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Financial Technologies
Powering e-Xchange Markets

Financial Technologies (India) Ltd.

Registered Office

Financial Technologies (India) Ltd.
III Floor, 141, Greams Road,
Chennai, TN - 600 006.

Corporate Office

Financial Technologies (India) Ltd.
Krishna Bhavan, 67 Nehru Road,
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US

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505 Thornall Street, Suite 203,
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101, Cecil Street #20-01A,
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Australia

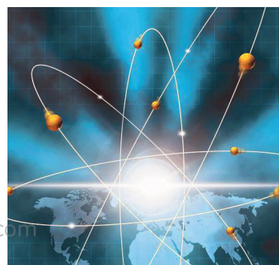
Financial Technologies (India) Ltd.
c/o Rolfe & Nolan Systems Ltd.,
Level 3, 333 George Street, Sydney,
NSW 2000, Australia



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Annual Report 2002-2003





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About **Financial Technologies (India) Ltd.**



Financial Technologies
Powering e-Xchange Markets

FTIL is India's leading technology enterprise delivering mission critical Straight Through Processing (STP) solutions comprising Domain Consulting, Technology Licensing and Development Outsourcing for the global financial services industry. Headquartered in India, FTIL is a Vertical Specialist with proven transaction automation technologies for Equity, Treasury, Forex, Commodity and Derivatives markets.

FTIL has an integrated suite of solutions supporting end-to-end STP capability for real-time transaction and business processing. This covers all the stages of a trade life cycle: Pre-Trade, Trade and Post-Trade activities. The STP expertise of FTIL has been developed through cross-platform deployment and has proven their ability to handle transaction intensive marketplaces.

With its technological superiority and deep domain expertise, FTIL today offers integrated solutions to the global financial markets, addressing the needs of the STP business environment. It supports high transaction density for an expanding marketplace by delivering Performance Scalability, Open Architecture and Deployment Flexibility, which are critical in today's market dynamics.

Some of the key differentiators of FTIL include -

Core value proposition –

- Domain knowledge and IP sharing – Over 50 years of exchange market expertise and over 200 man-years of combined domain specialization
- Technology Licensing – multiple, highly evolved mission-critical transaction technologies with extensive production experience
- Domain Projects through the outsourcing model
- Development Outsourcing leveraging our product delivery model

Niche player with proven and wide technology offerings –

- Vertical focus – Financial Services Industry (securities trading)
- Technology thought leadership, extending into innovative business models – IBS Forex and STP-Gate™
- Mission-critical, transaction technology specialist firm with 70% of the market share
- STP technologies addressing end-to-end business requirements of Equities / Derivatives / Forex / Fixed Income and Commodity markets

Global Delivery Model –

- IP sharing and reusable component technologies
- Significant 'Cost' and 'Time-to-market' advantages
- Quality and Performance comfort
- Deep domain understanding ensuring quality and timely delivery – cost savings that can translate into business advantage for customers.

Client names are arranged in alphabetical order

Partial List of Our Clients

ABN-AMRO Bank
Bonanza Portfolio Ltd.
citigroup
CSE
Deutsche Bank
DOLAT CAPITAL MARKET LTD.
equitymaster
ICICI
ICMS
INVESTSMART INDIA LIMITED
ISE
Kotak SECURITIES
Sharekhan.com
TAIB Securities (India)
THE AHMEDABAD SHARE & STOCK BROKERS ASSOCIATION • 1894 •
WAY2WEALTH

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Significant Achievements of 2002-03





- Operating Income grows by 118.83%
- Added 96 new clients during the period
- Successfully assessed for CMM Level 3 Certification

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- Expansion of the business model – building long term sustainable revenue stream
- Launched IBS Forex, India's first indigenous digital financial exchange for Inter Bank Foreign Exchange Trading, in Spot and Forwards
- Launched, STP-Gate™, a STP market infrastructure service for securities industry, recognized by SEBI

- Front office trading solution accredited with Singapore Stock Exchange (SGX) and Australian Stock Exchange (ASX)
- Back office trading solution accredited with Australian Stock Exchange (ASX)
- Partnering OMGEO, a global leader for delivering cutting edge STP services

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Board of Directors

BOARD OF DIRECTORS

Executive

Jignesh P. Shah, Chairman & Managing Director
Dewang S. Neralla
Sajit Dayanandan
Mahesh R. Joshi
Ajay Narasimhan

Non-Executive

P. G. Kakodkar
C. Subramaniam
Ravi K. Sheth
Ashish S. Dalal
V. Venkateswara Rao (IDBI nominee)

COMPANY SECRETARY

P. Venkitasubramani

ADVISORY BOARD

Nilesh Vira
Kanu Doshi
C. Kamdar

MANAGEMENT COMMITTEE

Jignesh P. Shah, Chairman & Managing Director
Dewang S. Neralla, Chief Technology Architect
Sajit Dayanandan, Chief Information Officer
Mahesh R. Joshi, Chief Financial Officer
Ajay Narasimhan, Director-Corporate Strategy & Communication

AUDITORS

Deloitte Haskins & Sells

LEGAL ADVISORS

Crawford Bayley & Co.

BANKERS

Union Bank of India
The Bank of Punjab Ltd.
HSBC Ltd.

SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup(W), Mumbai 400 078.

REGISTERED OFFICE

3rd floor, 141, Greams Road, Chennai, 600 006, Tamil Nadu.

CORPORATE OFFICE

Krishna Bhavan, 67, Nehru Road, Vile Parle (E), Mumbai 400 057

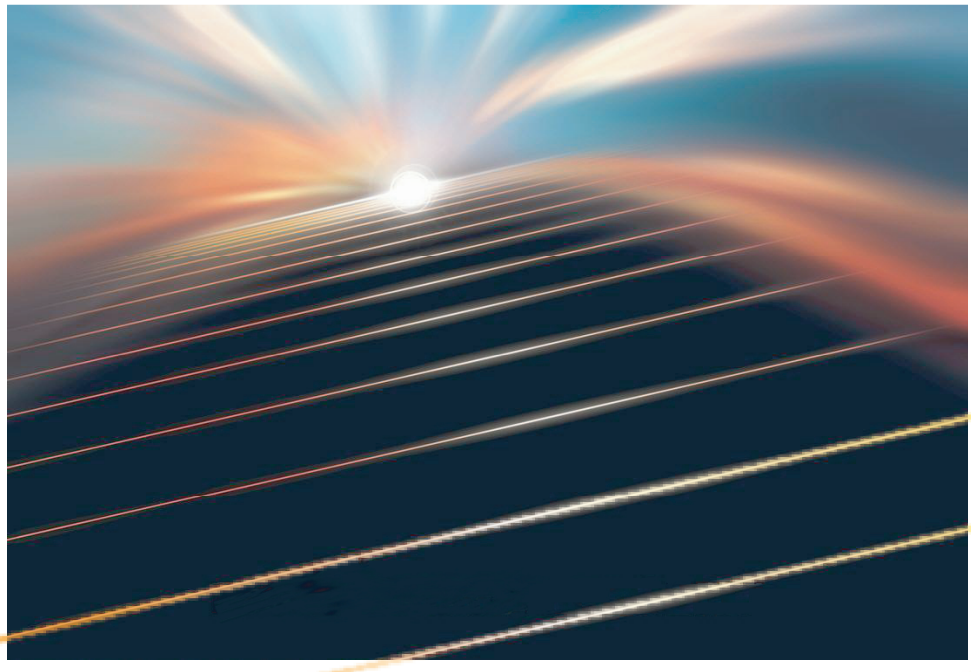
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Chairman's Statement

Capitalizing on our market leadership...



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Integrated Business Solutions Hold The Key For



"Your Company has successfully emerged from the industry downturn last year and has initiated new lines of business for growth and expansion, demonstrating its ability to manage difficult and demanding business conditions. We will continue to drive and capitalize on our market leadership and first mover advantage."

Dear Shareholders,

The past year has been a period of intense transformation for the economy. Despite the demanding times witnessed in this fiscal, your Company has recorded a profit and emerged stronger than ever before, which is a commendable effort. We are proud to say that FTIL solutions and capabilities have established strong footprint in our chosen market segments and credit for this performance goes to the entire FTIL team, and our shareholders for their unwavering support.

The Financial Services Industry is moving towards building integrated solution capabilities and FTIL is leading the way in this technology driven, business transformation. Our Business fundamentals remain strong – technology leadership, customer satisfaction and most importantly a progressive Balance Sheet. We are confident of further establishing our market leadership and setting the change agenda for the marketplace.

2002-03 Performance Overview

Post the phase of internal consolidation and efficiency building, we continue to gather momentum and are looking forward to a robust performance this coming fiscal. This optimism comes on the back of the strong business initiatives that we have taken in the last two quarters, as also the improved financial performance.

In comparison to last year, we grew our income by over 39 %, and have concurrently undertaken prudent cost cutting steps, demonstrating our ability to successfully meet business challenges. FTIL built new customer engagements and deepened the existing ones to emerge as the preferred technology partner in our market segment

Successful organizations choose FTIL technologies for their robustness, integration capabilities and service quality. This gets underscored by the fact that your Company has added 96 new clients during this period, including some of the segment leaders in their respective categories. Your Company's customer centric business strategy bears testimony to its commitment to constantly invest in people, innovative technology & new businesses.

FTIL's existing products have gained increased acceptance and retained its position as market leader in providing transaction trading technologies. You will be happy to know, that today FTIL's flagship product ODIN™ is deployed at more than 73 cities in India with over 7500 trading desks operational across the country.

Your Company is recognized for the quality of its technologies, delivery and processes and has been successfully assessed for CMM Level 3. This achievement could not have been possible without the contribution from each and every member of the FTIL family and I take this opportunity to thank them for their extraordinary dedication during these demanding times.

Our Business Strategy -

Effective strategies are those that focus on creating and enhancing value for our stakeholders through tangible returns and business gains. We propose to achieve this by building long term value for our customers. We believe the following as the drivers for our strategy in the coming years –

- Product innovation to consistently define and lead emerging market trends
- Technology and Process excellence to build business edge for our customers
- Domain enhancement for further improving our competitive edge
- Market Leadership for deepening our customer engagements
- Sustainable partnerships for enhancing our offerings to our customers
- Globalization as the corner stone of our future growth and competitiveness

In short, we would strive to ensure that our customers continue to win and enjoy the strategic advantage that our technologies and services deliver to them in their business. To make the above happen, we would continue to encourage our people to lead a culture of innovation, dedication, customer focus and above all, enjoy what they do. As a company that builds intelligent solutions, we require our people to excel at what they do and make a conscious attempt to constantly raise the

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Future Business Growth



Jignesh P. Shah
Chairman &
Managing Director

performance bar. As an organization, we are an equal opportunity employer and believe in rewarding meritocracy at all levels.

New Initiatives and Offerings

Leveraging its core strength in domain knowledge, your Company offers a comprehensive solution framework of integrated solutions to its customers. These not only include solution licensing but also domain related project development work, based on a robust global outsourcing model.

Moreover, your Company is constantly evaluating new opportunities as part of its business strategy to build a sustainable and long term revenue model. Towards this it has established market wide services aimed at providing shared service infrastructure to the financial market participants. Transaction processing is a great example, to underscore this point.

IBS Forex Ltd. and STP-Gate™ are two such infrastructure service offerings, providing exchange based services for 'FX Trading' and 'STP message processing' respectively. These initiatives have underscored FTIL's potential to leverage its universal technologies developed for multiple markets as also its acceptance as an industry standard, neutral player.

Realignment of Our Global Initiatives

Last year we announced our intent to build markets for our technologies beyond India. Appropriate steps have been taken to evaluate business opportunities in these markets, with focus on selecting the right business strategy. In line with the new growth area of development outsourcing, your Company will leverage its cost-effective, technology rich development center in India to emerge as a strong techno-domain player globally.

Preferred partner across institutions -

The 'FTIL Partner' ecosystem, over the last few years, has been growing continuously to add strength and value in our offerings and capabilities. Our partners represent some of the leading technology and business organizations globally.

In continuation of our alliance strategy, Your Company has partnered with global leaders like Omgeo, for offering cutting-edge STP solutions and services to the global securities industry. Omgeo partnership is recognition of FTIL's strong technology capability in the domestic market, with a strong potential of extending to the global markets.

Capital Restructuring Exercise

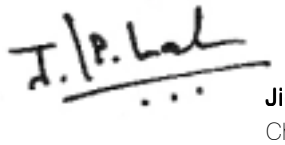
Your Company is committed to constantly identify steps are aimed at protecting and furthering our stakeholders' interest, through prudent and ethical financial practices. In order to make an appropriate representation of our revenue generating assets and IPRs, the Board has taken a forward looking decision of writing off the intangible asset pertaining to Application Service Provider operations, which has lost the potential to generate revenue, against the Equity Capital. The objective behind this was to ensure a fair representation of Asset & Liabilities of the company and protect stakeholders' long term interests.

Industry Outlook and Future Opportunities

Market trends clearly point towards the fact that the software services industry is fast getting commoditised and volume will continue to drive business. In absence of a sustainable value proposition, Indian software industry would need to scale up the value chain to effectively meet challenges posed by emerging markets in software services. This new order for software companies underscores the need to develop strong, integrated solution offering capabilities built around domain / vertical specialization.

Your Company, by virtue of adopting a value-based business model from the beginning, has developed a unique distinction of being a vertical specialist with strong market leadership. It continues to invest in new technologies and markets to engineer growth and accelerate business operations. We expect our strong performance to continue into the new fiscal also, assuming the broad business sentiment continue to remain the same. This is a reflection of the strategic initiatives that your Company has undertaken to strengthen its business fundamentals. We will continue to pursue various growth opportunities with pragmatism and caution to establish our credentials both in domestic & international markets.

On behalf of the Board, I would like to thank our Shareholders, Employees, Clients and Business Partners for their continued support in our endeavors and cooperation in this momentous year.



Jignesh P. Shah
Chairman and Managing Director





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Business Trends

Domain expertise
is the way **forward**...



Business Trends

Domain expertise is the way forward, especially as software services industry is getting commoditized.

Recent reports from global research agencies indicate the emergence of new breed of nations that are likely to challenge the 'cost' advantage offered by plain vanilla, Indian IT companies. Market trends are indicating that the cost differential between India based development vis-à-vis other markets is fast diminishing as salary and other incidental costs in India are rising at an alarming rate, compared to some of the developed markets. This would mean that Indian companies would need to look beyond 'cost' positioning and try to build sustainable success differentiators that are difficult to reproduce.

It is now understood that, for sustaining the competitive advantage that the Indian IT industry has enjoyed so far, firms would need to increasingly look at building Intellectual Properties (IPs) that reflect strong business understanding and quality assurance. This calls for building competencies in the following areas –

- **Customer Satisfaction**
- **Operational Excellence**
- **Business / Domain Knowledge.**

Shared Service Business

Customers are increasingly advocating creation of recognized infrastructure platforms for outsourcing business processes and building market efficiencies for overall growth and value enhancement. Shared service, therefore seem to be an increasingly preferred option for the securities industry participants and firms are looking at establishing shared service infrastructure for different business processes.

Shared services involve consolidation of pan-market transactions into an aggregator model for building operational efficiencies, unlocking value and introducing better price discovery mechanisms.

The objective of these services is to deliver the most optimal, high quality service to multiple entities by broad basing the cost and associated risks. It helps in achieving economies of scale and eliminates replication of basic transaction processes across organizations. Adopting the shared service model has allowed organizations to focus more on business expansion and less on back-end process and automation.

FTIL is among the very few companies with a committed focus on providing mission critical Straight Through Processing (STP) technologies for the Financial Services Industry. Its deep domain expertise & technology excellence across key financial markets gives it a strategic lead over conventional IT companies. It has demonstrated its leadership position and has successfully operated at the highest end of the IT value chain.

Software service industry is increasingly getting commoditised and companies with high domain expertise are leading the new order of transformation. Customers today require their IT partners to understand their business processes and deliver expertise in building a seamless technology landscape addressing total IT needs.

Vertical specialization is the way forward as customers are increasingly looking at building business efficiencies, by implementing smart technologies and solutions. IT users are fast realizing the intrinsic benefits of partnering a domain intensive IT company as it leads to faster implementations thereby reducing overall project costs.

However, there are certain important considerations that need to be kept in mind for establishing a successful shared service –

- Neutrality of the platform service provider
- Entry and exit costs associated with the service
- Confidentiality of the information exchanged
- Credibility of the service provider, through formal accreditation with regulatory authority
- Deployment cost of infrastructure to reduce loading on market participants
- Reliable and proven technologies ensuring security, scalability, reliability and robustness of the systems deployed
- Strong understanding of the business processes to deliver optimal advantage to the users

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