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Emerging as a Global Enterprise

HINDUJA TMT LTD.

Annual Report 2006



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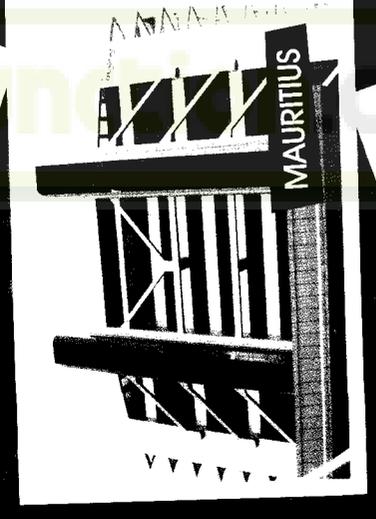
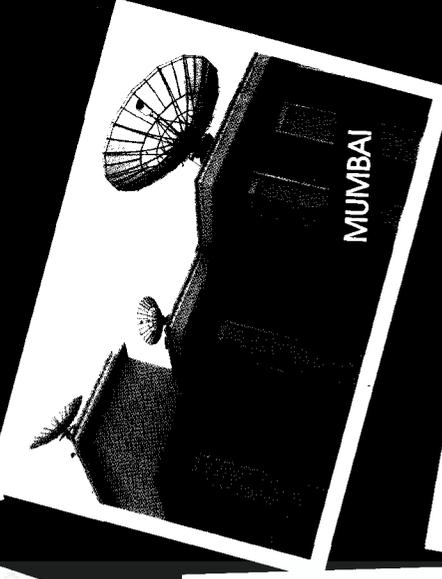
Emerging as a Global Enterprise

By growing the global delivery foot-print, blending the multiple competencies residing in its various units across the world and acquiring international competitiveness in terms of quality and cost, HTMT is evolving into a global enterprise in a bid to realize its vision of becoming a leader of outsourcing services in select application areas.



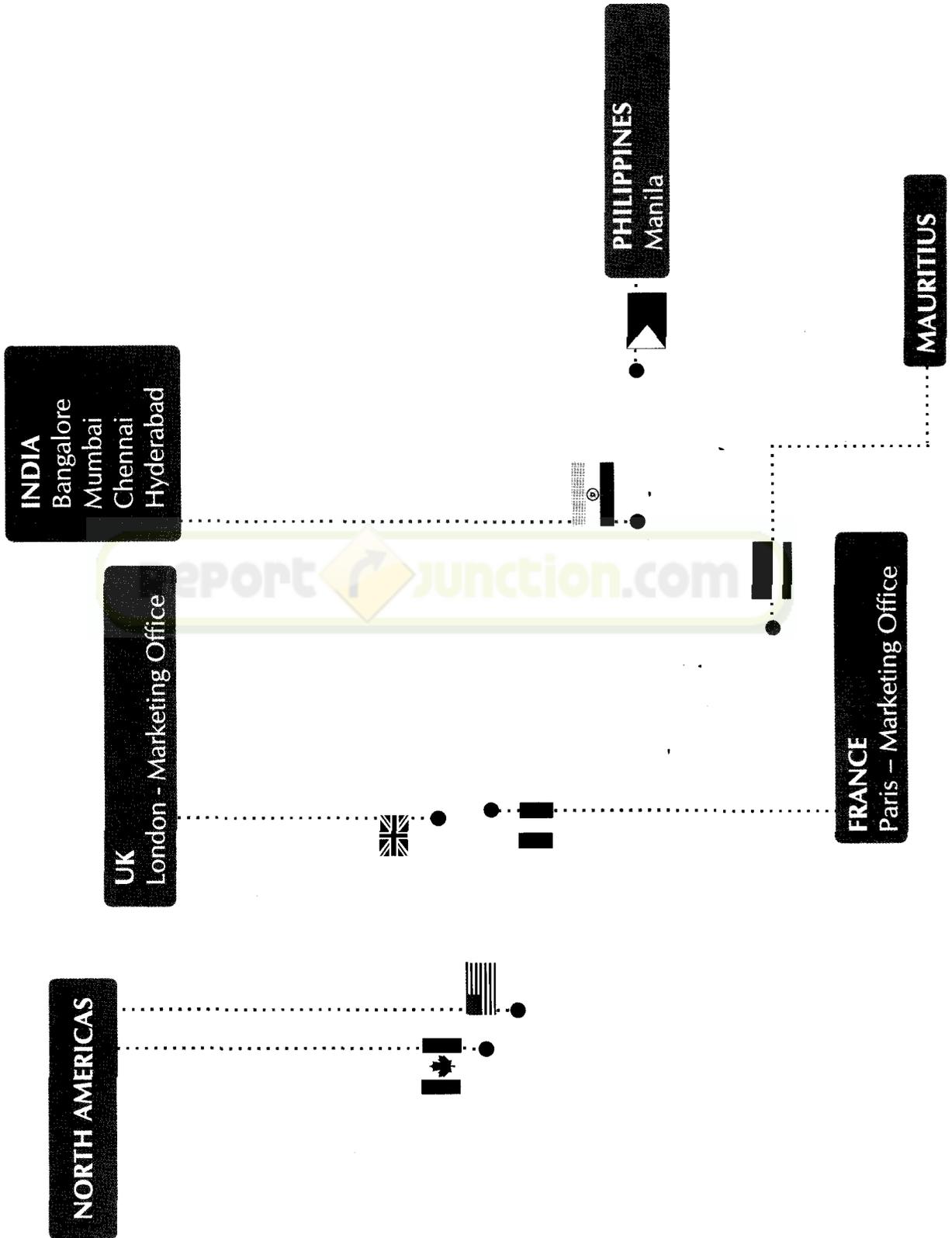
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HTMT's Global Locations



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Mission & Vision

Mission

HTMT is dedicated to the creation and demonstration of a new corporate concept of linked prosperity across all its stakeholders.

The Company's mission has three inter-related parts:

Service Offering

HTMT and its subsidiaries will offer High Quality, Innovative and Value For Money solutions across multiple technology platforms and businesses in IT/BPO and Media & Telecommunication to their customers.

Economic

The Company and its subsidiaries will operate on a sound financial basis of profitable growth, to increase value for shareholders and customers and create career opportunities and financial rewards for employees. The cornerstones of their economic principles will be sensible growth of a stable customer revenue base along with prudent expense management.

The Company will be an agile force at all times adapting to take advantage of the new challenges and opportunities and realize the aspirations of the above stakeholders.

Social

The Company and its subsidiaries will function in a way that actively recognizes the central role that the businesses play in the structure of the society by initiating innovative ways to improve the quality of life in the community they serve.

Vision

HTMT's vision is to become a Global Player and leader in its core business of Information Technology with focus on Business Process Outsourcing by leveraging the diversified customer base, experienced management bandwidth and deep domain expertise in specified business verticals.

HTMT will strengthen its ability to provide end-to-end outsourcing solutions to its customers both in Voice and Data across IT enabled services as well as IT services all under one organisation very different from that of other Indian companies.

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 these 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

Expectation 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.

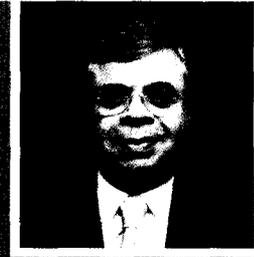
Global Mindset

Local responsiveness and global perspective.

Sustained Growth

Consistent growth and profitability through a sustainable business model for rewarding all the stakeholders viz: shareholders, employees, customers and society as a whole.

Letter to shareholders from the Executive Chairman



Dear Shareholders,

Emerging as a Global Enterprise

The year 2005-06 was exciting and eventful for your Company, which, by enlarging its global delivery footprint and blending its core competencies residing in its various units, transformed itself into a global enterprise in the IT/ITES-BPO space. In line with its vision of becoming a Global Player and leader in its core business, the Company grew in terms of number of clients, employee size and fortification of its delivery platforms in India, Philippines, USA, Canada and Mauritius.

I had informed you in my last year's message that we planned to make HTMT a Global Delivery IT/BPO Company. Helped by our acquisitions, we have largely achieved this aim by setting up delivery centres in USA, Canada, Philippines and a Business Continuity Centre in Mauritius. Our new business delivery model, creates value for our Global clients and also positions your Company as a truly Emerging Global Enterprise.

Business Environment

The Indian economy with a GDP growth of 8% in the year 2005-06 remained one of the fastest growing economies of the world, with virtually all sectors registering an all round growth. The ITES-BPO industry globally has grown at a robust pace and in India, the growth has been even more impressive. Independent research shows that the global BPO market is expected to touch US\$ 55 billion by 2010, with India expecting to garner at least US\$ 25 billion.

The industry is also expected to witness substantial consolidation in the near future. This will be driven by the need to gain scale, consolidate service lines and acquire capabilities to move up the value chain. Your Company is also looking at this route to achieve its long-term growth plans-resources being less of a constraint in today's scenario.

The recent security lapses with a few players in the industry highlight the need for ramping up security measures to sustain client confidence. Security and quality continue to play a major role in your Company maintaining a leadership position in the BPO market and this has resulted in good client references and endorsements as also objective validation of its competitive strength.

Your Company got accredited for US-HIPAA (Health Insurance Portability and Accountability Act) compliance during the year under review to meet the security requirements of its health insurance clients. The Company is also closely monitoring its compliance with the stringent security standard BS 7799.

While India does not have specific laws on privacy and data protection, there are proxy laws and other indirect safeguards that provide adequate protection to companies offshoring work. The Government of India is proactively strengthening the existing legal system to cover data protection issues to enhance the confidence level of outsourcing foreign Companies.

According to NASSCOM Strategic Review 2006, India has the single largest pool of suitable offshore talent-accounting for 28% of the total suitable pools available across all offshore destinations and

outpacing the shares of the other destinations-making it as a premier destination for offshore technology services.

It is essential that adequate regulations are in place for maintaining quality in our educational institutions so that the supply of skilled resources to the pool is not affected. The Government also needs to cope with the imbalance in geographical distribution of technical institutions, which are now concentrated in Southern India.

Performance

HTMT continued with its quest to be a global force in the BPO industry. We at HTMT believe that in order to continue to be a force to reckon with, your Company needs to have a low client concentration and enhance your Company's depth in domains, technologies processes and talents. It is this strategy that guides HTMT in all activities and processes on a day-to-day basis.

With this vision in place, your Company was able to achieve a top line growth of 53%, thanks mainly to Team HTMT with its innovative ideas and practices coupled with their determination to achieve. Your Company also leveraged its association with the Hinduja Group and their capabilities substantially during the year, as relevant.

IndusInd Media and Communications Ltd. (IMCL), the media flagship arm of your Company, spearheaded the reintroduction of Conditional Access System (CAS). CAS enables customers to pick and choose for individual channels of their own choice and involves installation of highly sophisticated digital technology and provision of Set Top Box to customers. The Government of India

suspended the implementation of CAS and after a prolonged legal battle a notification has been introduced to ensure that CAS is reintroduced from January 1, 2007 compulsorily in certain metros. IMCL is working with other members of the MSO Alliance with TRAI/Government to ensure fair and transparent regulations enabling MSOs to compete with emerging new technologies on a level playing field.

HR Policy

The HR policies of your Company kept pace with the requirements of the industry. The stock option plan announced by your Company was a result of such positive HR initiatives. The newly introduced incentive plan also motivated employees to perform their best and surpass their targets.

The pro-active policy has led to widening of the bandwidth of distributed leadership, growing nimbleness to manage change, deepening of insight into client businesses and rapid assimilation of their processes. Above all, it has helped to create a fair and meritocratic organization.

Outlook

The global BPO business is estimated to grow unabatedly in the years to come as the best Companies look to outsourcing as a tool to win, innovate faster and more cheaply in order to grow large and gain market share. The abundance of skilled resources, cost benefits and high quality delivery will continue to be an advantage for countries like India and Philippines to attract the outsourcing business.

Letter to shareholders from the Executive Chairman

The outsourcing opportunities are now extending beyond the lower end customer relationship management services and back office work into high-end knowledge process outsourcing. Companies like yours, with high management bandwidth, capability to invest significantly and ability to ensure consistent quality will capitalize on the emerging trend and enlarge their global delivery footprint.

As already announced, your Company is shortly poised to start restructuring all its businesses initially by demerging its BPO/ITES division. Your Company has also during this year divested its valuable stake in Hutchison Essar Limited. This has unlocked shareholder value and will enable your Company to strengthen its existing core businesses and grow rapidly through organic and inorganic growth.

In the circumstances stated, your Company possessing world-class infrastructure supported by deeply committed and highly skilled people will emerge as a winning global enterprise with centers of excellence in different countries.

I take this opportunity to thank all stakeholders and particularly our customers for the support extended to, and faith reposed in, the HTMT team. I also wish to thank all my colleagues for their relentless support and hard work throughout the year without which we would not have progressed so far in such challenging times.



Yours sincerely,

Ashok P Hinduja
Executive Chairman

Mumbai, 22nd August 2006 .