

**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED
31ST MARCH, 2004**

Your Directors submit their report for the Financial Year ended 31st March, 2004.

FINANCIAL RESULTS

Year ended March 31,	(Rs. in lakhs)	
	2004	2003
Total Revenue	7919.54	4896.99
Total Expenditure	7871.18	5392.64
Operating Profit (PBIDT)	48.36	(495.65)
Depreciation	586.44	300.33
Profit / (Loss) before Tax	(538.08)	(795.98)
Provision for Tax	190.73	—
Profit / (Loss) after Tax	(347.35)	(795.98)
Profit / (Loss) brought forward	(2412.29)	(1616.31)
Deferred tax asset on initial adoption	230.99	—
Balance carried to Balance Sheet	(2528.65)	(2412.29)

For the year under review, total revenue of the Company has grown by 61 % and net loss has reduced by 56% compared to the previous year. The Company has earned an operating profit for the first time since commencement of IT business.

BUSINESS REVIEW

During the year under review US and European economies remained sluggish and IT spends of companies did not grow significantly. Large corporations continued to pursue strategic outsourcing of IT services and related business processes into offshore bases like India. The Company secured a strategic long-term contract with the market leader in the 'product lifecycle management' (PLM) space. The global leader in the software solutions for the hospitality industry was added to the client list. Increased depth in all large client relationships and engagements has contributed to the revenue growth.

The Company's value proposition goes beyond cost arbitrage. The Company and its wholly owned subsidiaries in US and UK, which market the Company's offshore development capabilities, have invested in building differentiated skill sets (a) in its ability to access customers, (b) in offering an integrated suite of services and (c) in providing key competitive advantage and risk assurance to overseas customers. A strong Customer Relationship Management (CRM) practice is now on the ground. The Company's world-class infrastructure at ITC Infotechpark in Bangalore adds significant leverage to its value proposition. The development centers for the CRM and PLM Practices were registered as Software Technology Parks during the year.

Margins of the smaller IT companies, like yours, continued to be under pressure due to the higher costs of customer acquisition, delivery processes and project management skills. While prices stabilized in the latter half of the year, the depreciation of the US dollar vis-a-vis the Indian Rupee has adversely impacted profitability and its continuance could have an impact on long-term competitiveness of the Indian IT industry.

Apprehension of loss of jobs in US and Europe consequent to large-scale outsourcing resulted in political opposition and legislative interventions. As a result the momentum towards such outsourcing slowed down in the latter part of the year. While restrictions on outsourcing and tightening of immigration laws are likely to remain short-term business realities, the long-term trend towards outsourcing is unlikely to be affected.

Leading industry analysts predict a revival of the US economy. IT spends are likely to go up by 3 to 4% over the previous year in North America and Europe. Mid sized companies are likely to become votaries for outsourcing thereby opening up further opportunities for companies like yours. Software testing and Content Management, where demand is fueled by the requirements of the Sarbannes Oxley and other governance frameworks, are large areas of opportunity. The Company will focus on exploiting these opportunities. The Company is gearing up to meet the challenges of growing scale, gaining market standing and management of business in new geographies.

In balance, the future looks promising for the Company. A growing number of reference clients, an emerging position of leadership in the PLM space, increasing competence in the CRM space, the beginning of an ERP practice, and an experienced talent pool provide confidence for the future.

INCREASE IN SHARE CAPITAL

The Company issued and allotted 1,50,00,000 Equity Shares of Rs. 10/- each, for cash at par, on a Rights Basis, to the existing shareholders of the Company. As a result, the paid up Capital of the Company increased from Rs.10,20,00,000/- to Rs. 25,20,00,000/- with effect from 2nd June, 2003.

STRATEGIC INVESTMENTS

The Company signed the Shareholders' Agreement with ClientLogic Operating Corporation, USA (CL) on 28th May, 2003, and consequently invested a further amount of Rs. 14,97,50,000 by subscribing to 1,49,75,000 equity shares of Rs. 10/- each for cash at par

in CLI3L e-Services Limited, the joint venture company.

In the previous year, the Company had obtained approval of the Reserve Bank of India to invest a further sum of US\$ 2.5 million in the equity share capital of ITC Infotech (USA), Inc. (I2A), a wholly owned subsidiary of the Company. In accordance with such approval, the Company invested US\$ 0.35 million (Previous year: US\$ 1.8 million) in the equity share capital of I2A by subscribing to 3,500 (Previous year: 18000) common shares without par value for cash at US\$ 100 each.

WHOLLY OWNED SUBSIDIARIES
i) ITC INFOTECH LTD, UK

During the year under review, ITC Infotech Ltd, UK, a wholly owned subsidiary, registered a turnover of GBP 7.75 million (Previous year – GBP 5.23 million) and a net profit of GBP 0.33 million (Previous year – GBP 0.42 million). The Company declared a dividend of 40p per share for the financial year ended 31st March, 2004.

ii) ITC INFOTECH (USA), INC

During the year under review, ITC Infotech (USA), Inc. a wholly owned subsidiary, registered a turnover of US\$ 3.87 million (Previous year – US\$ 2.75 million) and a net loss of US\$ 0.36 million (Previous year – US\$ 0.36 million).

JOINT VENTURE - CLI3L e-Services Limited

CLI3L e-Services Limited (CLI3L), incorporated on 29th January, 2003, commenced commercial operations on 1st June, 2003, and provides call / contact centre services through voice and e-mail. CLI3L has rapidly consolidated its operations and is well poised to exploit the business potential in its sector. CLI3L registered a turnover of Rs. 35.46 crores and a net profit of Rs. 1.08 crores for the first financial period from 29th January, 2003 to 31st March, 2004.

TALENT MANAGEMENT

A competent talent pool is the key source of competitive advantage in the IT business. The Company has grown its talent base with the average headcount increasing by 22% in the year under review. In a heated talent market, hiring and retaining talent will be challenging. The Company continues to reinforce its comprehensive human resource management systems and processes with particular focus on training and development. Competency mapping and capability building for knowledge leadership remain the focus areas of the Company.

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. Sanjay Verma was re-appointed as Managing Director of the Company, subject to approval of the Members of the Company, for a further period of two years from 1st April, 2004 to 31st March, 2006. Your approval on the matter is being sought at the ensuing Annual General Meeting of the Company.

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. S. Sivakumar and Mr. K. Vaidyanath 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 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 the employees at all levels, who have demonstrated competence, hard work, cooperation and support throughout the year.

Dated : 7th May, 2004
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, 2004

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 Change Management 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

Kolkata, 7th May, 2004

ANNEXURE 'B' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

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. 5735.64 lakhs (previous year Rs. 2275.01) lakhs while the outgoings (on payment basis) were Rs. 3800.61 lakhs (previous year Rs. 950.29 lakhs).

On behalf of the Board

Anup Singh
Chairman

Kolkata, 7th May, 2004

ANNEXURE 'C' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

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	Experience (Years)	Date of Joining	Previous Employment/ Position Held
1	2	3	4		5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000/- or more								
AITHANI K. S.	45	V.P., Strategic Relations	2456305	1042438	M. Tech.	21	1st Oct. 2000	ITC Infotech Ltd., U.K. Chief Executive Officer*
BABU V. V. R.	49	Sr. V.P., SMG	3114830	1491649	B.Sc.,M.Sc. (Tech.),	27	1st Oct. 2000	ITC Ltd. Divisional Head, India Operations (ISD)
SREENIVASAN V.	41	V.P., Global Software Solutions & Delivery	2862820	1228675	BE	19	1st Oct. 2000	ITC Ltd. Head, Software Development Centre
TALWAR A.	45	V.P., Talent Management	2412094	1391477	B.Tech (Chem), MBA	20	9th Apr. 2001	Reliance Telecom Ltd., Kolkata V.P., HRD
Employed for a part of the year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month								
SINHA A. K.	52	Vice President	1200904	552300	B.Sc. (Mech) Engg., PGDBM (MBA)	28	31st Oct. 2003	Infogain India Pvt. Ltd., Noida Managing Director

* Returned from scondment on November 1, 2002

Notes :

1. Gross remuneration comprises salary, allowances, medical reimbursements, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites on the basis of the Income Tax Act and Rules and leave encashment.
2. Net remuneration comprises cash income less income tax and surcharge deducted at source and the manager's own contribution to provident fund.
3. All appointments are/were contractual, other terms and conditions are as per Company's Rules.
4. None of the aforesaid employees is a relative of any Director of the Company.

On behalf of the Board

Anup Singh
Chairman

Kolkata, 7th May, 2004

ANNEXURE 'D' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

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, 2004, 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, 2004 and of the Loss 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, 2004 on a going concern basis.

On behalf of the Board

Anup Singh
Chairman

Kolkata, 7th May, 2004

AUDITORS' REPORT TO THE MEMBERS OF ITC INFOTECH INDIA LIMITED

1. We have audited the attached Balance Sheet of ITC INFOTECH INDIA LIMITED ("the Company"), as at 31st March, 2004, 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 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, 2004, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2004 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 2004;
 - (ii) in the case of the Profit and Loss Account, of the loss 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

Kolkata, 7th May, 2004

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, 2004]

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, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such 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, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets. 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 noticed nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
4. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions entered into the register in pursuance of Section 301 of the Act are not in excess of Rupees Five Lakhs in respect of any party during the year.
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 there under.
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, cess and other material statutory dues as applicable with the appropriate authorities in India. Investor education and protection fund, employees state insurance, wealth-tax, customs duty 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 sales tax, income-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.
8. Although the Company has been registered for more than five years, it has engaged in the business of information technology with effect from 1st October 2000. The accumulated losses of the Company as at 31st March 2004 are more than fifty percent of its net worth. The Company has not incurred cash losses for the year ended as at the aforesaid date but has however incurred cash losses in the immediately preceding financial year.
9. The Company has neither taken any loans from a financial institution or bank or 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, and vice versa.
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, no instance of fraud on or by the Company has been noticed or reported during the year and we have also not been informed of any such case by the management.
17. The other clauses (ii)(a), (ii)(b), (ii)(c), (iii)(b), (iii)(c), (iii)(d), (viii), (xiii), (xiv) and (xix) of paragraph 4 of the Companies (Auditor's Report) Order 2003 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

Kolkata, 7th May, 2004

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
I. SOURCES OF FUNDS :			
1. Shareholders' Funds Capital	1	252,000,000	102,000,000
2. Loan Funds Unsecured Loans	2	938,500,000	652,000,000
Total		1,190,500,000	754,000,000
II. APPLICATION OF FUNDS :			
1. Fixed Assets	3		
(a) Gross Block		388,551,610	161,729,948
(b) Less : Depreciation		114,545,431	57,290,967
(c) Net Block		274,006,179	104,438,981
(d) Capital Work-in-Progress		1,599,122	—
		<u>275,605,301</u>	<u>104,438,981</u>
2. Investments	4	433,434,827	268,078,327
3. Deferred Tax - Net		42,172,698	—
4. Current Assets, Loans and Advances			
(a) Sundry Debtors	5	218,226,054	132,173,503
(b) Cash and Bank Balances	6	18,651,034	30,319,329
(c) Other Current Assets	7	7,382,564	15,425,773
(d) Loans and Advances	8	56,645,717	67,422,265
		<u>300,905,369</u>	<u>245,340,870</u>
Less :			
5. Current Liabilities and Provisions			
(a) Liabilities	9	94,368,213	91,853,518
(b) Provisions	10	20,114,620	13,234,145
		<u>114,482,833</u>	<u>105,087,663</u>
Net Current Assets		186,422,536	140,253,207
6. Profit and Loss Account	11	252,864,638	241,229,485
Total		1,190,500,000	754,000,000
Notes to the Accounts	17		
Segment Reporting	18		
Related Party Disclosures	19		
Significant Accounting Policies	20		

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

On behalf of the Board

Place : Kolkata
Date : 7th May, 2004

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
I. INCOME			
Sales and Services	12	751,304,721	454,147,754
Other Income	13	40,649,330	35,551,672
		<u>791,954,051</u>	<u>489,699,426</u>
II. EXPENDITURE			
Software for Resale		—	24,186,215
Personnel Expenses	14	351,327,574	232,757,950
Operating and Administration Expenses	15	435,790,141	282,319,793
Depreciation		58,644,187	30,033,648
		<u>845,761,902</u>	<u>569,297,606</u>
III. PROFIT / (LOSS) BEFORE TAXATION		<u>(53,807,851)</u>	<u>(79,598,180)</u>
Provision for Taxation	16	19,073,353	—
IV. PROFIT / (LOSS) AFTER TAXATION, CARRIED FORWARD		<u>(34,734,498)</u>	<u>(79,598,180)</u>
Earnings Per Share (Face value Rs. 10 each) (Basic & Diluted)	17(x)	(1.83)	(7.80)
Notes to the Accounts	17		
Segment Reporting	18		
Related Party Disclosures	19		
Significant Accounting Policies	20		

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

On behalf of the Board

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

Place : Kolkata
Date : 7th May, 2004

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)		As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
1. CAPITAL			2. UNSECURED LOANS		
Authorised : 26,000,000 Equity Shares of Rs. 10 each	260,000,000	260,000,000	Other Loans		
Issued and Subscribed : 25,200,000 (2003 – 10,200,000) Equity Shares of Rs. 10 each, fully paid-up	252,000,000	102,000,000	Interest-free Loan from the Holding Company, ITC Limited	938,500,000	652,000,000
(All Equity Shares are held by the Holding Company, ITC Limited)	<u>252,000,000</u>	<u>102,000,000</u>		<u>938,500,000</u>	<u>652,000,000</u>
3. FIXED ASSETS					

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2003 (Rs.)	Additions (Rs.)	With- drawals (Rs.)	As at 31st March, 2004 (Rs.)	As at 1st April, 2003 (Rs.)	For the year (Rs.)	As at Withdrawals (Rs.)	Up to 31st March, 2004 (Rs.)	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
Leasehold Improvements	11,403,519	16,365,878	—	27,769,397	2,484,345	1,253,018	—	3,737,363	24,032,034	8,919,174
Plant & Machinery	95,737,172	65,000,734	1,798,605	158,939,301	47,934,522	37,697,958	342,923	85,289,557	73,649,744	47,802,650
Capitalised Software	35,138,900	141,422,696	—	176,561,596	19,254	15,126,278	—	15,145,532	161,416,064	35,119,646
Furniture and Fixtures	19,450,357	7,966,848	2,135,889	25,281,316	6,852,846	4,566,933	1,046,800	10,372,979	14,908,337	12,597,511
Capital Work-in-Progress	161,729,948	230,756,156	3,934,494	388,551,610	57,290,967	58,644,187	1,389,723	114,545,431	274,006,179	104,438,981
	—	1,599,122	—	1,599,122	—	—	—	—	1,599,122	—
Total	161,729,948	232,355,278	3,934,494	390,150,732	57,290,967	58,644,187	1,389,723	114,545,431	275,605,301	104,438,981
Previous Year	130,281,915	75,259,512	43,811,479	161,729,948	27,606,307	30,033,648	348,988	57,290,967	104,438,981	—

Note : The capitalised softwares have useful lives ranging between 3 to 5 years. Amortisation is based on the straight line method in respect of software for internal use and on man hours deployed for revenue generating activities.

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)		As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
4. INVESTMENTS			5. SUNDRY DEBTORS		
Long Term			Over Six Months Old		
Other than Trade Unquoted (at Cost)			Good and Unsecured		
Subsidiary Companies :			– From Others	8,716,356	1,213,328
ITC Infotech Limited, U.K.			Doubtful and Unsecured		
685,815 Equity Shares of GBP 1 each fully paid up	68,685,837	68,685,837	– From Others	597,633	107,608
ITC Infotech (USA), Inc.			Other Debts		
43,500 (2003 – 40,000) Common Shares without par value (3,500 Shares subscribed during the year)	214,749,000	199,142,500	Good and Unsecured		
Others :			– From Holding Company	38,832,835	—
CLi3L e-Services Limited			– From Subsidiaries	10,759,389	12,553,995
14,999,999 (2003 - 24,999) Equity Shares of Rs. 10 each, fully paid up (14,975,000 Equity Shares subscribed during the year)	149,999,990	249,990	– From Others*	159,917,474	118,406,180
	<u>433,434,827</u>	<u>268,078,327</u>		<u>218,823,687</u>	<u>132,281,111</u>
			Less : Provision for Doubtful Debts	597,633	107,608
				<u>218,226,054</u>	<u>132,173,503</u>

* Includes Unbilled Revenue Rs. 38,391,031 (2003 - Rs. 18,044,479)

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)		For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)
6. CASH AND BANK BALANCES					
Cash and Cheques on Hand	11,272,252	10,224,792	Power and Fuel	12,080,824	9,015,115
Balances with Scheduled Banks			Outsourcing Charges	69,973,123	14,847,339
On Current Accounts	6,978,782	20,094,537	(including Payment to Subsidiary Companies Rs. 69,325,123) (2003 – Rs. 8,923,264)		
On Deposit Accounts	400,000	—	Software and Related Expenses	11,566,776	13,968,964
	<u>18,651,034</u>	<u>30,319,329</u>	Business Development Expenses	2,623,932	46,307,450
7. OTHER CURRENT ASSETS			(including Payment to a Subsidiary Company Rs. Nil)		
Good and Unsecured			Repairs and Maintenance		
Deposits with Government, Public Bodies and Others	7,376,714	8,736,536	— Buildings	4,667,310	3,243,390
Interest accrued on Loans, Advances, etc.	5,850	981	— Machinery	4,068,578	3,741,808
Dividend Receivable	—	6,688,256	— Others	3,476,654	2,797,449
	<u>7,382,564</u>	<u>15,425,773</u>	Legal, Professional & Consultancy Expenses	26,925,254	15,124,013
8. LOANS AND ADVANCES			Doubtful and Bad Debts	490,025	—
Good and Unsecured			Fixed Assets Discarded(Net)	—	188,572
Loans to Employees	30,094,480	24,936,982	Auditors' Remuneration and Expenses	793,887	975,203
Advances Recoverable in cash or in kind or for value to be received	22,550,012	37,757,320	Training and Development	12,206,049	4,025,266
Advance Tax (Net of Provision for Income Tax)	4,001,225	4,727,963	Miscellaneous Expenses	14,098,825	9,187,480
	<u>56,645,717</u>	<u>67,422,265</u>		<u>435,790,141</u>	<u>288,477,864</u>
9. LIABILITIES			Less: Transferred to Fixed Assets/ Capital Work-in-Progress	—	6,158,071
Sundry Creditors				<u>435,790,141</u>	<u>282,319,793</u>
— Dues to small scale industrial undertakings	—	—	16. PROVISION FOR TAXATION		
— Dues to other than small scale industrial undertakings*	88,261,558	86,634,668	Current Tax	—	—
Other Liabilities	6,106,655	5,218,850	Deferred Tax	19,073,353	—
	<u>94,368,213</u>	<u>91,853,518</u>		<u>19,073,353</u>	—
* Includes Dues to Subsidiary Companies Rs. 2,008,396; (2003 - Rs. Nil)			17. NOTES TO THE ACCOUNTS		
10. PROVISIONS			(i) Nature of Operations		
Provision for Pension	14,899,151	10,104,540	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.		
Provision for Leave Encashment	5,215,469	3,129,605	(ii) Commitments and Contingencies		
	<u>20,114,620</u>	<u>13,234,145</u>	(a) Estimated amount of contracts remaining to be executed on capital account, net of advances is Rs. 1,248,807 (2003 – Rs. 26,777,500).		
11. PROFIT AND LOSS ACCOUNT			(b) Proposed investment in a wholly owned subsidiary outside India is Rs. 15,299,375 (2003 – Rs. 33,239,500).		
Loss brought forward	241,229,485	161,631,305	(c) Counter guarantees outstanding – Rs. 400,000 (2003 – Rs. Nil).		
Less: Deferred tax asset on initial adoption	23,099,345	—	(iii) The Company has adopted Accounting Standard – 22, "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, effective 1st April 2001. The Company has reassessed previously unrecognised deferred tax assets on unabsorbed depreciation, employees separation and retirement benefits and provisions for doubtful debts and advances and deferred tax liability on fiscal allowances on fixed assets and has accordingly recognised a net amount of Rs. 23,009,345 as a deduction from the opening balance in Profit and Loss Account. Similar net deferred tax assets amounting to Rs. 19,073,353 have been recognised in the Profit and Loss Account for the year. In view of the Company's future profit plans, the Company expects to fully recover the deferred tax assets. Deferred tax (net) as on 31st March, 2004 comprises of -		
Add: Loss carried forward from Profit and Loss Account	34,734,498	79,598,180			
	<u>252,864,638</u>	<u>241,229,485</u>			
	For the year ended 31st March, 2004 (Rs.)	For the year ended 31st March, 2003 (Rs.)			
12. SALES AND SERVICES			Deferred Tax Assets		As at 31st March, 2004 (Rs.)
Exports	574,413,523	287,371,735	On employees' separation and retirement		7,216,120
Domestic	176,891,198	142,284,403	On provision for doubtful debts / advances		214,401
Traded Software	—	24,491,616	On unabsorbed depreciation		40,270,800
	<u>751,304,721</u>	<u>454,147,754</u>	Deferred Tax Liabilities		
13. OTHER INCOME			On fiscal allowances on fixed assets		5,528,623
Interest on Loans, Deposits, etc. – Gross	964,325	1,279,841	Deferred Tax (Net)		42,172,698
(Tax Deducted at Source Rs. Nil; 2003 – Rs. Nil)			As a matter of prudence, the Company has not recognised deferred tax assets in respect of accumulated losses as at 31st March, 2004 estimated at Rs. 227,002,230.		
Gain/(Loss) on Exchange - Net	3,967,536	1,017,057	(iv) No provision for diminution in the value of the investment in ITC Infotech (USA) Inc. ("I2A"), is considered necessary, as in the opinion of management such diminution is of a temporary nature due to the downturn in the global IT market. I2A has achieved significant growth in revenues during the year and acquired certain key customers with good potential for future earnings.		
Income from Long Term Investment - Subsidiary	22,735,515	25,018,240	(v) 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.		
(Tax Deducted at Source Rs. Nil ; 2002 – Rs. Nil)			(vi) Exchange difference in respect of forward exchange contracts to be recognised in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 327,232 -credit (2003 – Rs. Nil).		
Profit on Sale of Fixed Assets	158,364	—			
Liabilities no longer required Written Back	221,808	1,271,242			
Miscellaneous Income	12,601,782	6,965,292			
	<u>40,649,330</u>	<u>35,551,672</u>			
14. PERSONNEL EXPENSES					
Salaries and Bonus	289,755,121	194,277,422			
Contribution to Provident and Other Funds	40,339,868	36,538,354			
Staff Welfare Expenses	16,716,244	10,629,349			
Reimbursement of Contractual Remuneration	4,516,341	—			
	<u>351,327,574</u>	<u>241,445,125</u>			
Less: Transferred to Fixed Assets/ Capital Work-in-Progress	—	8,687,175			
	<u>351,327,574</u>	<u>232,757,950</u>			
15. OPERATING AND ADMINISTRATIVE EXPENSES					
Rent	22,049,732	11,868,082			
Rates and Taxes	1,544,453	2,892,107			
Insurance	3,793,300	3,292,055			
Travelling and Conveyance	221,401,115	132,001,205			
Communication	24,030,304	15,002,366			

NOTES TO THE ACCOUNTS (Contd.)

(vii) Interest in Joint Venture

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

Name	Country of Incorporation	Ownership interest as at 31st March, 2004
CLi3L e-Services Limited	India	50% minus 1 share

The Company holds 14,999,999 equity shares out of the total issued and paid up equity shares of 30,000,000 shares of Rs. 10 each in the above Joint Venture.

The Company's interest in the Joint Venture is reported as Long Term Investment (Schedule - 4) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the joint venture) related to its interest in the Joint Venture are:

Assets and Liabilities As at 31st March, 2004 (Rs.)

I. Assets	
1. Fixed Assets (Net)	128,018,250
2. Investments	11,675,730
3. Current Assets, Loans and Advances	
a) Sundry Debtors	53,700,732
b) Cash and Bank Balances	1,826,460
c) Other Current Assets	17,180,231
d) Loans and Advances	442,905
II. Liabilities	
1. Secured Loans	17,000,000
2. Current Liabilities and Provisions	
a) Liabilities	38,390,673
b) Provisions	2,044,587

Income and Expenses For the period from 29th January 2003 to 31st March 2004 (Rs.)

I. Income	
1. Sale of Services	175,093,482
2. Other Income	2,214,695
II. Expenses	
1. Personnel Expenses	62,383,269
2. Operating and Administration Expenses	91,689,088
3. Depreciation	17,678,799
4. Preliminary Expenditure written off	67,975
5. Provision for Taxation	80,000

Others As at 31st March, 2004 (Rs.)

1. Contingent Liabilities	Nil
2. Capital Commitments	8,372,714

The Joint Venture was incorporated on 29th January 2003. As this is the first year of the Joint Venture, figures for the previous year are not applicable.

(viii). Retirement benefits in respect of pension, gratuity, etc. are provided for based on actuarial valuations as at the Balance Sheet date.

(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.

	For the year ended 31st March, 2004 Rs.	For the year ended 31st March, 2003 Rs.
--	---	---

(x). Earnings per share

Earnings per share has been computed as under:

(a) Loss after Taxation	34,734,498	79,598,180
(b) Weighted average number of Equity Shares	18,953,425	10,200,000
(c) Earnings Per Share (Face value of Rs. 10 per share) (Basic and Diluted)	(1.83)	(7.80)

(xi). Auditors' Remuneration and Expenses (including service tax, where applicable)

Audit Fees	540,000	525,000
Tax Audit Fees	108,000	108,000
Fees for Other services	10,800	210,750
Reimbursement of Expenses	135,087	131,453
	<u>793,887</u>	<u>975,203</u>

For the year ended 31st March, 2004 (Rs.)

For the year ended 31st March, 2003 (Rs.)

(xii). Value of Imports during the year (C.I.F. Basis)

Capital Goods	153,334,655	435,783
	<u>153,334,655</u>	<u>435,783</u>

(xiii). Expenditure In Foreign Currency during the year (On Payment Basis)

Travel	152,901,537	61,631,366
Professional, Consultancy and Account Management Fees	58,077,752	3,647,380
Marketing Fees	15,606,500	29,301,000
Others	140,784	13,765
	<u>226,726,573</u>	<u>94,593,511</u>

(xiv). Earnings in foreign exchange during the year (F.O.B. - Realisation Basis)

Sale of services including reimbursement of expenses	544,140,252	202,660,996
Other Income	-	6,510,400
Dividend	29,423,771	18,329,983
	<u>573,564,023</u>	<u>227,501,379</u>

(xv). Previous year's figures have been regrouped / rearranged wherever necessary.

18. 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 only one business segment, disclosure of information relating to primary segment is not applicable.

SECONDARY SEGMENT INFORMATION

(GEOGRAPHICAL SEGMENTS) :

	31st March, 2004 (Rs.)	31st March, 2003 (Rs.)
Segment Revenue		
India	176,891,198	166,866,019
Rest of the World	574,413,523	287,281,735
Total Revenue	<u>751,304,721</u>	<u>454,147,754</u>
Segment Assets*		
India	556,582,912	212,347,273
Rest of the World	449,361,361	400,782,942
Total Assets	<u>1,005,944,273</u>	<u>613,130,215</u>
Capital Expenditure*		
India	232,355,278	56,267,247
Rest of the World	-	-
Total Capital Expenditure	<u>232,355,278</u>	<u>56,267,247</u>

*Fixed Assets and Capital Expenditure have been considered on the basis of physical location.

SCHEDULES TO THE ACCOUNT

19. RELATED PARTY DISCLOSURES

1. HOLDING COMPANY

ITC Limited

2. ENTERPRISES WHERE CONTROL EXISTS:

Subsidiaries

- a) ITC Infotech Limited, U.K.
- b) ITC Infotech (USA). Inc

3. OTHER RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS etc.

- i) Fellow Subsidiary Companies:
ITC Hotels Limited
Landbase India Limited
- ii) Associates:
International Travel Hotel Limited
- iii) Joint Ventures:
CLi3L e-Services Limited
- iv) Key Management Personnel:

Non-Executive Directors

Mr. A. Singh
Mr. K. Vaidyanath
Mr. A. Nayak
Mr. B. B. Chatterjee
Mr. S. Sivakumar

Management Committee Members

Mr. S. Verma Managing Director
Mr. A. K. Mukerji
Mr. V. V. R. Babu
Mr. U. S. Sikka
Mr. V. Sreenivasan
Mr. K. S. Aithani
Mr. A. Talwar

4 DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS ON 31ST MARCH 2004.

	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Joint Ventures	Key Management Personnel
Sale of Goods/Services	160,406,535	239,367,913	633,967	-	16,756,400	-
Purchase of Goods/Services	330,192	69,325,123	2,400,111	74,027,638	-	-
Sale of Fixed Assets	-	-	-	-	22,189,029	13,873
Rent	2,530,323	-	-	-	-	20,000
Remuneration to key Managerial Personnel	-	-	-	-	-	13,079,324
Reimbursement of Contractual Remuneration	4,516,341	-	-	-	-	-
Remuneration of managers on deputation recovered	-	-	-	-	6,123,727	-
Dividend income	-	22,735,515	-	-	-	-
Expenses recovered	5,041,030	4,109,737	-	-	20,390,073	-
Expenses reimbursed	16,346,814	32,326,531	301,376	-	-	-
Loans Given	-	-	-	-	-	250,000
Receipt towards Loan Repayment	-	-	-	-	-	229,607
Loans Received	398,000,000	-	-	-	-	-
Loan Repaid	111,500,000	-	-	-	-	-
Advances Received	4,000,000	-	-	-	-	-
Advances Refunded	33,286,629	-	-	-	-	-
Receipt towards refund of advances	-	-	-	-	16,700,000	-
Balance as on 31st March						
i) Debtors/Receivables	51,246,639	74,689,863	-	-	2,356,855	-
ii) Advances Received	-	-	-	-	-	-
iii) Loans Taken	938,500,000	-	-	-	-	-
iv) Loans Given	-	-	-	-	-	3,299,573
v) Creditors/Payables	12,382,987	66,250,480	416,462	7,287,853	22,191	-

20. 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 of 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 -	3 years
Computers / Computer Accessories	
Other Equipment	5 years
Furniture & 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, whichever is lower.

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.

Employee Benefits

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged to revenue. To administer through duly constituted and approved independent trusts, various Funds in respect of Employee Benefit Schemes.

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

S. Verma
B. B. Chatterjee
S. V. Shah

On behalf of the Board
Managing Director
Director
Company Secretary

Place : Kolkata
Date : 7th May, 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

(Figures for the previous year have been rearranged to conform with the revised presentation)

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. NET PROFIT / (LOSS) BEFORE TAX				
ADJUSTMENTS FOR :		(53,807,851)		(79,598,180)
Depreciation	58,644,187		30,033,648	
Income from Long Term Investments	(22,735,515)		(25,018,240)	
Fixed Assets - (Profit) / Loss on Sale / Write off (net)	(158,364)		188,572	
Interest etc.	(964,325)		(1,279,841)	
Liability no longer required written back	(221,808)		(1,271,242)	
		34,564,175		2,652,897
OPERATING PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES		(19,243,676)		(76,945,283)
ADJUSTMENTS FOR :				
Trade and Other Receivables	(74,642,919)		(125,251,027)	
Trade Payables	9,616,977	(65,025,942)	58,592,392	(66,658,635)
CASH USED IN OPERATIONS		(84,269,618)		(143,603,918)
Income Tax Paid		726,738		4,620,128
NET CASH USED IN OPERATING ACTIVITIES		(83,542,880)		(138,983,790)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(232,355,278)		(31,985,593)	
Sale of Fixed Assets	2,703,135		-	
Purchase of Long Term Investments	(165,356,500)		(86,660,490)	
Interest Received	959,457		1,279,841	
Income from Long Term Investments Received	29,432,711		18,329,983	
NET CASH USED IN INVESTING ACTIVITIES		(364,625,415)		(99,036,259)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from issue of Share Capital	150,000,000		-	
Proceeds from Long Term Borrowings - Net	286,500,000		229,000,000	
NET CASH FLOW USED IN FINANCING ACTIVITIES		436,500,000		229,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		(11,668,295)		(9,020,049)
OPENING CASH AND CASH EQUIVALENTS		30,319,329		39,339,378
CLOSING CASH AND CASH EQUIVALENTS		18,651,034		30,319,329
CASH AND CASH EQUIVALENTS COMPRISE :				
Cash and Bank Balances	18,695,102		30,303,948	
Unrealised (Loss) / Gain on Foreign Currency Cash and Cash Equivalents	(44,068)	18,651,034	15,381	30,319,329

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

On behalf of the Board

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

Place : Kolkata
Date : 7th May, 2004

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. 77341 State Code 21
Balance Sheet Date 31 03 04
Date Month Year

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

Public Issue Rights Issue
N I L N I L
Bonus Issue Private Placement
N I L N I L

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

Total Liabilities 1190500 Total Assets 1190500

Sources of Funds

Paid-up Capital Reserves & Surplus
252000 N I L
Secured Loans Unsecured Loans
N I L 938500

Application of Funds

Net Fixed Assets Investments
275605 433435
Net Current Assets Misc. Expenditure
186423 N I L
Accumulated Losses Deferred Tax - Net
252864 42173

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

Turnover (Including other Income) 791954 Total Expenditure 845762
Profit/Loss Before Tax 53808 Profit / Loss After Tax 34734
Earnings per Share in Rs. 1.83 Dividend Rate (%) N I L

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

Item Code No. (ITC Code) * N . A .
Product Description C O M P U T E R S O F T W A R E
S E R V I C E S

*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, U.K.	6,85,815	100%	GBP 54913	GBP 340760	274326	336049
2.	ITC INFOTECH (USA), INC.	43,500	100%	US\$ (356,642)	US\$ (2243357)	NIL	NIL

Both the subsidiaries have financial years ended on 31.03.2004.

On behalf of the Board

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

Kolkata, 7th May , 2004