

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Your Directors submit their report for the Financial Year ended 31st March, 2007.

FINANCIAL RESULTS

Year Ended March 31,	(Rs. in lakhs)	
	2007	2006
Total Income	20517.55	16234.44
Total Expenditure	17133.50	14574.17
Operating Profit (PBIDT)	3384.05	1660.27
Depreciation	853.90	602.20
Profit / (Loss) before Tax	2530.15	1058.08
Provision for Tax	463.02	20.36
Profit / (Loss) after Tax	2067.13	1037.72

BUSINESS REVIEW

The outsourcing trend continued to strengthen during the year under review. This was clearly demonstrated by the reinforcement of the Indian IT industry growth story, driven by a maturing appreciation of India's role and growing importance in the global services trade. Across many developed-economy markets (e.g. the Nordics), demographic trends and skill shortages will only reinforce the outsourcing trend going forward. Analysts predict that by 2010, the global outsourcing industry will cross US\$ 1 trillion. While alternate destinations are being explored to add multi-country delivery capability, India remains an integral part of any major global sourcing strategy.

ITC Infotech Group was successful in acquiring new customers in the US and Europe. The incremental revenues and margins from new customers commenced accruing primarily in the last quarter of the financial year and are therefore expected to gain momentum only in the next fiscal. Underlining the growing importance of the Nordics, 2006 saw the addition of a large bank and an airline company, headquartered in that region, as customers. Building on this success, the Company is actively sourcing business in that region and has acquired customers in Finland, Sweden and Norway.

The ITC Infotech Group is now a 1900 strong team of software engineers. During the year under review dedicated development centres were opened in the 'ITC Infotechpark' campus in Bangalore for the Nordic customers. ITC Infotech also expanded its overseas presence by opening a Branch Office in Copenhagen, Denmark.

ITC Infotech has been ranked in the Leaders Category for the '2007 Global Outsourcing 100' by the International Association of Outsourcing Professionals (IAOP). ITC Infotech has also been ranked amongst the 'Top 10 Specialty Application Development Providers' in the 2007 Global Services 100 listing.

On the operating front, margins have been under steady pressure. Key factors driving this have been (i) higher proportion of onsite engagements leading to higher revenues but correspondingly higher employee costs (ii) limited success in rotation of higher cost onsite employees due to customer imperatives (iii) stagnancy in key existing accounts and (iv) spiralling wage costs. Further, while increase in business volume in certain low-margin engagements has created scale in key capability areas, it has also exacerbated the margin pressures.

Revenue from new customers acquired during 2006-07 is expected to grow significantly in the next fiscal. Building on its success in the Nordic region, the Company has strengthened business development efforts in that region and expects significant scale up of business. The roll out of actions emanating from its North America strategy is well underway and the ITC Infotech Group is in the process of significantly expanding its presence in North America through own resources as well as key alliances and partnerships. It is also aggressively evaluating inorganic growth options.

To consolidate the internal restructuring initiated last year in establishing business verticals, sharpen the focus on the marketplace and to transcend operations into a global delivery model, the Company has created 3 business clusters which will synergise the efforts of the business development and delivery teams. Coupled with investments in technology and creation of differentiated and deep domain led offerings, the Company has built a healthy pipeline of customers around testing, package implementation, engineering services and IT infrastructure services in the target verticals of Banking, Financial Services & Insurance, Travel, Hospitality & Transportation, Manufacturing and Consumer Packaged Goods & Retail. With these efforts and sharpened focus, the Company is confident of meeting the expectations of its stakeholders in the next year.

Strong relationships, diversity of services, a global delivery footprint, effective management of scale and deep domain understanding will be the key differentiators in the highly competitive global IT-ITES industry. The war for talent will intensify. The demand, and consequently the cost, of talent will constantly escalate in the middle term. Quality of recruitment, training,

engagement and retention will be key determinants of an organization's capability to leverage talent capital.

WHOLLY OWNED SUBSIDIARIES

i) ITC INFOTECH LTD., UK

During the year under review, ITC Infotech Limited, UK, a wholly owned subsidiary of the Company, has registered a Turnover of GBP 16.81 million (previous year GBP 14.31 million) and a Net Profit of GBP 0.12 million (previous year GBP 0.40 million).

ii) ITC INFOTECH (USA), INC

During the year under review, ITC Infotech (USA), Inc., a wholly owned subsidiary of the Company, registered Total Revenues of USD 9.31 million (previous year USD 6.51 million) and a Net Profit of USD 0.18 million (previous year USD 0.16 million).

JOINT VENTURE - CLI3L e-SERVICES LIMITED

In the ITES segment, CLI3L e-Services Limited (CLI3L), a joint venture of your Company with ClientLogic Operating Corporation, posted a steady performance with Total Income at Rs. 124.43 crores (previous year Rs. 133.73 crores) with post tax profits at Rs. 29.89 crores (previous year-Rs. 32.86 crores).

During the year under review, the ClientLogic Group acquired Sitel Corporation to strengthen its business scale and the name of the joint venture partner was changed from ClientLogic Operating Corporation, USA to Sitel Operating Corporation, USA. Further, the shareholding of the Company in CLI3L is now held by ITC Limited in accordance with Article 16 of the Articles of Association of CLI3L.

CLI3L declared a total dividend of 90 % i.e. Rs. 9 per share (previous year 125% i.e. Rs. 12.50 per share) for the year ended 31st March, 2007.

TALENT MANAGEMENT

Competent human resources are the key to success in meeting customer expectations and creating a superior value proposition. The Company has grown its headcount by 50% during the year under review. The Company continues to reinvigorate human resource development processes and has embarked upon a focused training and development programme, especially in respect of its direct-from-campus joiners, in the year under review. The Company is confident of leveraging this home grown talent towards achieving its ambitious financial objectives for the next year.

OTHER INFORMATION

The particulars of conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in terms of Section 217(1)(e) are given in Annexures "A" and "B". The particulars of employees in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure "C". The Directors' Responsibility Statement as required in terms of Section 217(2AA) is given in Annexure "D".

DIRECTORS

Mr. S. Puri was appointed as Managing Director of the Company with effect from 14th May, 2006.

In accordance with the provisions of Section 256 of the Companies Act, 1956 and Article 143 of the Articles of Association of the Company, Mr. K. Vaidyanath and Mr. S. Sivakumar will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. B. B. Chatterjee (Chairman of the Committee), Mr. A. Nayak and Mr. K. Vaidyanath, all non-Executive Directors of your Company. The Managing Director, the Head of Finance, the Statutory Auditors and the Internal Auditors are Permanent Invitees to the Committee. The Company Secretary serves as the Secretary of the Committee.

AUDITORS

The Auditors, M/s. Price Waterhouse retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the vital contribution made by employees at all levels.

Bangalore, 11th May, 2007
Registered Office:
Virginia House
37 J. L. Nehru Road
Kolkata 700 071, India.

On behalf of the Board

Anup Singh
Chairman

ANNEXURE 'A' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998**A. CONSERVATION OF ENERGY**

Since the Company is engaged in providing information technology solutions and services, it is not a major consumer of energy.

B. TECHNOLOGY ABSORPTION**I. RESEARCH AND DEVELOPMENT (R & D) : Not Applicable**

1. Specific areas in which R & D carried out by the Company
2. Benefits derived as a result of the above R & D
3. Future plan of action
4. Expenditure on R & D for
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of Total Turnover

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief made towards technology absorption, adaptation and innovation.**

The Company operates in various state-of-the-art technology areas and has developed the necessary related skills.

The Technology Services Group of the Company continuously scans the market for new technologies, designs, systems and processes and institutes appropriate systems to ensure effective absorption and deployment of such technologies within the organisation.

2. Benefit derived as a result of the above efforts

Expansion of business in various new technology areas and productivity improvements through the use of contemporary software tools.

On behalf of the Board

Anup Singh

Chairman

Bangalore, 11th May, 2007

ANNEXURE 'B' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998**FOREIGN EXCHANGE EARNINGS AND OUTGO****(a) Activities related to exports; initiatives taken to increase exports, development of new export markets for products and services; and export plans**

The Company has exported software and professional services to various countries. The Company aims to maximise its exports by maintaining constant contact with prospective customers, focussed business development and participation in international exhibitions to promote its services.

(b) Total foreign exchange used and earned

The foreign exchange earnings (FOB-realisation basis) of the Company during the year were Rs. 11,385.97 lakhs (previous year Rs. 11,351.34 lakhs) while the outgoings (on payment basis) were Rs. 4,056.46 lakhs (previous year Rs. 4,546.40 lakhs).

On behalf of the Board

Anup Singh

Chairman

Bangalore, 11th May, 2007

ANNEXURE 'C' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Age	Designation/ Nature of Duties	Gross Remu- neration (Rs.)	Net Remu- neration (Rs.)	Qualifications	Experi- ence (Years)	Date of Joining	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more								
AITHANI K.S.	48	V.P.-THT, Strategic Accounts & Corporate Marketing	3708454	1635595	M.Tech.	24	1-Oct-00	ITC Infotech Ltd. U.K. Chief Executive Officer
BABU V.V.R.	52	Senior Vice President	5021490	2095807	B.Sc., M.Sc.(Tech.), M.Phil.	30	1-Oct-00	ITC Ltd., Divisional Head, India Operations (ISD)
BASU A.	47	G.M.-IT Services	3084748	1308818	B.E., M.Tech.	24	1-Jul-03	ITC Ltd. Computer Audit Manager
GANESH J.	47	V.P.-Key Strategic Accounts	3237480	1987327	B.E., PGDBM	22	4-Apr-02	Talisma Corp. Pvt. Ltd. CIO
GHOSH D.	45	Business Practice Head- Manufacturing	2746002	1761331	B.Tech.	23	8-Jun-05	Geometric Software Solutions Co. Ltd., Head Engineering Services Division
GHOSH T.	45	G.M.-IT Services	3189312	1853832	M.Sc., M.Tech.	21	1-Oct-00	ITC Ltd., Software Development Manager
GUPTA S.K.	51	Vice President - BFSI	3334629	2122585	B.Sc., M.Tech.	29	1-Oct-04	Vmokasha Technologies Exe. - Vice President
JANARDHANAN S.	49	V.P.-Technology Services & Quality	3881518	2244125	B.Sc., M.Sc.	27	1-Oct-00	ITC Ltd., Head, ITC IT Services
LAKSHMINARAYANAN G.	50	G.M. - Quality & Processes	2960296	1273408	B.Sc.	30	1-Oct-00	ITC Ltd., Software Development Manager
MITRA A.K.	55	V.P.-Strategic Accounts	3318921	1947790	B.E., M.Tech.	30	1-Oct-00	ITC Ltd. General Manager - IT
MURTHY S.N.	42	Technology Practice Head Managed Services	2636770	1720901	B.E.	17	28-Apr-03	Nortel Networks, USA Sr. Project Manager
NATU P.	39	G.M.-Outsourced Engagements	2802876	1532887	B.Sc.	16	6-Nov-02	Mphasis BFL Limited Manager Business Development
RAJASEKHAR V. V.	42	V.P.-IT Services	3648362	1904348	B.E., MBA	18	1-Dec-00	ITC Ltd. Manager IT Projects
RAMACHANDRAN S.	44	G.M.-Strategic Planning Group	2775747	1193832	B.E.	22	1-Oct-00	ITC Ltd., Manager Continuous Improvement
ROY P.	52	Asst. G.M. - IT Services	2412738	1284279	B.Com.	27	1-Dec-00	D.P.S.(I) Pvt. Ltd. Systems Operator
ROYCHOWDHURY P.	45	G.M.-IT Services	2670255	1745542	B.E.	23	3-May-05	TCG Software Services General Manager
SAHAY R.	38	G.M.-Talent Management	3060214	1568132	B.E., PGDPM & IR	14	1-Oct-00	ITC Ltd. Human Resource Manager
SEN S.	42	Technology Practice Head-ERP	2631947	1316189	M.Tech.	17	17-Oct-00	Tata Technologies India Limited Manager Systems
SINHA A.K.	55	V.P.-Special Projects	3998890	1752225	B.Sc. Engg., PGDBM	31	31-Oct-03	Infogain India Pvt. Ltd. Noida, Managing Director
SREENIVASAN V.	44	V.P.-Consumer Goods, Retail & Manufacturing	4394722	1945499	B.E.	22	1-Oct-00	ITC Ltd., Head Software Development Centre
SUBBIAIAH S.	48	Business Practice Head - CPG & RETAIL	3115460	1934855	B.Sc., M.Sc.	27	24-Jan-05	Symphony Services Corp. Vice President - Head, Global Operating Center
SURESH D.	43	G.M.-IT Audit	2650827	1177800	M.Tech.	22	1-Dec-00	ITC Ltd., CIO - ILTD
TALWAR A.	48	V.P.-Talent Management	3609759	1629246	B.Tech., MBA	23	9-Apr-01	Reliance Telecom Ltd. Kolkata, V.P. - HRD
Vanchinathan J.	51	HEAD MIS	2446207	1391788	B.Sc.	30	1-Dec-00	ITC Ltd., Manager - Software Support Group
VERMA A.	39	G.M.-IT Services	3288105	1496843	B.E., MBA	18	1-Jul-02	Microsoft Corporation India Pvt. Ltd., Manager - Enterprise Partners
Employed for a part of the year and in receipt of remuneration aggregating Rs.2,00,000/- or more per month								
CHAKRABORTY U.	51	V.P.-IT Services	2741352	1830387	PGDM, M.Sc.	27	26-Sep-05	Convergys India Pvt. Ltd. Director - IT
CHAKRAVORTY RAJIB	41	G.M.-BFSI SME	271623	223111	B.Tech, PGDM - Fin	16	26-Feb-07	Genpact Vice President Analytics
GUHATHAKURTA D.	47	Asst.G.M. - IT Services	1368680	862479	B.Com.	21	1-Dec-00	Computech International Computer Operator
KUMAR SANJAY	43	GM-BFSI Solutioning Group	217060	182005	B.E., MBA	19	5-Mar-07	HCL Technologies General Manager BFSI Solutioning
MAKA N.	46	Technology Practice Head - CRM & Testing	971114	624858	M.Tech.	23	10-May-05	Siebel Systems Director
NARAYAN KEERTHI	41	Asst.G.M. - IT Services	274264	210964	B.E.	18	29-Aug-01	Digital/Compaq Business Manager Professional Services
NATARAJAN V.	38	G.M.-Engineering Services	2054135	1335068	B.E., MBA	14	7-Aug-03	Mahindra Holidays Corporate Marketing Manager
PRABHAKAR L.	41	Services on Loan to Joint Venture Company	586715	420399	B.E. PGDPM & IR	19	16-Oct-03	Carborundum Universal Ltd. DGM - HR & TQM
PRAKASH A.S.	39	Business Practice Head- Engineering Services	549767	400787	Ph.D.	18	10-Jan-07	Infotech Enterprises General Manager

- Notes:**
- Gross remuneration comprises salary, allowances, medical reimbursement, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites computed on the basis of the Income Tax Act & Rules, leave encashment & performance bonus, wherever applicable.
 - Net Remuneration comprises cash income less (a) Income tax & surcharge deducted at source and (b) managers own contribution to PF.
 - All appointments are / were contractual, other terms & conditions are as per Company's Rules.
 - None of the above employees is a relative of any Director of the Company.

On behalf of the Board
Anup Singh
Chairman

Bangalore, 11th May, 2007

ANNEXURE 'D' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007

INFORMATION AS REQUIRED IN TERMS OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors states :

- That in the preparation of the Annual Accounts for the year ended 31st March, 2007, the applicable accounting standards have been followed and there are no material departures.
- That the Directors 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

the Company at the end of the financial year ended 31st March, 2007 and of the Profit of the Company for that period;

- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the Annual Accounts for the year ended 31st March, 2007 on a going concern basis.

On behalf of the Board

Anup Singh

Chairman

Bangalore, 11th May, 2007

REPORT OF THE AUDITORS TO THE MEMBERS OF ITC INFOTECH INDIA LIMITED

1. We have audited the attached Balance Sheet of ITC INFOTECH INDIA LIMITED, as at 31st March, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

S. Gopalakrishnan

Partner

Membership Number 18863

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Bangalore

Date : 11th May, 2007

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of ITC INFOTECH INDIA LIMITED on the financial statements for the year ended 31st March, 2007]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company did not involve purchase of inventory and sale of goods during the year. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act, the particulars of which needs to be entered into the Register maintained under that section.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, income tax, sales tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities in India. Investor education and protection fund, employees' state insurance, wealth tax, and excise duty are not applicable to the Company for the current year.
- (b) According to the information and explanations given to us and

- the records of the Company examined by us, there are no dues of income tax, sales tax, service tax, customs duty and cess which have not been deposited on account of any dispute. Wealth tax and excise duty are not applicable to the Company for the current year.
8. The Company has no accumulated losses as at March 31, 2007, and it has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
 9. The Company has neither taken any loans from a financial institution or bank nor issued any debentures during the year nor were there any such amounts due for repayment as at the balance sheet date.
 10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 11. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
 12. In our opinion, and according to the information and explanations given to us, on an overall basis, the unsecured loans in the nature of term loans taken from the holding company have been applied for the purposes for which they were obtained.
 13. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
 14. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
 15. The Company has not raised any money by public issues during the year.
 16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
 17. The other clauses, (ii)(a), (ii)(b), (ii)(c), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (v)(b), (viii), (xiii), (xiv) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

S. Gopalakrishnan
Partner

Membership Number 18863

For and on behalf of

Price Waterhouse

Chartered Accountants

Place : Bangalore
Date : 11th May, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
I. SOURCES OF FUNDS :			
1. Shareholders' Funds			
Capital	1	252,000,000	252,000,000
2. Reserves and Surplus	2	49,650,093	(128,701,845)
3. Loan Funds			
Unsecured Loans	3	1,174,700,000	1,080,900,000
Total		1,476,350,093	1,204,198,155
II. APPLICATION OF FUNDS :			
1. Fixed Assets	4		
(a) Gross Block		539,724,697	454,437,402
(b) Less: Depreciation		290,397,477	229,169,113
(c) Net Block		249,327,220	225,268,289
(d) Capital Work-in-Progress		962,050	1,942,331
		250,289,270	227,210,620
2. Investments	5	299,519,087	449,519,077
3. Deferred Tax - Net	6	73,179,668	62,145,071
4. Current Assets, Loans and Advances			
(a) Sundry Debtors	7	466,658,990	393,806,701
(b) Cash and Bank Balances	8	506,626,242	13,659,400
(c) Other Current Assets	9	8,220,262	102,348,738
(d) Loans and Advances	10	97,533,800	73,400,395
		1,079,039,294	583,215,234
Less:			
5. Current Liabilities and Provisions			
(a) Liabilities	11	175,131,774	107,236,169
(b) Provisions	12	50,545,452	10,655,678
		225,677,226	117,891,847
Net Current Assets		853,362,068	465,323,387
Total		1,476,350,093	1,204,198,155
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The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

S. Gopalakrishnan, Partner
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 11th May, 2007

On behalf of the Board

S. Puri Managing Director
B. B. Chatterjee Director
S. V. Shah Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
I. INCOME			
Sales and Services	13	1,563,778,267	1,415,675,001
Other Income	14	487,976,629	207,769,138
		<u>2,051,754,896</u>	<u>1,623,444,139</u>
II. EXPENDITURE			
Personnel Expenses	15	992,691,582	742,557,777
Operating and Administrative Expenses	16	720,658,597	714,859,017
Depreciation and Amortisation		85,389,751	60,219,577
		<u>1,798,739,930</u>	<u>1,517,636,371</u>
III. PROFIT BEFORE TAXATION		253,014,966	105,807,768
Provision for Taxation	17	46,301,772	2,035,705
IV. PROFIT AFTER TAXATION, CARRIED FORWARD		<u>206,713,194</u>	<u>103,772,063</u>
Earnings Per Share (Face value Rs. 10 each) (Basic and Diluted)	18 (x)	8.20	4.12
Notes to the Accounts	18		
Segment Reporting	19		
Related Party Disclosures	20		
Significant Accounting Policies	21		

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

S. Gopalakrishnan, *Partner*
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 11th May, 2007

On behalf of the Board

S. Puri *Managing Director*
B. B. Chatterjee *Director*
S. V. Shah *Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31st March, 2007 (Rs.)		For the year ended 31st March, 2006 (Rs.)	
(Figures for the previous year have been rearranged to conform with the revised presentation)				
A. NET PROFIT / (LOSS) BEFORE TAX		253,014,966		105,807,768
ADJUSTMENTS FOR :				
Depreciation	85,389,751		60,219,577	
Income from Long Term Investments	(112,499,993)		(201,318,275)	
Fixed Assets - (Profit) / Loss on Sale / Write off (Net)	1,303,176		415,133	
Unrealised (Gain) / Loss on exchange (Net)	563,737		(751,483)	
Profit on Sale of Long Term Investments	(359,999,976)		—	
Interest Expenses / (Income)	(1,909,454)		(832,496)	
Provision for Doubtful Debts	11,200,579		—	
Liability no longer required written back	—		(9,811,841)	
		<u>(375,952,180)</u>		<u>(152,079,385)</u>
OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES		<u>(122,937,214)</u>		<u>(46,271,617)</u>
ADJUSTMENTS FOR :				
Trade and Other Receivables	(89,592,885)		20,103,233	
Trade Payables	68,389,526		(43,818,930)	
		<u>(21,203,359)</u>		<u>(23,715,697)</u>
CASH USED IN OPERATIONS		<u>(144,140,573)</u>		<u>(69,987,314)</u>
Income Tax Paid		66,937,501		12,639,911
NET CASH USED IN OPERATING ACTIVITIES		<u>(211,078,074)</u>		<u>(82,627,225)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(109,914,706)		(58,282,257)	
Sale of Fixed Assets	143,129		3,500	
Sale of Long Term Investments	509,999,966		—	
Interest Received	1,198,252		817,984	
Income from Long Term Investments Received	208,818,275		116,292,623	
NET CASH FROM INVESTING ACTIVITIES		<u>610,244,916</u>		<u>58,831,850</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from Long Term Borrowings	716,400,000		512,400,000	
Repayments of Long Term Borrowings	(622,600,000)		(546,400,000)	
NET CASH FROM FINANCING ACTIVITIES		<u>93,800,000</u>		<u>(34,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>492,966,842</u>		<u>(57,795,375)</u>
OPENING CASH AND CASH EQUIVALENTS		13,659,400		71,454,775
CLOSING CASH AND CASH EQUIVALENTS		<u>506,626,242</u>		<u>13,659,400</u>
CASH AND CASH EQUIVALENTS COMPRISE :				
Cash and Bank Balances	506,626,242		13,625,830	
Unrealised Gain on Foreign Currency Cash and Cash Equivalents	—	<u>506,626,242</u>	33,570	<u>13,659,400</u>

This is the Cash Flow Statement referred to in our Report of even date.

S. Gopalakrishnan, *Partner*
For and on behalf of Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 11th May, 2007

On behalf of the Board

S. Puri *Managing Director*
B. B. Chatterjee *Director*
S. V. Shah *Company Secretary*

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
1. CAPITAL			2. RESERVES AND SURPLUS		
Authorised:			Profit and Loss Account		
26,000,000 Equity Shares of Rs. 10 each	260,000,000	260,000,000	Profit / (Loss) brought forward	(128,701,845)	(232,473,908)
Issued, subscribed and paid-up:			Less : Provision for Retirement Benefits (Refer Note (viii) of Schedule 18)	(28,361,256)	—
25,200,000 Equity Shares of Rs. 10 each	252,000,000	252,000,000	Profit for the year	206,713,194	103,772,063
(All Equity Shares are held by the Holding Company, ITC Limited)	<u>252,000,000</u>	<u>252,000,000</u>		<u>49,650,093</u>	<u>(128,701,845)</u>
			3. UNSECURED LOANS		
			Other than Short Term		
			From Other than Banks	1,174,700,000	1,080,900,000
			(Interest-free Loan from the Holding Company, ITC Limited)	<u>1,174,700,000</u>	<u>1,080,900,000</u>

4. FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK			
	As at 1st April, 2006 (Rs.)	Additions (Rs.)	With- drawals (Rs.)	As at 31st March, 2007 (Rs.)	As at 1st April, 2006 (Rs.)	For the year (Rs.)	On Withdrawals (Rs.)	As at 31st March, 2007 (Rs.)	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	As at 31st March, 2006 (Rs.)	
Leasehold Improvements	42,923,397	31,385,058	—	74,308,455	10,131,628	5,910,622	—	16,042,250	58,266,205	32,791,769	32,791,769	
Plant and Machinery	55,404,218	28,012,178	3,094,181	80,322,215	34,959,983	7,862,275	2,768,698	40,053,560	40,268,655	20,444,235	20,444,235	
Computers etc.	138,288,147	28,958,285	22,516,388	144,730,044	96,499,247	12,939,307	21,392,689	88,045,865	56,684,179	41,788,900	41,788,900	
Capitalised Software	184,225,662	13,693,230	—	197,918,892	66,575,612	51,530,167	—	118,105,779	79,813,113	117,650,050	117,650,050	
Furniture and Fixtures	33,595,978	8,849,113	—	42,445,091	21,002,643	7,147,380	—	28,150,023	14,295,068	12,593,335	12,593,335	
Capital Work-in-Progress	454,437,402	110,897,864	25,610,569	539,724,697	229,169,113	85,389,751	24,161,387	290,397,477	249,327,220	225,268,289	225,268,289	
	—	—	—	—	—	—	—	—	962,050	1,942,331	1,942,331	
Total	454,437,402	110,897,864	25,610,569	539,724,697	229,169,113	85,389,751	24,161,387	290,397,477	250,289,270	227,210,620	227,210,620	
Previous Year	406,067,343	56,339,926	7,969,867	454,437,402	176,500,770	60,219,577	7,551,234	229,169,113	227,210,620			

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)		As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
5. INVESTMENTS			8. CASH AND BANK BALANCES		
Long Term			Cash and Cheques on Hand	22,611,406	3,854,818
Unquoted (at Cost)			Balances with Scheduled Banks		
Trade Investment			On Current Accounts	13,614,836	9,404,582
CLI3L e-Services Limited			On Deposit Accounts	470,400,000	400,000
Nil (2006 : 14,999,999 Equity Shares of Rs. 10 each, fully paid-up)	—	149,999,990		<u>506,626,242</u>	<u>13,659,400</u>
(14,999,999 Equity Shares sold during the year)			9. OTHER CURRENT ASSETS		
Subsidiary Companies			Good and Unsecured		
ITC Infotech Limited, U.K.			Deposits with Government, Public Bodies and Others	7,478,442	5,999,838
685,815 Equity Shares of GBP 1 each, fully paid-up	68,685,837	68,685,837	Interest accrued on Loans, Advances, etc.	741,820	30,618
ITC Infotech (USA), Inc.			Dividend Receivable	—	96,318,282
47,000 Common Shares without par value	230,833,250	230,833,250		<u>8,220,262</u>	<u>102,348,738</u>
	<u>299,519,087</u>	<u>449,519,077</u>	10. LOANS AND ADVANCES		
6. DEFERRED TAX - NET			Good and Unsecured		
Deferred Tax Assets			Loans to Employees	47,376,045	40,593,973
On employees' separation and retirement	14,621,298	3,586,701	Advances recoverable in cash or in kind or for value to be received	26,706,277	29,990,673
On provision for doubtful debts / advances	883,493	883,493	Advance Tax (Net of Provision for Income Tax)	23,451,478	2,815,749
On unabsorbed depreciation	60,284,438	60,284,438		<u>97,533,800</u>	<u>73,400,395</u>
	<u>75,789,229</u>	<u>64,754,632</u>	11. LIABILITIES		
Deferred Tax Liabilities			Sundry Creditors		
On fiscal allowances on fixed assets	2,609,561	2,609,561	- Dues to small scale industrial undertakings	—	—
	<u>2,609,561</u>	<u>2,609,561</u>	- Dues to other than small scale industrial undertakings	151,746,044	96,374,825
	<u>73,179,668</u>	<u>62,145,071</u>	Other Liabilities	23,385,730	10,861,344
7. SUNDRY DEBTORS				<u>175,131,774</u>	<u>107,236,169</u>
Over six months old			12. PROVISIONS		
Good and Unsecured			Provision for Retirement Benefits	50,545,452	10,655,678
- From Others	24,098,270	28,509,385		<u>50,545,452</u>	<u>10,655,678</u>
Doubtful and Unsecured			13. SALES AND SERVICES		
- From Others	13,825,334	2,624,755	Exports	1,169,406,434	1,155,702,417
Other Debts			Domestic	394,371,833	259,972,584
Good and Unsecured				<u>1,563,778,267</u>	<u>1,415,675,001</u>
- From Holding Company	24,419,747	12,367,039			
- From Subsidiaries	227,722,119	133,408,734			
- From Others *	190,418,854	219,521,543			
	<u>480,484,324</u>	<u>396,431,456</u>			
Less: Provision for Doubtful Debts	13,825,334	2,624,755			
	<u>466,658,990</u>	<u>393,806,701</u>			

* Includes Unbilled Revenue Rs. 16,432,809 (2006 - Rs. 5,498,914)

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
14. OTHER INCOME		
Interest on Loans, Deposits, etc. - Gross (Tax Deducted at Source Rs. 205,744) (2006 - Rs. 3,457)	1,909,454	832,496
Gain / (Loss) on Exchange - Net	12,771,518	(4,857,378)
Income from Long Term Investment		
- Trade	112,499,993	187,499,987
- Subsidiary (Tax Deducted at Source Rs. Nil) (2006 - Rs. Nil)	—	13,818,288
Profit on Sale of Investment	359,999,976	—
Profit/(Loss) on Sale of Fixed Assets	—	3,500
Liabilities no longer required written back	—	9,811,841
Miscellaneous Income	795,688	660,404
	<u>487,976,629</u>	<u>207,769,138</u>
15. PERSONNEL EXPENSES		
Salaries and Bonus	890,029,721	649,502,771
Contribution to Provident and Other Funds	69,133,642	53,283,118
Staff Welfare Expenses	17,706,627	21,296,137
Reimbursement of Contractual Remuneration (including Payment to Subsidiary Companies Rs. 7,449,928) (2006 - Rs. 10,912,266)	15,821,592	18,475,751
	<u>992,691,582</u>	<u>742,557,777</u>
16. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	16,720,229	31,123,432
Rates and Taxes	16,804,096	10,614,825
Insurance	7,432,823	5,929,053
Travelling and Conveyance	218,370,159	245,599,270
Communication	24,455,657	24,307,370
Power and Fuel	16,774,548	14,340,540
Outsourcing Charges (including Payment to Subsidiary Companies Rs. 229,949,950) (2006 - Rs. 249,259,100)	239,991,659	263,109,381
Software and Related Expenses	39,059,861	28,479,358
Business Development Expenses	7,344,522	10,623,712
Repairs and Maintenance		
- Buildings	6,535,693	5,457,301
- Machinery	1,433,592	1,930,057
- Others	8,550,063	7,098,772
Legal, Professional and Consultancy Expenses	57,350,268	31,729,852
Doubtful and Bad Debts	11,200,579	1,382,429
Fixed Assets Discarded (Net)	1,303,176	418,633
Auditors' Remuneration and Expenses	1,395,605	1,145,730
Training and Development	13,901,840	6,316,497
Miscellaneous Expenses	32,034,227	25,252,805
	<u>720,658,597</u>	<u>714,859,017</u>
17. PROVISION FOR TAXATION		
Current Tax	37,600,000	—
Deferred Tax	—	(8,706,228)
Fringe Benefit Tax	8,701,772	10,741,933
	<u>46,301,772</u>	<u>2,035,705</u>

18. NOTES TO THE ACCOUNTS

- (i) **Nature of Operations**
ITC Infotech India Limited ("the Company") is a wholly owned subsidiary of ITC Limited ("the Holding Company") providing information technology solutions and software development services.
- (ii) **Commitments and Contingencies**
- (a) Estimated amount of contracts remaining to be executed on capital account, net of advances is Rs. 861,127 (2006 - Rs. 16,273,858).
- (b) Counter guarantees outstanding - Rs. 400,000 (2006 - Rs. 400,000).

(iii) As a matter of prudence, the Company has not recognized deferred tax assets amounting to Rs. 110,453,133 (2006 - Rs. 103,448,580) in respect of accumulated losses as at 31st March, 2007 estimated at Rs. 328,143,593 (2006 - Rs. 307,333,868).

(iv) The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office etc.). These leasing arrangements, which are not non-cancellable, range between 11 months and 9 years generally, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 15 to the Accounts.

(v) Exchange difference in respect of forward exchange contracts to be recognized in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 2,332,502 (credit) [2006 - Rs. 41,925 (credit)].

(vi) **Micro and Medium scale business entities :**

There are no Micro, Small and Medium Enterprises, to whom the Company owe dues, which are outstanding for more than 45 days as at 31st March, 2007. The above information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

(vii) **Interest in Joint Venture**

The Company's interest, as a venturer, in jointly controlled entity (Incorporated Joint Venture) is given below :

Name	Country of Incorporation	Ownership interest as at 31st March, 2007	Ownership interest as at 31st March, 2006
CLI3L e-Services Limited	India	—	50% minus 1 share

In respect of this joint venture, the shares are now being held by the Holding Company ITC Limited, in accordance with Article 16 of the Articles of Association of CLI3L e-Services Ltd.

Disclosure under 'Accounting Standard 27' - 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India is not applicable for the year ended March 31, 2007. For the year ended March 31, 2006, the share of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) relating to the Company's interest in the Joint Venture is given below.

	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)
(a) Assets and Liabilities		
I. Assets		
1. Fixed Assets (Net)	—	125,257,807
2. Investments	—	97,808,424
3. Current Assets, Loans and Advances		
a) Sundry Debtors	—	114,235,328
b) Cash and Bank Balances	—	1,310,681
c) Other Current Assets	—	18,363,301
d) Loans and Advances	—	5,574,292
	<u>—</u>	<u>362,549,833</u>
II. Liabilities		
1. Secured Loans	—	—
2. Current Liabilities and Provisions		
a) Liabilities	—	51,729,622
b) Provisions	—	95,959,341
	<u>—</u>	<u>147,688,963</u>
III. Net Assets	<u>—</u>	<u>214,860,870</u>

(b) **Income and Expenses**

	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2006 (Rs.)
I. Income		
1. Sale of Services	—	664,826,291
2. Other Income	—	3,815,589
	<u>—</u>	<u>668,641,880</u>
II. Expenses		
1. Personnel Expenses	—	257,832,290
2. Operating and Administration Expenses	—	199,301,080
3. Depreciation	—	45,818,215
4. Interest	—	8,235
5. Provision for Taxation	—	1,379,070
	<u>—</u>	<u>504,338,890</u>
III. Profit After Tax	<u>—</u>	<u>164,302,990</u>

(c) Others	As at 31st March, 2007 (Rs.)	As at 31st March, 2006 (Rs.)	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 Rs.
1. Contingent Liabilities	—	664,878		
2. Capital Commitments	—	3,270,993		
(viii) Employee Benefits				
a. Pursuant to the early adoption of the Accounting Standard 15 (Revised) - Employee Benefits ("Standard") effective 1st April, 2006, the Company has revised the provision for retirement and other benefits as at 31st March, 2006. An additional liability of Rs. 28,361,256 (net of deferred tax of Rs. 11,034,597) arising out of such revision has been adjusted with the debit balance in the Profit and Loss Account as at 1st April, 2006, in accordance with the transitional provisions of the Standard.				
b. The following table sets out the Defined Benefit Plans/Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2007 and recognised in the financial statements in respect of Employee Benefit Schemes:				
Particulars	31st March, 2007 (Rs.)			
Projected benefit obligation at the beginning of the year	139,082,201			
Current Service Cost	28,699,584			
Interest Cost	9,791,895			
Actuarial (Gain)/Loss	4,894,772			
Benefits Paid	(8,900,000)			
Projected benefit obligation at the end of the year	173,568,452			
Amounts recognised in the Balance Sheet				
Projected benefit obligation at the end of the year	173,568,452			
Fair value of plan assets at end of the year	123,023,000			
Liabilities recognised in the Balance Sheet	50,545,452			
Cost of Retirement and Other Benefits for the year				
Current Service cost	28,699,584			
Interest Cost	9,791,895			
Expected return on plan assets	(6,879,630)			
Net actuarial (Gain)/Loss recognised in the year	4,894,772			
Net Cost recognised in the Profit and Loss Account	36,506,621			
Included in the above are amounts in respect of leave encashment which is an unfunded Defined Benefit Plan –				
- Liability recognized in the Balance Sheet Rs. 43,160,901				
- Net Cost recognized in the Profit and Loss Account Rs. 9,983,342				
Assumptions				
Discount Rate (%)	7.5%			
Expected return on plan assets	7.5%			
The estimates of the future salary increases considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.				
Previous year figures are not disclosed since this is the first year of adoption of the revised Standard.				
(ix) Quantitative details				
The Company is engaged in providing information technology solutions and software development services. The purchase, production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.				
(x) Earnings per share				
Earnings per share has been computed as under:				
	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 Rs.		
(a) Profit after Taxation	206,713,194	103,772,063		
(b) Weighted average number of Equity Shares	25,200,000	25,200,000		
(c) Earnings Per Share (Face value of Rs. 10 per share) (Basic and Diluted)	8.20	4.12		
(xi) Auditors' Remuneration and Expenses (Including service tax, where applicable)				
Audit Fees	842,700	757,620		
Tax Audit Fees	168,360	137,750		
Fees for Other Services	216,918	95,200		
Reimbursement of Expenses	167,627	155,160		
	1,395,605	1,145,730		
(xii) Value of Imports during the year (C.I.F. Basis)				
Capital Goods	14,038,490	14,890,191		
	14,038,490	14,890,191		
(xiii) Expenditure in Foreign Currency during the year (On Payment Basis)				
Travel	122,779,876	171,186,126		
Professional, Consultancy and Account Management Fees	234,453,831	240,060,558		
Software and Related Expenses	14,287,083	23,634,009		
Others	19,672,371	4,869,475		
	391,607,328	439,750,168		
(xiv) Earnings in Foreign Exchange during the year (F.O.B. – Realisation Basis)				
Sale of services including reimbursement of expenses	1,123,406,229	1,124,612,456		
Dividend	15,190,399	10,521,774		
	1,138,596,628	1,135,134,230		
(xv) Previous year's figures have been regrouped / rearranged wherever necessary.				
19. SEGMENT REPORTING				
The Company operates in a single business segment - information technology, which is its primary segment.				
The geographical segments are secondary segments and have been identified accordingly as India and Rest of the World. In view of there being only one business segment, disclosure of information relating to primary segment is not applicable.				
	31st March, 2007 Rs.	31st March, 2006 Rs.		
SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENTS) :				
Segment Revenue				
India	394,371,833	259,972,584		
Rest of the World	1,169,406,434	1,155,702,417		
Total Revenue	1,563,778,267	1,415,675,001		
Segment Assets *				
India	892,148,999	594,566,065		
Rest of the World	713,247,174	662,563,117		
Total Assets	1,605,396,173	1,257,129,182		
Capital Expenditure *				
India	110,897,864	56,339,926		
Rest of the World	—	—		
Total Capital Expenditure	110,897,864	56,339,926		
* Fixed Assets and Capital Expenditure have been considered on the basis of physical location.				
20. RELATED PARTY DISCLOSURES				
1. HOLDING COMPANY :				
ITC Limited				
2. ENTERPRISES WHERE CONTROL EXISTS :				
Wholly Owned Subsidiaries :				
ITC Infotech Limited, UK				
ITC Infotech (USA), Inc.				
3. OTHER RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS, etc.				
i) Fellow Subsidiary Companies :				
Fortune Park Hotels Limited				
Srinivasa Resorts Limited				
Landbase India Limited				
Surya Nepal Private Limited				
Wimco Limited				
ii) Associates :				
International Travel House Limited				
iii) Joint Ventures :				
CL3L e-Services Limited				
4. KEY MANAGEMENT PERSONNEL :				
Non-Executive Directors		Management Committee Members		
Mr. A. Singh - Chairman		Mr. S. Puri - Managing Director (w.e.f. 14th May, 2006)		
Mr. A. Nayak		Mr. S. Verma - Managing Director (up to 13th May, 2006)		
Mr. B. B. Chatterjee		Mr. A. K. Mukerji (up to 31st August, 2006)		
Mr. K. Vaidyanath		Mr. R. Batra (w.e.f. 1st September, 2006)		
Mr. S. Sivakumar		Mr. A. Sinha (up to 22nd January, 2007)		
		Mr. A. Talwar		
		Mr. K. S. Aithani		
		Mr. S. Janardhanan		
		Mr. V. Sreenivasan		
		Mr. V. V. R. Babu		

5. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31ST MARCH

	Holding Company		Subsidiaries		Fellow Subsidiaries		Associates		Joint Ventures		Key Management Personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Services	388,395,895	226,930,696	495,873,535	417,517,173	5,902,636	3,602,069	1,918,515	461,000	22,223,520	20,098,953	—	—
Purchase of Goods / Services	3,111,562	2,129,812	229,949,950	251,561,937	—	—	66,456,529	79,696,446	—	—	—	—
Sale of Fixed Assets	148,854	—	—	—	—	—	—	—	—	—	—	—
Purchase of Fixed Assets	787,500	—	—	—	—	—	—	—	—	—	—	—
Rent paid	1,774,458	1,837,446	—	—	—	—	—	—	—	—	—	—
Remuneration to Key Managerial Personnel	—	—	—	—	—	—	—	—	—	—	27,089,265	17,583,006
Reimbursement of Contractual Remuneration	11,590,861	15,432,485	7,449,928	10,912,266	—	—	—	—	—	—	—	—
Remuneration of managers on deputation recovered	—	—	—	—	—	—	—	—	6,281,570	9,024,191	—	—
Dividend income	—	—	—	13,818,288	—	—	—	—	112,499,993	187,499,987	—	—
Expenses recovered	5,549,873	10,010,422	9,160,338	6,197,524	1,026,806	291,664	—	21,566	—	—	—	—
Expenses reimbursed	28,592,582	23,926,667	26,473,280	22,319,449	—	—	—	—	—	—	—	—
Loans given	—	—	—	—	—	—	—	—	—	—	147,250	—
Receipt towards Loan Repayment	—	—	—	—	—	—	—	—	—	—	182,572	163,229
Sale of Investments	509,999,966	—	—	—	—	—	—	—	—	—	—	—
Interest recovered on Loans	—	—	—	—	—	—	—	—	—	—	60,383	33,726
Loans received	716,400,000	512,400,000	—	—	—	—	—	—	—	—	—	—
Loan repaid	622,600,000	546,400,000	—	—	—	—	—	—	—	—	—	—
Balances as on 31st March,												
i) Debtors / Receivables	30,276,462	16,808,439	287,523,659	190,189,218	2,182,116	2,428,247	—	171,500	2,356,780	4,913,911	—	—
ii) Advances Received	—	—	—	—	—	—	—	—	—	—	—	—
iii) Loans Taken	1,174,700,000	1,080,900,000	—	—	—	—	—	—	—	—	—	—
iv) Loans Given	—	—	—	—	—	—	—	—	—	—	3,017,161	3,171,788
v) Creditors / Payables	5,861,215	4,441,399	59,797,237	56,780,485	—	—	15,370,392	6,996,941	—	—	659,914	661,388
vi) Dividend Receivable	—	—	—	13,818,288	—	—	—	—	—	82,499,994	—	—

21. SIGNIFICANT ACCOUNTING POLICIES

IT IS CORPORATE POLICY

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been applied consistently, is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

Revenue Recognition

To recognise revenues from services performed on a "time and material" basis, as and when the services are performed.

To recognise revenues from services performed on "time bound fixed-price engagements" using the percentage of completion method of accounting, if work completed can be reasonably estimated. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

To recognise revenue from trading in software packages / licenses upon delivery to customer.

To treat amounts received or billed in advance of services performed as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognised based on services performed in advance of billing in accordance with contract terms.

Fixed Assets

To state fixed assets at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction / installation stage.

To capitalize software where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and costs of implementation / system integration services. The costs are capitalized in the year in which the relevant software is implemented for use.

Capital Work in Progress

To treat cost of assets not put to use before the year-end as capital work in progress.

Depreciation

To calculate depreciation on fixed assets on the straight-line method over their estimated useful lives at the rates, which are not less than those prescribed under Schedule XIV of the Companies Act, 1956.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and / or losses are included in the profit and loss account.

The estimated useful lives of fixed assets are as follows:

Buildings	25 years
Plant and Machinery -	
Computers / Computer Accessories	3 to 5 years
Other Equipment	5 years
Furniture and Fixtures	5 years

Motor Vehicles

5 years

Leasehold Improvements

Shorter of lease period or estimated useful lives

Capitalised software costs are amortised over a period of five years or over the estimated useful lives, as is appropriate.

Investments

To state long-term investments, including in Joint Ventures, at cost. Where applicable, provision is made where there is a permanent diminution in the value of long-term investments.

Proposed Dividend

To provide for Dividends as proposed by the Directors in the books of accounts, pending approval at the Annual General Meeting.

Research and Development

To charge off all revenue expenditure incurred on research and development in the year it is incurred. Assets purchased for research and development activities are included in fixed assets.

Taxes on Income

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

Foreign Currency Translation

To account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains / losses arising out of fluctuations in the exchange rates are recognized in the Profit and Loss Account in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in the carrying amount of the respective Fixed Assets.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

To account for profit / loss arising on cancellation or renewal of forward exchange contracts as income / expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring Fixed Assets, in which case such profit / loss are adjusted in the carrying amount of the respective Fixed Assets.

To account for gains / losses on foreign exchange rate fluctuations relating to current assets and liabilities at the Balance Sheet date.

To translate the financial statements of the foreign branch offices of the Company using the same principles and procedures stated above as the operations of such branches are integral in nature.

Employee Benefits

To make regular monthly contributions to various Provident Funds which are in the nature of defined contribution scheme and to charge such paid / payable amounts against revenue. To administer, through duly constituted and approved independent trusts, such Funds.

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

To administer through duly constituted and approved independent trusts, various Gratuity and Pension Funds which are in the nature of defined benefit schemes. The liabilities towards such schemes including employee leave encashment are ascertained by an independent actuarial valuation as per the requirements of Accounting Standard – 15 (revised 2005) on "Employee Benefits". To determine actuarial gains or losses as the difference between the actual and expected returns on plan assets, effect of changes in discount rates, unexpectedly high or low rates of employee turnover, early retirements, mortality or increase in salary benefits and the effect of changes in any other actuarial assumptions and to recognise such gains and losses immediately in Profit and Loss Account as income or expense.

Claims

To disclose claims against the Company not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

Segment Reporting

To identify segments having regard to the dominant source and nature of risks and returns and the internal organisation and management structure.

S. Gopalakrishnan
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants
Place : Bangalore
Date : 11th May, 2007

On behalf of the Board

S. Puri
B. B. Chatterjee
S. V. Shah
Managing Director
Director
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)**

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses Deferred Tax - Net

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other Income) Total Expenditure

Profit/Loss Before Tax Profit / Loss After Tax

(Please tick appropriate box + for Profit, - for Loss)

Earnings per Share in Rs. Dividend Rate (%)

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

*No item code has been assigned to "Computer Software Services" under the Indian Trade Classification.

STATEMENT REGARDING SUBSIDIARY COMPANIES

PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Sl. No.	Name of the Subsidiary Company	Number of Shares held by the Company	Extent of Holding	Profits / (Losses) so far it concerns the members of the Holding Company and not dealt with in the Books of Account of the Holding Company		Profits / (Losses) so far it concerns the members of the Holding Company and dealt with in the Books of Account of the Holding Company	
				For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary
1	ITC INFOTECH LIMITED, UK (*)	6,85,815	100%	GBP 120894 INR 10289288	GBP 1019262 INR 86749389	NIL	GBP 1474502 INR 125494865
2	ITC INFOTECH (USA), INC. (**)	47,000	100%	US\$ 183026 INR 7956140	US\$ (2926663) INR 127222041	NIL	NIL

The financial year of both the subsidiaries ended on 31.03.2007.

(*) The Indian Rupee (INR) equivalent figures have been arrived at by applying the year end interbank exchange rate of GBP 1 = Rs. 85.11

(**) The Indian Rupee (INR) equivalent figures have been arrived at by applying the year end interbank exchange rate of US\$ 1 = Rs. 43.47

On behalf of the Board

S. Puri
B. B. Chatterjee
S. V. Shah
Managing Director
Director
Company Secretary

Bangalore, 11th May, 2007