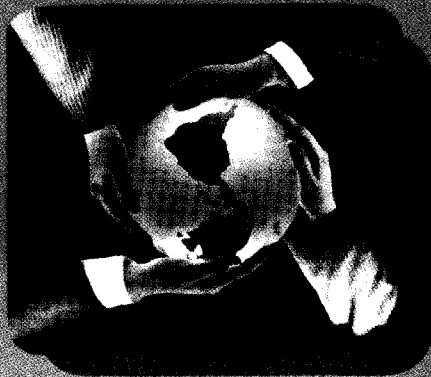


IT People India Ltd.

Annual Report 2006 -07



VISION



To create a global company Focused on
 providing Human
 Capital Solutions in the field of
 Information Technology.

To be the preferred and innovative provider and manager of
 Human Capital Solutions, driven by the most appropriate
 and current technology, systems and processes.
 To be an employer of choice and provide an environment of
 Trust, empowerment and learning for its employees.
 To outperform market expectations and provide optimum
 returns on investment to its stakeholders.



Business Strategy



To establish an integrated global network of
 domain specific IT portals complemented by
 "brick and mortar" based recruitment,
 Contract staffing and facilities management
 solutions.

BOARD OF DIRECTORS:

| | |
|-------------------|--|
| Mr. Ketan Sheth | <i>Chairman & Managing Director</i> |
| Mr. Adi Cooper | <i>Vice Chairman & Whole-time Director</i> |
| Mr. H. R Shah | <i>Director</i> |
| Mr. Kishore Hegde | <i>Director</i> |

AUDITORS

M/s Gadgil & Co.,
Chartered Accountants

REGISTERED OFFICE

IT People House
A.K. Industrial Estate,
Veer Savarkar Flyover,
S. V. Road, Goregaon (West),
Mumbai 400 062.

REGISTRARS AND TRANSFER AGENTS

Mondkar Computers Private Limited
21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road, Andheri (East),
Mumbai 400 093
Tel.: 28257641/ 28366620
Fax: 28211996
E-mail: mondkar_computers@rediffmail.com

| CONTENTS | Page Nos |
|--|-----------------|
| Notice | 3 |
| Directors' Report | 7 |
| Management Discussion & Analysis | 10 |
| Report on Corporate Governance | 11 |
| Auditors Certificate on Corporate Governance | 18 |
| Auditors' Report | 19 |
| Balance Sheet | 22 |
| Profit & Loss Account | 23 |
| Cash Flow Statement | 24 |
| Schedules | 25 |
| Balance Sheet Abstract | 34 |
| Attendance Slip and Proxy Form | 35 |



NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Members of IT People (India) Limited will be held at "Event Banquet", Opposite Central Bank, Near Filmistan Studio, S.V. Road, Goregaon (West), Mumbai 400 062, on Wednesday, the 27th of September, 2006 at 10.00 a.m. to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March, 2006 and the Profit & Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Ketan Sheth, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Adi Cooper, who was appointed as an additional director of the Company by the Board of Directors on October 11, 2005 and who holds office up to the date of this ensuing Annual General meeting of the company in accordance with the Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice from a member under Section 257 of the said Act, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Kishor Hegde, who was appointed as an additional director of the Company by the Board of Directors on December 31, 2005 and who holds office up to the date of this ensuing Annual General meeting of the company in accordance with the Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice from a member under Section 257 of the said Act, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. H.R. Shah, who was appointed as an additional director of the Company by the Board of Directors on March 31, 2006 and who holds office up to the date of this ensuing Annual General meeting of the company in accordance with the Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice from a member under Section 257 of the said Act, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to Section 293 (1) (d) of the Companies Act, 1956 and other applicable provisions, if any, the Board of Directors of the Company be and are hereby authorised to borrow



from time to time any sum or sums of money, not exceeding at any time the sum of Rs. 100.00 crores (Rupees One Hundred Crores) on such terms and conditions as the board may deem fit, notwithstanding that the moneys so borrowed together with the moneys already borrowed by the Company (apart from temporary loan obtained from the Company's bankers in the ordinary course of business) exceeds in the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

"RESOLVED FURTHER THAT Mr. Ketan Sheth, Managing Director of the Company be and is hereby authorized to negotiate and finalize the terms and conditions of the amounts to be borrowed and to do all such acts, deeds, things necessary in this regard."

By Order of the Board
For IT People (India) Limited

Ketan Sheth
Chairman & Managing Director

REGISTERED OFFICE:

IT People House,
A.K. Industrial Estate,
Veer Savarkar Flyover,
S. V. Road, Goregaon (West),
Mumbai 400 062

Place: Mumbai

Date: 31st July, 2006.

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.** However, instruments of the proxies in order to be effective must be deposited at the company's registered office at A.K. Industrial Estate, Veer Savarkar Flyover, S.V. Road, Goregaon (West), Mumbai - 400 062 not less than forty-eight hours before commencement of the meeting. A blank proxy form is annexed to this report.
2. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their copy of Annual Report to the Meeting.
3. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Relative Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of business as set out in item nos. 4 to 7 above are annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from the Monday, 25th September, 2006 to Wednesday, the 27th September, 2006 (both days inclusive).
6. Members are requested to address all the documents, transfer deeds, demat requests, and other communications with respect to shares in physical mode to the Registrar & Share transfer Agents of the Company, M/s. Mondkar Computers Private Limited directly quoting their full name, Folio No. and Name of the Company.

6TH ANNUAL REPORT 2005-06

7. Members are requested to advise immediately about any change of address:

- a) To their Depository Participants (DPs) in respect of their electronic share accounts
- b) To the Company's Registrar & Share Transfer Agents M/s. Mondkar Computers Private Limited in respect of their physical share folios if, any.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956:**Item No. 4**

Mr. Adi Cooper was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on October 11, 2005 pursuant to Article 120 of the Articles of Association of the Company. In terms of the provision of Section 260 and other applicable provisions of the Companies Act, 1956 he would hold office of Director up to the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- from a member of the Company proposing his candidature for the office of Director.

The Company would gain immensely from the knowledge and experience of Mr. Adi Cooper. A brief resume of Mr. Adi Cooper, nature of his expertise in specific functional areas and names of companies in which he holds directorship and membership/ chairmanship of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai is provided in the Report on Corporate Governance forming part of the Annual Report.

Mr. Adi Cooper may be deemed to be concerned or interested in the resolution as it relates to his own appointment.

The Board commends the Resolution set out at Item No. 5 of the Notice for your approval.

Item No. 5

Mr. Kishor Hegde was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on December 31, 2005 pursuant to Article 120 of the Articles of Association of the Company. In terms of the provision of Section 260 and other applicable provisions of the Companies Act, 1956, the Additional Director would hold office up to the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- from a member of the Company proposing his candidature for the office of Director.

The Company would gain immensely, from the knowledge and experience of Mr. Kishor Hegde. A brief resume of Mr. Kishor Hegde, nature of his expertise in specific functional areas and names of companies in which he holds directorship and membership/ chairmanship of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai is provided in the Report on Corporate Governance forming part of the Annual Report.

Mr. Kishor Hegde may be deemed to be concerned or interested in the resolution as it relates to his own appointment.

The Board commends the Resolution set out at Item No. 5 of the Notice for your approval.

Item No. 6

Mr. Hasmukhlal Shah was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on March 31, 2006 pursuant to Article 120 of the Articles of Association of the Company. In terms of the provision of Section 260 and other applicable provisions of the Companies



Act, 1956, he would hold office of Director up to the date of the ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- from a member of the Company proposing his candidature for the office of Director.

The Company would gain immensely from the knowledge and experience of Mr. H.R. Shah. A brief resume of Mr. H.R. Shah, nature of his expertise in specific functional areas and names of companies in which he holds directorship and membership/ chairmanship of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai is provided in the Report on Corporate Governance forming part of the Annual Report.

Mr. H.R. Shah may be deemed to be concerned or interested in the resolution as it relates to his own appointment.

The Board commends the Resolution set out at Item No. 6 of the Notice for your approval.

Item No. 7

In order to meet the financial requirements for the future business opportunities/ projects and also for meeting other corporate requirements, the Board in their meeting held on 31st July, 2006 has decided to borrow funds from various banks and financial institutions as and when the funds may be required.

In order to facilitate the Board to borrow such funds, the sanction of the members is essential specifying the borrowing limits up to which the Board can borrow.

The Board of Directors have, therefore proposed a maximum borrowing limit of Rs. 100.00 crores which is exceeding the aggregate of paid up capital and free reserves of the Company, and hence requires members consent as per Section 293(1)(d).

The purpose of this Resolution is to seek Members' consent for sanctioning the borrowing powers as set out in the Resolution.

None of the Directors is concerned or interested in the Resolutions at item no: 7 of the Notice.

The Board commends the Resolution set out at item No. 7 of the accompanying Notice for acceptance by the Members.

By Order of the Board
For IT People (India) Limited

Ketan Sheth
Chairman & Managing Director

REGISTERED OFFICE:

IT People House
A.K. Industrial Estate,
Veer Savarkar Flyover,
S. V. Road, Goregaon (West),
Mumbai 400 062

Place: Mumbai
Date: 31st July, 2006.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Sixth Annual Report of your company along with the Profit and Loss Account for the year ended on 31st March, 2006 and the Balance Sheet as on that date and Auditors' Report thereon.

Financial Highlights

(Rs. in Lakhs)

| Year ended | March 31, 2006 | March 31, 2005 |
|--|----------------|----------------|
| Income from operations | 1108.76 | 485.70 |
| Less: Operating Expenses | 982.62 | 412.65 |
| Operating Profit | 126.14 | 73.06 |
| Less: Financial Expenses | 23.67 | 0.00 |
| Less: Depreciation / Deferred Revenue Expenses | 50.51 | 48.95 |
| Profit Before Tax | 51.96 | 24.10 |
| Provision For tax | Nil | Nil |
| Profit/(Loss) after Tax | 51.96 | 24.10 |
| Profit/(Loss) brought forward from previous year | (571.79) | (595.90) |
| Balance carried to Balance Sheet | (519.82) | (571.79) |

Operations:

The Company has during the year under review achieved a turnaround of fortunes. During the year under review company has achieved Gross Revenue of Rs. 1,108.76 Lakhs against Rs. 485.70 Lakhs the previous year, an increase of 128.28%. Operating Profit for the year ended 31st March, 2006 stood at Rs. 116.68 Lakhs against Rs. 73.06 Lakhs for the previous year, a rise of 59.70 %. After providing for Rs. 50.51 Lakhs towards Depreciation and Deferred Revenue Expenses, Company earned profit of Rs. 51.96 Lakhs against a profit of just Rs. 24.10 Lakhs for the previous year.

Dividend:

To conserve the resources for future expansion of business, your Directors do not recommend any dividend on Equity Shares for the financial year under review.

Business Outlook

With the IT industry MNCs competing for the skilled IT manpower, companies are experiencing acute shortage of skilled IT professionals. Companies often find it difficult to recruit highly skilled and quality software professionals for urgent project needs. Our company has made extensive plans to leverage this new phenomenon by offering professional Services to fill the gap of IT manpower requirement experienced by the Indian and MNC companies.

The Company has already established nationwide presence by opening offices at the major IT hubs and other locations such as Delhi, Hyderabad, Bangalore, Pune for the purpose of efficient servicing of clients and for administrative convenience.

Listing:

The Equity Shares of the Company are listed on The Stock Exchange, Mumbai. The Company has paid the Annual Listing Fees to the Stock Exchange for the year 2006-2007.

Split of Shares:

Each equity share of Rs. 10/- each has been sub-divided into five Equity shares of Rs. 2/- each w.e.f. March 28, 2006 (record date fixed for the purpose). Accordingly, all related references for the previous periods have been restated for the sake of comparability.

Increase in Authorized Share Capital:

The Company has raised Rs. 6 Crores by way of preferential allotment of redeemable Optionally



Convertible Bonds up to March 31, 2006. The same has been deployed towards repayment of loans raised and utilized for the purpose of brand building / Advertisement and Marketing amounting to Rs. 3 Crores, Infrastructure Investments amounting to Rs. 1 Crore and purchase of Hardware/ Software amounting to Rs. 2 Crores.

Reissue of forfeited shares:

The Board of Directors of the Company at their meeting held on March 31, 2006 allotted 23,62,000 Equity Shares of Rs. 2/- each to the shareholders, which were forfeited by the Company due to non-payment of call monies. Accordingly, the paid up share Capital of the Company stands increased to Rs. 10,65,55,000/- consisting of 5,32,77,500 Equity Shares of Rs. 2/- each.

Director's Responsibility Statement:

It is hereby confirmed that:

- i. in preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 of the Company for the year under review;
- iii. the Directors have 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;
- iv. the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

Cash Flow Statement:

The cash flow statement for the year 2005 – 2006 is attached to the Balance Sheet.

Directors:

Mr. Adi Cooper, Mr. Kishor Hegde, Mr. H.R. Shah were appointed as Additional Directors of the Company pursuant to section 260 of the Companies Act, 1956 with effect from 11th October 2005, 31st December 2005, 31st March 2006 respectively. Accordingly, they would hold office of directorship up to the date of ensuing Annual General Meeting and are eligible for appointment as Directors.

Mrs. Sonal Sheth and Mr. Ranjit Prabhu have resigned from the Directorship of the Company with effect from 1st January 2006 And Mr. M.N. Chaturvedi has resigned from the Directorship of the Company with effect from 31st March 2006.

Your Directors wish to place on record its appreciation of the valuable service and guidance given by them during the tenure of their Directorship with the Company.

Dematerialization of Shares

The shares of the Company are admitted with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Accordingly the Shares of your Company are available for dematerialization and can be traded in Demat mode.

Fixed Deposits:

The Company has not accepted any Fixed Deposits under Section 58 A of the Companies Act, 1956 during the year under review.

Employee Relations:

Employee relations during the year at all levels of the organization were satisfactory. The Board wishes to place on record its sincere appreciation of the devoted efforts put in by all the company's employees for achieving good results under challenging conditions.