



OUR VISION

VALUES, MOTIVES AND BELIEFS

WE, NIIT, BELIEVE THAT OUR GROWTH IS THE DERIVATIVE OF THE GROWTH OF EACH ONE OF US. IT IS THE DUTY OF EACH ONE OF US TO ESPOUSE AND GIVE ACTIVE EFFECT TO THE VALUES, MOTIVES AND BELIEFS WE STATE HERE

•

NIIT IS PEOPLE

WE HAVE POSITIVE REGARD FOR EACH ONE OF US

•

WE WILL FOSTER CAREER-BUILDING BY CREATING OPPORTUNITIES THAT DEMAND LEARNING, THINKING AND INNOVATION FROM EACH ONE OF US.

•

WE EXPECT EACH OF US TO CONTRIBUTE TO THE PROCESS OF ORGANISATION BUILDING AND THUS DERIVE PRIDE, LOYALTY AND EMOTIONAL OWNERSHIP

•

WE RECOGNISE THE NECESSITY OF MAKING MISTAKES AND RISK-TAKING WHEN IT CONTRIBUTES TO THE LEARNING, INNOVATION AND GROWTH OF EACH ONE OF US.

•

NIIT IS QUALITY AND VALUE

EACH OF US WILL ENSURE THAT IN ANY ASSOCIATION WITH SOCIETY, SOCIETY BENEFITS SUBSTANTIALLY MORE THAN:

- (a) WHAT SOCIETY GIVES TO US.
 - (b) WHAT SOCIETY WOULD GAIN FROM ANY OTHER SIMILAR ASSOCIATION
-

WE WILL MEET ANY AND EVERY COMMITMENT MADE TO SOCIETY IRRESPECTIVE OF ANY COST THAT MAY HAVE TO BE INCURRED.

•

WE WILL ENSURE OUR PROFITABILITY, LONG-TERM GROWTH AND FINANCIAL STABILITY, THROUGH THE PROCESS OF DELIVERING THE BEST, BEING SEEN AS THE BEST AND BEING THE BEST.

•

WE WILL BE FAIR IN ALL OUR DEALINGS AND PROMOTE HIGH STANDARDS OF BUSINESS ETHICS.

•

NIIT IS A MISSION

WE WILL GROW IN THE RECOGNITION AND RESPECT WE COMMAND, THROUGH PIONEERING AND LEADING IN THE EFFECTIVE DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW.

•

WE WILL SEEK TO PLAY A KEY-ROLE IN THE DIRECTIONS AND DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW FOR THE BENEFIT OF MANKIND.

NIIT



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Board of Directors

Rajendra S Pawar
Chairman

Arvind Thakur
*Chief Executive Officer &
Whole-time Director*

Vijay K Thadani
Director

Subroto Bhattacharya
Director

Surendra Singh
Director

Amit Sharma
Director

Company Secretary
Ravilal Thapa

Group Chief Financial Officer
Ashok Arora

Chief Financial Officer
K T S Anand

Auditors
Price Waterhouse

Financial Institutions/Bankers
ICICI Bank Limited
Indian Overseas Bank
Standard Chartered Bank Limited
Citibank NA
Wachovia Bank of Georgia
Lloyds Bank
Sakura Bank

Registered Office
NIIT Technologies Ltd.
NIIT House,
C-125 Okhla Phase - 1
New Delhi 110 020, India
Email: ntlinvestors@niit.com
Tel : +91-11-26817341- 43
Fax : +91-11-26817344

Corporate Office
NIIT Technologies Ltd.
8, Balaji Estate,
Sudarshan Munjal Marg,
Kalkaji, New Delhi 110 019, India
Email: niit.webmaster@niit.com
Tel : +91-11-26482054
Fax : +91-11-2620333

Registrar & Share Transfer Agent
Alankit Assignments Ltd.
Unit - NIIT Technologies Ltd.
205-208, Anarkali Complex,
Jhandewalan Extn.,
New Delhi-110055
Tel : 51540061-63
Fax : 51540064

NIIT Website
Corporate Website : www.niit.com

In this Report, we have used terms that we use for NIIT staff and students. Staff members are NIITians, family members of staff are AffinITians.

All trademarks acknowledged.



ESRI India



NIIT Technologies at a Glance



Global IT Solutions provider

• **Software Services:**

- ✦ Custom Software Development & Maintenance
- ✦ Legacy Maintenance & Modernization
- ✦ Enterprise Integration

• **Industry Verticals Served:**

- ✦ Finance, Insurance and Banking
- ✦ Transportation
- ✦ Retail
- ✦ Manufacturing

• **NIIT Technologies' specialised divisions offer:**

- ✦ Full life-cycle SAP solutions and services
- ✦ Management Consulting, Systems Integration and Product solutions for Insurance and Financial industry
- ✦ Remote Business Process Management Services for Insurance and Financial Services from NIIT SmartServe
- ✦ Geographic Information Systems from ESRI India

• **Outsourcing Development Centres:**

- ✦ Bangalore, Delhi, Kolkata and Mumbai

• **Nearshore Development Centres:**

- ✦ Atlanta and Charlotte in US, London and Stuttgart in Europe, Bangkok and Singapore in South East Asia

• **Technology Incubation Centre:**

- ✦ Bangalore

• **Global software development processes:**

- ✦ ISO 9001:2000 certification from KPMG
- ✦ Assessed at Level 5 of SEI-CMMi

• **Global customers:**

- ✦ British Airways, Channel 4, Misys, ING Group, Ministry of Defence - Singapore, Office Depot, Sabre, SEI Investments, Singapore Airlines, Toshiba and Toyota Motors

• **Global operations in 14 countries:**

- ✦ **Americas**-USA
- ✦ **Europe**-Austria, Belgium, Germany, Netherlands, Switzerland, UK
- ✦ **Asia Pacific**-Hong Kong, India, Japan, Malaysia, Singapore, Thailand and Australia

Awards & Acknowledgements

- ✦ 'Top 25 Great Places to Work' (BusinessWorld survey)
- ✦ 'Excellence in Exports 2002-03' (Manufacturers' Association of Information Technology)



Directors' Report

Rs. Mn

Dear NIIT Technologies Shareowner,

Your Directors take pleasure in presenting the Annual Report together with the Audited Balance Sheet and Profit and Loss Accounts of NIIT Technologies Limited ("the Company" or "NTL") for the financial year ended March 31, 2004.

Scheme of Arrangement and de-merger of Global Solution Business Undertaking

During the year under review, NIIT Limited had undertaken a corporate restructuring, which involved vesting of the Global Solutions Business (GSB) Undertaking of NIIT Limited (NIIT) into the Company through a process of de-merger under Sections 391-394 of the Companies Act, 1956. The restructuring also envisaged the re-alignment of the Knowledge Solutions Business (KSB) of NIIT with the Global Learning Business of NIIT. Thus, post restructuring, the Company will house the Global Solutions business (referred to as GSB) while NIIT will house the Learning and the KSB businesses (jointly referred to as GLB). The Scheme of Arrangement ("Scheme") was approved by the Shareholders' and Creditors' of the two companies and the Hon'ble High Court of Delhi vide its Order of May 18, 2004 read with Orders of May 28, 2004 and May 31, 2004. The Scheme is operative from April 1, 2003 (Appointed Date) and has become effective on June 4, 2004.

Pursuant to the Scheme, the GSB Undertaking has been transferred and vested as a going concern to the Company with all its business, profits, assets and liabilities w.e.f April 1, 2003 and accordingly, the financial results for the Company consists of 12 (twelve) months period, commencing from April 1, 2003 and ending on March 31, 2004.

Pursuant to the Scheme, as approved by the Hon'ble High Court of Delhi, the Company would like to record all the assets including fixed assets, current assets and investments at their fair value, to ensure that these assets reflect their fair value in terms of their future usage, technological obsolescence, revenue and cash generating capabilities and accounting principles of conservatism. In the course of reorganization and restructuring of the GSB Undertaking, the Company has incurred several costs. These are in the nature of one-time expenses resulting from the restructuring exercise and pursuant to the Scheme, these expenses have been written off and adjusted against the Reserves of the Company.

Financial Results

The highlights of the financial results for the financial year 2003-04 (period commencing from April 1, 2003 and ending on March 31, 2004) are as follows -

	2003-04	2002-03*
Consolidated revenue (NTL & its subsidiaries)	4933	-
Net Sales (Income from operations of NTL)	1409	-
Other Income	82	-
Profit before depreciation and taxes	402	0.20
Depreciation	215	-
Provision for tax & (deferred tax)	10	0.08
Net Profit	177	0.13
EPS	5.59	5.10**

* The figures for the year 2002-03 represent that of the erstwhile business carried on by the Company without GSB Undertaking and are not comparable with that of the current year figures.

** EPS for the year 2002-03 is on a par value of Rs.100/- per Equity Share.

Dividend

In view of our confidence in the future, the Board of Directors recommend a dividend of Rs.5.00 per Equity Share of Rs.10/- each, subject to approval of the shareholders' at the ensuing Annual General Meeting. The dividend shall be paid to the shareholders in accordance with the provisions of the Scheme and in line with applicable regulations.

Pursuant to the Scheme as approved by the Hon'ble High Court of Delhi, since the allotment of shares has not yet been completed, the dividend is proposed to be paid to the shareholders' on a deemed allotment basis by the Company for the financial year 2003-04, ended on March 31, 2004.

Sub-division of shares

During the year under review, the Company sub-divided its equity shares from Rs.100/- each to Rs.10/- with the necessary approval from the shareholders at the extra ordinary general meeting held on December 17, 2003.

Share Capital

In accordance with the provisions of the Scheme, the Company had increased its authorized capital from Rs.150.00 Million to Rs.450.00 Million, consisting of 45.00 million equity shares of Rs.10/- each in order to make allotment of equity shares in accordance with the provisions of the Scheme.

Pursuant to the Scheme as approved by the Hon'ble High Court of Delhi, the Company shall issue 75 equity shares of Rs.10/- each for every 100 equity shares of Rs.10/- each held in NIIT Limited by its shareholders on the Record Date, except that all fractional entitlements ignoring any fraction remaining after the consolidation of the fractional entitlements shall be allotted for their subsequent sale in the manner deemed fit by a Committee of Directors and distribution of the proceeds to the equity shareholders of NIIT Limited (on the Record Date) in proportion to their fractional entitlements.

Directors' Report (Contd.)

Pending listing of the shares on the stock exchanges, the shares allotted would be kept in Share Capital Pending Allotment Account.

Pursuant to the allotment and upon receiving the requisite approval from Securities & Exchange Board of India (SEBI), the shares of the Company will be listed on all the Stock Exchanges where the NIIT Limited's shares are currently listed.

During the year, the Company also allotted 9,412,320 equity shares of Rs.10/- each aggregating Rs.94,123,200 to Scantech Evaluation Services Limited, a wholly owned subsidiary of NIIT Limited and has thus become a subsidiary of NIIT Limited. However, with the approval of the Scheme by the Hon'ble High Court of Delhi and the allotment of shares to the shareholders of NIIT Limited in accordance with the provisions of the Scheme, the Company will cease to be a subsidiary of NIIT Limited.

Change of name

The Company has changed its name from NIIT Investments Limited to NIIT Technologies Limited after obtaining the approval of the shareholders at the extraordinary general meeting held on April 23, 2004. The approval from the Registrar of Companies, NCT of Delhi and Haryana, New Delhi, to this effect has been received on May 14, 2004.

The Company also changed its Objects clause to reflect the new business activities of the Company and the same was approved by the shareholders' at the extra ordinary general meetings held on December 17, 2003 and December 31, 2003.

Realignment of global subsidiaries

As part of the Scheme, the global subsidiaries of NIIT were aligned in line with the businesses carried on by them. Accordingly, the global subsidiaries involved primarily in the software solution business have been aligned with the Company while the GLB subsidiaries were retained in NIIT (details of subsidiaries transferred to the Company form a part of the notes to accounts).

Review of operations

For the year under review, the Company recorded Consolidated revenues of Rs. 4933 mn.

The total income from operations stood at Rs.1409 mn while the profit before depreciation and taxes was Rs. 402 mn. The Company has recorded a net profit after taxes of Rs.177 mn.

The previous years' figures are not comparable as they represent the erstwhile business without GSB Undertaking carried out by the Company.

Future Plans

The Company will sharpen its focus on doing business in its chosen industry verticals viz. Financial services, Transportation, Retail and Manufacturing. It would scale its business by building strong capabilities in these areas and through focused marketing programs. The BPO subsidiary is

also aligning its business to focus on the same industry verticals such that in future the Company is able to offer integrated IT and BPO services. The Company sees Europe as a large market and during the year acquired a Company with presence in Germany, Switzerland and Austria to strengthen its presence in the market. Both the US and Europe would be prime markets for doing business in the future. It would also seek to expand its market base in the emerging geographies in the Asia Pacific region.

Corporate Governance

In order to enhance customer satisfaction and stakeholder value, the Company shares the NIIT vision to benchmark its corporate governance practices with the best in the world in line with the international norms. As the Scheme has been approved by the Hon'ble High Court of Delhi and has become operative from April 1, 2003 and effective on June 4, 2004, the Company would be listing its shares on the Stock Exchanges where NIIT's shares are listed after obtaining approval from the Securities and Exchange Board of India under Rule 19(2)(b) of the Securities Contracts Regulations Rules, 1957 and in accordance with Chapter VIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time. Consequently, it would comply with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges as amended from time to time. As a part of this, the Company has already reconstituted its Board and also set up an Audit Committee, a Remuneration Committee and a Shareholders' Grievances Committee.

The Directors also wish to state that the definition of "Promoter" as defined in Regulation 2(h) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time, will include NIIT Limited.

Since the equity shares of the Company are yet to be listed on the Stock Exchanges, the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreements are not strictly applicable to the Company and hence, no compliance report on Corporate Governance is required to be attached to the Directors' Report for the financial year ended March 31, 2004 and accordingly the same is not being attached. Consequently, the report of the Auditors on Corporate Governance is also not being annexed.

Directors

During the year and pursuant to the Scheme of de-merger of GSB Undertaking of NIIT into the Company, the entire Board of Directors of the Company was revamped and constituted with the induction of Mr. Rajendra S Pawar, Mr. Vijay K Thadani and Mr. Arvind Thakur as additional directors of the Company.

Consequent on the de-merger of NIIT's GSB to the Company, the Board of Directors on June 12, 2004, further

Directors' Report (Contd.)

strengthened the Board by induction of Mr. Subroto Bhattacharya and Mr. Surendra Singh and by induction of Mr. Amit Sharma on June 28, 2004, as non-executive independent additional directors to facilitate best corporate governance practices in the Company.

The appointment of above additional directors shall be confirmed at the ensuing Annual General Meeting.

Further, Mr. Arvind Thakur has been appointed as the CEO and Whole-time Director of the Company effective June 12, 2004 for a period of 3 years in accordance with the provisions of the Companies Act, 1956 and Mr. Rajendra S Pawar has been appointed as the Executive Chairman of the Company, in accordance with the provisions of the Companies Act, 1956. These appointments are subject to confirmation at the ensuing Annual General Meeting, which are included as special business items in the Notice for convening the Annual General Meeting.

Mr. Vivek Kumar, Ms. Neeti Pawar and Ms. Sudha Rajendran resigned from the Board. The Directors wish to place on record their appreciation for the contributions made by the outgoing directors.

Directors responsibility statement

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm -

- a) That in preparation of Annual Accounts for the financial year, applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- b) That the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- c) That the Directors had taken proper and sufficient care 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;
- d) That the Directors had prepared the accrual accounts on a going concern basis.

Note No.5(f) to the Auditor's Report is self-explanatory and does not require any comments from the Board of Directors.

Information relating to Conservation of Energy, Technology Absorption, Research and Development and Exports and Foreign Exchange Earnings and Outgo and other information forming part of the Directors' Report in terms of Section 217 1 (e) of the Companies Act, 1956, and Rules made thereunder.

- Conservation of energy

The operations of the Company are not energy-intensive. However, appropriate measures, wherever possible, have been initiated to conserve energy. The Company is continuously evaluating new technologies and invests in them to make its infrastructure more energy efficient.

- Technology absorption

In today's world, the global market space is defined by perpetually evolving technologies and increasing competition. In order to maintain its position of leadership, the Company has continuously and successfully developed further state-of-art methods for absorbing, adapting and effectively deploying new technologies. The research laboratories continue their impressive work in the leading edge of various technology areas and act as the technology window for your Company. During the year these laboratories also created and improved its basic tools and techniques that were effectively deployed for software development.

- Research & Development

During the year, the Company continued its research in software engineering. These efforts have resulted in innovative products in software engineering to support both maintenance and development projects.

- Export & Foreign exchange earnings & outgo

The details of foreign exchange earnings and outgo, are mentioned in Note Nos.14, 15 and 16 contained in the Notes to Accounts (Schedule No.17) forming part of the Balance Sheet and Profit and Loss Account for the current year.

Public deposits

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the balance sheet.

Human resources and Employee Stock Option Scheme

Consequent to GSB Undertaking of NIIT being transferred and vested in the Company, all NIIT-ians working in GSB Undertaking were transferred to the Company effective April 1, 2003, with similar terms and conditions as to remuneration, and without any break or interruption of services. Necessary formalities for the transfer of employees have been completed.

The required information as per Section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office of the Company.

Pursuant to the approval of the shareholders of NIIT at the Annual General Meeting held on January 12, 2000 and as

Directors' Report (Contd.)

modified in the Extra Ordinary General Meeting held on August 17, 2000 and further modified on Annual General Meeting on January 22, 2001, NIIT had granted 1,812,600 equity shares by way of a grant of options on November 22, 1999 and April 7, 2000, to 814 staff members of NIIT at the exercise price of Rs.1,593/- (originally priced at Rs.2,476/-) and also granted 269,200 equity shares of Rs.10 each by way of grant of options on October 23, 2000, to 637 staff members of NIIT at an exercise price of Rs.1,631/-. The pricing of these grants of options was done at a price, which was the closing price of the shares on the stock exchange, which had the highest trading volumes, as on the date of the grant.

The aforesaid grant of options were to vest to the specific staff members over a period of time as laid down in the NIIT Employees' Stock Option Scheme (ESOS).

Since the market conditions had changed in 2001 with the economic downturn industry, the stock options had lost their value. In order to create new mechanisms to reward people it was felt that it was necessary to assess whether the existing grants of options could be annulled. Accordingly, the staff members on rolls of NIIT as on December 12, 2003, who still had options (vested and unvested) under ESOS, were given a right to either continue with the existing Scheme or to annul their options.

As of the Effective Date of the Scheme of Arrangement, all staff members of NIIT who were granted options exercised their right by annulling the options granted under the ESOS. Therefore, there are no live grants under the ESOS.

The Scheme of Arrangement as more specifically specified in Clause 3.12(e), envisaged that the options granted (whether vested or not) pursuant to NIIT Employees' Stock Option Scheme "ESOP 2000" to such employees of NIIT who are becoming employees of the Company pursuant to the Scheme shall be restructured by the Compensation Committee so that instead of options of NIIT such employees shall be given proportionate options of the Company determined on principles laid down in clause Nos. 3.20 and 4.1 of the Scheme and the time for which the employees held such options in NIIT shall be taken into account while considering the vesting of such option in the Company.

However, since all staff members of NIIT have exercised their right by annulling the existing options, the options granted under the ESOS to those staff members who have been transferred to the Company stand cancelled and therefore, there would be no live grants under the ESOS, even for the employees of the Company who have been transferred from NIIT.

Auditors

The Auditors of the Company were M/s Sood Brij & Associates, Chartered Accountants in the previous financial year. However, they expressed their inability to continue as Auditors of the Company and consequently vide Resolution passed at the Extraordinary General meeting held on April 23, 2004, M/s. Price Waterhouse, Chartered Accountants, New Delhi, were appointed as Auditors of the Company till the conclusion of ensuing Annual General Meeting.

M/s. Price Waterhouse, Chartered Accountants, the Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of subsidiary companies

A statement pursuant to Section 212 of the Companies Act, 1956, giving particulars of the Company's subsidiary companies along with the statement of accounts of the subsidiaries is annexed hereto as part of this Report.

Acknowledgements

Your Directors take this opportunity to thanks all investors, business partners, clients, technology partners, vendors, financial institutions/ banks, regulatory and governmental authorities, media and Stock Exchanges for their continued support during the year. Your Directors place on record their appreciation of the contribution made by NIITians at all levels for their commendable teamwork, dedicated and wholehearted efforts.

For and on behalf of the Board

Place : New Delhi
Dated : June 28, 2004

Rajendra S Pawar
Chairman