

# Directors' Report

To the Members

Your Directors are pleased to present their Report on the business and operations of your Company for the year ended 31<sup>st</sup> March 2007.

## I. Financial Results

	(Rs. in lacs)	
For the year ended 31st March	2007	2006
Operating Income	19,129	23,858
Add : Gain on sale of Investments (net)	88,333	1,075
Other Income	241	662
Total Income	107,703	25,595
Operating Expenses	15,782	20,246
Depreciation	756	1,071
Financial Expenses	827	271
Profit before tax and exceptional items	90,338	4,007
Provision for tax (incl. deferred tax)	21,426	(20)
<b>Profit after tax</b>	<b>68,912</b>	<b>4,027</b>
Add: Balance brought forward from Previous year	12,829	12,703
Profit Available for Appropriation	81,741	16,730
<b>Dividend</b>		
-Interim Dividend	8,181	—
-Final Dividend	2,054	3,068
-Dividend Tax	1,496	430
Transferred to General Reserve	35,257	403
Balance Carried Forward	34,753	12,829
<b>Earnings per share (Rs.)</b>	<b>224.29</b>	<b>9.85</b>

## Review of Financials

The year under review was a profitable year for the Company. Your Company completed its restructuring exercise and demerged its IT/ITES business into a separate listed company. The Company also successfully divested its effective telecom stake in Hutchison Essar Limited. Post the stated events, Total Income of the Company for the year stood at Rs. 1,077.03 Crores as against Rs.255.95 Crores last year. Profit after tax was Rs. 689.12 Crores for the current year as against Rs.40.27

Crores in the previous year. In view of the restructuring of the Company the above results are not comparable with those of the previous year.

## Dividend

After the successful divestment of telecom stake the Company paid a Special Dividend of Rs. 20/- (200% on the face value of Rs. 10/- on Share Capital of Rs. 41.07 crore prior to demerger) in the month of September 2006, aggregating a total payout of Rs. 93.20 Crores inclusive of Dividend Distribution Tax.

Your Directors now recommend a final dividend of Rs. 10/- per share (100% on the face value of Rs. 10/- on post demerger Share Capital of Rs. 20.53 crore) for the current year aggregating a total payout of Rs. 24.03 Crores inclusive of Dividend Distribution Tax.

The total amount of dividend paid including interim Dividend inclusive of Dividend Distribution Tax would be Rs. 117.23 crores.

## II. IT/ITES Business

Hinduja TMT Limited ("Hinduja TMT") restructured the operations of the IT/ITES business by demerging the business into a separate Company, Now called HTMT Global Solutions Limited ('HGSL')

Hinduja TMT, with the approval of its shareholders and creditors made a Scheme of Arrangement and Reconstruction under section 391 to 394 and other applicable provisions of the Companies Act, 1956 for the demerger of IT/ITES undertaking of Hinduja TMT into a separate Company, Now HGSL, on a going concern basis. The Appointed Date for the demerger as per the Scheme was 1<sup>st</sup> October 2006. The Scheme was sanctioned by the Hon'ble High Court of Judicature at Bombay vide its Order dated February 23, 2007, which was filed with the Registrar of Companies, Maharashtra on March 07, 2007, which is the effective date of the Scheme.

The demerger of the IT/ITES undertaking into a separate Company would provide it with focus and ability to provide innovative solutions and transform with the dynamics of the business apart from creating value for stakeholders.

The Company's erstwhile business of IT/ITES retained its strong growth impetus in all locations. The new domestic business achieved breakeven status by the first quarter of year, almost one full quarter before budgeted break even. The existing relationships with two of the largest telecommunication players in India have been growing from strength to strength, with new centres in Chennai, Hyderabad and Mumbai ramping up rapidly. There are plans to set up new centres in Tier II cities in the southern and eastern parts of the country. Accordingly, two new centres are planned to go live in the second half of the year in Mysore, Karnataka and Durgapur, West Bengal, respectively. These ventures would mark HGSL's first foray into Tier II cities.

Because of abundant availability of manpower, lower infrastructure costs and lower attrition rates, the Tier II cities are expected to be the new growth geographies for the IT/ITES industry and as in the past, ours is one of the first companies off the block to explore this opportunity.

In its international businesses, the biggest client in the health insurance space has expanded its operations with HGSL into Manila, where, for the first time, HGSL has started doing call centre work for its insured members. The project has been successful and opens up the possibility of large ramp up and increased business. The Company has also been successful in signing up two major international clients for new business, the first one being a Japanese consumer electronics giant, for whom HGSL would be doing call centre work from Manila for its US-based consumers. The second new client is a European Insurance major, for whom HGSL would be doing, claims adjudication work in Bangalore. Both these processes have started and augur well for the future growth of the international business.

HGSL has also strengthened its sales organization in North America, with the hiring of new sales personnel. This new hiring augments the strength of the sales force in America and sets the stage for faster acquisition of organic business in the coming years.

HGSL has also been very active in the mergers and acquisition space. It has acquired a very well reputed call center company based out of Peoria in Illinois state. The acquisition of onshore capabilities would significantly add to the Company's delivery capabilities and global foot print, which is of prime importance in this business.

### III. Subsidiaries

#### Media and Broadband Subsidiaries

Your Company's media and broadband subsidiaries performed better than last year and expect to do better in light of the changing environment.

#### IndusInd Media and Communications Limited (INCABLENET)

This Year was an eventful year for Media Subsidiaries as well. The Media business which started a consolidation exercise last year continued strongly and made a turnaround this year with better than expected results on strength of overall business environment, introduction of Conditional Access System (CAS) and divestment of telecom stake.

INCABLENET is India's premier entertainment conglomerate, where your Company owns a majority stake of 63%. INCABLENET is engaged in digital cable distribution in major metros with more than 170 TV channels distributed over its fiber optic trunk line under the brand "Indigital". The analog system delivers over 90 TV Channels in major and mini metros under the brand "Incable".

After completion of the merger with "In2cable" and "InNetwork" in 2007, INCABLENET has initiated focus on the growth of its various core divisions of Content and Delivery. INCABLENET's distribution reach is approximately over 6 million Cable homes and has been strengthened by Digitisation of Cable Services in Delhi and Mumbai with addressable platforms. Further Digitisation of cities is planned this year. The Digitised network serves Broadband Cable Services with national level ISP license. This is backed by over 6000 kms of fibre optic network of which 80% is two way enabled.

INCABLENET is India's first and largest integrated Multi System Operator (MSO) and is among the world's 10 largest Cable TV Operators. It has pioneered the concept of MSO by aligning LCO franchise arrangements with small operators. INCABLENET provides services to its customers with the help of centralized head ends that service a complete city (for example Mumbai, Bangalore, Delhi etc). Incablenet has the distinction of offering the highest number of channels, hi-speed internet over cable, voice over internet protocol and other value added services.

INCABLENET has a presence in content aggregation through 'Planet E - Shop Holdings' and shopping channel business through 'Shop24Seven' thereby being in the full cycle of Media business.

The diverse interests of INCABLENET in the entertainment business combined with the wide spectrum of activities of its parent, have provided the organisation with a unique positioning to implement an integrated entertainment business model in India.

#### Digital Cable Delivery with Addressability

In August 2006 the Government through TRAI introduced the much awaited mandatory CAS in the notified areas of Mumbai, Delhi and Kolkatta effective 1st Jan, 2007. The introduction of CAS has brought about much needed transparency through the advent of addressability.

INCABLENET has successfully implemented the first stage of CAS in the notified areas of Mumbai and Delhi under the brand name of "Indigital" Services with approximately 250 LCOs joining as CAS franchise operators. INCABLENET has deployed over 1.18 lakh STBS in Mumbai and Delhi CAS areas in its direct points and franchise points. It continues to deploy Digital STBs in non CAS zones of Mumbai and Delhi and has already over 20,000 such STBs deployed. INCABLENET has launched attractive bouquet schemes, besides ala carte schemes in the CAS areas.

The second phase of CAS in Mumbai, Delhi and Kolkatta is likely to be launched early next year. INCABLENET has strong presence in the areas expected to be notified. INCABLENET has already lined up procurement and supply of STBs in sufficient numbers to be CAS ready.

## Merger

During the year, InNetwork Entertainment Limited the content company with a CVO channel and In2cable (India) Limited the broadband subsidiary merged into Indusind Media & Communications Limited with effect from 1st April, 2006. The merger of the content, broadband and cable distribution business into one Company would integrate various businesses riding on a common platform besides bringing in efficiencies. The merger provides an opportunity to INCABLENET to exploit value added services and triple play i.e. telephony, video & data.

## IV. Future Outlook

### Real Estate

Hinduja TMT has a valuable real estate holding in the form of 47 Acres of land at Bangalore. The land is uniquely positioned in the BIAAPA zone at Navaratna Agrahare, which is 5 km off the main highway road leading to the new upcoming airport. The current book value of the real estate holding is Rs.10.53 Crores, whereas market value of the real estate prices in the vicinity have appreciated considerably. Your Company is working to maximise the revenue potential and create value out of the existing piece of real estate. The Company is working on options that would provide a continuous stream of revenue as well as generate handsome returns thereby uniquely positioning the Company towards value creation.

### Media

#### Digital Cable, Content, Broadband

The introduction of mandatory CAS in phase I in three cities provided an excellent opportunity to show-case the benefits of digitization and enhance consumer experience. Further the Government is now planning a phased roll out of digital cable services in the top 55 cities with over one million population and all the State Capitals and key Union territories, in the next 4 years. All these developments throw open an opportunity for INCABLENET to expand exponentially and grow in the Media space in the years to come.

### Content Business

With the proliferation of various mediums of entertainment, the media industry is in the midst of an unprecedented boom. With the content subsidiary INEL merging into one Media Subsidiary, the content business has thrown up several opportunities for the Company. INCABLENET is evaluating a multi pronged business strategy for exploitation of content on existing cable distribution and through other normal channels.

The growth in media sector has opened several opportunities for your Company. The Company is launching content Aggregation business involving exploitation of distribution and marketing rights of some leading international channels. The distribution strength of InCablenet coupled with the experience of Hinduja TMT in nurturing and maturing the business, places the Company in a strong position to exploit this new window of opportunity in the content aggregation space.

## Broadband

The Country has been witnessing a telecom revolution in recent years. With the proliferation of over 200 million telephone connections, 70 million cable connections and 8.8 million subscribers to the internet, Broadband provides an immense opportunity to the Company to cash in on the boom in the internet and broadband industry. Discussions are on with suitable partners to provide WIFE & WIMAX solutions.

## Telecom

The telecom business which your Company nurtured was fully realised this year with the divestment of its valuable telecom stake in the leading Indian Cellular operator Hutchison Essar Limited. The Company has retained its portfolio of telecom asset in the form of VOIP. InCablenet is currently working on a business model of offering triple play services involving voice, video and data. The Company will nurture VOIP business as part of triple play offerings, which will bring immense value to shareholders in the foreseeable future.

## New Initiatives

The Company has a cash surplus of approximately Rs.500 Crores. As in the past, the Board is reviewing various options which will generate value for all the stakeholders.

With the kind of equity the Company carries, there is an immense potential to drive long gestation value enhancing business model leveraging on the existing net worth and economic boom. The Company after evaluation of various business propositions will undertake business in the best interest of the Shareholders.

## Communication and Public Relations

Your Company has, on a continuous basis, endeavoured to increase awareness among its stakeholders and in the market place about the Company's strategy, new developments and financial performance as per rules laid down by the Regulatory Authorities like SEBI etc.

In parallel, internal communication and brand building within the organization is being given further impetus and your company is poised to achieve positive results out of these efforts

The Personnel of Hinduja TMT along with its subsidiaries have been key member of apex Government bodies/TRAI and MSO alliance. Their contribution has been instrumental in recommending to the Government for digitalization of television medium and its addressability. This has led to introduction of CAS and awareness among the Government and industry at large.

## Chief Executive Officer (CEO) and Chief Financial Officer Certification

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as required under clause 49 of the Listing Agreement, and (CEO) Declaration about Code of Conduct are furnished in Annexure A and A-1 to this report.

### Conservation of Energy, Technology Absorption and Foreign exchange earnings and outgo

Information required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Director) Rules, 1988, with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are furnished in Annexure - B to this Report.

### Corporate Governance

A detailed report on Corporate Governance in compliance with listing agreements forms Annexure - C

The Statutory Auditors of your Company have examined the Company's compliance and have certified the same as required under the listing agreements. The certificate is reproduced as Annexure-D.

Further, a separate Management Discussion and Analysis Report covering a wide range of issues relating to performance, outlook etc., is annexed as Annexure-E.

### ESOPS

The ESOP plan 'Hinduja TMT Ltd. Employees Stock Option Plan 2001' (the "plan") was introduced last year to reward and retain key employees in keeping with market trends of compensation. The plan received overwhelming response. Your Company has allotted 172,119 equity shares during the year. The ESOP plan apart from creating wealth for employees has induced affinity among employees and reduced attrition for the Company.

The disclosures required to be made under the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are given in Annexure-F to this report.

### Fixed Deposit

Your Company has not accepted any fixed deposits from the public and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

### Internal Control Systems and their adequacy

The Company maintains adequate systems of internal control to ensure that all assets are safeguarded against loss from unauthorised use or disposition. Company policies, guidelines and procedures are in place to ensure that all transaction are authorised, recorded and reported correctly.

### Directors

Mr. D. G. Hinduja and Mr. Anil Harish, Directors of your Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Dr. C. Srinivasan resigned as Director of the Company with effect from 30th January, 2007. The Board places on record its appreciation for the valuable contributions made by Dr. C. Srinivasan his tenure.

Mr. Prakash Shah and Mr. Prabal Benerjee were appointed as additional directors of the Company effective 11th June, 2007. Mr. Prakash Shah M.Com, L.L.B., B.A (Hons), was a career diplomat belonging to Indian Foreign Service who has held many important positions as Ambassador to various countries and permanent representative of India at United Nations Organisation. Mr. Prabal Benerjee is a top rank holder and Gold Medallist in Chartered Accountancy and holds the position of Group CFO and Group President (Finance) of the Hinduja Group.

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 your Directors, based on the information and documents made available to them, confirm that:

- i) in the preparation of annual accounts for year ending 31st March, 2007, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently. Judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of your Company as on March 31, 2007 and of the profit of your Company for the year ended March 31, 2007;
- iii) proper and sufficient care to the best of their knowledge and ability has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis;

### Appointment of Manager and Company Secretary

Consequent upon demerger of IT/ITES business to HTMT Global Solutions Limited (HGSL) as a part of Scheme of Arrangement and Reconstruction of the Company, Mr. Partha Sarkar, who was appointed as manager and designated as Chief Executive Officer - IT and ITES was transferred to HGSL and hence ceased to be Manager and CEO of the Company effective 7th March, 2007.

Mr. Dilip Panjwani was appointed Manager and Company Secretary with effect from 7th March, 2007 to oversee the functions of the Finance & Secretarial department of the Company. Mr. Dilip Panjwani is a Chartered Accountant and Company Secretary and has over ten years of experience in the field of Finance & Secretarial matters. He has worked with various multinational and Indian Companies.

Mr. Dilip Panjwani's appointment is subject to the approval of the shareholders, which is being sought at the ensuing Annual General Meeting.



### Auditors

M/s Price Waterhouse, Chartered Accountants, the Statutory Auditors of your Company, retire at the conclusion of the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment. The Board recommends their appointment.

### Employees Particulars

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, in accordance with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 this report is being sent to all the shareholders of the Company excluding the aforesaid information. Members interested in obtaining the said information may write to the Company Secretary at the registered office of the Company.

### Acknowledgements

Your Board takes this opportunity to thank the customers, vendors, business partners, shareholders and bankers for the faith reposed in the Company and also to thank the Government of India, State Government, various regulatory authorities and agencies for their support and looks forward to their continued encouragement. Your Directors place on record their sincere appreciation of the contribution of the Company's most important asset, viz: employees, who through their competence, hard work and co-operation have enabled the Company to achieve consistent growth.

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> July, 2007

**Ashok P. Hinduja**  
Executive Chairman



# Annexure 'A' To the Directors' Report

## Certificate in terms of Clause 49 of the Listing Agreement.

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee that; there are,
- i. no significant changes in internal control over financial reporting during the year;
  - ii. no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**Dilip Panjwani**  
Manager and Company Secretary

Place : Mumbai  
Date : 30<sup>th</sup> July, 2007

## Annexure 'A-1' To the Directors' Report

### Confirmation towards Code of Conduct:

I hereby confirm that all the Board members and Senior Management Personnel have affirmed Compliance with the Code of Conduct for the year ending 31<sup>st</sup> March, 2007.

**Dilip Panjwani**  
Manager and Company Secretary

Place : Mumbai  
Date : 30<sup>th</sup> July, 2007

# Annexure 'B' To the Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Information required to be provided under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the report of the Board of Directors) Rules, 1988 in relation to Conservation of Energy, Technology Absorption and Research and development are currently not applicable to the Company.

Export Initiative, Foreign exchange earnings and Outgo.

➤ **Export initiatives and development of new export markets.**

The share of export income in the total income for last two years is as given under:

For the year	2006-2007	2005-2006
Exports as a:		
% of Operating income	63%	84%
% of Total income	11%	79%

➤ **Foreign Exchange Earnings and Outgo**

	(Rs. in lacs)	
	2006-2007	2005-2006
Total Foreign Exchange earned	12,011.72	20017.35
Total Foreign Exchange outgo	6,262.02	9887.87

For and on behalf of the Board

Place : Mumbai  
Date : 30<sup>th</sup> July, 2007

Ashok P. Hinduja  
Chairman

# Annexure 'C' to the Directors' Report

## Report On Corporate Governance

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") and the Management of your Company commit themselves to:

- Striving towards enhancement of shareholder value in the medium and long term through sound business decisions, prudent financial management and high standard of ethics throughout the organisation.
- Ensuring transparency and professionalism in all decisions and transactions of the Company.
- Achieving excellence in Corporate Governance by
  - ❖ Conforming to and exceeding wherever possible, prevalent guidelines on Corporate Governance.
  - ❖ Reviewing the Board processes and Management systems regularly to improve governance relating to all the above.

### 2. BOARD OF DIRECTORS

#### A. Composition:

The composition of your Company's Board is as under:

#### Executive Director (Promoter Group)

Mr. A. P. Hinduja, Executive Chairman

#### Non-Executive Directors (Promoter Group)

Mr. R. P. Hinduja, Co-Chairman

Mr. D. G. Hinduja

#### Non-Executive Directors (Independent)

Mr. H. C. Asher

Mr. Anil Harish

Mr. R. P. Chitale

Dr. C. Srinivasan (up to 30/01/2007)

#### Managing Director and Chief Executive Officer

Mr. K. Thiagarajan (up to 30/04/2006)

#### Manager and Chief Executive Officer

Mr. Partha De Sarkar (w.e.f. 01/05/2006 and up to 06/03/07)

#### Manager

Mr. Dilip Panjwani (w.e.f. 07/03/2007)

The composition of the Board is in conformity with Clause 49 of the Listing Agreement with Stock Exchanges.

#### B. Dates of Board Meetings held during the year:

Date of Board Meeting	Board Strength	No of Directors present
26/04/2006	8	8
30/06/2006	7	6
30/07/2006	7	7
31/08/2006	7	6
31/10/2006	7	7
30/01/2007	7	7

The time gap between any two Meetings did not exceed four months. The information as prescribed under Clause 49 of the Listing Agreement was placed before the Board from time to time, as required.

#### C. Attendance of Directors:

Name of the Director	No. of Meetings Attended	Attendance at the previous AGM held on 25/09/2006
Mr. A. P. Hinduja	6	Yes
Mr. R. P. Hinduja/ Ms. Vinoo S. Hinduja (i)	6	Yes
Mr. D. G. Hinduja/ Mr. Ravi Mansukhani & Mr. I. N. Chatterjee (ii)	6	Yes
Mr. K. Thiagarajan (up to 30/04/2006)	1	N.A.
Mr. H. C. Asher	6	Yes
Mr. Anil Harish	6	No
Mr. R. P. Chitale	5	Yes
Dr. C. Srinivasan (up to 30/01/2007)	5	Yes

(i) Alternate Director to Mr. R. P. Hinduja

(ii) Mr. Ravi Mansukhani was appointed as Alternate Director to Mr. D. G. Hinduja with effect from 27/04/2006. (Mr. I. N. Chatterjee - Alternate Director to Mr. D. G. Hinduja up to 25/04/2006)



#### D. Details of Membership of the Directors in Boards and in Board Committees (including HTMT):

Name of the Director	Boards*	Board** Committees	Chairmanship of Board Committees
Mr. A. P. Hinduja	3	—	—
Mr. R. P. Hinduja	8	3	—
Mr. D. G. Hinduja	6	2	—
Mr. H. C. Asher	10	9	3
Mr. Anil Harish	15	9	3
Mr. R. P. Chitale	7	6	2
Ms. Vinoo S. Hinduja (Alternate to Mr. R. P. Hinduja)	2	—	—
Mr. Ravi Mansukhani (Alternate to Mr. D. G. Hinduja w.e.f. 26/04/2006)	4	—	—

\* (Excludes Foreign Companies, Private Limited Companies and Alternate Directorships).

\*\* (Only the following Board Committees have been considered for this purpose: Audit Committee and Shareholders' / Investors' Grievance Committee)

#### ● Secretarial Standards relating to Meetings

The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards relating to Meetings of the Board and Committees thereof, General Meetings, Dividend and Registers and Records. These Standards are presently recommendatory and may become mandatory in due course. The secretarial practices of your Company generally comply with these Standards.

### 3. AUDIT COMMITTEE

#### A. Terms of reference

The minutes of the meetings of the audit committee are placed before the Board. The terms of reference of the audit committee are in accordance with all the items listed in clause 49 (II) (D) and (E) of the listing agreement as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The audit committee powers include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### B. Composition

The composition of the Audit Committee is as follows:

Chairman : Mr. Anil Harish  
 Members : Mr. R. P. Chitale  
                   Mr. R. P. Hinduja  
                   Mr. H. C. Asher (w.e.f. 09/06/2006)

The Company Secretary acts as secretary to the Committee. The permanent invitees to Audit Committee meetings include representatives of the Statutory Auditor, representatives of the Internal Auditor and the Chief Financial Officer.

#### C. Meetings and Attendance

The details of meetings held during the year and the attendance thereat are as follows:

**Dates of Meetings:** 26/04/2006, 30/06/2006, 30/07/2006, 31/10/2006, 15/01/2007 and 30/01/2007.

##### Attendance

Name of the Director	Number of Meetings attended
Mr. Anil Harish	6
Mr. R. P. Chitale	5
Mr. R. P. Hinduja/ Ms. Vinoo S. Hinduja*	5
Mr. H. C. Asher (w.e.f. 09/06/2006)	5

\* Alternate Director to Mr. R. P. Hinduja

#### 4. COMMITTEE OF DIRECTORS

##### A. Terms of reference

The Committee of Directors is inter-alia empowered to oversee the functioning of your Company and its subsidiaries, to provide strategic direction to the subsidiaries/ associates of your Company, and to approve investments and borrowings within the limits prescribed by the Board.

##### B. Composition

Chairman : Mr. D. G. Hinduja  
 Members : Mr. R. P. Hinduja  
                   Dr. C. Srinivasan (up to 30/01/2007)  
                   Mr. K. Thiagarajan (up to 30/04/2006)

##### C. Meetings

No meetings were held during the year under review.

#### 5. INVESTORS' GRIEVANCE COMMITTEE

##### A. Terms of reference

The Committee specifically looks into the redressal of shareholders' and investors' grievances, if any, relating to transfer of shares, non-receipt of dividends, issue of duplicate shares and any other matter of shareholders' interest.

The Committee reviews the system of dealing with and responding to correspondence from all categories of investors. The details of complaint letters, if any, received from Stock Exchanges/ SEBI and responses thereto are reviewed by the Committee. The Committee also reviews/ approves initiatives for further improvements in servicing investors.

During the year 7 complaints were received from shareholders, which were duly attended to.

##### B. Composition

Chairman : Mr. Anil Harish  
 Members : Mr. D. G. Hinduja  
                   Mr. R. P. Hinduja  
                   Mr. H. C. Asher (w.e.f. 30/06/06)  
                   Mr. K. Thiagarajan (up to 30/04/06)

##### C. Meetings

The Committee met on 31/10/2006 and 28/03/2007.

##### Attendance.

Name of the Director	Number of Meetings attended
Mr. Anil Harish	2
Mr. K. Thiagarajan (up to 30/04/2006)	N.A.
Mr. D. G. Hinduja	2
Mr. R. P. Hinduja	1
Mr. H. C. Asher (w.e.f. 09/06/2007)	2

#### 6. COMPENSATION COMMITTEE

##### A. Terms of Reference

Pursuant to the resolution passed by the shareholders at the Extra Ordinary General Meeting held on February 20, 2001 and in accordance with the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Compensation Committee was authorized to determine the terms governing the "Hinduja TMT Ltd. Employees Stock Option Plan, 2001" including any variation thereof