

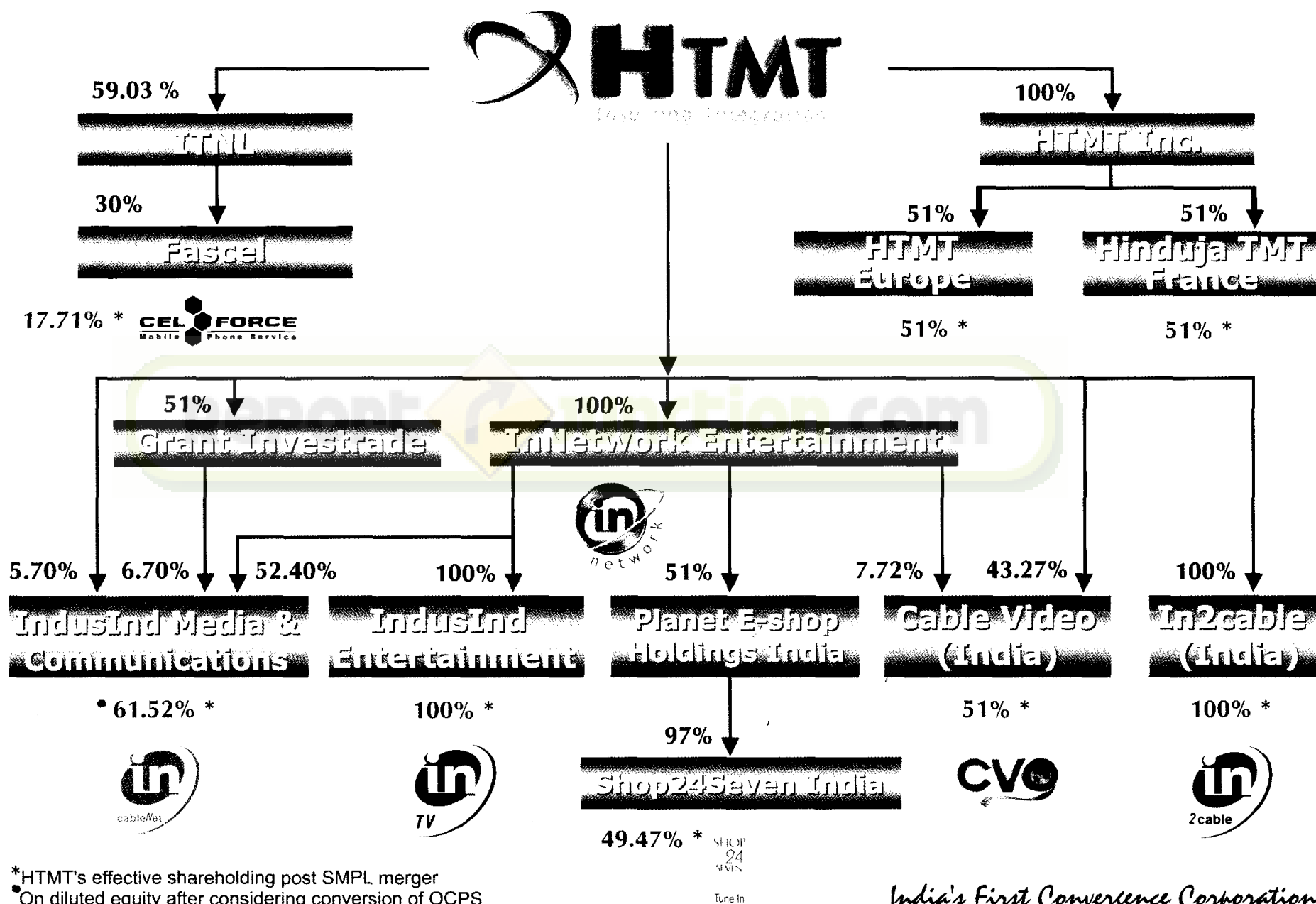
Report



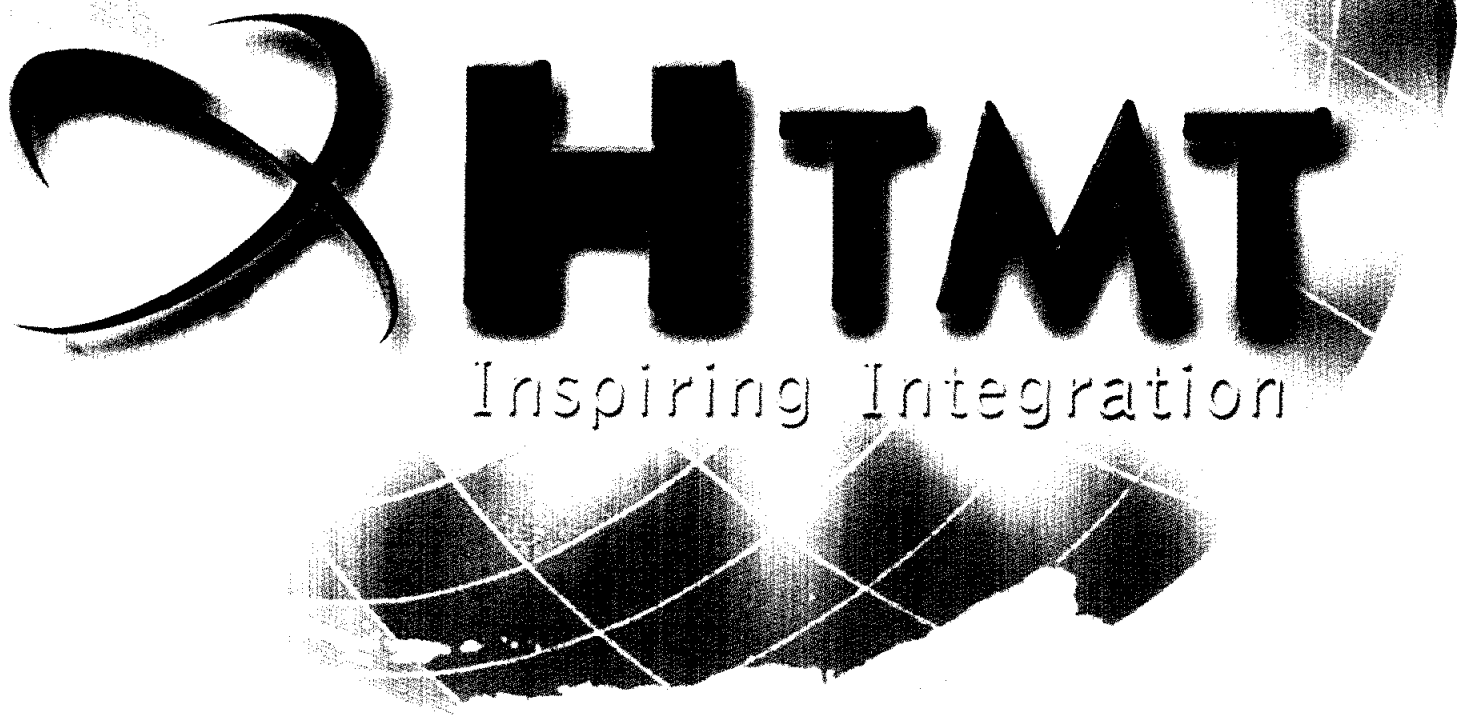
HINDUJA TMT LIMITED

**ANNUAL REPORT
2001-2002**

HTMT's Convergence Structure



*HTMT's effective shareholding post SMPL merger
 • On diluted equity after considering conversion of OCPS



"The Logo of crossing ellipses has been chosen by Hinduja TMT to reflect its strategy of convergence and its positioning as an active parent for its subsidiaries. While the colour spectrum appearing on the outer ellipse symbolizes the TMT businesses within the fold of the Company, the inner monochrome one, represents the harmonious coalescence of these businesses to facilitate the Company becoming a potent convergence corporation continuously aided by technology while meeting the challenges looming large on the horizon as the digital odyssey gathers pace.

The logo also meets the need of a corporate branding tool, which casts its glow over a panoply of businesses and inspires alignment of three strategic stars of brand building, viz: vision (our aspiration to become a leading IT Company), culture (organization's values, behaviour and attitudes) and image (outside world's over all impression of the Company), to get the most out of the Company's corporate branding strategy. The ellipses in the shape of a crescent point to the huge growth potential of the HTMT Group of Companies."

- S. Solomon Raj, Vice Chairman



Vision

*HTMT's Vision
is to become a Scale Player
and leader in its core business
of Information Technology by leveraging
the strength of its customer base, breadth and
depth of its service lines and management bandwidth.*

*HTMT will also offer high quality, cost effective, end-to-end
solutions or breadth of experience across multiple technology
platforms and verticals to enhance the business of its
customers world-wide because of the remarkable
advance it has achieved in modularity through
subsidiaries in Media and Telecommunication,
which are designed to function independently
and yet to work together as a whole,
coalescing around Technology.*



Value System

The five principles as under, distilled from the lifetime experience of the Founder of Hinduja Group, late Shri Parmanand D. Hinduja, serve as the cultural cornerstones of the businesses of the Group, leading to a synergistic and creative partnership of professional management and entrepreneurship among the Group Companies:

Work to Give
Word is a Bond
Act Local; Think Global
Partnership for Growth
Advance Fearlessly

Based on the above principles, HTMT has evolved the following set of **Seven Values** that illumine, inspire and energise the corporate life of the Company and its subsidiaries, like melding hues of the light spectrum.

- **Customer Delight** - *Through excellence in service to customers and co-creation of value in partnership with them*
- **Total Quality** - *Continuous quality improvement through innovation, process improvement and team work*
- **Dependability** - *Expectations being met consistently through professionalism*
- **People Empowerment** - *Empowerment of employees to enhance self motivation and customer service*
- **Corporate Governance** - *Maintenance of the highest standards of corporate governance and business ethics*
- **Global Mindset** - *Local responsiveness and global perspective*
- **Sustained Growth** - *Sustained growth and profitability through a sustainable business model for rewarding all the stakeholders viz: shareholders, employees, customers and society as a whole*





Chairman's Message

Dear Shareholder,

Building a Strategic Architecture

I am pleased to report that HTMT posted excellent revenues and earnings in FY 2002 despite the challenges faced by the Indian IT industry in the wake of September 11 tragedy in US and the worldwide economic slowdown. Income from IT grew by 44%, profit after tax from IT activities 51% and foreign exchange earnings 52%. This growth, much higher than the average Indian Software and Service Industry growth, reaffirms robustness of the Company's business model with increased focus on IT Enabled Services (ITES).

We entered 2002 with a clear business strategy focused on growth, innovation and competitive advantage drawn from our vision to become a Scale Player and leader in information technology. During the year, we continued to invest substantial resources in development of infrastructure and enhancement of our core competencies and pay undivided attention to build strong relationship with our customers world-wide. Our corporate values of excellence in service to customers and continuous quality improvement have generated highly energized behaviour on the part of our staff who constantly push up their performance levels to decommodify ITES and develop a brand for quality and delivery.

The recently published Nasscom-McKinsey Report 2002 on strategies to achieve the Indian IT industry's aspiration to become a world leader, points out that India has barely scratched the surface of the opportunity available in IT services and ITES space. The long term potential of the industry remains robust and offers several opportunities. I would like to assure the shareholders that the model adopted by HTMT with greater focus on ITES supported by technology and domain capability in IT services will lead to development of new sets of capabilities to ensure success in the long run.

Governmental support

India has no doubt made steady progress post liberalization, following the several government initiatives to considerably enhance the communications infrastructure. India has edged out Ireland as leader in ITES space. Recognizing the long term potential of IT and ITES industry to the development of the Indian economy, the Government should create a conducive regulatory environment for exports and strengthen the infrastructure and manpower base.

The Conditional Access System (CAS) Bill passed by the Lower House of the Parliament is a bold and visionary step aimed at providing consumers the right of choice, and broadcasters and Multi-System Operators (MSOs) like IndusInd Media & Communications Limited (IMC), a subsidiary of HTMT, their fair share of revenue. It is sincerely hoped that the Bill will become an Act soon for spawning an equitable and transparent relationship between the four parties involved in the transaction fulfilment process of the cable television (CATV) viz: broadcasters, MSOs, local cable operators and consumers.

The Government should extend to the CATV industry the tax benefits available for telecom and infrastructure providers and should also permit import of set-top-box free of custom duty to reduce the burden on the consumers.

Subsidiaries/Associates

Hinduja TMT Ltd. (HTMT), India's first Convergence Corporation, has during the year continued its efforts to bring about the harmonious coalescence of its core business of Information Technology with Media and Telecom businesses of its Subsidiaries to provide a world class broadband access infrastructure, enriched content and transaction fulfilment services. The governmental support delineated above will give further boost to our businesses.

In line with the recommendations of the Consultants, "Accenture", that HTMT should, to the extent feasible, hold 100% stake in its Subsidiaries to impart transparency in its holding structure, your Board at its meeting held on 8th March 2002 approved the merger of Sarthak Mercantile Pvt. Ltd. (SMPL), a Hinduja Group Company, holding Equity Stake in some of the HTMT's Subsidiaries, with your Company effective from 1st April 2002. In the interest of the Public Shareholders of HTMT, SMPL's Shareholders (Hinduja Group) have now agreed to accept revised Swap ratio of the shares of your Company at 1:4, as against the earlier swap ratio of 10:21. The HTMT Shareholders, other than Hinduja Group, will gain from the above action of SMPL's Shareholders.

InNetwork Entertainment Ltd (INEL), HTMT's media, content and telecom assets holding subsidiary, plans to strengthen its

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InNetwork Entertainment Ltd (INEL), HTMT's media, content and telecom assets holding subsidiary, plans to strengthen its film business activities in the years to come under 'InNetwork' brand, taking advantage of the Group's experience in this line of activity. The media/telecom brands viz. 'IN-Time' (local news), 'IN-Mumbai' (local content), 'IN-CableNet' (MSO), and 'IN2cable' (Cable broadband ISP) are leaders in their respective fields. Your Company and its subsidiaries have sufficient liquid resources to take advantage of the emerging opportunities arising from implementation of Conditional Access Systems (CAS), and providing Voice over Internet Protocol (VoIP) services.

Fascel, HTMT's Associate and a Hutchison Company, continues to maintain leadership position in Gujarat Cellular market. The company has seen exponential growth with cellular subscribers from 117,000 in June, 2000 to 340,000 in July, 2002. HTMT is a financial investor in Fascel and is examining the option of exiting the investment at an opportune time.

Knowledge Management

In the TMT industry, knowledge is a strategic asset, which can be leveraged to increase intellectual capital for being differentiated in the market place. There is growing realization that organizations can attain maturity in knowledge management and enhancement of intellectual capital only through healthy co-existence of technology, processes and people. HTMT has adopted the SEI-CMM model for building knowledge management maturity, which refers to processes relating to knowledge creation, capturing, storage, retrieval and dissemination. The Company is in the process of attaining SEI-CMM level 4 through integration of its software engineering and management processes and institutionalizing process improvement.

Human Resources

HR policy of HTMT is designed to meld together soft values like quality, personal excellence, commitment, team-work and creative ambience, which provide the hard edge of competitive advantage to make every employee remain focused on the essential mission of a corporate viz: serving the customers. The fact that HTMT's people oriented IT division has exceeded the stringent quality standards set up by its customers would bear ample testimony to the success of the policy. The recruitment, placement, training, appraisal, career counselling and progression procedures of HTMT have enabled the Company to attract, retain and upgrade good talents.

Future Outlook

Your Company expects during 2002-2003 to continue in the excellent growth trajectory achieved in its IT business. The recently released first quarter results (April-June 2002) are in line with your Company's guidance for the current year. I am happy to inform you that in August 2002, your Company has ramped up its Call Center activities by 100 Customer Service Representatives, following additional order from its US Telecom client who is highly satisfied with the quality of service extended by HTMT and has conveyed that it would be further ramping up the capacity. As of date the number of employees in IT/ITES operations in Bangalore is 1125 and is likely to exceed 1800 by March 2003.

The management of the Company is actively contemplating to supplement the organic growth of IT, Media and Telecom businesses through mergers and acquisitions of content and technology businesses displaying synergies with its convergence strategy. Your Company is also exploring the feasibility of consolidating its various Media and Entertainment businesses with a view to sharpening the focus and achieving cost reduction through rationalization of manpower and other related inputs. Following the consolidation, which is likely to take place in CATV, Internet and Content business and with the implementation of CAS, the Telecom and Media Subsidiaries are expected to register robust growth and improved profitability.

With the slew of initiatives adumbrated above, HTMT together with its subsidiaries is endeavouring to build a strategic architecture, establish milestones and make them happen by identifying new relationships and new opportunities and in the process creating wealth for its shareholders.

In conclusion, I sincerely thank the shareholders and customers for the confidence reposed in us and the employees for their unstinted co-operation and involvement in shaping our future.

With best regards,
Yours sincerely

Mumbai
August 19, 2002

Ashok P. Hinduja
Chairman

ABOUT US

In keeping with the global trend of convergence, the Hinduja Group has consolidated its Technology, Media and Telecommunications activities into India's first Convergence Corporation Hinduja TMT Ltd. (HTMT).

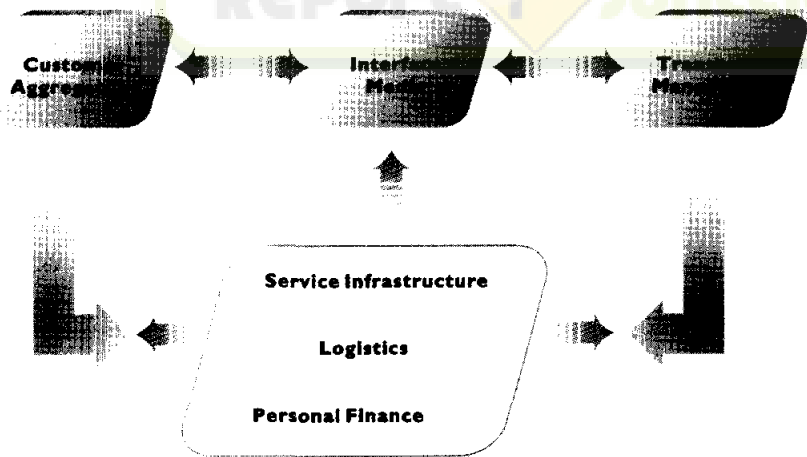
The Company's multiple subsidiaries and joint ventures strengthen its core activity of Information Technology (IT). Originally a subsidiary of Ashok Leyland Ltd., HTMT's IT services division operates today in USA, Europe, Middle East and India

HTMT is a member of the Hinduja Group and provides end-to-end solutions to customers across multiple domains such as Manufacturing, Healthcare, Financial Services, Telecommunications, Entertainment and Leisure, Hospitality and Government.

HTMT believes that its core strength is its people. Creating the right environment for its professionals, building a knowledge management system to leverage varied skills, and building its intellectual capital has always been given top priority at HTMT.

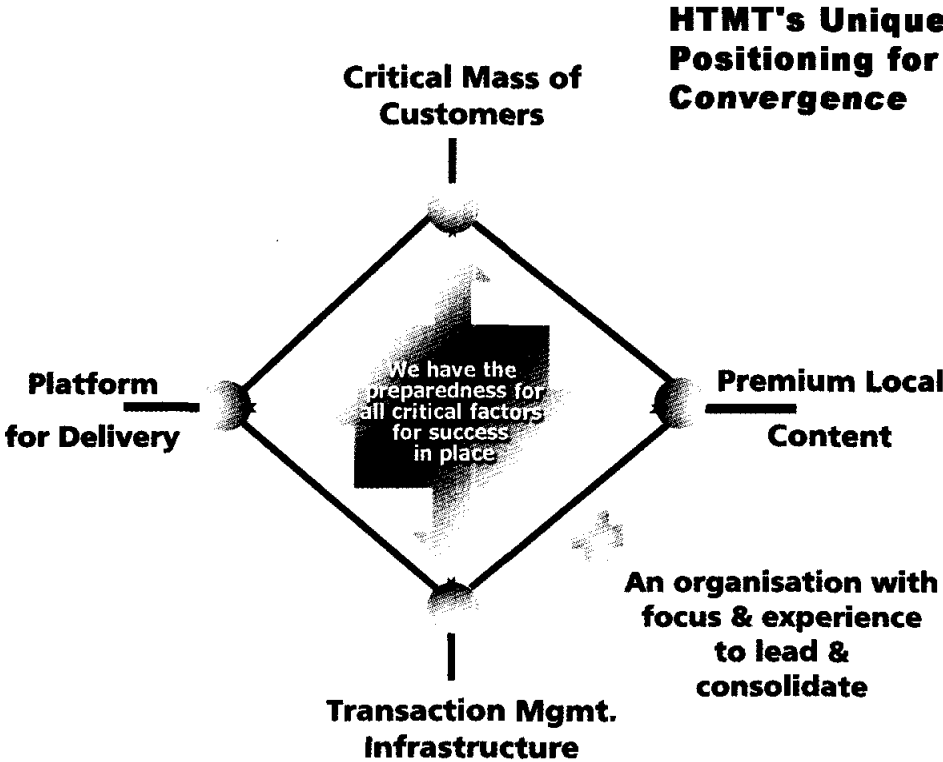
With over 3,700 professionals drawn from Technology, Media, Telecom, Banking & Finance sectors, HTMT has put together a world-class team that will realize and deliver the opportunities that arise in the convergence space.

COMPLETE PICTURE



HTMT is an organization that has uniquely positioned itself as a player that can realistically consolidate the Indian market as a true convergence operator on a nation wide basis and offer both service providers and consumers a convenient service vehicle.

Our vision is to work with partners and forge alliances that will allow them to fulfill their objectives and ours, upgrading the channels through which goods and services would be provided to corporates and consumers with transaction management facilities that would allow ease of commerce with transparency while taking care of the unique requirements of all parties involved.



HTMT at a glance

TECHNOLOGY

HTMT's core activity is Information Technology. It offers a full range of Software Technology Solutions like Enterprise Management, Systems Integration Services, On-site & Offshore Services, Business Process Outsourcing (Call Centre Services and Back Office Processing), Web & Convergence Solutions and Transaction Management ASP for both domestic and International clientele.

HTMT is a one-stop IT shop for TMT needs in the industry.

MEDIA & ENTERTAINMENT

Movie Creation through InNetwork Entertainment Ltd. (INEL)

INEL is in the film content business - financing as well as production/acquisition/distribution of movie rights. It has plans to become a dominant player globally for the Indian film industry.



Movie Content through Cable Video (India) Ltd. (CVIL)

CVIL operates as CVO, India's premier Hindi Movie Channel, with a reach of over 6 million households. It has an enriched library of over 1600 Hindi films. The USP of this channel is that it showcases the latest Hindi movies on a continuous basis. CVO, launched on November 15, 1996 is today the No 1 Hindi movie Channel.



Local Content through IndusInd Entertainment Ltd. (IEL)

IEL produces TV content and operates a bouquet of popular local cable TV channels under the IN umbrella brands, in several languages. Local Events have earned these channels wide popularity and dominant viewership during festive times and created events such as Navratri, Ganapati Visarjan, Miss Mumbai, Salute Mumbai etc.



Interactive Commerce Content through Shop24Seven India Pvt. Ltd.

Shop24Seven, a joint venture with Planet E Shop Inc., USA was launched in November 2001, and is India's first integrated, interactive e-commerce initiative using Television, Internet and franchised points of presence for an exclusive range of Indian and imported products.



TELECOM

Broadband Cable Network through IndusInd Media & Communications Ltd. (IMC)

IndusInd Media & Communications is India's first and largest integrated Broadband MSO offering high-quality multi channel transmission in twelve Indian cities. It is one of the world's 10 largest Cable TV operators.



Broadband Internet through In2cable (India) Ltd.

In2cable (India) Ltd., is a "Category A" (all India) ISP licence holder. It offers broadband services under an exclusive arrangement with IMC using their existing cable network across India.



Cellular Service through Fascel Ltd., an Associate Company

Fascel, an HTMT associate and a Hutchison company, is a leading player in the Indian Telecommunications industry and operates in the state of Gujarat. The brand **Celforce** has a subscriber base exceeding 3,40,000 and is the single largest state circle operator in the country.





Financial Highlights

(in Rs. million, except per share data)

For the Year	2002	2001	Growth
Income from IT Activities	547.8	379.4	44%
Total Income	729.4	617.2	18%
Profit after Tax from IT Activities	340.6	226.1	51%
Net Profit after Tax	467.3	420.7	11%
Earnings per Share	13.1	13.7	(4%)
Dividend (%)	60	50	20%
Dividend Payout	213.5	153.6	39%
Earnings in Foreign Exchange	502.2	330.3	52%
As at the end of the year			
Share Capital	355.8	355.8	-
Reserves and Surplus	3,374.0	3,120.7	8%
Tangible Networth	3,720.6	3,465.0	7%
Loan funds	-	165.8	(100%)
Net Fixed Assets	162.3	42.5	282%
Capital Work in Progress	11.6	25.3	-
Investments	2,138.1	2,241.0	(5%)
Cash and Bank balances	415.8	108.5	283%
Net Current Assets	1,408.7	1,322.1	7%
Number of Employees	978	386	153%
Book Value per Share	104.8	97.7	-
Market Capitalisation (as at 31 st March)	8,582.8	2,754.2	212%

