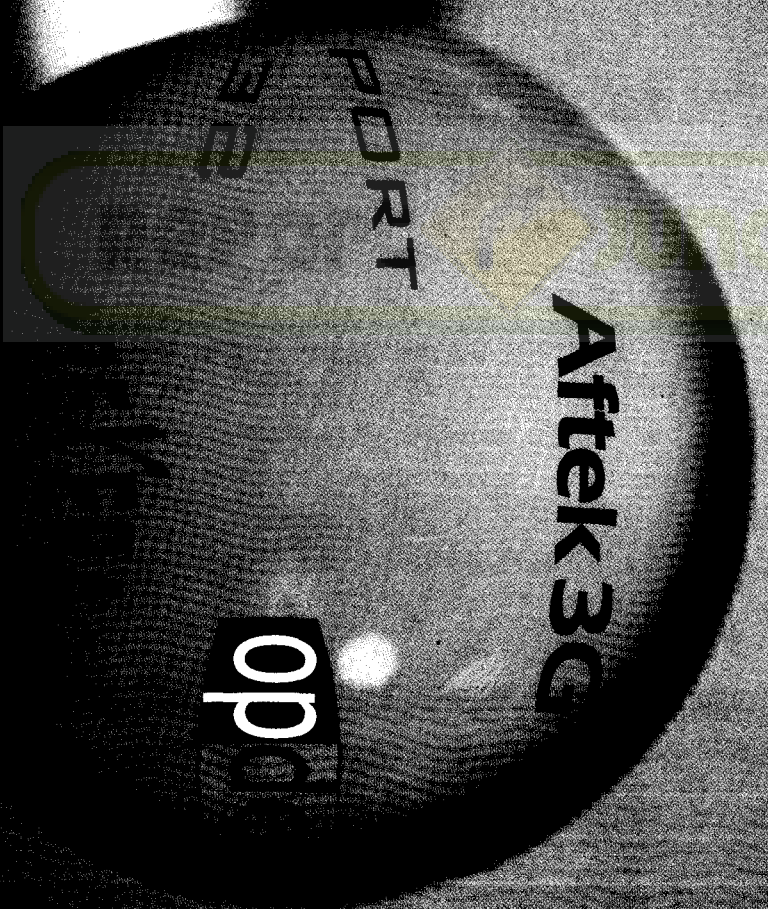




Annual Report 2002 - 2003



Aftek Infosys Limited

AFTEK GROUP COMPANIES



Aftek 3G Tel

Board of Directors

Mr. Ranjit Dhuru	Chairman and CEO
Mr. Nitin Shukla	Director Finance
Mr. Mahesh Vaidya	Technical Director Software
Mr. Sunil Desai	Technical Director Engineering
Mr. Promod Broota	Director - Marketing
Dr. S.S.S.P. Rao	Non -Executive Director
Mr. Shrikant Inamdar	Non -Executive Director
Mr. V.J. Masurekar	Non -Executive Director
Mr. Mahesh Naik	Non -Executive Director
Mr. Sandip Save	Non -Executive Director

MANAGEMENT TEAM

Mr. Ranjit Dhuru	CEO
Mr. Nitin Shukla	CFO
Mr. Mahesh Vaidya	CTO
Mr. Sunil Desai	Engineering
Mr. Ashutosh V. Humnabadkar	Products
Mr. Promod Broota	Marketing
Mr. Charuhas V. Khopkar	Quality
Mr. Ravindranath U. Malekar	Software Products
Mr. Mukal S. Dalal	Institutional Sales

Company Secretary

C.G. Deshmukh

Registered Office

"Aftak House", 265, Veer Savarkar Marg, Shivaji Park, Dadar, Mumbai 400 028.

Bankers

Bank of India
Gohil House.
L. J. Road
Mumbai 400 026.

The Hongkong and Shanghai Banking Corpn. Ltd.,
Asha Mahal, 46/B, Dr. G. Deshmukh Marg,
Mumbai 400 026.

Auditors

M/s. V.D. Joshi & Co., Chartered Accountants, 2 Jai Ashirwad, Y.R. Tawde Road, Dahisar (West), Mumbai 400 068.

Registrars & Transfer Agents

M/s. Bigshare Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Sakivihar Road, Andheri (East), Mumbai 400 072.



Ranjit Dhuru

Chairman and CEO

Committed to Creating Value

Dear Shareholders,

Great companies build value over the long term.

During the past year, despite the turbulence in the global IT market, we have maintained an unwavering focus on our plans

and strategies. For us it was very clear, to continue to deliver on our promises to our shareholders, our customers and our people.

We were determined to do whatever it took to build long-term shareowner value. We had our hopes and dreams, but realized that first we had to change our culture, reduce our costs, transform our core business, build new businesses and remain true to our values, while contributing to the communities in which we live and work.

We had to move fast, evolving the enterprise. We had to bring in new ideas and new people. We had to deploy new technology at an accelerating pace, while finding the capital and cash flow to fuel growth. In short, we had to pull some big levers. But most importantly, we had to understand what happens when those levers are pulled, so we could lead the people who make it all work.

Driven by change, Aftek has evolved into a focused and vibrant e-business solution provider. Quality, innovation culture and passion to excel have made Aftek the company of choice for its clients and employees alike.

Today, we possess an industry-leading reputation for superior client service. Aftek commands a world-class information technology infrastructure with global capabilities. We continue to have the financial strength to serve our existing clients and pursue new business.

It gives me immense pleasure to brief you on the performance of your company for the fiscal year 2003, one of the most significant of all in the history of Aftek. Fiscal 2003 witnessed the manifestation of some of the most important strategies that your company had put in place in the preceding years so as to place itself on a course, which would ensure sustained and consistent long-term growth.

During the last fiscal, your company has remarkably moved forward while pursuing its growth strategy that entails adaptability, moving up the value chain, creation of Intellectual Property Rights (IPRs), scalability and de-risking. The belief that rapid and global level scalability can be achieved through products, alliances and partnerships has been amply demonstrated to date. As a testimony of the continuous focus that your company lays on quality, it has also been awarded the ISO 9001-2000 certification.

Your company's flagship product Powersafe, has further consolidated its position as one of the most preferred enterprise class power management solution. Powersafe was also integrated with Hewlett Packard's Openview during the last fiscal. Your company is also focusing on integrating the product with other global Enterprise Management Solutions (EMS) providers like IBM (for Tivoli) and BMC Software (for BMC).

To provide an impetus to product sales your company has, during the last fiscal, ramped up operations of its 100% owned subsidiary, Aftek Infosys (USA), Inc. The company was rechristened as Opdex Inc (www.opdex.com), to give it a true American flavour. The (all American) sales force is also being augmented so as to boost products' sales. Opdex has helped expand the product road map for your company and has also made Powersafe more robust and available for a wider audience apart from EMS players. Powersafe is also being marketed to Facilities Management Software (FMS) companies, Building Management Software (BMS) players and also on a standalone basis.

One of the most significant developments that is expected to put your company's power management solutions products on a high growth trajectory is Opdex's recent tie up with MGE UPS Systems Inc. a world leader in providing high quality uninterruptible power solutions. Aside of Opdex's sales force that would push your company's products to the American market, Powersafe would also be marketed by MGE's 200 strong sales representatives, 50 direct sellers and 35 resellers.

Almost two years ago, your company recognised the significant growth potential that the Mobile & Wireless Communication space held for the future. As a matter of fact, during the last fiscal itself, despite the slump in the US economy, the cut in IT spending and the resultant technology downturn, venture capital funds in the US have pumped in close to \$3 billion into a large number of wireless startups especially, Wi-Fi.

Recognizing this growth potential, your company developed Jadoogar its own framework that would support Wi-Fi networks, Blue tooth and 3G. Jaadoogar got off to a start during the last fiscal with service contracts from Japan, Europe and Malaysia.

Jadoogar is currently being productised to meet the requirements of various specific and need-based applications. In fact, a communications products manufacturing company based in the Far East recently launched Angelia a communications product, powered by your company's Jadoogar technology in Computex 2003, Taipei.

A leading player in the Enterprise Wide Management Solutions (e-business management) space consisting of Infrastructure, Information and Processes, your company's endeavour has been to grab a dominant share in each of these segments. Having gained a strong foothold in the Infrastructure space of e-business management with Powersafe, your company's focus has been to branch out with products and allied services into the Information and Processes categories.

Your company has been working towards achieving this objective by acquiring/entering into joint ventures with companies with Intellectual Property Rights (IPRs) and a large client base and strong domain knowledge in the areas of Unstructured Data Management (UDM) and 3G Mobile Communication.

The investment in the Munich based Arexera Information Technologies GmbH has been a move in the right direction towards giving shape to your company's objective of emerging in the UDM space. Through the investment, your company has acquired strong and critical IPRs in the UDM space. Besides it has also gained access to flagship clients of the like of Siemens, BMW, Axel Springer Publishing Germany's largest publishing group, Beiten Burkhardt GmbH the global law firm, T-online Europe's leading Communications company and DATEV Germany's largest association of self-employed tax consultants, auditors and lawyers.

Arexera would not only facilitate expansion of market in Europe for your company's Products business Arexera has a strong product portfolio comprising of six independent products catering to the UDM space, but it would also help Aftek bag sizeable service contracts from Arexera's big-ticket clients.

Following your company's investment in Arexera, both the companies have worked well together to integrate and consolidate their operations. Your company has also progressed well in enhancing and further developing the IPRs acquired from Arexera. With your company's support in the backend and Arexera in the front end, there has been considerable traction from the European market. This in turn, has provided much momentum to business from Europe. As such, Arexera has been moving in the right direction, achieving the preset milestones of the business plan.

With a view to capitalising on the strong growth potential that exists in the Mobile & Wireless and 3G communications space, your company, in fiscal 2003, entered into a MoU with Aftek 3G Tel, a UK based company engaged in the area of Wireless & Mobile, particularly in the 3G space and in other emerging technologies.

Besides the development of critical IP based components and productisation of IPRs, Aftek 3G Tel will also work towards bagging service business in the Mobile and Wireless space from several clients including 3 (erstwhile Hutchison 3G, UK). Backed by your company's success in creating and productising strong IPR based components and new IPRs, Aftek 3G Tel would help Aftek gain a strong foothold in UK.

Your company's Smart products Smart Card based embedded products for verticals such as transportation, access control, etc for the domestic market, have been verified and have already gone live on a few installations. While smart card based embedded products for the transportation vertical have bagged orders from a large Mauritius based corporation, access control products have already been successfully implemented for Goa based Zuari Industries. A number of your company's software driven products for the domestic market have been recognised and is ready for scaling up.

Quite evidently, having clearly identified the opportunities, your company, over the due course, has been putting in place new initiatives that would ensure sustained and long-term growth. The investment in Arexera (to capitalize on the huge growth potential in the UDM space), the venture into the UK market (to be a part of the Mobile & Wireless communications growth story), expansion of the enterprise wide management solutions space, creation and consolidation of a strong sales and marketing force (to boost products' sales) have all been measures initiated to propel your company into the high growth trajectory.

What sets us apart is our human and intellectual capital: our people. Their passion for results, focus on the client, willingness to look beyond the obvious and to etch success on the horizon.

As we sail to conquer the digital landscape, we look forward to building a profitable future for our company, rewarding employees, clients and shareholders alike.

I invite you to continue to extend your valuable support and patronage as we advance along this very promising journey into the future.

We will be committed to creating value!

With best regards,

Ranjit Dhuru
Chairman and CEO

Mumbai, 28th November, 2003.

Management Discussion and Analysis



**Aftek Management
Team India**

Introduction

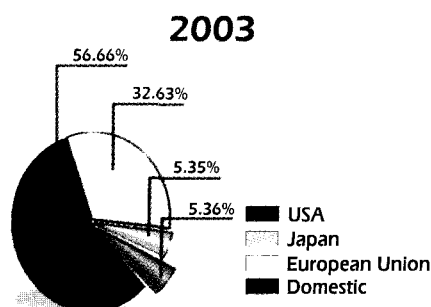
Aftek Infosys Limited was incorporated in 1986 by a group of technocrats with the vision of making it a global force in the Enterprise Wide Management Solutions space.

Aftek's core competence lies in the areas of Embedded (real-time operating systems & kernels, networking & communication protocol stacks), Systems (graphics engines and networking systems, encryption,

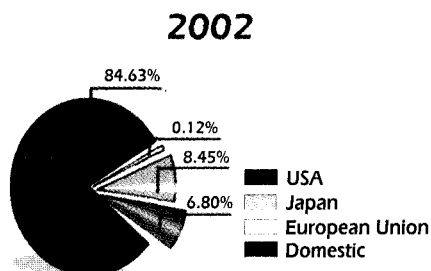
compression & search techniques), Mobile & Wireless (web-enabled, mobile applications, internet protocol suites, GSM, GPRS & 3G) and Web (component-based, 3-tier applications, online collaborative e-business portals).

Geographical Revenue Break-up

With core competence in these areas, Aftek is focusing on three of the most critical components of Enterprise Business Management processes, infrastructure and information management.



Enterprise Wide Business Management is a practice followed by several global companies of the likes of Computer Associates, IBM, BMC Software, Microsoft, Hewlett Packard, etc. Enterprise Wide Business Management is considered as one of the fastest growing areas in the IT sector, with end clients being Fortune 1000 companies. While IT Infrastructure Management is becoming a critical requirement for large corporations, Business Processes and Information Management is also turning out to be equally important as electronic corporations grow.



Put together, these three components form over 80 percent of the Enterprise Business Management space, and their management has registered an upswing over the last 3-4 years. Of course, Aftek has paid cognizance to the growth potential, and it offers both products and services in the area of Enterprise Wide Business Management Solutions.

Over the last 17 years, Aftek has not only consistently and rapidly grown both revenues and profitability to emerge as a leading player in this space, the company has also identified opportunities and devised strategies to capitalize on the same so as to ensure sustained and long term growth. Indeed, financial year 2002-2003 witnessed the manifestation of some of the most important strategies that the company had put in place in the preceding years.

Overview

Aftek journeyed into the financial year 2002-2003 armed with strategies that would help it emerge out of the grim situation that the industry in general and the company in particular was faced with, in the previous year led by the slump in the US economy and the resultant cut in technology spends, financial year 2001-2002 has been one of the most challenging for the Information Technology sector as a whole.

Having said that, financial year 2002-2003 turned out to be one of the most exciting and significant for the company. Thanks to the timely and effective implementation of strategies that the company had identified and charted out for itself, not only did Aftek emerge successfully out of the tough situation faced by the industry, its is also currently well placed to capitalize on the some of most exciting growth opportunities that is almost certainly expected to be encountered along its growth path.

Significant developments in 2002-2003:

Investment in Munich based Arexera Information Technologies GmbH

Aftek's investment in Arexera has been a move in the right direction towards giving shape to the company's objective of emerging in the Unstructured Data Management (UDM) space.

Aftek's acquisition of the 49% stake in Arexera would not only facilitate expansion of the company's market in Europe (thereby furthering its objective of reducing dependence on the US) for its Products business, it would also help the company bag sizeable service contracts from Arexera's big ticket clients. Moreover, the investment in itself holds immense significance this has been one of the largest investments to be made in Germany a high growth potential market especially for Products business, by an Indian company so far.

The investment banker to the transaction was M.M. Warburg (estd.1798); the independent valuation has been done by PKF (the 8th largest Accounting firm in UK). Aftek acquired the stake in an all-cash deal for a consideration of €8.86 million. The Company retains the right to acquire the entire 100% equity in Arexera based on certain predetermined milestones over the next 3-4 years.

Following Aftek's investment in Arexera, both the companies have worked well together to integrate and consolidate their operations. Having achieved this, Aftek has progressed well in enhancing and further developing the IPRs acquired from Arexera.

With backend support from Aftek and Arexera in the front end, there has been considerable traction from the European market. This in turn, has provided much momentum to business from Europe. As such, Arexera has been moving in the right direction, achieving the preset milestones of the business plan.

Founded in 1998, originally a part of a Swiss conglomerate, Arexera has considerable experience in the development of innovative technologies and complex solutions in the area of UDM. Arexera has a strong product portfolio comprising of six independent products catering to the UDM space.

Key significance of the investment in Arexera

- Aftek has acquired critical and patentable IPRs (Intellectual Property Rights) in the UDM space
- The Company has acquired flagship clients Siemens, BMW, Daimler Chrysler, Axel Springer Publishing Germany's largest publishing group, Beiten Burkhardt GmbH the global law firm, T-online Europe's leading Communications company DATEV Germany's largest association of self-employed tax consultants, auditors and lawyers, and others.
- Aftek now has a strong German team in the front end to execute large service contracts from Europe
- Acquired strong products in the high growth Enterprise Wide Search Solutions space
- The investment in Arexera has helped further Aftek's objective of de-risking its revenue recognition model with respect to geography

Arexera's product portfolio

The Arexera product portfolio is currently made up of six independent standard products X-Crawler, X-Keyword Extractor, X-Language Detector, X-Summarizer, X-Document Classifier and X-Info Management that are designed in modular form and can be mixed and matched in different combinations. The individual products are combined using an integration platform that acts as the user interface and ensures user-friendly administration of the solutions.

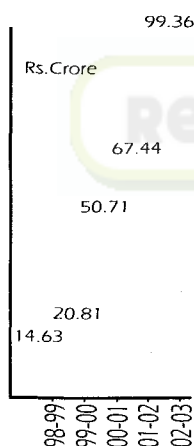
Specific customer groups are addressed by combining individual products to form solutions for respective verticals. These are: X-Integrated Information Platform (X-IIP), X-Interest-Driven Internet Search (X-IDIS) and X-Internet Archive Search (X-IAS).

SpamDefence-Server is an intelligent and self-learning solution developed by Arexera the product automatically classifies and evaluates emails according to their contents

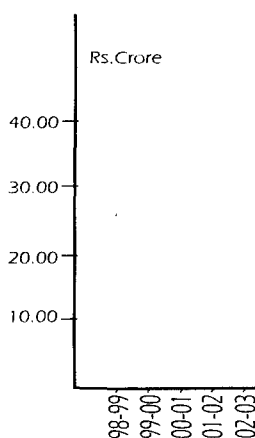


Arexera Team

Revenue Growth



Net Profit Growth



and formats.

Foray into the UK market

With a view to capitalising on the strong growth potential that exists in the Mobile & Wireless and 3G communications space, Aftek, in FY03, entered into a MoU with Aftek 3G Tel a UK based company.

The company is engaged in the area of Wireless & Mobile, particularly in the

3G space and in other emerging technologies. Besides the development of critical IP (Intellectual Property) based components and productisation of IPRs, Aftek 3G Tel will also work towards bagging service business in the Mobile and Wireless space from several clients including 3 (erstwhile Hutchison 3G, UK).

Mr. Niren Talgeri, the Chief Executive Officer of Aftek 3G Tel, has several patents and IPRs to his credit. In fact, seven IPRs owned by him, have recently been acquired by 3. Aside of the other IPRs owned by him, Mr. Talgeri would also bring into Aftek 3G Tel, his capabilities and experience at creating new IPRs and the strong relationship with 3.

Aftek comes in with the background of its success in building and productising strong IPRs. Aftek will invest upto £2.5 million in creating the infrastructure to productise IPRs held within Aftek 3G Tel and those acquired by 3. Towards this, and to execute Service contracts that would flow into the company via the joint venture, Aftek would be augmenting the staff strength at Aftek 3G Tel.

Backed by Aftek's success in creating and productising strong IPR based components and new IPRs, it is hopeful that Aftek 3G Tel will help the company gain a strong foothold in UK

3G technology in UK is currently spearheaded by 3 the main agency of Hutchison Whampoa, the Hong Kong based ports and telecom group, which is investing over US \$16 billion in 3G technology over the next two years in UK.

From ideating to creating, productising and maintaining new IPR based components and products, there is a lot of work involved. Of course, the value addition that brings with it too. The investments being made in the 3G space is a testimony of the huge growth potential that exists in this area. And with the joint venture, Aftek is hopeful of being able to bag a sizeable portion of the pie.

An ISO 9001:2000 Company

Opdex Inc

With products in place and alliances and investments in order, Aftek is placing thrust on sprucing up its marketing and sales function. Until last year, Aftek used to derive client contacts and leads through Computer Associates' sales force in the US. This notwithstanding, the company has now put in place its own sales force to provide an impetus to products' sales.

Aftek, during the last fiscal, ramped up operations of its 100% owned subsidiary Aftek Infosys (USA) Inc. First, to give the company a true American flavour, Aftek Infosys (USA), Inc was rechristened as Opdex Inc (www.opdex.com). The company has an all American sales force, which is being augmented so as to accelerate products' sales.

Opdex has helped expand the product road map for Aftek and has also made Powersafe more robust and available for a wider audience apart from EMS players, Powersafe is also being marketed to Facilities Management Software (FMS) companies, Building Management Software (BMS) players and also on a standalone basis.

Tie up with MGE UPS Systems Inc

The tie up with MGE UPS Systems Inc. a world leader in providing high quality uninterruptible power solutions is expected to put Aftek's power management solutions products on a high growth trajectory.

MGE has entered into an agreement with Opdex to include Powersafe as the power management solution with each of the UPSs that MGE sells to its customer. Apart from Opdex's sales force that would help push Aftek's products to the American market, MGE's 200 strong sales representatives, 50 direct sellers and 35 resellers would also market Powersafe. Indeed, Opdex and its tie up with MGE have opened up a host of opportunities for Aftek.

Including Uninterruptible Power Supplies (UPSs), the France based MGE's comprehensive product offerings provide customers with end-to-end enterprise wide infrastructure management solutions.

GDR Issue

During the last fiscal, Aftek successfully closed the GDR (Global Depository Receipt) issue that the Company had issued to fund its various expansion and growth initiatives.

The Company issued 13,33,100 GDRs, each representing three equity shares of Rs 10 each amounting up to US \$15 million at a price of US \$ 11.25 per GDR. The GDRs got listed on the Luxembourg Stock Exchange on 10th February 2003.

Post the GDR issue, the paid up equity share capital of the

company has increased from Rs 6,00,07,000 (Rupees Six Crore Seven Thousand) to Rs 10,00,00,000 (Rupees Ten Crore).

The proceeds of the GDR issue would be utilized to fund investment in complementary businesses, technologies, services and products, to enter into strategic partnerships with parties who can provide access to those assets and to fund future growth.

The proceeds from the GDR issue would further the company's endeavour to significantly expand markets especially, Europe. Besides consolidating its presence in the core domain areas of Embedded, Systems, Mobile & Wireless and Web, the proceeds would also help increase Aftek's share of the Products and Service offerings in key technology areas of UDM and 3G mobile communication.

Opportunities

IDC the world's leading provider of technology intelligence, industry analysis, market data, and strategic and tactical guidance to builders, providers, and users of information technology predicts global Knowledge Management software sales to average a growth of 31% per annum to \$ 5.4 billion by 2004.

The recent acquisition of Overture by Yahoo for a consideration of \$1.63 billion corroborates the immense potential that the Enterprise Wide Search Solutions market holds for the future. In fact, Overture had earlier acquired Altavista and Fastsearch for a consideration of \$250 million. Post Yahoo's acquisition of Overture by Yahoo, the latter's profits have doubled thus signaling the immense potential that "pay-per-click" or the Advertising Search space holds for the future.

Arexera, with its critical and patentable IPs catering to the lucrative Search Engine and Advertising Search segment, seems well poised to capitalize on the immense growth potential.

Faced with the concern of falling margins, the world over, leading UPS manufacturers are resorting to offering power management solution software as a measure of value addition. MGE's tie up with Aftek for its power management solution signifies this trend. Having made an association with the world's leading power solutions provider, Aftek's power management solutions seems all set to receive a shot in the arm with respect to incremental demand in the future.

De-risking

a) Business

A leading player in the Enterprise Wide Management Solutions (e-business management) space consisting of

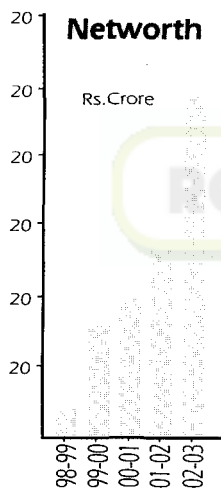


Opdex Team

Infrastructure, Information and Processes, Aftek's endeavour has been to grab a dominant share in each of these categories.

With its flagship product Powersafe, Aftek has managed to gain a strong foothold in the Infrastructure space of e-business management. Following this, the company's focus has been to branch out with products and allied services into the Information and

Processes categories. The investment in Arexera and the foray into the UK market has been a move towards achieving this objective.

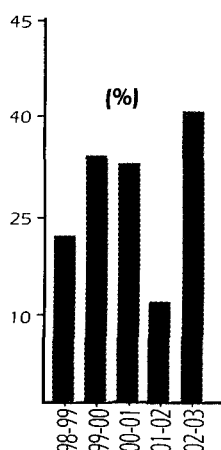


Aftek would also lay thrust on diversifying the revenue profile for Powersafe by aligning with more than one global Enterprise Management Solutions (EMS) partner. Indeed, besides being Gold certified by Computer Associates (the highest level above Bronze and Silver) for integration with Unicentre – the world's leading enterprise network and systems management solution, Aftek has also integrated Powersafe with Hewlett Packard's Openview.

With Tivoli (IBM) and BMC (BMC software) improving their ranking as the world's second and third largest e-business systems management software solutions respectively, Aftek has laid impetus on integrating Powersafe with these players too.

Powersafe is also being developed so that different versions of the product cater to operating systems other than Windows NT (like UNIX, AIX, etc, for IBM, Sun and HP). Other product or feature broadening procedures, such as enhancement of serial port connectivity and addition of features, have also been underway.

Return on Networth (%)



Recognizing the significant growth potential that the Mobile & Wireless Communication space held for the future despite the technology downturn, US venture capital funds have pumped \$2.8 billion into 296 wireless startups (source: Business Week, April 28, 2003), Aftek developed its own framework that would support Wi-Fi networks, Blue tooth and 3G Jadoogar.

Jaadoogar got off to a start during the last fiscal with service contracts from both Japan and Europe. Jadoogar is currently being productised to meet the requirements of various specific and need-based applications. In fact, in what has been a significant development, a communications products manufacturing company based in the Far East has launched Angelia a

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