



Bridging Distances.
Transcending Boundaries.



HINDUJA GROUP

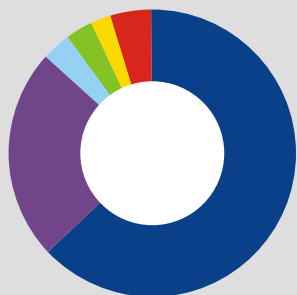
Consolidated Financial Highlights



	2005		2004		Change over Previous year
	Rs. Crores	US \$ Mn.	Rs. Crores	US \$ Mn.	
Operating Income	318	73	257	59	24%
Total Income	614	141	285	66	115%
Total Expenditure	302	69	195	45	55%
Profit After Minority Interest	231	53	84	19	175%
Share Capital	41	9	41	9	0%
Reserves & Surplus	493	113	295	68	67%
Loans	16	4	0	0	-
Investments	448	103	152	35	195%
Net Fixed Assets	189	43	171	39	10%
Net Current Assets	118	27	138	32	(16%)
Earnings per Share (Rs.)	57		21		175%
Dividend (%)	75%		75%		0%

(1 USD = Rs. 43.50)

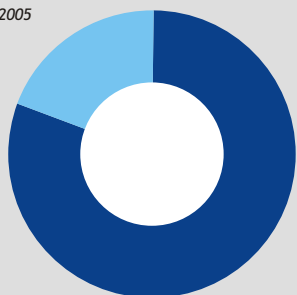
Operating Income



	Rs. Crores	US \$ Mn.
IT	201	46
Cable Television	77	18
Advertising	10	2
Film Content / Events	9	2
Internet	7	2
Treasury	14	3
Total	318	73

Employees

As on 31.3.2005



	Nos.	%
Global IT	4146	81%
Media & Telecom	1003	19%
Total	5149	100%



Bridging Distances. Transcending Boundaries.

Globalisation has expanded the horizon of our business enterprise. It has opened up a vast sky of endless opportunities. HTMT explores this infinite field and goes across the globe, expanding its brand and its unique vision. It is the Company's endeavour to transcend all boundaries to create a worldwide network. With its expertise in technology, HTMT is constantly working towards bridging distances and connecting globally to bring the world closer.



‘ HTMT House’ at Hosur Road, Bangalore



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Mission & Vision

Mission

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

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

Service Offering

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

Economic

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

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

Social

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

Vision

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

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

In the long term, the Company will grow into a potent convergence corporation through harmonious coalescence of its core business of IT and the businesses of its subsidiaries in Media and Telecommunication and exploit the synergies arising therefrom.



Value System

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



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

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

Customer Delight

Through excellence in service to customers and co-creation of value in partnership with them.

Total Quality

Continuous quality improvement through innovation, process improvement and team work.

Dependability

Expectation being met consistently through professionalism.

People Empowerment

Empowerment of employees to enhance self-motivation and customer service.

Corporate Governance

Maintenance of the highest standards of corporate governance and business ethics.

Global Mindset

Local responsiveness and global perspective.

Sustained Growth

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



HTMT's New Facility at Cyber Tower, Mauritius





Letter to shareholders from the Chairman



Dear Shareholder,

“Unlocking world-wide growth” potential and building a global brand

2004-05 was a year of investments, scaling up, consolidation and structural metamorphosis for your Company. During the year, HTMT morphed into a Global Delivery IT/BPO Company with the inclusion of Philippines, USA, Canada and Mauritius in its delivery

During the year, HTMT morphed into a Global Delivery IT/BPO Company with the inclusion of Philippines, USA, Canada and Mauritius in its delivery platform.

platform. This was made possible by our all cash 100% acquisition of two companies at a cost of over US\$ 22 million in phases (US \$ 10 mn in 2005 - 06). As a result, HTMT's global IT/BPO revenues increased by 43% to Rs. 201 crores from Rs. 141 crores in the previous year. Your Company has initiated steps to set up branches at all its international delivery locations. On completion of this process, the financial performances of all the international locations of HTMT would be combined with that of Indian operations thereby improving integration and ensuring seamless global operations, financial reporting and control.

IT/BPO business environment

Companies globally are focusing more on core activities and their business models are changing, providing for outsourcing of non-core activities and scaling down work force. India can only stand to gain;

however, there will have to be greater value addition.

The industry is expected to get to US\$ 50 bn in service exports by 2008 with 1.2 mn qualified people employed, the annual supply of people being 180,000. The domestic market will be US\$ 20 bn and may require half-a-million people. Issues like Security, infrastructure and telecommunication should be focused on for the continued health of BPO industry in India.

Transformation into a Global Company

We had entered 2004-05 with a clear vision of transforming HTMT into a significant global player in the BPO space. All the key pre-requisites for this transformation of low client concentration, larger business footprint leveraging the best skill sets that different geographies have to offer, enhanced depth of the Company's expertise in domains, technologies and processes, reallocation of strategic, financial & management resources and strong marketing front end were addressed by us during the year; thus smoothly ushering in the shift from one-off offshore sourcing to a more mature, distributed global delivery model.

The acquisitions of Source One Communications Inc, USA and Customer Contact Centre Inc, Manila added many marquee clients to HTMT's customer list, strengthened its front end in USA and expanded the Company's canvas of domain expertise from just Telecom, Insurance and Discrete Manufacturing to now include BFSI, Pharmaceuticals, Consumer Electronics, Household Products, Energy and Utilities.

Strategic entry into Domestic BPO space

During the year, HTMT was successful in getting



Letter To Shareholders From The Chairman

prestigious domestic contracts in the telecom and insurance verticals. The Domestic BPO space not only provides HTMT with an opportunity to leverage its contact center domain expertise, superior technology but also broaden its customer base profitably with inclusion of highly respected Indian companies.

Investment in infrastructure and new acquisitions

In 2004-2005, HTMT invested approx. Rs. 65 crores on capex and various acquisitions. In the current

definitely change the fortunes of these subsidiaries. The over crowding of the analog spectrum with over 300 channels now beamed over the country, as against over 100 channels earlier, has enabled IndusInd Media & Communications Limited (IMCL) to exploit its network efficiently. The broadband Internet Company In2Cable is leveraging IMCL's cable network to enhance it customers and revenue. Your Company's television content arm InNetwork Entertainment Limited continues to offer high quality entertainment to its

HTMT's strategic entry into Domestic BPO space provides an opportunity to leverage its contact center domain expertise, superior technology and broaden its customer base.

financial year, HTMT has taken on lease new premises at Hyderabad and Chennai for adding approximately 500 seats at each centre.

HTMT has also initiated implementation of a prestigious project for creating an IT park named 'HTMT Cyberpark' in Manila, Philippines. HTMT Cyberpark is proposed to be operational by this year and will have a total capacity of over 2,500 seats.

Your Company's inorganic growth continued with the recent acquisition of Immaculate Interactions, a Bangalore based call center specializing in outbound/ telemarketing space.

Media subsidiaries and other investments

While the Company is well on its way to achieve the vision of becoming a scale player in its core business of IT, the potential of Media subsidiaries of the Company is yet to be exploited to the fullest.

A favourable decision on conditional access system (CAS) implementation from the High Court will

viewers and is regularly in the process of updating its valuable content library for use over digital platforms

HTMT's 3.45% effective financial stake in the consolidated Hutch entity, Hutchison Essar Ltd, one of India's most valuable telecom companies will unlock enormous wealth for the shareholders. Your Company is in talks with various financial / strategic investors in this regard. It will be the endeavor of your Company to maximize its returns from this investment and will divest the stake at an opportune moment.

With the real estate market doing well, the value of your Company's 47 acres land at Bangalore near the proposed international airport road has grown significantly. The construction of new international airport will give a further boost to the value of this property.

HR Policy

The pro-active HR policy of your Company is well aligned with its business strategy of delivering differentiated value offerings to its clients. Within its



Letter To Shareholders From The Chairman

policy framework, creativity and productivity have flourished, flexibility and profitability go hand-in-hand and work/life balance and hard work are not mutually exclusive. Your Company recognizes that employees are its most important assets, which provide it with the much needed competitive advantage. A very well thought out Incentive Plan coupled with the introduction of Employee Stock Options Scheme in the forthcoming years shall ensure higher employee morale and increase in employee productivity.

Continued Emphasis on Corporate Governance

As your Company expands its presence across multiple geographies, it is gearing up to uphold its tradition of meeting or exceeding the highest standards of corporate governance and would continue to ensure transparency to all its stakeholders and professionalism while maintaining highest standards of ethics

Outlook

The strategic plan of HTMT to grow its operations through restructuring and through organic and inorganic growth initiatives, in fulfillment of its vision of becoming a scale player, is in place for the period 2005-2010. This plan emphasizes on Inorganic Growth as a key focus area. With innovation as a distributed capability across the Company and co-creation of value in partnership with clients as its goal, HTMT will continue to inspire the confidence of the clients for

getting a steady flow of new business.

With all the necessary pieces now in place in the Company's business model and ability to leverage the financial and operational resources, HTMT is **ready to take off** to the next level. The current deal flows in the BPO business, strong pipeline, recognition by

With all the necessary pieces now in place, HTMT is ready to take off to the next level.

customers, willingness among employees to compete and provide with a sense of accomplishment of building a global IT/BPO Company within a short span fills us with a sense of excitement to look forward to the Company's future growth.

I take this opportunity to sincerely thank the shareholders and the clients for the trust reposed on us and the employees for their unstinted co-operation and commitment.

Ashok P Hinduja
Chairman

Mumbai, 23rd August, 2005

Experience the HTMT Advantage



The Future Ahead

With increasing globalisation, the need of the hour is for integrated business solutions. Realising this need, we at HTMT have pioneered the Global Delivery Model amongst BPOs in India. A part of the trans-national Hinduja Group, we are a leading IT Outsourcing Firm. We provide Business Process Outsourcing / Call Centre services and IT Services to customers in the areas of Insurance, Financial Services, Manufacturing, Telecom, Pharmaceutical Products, Consumer Electronics, Household Products, Energy and Utilities.



HTMT Eastwood facility at C-Cubed Manila

The HTMT Vision

Our vision is to become a Scale Player and leader in our core business of Information Technology. Ranked among the top 15 ITES-BPO players in India, we have over 4,000 employees in our centres at Bangalore, Mumbai, Chennai and Hyderabad (India), Manila, (Philippines), New Jersey (USA), Toronto (Canada) and Mauritius. We are constantly engaged in providing a wide range of high quality outsourcing services to over 40 leading companies across the world. One of the few companies in the BPO business with output quality very close to six sigma standards, we have planned out a

continuous improvement programme.

Our Resources

These delivery centres in 5 countries across the world make HTMT a true international player having Global Delivery capabilities. We also have marketing offices in New York, London and Paris along with delivery and disaster recovery centres in Bangalore, Mumbai and Mauritius. With a world-class infrastructure, in keeping with global standards of environment, resources and deliverables, we have surpassed customer and employee expectations time and again.

Our Strengths

HTMT is a one-stop Outsourcing Firm that can provide IT Services and BPO / Contact Centre Services all under

HTMT provides Business Process Outsourcing / Call Centre services and IT Services

one roof. We provide BPO services in the areas of Back Office Processing, Claims Processing, Technical Help Desk Support, Contact Centre Services, Payroll Processing, Accounts Receivable & Accounts Payable Services. Our expertise lies in the areas of Insurance, Financial Services, Manufacturing and Telecom. These services are complimented by our IT Services in the areas of Application Development & Maintenance, Legacy Migration Services, Engineering Design Services and SAP Implementation Services.

Our Achievements

Our IT Services division is SEI CMM Level 4 assessed. We are among very few companies in India to be certified ISO 9001: 2000 for software development and processes across all segments of its business in IT services, Call Centre and BPO activities. We also have



processes in place for BS 7799 certification. A formal Metrics programme ensures monitoring and improvement of every function and process. Project Plans, Metrics and Reports form a key component of the knowledge repository that enables continual process improvement.

We have built strong operational skills and an extremely good organisational culture, which has helped in HTMT being voted as one of the Preferred Employer amongst all BPO companies in India. This has enabled us to recruit and retain the best talent in the industry - something that is critical for the success of any BPO operation.

HTMT's expertise lies in the areas of Insurance, Financial Services, Manufacturing and Telecom

Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500 Programme, 2003 has profiled HTMT as one of the most dynamic and fast growing technology companies in the Asia Pacific region.

We have also been ranked as the 2nd largest Healthcare BPO firm in India by Business World Magazine. Our claim processing business for a large U.S. health insurance

company, which started in Bangalore with 23 processors in August 2000, has now grown into a business of over 1,000 processors handling about 2.2 million claims per month. We have an impressive list of



Philippines President's Visit to HTMT's facility at C-Cubed, Manila

Fortune 500 clients in the Telecom, Insurance, Financial Services and Manufacturing sectors.

Our Ambition

With our years of experience and up-to-date infrastructure, we have emerged as a leader in this field. Leading by example, we have set high standards of quality and efficiency. HTMT is steadily growing its business and its global network. We are indeed ready to face the challenges of the future.



‘HTMT Centre’ at Hosur Road, Bangalore





Message from

MD & CEO



The global BPO sector is estimated to grow phenomenally in the coming years, based on enduring drivers of competitiveness and the unique advantage countries such as India and the Philippines have in delivering high quality work responsively and responsibly at low cost. The opportunity for growth we have is immense and these opportunities today extend beyond the realms of lower-end Customer Contact Services and Back Office work into high-end Knowledge Process Outsourcing. As the industry matures, customers are getting more comfortable about moving even their mission critical work to outsourced and off-shored delivery.

The opportunity for growth we have is immense and these opportunities today extend beyond the realms of lower-end Customer Contact Services and Back Office work into high-end Knowledge Process Outsourcing.

To capitalise on this great opportunity, it is essential for BPO companies to develop an edge and an attitude that ensures quality and constant quest for providing higher value-added services. In addition, as in the case of IT Services, it is becoming increasingly important to have a Global Delivery Model, wherein the geographical proximity and alignment are phased well with the customer's requirement and preference. Similarly, the ability to invest in order to scale up is a critical success factor. Domain expertise and strategic

alliances will play a key role in determining the success of players in the industry. In this context, while some captive units will continue to flourish, it is anticipated that only a select group of third party vendors with capability, willingness and attitude to invest significantly to ensure consistent quality, bring domain specialisation and a global delivery capability will survive in the market place.

HTMT has all the above ingredients and then some more to be a longstanding and successful global delivery vendor in IT/BPO space-strong verticals, growing horizontal services with a wide geographic coverage, a top-notch management team, state-of-the-art infrastructure, quality & security certifications, marquee clients, excellent financial resources and above all deeply committed, highly skilled and motivated people.

K. Thiagarajan
Managing Director & CEO

HTMT Financial Highlights

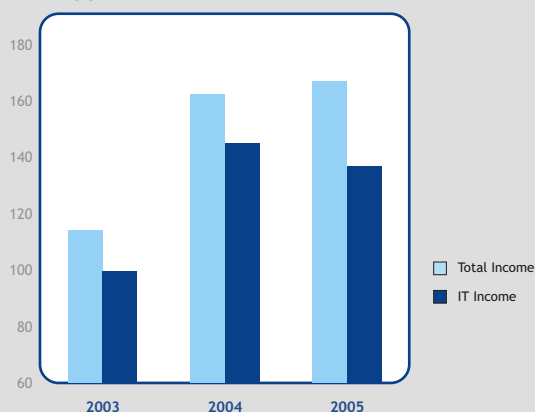
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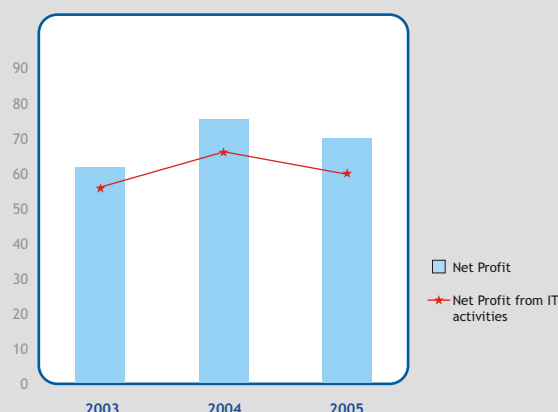
(in Rs. Crores,
unless otherwise
stated)

For the year	2003	2004	2005	Change over previous year
Total Income	114.46	162.49	167.27	3%
Of which				
- Income from IT Activities	99.75	144.99	136.87	-6%
- Export Income	92.70	141.22	118.38	-16%
PBIDTA	69.98	81.73	79.53	-3%
Profit after Tax	62.03	75.53	70.06	-7%
As at the end of the year				
Share Capital	40.90	40.90	40.90	0%
Reserves and Surplus	383.04	409.55	444.62	9%
Networth	423.94	450.45	485.52	8%
Loan funds	0	0	0	
Net Fixed Assets	26.50	29.11	35.12	21%
Investments	230.16	237.43	268.50	13%
Cash and Bank balances	34.61	14.43	17.44	21%
Net Current Assets	165.79	182.40	181.06	-1%
Earnings per Share (Rs.)	15.16	18.47	17.13	-7%
Dividend (%)	70%	75%	75%	0%
Dividend Amount	28.63	30.68	30.68	0%
Book Value per Share (Rs.)	104	110	119	8%
Market Capitalisation	636	832	1386	66%
Other Highlights				
Total Nos of employees (nos.) - India	1480	1743	2546	46%
Infrastructure Space (sq. feet '000) - India	52	142	164	15%
Number of Offshore Centres - India	1	3	3	0%

INCOME



PROFIT AFTER TAX



General Information



Board of Directors

A.P. Hinduja, *Chairman*
R.P. Hinduja, *Co-Chairman*
S. Solomon Raj, *Vice Chairman*
K. Thiagarajan, *MD & CEO*
D.G. Hinduja
A.K. Das
H.C. Asher
Anil Harish
T. Anantha Narayanan
R.P. Chitale
I.N. Chatterjee
(Alternate Director to D.G. Hinduja)
Ms. Vinoo S. Hinduja
(Alternate Director to R.P. Hinduja)

Committees of the Board

Audit Committee

Anil Harish, *Chairman*
R.P. Hinduja
T. Anantha Narayanan
R.P. Chitale

Committee of Directors

S. Solomon Raj, *Chairman*
R.P. Hinduja
A.K. Das
K. Thiagarajan

Investor Grievance Committee

Anil Harish, *Chairman*
S. Solomon Raj
A.K. Das
K. Thiagarajan

Management Team

Corporate

K. Thiagarajan, *MD & CEO*
Yagnesh Sanghrajka,
Senior VP & CFO
Somnath Majumdar, *Senior VP and
Head-Legal & Secretarial*
Kuntal Goel, *VP, Corporate Initiatives*
Hasmukh Shah, *AVP-Legal & Secl.*
Vinod Sobhani, *GM - Accounts*

I.T. / BPO

R Mohan, *President & CEO - IT*
Partha De Sarkar, *COO - ITES*
KS Srinivasa, *CFO-IT*
Prosenjit Ganguly, *VP & Head HR*
Srinivas Sriramdas, *Vice President IT
Services*
Narasimha Murthy, *VP - Planning &
Business Transition - ITES*
Viswanath Rao, *VP - Operations*
Lalit Malani, *VP - Projects*
Raju KM, *Assoc. VP - Marketing*
Subramanya C, *Assoc. VP Technical*
Arullallar Arasar, *Assoc. VP Projects*
Milind Kulkarni, *GM Software
Services*
Jacob Joseph, *GM - Quality*
BS Ramesh, *GM - Finance*
V Prasad, *GM Administration*
Subhankar Ghosh, *GM - Call Center
Operations*

Internal Audit & Systems

Murtuza Kachwala, *Asst. VP*

Auditors

Price Waterhouse,
Chartered Accountants

Solicitors & Advocates

Crawford Bayley & Co.
Pandya & Co.

Bankers

UTI Bank
Canara Bank
IndusInd Bank
Standard Chartered Bank
HDFC Bank
State Bank of India

Registered Office

Hinduja House
171, Dr. Annie Besant Road
Worli, Mumbai 400 018

Registrar & Share Transfer Agent

Sharepro Services
Satam Estate
Cardinal Gracious Road
Chakala, Andheri (E)
Mumbai 400 099

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 31st March 2005.

Financial Results

	(Rs. in lacs)	
For the year ended 31st March	2005	2004
Operating Income	15,568.99	15,746.03
Add : Profit on sale of Investments (net)	1,044.02	489.06
Other Income	113.68	14.06
Total Income	16,726.69	16,249.15
Operating Expenses	8,773.32	8,076.15
Depreciation	553.09	460.59
Financial Expenses	0.03	0.16
Profit before tax and exceptional items	7,400.24	7,712.25
Exceptional items	1.54	-
Provision for tax (incl. deferred tax)	396.14	159.11
Profit after tax	7,005.65	7,553.14
Add : Balance brought forward from Previous year	9,895.54	6,561.18
Profit Available for Appropriation	16,901.19	14,114.32
Dividend		
-Dividend - Interim	-	2,045.19
-Dividend - Final (Proposed)	3,067.79	1,022.60
-Dividend Tax	430.26	395.68
Transferred to General Reserve	700.57	755.31
Balance Carried Forward	12,702.57	9,895.54
Earnings per share (Rs.)	17.13	18.47

Review of Financials

Operating income for the year was Rs. 155.69 Crores as compared to Rs. 157.46 Crores in the previous year. Total income for the year increased to Rs. 167.27 Crores from Rs. 162.49 Crores in the previous year.

Profit after tax for the year was Rs. 70.05 Crores as compared to Rs. 75.53 Crores in the previous year.

Your Company continued to remain debt free for the 4th consecutive year. The Book Value per share increased to Rs. 119/- from Rs. 110/- last year.

Dividend

Your Directors have recommended a dividend of Rs. 7.50 per share (75% on the face value of Rs.10/-) for the current year.

The total amount of dividend for the year would be Rs. 30.68 Crores, the same as last year. Dividend payout (including dividend distribution tax), as a percentage of net profit would be 50 % for the year, as against 46% last year.

Business

Your Company's core business of ITES-BPO had an eventful 2004-05. While the claim processing business saw strong ramp up on account of increased volume of work, the India delivered part of the Call Centre services business had a year of mixed fortunes. Discontinuation of inbound call centre services of the Company's most profitable US based telecom client, who had filed for bankruptcy, affected call centre services revenues and profitability. However your Company managed to recover all its dues from the client. Substantial new customer addition and robust ramp up in existing customers reduced the impact. The acquisition of call centre companies in Philippines and US/Canada with marquee customers not only reduced client concentration but also gave the Company a platform for global delivery of its services and more vertical market segments.

HTMT's Indian operations continued to see strong growth up as the employee base increased to 2750 as on 30th July 2005, a growth of 60% over the year. On back of high quality execution and the Company's approach of co-creation of value in partnership, the non voice BPO employee base almost doubled from 800 in March 2004 to 1500 in July 2005 and now represents 55% of the total employees in Indian delivery centres.

During the year, your Company successfully completed acquisition of controlling interest and management control in Customer Contact Center Inc. (C-Cubed), one of the large profit making Offshore call centres in Manila, Philippines, in partnership with a Marketing Company and the existing management of C3. C-Cubed offers reliable and custom-fit customer contact solutions to some of the world's best-known brand names in the Banking, Financial Services, Consumer Electronics, Media, Energy, Utilities and Telecommunications sectors. Since its acquisition, C-Cubed has grown from strength to strength and has improved its performance both operationally and financially. It was able to ramp up the number of seats for one of its Fortune 100 financial services customer by 50% in 2004 and the same is expected to more than double in 2005.

Within a few months of bringing C-Cubed under its fold, your Company acquired another US based Offshore call centre company called Source One Communications Inc. (SOC), in an all cash deal of over

US\$ 9 Million, funded entirely through internal accruals. With this buy, HTMT acquired call centre operations in New Jersey, USA and Toronto, Canada and Manila. The Manila operations of SOC are through a joint venture called Source One Communications Asia Inc. (SOCA). SOCA, set up in 2001 is owned by SOC (57.5% ownership) and C-Cubed (42.5% ownership). As HTMT already owns controlling interest in C-Cubed, SOCA ownership has now consolidated, as a result of SOC acquisition.

SOC has won accolades of its customers by rendering high quality services through its On-shore, Near-shore and Off-shore Call Center facilities at USA, Canada and Philippines. It has multi-lingual capabilities in English, French and Spanish and strong Marketing and Client Management teams located in New Jersey, providing sales and customer relationship management capabilities of high impact and quality.

Post acquisition, the Philippines operations (C-Cubed and SOCA) have shown strong traction in the flow of business on back of which, the total number of employees based in Manila increased by 33% to 1567 during the year.

Some of the recent client wins by HTMT for execution from Philippines include:

- A Call centre for a US based leading information and technology driven provider and direct marketer of branded credit cards and related fee-based products and services. Starting initially with 90 agents, the call centre will provide services covering credit card transactions (applications, credit limits, account changes, disputes, etc.)
- An inbound and outbound customer contact support for customers of a leading US based pharmaceutical company. Services provided will include Interaction activity via SMS and mobile-to-mobile channels and Fulfillment (direct mailers and welcome kits) services.

Recently, HTMT successfully completed integration of its North American operations (USA and Canada) of SOC and the marketing subsidiary HTMT Inc. The new merged entity has been rechristened as Source1 HTMT Inc.

HTMT has recently secured a new order from an existing customer, one of the world's leading Consumer Electronics companies, for rendering higher end customer service through its Toronto call center. With about 50 agents at present, the contract has a potential to ramp up to 120-140 seats during the current year.

During the year, the Company expanded its client list from handful customers in Insurance, Telecom and Discrete Manufacturing domains to over 40 customers in 10 domains. HTMT's acquisition of SOC bolstered its marketing and business development capabilities with 20 marketing people. As a result of this, HTMT witnessed an excellent increase in new customer acquisition and RFP inflow in the past few months.

As a strategic move, HTMT has entered the domestic ITES-BPO space. The domestic ITES-BPO sector is growing at a steady pace and holds tremendous promise. Your Company has been successful in winning prestigious domestic projects from leading private sector telecom companies with the potential ramp to 1000 + people during 2005-06.

Mauritius Centre

As part of its organic growth strategy and to enhance its global delivery model, HTMT has recently started a 300 seat capacity BPO centre in Mauritius. Besides using this centre for executing additional claim processing business for its most referenced and satisfied US based Healthcare Insurance client, this centre would also act as a Business Continuity Planning (BCP) centre for HTMT's BPO operations. A presence in Mauritius would enable HTMT to offer French based BPO for potential customers in France, given the availability of French speaking skills in Mauritius, and will also help HTMT overcome cross country related issues. Ebene Cyber Tower, where HTMT's Mauritius operations are housed, was recently adjudged as the 'Intelligent Building of the Year' by the Intelligent Community Forum based in USA.

Global Delivery Model

During 2000-2004, your Company's Information Technology business has grown at an industry-leading rate to become one of the significant players in India. The acquisition of Source One Communications Inc, USA and Customer Contact Center Inc, Philippines has provided the Company with global delivery capabilities.

HTMT now has all the necessary elements of a successful Global Delivery Model viz. Engagement methodologies (Onsite/Nearshore/Offshore capabilities), Knowledge Transfer (sharing of best practices across locations), Human Resources (over 4200 employees spread across 6 cities in 5 countries), Quality and Security (BS 7799, ISO 9001), Infrastructure (4850 seats) capacity and Project Management skills (metrics driven approach).

Your Company believes that the global delivery model is an essential step in the long term as it will adequately leverage country strengths, markets footprint, grow client relationships, enhance competitive advantage as well as derisk the Company from specific geography related concerns.

Going forward, in order to build a sharper focus on the IT/BPO business and higher performance, it is necessary to attract more Global Fortune 1000 customers and top class talent worldwide. This is being executed with high intensity currently.

IT Services

Your Company's IT services wing has deep domain expertise in Discrete Manufacturing - Automotive Sector. This division has worked on projects involving development and integration of large enterprise

software packages including production planning, billing, finance, customer care and supply chain management. Its extensive experience in ERP implementation has been extremely useful in the ongoing execution of an ERP contract from a large automobile and manufacturing company overseas. This contract runs through 2005-06 and is expected to bring in more revenue than the initial contract value. Inflexible ERP Systems primarily prevalent in structured developed economies are now giving way to customisation drive from a best of breed to best for business approach and your Company will stand to benefit by this trend.

Your Company continued to impart IBM Mainframe Training to aspiring students from public domain through 'HTMT Training Academy', the Company's training arm. Over the years, several thousand students have benefited from your Company's training facility having a live IBM ES / 9000 Mainframe. The Academy has also launched a corporate training programme for a large Global Consulting and IT Solutions Company and this has been very well received by the customer.

Marketing and Business Development

Your Company initiated aggressive business development activity for all its business units. With a strong sales and account management team in the United States, backed by robust support teams at its global delivery centres, the joint resources of the Company are being tapped to the maximum to translate into new business.

Infrastructure (ODC/DRCs)

HTMT owns and operates world class state of the art delivery centres having combined seat capacity of 4850 seats and 2,83,000 sq. ft. area. These facilities are well spread across 5 countries and 6 cities viz. India (Bangalore-2500 seats, 150,000 square feet), Mumbai (250 seats, 14,500 sq feet), Manila (1500 seats, 75,000 square feet), Mauritius (300 seats, 15,000 square feet), New Jersey (50 seats, 10,000 square feet) and Toronto (250 seats, 18,500 square feet).

The Company is also in the process of opening two more centres in the cities of Hyderabad and Chennai, which will cater mainly to the domestic call centre business. In addition, your Company has initiated steps to develop a large new center in Philippines near the existing facility.

Ranking of Third Party Call Centre and BPO Players by Nasscom

NASSCOM, the apex industry body of software and service companies in India, ranked HTMT as the 13th largest third party ITES (Call Center and BPO) company among 410 ITES-BPO companies in India. The ranking was based on revenues for 2004-05 reported in accordance with Generally Accepted Accounting Principles in the United States (US GAAP).

BPO Employee Survey 2004

During the year your Company was ranked 5th among BPO companies in the DQ-IDC Employee Satisfaction (E-Sat) survey 2004. The overall E-Sat score, calculated on 11 parameters was 86.3 out of 100.

As per the survey, 94% of your Company's employees look forward for a day of work at HTMT. On most of the parameters like Company image, culture, job content and growth, salary and compensation, appraisal system, and people, HTMT was ranked amongst the top five.

Other Recognitions

During the year, Deloitte Touche Tohmatsu rated HTMT the 6th 'Fastest Growing Company in the Asia Pacific region'. The Company was also selected as the Second largest Exporter amongst BPO companies by the Software Technology Park, Bangalore. These accolades from external bodies have firmly placed the Company among the top ITES-BPO/IT companies in the country.

Motilal Oswal Securities Limited ranked your Company amongst the top wealth creators in the 9th Annual Wealth Creations Study 1999-2004

Quality and Security

Quality has played a major role in securing the Company's position as a market leader and customers have given HTMT's services their stamp of quality time and again. HTMT's quality and security certifications, ISO 9001:2000 and BS 7799 were renewed for the year and the Company's various projects were found to be compliant with all the norms listed out by these standards. Furthermore, HTMT is also implementing several Six Sigma initiatives to accelerate process improvements, improve quality of delivery, eliminate wastage and reduce defects and variations to negligible levels. This has enabled HTMT deliver Service Level Agreements that are amongst the most stringent in the Indian BPO Industry.

Acquisition of Minority Interest in subsidiary companies

As mentioned before, your Company acquired controlling interest and management control in C-Cubed, a large, profit making offshore call center in Manila, Philippines. Your Company's holding in C-Cubed is through the medium of two Special Purpose Vehicles ("SPVs"), viz. C-Cubed (Antilles) NV and C-Cubed BV, both of which are off-shore entities. Your Company holds 51% equity of C-Cubed (Antilles) NV, which in turn holds 100% equity of C-Cubed BV. C-Cubed is a wholly owned subsidiary of C-Cubed BV.

Your Company proposes to acquire the interest of the minority shareholders in the SPVs comprising 49% the equity of C-Cubed (Antilles) NV and a loan/deposit together with entitlement of 19.6% of the equity of C-Cubed BV, for an aggregate consideration of US\$ 9.8 Million, payable in cash.

This will result in ownership of 100% interest in C-Cubed and SOCA and your Company thereafter plans to collapse the holding structure to increase transparency and reduce administrative and compliance costs.

Media and Broadband Subsidiaries

HTMT also has valuable subsidiaries in Media and Broadband businesses of cable television distribution, broadband Internet, local television programming, movie channel and movie based programming. These media and broadband subsidiaries continued to invest and consolidate their operations during the year under review.

HTMT's Media and Broadband subsidiaries, on the back of high investments, have also become well established and are well prepared to participate in an era of explosive growth aided by regulatory moves in motion. Going forward, expansions through alliances, partnerships, strategic investments and joint ventures including mergers and acquisitions will be a key growth strategy for these businesses.

The operations of these and other subsidiaries are reviewed in their individual reports annexed with this report. The accounts of the subsidiary companies as required under Section 212(1) of the Companies Act, 1956 as well as the statement specified in Section 212(3) thereof are also attached.

Telecom and other Investments

Pursuant to the consolidation of the various Hutchison mobile telecom operations in India, which was completed on 1st February 2005, your Company, which held a stake in Fascel Limited through its subsidiary IndusInd Telecom Network Limited, has received 5.11% of the voting rights, or a 3.45% effective financial stake, in the consolidated Hutch entity, Hutchison Essar Ltd.

HTMT has received offers from some financial / strategic investors to buy out its holding in Hutchison Essar Ltd. which are being evaluated for maximizing shareholder returns. The shareholders of Hutchison Essar Ltd. have indicated that they intend to seek a listing of the company in the near future.

In addition to strategic and financial investments in subsidiaries and associates, your Company also has investments in equities/Mutual funds amounting to Rs. 27 Crores and an investment in a 47 acre Real Estate property situated off the proposed Bangalore International Airport road. The market value of these investments is considerably higher than that in the Company's books of accounts. Your Company will divest these at an opportune moment ensuring optimal shareholder returns in future and use the proceeds for growing its ITES-BPO/IT Services business.

Addressing Social Concerns

Your Company contributes for social upliftment through various charitable institutions including Hinduja Foundation, which has the objectives of establishing/maintaining hospitals and educational institutions, promoting art and culture, encouraging sports and providing healthcare to the poor, granting scholarships

for encouraging excellence in education and providing relief in the event of natural disasters.

During the year, your Company made a donation of Rs.25 lacs for social projects.

Communication and Public Relations

Your Company has, on a continuous basis, endeavoured to increase awareness among its shareholders and in the market place about the Company's strategy, new developments and financial performance. While financial results and new developments are regularly released to the press and uploaded on its website, your Company, through its Shareholder Letters, has provided the shareholders with detailed financial and non-financial highlights.

Officials from IT division, subsidiaries and the corporate group actively participated as speakers in seminars organised by industry associations and Government forums or as members of taskforce and technical committees.

To help the Company manage and build its public and media relations as it grows, the Hinduja Group has signed on a PR agency called Clea PR, whose expertise will be harnessed to enhance HTMT's brand image across the country. This will serve to attract more talent as well as business.

Business highlights and achievements are regularly released to the media.

Parallely, internal communication and brand building within the organization is being given further impetus. Employee welfare initiatives will go a long way in helping to maintain high levels of employee morale as well as attracting and retaining top-class talent.

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

The prescribed particulars as required under Section 217 (1) (e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are furnished in Annexure - A to this Report.

Corporate Governance

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

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-C.

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

Fixed Deposits

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.

Directors

Mr. S. Solomon Raj relinquished office as Executive Vice Chairman from the close of business of 30th September 2004. The Board places on record its special appreciation for the immensely valuable contributions made by Mr. Solomon Raj during his tenure as Executive Vice Chairman. Mr. Solomon Raj continues as Vice Chairman of your Company, in a non-executive capacity.

Mr. K. Thiagarajan assumed office as Managing Director and Chief Executive Officer with effect from 1st October 2004.

With effect from 30th October 2004,

- Mr I. N. Chatterjee resigned as Alternate Director to Mr. R. P. Hinduja and was appointed as Alternate Director to Mr. D.G. Hinduja
- Ms. Vinoo S. Hinduja was appointed as Alternate Director to Mr. R. P. Hinduja

Mr. K.V.Seshasayee resigned from the Board with effect from close of business of 30th October 2004.

At the Board Meeting held on 30th July 2005, your Directors approved the appointment of Mr. Ashok P. Hinduja as Executive Chairman of the Company with effect from 1st October 2005, subject to his confirmation as well as finalisation of the terms and conditions of appointment and remuneration.

Mr.S.Solomon Raj and Mr. H.C. Asher, Directors of your Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment, Mr. T. Anantha Narayanan, Director of your Company also retires by rotation at the ensuing Annual General Meeting, but has not offered himself for re-appointment, on account of his other commitments. Your Board recommends that the vacancy that would be caused by Mr. Anantha Narayanan's retirement, not be filled up at the ensuing Annual General Meeting. Your Board however intends to fill up the vacancy at a later date. A resolution to this effect would be placed before the members at the ensuing Annual General Meeting.

The Board places on record its appreciation for the valuable contributions made by Mr. Seshasayee and Mr. T. Anantha Narayanan during their respective tenures.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors, based on the information and documents made available to them, confirm that:

- i) in the preparation of the annual accounts for the year ended 31st March 2005, the applicable accounting standards have been followed. There are no material departures in the adoption and application of the accounting standards.

- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability 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) they have prepared the annual accounts on a going concern basis

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 are eligible for re-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 thank the Government of India, 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

Mumbai :
Date : 30th July, 2005

Ashok P. Hinduja
Chairman

Annexure 'A' to the Directors' Report

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

a. Conservation of Energy

The operations of the Company are not energy-intensive. However, the Company makes evaluation on a continuous basis to explore new technologies and techniques to make the infrastructure more energy efficient. An energy audit was conducted by HTMT's IT division at Bangalore to enhance energy efficiency during the year. The recommendations of the Committee were implemented during the year.

b. Research and Development

Continuous Research and Development investments are being made and regular efforts carried out by the Company to enhance the capability, quality, productivity and customer satisfaction.

c. Technology Absorption & Adaptation

During the past financial year, your Company significantly expanded and enhanced its technological infrastructure at existing premises and at the new premises. Some of the highlights include:

- Installation of a Meridian 61C with Symposium for domestic call center at Bangalore..
- Installation of iplan project management software for IT services.
- The data links of a call center unit were migrated from VPN to Point to Point link.
- Installation and Integration of Network Symposium for a call center unit

- Installation of group net in HTMT offices across the globe.
- Reinstallation of dialer and low cost voice recording system for Domestic and International projects.
- Migration of Exchange 5.5 to Microsoft Exchange 2000 for HTMT Email services.

d. Export Initiative, Foreign Exchange Earnings & 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	2004-05	2003-04
Exports as a:		
% of Operating Income	88%	90%
% of Total Income	72%	87%

● Foreign Exchange earnings and outgo. (Rs. in Lacs)

For the year	2004-05	2003-04
Total Foreign Exchange Earned	11838.45	14122.03
Total Foreign Exchange Outgo	1987.62	2850.83

For and on behalf of the Board

Mumbai :
Date : 30th July, 2005

Ashok P. Hinduja
Chairman

Annexure 'B' 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:

Non-Executive Directors.

Promoter Group

Mr. A. P. Hinduja, Chairman
Mr. R. P. Hinduja, Co-Chairman
Mr. D. G. Hinduja

Connected with Associate Companies

Mr. S. Solomon Raj, Vice-Chairman
(Executive Vice-Chairman up to 30/09/04)
Mr. A. K. Das

Independent

Mr. H. C. Asher
Mr. Anil Harish
Mr. T. Anantha Narayanan
Mr. R. P. Chitale

Managing Director and Chief Executive Officer

Mr. K. Thiagarajan (w.e.f 01/10/ 2004)

Mr.S.Solomon Raj relinquished office as Executive Vice Chairman from the close of business of 30th September 2004.

With effect from 30th October 2004,

- Mr I. N. Chatterjee resigned as Alternate Director to Mr. R. P. Hinduja and was appointed as Alternate Director to Mr. D.G. Hinduja
- Ms. Vinoo S. Hinduja was appointed as Alternate Director to Mr. R. P. Hinduja

Mr. K.V.Seshasayee resigned from the Board of your Company with effect from close of business of 30th October 2004.

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
29/04/04	10	8
26/07/04	10	10
25/08/04	10	9
30/10/04	11	11
31/01/05	10	9

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 28 th September 2004
Mr. A. P. Hinduja	5	Yes
Mr. R. P. Hinduja/		
Mr. I. N. Chatterjee*/ Ms. Vinoo S. Hinduja**	5	Yes
Mr. D. G. Hinduja/ Mr.I.N.Chatterjee*	3	Yes
Mr. S. Solomon Raj	5	Yes
Mr. K.Thiagarajan***	2	Yes
Mr. A. K. Das	5	Yes
Mr. H. C. Asher	5	Yes
Mr. Anil Harish	4	Yes
Mr. T. Anantha Narayanan	4	Yes
Mr. K. V. Seshasayee****	4	Yes
Mr. R. P. Chitale	5	Yes

* Alternate Director to Mr.R.P.Hinduja from 29/04/04 to 30/10/04. Alternate Director to Mr.D.G.Hinduja w.e.f. 30/10/04

** Alternate Director to Mr. R.P. Hinduja w.e.f. 30/10/04

*** Appointed as Managing Director and Chief Executive Officer w.e.f. 1/10/04

****Resigned as Director from close of business of 30/10/ 2004

D. Details of Membership of the Directors in other Boards and in Board Committees:

Name of the Director	Other Boards (excludes HTMT)*	All Board Committees (includes HTMT)**	Chairmanship of Board Committees (includes HTMT)
Mr. A. P. Hinduja	2		
Mr. R. P. Hinduja	4	1	
Mr. D.G. Hinduja	4	1	
Mr. S. Solomon Raj	2	2	1
Mr. K.Thiagarajan	3	1	
Mr. A. K. Das	6	4	
Mr. H. C. Asher	9	7	2
Mr. Anil Harish	13	10	3
Mr. T. Anantha Narayanan	6	3	
Mr. R. P. Chitale	5	5	1
Mr. I. N. Chatterjee (Alternate to Mr D.G.Hinduja)	3	3	
Ms. Vinoo S. Hinduja (Alternate to Mr. R. P. Hinduja)	2		

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

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

● Secretarial Standards relating to Meetings, etc.

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

3. AUDIT COMMITTEE

A. Terms of reference

To oversee your Company's financial reporting process and disclosure of its financial information, to recommend appointment of Statutory Auditors and fixation of audit fee, to review and discuss with Auditors about internal control systems, scope of audit including observations of auditors, adequacy of internal audit function, major accounting policies and practices, compliance with accounting standards and with Stock Exchange and legal requirements concerning financial statements and related party transactions, if any, to review

your Company's fiscal and risk management policies and discuss with internal auditors any significant findings for follow-up thereon, to review quarterly, half yearly and annual financial statements before submission to the Board and to advise and guide operating management on specific issues/ transactions in co-ordination with Statutory Auditors.

The terms of reference and composition of the Audit Committee conform to the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

B. Composition

The composition of the Audit Committee is as follows:

Chairman: Mr. Anil Harish

Members: Mr. T. Anantha Narayanan

Mr. R. P. Chitale

Mr. R. P. Hinduja (w.e.f. 30/04/2004)

Mr. A. K. Das (upto 29/04/2004)

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: 29th April 2004, 26th July 2004, 30th October 2004 and 31st January 2005.

Attendance

Name of the Director	Number of Meetings attended
Mr. Anil Harish	3
Mr. R. P. Hinduja/ Mr. I. N. Chatterjee*/ Ms. Vinoo S. Hinduja**	3
Mr. T. Anantha Narayanan	3
Mr. A. K. Das (upto 29/04/04)	1
Mr. R.P. Chitale	4

* Alternate Director to Mr.R.P.Hinduja from 29/04/2004 to 30/10/2004.

** Alternate Director to Mr. R.P. Hinduja w.e.f. 30/10/2004

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. The Committee also acts as the Share Transfer Committee.

B. Composition

Chairman: Mr. S. Solomon Raj

Members: Mr. R. P. Hinduja

Mr. K. Thiagarajan (w.e.f 1/10/2004)

Mr. A. K. Das

Mr. K. V. Seshasayee (up to close of business of 30/10/2004)

C. Meetings

During the year, 17 meetings were held to consider strategic, operational and financial issues, share transfers, review of Company's and its subsidiaries operations and other matters.

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 12 complaints were received from shareholders, which were duly attended to.

B. Composition

Chairman: Mr. Anil Harish

Members: Mr. A. K. Das

Mr. S. Solomon Raj

Mr. K. Thiagarajan (w.e.f 1st October 2004)

C. Meetings

The Committee met on 13th July 2004 and 17th February 2005

Attendance.

Name of the Director	Number of Meetings attended
Mr. Anil Harish	2
Mr. A. K. Das	1
Mr. S. Solomon Raj	2
Mr. K. Thiagarajan	1

6. REMUNERATION OF DIRECTORS

The details of remuneration of the Directors during the financial year are as follows:

Name of Director	Salary and allowances	Perquisites*	Total
	Rs.lakhs	Rs. lakhs	Rs. lakhs
Mr. S. Solomon Raj (up to 30/09/04)	18.53	1.22	19.75
Mr. K. Thiagarajan (w.e.f. 1/10/04)	38.58	2.11	40.69

*(valued as per Income Tax Act, 1961, wherever applicable)

The terms of Mr. K.Thiagarajan's appointment provide for termination by giving three months' notice by either party or salary in lieu of notice. The remuneration of Mr. S. Solomon Raj and Mr. K.Thiagarajan did not include bonuses or stock options.

Name of the Director	Sitting Fees (Rs.)
Mr. A.P.Hinduja	100,000
Mr. R. P. Hinduja	80,000
Mr. D. G. Hinduja	60,000
Mr. S. Solomon Raj	45,000
Mr. A. K. Das	1,25,000
Mr. H. C. Asher	1,00,000
Mr. Anil Harish	1,50,000
Mr. T.Anantha Narayanan	1,40,000
Mr. K. V. Seshasayee	80,000
Mr. R. P. Chitale	1,80,000
Mr. I. N. Chatterjee	60,000
Ms. Vinoo S. Hinduja	20,000

There were no material pecuniary relationships or transactions with non-executive Directors. The Company pays fees for professional services rendered by firms of solicitors/advocates/ chartered accountants in which certain independent Directors are partners.

7. GENERAL BODY MEETINGS

- a. Details of location, date and time of holding the last three Annual General Meetings:

Financial Year	Location	Date and Time
2001-2002	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018	24.09.2002 at 11.00 a.m.
2002-2003	Cultural Centre of Russia, Auditorium, 31 A.Dr.G.Deshmukh Marg, Mumbai 400 026	29.09.2003 at 11:30 a.m.
2003-2004	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018	28.09.2004 at 11.00 a.m.

An Extra-Ordinary General Meeting of the shareholders was held on 24.09.2002 at 2.00 p.m. at the Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018, whereat the shareholders granted approval for the merger of Sarthak Mercantile Private Limited with the Company.

- b. There was no special resolution requiring voting through postal ballot during the year.

8. DISCLOSURES

- a. There were no material significant related party transactions that may have a potential conflict with the interests of the Company at large. Transactions with related parties have been disclosed vide Note No. 6 in Schedule 5 to the financial statements.
- b. There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority or any matter relating to capital markets during the last three years, except one, the details of which are given below:

In the year 1995, the Company had managed a Public-cum-Rights Issue of Subhash Projects & Marketing Ltd. (SPML) as a Lead Manager. Pursuant to complaints on matters concerning the Issue, SEBI had initiated investigation in the Issues of SPML.

After investigation, Chairman, SEBI, passed an Order dated 11th January 2003 directing the Company not to deal in securities as an intermediary in any manner whatsoever for a period of 2 years.

As the members are aware, the aforesaid Order related to the erstwhile business of your Company, which your Company had discontinued more than five years before the passing of the Order. Since end 1997 your Company has not been acting as a merchant banker or as a financial intermediary in the capital and/or securities market and in fact,

your Company did not renew its license to carry out merchant banking activities after it expired in October 1997. Your Company's core activity is IT and ITES and its subsidiaries are in the Media and Telecom sectors. Hence the aforesaid Order does not affect the current business of your Company, nor does it debar your Company from accessing the capital markets.

However, aggrieved by the Order and so that the Order should not be construed as a stigma against the Company, the Company had filed an appeal against the same with Securities Appellate Tribunal (SAT), and as previously reported, SAT lifted the ban for the remaining period, by its order dated 23rd August 2004.

As reported in the previous year, SEBI had issued a letter to the Company, dated 21st July 2004, alleging violation of Regulations 6(2) and 6(4) for 1997 and Regulation 8 (3) for 2002 pertaining to delayed disclosure of certain information. The Company had filed its reply vide its letters dated 18th August 2004 to Bombay Stock Exchange and SEBI to which the Company has not received any further communication.

9. MEANS OF COMMUNICATION

- A. Quarterly communication on financial performance and significant developments were sent to the shareholders for the quarters ended 30th September 2004 and 31st December 2004.
- B. The quarterly results were published in leading national newspapers (Business Standard, Sakal, Economic Times and Maharashtra Times). The quarterly results are simultaneously displayed on www.hindujatmt.com, the Company's website. The website is updated regularly with the official news releases and disclosures as required from time to time.
- C. Management Discussion and Analysis Report is given as an Annexure to the Directors' Report.

10. GENERAL SHAREHOLDER INFORMATION

1. Next Annual General Meeting	
Date	27 th September 2005
Time	11.00 A.M.
Venue	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018
2. Financial Calendar for 2005-06	
Unaudited results for the quarter ended 30 th June 2005	30 th July 2005
Unaudited results for the quarter / half year ending 30 th September 2005	4 th week of Oct. 2005
Unaudited results for the quarter ending 31 st December 2005	4 th week of Jan. 2006
Audited results for the year ending 31 st March 2006	4 th week of June 2006

3. Book Closure Dates 2005	From 20 th September to 27 th Sept. 2005 (both days inclusive)
4. Dividend for the financial year 2004-05	On or after 29 th Sept. 2005
5. Listing of Equity Shares	Stock Exchange, Mumbai (BSE) and National Stock Exchange (NSE)
6. Stock Code	BSE: 500189 NSE: HTMT

(Note: Annual Listing fee for the financial year 2005-06 has been paid to BSE & NSE)

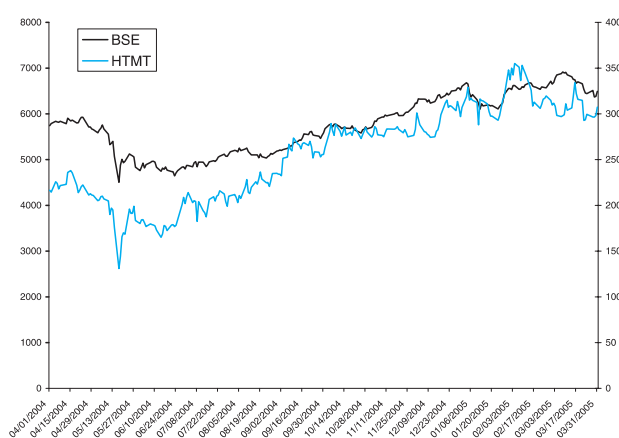
11. STOCK MARKET DATA

Month	Stock Exchange, Mumbai		National Stock Exchange	
	Month's High Rs.	Month's Low Rs.	Month's High Rs.	Month's Low Rs.
April 2004	244.00	204.10	244.40	204.80
May 2004	214.60	127.00	213.80	127.70
June 2004	212.00	163.00	211.90	163.00
July 2004	219.90	160.00	219.95	175.00
August 2004	241.00	202.20	243.25	202.10
September 2004	275.90	231.05	275.65	231.10
October 2004	297.45	258.00	297.70	260.00
November 2004	293.00	273.50	294.00	231.15
December 2004	321.75	273.05	323.60	272.15
January 2005	347.00	273.00	348.00	271.10
February 2005	358.90	305.00	360.00	305.00
March 2005	338.00	283.15	337.25	283.05

SHARE PRICE MOVEMENT (BSE)

HTMT share price performance relative to BSE Sensex:

HTMT Share Movement (April 04-March 05)



12. SHARE TRANSFER SYSTEM

Your Company's equity shares are compulsorily traded in dematerialised form as per the SEBI Guidelines. As on 31st March 2005, about 99.49% of your Company's equity comprising 40,696,414 shares had been dematerialized. Shares of your Company are regularly traded on the BSE and NSE.

Share transfer requests received are processed / returned within 30 days from the date of receipt. The Committee of Directors also acts as the Share Transfer Committee.

On 31st March 2005, there were no unprocessed transfers pending. The details of shares transferred during the last three years are as under:

Particulars	2002-03	2003-04	2004-05
No. of transfer deeds	238	143	20
No. of shares transferred	34420	23600	7500

Pattern of shareholding as of 31st March 2005:

Particulars	No. of shares	% of shareholding
Promoters	27711188	67.75
FII's	4298323	10.51
N.R.I.s/OCBs/Non Domestic Companies	344593	0.84
Mutual Funds, Banks, Financial Institutions, Insurance Companies	2494476	6.10
Private Corporate Bodies	2693903	6.59
Individuals / Others	3361404	8.21
Total Paid-up capital	40903887	100.00

Distribution Schedule as of 31st March 2005:

Distribution	No. of shareholders	No. of Shares	% of Shareholding
Less than 500	7676	945925	2.313
500-1000	569	467493	1.143
1001-2000	304	481093	1.176
2001-3000	136	347652	0.850
3001-4000	74	267148	0.653
4001-5000	51	234158	0.572
5001-10000	67	526586	1.287
Above 10000	128	37633832	92.006
Total	9005	40903887	100.00

Secretarial audit is carried out in line with SEBI requirements and reports submitted by an independent Company Secretary confirming that the aggregate number of equity shares of the Company held in NSDL, CDSL and in physical form

tally with the issued/paid-up capital of the Company, were noted by the Board from time to time.

13. REGISTRAR AND TRANSFER AGENT

Your Company's Registrar and Share Transfer Agent is Sharepro Services Pvt. Ltd., Satam Estate, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai- 400099.

Shareholders' correspondence should be addressed to the Registrar and Share Transfer Agent at the above address, marked to the attention of Ms. Mazrine Wadia/ Ms. Rashmi Darji / Mr. Vinod Bhadkar. Tel: (91 22) 2288 4257, 2288 1568, 2288 1569; Fax: 22825484

14. ADDRESS FOR CORRESPONDENCE WITH THE COMPANY

Queries relating to operational and financial performance of your Company may be addressed to:

Mr. Yagnesh Sanghrajka (Senior Vice President and Chief Financial Officer)

Address: Hinduja House, 171 Dr. Annie Besant Road, Worli, Mumbai 400 018

Tel: (91 22) 2496 6350 Fax: (91 22) 2493 7374

Shareholders may also address queries relating to their holdings to Mr. Hasmukh Shah, Asst. Vice President - Legal & Secretarial at the above address or contact him on the numbers given above.

Plant Locations: Not applicable

15. COMPLIANCE OFFICER

Mr. Somnath Majumdar, Senior Vice President and Head- Legal & Secretarial

For and on behalf of the Board

Mumbai
Date: 30th July 2005

Ashok P. Hinduja
Chairman

Annexure 'C' to the Directors' Report

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT (S)

To the Members of Hinduja TMT Limited

1. We have examined the compliance of the conditions of Corporate Governance by Hinduja TMT Limited for the year ended March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.
2. 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 Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and 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.
4. We state that in respect of investor grievances received during the year ended March 31, 2005, no investor grievances are pending against the company as on July 30th 2005 as per the records maintained by the Company and presented to the Shareholders/ Investor Grievance Committee.
5. 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.

Partha Ghosh
Partner
Membership No. F - 055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Mumbai
Date: 30th July 2005

Management Discussion & Analysis

A. HTMT's Background

HTMT is a part of the Hinduja Group - a worldwide conglomerate. The Group is one of the India's largest transnational business conglomerates with diversified operations. It operates in more than 20 countries and employs over 25,000 people.

HTMT was formerly known as Hinduja Finance Corporation Ltd. In August 2000, it merged Ashok Leyland Information Technology Ltd. (ALIT) with itself. ALIT was engaged in IT Services since 1993 and pursuant to the merger, IT Services became a division of HTMT. Prior to the merger, HTMT was carrying on investment banking and equity trading businesses, which were discontinued from the year FY 2001-02 on the advice of management consultant 'Accenture'.

The core business of HTMT presently is IT (which includes both IT Services and IT Enabled Services) with

over 5000 employees including those of the subsidiaries. The company has two major activities:

- As an operating IT Company, and
- Corporate parent of the subsidiaries in Media and Telecom space.

The Media and Telecom subsidiaries were acquired by HTMT from the Hinduja Group, which had incubated and nurtured these businesses as privately held companies, through a series of mergers and share swaps. These businesses were brought under the umbrella of HTMT so that the Company can become a truly convergence player and unlock the value latent in these businesses, thereby creating wealth for its shareholders.

HTMT's subsidiaries and associate companies in the areas of IT, Media and Telecom are as under:

Sr. No	Name of the Company	Nature of Business	HTMT's Effective stake	HTMT's Holding Through	Shareholders other than HTMT
A SUBSIDIARIES					
1	HTMT Inc.	Information Technology	100%	Direct	N.A.
2	Source One Communications Inc.	Information Technology	100%	Direct	N.A.
3	Source One Communications Asia Inc.	Information Technology	79.18%	Source One Communications Inc. and C3	JV partner from USA and Philippines
4	Customer Contact Center Inc. (C3)	Information Technology	51%	C-Cubed (Antilles) NV & C-Cubed BV	JV partner from USA and Philippines
5	HTMT Europe Ltd	Information Technology	51%	HTMT Inc.	Hinduja Group (offshore)
6	Hinduja TMT France	Information Technology	51%	HTMT Inc.	Hinduja Group (offshore)
7	C-Cubed (Antilles) N.V.	SPV for C3, Philippines	51%	Direct	JV partner from USA
8	C-Cubed, BV, Netherlands	SPV for C3, Philippines	51%	C-Cubed (Antilles) NV	JV partner from USA and Philippines.
9	InNetwork Entertainment Ltd (INEL)	Media & Entertainment	100%	Direct	N.A.
10	Grant Investrade Limited	Special Purpose Vehicle	51%	Direct	Intel Capital
11	IndusInd Media & Communications Ltd (IMCL)	Broadband Network/Multi System Operator	62.07% (*)	INEL & Direct	Grant, Indusind Bank, Hinduja Group (offshore)
12	Tele Video Communications India Ltd	Personnel support services for IMCL	60%	INEL	Hinduja Group
13	In2Cable India Ltd	Broadband Internet Service Provider	100%	Direct	N.A.
14	IndusInd Telecom Network Ltd (ITNL)	SPV for Hutch stake	67.42%	Direct & INEL	Sumitomo Corp & Hinduja Group (offshore)

Sr. No	Name of the Company	Nature of Business	HTMT's Effective stake	HTMT's Holding Through	Shareholders other than HTMT
B ASSOCIATES					
1	Fascel Ltd. (Upto 31/1/2005)	Cellular Services	20.24%	ITNL & INEL	Hutchison and others
2	USN Networks Pvt Ltd.	Cable TV Services	29.79% (*)	IMCL	Local Cable Operators
3	United Mysore Network Pvt. Ltd.	Cable TV Services	29.79% (*)	IMCL	Local Cable Operators
4	Planet E Shop Holdings P. Ltd	Holding Company for Shop 24 Seven	48%	INEL	JV partner from USA

(*:on fully diluted basis)

HTMT has broadly classified its IT offerings into

a. IT Enabled Services (BPO/Contact centres)

HTMT's expertise is in:

- Setting up and running contact centers, Technical Help desks.
- Setting up, transitioning and running Back Office Processing units.

b. IT Services

HTMT's expertise in software services is in offering end to end computing solutions on various platforms. Services include:

- IT Consulting
- Architecture and Integration
- Customized Systems Development
- Application Re-Engineering and Migration
- Application implementation and Maintenance
- Training

HTMT's domain expertise is in the areas of Discrete Manufacturing, Telecom, Healthcare Insurance, Banking and Financial Services, Consumer Electronics and products Energy and Utilities.

HTMT's Differentiators

- Financial strength and backing of the Hinduja group.
- The offering of a distinct value proposition to customers in the ITES Space in terms of quality and cost effectiveness supported by technology and domain capability in IT services.
- Robust Global Delivery Model
- Superior performance in handling its existing IT

enabled businesses and meeting stringent customer standards of quality and productivity.

- High quality top management that has handled the cultural aspects of working offshore.
- Ability to put in place infrastructure and scaling up or down.
- Partnerships with customers, as modes of corporate growth and drivers of competitive advantage.
- Acquisition and retention of talents and skills upgrade.
- High cash reserves, valuable investments encashable and a history of profitable operations.

B. Industry Structure and Development

Information Technology Industry

According to IDC the Global demand for IT and BPO Services in 2004 was US\$ 847 Billion and is expected to reach US\$ 1082 Billion by 2007. Over the same period the offshorable market is expected to rise from US\$ 634 Billion to US\$ 836 Billion. NASSCOM estimates that the offshore parameter is likely to increase from an estimated 6.3% to 8.8% of the global IT and BPO Services market by 2007. Hence the value of global IT Services delivered from offshore locations is forecasted to rise from US\$ 39.6 Billion to US\$ 74 Billion by 2007.

Over time, client relationships have evolved from doing one time project related lower value add activities to higher end, multiple location complex continuous assignments. Several clients have also over the last few years developed a complex network of multiple vendors to ensure business continuity, best prices and quality of service through competition. Hence multi vendor relationships, which pose both a challenge as well as a threat, are here to stay.

The Offshore Client Vendor relationship in India is witnessing key changes going forward. On the client side, customers are consolidating their services to engage with two or three vendors at most who have the depth, scale and capability to handle their requirements. On the vendor side of the relationships, there has been consolidation through a process of M&A, a process likely to further hasten in the years ahead. Vendors are also migrating from pure play IT or BPO Service Providers to becoming complete end to end Outsourcers. Vendors are therefore rapidly componentising their delivery capabilities across multiple locations and relying on complex work flow solutions to deliver an integrated offering to their customers. Examples include both MNCs coming into locations such as India and Philippines as well as Indian companies going out to the market place and to other locations and acquiring marketing and delivery capability.

According to NASSCOM, the Indian IT-ITES industry recorded 34.5% growth in exports, clocking revenues of US\$ 17.2 Billion in FY 2004-05, as compared with export revenues of US\$ 12.8 Billion in 2003-04. Of the total IT-ITES exports in FY 2004-05, IT software and services grew by 30.5%, registering revenues of US\$ 12 Billion; while ITES-BPO segment clocked revenues of US\$ 5.2 Billion, recording a growth of 44.5%. NASSCOM has projected that the Indian IT-ITES exports are likely to grow by 30-32% in FY 2005-06, clocking revenues of US\$ 22.5 Billion.

According to NASSCOM findings, the overall Indian IT-ITES industry (including domestic market) grew by 32% in FY 2004-05 registering revenues of US\$ 22 Billion, up from US\$ 16.7 Billion in 2003-04.

Key highlights of the Indian ITES-BPO sector:

ITES-BPO employee base has grown at a CAGR of 52.6%, from 42,000 in 2001-02 to 348,000 in FY 2004-05

- As of March 2005, there were around 410 ITES-BPO players in India, up from 285 in FY 2003-04
- Captive units continue to dominate the segment, accounting for over 65 percent of the value of work off-shored to India
- The domestic market for ITES-BPO also witnessed a significant increase in demand with the estimated value of work outsourced (by domestic clients) rising from US\$ 300 Million in FY 2003-04 to US\$ 600 Million in FY 2004-05
- Key drivers of growth in domestic demand for ITES-BPO include the high degree of competition in

the domestic telecom and BFSI verticals with companies laying increased emphasis on customer fulfilment and other CRM activities.

- Integration of IT-BPO contracts is becoming more common
- The ITES-BPO companies are gaining significant traction in transaction processing, with more and more firms balancing voice and non-voice business portfolios to diversify revenue and raise seat utilization
- While the leading global services firms scramble to ramp-up offshore operations in India, Indian vendors are developing multi-location delivery capabilities. Apart from India, firms are setting up facilities in China, Eastern Europe, Ireland, and Philippines. Within the country they are expanding to Tier II cities such as Mysore, Nasik, Vizag, Jaipur, Chandigarh and Trivandrum
- The year gone by was a period of significant market activity for the ITES-BPO sector in India. Coupled with the growing stock of firms expanding their offshore initiatives in India, was the wave of consolidation as several large M&A deals were scripted in the industry like GECIS-Oak Hill/General Atlantic Partners, Daksh-IBM, e-serve-Citigroup, etc.
- Emerging opportunity areas for the ITES-BPO sector:
 - ❖ The previous year witnessed a significant pickup in global interest for HR ITES-BPO. Global potential for HR outsourcing in 2004 was estimated at US\$ 10.8 Billion - offshore-able potential estimated to be over US\$ 5 Billion. Value of HR BPO offshored to India in FY 2004-05 was US\$ 165 Million, up 120 percent from US\$ 75 Million in the previous year.
 - ❖ A new breed of high-end knowledge based BPO called Knowledge Process Outsourcing (KPO) emerged. This comprises of vendors providing higher-end research and analytic based services - in traditional service lines as well as new business areas.
 - ❖ Areas with significant latent potential for KPO include healthcare -pharmaceuticals and biotechnology, legal support - intellectual property research, design and development for automotive and aerospace industries, and animation and graphics in the entertainment sector.

- ❖ F&A (Finance and Accounting) outsourcing is emerging as one of the fastest growing BPO segments. While earlier, the majority of F&A outsourcing deals were focused on transaction processing, now customers want BPO solutions providers to manage almost the entire business process.
- ❖ Procurement outsourcing is an emerging area as more and more firms are seriously investigating this option

Drivers of the ITES-BPO industry:

- Competitive pressures on client organizations increasing the need for outsourcing
- Widening breadth of services required / offered
- Shift towards high value services
- Delivery processes enhancement and improvement
- Resource flexibility for client
- Ability of Indian vendors to ramp up operations rapidly
- Sustained cost advantages
- Service exports will be key drivers of the growth significantly complemented by a booming economy and a growing domestic market.

C. Opportunities

- India to reach US\$ 24 Billion by 2008 from current Volume of US\$ 5.7 Billion
- New lines of business with existing customers (Cross selling between ITS and ITES customers)
- Existing service offerings for companies in growing domain like Insurance and Telecom
- New domains like Logistics / Purchase / Engineering / Legal and Finance / HR / Utilities
- Increasing number of Fortune 500 Company's warm towards the outsourcing / off shoring delivery model
- Large global system integrators offshoring to India
- Vendor consolidation amongst our existing customers
- Upcoming markets for ITS - Iran, China, Africa
- Europe / APAC markets opening up.
- High value segments like SI / Package Implementation and Support / IT Consulting / R&D, EDS
- Cross Sell across our Philippines and India Centre customers.

- Level 1 and 2 Technical support of Products and Applications

D. Threats

Some of the threats HTMT may face in its core business of IT are as under

- Competition from large established players
- Challenges to attract high quality talent at competitive price
- Pricing pressures leading to lower margins
- High rates of attrition
- Increasing number of Indian IT majors entering into BPO arena
- Captive units by large potential outsourcers
- Competition from other locations.
- Non Tariff Barriers
- Tough Visa Regimes

HTMT has been reviewing its business model and is continuously taking steps to de-risk its business model.

E. Outlook

HTMT will strive to match the ITES-BPO industry growth rates in all five geographies (India, Philippines, Mauritius, U.S.A. and Canada) it operates in.

F. Business-wise / Segment wise Analysis

At present, HTMT, a technology convergence company, functions as an

- (a) operating IT Company and
- (b) corporate parent of subsidiaries in Media and Telecom space.

IT and Media and Telecom segments have therefore become the primary business segments. The unconsolidated business segment wise analysis for the year ended 31st March 2005 is as given below:

	(Rs. in Lacs)		
	IT	Media - Telecom	Treasury
Segment Revenues	13686.90	614.57	2311.54
Segment Results (PBIT)	5070.60	293.70	2257.18
Capital Employed	12872.30	30061.13	7973.04

i. Information Technology

The performance of the IT business segment of the

company for the year under review as compared to the previous year was as under:

(Rs. in Lacs)

	Information Technology		
	2004-05	2003-04	% Change
Segment Revenues	13686.90	14499.19	(5.60%)
Segment Results (PBIT)	5070.60	6688.05	(24.18%)
Capital Employed	12872.30	7960.49	61.70%
ROCE (%)	39.39%	84.01%	(53.11%)

Comments:

- HTMT's IT segment revenues decreased by 6% due to discontinuation of highly profitable call centre business from a US based telecom client due to which the Profit before Interest and Taxes (PBIT) was lower by 24% for the year.
- Return on Capital Employed (ROCE) in the Company's Information Technology business for the year was lower at 39.39% than the previous year, due to reduction in profitability and increase in capital employed on account of acquisitions in USA and Philippines.
- The break-up of the capital employed in IT is as given under:

(Rs. in Lacs)

Details	2004-05	2003-04	% Change
Fixed Assets	3359.75	2819.63	19.15%
Investments	5238.42	1375.11	280.94%
Stock in Trade	309.06	124.43	148.38%
Sundry debtors	844.76	3089.44	(72.66%)
Cash and Bank Balances	1126.21	208.68	439.68%
Other Current assets	776.38	288.85	168.78%
Loans and Advances	2534.62	838.58	202.25%
Misc. Expenditure	0.00	0.00	—
Total Segment Assets	14189.20	8744.72	62.25%
less : Segment Liabilities	1316.90	784.23	67.92%
Total Capital Employed	12872.30	7960.49	61.70%

ii. Media-Telecom

The performance of the Media-Telecom business segment of the company for the year under review as

compared to the previous year was as under:

(Rs. in Lacs)

	Media-Telecom		
	2004-05	2003-04	% Change
Segment Revenues	614.57	810.80	(24.20%)
Segment Results (PBIT)	293.70	402.01	(26.94%)
Capital Employed	30061.12	29253.91	2.76%
ROCE (%)	0.97%	1.37%	(29.20%)

Comments:

- HTMT's Media-Telecom segment revenues comprise mainly of interest and other income derived by the company from various Media/Telecommunication related activities. The revenues from this segment for the year under review was 614.57 lacs as compared to 810.80 lacs in the previous year, lower by 24.20% mainly due to reduction in rate of interest on the financial assistance provided to the subsidiaries.
- PBIT and ROCE from the segment were at Rs. 2.94 Crores and 0.97% respectively.
- The break-up of the capital employed in Media and Telecom is as given under:

(Rs.in Lacs)

Details	2004-05	2003-04	% Change
Financial Assistance to Subsidiaries Associates	10456.72	10485.00	(0.26%)
Investment in Subsidiaries	19771.84	18397.02	7.47%
Other Fixed / Current Assets	141.90	371.89	(61.84%)
Total Segment Assets	30086.66	29295.69	2.70%
less : Segment Liabilities	25.53	41.78	(38.89%)
Total Capital Employed	30061.13	29253.91	2.76%

Out of total amount of Capital Employed in HTMT's Media-Telecom businesses of Rs.30061.13 lacs, Rs.13273.13 lacs is invested in IndusInd Telecom Network Limited (ITNL). ITNL, in turn, holds 5.11% stake in Hutchison Essar Limited, one of India's largest cellular companies. As this is a financial investment for HTMT, the segment returns will improve post its divestment.

iii. Treasury

The performance of the Treasury business segment of the Company for the year under review as compared to the previous year was as under:

	(Rs. in Lacs)		
	2004-05	Treasury 2003-04	% Change
Segment Revenues	2311.54	925.10	149.87%
Segment Results (PBIT)	2257.18	856.97	163.39%
Capital Employed	7973.04	7285.24	9.44%
ROCE (%)	28.31%	11.76%	140.73%

Comments:

- a. HTMT's Treasury segment revenues comprise mainly income arising from deployment of surplus funds and income from sale of existing investments (other than subsidiaries). The income from this segment has risen considerably on account of significant gains from divestments in investment portfolio.
- b. The break-up of the capital employed in this segment is as given under:

Details	(Rs. in Lacs)		
	2004-05	2003-04	% Change
Quoted/Unquoted Investments	1130.46	3970.66	(71.52%)
Cash and bank balances	350.00	—	
Other Fixed/Current Assets (net of liabilities including dividend payable)	6492.58	3314.58	95.88%
Total Capital Employed	7973.04	7285.24	9.44%

G. Risks and Concerns

HTMT has been regularly taking adequate steps to mitigate existing and potential risks like (a) client concentration (b) high exposure to one industry (c) geographical concentration (d) client creditworthiness (e) foreign exchange rate fluctuations (f) contractual obligations (g) project management (timely and satisfactory completion of assignments).

The Company has created a security-awareness culture by educating staff about security risks and their responsibilities and has obtained BS:7799 security standard certification with the help of KPMG. The

Company has adequate backup procedures and redundancy in technology and telecommunication set up to address any kind of disaster. Multi-locational delivery of services is being considered so that alternate sites will be available in case of sudden disruption of work due to natural calamities or other internal as well as external factors.

H. Internal Control Systems and their adequacy

The internal control systems and processes of your Company cover operational efficiency, accuracy and promptness in financial reporting, compliance with laws and regulations and development of mature, disciplined and effective processes. The processes also are designed to meet the goals of cost, schedule, functionality and product quality, thus resulting in higher levels of customer satisfaction.

A well-defined organizational structure, clearly demarcated authority levels and well-documented policy and guidelines to ensure process efficiencies are the hallmarks of the Company's internal control system.

Your Company is an ISO 9001 certificated for all its IT activities covering software projects, BPO activity and Call Center function and there will be six-monthly surveillance audit as per the certification norms.

Customer specific audit, process quality audit and financial procedure audit are carried out periodically to ensure compliance with the laid-down systems and procedures.

The internal and external Auditor's reports with comments of the management are regularly placed before the Audit Committee, which discusses the reports with the management and the Auditors to satisfy about the internal control environment designed to ensure that the results of operations are reflected properly in the financial statements and process control and quality standards are maintained.

I. Discussion on Financial results with respect to Operational Performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. There are no material departures from prescribed accounting standards in the adoption of the accounts. The management of HTMT accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and the judgements used therein. The following are

relevant financial highlights with respect to the operational performance of the company:

(Rs. in lacs)			
For the Year	2004-05	2003-04	% Change
Operating Income	15569	15746	(1.12%)
Expenses	8774	8076	8.64%
Operating Profit (PBDITA)	6795	7670	(11.40%)
Financial Expenses	0	0	—
Depreciation/Amortisation	553	461	19.96%
Operating Profit after Interest and Depreciation	6242	7209	(13.41%)
Profit on Sale of long term Investments (net)	1044	489	113.50%
Other Income	114	14	714.28%
Profit before tax & exceptional items	7401	7712	(4.03%)
Provision for tax (incl.deferred tax)	396	159	149.06%
Profit after tax	7005	7553	(7.25%)

Analysis of Expenditure as a percentage to Operating Income

(Rs. in Lacs)			
For the Year	2004-05	2003-04	% Change
Direct, Product Charges and Connectivity Costs	1028.50	2173.16	(52.67%)
Employee cost	4803.06	3205.87	49.82%
Administrative and Other Exp.	2941.77	2697.12	9.07%
Financial Expenses	—	—	—
Depreciation/Amortisation	553.09	460.59	20.08%

Significant Ratios

For the Year	Unit	2004-05	2003-04
Current Ratio	times	4.64	8.48
Debt Equity Ratio	times	—	—
Earnings per share	Rs.	17.13	18.47
Dividend per share	Rs.	7.50	7.50
Book Value per share	Rs.	119	110
Debtor turnover Period	Days	22	70
OPM on Operating Income	%	43.64	48.71
Cash/Bank Balance	Rs. in lacs	1744	1443

J. Material Developments in Human Resource Management / Industrial Relations

In line with consolidating Company's position as a market leader, HTMT has been striving to achieve the highest levels of satisfaction at all levels, especially with its most valuable asset - the human capital.

The year FY '2004-'05 saw a number of initiatives being taken in this regard, with the management playing a proactive role in empowering and enabling the employees in furthering their goals as aligned to the corporate strategy. This process was set in motion and achieved by means of a 5-point agenda -

- *Fair appraisal system*
- *Opportunities for career growth, training and development*
- *Maintaining a good working environment*
- *Recruitment (timely and right fit)*
- *Framing and execution of HR Policies*

Some of the key initiatives undertaken as part of this agenda were

❖ Skip Level Meetings

Skip level meetings are an attempt to establish a forum for the employees to interact with the top management levels, where they get an opportunity to express their concerns and grievances directly.

❖ Fun at Work

Fun committees were formed for organizing fun group activities on a regular basis for each unit. This saw various events like Rangoli competitions, Musical Chairs, potlucks being held in the different units.

❖ Gurgles

Gurgles is an initiative to collect information from the 'rookies' who have just completed 3 months of service in the company. The survey covers employees from various units, and is part of the Organisational Development initiative. The questionnaire covers different areas relating to company image, career growth, work environment and culture.

❖ Stress Management and Personality Development

A number of stress management and personality development programs were conducted throughout the year to foster holistic development of the employees.

Group relaxation exercises were held for employees across various projects.

As part of the attempt to bring the Gordon Personal Profile Inventory (GPPI) in use as a personality test, fresh recruits from all units were assessed using the GPPI.

The personality development activities involved creating a module to train team building activities for group leads and senior customer executives.

❖ Annual Appraisals

In line with the high levels of performance from employees, the management has been duly appreciative and has rewarded them with Annual Increments.

❖ Mumbai Center

FY 2004-05 also saw the opening of the Interactive Services Group and Call Centre at Mumbai as well as continuance of the existing Disaster Recovery Centre operations. A number of HR initiatives have been undertaken, some of which are listed hereunder

- Monthly birthday lists are displayed prominently in the reception area. On their birthdays, employees are presented with cards, with wishes signed by all the team members and confectionery is distributed.

- An IT helpdesk was conducted, where an IT consultant assisted the employees in understanding their tax implications, and got them to file their tax returns and apply for PAN nos. as the case may be.
- New batches joining the company periodically assign themselves with a name during the Training phase; this name is continued on the shop floor. This system fosters a sense of teamwork and belonging as also healthy competitiveness among the employees.

The above initiatives have played a vital role in contributing to strategic and tactical benefits to both the company and its employees. Thus, attrition rates have been maintained at below-industry averages - a pointer towards growing employee satisfaction and acceptance of HTMT as a preferred employer. The 'Earn While You Learn' initiative continues to encourage employees to pick up additional academic qualifications from renowned B-schools in their chosen areas of expertise while working at HTMT has also paid rich dividends in both retaining high performers as well as building competencies at all levels.

Participation in various summits and industry initiatives has added value to the HTMT brand among both corporates as well as potential employees.



HTMT's facility at
Toronto, Canada