We would like to convey our appreciation to you and every individual in your organization whose contribution has helped us achieve our current stature and leadership in the banking segment.

We look forward to our continued partnership in the years to come."

Head Information Technology,
A Leading Bank, India

...Bank has over the past few years developed a valued relationship with Tata Infotech. Tata Infotech has contributed significantly to the success story at a bank which is the top performing bank in Australia. The bank is supported by a vibrant technology division which is in-tune with the business and their strategies and which has an impressive record of on-time and on-budget delivery - a record that has been sustained for a number of years.

Tata Infotech has been responsive in that it has gone out of its way to understand what drives the bank. Having gained this understanding it has supplemented its own disciplines and skills to make a meaningful contribution to the bank."

CIO, a leading Bank, Australia

Under World Bank funded Hydrology Project, that had Central and State Government as the participants, it was decided that there should be a modern and comprehensive software program to process and disseminate data in the domain of Ground Water. It was also considered essential that all over the country there should be uniform standards of data generation and processing with inter-linkages conforming to the international standards.....

In substance, it was the first and most prestigious work in the domain of ground water where the knowledge and skill of several professionals was put to test along with capability of the country in developing the software. In this task, it is on the record that team of MIS, Tata Infotech worked incessantly taking it as a mission to successfully develop the software, namely, Groundwater Estimation and Management System (GEMS) and commission it at all the aforesaid 191 centers in the country. MIS, Tata Infotech commendably maintained the time schedule in the given constraints and have remained up to the expectations. They continue to work with same zeal in the no less important assignment of maintaining the system under the Annual Maintenance Contract.

Chairman,
Central Ground Water Board, India

"Thank you for your involvement and for the quality of your work. I hope we will work again together."

Project Manager,
Customer Company, Switzerland

Awards over the years

- *Tata Infotech ranked the No.1 Systems Integrator in India by Voice & Data and Dataquest*
- *Tata Infotech ranked as one of the India's top 50 information systems users by trade publication MIS South Asia*
- *Tata Infotech's image verification product "SignBANK" won the CSI National Award for the best shrink-wrapped product*
- *Tata Infotech presented with the Institute of Chartered Financial Analysts Award*
- *Tata Infotech voted amongst the 300 best publicly quoted small companies by Forbes Global Business and Finance magazine*
- *Tata Infotech proclaimed as one of the 'Hidden Jewels of Asia' by Socgen Crosby*
- *Tata Infotech's Manufacturing Division received the Award for Excellence in Electronics from the Department of Electronics and the Export Performance Award from Manufacturers' Association of Information Technology*
- *Tata Infotech rated as Networking Masters by Voice & Data*
- *Tata Infotech's "ES CUSTOMERview" won the IBM Solution Excellence Award*
- *Tata Infotech felicitated with the Focus LAC Award by the Ministry of Commerce and Industry for outstanding export performance to Latin American countries*

Recognition
TO ACHIEVE

- *Tata Infotech awarded the first 'Star Award' for Exports, at the anniversary ceremony of SEEPZ-Special Economic Zone*
- *Tata Infotech selected as the 'Best IT Consultant' in Asia-Pacific by the editors of Global Finance*
- *Tata Infotech won Unisys 'Supplier Excellence Award' for excellent service provided to the Unisys Plymouth plant*
- *Tata Infotech won Confederation of Export Units Award for Excellence in Exports*
- *Tata Infotech won Elcina Award for Quality in Manufacturing*
- *Tata Infotech rated 4 up from the 7th position last year by Data Quest IDC Customer Satisfaction Audit 2004. The survey was conducted amongst several large enterprises*
- *Tata Infotech has received an award from CISCO for "Significant Contribution in Sales to Defence vertical"*
- *Tata Infotech awarded "Enterprise Partner of the Year India" by Computer Associates*
- *Tata Infotech has been given the 'IBM Partner World Award 2003' for being the Best Software/SI/Solution Provider in Western India*
- *Tata Infotech maintained World Book Online encyclopaedia site was rated number 1 digital encyclopaedia by the School and Library Journal, USA*

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ACHIEVING TARGETS
SETTING NEW GOALS