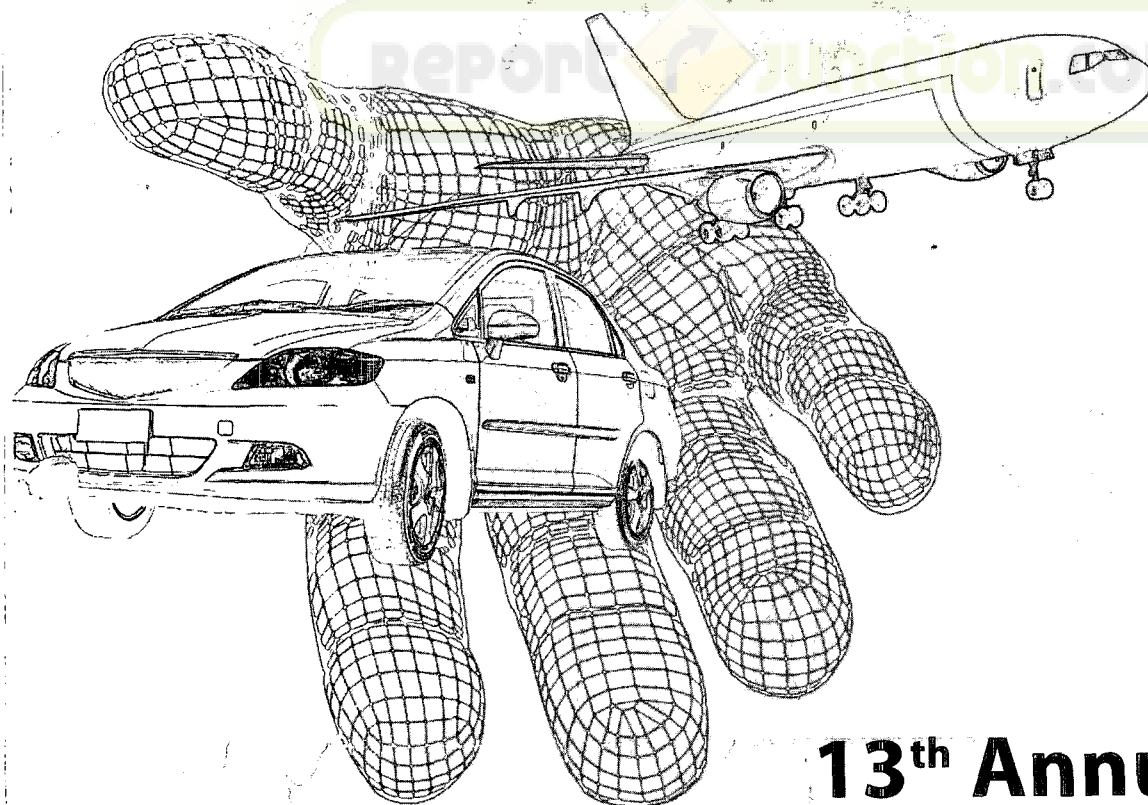


# TATA TECHNOLOGIES



## 13<sup>th</sup> Annual Report 2006-07



## TATA TECHNOLOGIES

Thirteenth annual report 2006-07

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## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF TATA TECHNOLOGIES LIMITED** will be held on the 27<sup>th</sup> day of June, 2007 at 11:00 a.m. at the Registered Office of the Company at Plot No. 25, Rajiv Gandhi Infotech Park, Hinjawadi, Pune - 411 057 to transact the following business:-

### Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as on that date.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Praveen P Kadle who retires by rotation and who is eligible for re-appointment.

### Special Business

#### 4. Appointment of Statutory Auditors

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

"RESOLVED that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring auditors Messrs S B Billimoria & Co, Chartered Accountants to examine and audit the accounts of the Company for the financial year 2007-08, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus service tax, out-of-pocket, traveling and living expenses, for the audits to be carried out at the various locations of the Company at periodic intervals."

#### 5. Issue of Equity Shares on Preferential Allotment / Private Placement

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

"RESOLVED that in pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents and such other approvals as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) or as may be prescribed or made, in granting such consents and approvals and which may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranches, to Mr Markus Schleer and Mr Ralph Weber (hereinafter referred to as "Sellers") on a private placement/preferential allotment basis, equity shares of Rs 10 each of the Company not exceeding the rupee equivalent of Euro 600,000 (hereinafter collectively referred to as "Shares"), for consideration in cash at such price or prices based on a binding valuation made by an accounting firm, as selected by the Company using the average of Net Asset Value and Price/Earning Multiple methodologies as on 31<sup>st</sup> March of the respective financial year or for such other valuable consideration(s) and on such terms and conditions as the Board may, in its absolute discretion consider fit in terms of the Purchase and Assignment of Company Shares – Purchase of Business Agreement dated 18<sup>th</sup> December 2005 (hereinafter referred to as "Agreement") entered into by the Company's subsidiary, INCAT International Plc."

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms and timing of the issue(s), including the number of Shares to be allotted in each tranche, valuation, issue price, face value, premium amount on issue of Shares as the Board in its absolute discretion deems fit and in terms of the said Agreement and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/or abroad to do all such acts, deeds and things,

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to execute all such documents, instruments and writings as may be required and to settle any questions or difficulties that may arise in regard to the Issue(s)."

**Notes:**

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item No. 4 and Item No. 5 set out above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The Proxy as per the format given in the Annual Report should be received by the Company at its registered office not less than 48 hours before the time for holding the meeting.
3. The Register of Members and the Transfer Books of the Company will be closed from 4<sup>th</sup> June, 2007 to 7<sup>th</sup> June, 2007, both days inclusive.
4. The dividend on Equity Shares as recommended by the Directors for the year ended March 31, 2007 if declared will be payable on or after 27<sup>th</sup> June, 2007 in accordance with the Resolution to be passed by the Members of the Company.
5. As per the provisions of the Companies Act, 1956, facility for making nominations is available for Members in respect of shares held by them. Nomination Forms can be obtained from the Company's Registrar and Transfer Agents.
6. Members may please note that the Company's Registrar and Transfer Agents, M/s **TSR Darashaw Limited**, have shifted their office from Army and Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai – 400 001 to a new address.

**The new contact details** may please be noted as follows;

**TSR Darashaw Limited**

6-10 Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road,  
Mahalaxmi,  
Mumbai- 400011

**Tel:** +91 22 66568484

**Fax:** +91 22 66568494

**Email:** [email@tsrdarashaw.com](mailto:email@tsrdarashaw.com)

**Website:** [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

7. Members are requested to **notify the change in their Address, Bank Details**, etc. if any, to the Company's Registrar and Transfer Agents. Shareholders should quote their folio numbers in all their correspondence with the Company and the Registrar and Transfer Agents.
8. Members attention is particularly drawn to the 'Unclaimed and Unpaid Dividend' section under 'General Shareholder Information' in the Corporate Governance Report.

By Order of the Board of Directors

**Anubhav Kapoor**  
Company Secretary and Legal Affairs

Pune, May 25<sup>th</sup> 2007

**Registered Office:**

Plot No. 25, Rajiv Gandhi Infotech Park,  
Hinjawadi,  
Pune – 411 057



## **EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 IN RESPECT OF THE BUSINESS UNDER ITEM NO. 4 AND ITEM NO. 5**

### **ITEM NO. 4**

Messrs Deloitte Haskins & Sells (DHS) and their affiliates have already been acting as the Statutory Auditors for most of the Company's subsidiaries. To harmonise the audit function across the Tata Technologies Limited Group and to bring uniformity therein, it has been proposed to appoint DHS as the Statutory Auditors of the Company as well. DHS have a business association with Messrs S B Billimoria & Co., Chartered Accountants, the existing Statutory Auditors, in India. The Company has received a special notice in terms of the provisions of the Companies Act, 1956, signifying the intention to propose the appointment of DHS as the Statutory Auditors of Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

The Members approval is being sought to the appointment of DHS as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Directors recommend the resolution for acceptance by the Members.

None of the Directors are interested in the resolution.

### **ITEM NO. 5**

The European subsidiary of the Company, INCAT International Plc (INCAT) through a Purchase and Assignment of Company Shares dated 18<sup>th</sup> December 2005 (hereinafter referred to as "Agreement") acquired CEDIS Mechanical Engineering GmbH (CEDIS) to shore up its European operations and establish a platform for the off shoring of future business from Germany. CEDIS GmbH is a Company based in Stuttgart, Germany specializing in engineering & design services with a large client base in Germany. CEDIS also provides CAE education and consulting in rapid prototyping, as well as hardware and software support services. Post acquisition of CEDIS the professional services offered by CEDIS are now part of INCAT's European operations.

The purchase consideration included an initial payment in cash of Euro. 1,200,000 and an additional "earn-out" consideration of Euro. 1,200,000 based on achievement of targets for FY 2006-07 and FY 2007-08 to Mr. Markus Schleer and Mr. Ralph Weber (referred to as "Sellers"). Under the said Agreement, Sellers have the option to take shares of Tata Technologies Limited ("TTL Shares") for the above said "earn-out" consideration to the extent and as long as the shares requested by the respective Sellers does not exceed the total amount of EUR 300,000 for each of the Sellers. Thus in the event of the Sellers meeting the achievement criteria for both the years, Company will be required to issue TTL shares not exceeding rupee equivalent of Euro 600,000.

Therefore the authorization is sought from the Shareholders to the issue of equity shares of Rs.10/- each not exceeding the rupee equivalent of Euro 600,000 at such price or prices or for such other valuable consideration(s) and on such terms and conditions as may be determined in accordance with the terms of the said Agreement.

A copy of the Agreement (in German) and a copy of the English translation of the above said Agreement is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

Given below is the information as required under the Unlisted Public Companies (Preferential Allotment) Rules, 2003 issued by the Central Government ('the said Rules'):

- a) Pricing Methodology: The price shall be determined on the basis of the valuation made by an accounting firm, as selected by the Company using the average of Net Asset Value and Price/Earning Multiple methodologies as on 31<sup>st</sup> March of the respective financial year or for such other valuable consideration(s) and on such terms and conditions as the Board may, in its absolute discretion consider fit in terms of the Purchase and Assignment of Company Shares – Purchase of Business Agreement dated 18<sup>th</sup> December 2005 referred above.
- b) The price shall be determined at as on 31<sup>st</sup> March of the respective financial year. The valuation of the equity shares of the Company, using the methodologies as mentioned in (a) above as on 31<sup>st</sup> March 2007 is estimated to be between Rs. 145/- to Rs. 250/- per equity share. The Company will undertake a similar valuation as on 31<sup>st</sup> March 2008, if the shares are required to be issued next year as per the terms of the said Agreement.

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- c) The equity shares are of the face value of Rs.10 per share.
- d) Objects of the issue: The preferential allotment/ private placement of equity shares of the Company have been envisaged in terms of the Purchase and Assignment of Company Shares – Purchase of Business Agreement dated 18<sup>th</sup> December 2005 referred above.
- e) The allotment is proposed to be made to Mr Markus Schleer and Mr Ralph Weber, subject to their meeting the achievement targets and other conditions as per the terms of the said Agreement.
- f) There is no intention of promoters/directors/key management persons of the Company to subscribe to the unsubscribed portion of the preferential allotment/ private placement of equity shares.
- g) The preferential issue when approved by the Board is expected to be open for 60 days and the allotment would be completed within 60 days of the closure of the issue.
- h) By the proposed issue of shares on a Preferential Allotment basis to Mr Markus Schleer and Mr Ralph Weber, there is no change in control intended or expected.
- i) The shareholding pattern pre and post issue of shares: The issue of shares is based on achievement of the targets by sellers and as per the terms of the Agreement. The number of shares to be issued is based on the rupee equivalent of Euro. 600,000 as on 31<sup>st</sup> March of the respective financial year. The number of shares for determining the post issue holdings for the purpose of this Notice has been calculated at an exchange rate of Rs. 57.93 per Euro i.e. Rs. 34,758,000/- and an estimated issue price of Rs. 145/- per equity share. The actual number of shares and the indicative number of shares post issue as given below may vary.

**The Shareholding pattern Pre and Post issue**

Category	Pre-Issue (as on 4 <sup>th</sup> May 2007)		Post-Issue	
	No. of Shares	% of Paid-up Capital	No. of Shares	% of Paid-up Capital
Promoter - Tata Motors Limited	30300600	84.73	30300600	77.23
Other Tata Group Entities	1849990	5.17	1849990	4.71
Directors	798000	2.23	798000	2.03
Others	2811878	7.87	6287678	16.03
<b>Total</b>	<b>35760468</b>	<b>100</b>	<b>39236268</b>	<b>100</b>

The equity shares by preferential allotment/private placement shall rank pari-passu with the existing equity shares of the Company.

- j) The Certificate issued by the Practising Company Secretary certifying that the issue of the said shares on a preferential allotment / private placement basis to foreign nationals is as per the provisions of the said Rules, is available for inspection by the Members of the Company, at its Registered Office between 11:00 am to 1.00 p.m. on any working day of the Company. The said Certificate shall also be laid before the meeting.

The Directors of the Company may be deemed to be concerned or interested in the aforesaid resolution as shareholders of the Company.

The proposed offer is in the interest of the Company and your Directors recommend the resolution for acceptance:

By Order of the Board of Directors

**Anubhav Kapoor**  
Company Secretary and Legal Affairs

Pune, May 25<sup>th</sup> 2007

**Registered Office:**

Plot No. 25, Rajiv Gandhi Infotech Park,  
Hinjawadi,  
Pune – 411 057





**DETAILS ABOUT MR PRAVEEN P KADLE,  
THE RETIRING DIRECTOR SEEKING RE-APPOINTMENT**

Date of Birth	21 <sup>st</sup> January 1957
Date of Appointment	4 <sup>th</sup> February 1997
Qualifications	Mr. Kadle is an Honors Graduate in Commerce and Accountancy from Mumbai University. He is also a member of the Institute of Chartered Accountants of India, the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India.
Expertise	Mr. Kadle has wide experience with well known Indian companies in the fields of management, accountancy, law, finance and treasury. He is currently the Executive Director – Finance and Corporate Affairs, at Tata Motors Limited. Prior to Joining Tata Motors Ltd., he had held key positions in the Accounts and Corporate Affairs functions.
Directorship held in Other Public Companies (excluding foreign companies)	Tata Motors Limited Tata Cummins Limited Tata Motors Insurance Services Limited Tata Services Limited Telco Construction Equipment Company Limited Sheba Properties Limited Tata Securities Limited TML Financial Services Limited Tata Capital Limited
Memberships and Chairmanships of Board Committees in other Public Companies	<b>Membership of Audit Committees</b> Tata Cummins Limited Telco Construction Equipment Company Limited Sheba Properties Limited Tata Services Limited TML Financial Services Limited <b>Membership of Remuneration Committees</b> Telco Construction Equipment Company Limited <b>Membership of Shareholders' / Investors' Grievance Committee</b> Tata Motors Limited
Shareholding	130,000 equity shares of Rs 10 each in the Company constituting 0.36 % of the Paid-up capital of the Company as on 31 <sup>st</sup> March 2007.

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**Tata Technologies Limited****DIRECTORS' REPORT****TO THE MEMBERS OF  
TATA TECHNOLOGIES LIMITED**

The Directors hereby present their Thirteenth Annual Report on the Business and Operations of your Company and the Audited Statement of Accounts for the year ended March 31, 2007.

**1. FINANCIAL RESULTS**

The summary of financial results of the Company for the year ended March 31, 2007 is as follows:

	<b>2006-07 (Rs. Lacs)</b>	2005-06 (Rs. Lacs)
Income from Sale of Products & Services	<b>22,678.52</b>	21,374.35
Other Income	<b>1,573.41</b>	363.07
Total Income	<b>24,251.93</b>	21,737.42
Operating Expenditure	<b>21,821.12</b>	19,229.01
Profit before Depreciation, Interest and Taxes	<b>2,430.81</b>	2,508.41
Interest	<b>6.08</b>	113.36
Depreciation	<b>670.42</b>	799.93
Profit / (Loss) before Tax	<b>1,754.31</b>	1,595.12
Provision for Taxes	<b>625.32</b>	567.20
Profit / (Loss) after Tax	<b>1,128.99</b>	1,027.92
Balance brought forward from previous year	<b>1,194.16</b>	784.52
Write back of provision for diminution in value of investments	<b>300.00</b>	-
<b>Amount available for Appropriations</b>	<b>2,623.15</b>	1,812.44
<b>APPROPRIATIONS</b>		
Proposed Final Dividend	<b>708.03</b>	445.76
Tax on Proposed Dividend	<b>120.33</b>	62.52
General Reserve	<b>115.00</b>	110.00
Balance carried to Balance Sheet	<b>1679.79</b>	1,194.16

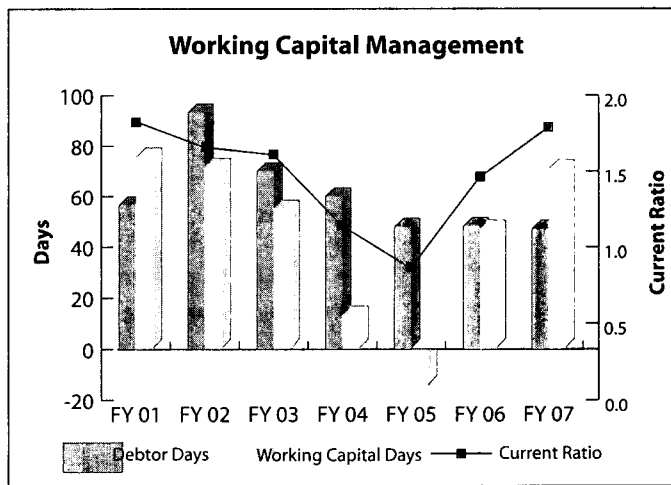
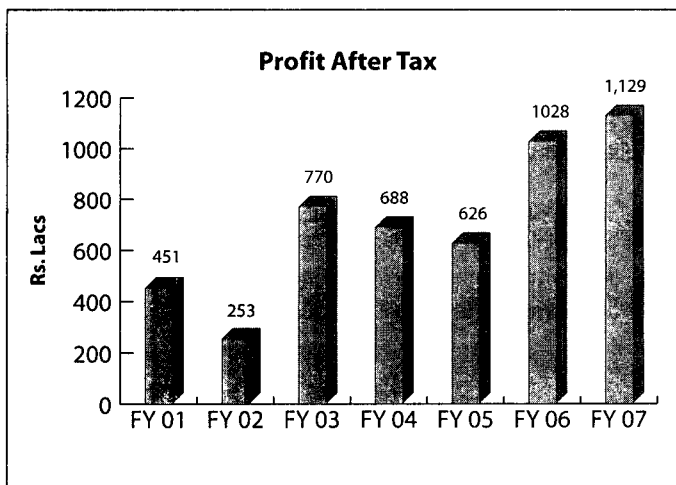
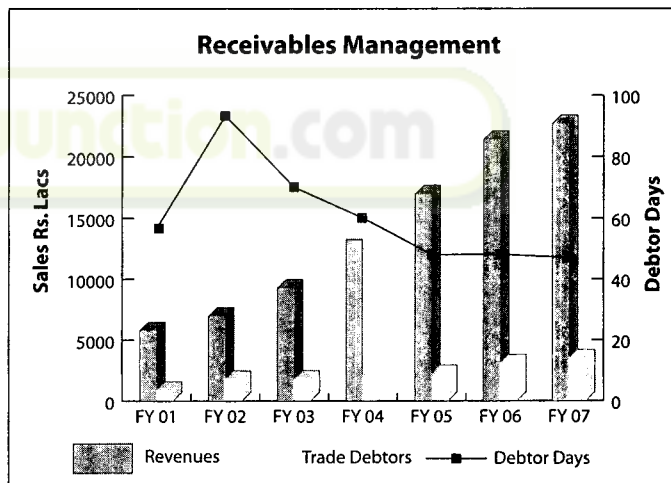
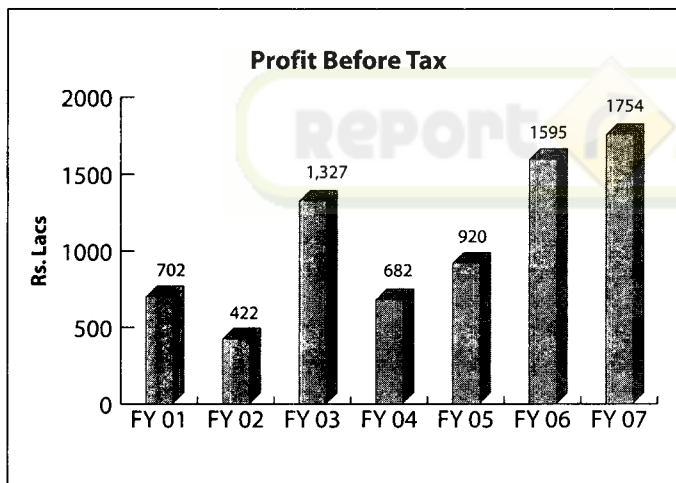
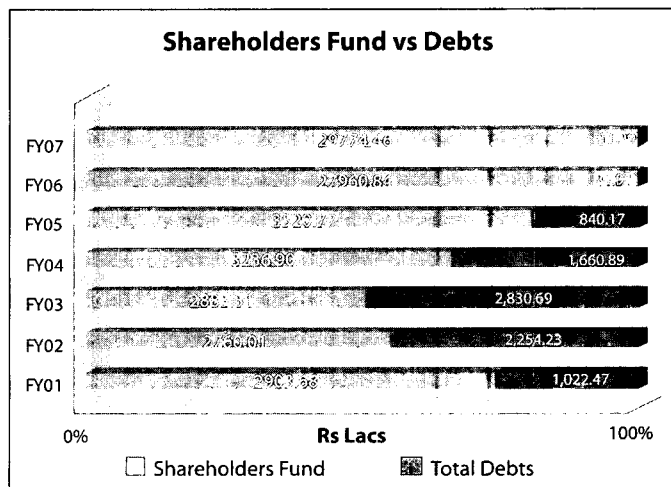
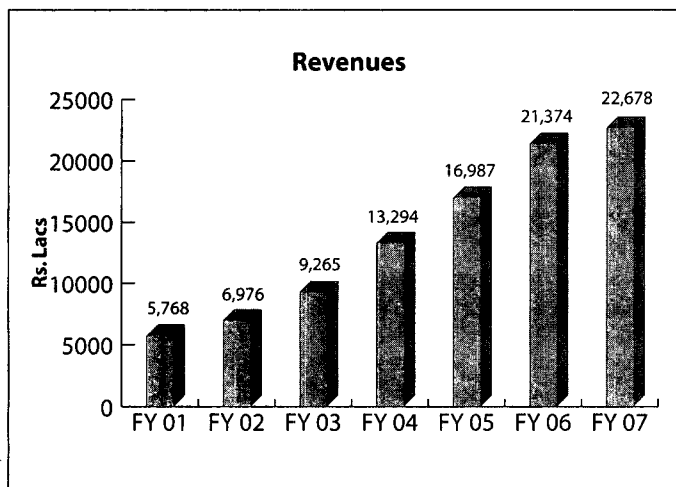
**2. DIVIDEND**

The year under review witnessed an increase of 6% in revenues from products and services from Rs. 21,374 lacs in 2005-06 to Rs. 22,679 in 2006-07. The operating profits however saw a decline of approx 3% from Rs. 2,508 lacs to Rs. 2,431 lacs inspite of a significant increase of other income by approx 333% from Rs. 363 lacs to Rs. 1573 lacs. Management is taking all necessary steps to improve the profit margins of the Company in the coming years. Board in view of the above, decided to conserve the cash for the Company's future growth and improved performance margins and therefore recommend a dividend of Rs. 2/- per share on 35,750,468 Equity Shares of Rs.10/- each, for the Financial Year 2006-07 (2005-06: Rs. 3/- per share), inclusive of pro-rata dividend in respect of shares allotted during the year

**3. REVIEW OF BUSINESS OPERATIONS**

In the financial year under review, your Company began the process of delivering upon the promise of the 2005 acquisition of INCAT. Despite post-acquisition integration challenges, the Company achieved revenues of Rs. 22,679 lacs and delivered growth across all of our key service areas. The Company's performance is a testament to the 3,300 men and women who are committed to helping our clients achieve and sustain competitive advantage through the realization of superior products.





# TATA TECHNOLOGIES

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## Tata Technologies Limited

The Company registered an overall revenue growth of 6%. Profit before taxes (PBT) also grew year-on-year by 10%. Profit after taxes (PAT) grew by 10% in the same period. International business contributed to 29% of total revenues due to augmented relationships with existing global automotive and aerospace customers and acquisition of new customers. The results demonstrate the underlying strength of the Company's business and validate our unique value proposition for winning significant offshore deals with many of our key global clients.

Revenues from Engineering and Design (E&D) services contributed to 50% of total revenues. Enterprise Services revenues contributed to 39% of total revenues.

On the balance sheet side, debtor days stood at 47 days. Total Balance Sheet size grew year on year by 7% to Rs 29,867 lacs.

During the year, the Company entered into an agreement with IBM India Pvt Ltd (IBM) to allow it to take over management of the IT infrastructure business and the right to use internal and/or general purpose procedures developed by the Company for a customer. The Company also gave a right to offer employment to the employees deployed with this customer. IBM paid a total consideration of Rs 14 crores out of which Rs. 9.5 crores has been reflected under Other Income – Sale of Rights.

### 4. Business Outlook

#### a) Challenges in the year – INCAT

As we complete the year, in retrospect, we see the following issues which posed challenges for the Company for the last financial year.

- i) **Go to market brand:** During and shortly after the acquisition, management met with key INCAT and Tata Technologies customers residing in US, Europe and Japan. They also met key Company business and technology partners. Uniformly all the customers and partners told us that we should trade under the INCAT brand as it was an established brand and would not be confused with Tata Consultancy Services Ltd or other Tata Companies. Rolling out the brand change in India was a significant challenge and was disruptive for some of our employees.
- ii) **Delivering the promise:** While the sales and delivery teams met their offshore targets, the process was more painful than was hoped as the two teams learned about each other.
- iii) **Business Challenges:** The North American automotive industry faced recession which affected your Company's onsite business component while the sales teams and offshore delivery teams were not yet able to leverage your Company's offshore capability.

The Company has taken note of the above and put in place corrective actions.

#### b) INCAT Services Strategy for 2007-08

- i) **Focus on deals instead of projects:** Your Company now has a dedicated focus upon large, multi-year outsourcing deals in order to be in step with the changing business environment desired by our customers.
- ii) **Verticalisation of Business Offerings:** The Company has transformed into a matrix organization with clear vertical offerings for automotive and newly formed aerospace business. This would enable the Company to capitalize on the buoyancy currently experienced in offshore aerospace engineering and design services and secure offset discharge work which is expected to come in the near future.
- iii) **Leverage end-to-end PLM and product centric IT services:** Sales teams will be offering to key OEMs our unique capabilities in PLM, SAP, Siebel and others that leverage product design into manufacturing, sales and delivery.
- iv) **Completion of TTL-INCAT integration :** Based on the FY 2006-07 analysis and the intended shift in business model listed in item i and ii above, the Management has initiated five key focus areas:
  - **Leadership Team:** Build leadership capability to win large global outsourcing deals
  - **Governance:** Align the organization to support large global outsourcing deals
  - **Sales Team Reorientation:** Train and deploy sales team from "project centric" selling to "deal centric" selling
  - **Delivery Capability:** Develop delivery approach and ability to scale on a Global engagement basis to service large deals
  - **Innovation:** Differentiate the INCAT brand through product innovation