

A N N U A L R E P O R T

2004

NIIT

NIIT
technologies

Trust us to find the way

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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



NIIT Technologies Limited

(Formerly NIIT Investments Limited)

ANNUAL REPORT 2004-05

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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
Rakesh K Prusti

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
Sumitomo Mitsui Banking Corporation

Registered Office
NIIT Technologies Ltd.
NIIT House,
C-125 Okhla Phase - 1
New Delhi 110 020, India
Email: investors@niit-tech.com
Tel : +91-11-51407000
Fax : +91-11-26817344

Corporate Office
NIIT Technologies Ltd.
8, Balaji Estate,
Sudarshan Munjal Marg,
Kalkaji, New Delhi 110-019, India
Email: webmaster@niit-tech.com
Tel : +91-11-26482054
Fax : +91-11-26203333

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 Technologies Website
Corporate Website : www.niit-tech.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 AffinIITians.

All trademarks acknowledged.

NIIT Technologies at a Glance

Global IT Software and Services Company

• **Services Provided:**

- ♦ Application Development & Maintenance
 - ♦ Custom Software Development
 - ♦ Legacy Maintenance & Modernization
 - ♦ Testing
- ♦ Package Solutions and Managed Services
 - ♦ SAP
 - ♦ GIS
 - ♦ Testing
- ♦ Business Process Outsourcing

• **Industry Verticals Serviced:**

- ♦ Financial Services
- ♦ Transportation
- ♦ Retail
- ♦ Manufacturing
- ♦ Government

• **Offshore/India Development Centres:**

- ♦ Bangalore, Delhi, Kolkata and Mumbai

• **Nearshore/International Development/ Support Centres:**

- ♦ Atlanta and Charlotte in US
- ♦ London and Stuttgart in Europe
- ♦ Bangkok and Singapore in APAC

• **Technology Incubation Centre:**

- ♦ Chennai

• **Global process assessments:**

- ♦ ISO 9001:2000 certification from KPMG
- ♦ Assessed at Level 5 of SEI-CMMi
- ♦ Assessed at P CMM Level 3
- ♦ BS7799 standards of security

• **Key customers include:**

- ♦ British Airways, Sabre, ING Group, SEI Investments, Office Depot, Toyota Motors, Holcim

• **Operations in North America, Europe, Asia and Australia**

• **Awards & Acknowledgements**

- ♦ The Superbrands Council declares NIIT Technologies as a Business Superbrand in its first listing of the most reputed corporate brands in India
- ♦ Hindustan Times Power Jobs Award for HR Excellence for Innovative HR practices
- ♦ NIIT SmartServe, ranked among Top 10 ITES companies in the Dataquest-IDC BPO employee satisfaction survey
- ♦ NIIT GIS Limited, awarded Top Performance Award for its outstanding performance in the APAC region by ESRI Inc., USA
- ♦ Prestigious International Headquarters status awarded to NIIT Technologies by Economic Development Board of Singapore
- ♦ Debuts in the Top 20 IT Software and Services companies listing of NASSCOM 2004-05 in its first year of operations as an independent entity

Directors' Report

Dear Shareowner,

The Board of Directors of your company take pleasure in presenting the Annual Report for the financial year ended March 31, 2005.

Financial Results

The highlights of the financial results for the financial year 2004-05 are as follows -

	Rs. Mn	
Particulars	2004-05	2003-04
Consolidated Revenues	5432	4933
Income from operations (Stand Alone)	1859	1409
Other Income	69	82
Total Income	1928	1492
Profit before deprecation and taxes	609	402
Depreciation	213	215
Provision for tax and (deferred tax)	(6)	10
Profit After Tax	402	177
Earning Per Share (EPS) - Rs.	10.41	5.59

Equity Share Capital

Pursuant to the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi, the Company allotted 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, i.e., July 16, 2004.

The Company allotted 28,986,960 equity shares of Rs.10/- each aggregating Rs.289,869,600/- to the shareholders of NIIT Limited on July 20, 2004, as per the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi and the respective accounts of the shareholders' credited for those shareholders holding shares in dematerialized form and dispatched to those shareholders holding shares in physical form.

The fractional entitlements ignoring any fraction remaining after consolidation of the fractional entitlements have also been sold and the proceeds distributed to the equity shareholders of the Company in proportion to their fractional entitlements.

The shares of the Company have been listed on the stock exchanges at Mumbai, Delhi, Kolkata, Ahmedabad, Chennai and National Stock Exchange and trading in the same began w.e.f. August 30, 2004, on the National Stock Exchange and Bombay Stock Exchange.

Debentures

In terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi, the 6.50 percent Secured, Redeemable, Non-convertible Debentures aggregating Rs.500 Mn issued by NIIT Limited on May 26, 2003 in

Separately Tradable and Redeemable Principal Parts (STRPP) A to D, were transferred and vested with the Company. The STRPP-A aggregating Rs.100 Mn were redeemed on May 26, 2005. The above debentures have also been listed on the Wholesale Debt Market Segment of National Stock Exchange with effect from June 2, 2005.

Review of global operations

The year gone by was the Company's first year of operations as an independent entity. The focus was on improving profitability and consolidating business in the focused verticals.

For the year under review, the Company recorded consolidated total income of Rs. 5504 Mn. The revenues from operations stood at Rs.5432 Mn while the profit before taxes was Rs. 634 Mn. The Company has recorded a consolidated net profit after taxes attributable to equity shareholders after Minority Interest of Rs. 585 Mn.

The three chosen industry verticals of Banking, Financial Services and Insurance; Transportation and Retail grew by 30 percent year on year in terms of their revenue size. Together, they contributed 62 percent of the consolidated revenues of the company.

The opening order book for the financial year 2005 was US\$ 122 Mn. At the end of this financial year, the Company has confirmed orders to the tune of US\$ 151 Mn, depicting a growth of 24 percent year on year.

In this year, the international segment contributed 90 percent of the consolidated revenues up from 87 percent last year. Continuing the focus on the European geography, your Company witnessed 32 percent growth from this region.

Future Plans

The Company will continue to focus on select industry segments and strive for leadership in the chosen spaces. Business would be scaled, both by organic and inorganic means.

To support the increased activity, the Company shall be investing in additional capacity in various locations, for both segments of the business. In order to consolidate the distributed development centers, the Company would be investing in its own campus, for which 20 acres of land has been earmarked for this purpose, in Greater NOIDA.

Transfer to Reserves

In accordance with the statutory regulations, the Company has transferred an amount of Rs.40 Mn to General Reserve (Rs.18 Mn last year) and has transferred an amount of Rs.39 Mn to the Debenture Redemption Reserve (Rs. 39 Mn last year).

Dividend

In view of the confidence in the future, the Board of Directors is recommending a dividend of Rs.5.50 per equity share of Rs.10/- (previous year Rs.5.00 per equity share), subject to approval of the shareholders at the ensuing Annual General Meeting.

Directors' Report (Contd.)

Existing subsidiaries

The Global Solutions Business (GSB) Undertaking of NIIT Limited constituting software services and solutions including investment in subsidiaries engaged in business process outsourcing and geographical information services and other worldwide subsidiaries were transferred to the Company pursuant to the Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, 1956 as approved by the Hon'ble High Court of Delhi vide order of May 18, 2004, read with orders of May 28, 2004 and May 31, 2004, from the Appointed Date, i.e., April 1, 2003. The above transfer of GSB undertaking into the Company became effective on June 4, 2004 (Effective Date) upon filing of the certified copy of the order of the Hon'ble High Court of Delhi with the Registrar of Companies, Delhi and Haryana from the Appointed Date, i.e., April 1, 2003.

In terms of Scheme of Arrangement, the Company and its subsidiaries (Group) were transferred beneficial interest in certain entities by NIIT Limited on a deemed basis as if the transfer was complete. The related transfers have been completed in the current year.

In terms of the Scheme of Arrangement in the previous year, 100 percent economic interest in NIIT Technologies Limited, UK, was transferred to the Group except that its holding in NIIT Middle East WLL, Bahrain a company engaged in learning business was to be transferred to NIIT Antilles NV, Netherlands, a subsidiary of NIIT Limited. Similarly, 100 percent economic interest in NIIT Technologies Pte Limited, Singapore was transferred to the Group, except that its holding in NIIT Malaysia Sdn Bhd, Malaysia, engaged primarily in learning business was transferred to NIIT Antilles NV, Netherlands, a subsidiary of NIIT Limited.

In the previous year, NIIT Limited also transferred the economic interest in NIIT (USA) Inc., a subsidiary company of NIIT Limited (which was engaged in both Learning and Global Solution Business) to the extent it related to GSB carried by that company. The assets and liabilities to the extent relatable to the Global Solution Business of NIIT USA Inc., has been transferred to a new company NIIT Technologies Inc. USA on April 1, 2004, a subsidiary of the company.

Corporate Governance

In order to enhance customer satisfaction and stakeholder value, the Company continues to benchmark its corporate governance practices with the best in the world in line with international norms.

The Company has complied with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges. For the financial year ended March 31, 2005, the compliance report is provided in the Corporate Governance Report attached to the Annual Report. The auditor's certificate on compliance to the conditions of Corporate Governance

stipulated in clause 49 of the Listing Agreements of the Stock Exchanges is annexed to this report.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all interactions with its stakeholders including shareholders, NIITians, lenders and the regulatory authorities.

Directors

As per the provisions of the Companies Act, 1956 and Articles 67, 68 and 69 of the Articles of Association of the Company, Mr. Vijay K Thadani and Mr. Arvind Thakur, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Directors responsibility statement

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

- 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;
- 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;
- 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;
- That the annual accounts have been prepared on accrual basis and under historical cost convention and as a going concern.

Insofar as Note No.4 of the Auditors' Report on consolidated statement of accounts is concerned, the Company is of the view that no consolidation is required based on the opinion of experts.

Information relating to Conservation of Energy, Technology Absorption, Research and Development and Exports and Foreign Exchange Earnings and Outgo.

- 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.

Directors' Report (Contd.)

- Technology absorption

In today's world, perpetually evolving technologies and increasing competition define the global market space. 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 their basic tools and techniques that were effectively deployed for software development, building software products and creating training materials and new curricula for the global market place.

- Research and 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 and Foreign exchange earnings and outgo

The details of foreign exchange earnings and outgo are mentioned in Note Nos.13, 14 and 15 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

NIITians are the key resource for the Company. The Company has been able to create and continuously improved a favorable work environment that encourages novelty and meritocracy in all levels.

Employee Relations remained cordial at all the Company's locations. The Directors take this opportunity to record their appreciation for the outstanding contribution of all NIITians. They are also grateful to each of the employees for making commendable contributions to support the cause of Tsunami relief activities.

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.

The Directors, on the recommendations and approval of the Compensation Committee, approved the NTL Employee Stock Option Plan 2005 ("ESOP 2005"), in complete supersession of the earlier stock plan "NIIT Employee Stock Option Scheme (ESOP 2000)" of NIIT Limited, as vested and adopted by the Company as per the Scheme of Arrangement as approved by the Hon'ble High Court of Delhi, for the employees of the Company at their meeting held on April 8, 2005. This was necessary for attracting and motivating employee and rewarding their performance. The aim was also to retain the best talent and develop a sense of ownership among employees within the organisation. It also enabled the Company to align its stock option scheme to such changes and to synergize the same with the best practices in the industry. The ESOP 2005 is in complete supersession of ESOP 2000 of NIIT Limited as vested and adopted by the Company.

The approval of the members of the Company for the above was taken by way of postal ballot and was passed with a requisite majority on May 18, 2005.

Auditors

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

The detailed Statement of Accounts of the subsidiaries of the Company are annexed to the Statement of Accounts of the Company.

Acknowledgement

Your Directors take this opportunity to thank 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 7, 2005

Rajendra S Pawar
Chairman

Management Discussion and Analysis

Industry Environment

India has one of the highest concentration of IT and ITES professionals in the world. The success achieved by this sector can be gauged by the fact that its share of the national economic output has nearly doubled from 1.9 percent in 1999-2000 at Rs.253.1 Bn to 3.5 percent in 2003-04 (Rs.978.3 Bn) and is estimated to account for about 4.1 percent of the national GDP (Rs.1275.8 Bn) during 2004-05. During the same period, offshore revenues too have increased as a proportion of total IT services and ITES Exports from 43 percent to about 70 percent. The total number of IT and BPO professionals employed in India has grown from merely 284,000 in 1999-2000 to over a million in 2004-05.

A significant contribution to the growth of the industry has come from multinationals that are setting up R&D and product development centers in India, an emerging preferred global destination. Value-added services like Product development, package software implementation services and consulting services are set to grow in the future years as Indian IT companies mature and become innovative.

NIIT Technologies - An Independent Entity

NIIT Technologies Limited (NTL) witnessed the spin off from NIIT Limited last year, pursuant to the Scheme of Arrangement under Sections 391-394 of the Companies Act, 1956, between the two entities. The shareholders and creditors approved the Scheme of Arrangement in March 2004. The necessary approvals from the Hon'ble High Court of Delhi were obtained in May 2004. The appointed date for the de-merger was fixed for April 1, 2003. Operations as an independent entity really commenced post the final Court clearances, in June 2004.

NIIT Technologies Limited embarked on the path to success with renewed vigor, out to create a niche for itself in its chosen spaces. The Company aspires to:

- Be amongst the leaders in its peer group, in the chosen spaces.
- Assume the mantle of leadership in Software Engineering and Process excellence
- Be valued as a challenging and fulfilling place to work and learn
- Be a recognized global brand

Towards this end, it has undertaken to focus and differentiate its services in specific industry verticals. These include Banking, Financial Services & Insurance, Transportation and Retail. Further, it has also brought in sharper technology focus across its service offerings. In implementation services, the company is focused on SAP.

NIIT Technologies - Consolidated - Highlights

The consolidated financials take into account the financials of NIIT Technologies Limited and its subsidiaries including subsequent level companies after eliminating inter-company transactions.

NIIT Technologies and its subsidiaries posted consolidated income of Rs.5504 Mn for the financial year ending March 31, 2005 with revenues from operations at Rs.5432 Mn.

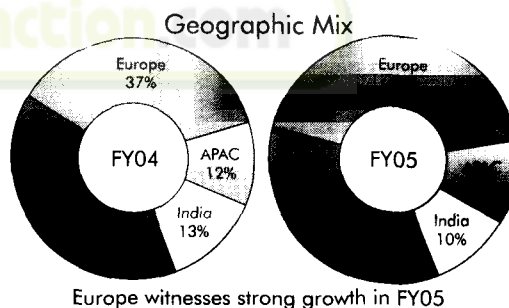
The company reported revenues from Software Solutions and Business Process Outsourcing separately for each quarter, as shown below :

Revenue Profile

	(Rs. Mn)				
	AMJ'04	JAS'04	OND'04	JFM'05	FY05
Software	1207	1291	1322	1273	5093
Business Process Outsourcing	72	79	90	98	339
NTL	1279	1370	1412	1371	5432

NIIT Technologies has a unique geographic mix, with 43 percent of revenues coming in from Europe. Being a relatively under-penetrated geographic space and on account of the backlash being experienced in the U.S., the Company put focus in this region, resulting in a growth of 32 percent over the previous year.

The company derives 35 percent of its revenues from the Americas, 12 percent from the Asia Pacific region and the balance 10 percent from India as shown in Chart below.



It may be highlighted that the Economic Development Board of Singapore awarded the prestigious International Headquarters status to the company's subsidiary in Singapore, NIIT Technologies Pte Ltd. Going forward, the company has set a strategy on growth from this region as well.

