

Annual Report **2006 – 2007**



ORG INFORMATICS LIMITED
(An ISO 9001 : 2000 Company)

BOARD OF DIRECTORS

Mr. Ajoy K. Khandheria
Managing Director & CEO

Mr. Kartikeya V Sarabhai

Mr. John Cornell

Mr. B. V. Suryakumar

Mr. Anil Chawla

Mr. R.L Dubey

Auditors

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

INDEX

Notice	01
Director's Report	05
Auditor's Report	12
Balance Sheet	16
Profit & Loss Account	17

Schedules

1. Share Capital	18
2. Reserves & Surplus	18
3. Secured Loan	19
4. Unsecured Loan	19
5. Fixed Assets	20
6. Investment	21
7. Inventories	21
8. Sundry Debtors	21
9. Cash & Bank balances	21
10. Loan & Advances	22
11. Current Liabilities & Provisions	22
12. Deferred Revenue Expenditure	23
13. Revenue from Operations	23
14. Other Income	23
15. Stores and Spares Consumed	23
16. (Increase)/Decrease in Inventories	24
17. Operating & Maintenance Expenses	24
18. Employee Cost	24
19. Administrative and Other Expenses	24
20. Interest and Finance Charges	25
Cash Flow Statement	25
21. Significant Accounting Policies and Notes to Accounts	27

Statements u/s 212 of the Companies Act, 1956 38

Consolidated Financial Statements 41

ORG Informatics Limited

Regd. Office:

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

Notice

The Thirty first Annual General Meeting of the Company will be held on Monday, August 20, 2007 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 31.3.2007 and the Balance Sheet of the Company as on that date.

Item 2

To appoint a Director in place of Mr. John W. Cornell, 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 modification(s), the following:

Item 4- Ordinary Resolution :

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

Item 5 – Ordinary Resolution :

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

Item 6 – Ordinary Resolution :

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

Item 7 - Ordinary Resolution :

"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 30th August, 2003, consent of the Members, pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company, to borrow any sum or sums of money from time to time which together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed, at any time the aggregate of the

Paid-up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, by a sum not exceeding Rs. 300 Crores (Rupees Three Hundred Crores) in the aggregate and that the Board of Directors be and are hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as they may deem fit, for and on behalf of the Company."

Item 8 – 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\$ 30 Millions (United States Dollars Thirty 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."

Item 9 – Special Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, including any statutory modification or enactment thereof for the time being in force and also subject to consent of the Shareholders of the Company, Mr. Ajoy K. Khandheria, be and is hereby re-appointed as Managing Director of the Company, by extending his present tenure of appointment for a period of further 5 years with effect from 25.2.2011 as per the terms and conditions set out in the Explanatory Statement".

By Order of the Board of Directors,

Gaurav Kumar Arora
Company Secretary
Gurgaon, July 24, 2007

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 15.8.2007 to 20.8.2007 (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. John Cornell is a Bachelor of Science in Accounting from the University of Kentucky. He has over 24 years of experience in the fields of Financial Management, Accounting Functions, Business Development, Establishing Joint Ventures in the people Republic of China and India. He worked with ConvergeLabs Corporation, USA, Harris Corporation's Digital Telephone Systems Division, Corporate Treasury for Texas Gas Corporation etc. He holds Directorships in 8 other Companies including Private Limited Companies. He holds Nil equity shares in the Company.

ii) Mr. Kartikeya V. Sarabhai has did Tripos in Natural Science from Cambridge University and Post Graduate at MIT, USA. He has varied experience in both industrial and NGO Sector. He is the Chairman of Ambalal Sarabhai Enterprises Limited. He played a Key Instrumental role in the setting up of two dynamic joint ventures, namely Sarabhai Piramal Pharmaceuticals Limited (SPPL) and Sarabhai Zydus Animal Health Limited (SZAHL).

Mr. Sarabhai is the Director of Centre for Environment Education since inception, a center for excellence associated with Ministry of Environment and Forest.

He is also the Managing Trustee of Nehru Foundation for Development.

He holds Directorships in 35 other companies including private limited companies. He holds 2984 equity shares in the Company.

iii) Mr. Anil Chawla graduated from Punjab University, with a bachelor's degree in Commerce after which he qualified as a Chartered Accountant from the Institute of Chartered Accountants, India. He is the Chief Executive Officer and head of DE Shaw India Advisory Services Limited based in Gurgaon, India.

Mr. Chawla's career in the financial sector has included key positions since he started his career in 1990 with Citibank, London. He has held Senior posts in Infrastructure Leasing and Financial Services (IL & FS), American Express Bank and GE Capital's Commercial Finance Group, where he spent 10 years and went on to become Chief Executive Officer, GE Commercial Finance – India and South East Asia.

Immediately prior to joining DE Shaw, he had been serving as Managing Director – GE India.

He holds Directorship in 1 other company. He holds Nil equity shares in the Company.

iv) Mr. Ram Lakhan Dube is B.Sc. with Physics, Chemistry and Mathematics from University of Gorukhpur and BE (Electrical) from Allahabad University. He has over 14 years of wide and varied experience in the field of Technology, Telecommunications, Industry, Commerce and Administration. He has served at many places in different positions as General Manager (Development) in M.P. Circle, Bhopal, as General Manager (Operations) in M.P. Circle, Indore, as Principal General Manager in Bihar Circle, Patna, and as Principal General Manager in Maharashtra Circle, Pune. He has also served as Executive Director with MTNL, Mumbai. He served last as Director (Plg. & New Services) with BSNL at its Corporate Office at New Delhi.

He holds Directorships in no other company. He holds Nil equity shares in the Company.

Explanatory Statement.

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

Item 4

The Board of Directors of the Company, had at its meeting held on 22.1.2007 appointed Mr. Kartikeya V. 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 holds 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. Kartikeya V. Sarabhai as Director of the Company.

Your Directors commend the Resolution as set out at Item No.4 in the accompanying notice for your approval.

Mr. Kartikeya V. Sarabhai may be considered to be interested in the resolution.

Item 5

The Board of Directors of the Company, had at its meeting held on 22.1.2007 appointed Mr. Anil Chawla 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 holds 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. Anil Chawla as Director of the Company.

Your Directors commend the Resolution as set out at item No.5 in the accompanying notice for your approval.

Mr. Anil Chawla may be considered to be interested in the resolution.

Item 6

The Board of Directors of the Company, had at its meeting held on 6.7.2007 appointed Mr. R.L. Dube 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 holds 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 the services of Mr. R.L. Dube as Director of the Company.

Your Directors commend the Resolution as set out at Item No.6 in the accompanying notice for your approval.

Mr. R.L. Dube may be considered to be interested in the resolution.

Item 7

At the Annual General Meeting of the Company held on 30th August, 2003 consent of the members under Section 293(1) (d) of the Companies Act, 1956, had been obtained for the Board of Directors of the Company to borrow upto a maximum amount of Rs. 125 Crores.

Now, the Company is planning future expansion of business by construction of adequate infrastructure, Research and Development Centre, acquisition, diversification etc. In view of the growing operations, the Company will require additional funds for financing its expansion and diversification projects. The future borrowings of the Company may exceed its paid-up capital and free reserves. Therefore it would be necessary and / or desirable to increase the borrowing limit to Rs.300 Crores. Section 293(1)(d) of the Companies Act, 1956 requires the consent of the members in General Meeting for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital and free reserves. Therefore, your directors recommend the resolution set out in the item No.7 of the notice for the approval of members.

None of the Directors are personally interested in the proposed change.

Item 8

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 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. 8 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.

Item 9

The Board of Directors of your Company had at its meeting held on 25th February, 2003 appointed Mr. Ajoy K Khandheria as a Managing Director and Chief Executive Officer of the Company for a period of 3 years with effect from 25th

February, 2003 subject to your approval and also subject to such other approvals as may be necessary in this regard. After that he was re-appointed by the Board of Directors and Shareholders as Managing Director and Chief Executive Officer of the Company for another term of 5 years starting from 25th February, 2006. Now having regard to the performance of the Mr. Ajoy K. Khandheria, Board is of the opinion to retain the services of Mr. Ajoy K. Khandheria for a further period of 5 years to be starting from the expiry of his present tenure of appointment i.e. 5 years from 25th February, 2011 on the following main terms and conditions relating to remuneration of payment until and unless modified by any other resolution by the Board of Directors and Shareholders of the Company.

1. **Salary :** As per the provisions of Schedule XIII as may be decided by the Remuneration Committee from time to time subject to 5% of the Profits of the Company as per the provision of the Schedule XIII and in case of inadequacy of Profits as per other applicable provisions of the Schedule XIII as amended from time to time.

2. **Perquisites:**

The said perquisites are classified into the following categories "A", "B" and "C".

Category – A

- i. **Medical Reimbursement :-**

Medical expenses incurred for Mr. Khandheria and his family will be reimbursed by the Company. This shall however be subject to a ceiling of Rs 50000/- per year or Rs 2,50,000/- over a period of five years.

- ii. **Leave Travel Concession:-**

For Mr. Khandheria and his family once in a year incurred in accordance with the rules of the Company.

- iii. **Personal Accident Insurance :-**

Personal Accident Insurance of an amount, the premium of which shall not exceed Rs.5000/- per annum.

Category – B

Leave at the rate of 1 month for every 11 months service.

Category – C

Car provided for use for the Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

No other Director of the Company except Mr. Ajoy K. Khandheria is concerned or interested in the above resolution. The accompanying notice together with explanatory statement is and should be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

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

Place: Gurgaon

Date : July 24, 2007

Directors' Report

1. **To the Members**

Your Directors have pleasure in submitting the Annual Report and Audited Statement of Accounts for the year ended 31.3.2007.

2. **Financial Results**

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

	2006-2007	2005-2006
	TRs.*	TRs.*
Income	3,144,858	1,564,171
Expenditure	2,831,703	1,416,735
Gross Profit	313,155	147,434
Interest & Finance Charges	43,567	16,998
Depreciation & Amortization	34,777	23,774
Tax	59,344	25,610
Prior Period Adjustments	2,194	-
Net Profit	173,272	81,054

* TRs. denotes Thousand Rupees.

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 as compared to the previous year. Your Company has expanded its operations to Tanzania, Nigeria and also considering DTH (Direct To Home) business in Europe. Positive financial impact of these operations 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. Ajoy 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 30 Million. Last year your Company had raised USD 10 Million through issuance of Global Depository Receipts which are enlisted with the Luxembourg Stock Exchange, substantial portion of this receipt was used towards funding of Acquisitions.

5. Subsidiaries

ORG Telecom Ltd. a wholly owned subsidiary of your Company has achieved excellent growth this year 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. ORG Telecom Ltd. has incorporated two subsidiaries during the financial year out of which one is incorporated in RAKFTZ, U.A.E. and one in USA. Both of these companies have yet to start their business operations.

As members are aware that during the year under review your company has acquired a Bangalore based IT company namely Unified Technologies Pvt. Ltd. in February, 2007, which is now a wholly owned subsidiary of your company. The said subsidiary is good profit making company and with the potential to grow in the respective area of business. Your company has acquired this company to diversify its product mix and take the benefit of new emerging business opportunities.

Beside above two subsidiaries your companies has also acquired one more Company based in Singapore namely "DGIT Solutions Pte. Ltd." in January, 2007 which is also wholly owned subsidiary of your company.

Statement pursuant to section 212(8) of the Companies Act, 1956 is attached in the later part of this Annual Report.

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. Ajoy K. Khandheria, Mr. John Cornell, Mr. Kartikeya V. Sarabhai and Mr. BV Suryakumar directors of the Company.

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 & ESOS) Guidelines, 1999:-

- I. (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
 - (iii) As on May 17, 2007- 23,625 another Options were vested
- (d) Options exercised : (i) 29250
(ii) 23625
(iii) 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
(iii) The total number of shares arising as a result of exercise of Option : 23625
- (f) (i) Options lapsed : 750
(ii) Options lapsed : 5625
(iii) Options lapsed : Nil

(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

(iii) 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 Options out of the total Options granted in that year.

II. (a) Options granted : 147500 Options were granted to the Employees of ORG Telecom Limited (a wholly owned subsidiary of your Company) and 145500 Options were granted to the Employees of ORG Informatics Limited on 30.8.2005 to be vested over a period of 4 years equally at the rate of 25% each year.

Total Options granted : 293000

(b) The pricing formula : Par Value or Last One year average of the closing price whichever is high.

(c) Options vested : As on August 30, 2006 – 36875 Options were vested to the Employees of ORG Telecom Limited and 36375 Options were vested to the Employees of ORG Informatics Limited.

Total Options vested : 73250

(d) Options exercised 24875 Options were exercised by the Employees of ORG Telecom Limited and 17200 Options were exercised by the Employees of ORG Informatics Limited.

Total Options exercised : 42075

(e) The total number of shares arising as a result of exercise of Options: 42075 i.e. 24875 shares by Employees of ORG Telecom Limited and 17200 shares by Employees of ORG Informatics Limited.

(f) (i) Options carried to next year : 27925 i.e. 8750 Options were carried to next year by the Employees of ORG Telecom Limited and 19175 Options were carried to next year by the Employees of ORG Informatics Limited.

(ii) Options lapsed : 3250 Options were lapsed by the Employees of ORG Telecom Limited

(g) Variation of terms of Options : N.A. except inclusion of employees of Subsidiary of the Company (ORG Telecom Limited).

(h) Money realized by exercise of Options : Rs.21,03,750 i.e. Rs.12,43,750 /- from the

Employee of ORG Telecom Limited and Rs. 8,60,000/- from the Employees of ORG Informatics Limited.

(i) Total number of Options in force : 791590 Options

(j) Employee wise details of Options granted to :

Initially, Options were granted to 39 persons of ORG Telecom Limited including 11 senior managerial personnel 83,000 Options were granted to these senior managerial personnel and 24 persons of ORG Informatics Limited including 7 senior managerial personnel 1,21,000 Options were granted to these senior managerial personnel.

11 Personnel of ORG Telecom Limited and 5 persons of ORG Informatics Limited were granted 5% or more of Options out of the total Options granted in that year.

Besides above, Company has granted 3,96,000 Options to the Employees of ORG Telecom Limited (a wholly owned subsidiary of your Company) and 50,000 Options to the Employees / Directors of ORG Informatics Limited on September 19, 2006. These Options will be vesting over a period of 4 years commencing from September 19, 2007 at the rate of 25% each year. These Options shall due for exercising at a price of Rs.62/- per Option i.e. weighted average price of the share of the Company over the last 3 years period in the Bombay Stock Exchange Limited.

Under this tranche 11 employees of ORG Telecom Limited and 2 employee of ORG Informatics Limited were granted 5% or more of the Options granted during the year.

7. Directors

Mr. Mohal K. Sarabhai resigned as Director with effect from 22.1.2007. The Board placed on record its appreciation of the guidance received from him during his association with the Company.

Mr. Kartikeya V. Sarabhai, Mr. Anil Chawla and Mr. R.L. Dube have been appointed as additional Directors with effect from 22.1.2007, 22.1.2007 and 6.7.2007 respectively.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Kartikeya V. Sarabhai, Mr. Anil Chawla and Mr. R.L. Dube holds offices upto the ensuing Annual General Meeting of your Company. Notices together with the money deposit have been received from member/s pursuant to Section 257 of the Companies Act, 1956 proposing for appointment of each of Mr. Kartikeya V. Sarabhai, Mr. Anil Chawla and Mr. R.L. Dube as Directors of the Company at the ensuing Annual General Meeting.

Mr. John W. Cornell retire by rotation and being eligible offer himself 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 :-

- (i) In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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;
- (iii) 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;
- (iv) 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

Ajoy K. Khandheria
Managing Director & CEO
Gurgaon July 24, 2007

B.V. Suryakumar
Director

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/ : Rs. (TRs.)
Outgoings
Foreign Exchange Earnings : 1494826
Foreign Exchange Expenditure : 6600

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, 2007 the Company has registered a turnover of Rs. **314.49 crore**, on consolidated basis having continuous growth and profitability over last four years 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 much higher growth rates. Company has demonstrated over last 4 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.

Opportunities and Threats:

The established client relationships and corporate renewed emphasis on solutions and 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 2007-08.