

Annual Report
2005 - 2006



ORG INFORMATICS LIMITED
(An ISO 9001 : 2000 Company)

BOARD OF DIRECTORS

Mr. Ajoy K. Khandheria
Managing Director & CEO

Mr. John Cornell

Mr. B. V. Suryakumar

Mr. Mohal Sarabhai

INDEX

Notice	01
Director's Report	03
Auditor's Report	09
Balance Sheet	11
Profit & Loss Account	12

Schedules

1. Share Capital	13
2. Reserves & Surplus	13
3. Secured Loan	13
4. Fixed Assets	13
5. Unsecured Loan	14
6. Investment	14
7. Inventories	14
8. Sundry Debtors	14
9. Cash & Bank balances	15
10. Loan & Advances	15
11. Current Liabilities & Provisions	15
12. Deferred Revenue Expenditure	15
13. Revenue from Operations	16
14. Other Income	16
15. Stores and Spares Consumed	16
16. (Increase)/Decrease in Inventories	16
17. Operating & Maintenance Expenses	16
18. Employee Cost	16
19. Administrative and Other Expenses	16
20. Interest and Finance Charges	16
21. Significant Accounting Policies and Notes to Accounts	17
Cash Flow Statement	23
Balance Sheet Abstract and Company's General Business profile	25
Annual Report of Subsidiary Company i.e. ORG Telecom Limited	26
Consolidated Financial Statements	37

Auditors

Deloitte Haskins & Sells
Chartered Accountants
12, Dr. Annie Besant Road
Opp. Shivasagar Estate
Worli, Mumbai - 400 018

ORG Informatics Limited

Regd. Office:

3rd Floor, "Abhishek", Akshar Chowk, Old Padra Road,
Vadodara 390 020.

Notice

The Thirtieth Annual General Meeting of the Company will be held on Tuesday, September 19, 2006 at 11.00 A.M. at Vanijya Bhavan, Race Course, Vadodara to transact the following business:

Ordinary business:

Item 1

To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31.3.2006 and the Balance Sheet of the Company as on that date.

Item 2

To appoint a Director in place of Mr. B.V. Suryakumar, who retires by rotation and being eligible offers himself for re-appointment.

Item 3

To appoint Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the board to fix their remuneration.

Special business:

To consider and, if thought fit, to pass with or without modifications, the following:

Item 4- Ordinary Resolution

To appoint a Director in place of Mr. Mohal Sarabhai, who holds office of a Director upto a date of this Annual General Meeting and being eligible offers himself for re-appointment.

Item 5 – Special Resolution :

"RESOLVED THAT in accordance with and subject to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act 1956, and/or Foreign Exchange Management Act, 1999 (including any statutory modification (s) or re-enactment thereof for the time being in force), Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, the Foreign Exchange (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and other applicable Rules, Regulations, Notifications, Circulars, Schemes and guidelines if any, of the Securities and Exchanges Board of India (SEBI) and the Stock Exchanges, where the securities of the Company are listed (including provisions of the listing agreement with them), and other concerned and relevant authorities and other applicable laws, if any, and the relevant provisions of the Memorandum and Articles of Association of the Company; and subject to such approvals, consents, permissions, or sanctions of the Government of India (GOI), RBI, SEBI and any other Indian/Overseas appropriate authorities, institutions or bodies as may be necessary and subject to such terms, conditions, stipulation, alterations, amendments, modifications or variations as may be prescribed by any of them in granting any such approvals, consents, permissions, or sanctions; and which may be agreed to by the

Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of Directors for the time being authorized by the Board of Directors to exercise the powers conferred by this resolution), CONSENT OF THE MEMBERS of Company be and is hereby accorded authorizing the Board to create, offer, issue and allot on behalf of the Company, in one or more lots (including with provision for reservation on firm and/or competitive basis) of public or private offerings in domestic and/or international markets, through prospectus and/or offer letter or other permissible/requisite offer document, Foreign Currency Convertible Bonds (FCCBs) and/or Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) and/or other Depository Receipts (DRs) and/or Securities representing either Equity Shares or convertible Securities through Depository Receipts, and/or Equity Shares and/or any other Securities convertible into Equity Shares at the option of the Company and/or holders of the Securities and/or Securities linked to Equity Shares and/or Securities with or without detachable/non detachable warrants (hereinafter referred to as the "Securities") whether secured by way of creating charge on the assets of the Company or unsecured, subscribed to in Indian/Foreign Currency(ies), by Indian or Foreign Banks, Institutions, Institutional Investors, Mutual Funds, Companies, Other Corporate Bodies, Trusts, Funds, Hedge Funds, Resident/Non-Resident Indians, Foreign Nationals, individuals and other eligible Investors, persons or entities (hereinafter collectively referred to as "Investors") as may be decided by the Board; whether or not such investors are members of the Company; up to an aggregate amount not exceeding US\$ 15 Millions (United States Dollars Fifteen Millions Only) or equivalent amount in Indian or any other currency as the case may be (inclusive of such premium as may be determined), and such offer, issue and allotment to be made, at such time or times, in Indian Rupees or any convertible foreign exchange or other currencies as may be permissible and/or required, at such price or prices, at a discount, par or premium to market price, in such form and manner and on such other terms and conditions as may be decided and deemed appropriate by the Board at the time of such offer, issue and allotment, subject however, to the applicable guidelines, rules, regulations, notifications, circulars and applicable statutory provisions.

RESOLVED FURTHER THAT the Company through its Board or any of its Committee and/or any agency, body or person authorized by the Company, may issue receipts/certificates or other requisite documents representing the underlying Securities issued/to be issued by the Company with such features and attributes as are prevalent in Indian/international capital markets, for instruments of this nature, and provide for the tradability or free transferability or two ways fungibility thereof as per laws, rules, regulations and guidelines under the forms and practices prevalent in the Indian international markets.

RESOLVED FURTHER THAT the Board be and is hereby authorized to create, issue and allot, from time to time, such number of Equity Shares/Securities at such price (including premium) that may be decided by the Board in its absolute discretion, as may be necessary in accordance with the terms of the offering of any of the aforesaid Securities, including additional Equity Shares or Securities, all such Shares/Securities ranking pari-passu with the then existing respective Shares/Securities, as the case may be, of the Company, but shall be subject to such lock-in-requirements as may be prescribed by appropriate authorities under applicable laws, if any.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities or Instruments or Equity Shares or Securities representing the same, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose, including but without limitation, determining the type, form and manner of the issue/securities, the class of eligible investors to whom the securities are to be offered, issued and allotted in each lot, issue price, face value, premium amount on issue/conversion of Securities/exercise of warrants/redemption of securities, rate of interest, conversion or redemption period, to dispose off securities that are not subscribed in its absolute discretion in the manner as permissible by law, to decide on appointment of Lead Managers, Merchant Bankers, Guarantors, Financial and/or Legal Advisors, Depositories, Custodians, Listing Agent, Registrars, Trustees, Bankers, and all other agencies or intermediaries, whether in India or abroad, and to remunerate them by way of commission, brokerage, fees or the like, entering into or execution of all such agreements/arrangements/Memorandums of Understanding/documents with any authorities/agencies, listing of the Shares/Securities (including the resultant Equity Shares to be issued as per the terms of issue of the said Securities) on any Indian and/or Foreign Stock Exchange(s), as it may in absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties, doubts or problems that may arise in regard to the offer, issue, or allotment of Securities, their listing, utilization of the issue proceeds and any other relevant or consequential matters/questions arising out of or incidental to the aforesaid matters, or in implementation of this resolution or related thereto; as it may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise, with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution. RESOLVED FURTHER THAT to give effect to the aforesaid resolution, the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or Managing Director or any Director or Directors or other officer of the Company, or to any intermediary or agent of the Company, or to such other person(s) as the Board may think fit and necessary at its absolute discretion."

By Order of the Board of Directors,

Gaurav Kumar Arora
Company Secretary
July 31, 2006

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 A PROXY NEED NOT BE A MEMBER.
2. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from September 13, 2006 to September 19, 2006 (both days inclusive)
3. Shareholders holding the shares in Electronic form are requested to bring their Client ID and DPID at the meeting for easy identification.
4. The information required to be given pursuant to Corporate Governance Code regarding appointment/reappointment of Director/s is as under:
 - i) Mr. B.V. Suryakumar is a Graduate in Commerce and Professional Cost Accountant (ICWAI). He has

over 44 years of wide and varied experience in Managing various areas of Corporate Management. His last employment was at Essar Projects Limited, Mumbai where he served at its Whole-time Director & CEO. He holds Directorships in 5 other Companies including Private Limited Companies. He holds 22 equity shares in the Company.

- ii) Mr. Mohal Sarabhai is B.S., Mechanical Engineering from University of Wisconsin, Madison, WI and University of Arizona, Tucson, AZ. He has over 10 years of wide and varied experience in the Pharmaceutical Industry in various fields-Business / Corporate Development into International Sales and Marketing. Since the year 2003, he is President and CEO of Asence INC, a fast growing New York based Pharmaceuticals and Health care Company. He holds Directorship in 5 other companies including Private limited companies. He holds 962 equity shares in the Company.

Explanatory Statement.

Required under Section 173 of the Companies Act, 1956, to accompany the notice of Thirtieth Annual General Meeting of the Company.

Item 4

The Board of Directors of the Company, had at its meeting held on 20.1.2006 appointed Mr. Mohal Sarabhai as Additional Director on the Board of Directors of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956, he hold office of a Director only upto the date of ensuing Annual General Meeting of the Company, but he is eligible for re-appointment. As required under Section 257 of the Companies Act, 1956, notice has been received from a member signifying his intention to propose his name for the office of Director. The Board of Directors considers it desirable that the Company continues to avail of the services of Mr. Mohal Sarabhai as Director of the Company. Mr. Mohal Sarabhai may be considered to be interested in the resolution.

Your Directors commend the Resolution as set out in the accompanying notice.

Item 5

Your Company is planning expansion of its various Business units (SBUs) through Organic and Inorganic growth i.e. acquisitions etc. The Company is in the process of opening new offices across the Country for imparting training in Software, education in Information Technology Services and software development. The Company is actively engaged in procuring projects in telecom and IT sector. Therefore, in view of the expansion plans, it is proposed to raise funds from Overseas/Domestic market by issue of ADR/GDR/FCCB or other financial instruments.

The said resolution is seeking approval of the members of the Company for the proposed issue (s) of securities and is proposing to confer authority on the Board to do all acts and deeds, which may be required to offer, issue and allot securities of appropriate nature at an opportune time, including the size, structure, price, time and other terms and conditions of the offer/issue.

The detailed terms and conditions for the issue/offering in Indian/international capital market will be determined in consultation with the lead managers, consultants, advisors, underwriters and/or other such other intermediaries as may be appointed for the issue/offer. Wherever necessary and applicable, the pricing of the offer/issue will be finalized in accordance with the applicable guidelines in force of the Government of India, the Reserve Bank of India, Securities and Exchange Board of India and other appropriate authorities, as may be amended from time to time and clarification(s)/ amendment(s) that may be issued in the said regard.

Section 81(1) of the Companies Act, 1956 inter-alia provides that whenever its is proposed to increase the subscribed capital of the Company by issue of further shares, such shares shall first be offered to the existing shareholders of Company in the manner laid down in the said section; unless the Shareholders decide otherwise by a special resolution. Accordingly, consent of the members of the Company is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956, the provisions under Listing agreements executed by the Company with the Stock Exchanges, and other applicable laws, rules, regulations, guidelines and schemes, authorizing the Board to create, offer, issue and allot securities as stated in the said resolution, which would result in issuance of the further securities of the company to the person other than the existing members, in accordance with the terms and nature of the securities.

The said item requires the approval of the shareholders of the Company by way of special resolution.

Therefore your Directors recommend the resolution set out in the item No. 5 of the notice for the approval of members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution except and to the extent of issue of securities in the domestic securities, which they may subscribe to such securities in their personal names or the names of relatives or concerns in which they are interested.

Inspection of Documents

All the documents referred to in the accompanying Notice and Explanatory Statement shall be open for inspection at the Registered Office of the Company during business hours on all working days (except Saturdays) till the date of the meeting. By order of the Board of Directors,

Gaurav Kumar Arora
Company Secretary
July 31, 2006.

Directors' Report

1. To the Members

Your Directors have pleasure in submitting the Annual Report and Audited Statement of Accounts for the year ended 31.3.2006.

2. Financial Results

The financial Results of the Company on consolidated basis are summarized hereunder :-

	2005-2006	2004-2005
	TRs.	TRs.
Income	1,564,171	856,866
Expenditure	1,416,737	795,164
Gross Profit	147,434	61,702
Interest & Finance Charges	16,998	12,625
Depreciation & Amortization	23,774	19,881
Tax	25,610	1,896
Prior Period Adjustments	-	2,198
Net Profit	81,052	25,102

3. Dividends

Your company has been able to register a significant growth in the profitability for this year but it intends to use the funds generated through profits to cater the needs of its expanding business which will ultimately increase the worth of the shareholders, and therefore, your Directors are not recommending payment of any dividends for this year.

4. Operations

Sales and services for the period under review have shown an increase of 82.55% as compared to the previous year. Your Company has received few major overseas orders in new geographical area and one big order from Bharat Electronics Limited for supply of Convergent Billing System and its maintenance to Mahanagar Telephone Nigam Limited (MTNL). Total size of this order is of Rs. 421 Crore. Few such orders are in pipeline also. Positive financial impact of these orders can be seen in coming years in the terms of continuous growth of the Company with such considerable pace. Board of Directors would again like to acknowledge the strategic alliance with Global Asia Partners (GAP), a US based venture capital fund. This strategic alliance with GAP has brought fruitful results for the Company and it is expected under the guidance of Mr. Ajay K. Khandheria, GAP will continue to play a major role in increasing the stakeholders' value. No doubt this strategic alliance has turned around the Company.

Management of the Company under the directions of your Board of Directors is continued in achieving the targets of cutting down in cost of operations and getting efficiency in this area by using better alternate resources/ means.

As is evident that Company has been able to significantly increase size of its business and operations by acquiring mega orders and few such orders are in pipeline also, execution of these new projects will involve increasing the permanent working capital base of the Company also, besides this, your Company is looking for growth by acquiring stakes in other Software/Products & Services companies also to achieve the growth in in-organic manner, therefore your Board of Directors has recommended for your approval one resolution to be passed as special resolution to raise funds upto USD 15 Million.

5. Subsidiaries

ORG Telecom Ltd. a wholly owned subsidiary of your Company has achieved excellent growth this year also. Its results have been annexed in the later part of the Annual Report on stand alone basis also. Through this subsidiary your Company is basically targeting the overseas market and successfully completed various projects in overseas markets and on few projects working is going on. Your Company expects a good future of this subsidiary particularly for projects in overseas market because it is getting tremendous response in overseas market because of its professional and dedicated way of working. One of the divisions of this subsidiary has been registered as 100% Export Oriented Undertaking to carry out the overseas project related business more efficiently.

6. Employees Stock Options Scheme

Pursuant to permission granted by the shareholders of the Company to issue shares under ESOS to its employees, your Board of Directors has formed an ESOS Committee. As on date this Committee is consisting of, Mr. Ajay K. Khandheria, Mr. John Cornell, Mr. Mohal Sarabhai and Mr. BV Suryakumar directors of the Company.

4 ORG Informatics Limited

Pursuant to the ESOS scheme framed by the Company in accordance to the approval obtained from shareholders vide resolution dated August 30, 2003, Company has got in principle approval for issuance of 791590 equity shares from the Stock Exchange, Mumbai. These shares could be issued by the ESOS Committee from time to time in accordance with the scheme and SEBI Guidelines. The said ESOS Scheme was extended to the employees of Subsidiary Company i.e. ORG Telecom Ltd. also vide Special Resolution passed by the shareholders of the Company in their Annual General Meeting held on 30.8.2005.

Following disclosures are being made in respect of the present ESOS Scheme and options allotted pursuant thereto as per the requirement of Clause 12.1 of the SEBI (ESOS & ESPS) Guidelines, 1999:-

- (a) Options granted: 127500 (On May 17, 2004 to be vested over a period of 4 years equally at the rate of 25% each year).
- (b) The pricing formula : Par Value or Last One year average of the closing price whichever is high.
- (c) Options vested : (i) As on May 17, 2005 – 30,000 options were vested. (ii) As on May 17, 2006 - 23,625 another options were vested
- (d) Options exercised : (i) 29250
(ii) 23625
- (e) (i) The total number of shares arising as a result of exercise of option: 29250. (ii) The total number of shares arising as a result of exercise of option : 23625
- (f) (i) Options lapsed : 750
(ii) Options lapsed : 5625
- (g) Variation of terms of options : N.A. except inclusion of employees of Subsidiary of the Company (ORG Telecom Limited).
- (h) (i) Money realized by exercise of options : Rs.2,92,500 (ii) Money realized by exercise of options : Rs. 2,36,250
- (i) Total number of options in force : 791590 options
- (j) Employee wise details of options granted to : Initially options were granted to 15 persons including senior managerial personnel i.e. 51500 options were granted to these senior managerial personnel.
9 personnel were granted 5% or more of option granted during the year.

Besides, above Company has granted 147500 options to the Employees of ORG Telecom Limited (a wholly owned subsidiary of your Company) and 145500 options to the Employees of ORG Informatics Limited on August 30, 2005. These options will be vesting over a period of 4 years commencing from August 30, 2006 at the rate of 25% each year. Rest of the features of this tranche of options were same as of aforesaid including the pricing formula which was taken on the basis of higher of last one year weighted average price or par value.

Under this tranche 11 employees of ORG Telecom Limited and 5 employees of ORG Informatics Limited were granted 5% or more of the options granted during the year. (you may please refer note no. 2 to the Notes to Account).

7. Directors

Mr. Kartikeya V. Sarabhai, Prof. V. Raghunathan and Dr. Arun Sobti resigned as Directors with effect from

1.12.2005, 27.4.2006 and 18.5.2006 respectively. The Board placed on record its appreciation of the guidance received from them during their association with the Company.

Mr. Mohal Sarabhai has been appointed as additional Director with effect from 20.1.2006.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Mohal Sarabhai hold office upto the ensuing Annual General Meeting of your Company. Notice together with the money deposit has been received from member pursuant to Section 257 of the Companies Act, 1956 proposing for appointment of Mr. Mohal Sarabhai as Director of the Company at the ensuing Annual General Meeting.

Mr. B.V. Suryakumar retire by rotation and being eligible offers themselves for re-appointment.

8. General

Particulars as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 is appended herewith and forms part of this report.

There was no employee who withdraw the remuneration exceeding the limits specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

9. Directors' Responsibility Statement

Your Directors confirm that :-

- (a) In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) 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 at the end of the financial year and of the profit or loss of the company for that period;
- (c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;
- (d) The directors have prepared the annual accounts on a going concern basis.

10. Corporate Governance

The Report on Corporate Governance as required under Clause 49 of the Listing Agreement is given as an Annexure to this Report. A certificate from Practicing Company Secretaries of the Company regarding compliance of applicable conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is also attached to this report.

11. Acknowledgements

The Board records its appreciation of the support which the Company has received from its bankers, customers, government organizations, overseas strategic alliance partners, staff and employees. The Board also appreciates the confidence reposed by the shareholders in the Company and its management.

For and on behalf of the Board of Directors

B. V. Suryakumar

Director

Place : Vadodara

Date : July 31, 2006

Ajoy K. Khandheria

Managing Director & CEO

Annexure to Directors' Report.

Information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Conservation of Energy

Although the Computer Services Industry as such is not an energy intensive industry, efforts are being made continuously by the Company for the conservation of energy through improved operational methods and other means.

Form of Disclosure of Particulars with respect to Absorption of Technology, Research & Development (R&D).

FORM B

1. Research & Development	: Not Applicable
2. Foreign Exchange earnings/ Outgoings	: Rs. (TRs.)
Foreign Exchange Earnings	: 416294
Foreign Exchange Expenditure	: —

Information required under Section 212 (3) (e) of the Companies Act, 1956 is as below:-

Name of the Subsidiary : ORG Telecom Limited

Extent of the Company's interest : 100%

Net aggregate amount of the Profits of Subsidiary belonging to Company's members : Rs. 1,53,87,766/-.

REPORT ON CORPORATE GOVERNANCE.**I. Corporate Governance Philosophy :**

The primary objective of good Corporate Governance is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness and to develop capabilities and identify opportunities that best serves the goal of value creation. Your company remains committed to achieving these objects. Given below is the report on corporate governance at ORG Informatics Limited.

II Board of Directors :

At present, the Board of Directors of the Company comprises of four Directors of whom one is Executive and three are Non-Executive Directors.

The Company is professionally managed and its Board of Directors comprises of professionally qualified Directors who have rich experience in the field of Management, Information Technology and Finance.

(a) Composition of Board :

Name	Category of Directorships.	No. of other Directorship	No. of Committee Memberships in Other Companies	Nos. of equity shares held in the Co
Mr. Kartikeya V.Sarabhai**	Non-Executive - Non Independent	35	1	2984
Mr. Ajoy Khandheria	Executive - Non Independent	5	—	3500
Mr. John Cornell	Non-Executive - Independent	6	—	Nil
Prof. V. Raghunathan ***	Non-Executive - Independent	0	—	Nil
Dr. Arun Sobti ****	Non-Executive - Independent	1	—	Nil
Mr. B.V. Suryakumar	Non-Executive - Independent	5	1	22
Mr. Mohal Sarabhai *****	Non-Executive - Non Independent	5	—	962

* including Private Companies.

** ceased to be Director with effect from 1.12.2005

*** ceased as Director with effect from 27.4.2006

**** ceased to be Director with effect from 18.5.2006

***** Appointed as Director with effect from 20.1.2006

No. of Board Meetings:-

8 Board Meetings were held during the year 2005-2006 on the following dates.

22.6.2005, 22.6.2005, 29.7.2005, 3.8.2005, 30.8.2005, 12.9.2005, 28.10.2005 and 20.1.2006.

(b) Attendance of Directors at Board meetings and the last Annual General Meeting.

Name of Director	Board Meeting Attended.	Last AGM Attended
Mr. Kartikeya V. Sarabhai*	5	Yes
Mr. Ajoy Khandheria	6	Yes
Mr. John Cornell	2	No
Prof. V. Raghunathan **	3	No
Dr. Anand Sarabhai ***	Nil	No
Dr. Arun Sobti ****	Nil	No
Mr. B.V. Suryakumar *****	5	Yes
Mr. Mohal Sarabhai *****	Nil	No
Mr. Pankaj Kumar *****	4	No

* Ceased to be Director with effect from 1.12.2005

** Ceased to be Director with effect from 27.4.2006

*** Ceased to be Director with effect from 22.6.2005

**** Ceased to be Director with effect from 18.5.2006

***** Appointed as Director with effect from 22.6.2005

***** Appointed as Director with effect from 20.1.2006

***** Appointed as an Alternate Director to Dr.Arun Sobti with effect from 29.7.2005 and ceased with effect from .9.2.2006.

(c) Code of Business Conduct and Ethics for Directors and Senior Management.

The Board of Directors of the Company by Circular Resolution dated 1.12.2005 passed by them, has adopted the Code of Business Conduct and Ethics for Directors and Senior Management ('the Code')

A copy has been put on the Website of the Company i.e. www.orgltd.com

The Code has been circulated to all the members of the Board and Senior Management and the Compliance of the same has been affirmed by them. A declaration signed by the Managing Director & CEO of the Company is given below :

DECLARATION

I hereby confirm that, the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the Financial Year 2005-2006.

For ORG Informatics Limited,

Ajoy Khandheria
Managing Director & CEO

d) Certification by the Managing Director & CEO and CFO:

Mr. Ajoy Khandheria, Managing Director & CEO and Mr. Rajesh Suri, Chief Finance Officer of the Company have issued a Certificate to the Board on the lines of sub-clause V of Clause 49 of the Listing Agreement in connection with the Financial Statements and Cash Flow Statement etc. for the year 2005-2006. The said certificate was placed before the Board Meeting held on 31.07.2006.

III. Audit Committee :

The Audit Committee comprises of following members.

Mr. John Cornell

Mr. Mohal Sarabhai

Mr. B.V. Suryakumar

During the financial year ended 31st March, 2006, four meetings of the committee were held and all the meetings were attended by two members.

IV. Investors' / Shareholders' Grievance Committee:

The Investors' / Shareholders' Grievance Committee comprises of following members.

Mr. Ajoy Khandheria

Mr. John Cornell

Mr. Mohal Sarabhai

Mr. B.V. Suryakumar

A meeting of the Investors' / Shareholders' Grievance Committee was held on 22.6.2005 where three members of the Committee were present. It was reported in the meeting that 43 complaints received by the Company from the Shareholders had been amicably resolved by the Company.

V. Remuneration Committee :

a) The remuneration committee comprises of following members.

Mr. John Cornell

Mr. Mohal Sarabhai

Mr. B.V. Suryakumar

No meeting of remuneration committee was held during the year.

Details of Remuneration paid to Directors :

Sr No	Director	Relationship With other Directors Meetings	Sitting fees for Board & Committee 2005-06 Rs.	Salaries & Commission (including P.F.Super & Gratuity) 2005-06 Rs.	Commission 2005-06 Rs.	Total 2005-06 Rs.
1	Kartikya V. Sarabhai *	None	2,250	Nil	Nil	2,250
2	Ajoy Khandheria	None	Nil	Nil	Nil	Nil
3	John Cornell	None	Nil	Nil	Nil	Nil
4	Prof. V. Raghunathan**	None	500	Nil	Nil	500
5	Anand Sarabhai ***	None	Nil	Nil	Nil	Nil
6	Arun Sobti ****	None	Nil	Nil	Nil	Nil
7	B.V. Suryakumar *****	None	2,750	Nil	Nil	2,750
8	Mohal Sarabhai *****	None	Nil	Nil	Nil	Nil
9	Pankajkumar*****	None	1,250	Nil	Nil	1,250

* Ceased to be Director with effect from 1.12.2005

** Ceased to be Director with effect from 27.4.2006

*** Ceased to be Director with effect from 22.6.2005

**** Ceased to be Director with effect from 18.5.2006

***** Appointed as Director with effect from 22.6.2005

***** Appointed as Director with effect from 20.1.2006

***** Appointed as an Alternate Director to Dr. Arun Sobti with effect from 29.7.2005 and ceased with effect from 9.2.2006.

b) i. On 17.5.2004, the ESOS Committee of the Company have allotted 14000 Options to Mr. Ajoy Khandheria, Managing Director & CEO of the Company. The said options were to be vested over a period of 4 years at the rate of 25% commencing from 17.5.2005 into the equity shares of Rs.10/- each at par on the basis of accepted options.

ii. On 30.8.2005, the ESOS Committee of the Company have allotted 65000 options to Mr. Ajoy Khandheria, Managing Director & CEO, 10000 options to Mr. John Cornell, Director and 10000 options to Mr. B.V. Suryakumar, Director of the Company. The said options are to be vested into the equity shares of Rs.10/- each of the Company at a premium of Rs.40/- per share, over a period of 4 years, at the rate of 25% commencing from 30.8.2006, on the basis of accepted options.

VI. General Body Meetings:

The last three Annual General Meetings of the Company were held at Vaniya Bhavan, Race Course, Vadodara - 390 007 on the following dates and time.

- 27th Annual General Meeting on 30.8.2003 at 11.00 a.m.
- 28th Annual General Meeting on 5.7.2004 at 11.00 a.m.
- 29th Annual General Meeting on 30.8.2005 at 11.00 a.m.

All the resolutions setout in the respective Notices of the Meetings aforesaid were passed by the shareholders of the company at the Meetings. Last year, there was no occasion for the Company to put any resolution through postal ballot or any of the matter/s as mandated by Section 192A of the Companies Act / Clause 49 of the Listing Agreement.

This year also the Company has not put any resolution through postal ballot.

VII. Disclosures :

- In terms of Section 299(3) (b) of the Companies Act, 1956, the General Notices of disclosure of interest are obtained from the Directors and accordingly the Register of Contracts under Section 301 of the Companies Act, 1956 is tabled and signed.
- Transactions with the "related parties" are disclosed in detail in note No. 9 in Schedule 21'Notes to forming part of Accounts' annexed to the financial statements for the year ended 31st March, 2006. Adequate care was taken by the Board to ensure that the potential conflict of interest did not harm the interest of the Company.
- There was no non-compliance during the last three years by the Company on any matter related to Capital Market.

VIII. Means of Communication:

- Quarterly / Half Yearly Financial Results of the Company are forwarded to the Mumbai Stock Exchange and are published in Lokasatta (Gujarati Language) and the Economic Times / Business Standard (English Language). These are also posted on the website of the company i.e. www.orgltd.com
- Management Discussion & Analysis is part of Directors' Report to Members.

IX. Shareholders Information:

- a) Annual General Meeting.
 Date : Septemeber 19, 2006
 Time : 11.00 A.M.
 Venue : Vanijya Bhavan, Race Course,
 Vadodara - 390 007.
- b) Financial Calender : 2006 – 2007
 Event : Board Meeting
 i) Unaudited Results Qtrly. June 06 July 06
 Unaudited Results Qtrly. Sept.06 Oct. 06
 Unaudited Results Qtrly. Dec. 06 Jan. 07
 Audited Accounts March 07 June 07
- ii) Annual General Meeting : September, 2007
- c) Date of Book Closure:
 13.09.2006 to 19.09.2006 (both days inclusive)
- d) Stock Exchange where securities are listed and Stock Code.
 Bombay Stock Exchange Limited, Mumbai - 517195
- e) Listing fees for the year 2006-2007 is paid to Bombay Stock Exchange Limited, Mumbai.
- f) Stock Price Data on BSE :

	Rs.	
MONTH	HIGH	LOW
April – 2005	52.15	31.65
May – 2005	42.40	32.00
June – 2005	44.20	28.15
July – 2005	116.35	40.00
August – 2005	164.40	97.20
September – 2005	163.20	116.65
October – 2005	137.50	98.00
November – 2005	121.65	98.10
December – 2005	172.60	120.20
January – 2006	180.90	143.25
February – 2006	160.10	127.50
March – 2006	162.15	127.65

- g) Registrar & Transfer Agents:
 The Company has appointed MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi – 110 029 as its Registrar and Transfer Agent for share registry work for both Physical as well as Electronic Connectivity.
- h) Share Transfer System:
 Share Transfers are registered and duly transferred share certificates are despatched within 30 days of receipt, if the transfer documents are otherwise in order. The total number of shares transferred during the year 2005 - 2006 was 449378.
- i) **Distribution of Shareholding as on 31.3.2006.**

Category	No. of shares	%
Promoters	7458919	63.7805
Institutional Investors	576	0.0049
Corporate Bodies	1617975	13.8351
Indian Public	2306202	19.7201
NRI's / OCBs	5807	0.0497
Foreign National	305006	2.6081
Trust	186	0.0016
TOTAL	11694671	100.00

Distribution of Shareholding as on 31.3.2006.

Shareholding of Nominal Value of Rs.	No. of shares
1 to 5000	1785008
5001 to 10000	100851
10001 to 20000	96952
20001 to 30000	54534
30001 to 40000	45512
40001 to 50000	23584
50001 to 100000	162179
Over 100000	9426051

TOTAL 11694671

- j) Dematerialisation of Shares:
 During the year, the Company has offered dematerialisation facilities to its shareholders and so far 2659223 shares have been dematerialized through NSDL/ CDSL.
 ISIN No. INE686D01012
- k) As per directive of Stock Exchange, Mumbai, the Company has obtained registration under EDIFAR System and the user ID : ORGINFORMATICS has been allotted to the Company.
- l) Address for Correspondence:

Shareholders can correspond with Company's Registrar and Transfer Agent viz. MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi-110 029, Ph. No.: 011- 26104142, Fax No. : 011-26181081, e-mail : mas@vsnl.com or at the Company's Registered Office situated at 3rd Floor, "Abhishek", Akshar Chowk, Old Padra Road, Vadodara - 390 020 Ph. No. : 0265-2320091, 2320093, Fax No. : 0265- 2320379.

Mr. Gaurav Kumar Arora, Company Secretary & Group GM - Legal is designated as Compliance Officer.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE.

To the Members of

ORG Informatics Limited, Vadodara.

We have examined the registers, records, books & papers necessary for issuing this certificate for the compliance of conditions of corporate governance by ORG Informatics Limited, for the year ended 31st March, 2006, as stipulated in clause 49 of the Listing Agreements with Stock Exchanges. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/ Investors' Grievance Committee.

8 ORG Informatics Limited

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company;

For and on behalf of
K.J. Trivedi & Co.
Company Secretaries

(K.J. TRIVEDI)
PROPRIETOR.
Date : 31.07.2006

Management Discussion and Analysis Report :

Introduction

ORG is currently engaged in the business of Systems Integration, Services and Telecom. For the financial year ended on March 31, 2006 the Company has registered a turnover of Rs. 154 crore, having continuous growth and profitability over last three year period. Company has been able to consolidate its position in the market and develop its brand equity during the year. The platform has been built on which company can embark on its journey at to much higher growth rates. Company has demonstrated over last 3 years a continuous considerable improvement in profitability and productivity of its employees.

DIVISIONWISE REVIEW

Systems Integration & Services :

Industry structure and Developments

Indian economy has been showing continuous growth and there is increased acceptance of IT as strategic growth initiative to boost productivity and competitiveness in the market places, which has resulted in increased IT spending by Corporate and Government sector alike. There has been increased emphasis on the turnkey solution requirement from the market, which has resulted in increased consumption of computing infrastructure and networks. A significant trend was increase in server and laptop sales with further emphasis on data networks and security. All these have been traditional markets for ORG. Besides this your Company has been able to get the first order in India for Rs. 421 Crore to provide Convergent Billing System to Mahanagar Telephone Nigam Limited. This order includes supply, installation, commissioning and Annual Maintenance of the Convergent Billing System for next 5 years.

Opportunities and Threats

The established client relationships and corporates renewed emphasis on solutions & services provide ideal target market for the company, which is traditionally recognized in the above space. The renewed emphasis and consolidation among its client base provides company an exciting opportunity to be able to expand its business and target higher profitability.

Outlook

Company had embarked on solution and service focus during the year which has resulted in acceptance of company as a solution provider is evident from the increased larger size deal company is able to attract and win. The renewed brand awareness in the market would help company to forecast higher growth in the year 2006-07

Risks and Concerns

IT sector in India has multiple players both domestic and international operating in the market. There are competitive pressures on margins and sales. ORG operates in IT industry and its performance would be related to performance of the sector and economy as a whole.

Telecom:

Industry Structure and Developments

Telecom sector in Indian Subcontinent, Afghanistan, CIS, Africa and South East Asia are under tremendous growth stage. With the technological advances and newer service offerings there is a renewed growth in the systems requirement for servicing the growth. The main impetus is from the subscriber growth being witnessed in these markets which is driving the growth for equipments and services.

Opportunity & Threats

Telecom operators are under massive expansion phase for their network because of unprecedented subscriber growths. This has brought in increased focus in network equipment supply and solutions.

Larger subscriber base has prompted requirements for IT solutions in Telecom sector.

India is currently the hotbed of activities for network equipment vendors, propelled by tremendous growth rates in the industry, which is touted to grow to much larger numbers in the coming years.

Outlook

Company has a healthy pipeline of projects under execution as well as for sales. Telecom segment for the company though the newest of service offering from the stable has shown tremendous growth and is on path to much higher numbers.

Risk and Concerns

Telecom subscriber growth has attracted global solution providers which has resulted in increase competition and lower margins.

Adequacy of Internal Controls

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

Human Resources

The Company considers the quality of its human resources to be its most important asset and constantly endeavors to attract and recruit best possible talent and to retain, nurture and groom it to meet its current and future needs. The Company promotes open and transparent way of working. The Company currently employs 409 people and its subsidiary ORG Telecom Limited employs 128 people. The industrial relations are generally very cordial and no major problems have been encountered.