

NIIT

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ANNUAL REPORT
2005 - 2006

NIIT Technologies Limited

(Formerly NIIT Investments Limited) Regd. Office : NIIT House, C-125 Okhla Ph-I, New Delhi 110 020

NOTICE

Notice is hereby given that the fourteenth Annual General Meeting of the Members of NIIT Technologies Limited will be held on Thursday, August 17, 2006, at 10:00 A.M. at FICCI Auditorium, 1 Tansen Marg, New Delhi 110 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the financial year ended on that date alongwith the Reports of the Auditors and Directors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Surendra Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Subroto Bhattacharya, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration. M/s Price Waterhouse, Chartered Accountants, the retiring Auditors, are eligible for re-appointment.

By Order of the Board
For NIIT Technologies Limited

Place : New Delhi
Dated : June 26, 2006

Rakesh K Prusti
Company Secretary
and Legal Counsel

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is not being annexed as there is no special business to be transacted at the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed on the Book Closure Dates, i.e., from August 11, 2006 to August 17, 2006, both days inclusive. The dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members as on August 17, 2006 and in respect of shares held in electronic mode on the basis of

beneficial ownership of shares as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on August 10, 2006.

4. While members holding shares in physical form may write to the Company's Registrar and Share Transfer Agent i.e. Alankit Assignments Limited, Unit: NIIT Technologies Limited, 2E/21, Jhandewalan Extension, New Delhi - 110055, for changes, if any, in their address and bank mandates, members having shares in electronic form may inform such changes directly to their depository participant immediately so as to enable the Company to dispatch dividend warrant(s) at their correct address(es).
5. Members holding shares in the same name or same order of names under different folios are requested to send share certificate for consolidation of such shares to the Company.
6. The Members desirous of appointing their nominee for the shares held by them may apply in the revised Nomination Form (Form 2-B) as amended by the Central Government vide their notification no GSR 836(E) dated October 24, 2000.
7. In order to provide protection against fraudulent encashment of dividend warrants, shareholders holding shares in physical form are requested to provide their Bank account number, name & address of the bank/branch to enable the Company to incorporate the same in the dividend warrant.

In respect of members who hold shares in dematerialized form, their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrant as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion of or change in Bank Account details. Members who wish to change their Bank Account details are therefore requested to advise their Depository Participants about such change.

8. Members desirous of obtaining any information/clarification concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least ten days before the Annual General Meeting, so that the information required may be made available at the Annual General Meeting.
9. Members/ Proxy are requested to bring their copy of the Annual Report with them at the Meeting and to produce at the entrance, the admission slip, duly completed and signed, for admission to the meeting hall.

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NOTICE

Details of Directors seeking reappointment in forthcoming Annual General Meeting. (In pursuance of Clause 49 IV (G) of the Listing Agreement)

Name of Director	Mr Surendra Singh	Mr Subroto Bhattacharya
Date of Birth	July 21, 1937	October 12, 1940
Date of Appointment as Director	June 12, 2004	June 12, 2004
Qualification	M.Sc.	Chartered Accountant
Expertise in specific functional areas	Business and Finance Management, Internal Controls and Audit	Finance and Management Consultancy
Director in other Indian Public Limited Companies	<ol style="list-style-type: none"> 1. NIIT Limited 2. Jubilant Organosys Limited 3. CMC Limited 4. UTI Bank Limited 5. Andhra Pradesh Paper Mills Limited 6. Bag Films Limited 	<ol style="list-style-type: none"> 1. NIIT Limited 2. HCL Infosystems Limited 3. HCL Corporation Limited 4. HCL Infinet Limited 5. HCL Peripherals Limited 6. HCL Technologies Limited
Chairman / Member of the Committees of the Board of other Indian Public Limited Companies	<p>NIIT Limited</p> <ul style="list-style-type: none"> • Audit Committee-Member • Compensation/ Remuneration Committee-Member • Shareholders'/Investors' Grievance Committee - Chairman <p>UTI Bank Limited</p> <ul style="list-style-type: none"> • Shareholders' Grievance Committee - Chairman <p>Jubilant Organosys Limited</p> <ul style="list-style-type: none"> • Audit Committee-Member <p>Andhra Pradesh Paper Mills Limited</p> <ul style="list-style-type: none"> • Audit Committee-Member <p>CMC Limited</p> <ul style="list-style-type: none"> • Shareholders' Grievance Committee-Chairman • Audit Committee-Member 	<p>NIIT Limited</p> <ul style="list-style-type: none"> • Audit Committee- Chairman <p>HCL Corporation Limited</p> <ul style="list-style-type: none"> • Audit Committee-Chairman <p>HCL Technologies Limited</p> <ul style="list-style-type: none"> • Audit Committee-Member • Shareholders' Committee-Member • Employee Stock Option and Allotment Committee-Member <p>HCL Infosystems Limited</p> <ul style="list-style-type: none"> • Accounts and Audit Committee-Member • Shareholder/Investors' Grievance Committee-Member • Employees' Compensation and Employee Satisfaction Committee-Member <p>HCL Infinet Limited</p> <ul style="list-style-type: none"> • Accounts and Audit Committee-Chairman

The detailed resume of the Directors proposed to be reappointed is provided in Corporate Governance section of the Annual Report for the year ended March 31, 2006.

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.



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ANNUAL REPORT 2005-06

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Corporate Information

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 : +91-11-41407000
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.
2E/21
Jhandewalan Extn.,
New Delhi-110 055
Tel : +91-11-23541234, 42541234
Fax : +91-11-41540064

NIIT Technologies Website

Corporate Website : www.niit-tech.com

In this Report, we have used terms that we use for NIIT Technologies staff. 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
 - ♦ Application Development
 - ♦ Application Management
 - ♦ Migration
 - ♦ Testing Services
- ♦ Enterprise Solutions
 - ♦ Package Implementation (SAP, GIS)
 - ♦ Managed Services
 - ♦ System Integration
- ♦ Business Process Outsourcing

• Industry Verticals Served:

- ♦ Banking, Financial Services and Insurance (BFSI)
- ♦ Travel and Transportation
- ♦ Manufacturing and Retail

• 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 PCMM Level 5
- ♦ BS7799 standards of security
- ♦ Principal data centre in Thailand assessed at BS15000 standards
- ♦ NIIT SmartServe assessed as per COPC standards
- ♦ NIIT SmartServe assessed at BS7799 standards of security

• Key customers include:

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

• Operations in North America, Europe, Asia and Australia

• Awards & Acknowledgements

- ♦ Ranked among India's Top 20 IT Software and Service Exporters by the NASSCOM 2005 survey
- ♦ Ranked in the DQ-IDC Best Employer Survey 2005 list
- ♦ NIIT Technologies was presented the LOMA award for Excellence in Education 2006
- ♦ NIIT SmartServe, ranked among Top 10 ITES companies in the Dataquest-IDC BPO employee satisfaction survey 2005
- ♦ NIIT SmartServe was ranked among the Global Outsourcing Top 100 companies by International Association of Outsourcing Professionals (IAOP) and featured among the Rising Stars of the BPO world.
- ♦ NIIT SmartServe named Top Outsourcer in three categories by leading Contact Center authority, Contactcenterworld.com
- ♦ NIIT GIS Limited was awarded the ESRI high achievement award for Asia Pacific region 2005



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Directors' Report

Dear Shareholders,

The Board of Directors of your Company takes pleasure in presenting the Annual Report of NIIT Technologies Limited for the financial year ended March 31, 2006.

Financial Results

The highlights of the financial results for the financial year 2005-06 are as follows:

(Rs million)

Particulars	2005-06	2004-05
Consolidated Revenues	6,075	5,432
Stand Alone		
Income from operations	2,201	1,859
Other Income	69	69
Total Income	2,270	1,928
Profit before depreciation and taxes	815	609
Depreciation	205	213
Provision for tax & (deferred tax)	11	(6)
Profit After Tax	598	402
Earning Per Share (EPS) (In Rs.)	15.47	10.41

Review of Global Operations

For the year under review, the Company recorded consolidated total income of Rs 6,141 million. The revenues from operations stood at Rs 6,075 million, while the profit before taxes was Rs 790 million. The Company has recorded a consolidated net profit after taxes attributable to equity shareholders after Minority Interest of Rs 663 million.

The revenue profile of the Company is well diversified across the three main geographic areas, with Europe contributing 43% of revenues, 39% coming from the Americas and the balance from Asia and Australia.

The chosen focus areas of the Company across the service offerings in IT and BPO solutions for Banking, Financial Services and Insurance; Travel & Transportation; and Manufacturing & Retail grew by 21% year-on-year. Together, they contribute 75% of the consolidated revenues of the Company.

The Company received fresh orders to the tune of US \$122 million during the year.

Future Plans

The strategy of the Company would be to continue to build a strong differentiation in its offerings by remaining focused in the chosen verticals. The Company would innovate newer service offerings and pursue inorganic initiatives to improve market access and strengthen domain capabilities. The Company is also investing in capacity creation to support its "long term" growth and would continue to add value to its customers, employees and other stakeholders.

Acquisitions

Post the closure of Financial Year 2005-06, NIIT Technologies Limited, UK, a subsidiary of the Company, made its maiden international strategic acquisition in the United Kingdom towards accomplishing a "long-term" objective of the Company.

To strengthen the Company's presence in the Insurance Vertical, the Company, through NIIT Technologies Limited UK, acquired a controlling interest in ROOM Solutions Limited, UK on May 8, 2006. ROOM Solutions focuses on providing IT solutions and services to insurance and re-insurance companies operating in the commercial insurance space on the Lloyds and London Companies Market. The acquisition of ROOM Solutions will substantially enhance the insurance domain capability and competence of the Company and will enable it to break into the UK non-life insurance segment. The acquisition of ROOM Solutions has strengthened the Company's presence in the UK insurance market and has added to the Company's insurance solutions capabilities globally.

With the offerings of the Company, ROOM Solutions would be able to offer a strong value proposition to its clients, by offering legacy maintenance and modernisation, infrastructure management and BPO services.

Transfer to Reserves

In accordance with the statutory regulations, the Company has transferred an amount of Rs 60 million to General Reserve (Rs 40 million last year) and has transferred an amount of Rs 1.25 million to the Debenture Redemption Reserve (Rs 39 million last year).

Dividend

In view of the confidence in the future, the Board of Directors is recommending a dividend of Rs 6 per equity share of Rs 10 each (previous year Rs 5.50 per equity share), subject to approval of the shareholders' at the ensuing Annual General Meeting.

Particulars of subsidiaries

During the year, NIIT SmartServe Limited, a subsidiary company, has set up a second-generation subsidiary in the United Kingdom—NIIT SmartServe Limited, UK.

After acquisition of ROOM Solutions Limited, it has become a subsidiary with effect from May 8, 2006.

The Company has been granted exemption for the year ended March 31, 2006 by the Ministry of Company Affairs vide its letter dated April 24, 2006 from attaching to its Balance Sheet and Annual accounts of each of the subsidiary companies. In accordance with the terms of the aforesaid exemption letter, a statement containing brief financial details of the subsidiary companies for the year ended March 31, 2006 is included in the Annual Report. As required under the Listing Agreement with the Stock

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Directors' Report (Contd.)

Exchange(s) a Consolidated Financial Statement of the Company and all its subsidiaries have been prepared and attached. The Annual Accounts of the subsidiary companies and related detailed information will be made available to any member of the Company seeking such information and are also available for inspection by any member of the Company, during the business hours, at the registered/corporate office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head office of the respective subsidiary companies.

Corporate Governance and Management Discussion and Analysis Statement

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

The Company has complied with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s). For the financial year ended March 31, 2006, the compliance report is included in the Corporate Governance Report. The Auditors' Certificate on compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s) forms part of the Corporate Governance 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.

The report on Corporate Governance is attached, as also a Management Discussion and Analysis statement.

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. Surendra Singh and Mr. Subroto Bhattacharya, 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:

- 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 as at March 31, 2006 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; and
- d) That the Directors had prepared the Annual Accounts on a going concern basis.

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, adequate 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, 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 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 material and new curricula for the global market place.

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. Expenditure on research and development is not significant in relation to the nature and size of operations of the Company.

Export and Foreign Exchange Earnings and Outgo

The details of foreign exchange earnings and outgo are mentioned in Note Nos.10 and 12 contained in the Notes to Accounts (Schedule No.18), forming part of the Balance Sheet as on March 31, 2006, and the Profit and Loss Account for the year ended on that date.