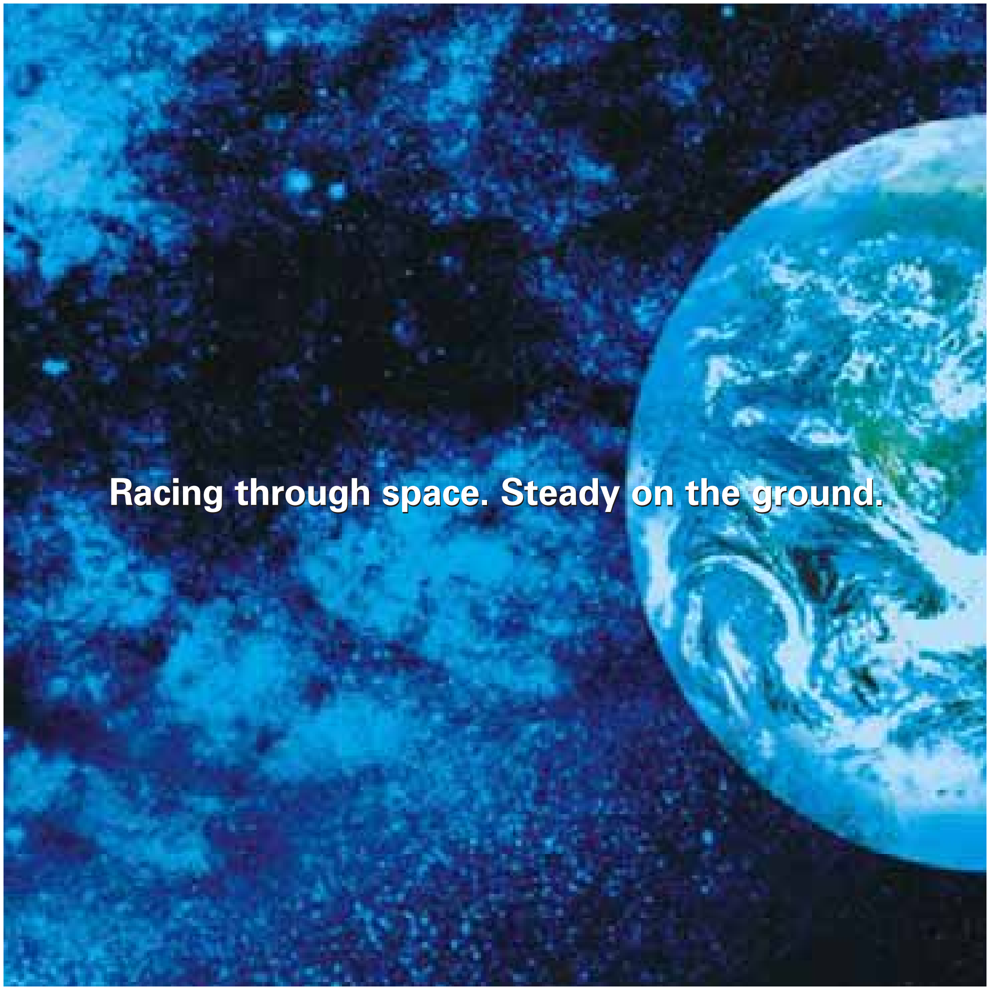
Annual Report 05-06



3i Infotech
Innovation • Insight • Integrity

Company details

Board of Directors

Hoshang N. Sinor, Chairman
Bruce Kogut
Madhabi Puri Buch
S. Santhanakrishnan
Samir Kumar Mitter
Suresh Kumar
V. Srinivasan, Managing Director & CEO
Hariharan Padmanabhan, Deputy Managing Director

Senior Management

Amar Chintopanth, Chief Financial Officer
Anirudh Prabhakaran, COO - South Asia
Arvind Joshi, COO - United States
Chandrashekar M. S., CEO - Datacons Pvt. Ltd. (100% subsidiary of 3i Infotech)
Debneel Mukherjee, President - Asia Pacific
Kalpesh Desai, COO - Europe, Middle East & Africa
M. B. Battliwala, Sr. General Manager
Suheim Sheikh, MD - SDG Software Technologies Ltd. (100% subsidiary of 3i Infotech)
Padmanabhan Iyer, Sr. General Manager

Debasis Pal, General Manager
Jagannath Rao, General Manager
K. N. Madhava, General Manager
Manoj Mandavgane, General Manager
P. V. Sreenath, General Manager
Rakesh Doshi, Sr. Vice President - Europe, Middle East & Africa
Ramakrishnan V., General Manager
Ravi Jagannathan, COO - United Kingdom
Sanjeev Saxena, General Manager
Shridhar Kane, General Manager
Shivanand R. Shettigar, Company Secretary
Shivaprakash, Sr. Vice President - United States

Contents

Space

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Five elements. One goal.

At 3i Infotech, we identify ourselves with the five elements that constitute all matter. Elements that are ever-changing in some ways, never-changing in others. Just the way it is with your Company.

There are some things that are the same forever. Like our heritage. Our mission. And the values that take us towards our dream. That's our stable core, much like the center of the **earth**. The firm ground on which we stand, as we grow towards the sky.

However, there are other aspects, which are always changing. Just as every moment, we are not who we were a moment ago - we evolve and we grow - a dynamic energy keeps 3i Infotech evolving and ever-changing. Like the elements, **water**, **fire** and **air**, mutating life forms full of new dimensions. These are so much like our people, our strategy and our ever growing dreams. All these are our various dimensions that ensure a multi-dimensional growth.

And finally, what we look ahead to, is **space**. The infinite canvas stretching endlessly ahead of us, inviting us to explore new frontiers and urging us to grow unlimited, unrestrained and free.

This is what forms the dynamic duality of the entity that is 3i Infotech - your Company that has grown in so many dimensions over the past few years. The core never changes. But the form never remains the same…

EARTH

Stable. Solid. Permanent.

The birthplace of dreams.

And the ground on which our feet stand firm,

while we rise towards the sky.

Born on terra firma, built on dreams

Science reveals that a big bang gave birth to the earth and the galaxy we live in. In much the same way, a big bang in a few visionary minds gave birth to 3i Infotech - the Company that's now on the verge of multi-dimensional growth.

The earth is where we stand tall and proud, soaring towards the sky, but with our feet steady on the ground. Our past - our pedigree and our history has helped us maintain a steady course in the present and not lose control over what we want to achieve in the future. This uncompromising commitment to quality in the delivery of our products has helped us foster many happy client relationships around the world.

Today, 3i Infotech is a global Information Technology company, which provides technology solutions to over 500 customers in more than 45 countries across five continents, spanning a range of verticals like Banking, Finance, Insurance, Manufacturing, Contracting, Retail & Distribution and Government.

Our Pedigree

Originally promoted by the NYSE-listed ICICI Bank, India's largest private sector bank, ICICI Infotech, as it was then known, was set up as an IT company in 1999. Last year, prior to the public issue of March 2005, the Company's name was changed to 3i Infotech, dedicated to the Company's core values of Innovation, Insight and Integrity.

The Company has traversed different paths to emerge as an organization with a growing reputation for being the partner of choice. A technology leader with business interests spread across the world today, it combines leadership, superior development resources and innovative methodologies to remain a frontrunner.

In order to meet the challenges of the current global economy, 3i Infotech continues to draw on the adaptable and entrepreneurial culture that has sustained and helped it grow over the years. The Company has been assessed at Level 5 of the Capability Maturity Model Integration (CMMI) for its software development centres and has been accredited with ISO 9001:2000 for its non-software business.

Mission

To consistently create value for our stakeholders, by providing solutions which enable our customers to achieve excellence and sustainable competitive edge.

Our core values

Innovation

Intrinsic to our growth is the spirit of Innovation that we bring to our products and services - from design to implementation to customer support.

Insight

Our team members make use of their keen Insight to foresee industry trends and meet demanding customer needs. And the working of their collective minds in a highly supportive environment ensures that our products and services retain a competitive edge at all times.

Integrity

At 3i Infotech, the Core Value of Integrity is the very soul of our company. This is reflected in our finances, the trusted relationship that we share with our customers and business partners, and the faith reposed in us by our stakeholders.

WATER

Vast. Deep. Life-giving.

The life force that keeps our planet alive.

Which is why our people belong here.

With their depth of talent and vast body of relevant experience,

they help 3i Infotech grow across continents.

People drive change. Change drives people!

In today's global set-ups, it takes a progressive philosophy to attract top of the line talent and retain them with the promise of new and exciting challenges at every stage of their professional growth. More so when cultural diversity is the order of the day and we have a rich and varied talent pool to draw upon. Much like the marine life that is bred in the planet's vast water bodies.

In the dynamic world of IT, where the rate of obsolescence is overwhelming, we have taken up the challenge of creating an environment that nourishes and develops our team. At 3i Infotech, we do not have managers; we have leaders.

Our leaders follow a four-lettered Mantra: EVER

- **E**ncourage Innovation
- **V**alue Teamwork
- **E**mpower Teammates
- **R**eward Performance

Working relationships are those of camaraderie, where an open discussion of ideas, thoughts and opinions is encouraged. With state-of-the-art infrastructure at their disposal and the mentorship of leaders, our team members reflect job ownership, value addition and result orientation in their actions.

A career at 3i Infotech sets the stage for individuals to explore diverse technologies across verticals and geographies, enabling them to excel in their individual capacities and as team players. With ample scope for global exposure and professional challenges, the learning curve is tremendous, which transforms them into world-class IT professionals. A winning attitude and a passion for excellence is what 3i Infotech looks for in its people. The people who will drive change at 3i Infotech, and who will be driven by the excitement of change, in turn.

Our total employee strength has grown significantly from about 450 in March 2000 to around 2500 in March 2006. The average age of our employees is 27 years, with 60% of the employees having over 5 years of experience, signifying a youthful mindset balanced with a high level of knowledge and maturity.

HR Policies & Employee Development Activities

3i Infotech has set up and maintained many professional HR practices that have put the Company onto a high growth path. The Company's progressive HR policy is also reflected in its Knowledge Management Portal (KM), a flexible system that lets employees find, share and publish information easily.

Recognizing that a knowledge intensive organization can only be as good as its employees, the company takes utmost care to attract, recruit, train and retain the best professionals in the industry, around the globe. Job rotation and international transfers across various businesses, provide exposure to diverse technologies and functions. Mentoring and Counseling initiatives have been introduced as an aid to employee development.

A comprehensive induction program ensures that all new recruits are oriented seamlessly into the company. The value of human capital is enhanced through constant quality training, the objective being upgrading skills and widening the competency horizon of employees, to enable them to effectively perform their current and future roles, to meet the long and short-term corporate objectives. In the year 2005-06, extensive customized training of 1,32,000 man-hours was implemented across geographies and business groups, on technical and soft skill areas.

Having selected employees of the highest caliber and equipped them with the appropriate skills, the organization strives to continuously enhance the performance of employees through a KPI (Key Performance Indicators) driven performance management system. We have a biannual automated review process where the mid-year review is developmental in nature while monetary benefits are related to the annual review.

Along with competitive and market driven compensation, timely recognition in the form of the MD's Merit Award and allocation of Celebration Budgets ensures that meritocracy gets rewarded. An Employee Stock Option scheme has been put in place to enable employees to participate in the long-term growth of the company and usher in an 'owner-manager' culture. Employees are encouraged to acquire technical/functional certifications through a Skill Upgradation Scheme, to upgrade their knowledge & skills, and enable them to move to higher roles within the organisation.

The Cultural Integration Team (CIT) encourages informal interaction among employees. The CIT invites, discusses, proposes and implements ideas on cultural integration, to aid in inter group interaction across geographies, thus also enabling employees to engage in fun at work.

3i Infotech is committed to the policy of equal employment opportunity, evident from the fact that it recruits, hires, trains and promotes people in all job classifications. The HR group facilitates interaction of all levels and groups with the top management, to ensure direct interaction and sharing of thoughts.

It is our belief that a set of mature HR policies & processes, based on a clear understanding of the Company's people issues and objectives, with a global and long-term approach, paves the way in creating a vibrant workplace.

FIRE

Warmth. Passion. Fury.

Fire has many forms, many faces.

Its flames reflect the passion and zeal we have in everything we do.

It is also the test we put our offerings through,

before we consider them worthy of you.

Fuelled by a fire in the belly

What is the fire that fuels our zeal? That fans the flames of our passion to excel, day after day? It is the Company's strategy, which is the driving force behind our collective success.

A business strategy that glows

Over the past year, we have further enhanced our position as a leading provider of integrated IT solutions comprising products and services. We accomplished this through a well thought out strategic game plan that included:

a. Expanding our products business in terms of range as well as global reach.

b. Enhancement of our product offerings with a view to customizing our products to meet country-specific requirements and client needs in the geographic markets in which they are offered. We have in the past also focused heavily on the creation of new products through continuous investment in our Research & Development capabilities, whilst also concentrating on new product acquisitions. Our product portfolio has grown consistently, to encompass products for insurance, core banking, treasury management, asset and liability management, loan origination & management, factoring, capital markets, mutual funds, anti money laundering, manufacturing and distribution domains.

c. Mergers and acquisitions of target companies that offer an opportunity to grow our business and/or expand our capabilities or geographical reach.

To fulfil our growth ambitions we also concentrated on geographically expanding our product range and a strategic expansion of our service offerings. We were able to leverage our strong existing relationships, by cross selling to our current customer base with great success. What's more, with an increased focus on strengthening our brand equity, a continuos emphasis on attracting, training and retaining the right talent, building stronger alliances with our partners and leading technology companies, and by maintaining our unwavering focus on the Indian market, we have been able to achieve the success that we set out to.

3i Infotech Blazing a trail

A story of rapid change and growth in leaps and bounds

Press Release

Source: 3i Infotech

3i Infotech Delivers Enterprise-Class Anti Money Laundering Solution

Tuesday March 14, 10:24 am ET

AMLOCK(TM), Anti Money Laundering software to debut at booth # 608 11th Annual International Money Laundering Conference & Exhibition, Hollywood, Florida

ERP PACKAGE

3i Infotech zooms ahead on Orion success

Staff Report

Dubai

3i Infotech is hiring

JOBS FOR YOU

The Almaty Herald

3i Infotech to Implement TRITON for Bank TuranAlem

使用 TRITON

Bank to the future

insurance newsnet

Date: February 6, 2006

3i Infotech and ISO Rating Service Announce Preferred Partnership

Oman firms adopting 3i Infotech's Premia

Insurance companies to implement ERP solutions

COMPUTERWORLD

News

3i Infotech makes inroads in banking and insurance

Manufacturingtalk

3i Infotech acquires FormulaWare ERP

IBS предлагает новую АБС с уникальными возможностями

BERNAMA.COM

Business

November 23, 2005 12:40 PM

Hong Leong Bank Invests RM10 Mln In Triton Software

KUALA LUMPUR, Nov 23 (Bernama) -- Hong Leong Bank Bhd (HLB) has invested RM10 million in the software to enhance its lending business.

The software will be used in its mortgage, auto loans, corporate loans and share margin financing, conventional banking line and Hong Leong Islamic Bank.

TMCnet

NEWS

[October 20, 2005]

3i Infotech Launches Medical Malpractice Insurance Management Solution at ASHRM's 2005 Annual Conference and Exhibition

PREMIA™ Suite on exhibit at booth # 101 at the most comprehensive event

AIR

Omnipresent. Formless. Free.

The domain in which our ideas roam free and take flight.

Air can be as gentle as a breeze or as gusty as the wind.

It's where our vision for the company was born. And it is the wind beneath our wings, everyday.

Driven by a dream

We are driven by the dream to cover the globe with our footprint. We are doing this by positioning ourselves as a first line solution provider. By having a truly worldwide presence by expanding the number of our setups globally (currently standing at 14 cities across 9 countries). And by growing the variety and depth of partners and customers we have in 45 countries, for whom we are equipped to offer end-to-end BFSI solutions. 3i Infotech is also differentiating itself from the rest by offering a unique mix of solutions, comprising both products and services.

Our Offering

Across the globe, 3i Infotech offers a comprehensive range of software and IT solutions, including packaged applications, for the Banking, Financial Services & Insurance (BFSI), Manufacturing, Contracting and Retail & Distribution industries. In addition, it offers a broad range of services such as Customized Solutions and Maintenance, Enterprise Application Integration (EAI), System Integration, Managed Services, Business Process Outsourcing and e-Governance.

Awards and Accolades

As a Company bred on Innovation, Insight and Integrity, we are deeply honored to have our initiatives recognized by the world around us for various aspects and many times over.

These are some of the recognitions, which fill our hearts with pride.

- Winner of the Asia Insurance Industry Award for Service Provider of the Year, 2005
- Winner of the Frost & Sullivan Growth Strategy Leadership Award 2005 for India ERP Software for Small & Medium Business (SMB)
- Winner of the Dubai Quality Appreciation Program award
- Winner of the Oracle Partner Excellence award 2005 in the Independent Software Vendor (ISV) category
- The fastest growing Indian Software Products Company 2004-05, with respect to both Domestic and Overseas Software Product Sales (Source: Dataquest)
- The 3rd largest ERP Solutions Provider in the Middle East and North Africa (MENA) region (Source: IDC)
- One of the Top 5 Indian Software Product companies 2004-05 (Source: Dataquest)

SPACE

Limitless. Unexplored. Forever.

It is the uncharted canvas that lures us to explore new frontiers.

And the infinite, never-ending dimension where we can grow in the future.

Space… it's where our actions and our dreams know no bounds. Ever.

Hurtling ahead on our voyage

At 3i Infotech, we believe that we have the potential for limitless growth. We are in the right space at the right time in the technological evolution of the world and realize the infinite scope for growing in all dimensions.

Year on year, 3i Infotech has surged forward in leaps and bounds. Expanding its portfolio of offerings, receiving accolades and winning awards. All of these supported by the most robust measure of our success - the financials.

From the Chairman

Dear Members,

In my previous year's statement I had chalked out the details of how the Company has emerged as a leading IT solutions company over the years, following a set of strategies which ensured a prudent product/services mix and a wide reach across geographies.

The financial year 2005-06 has been the first full year of operations for the Company as a listed entity, putting on the Company greater responsibilities, both in terms of ensuring a good business strategy and a good governance structure, to ensure that the faith that you as shareholders have put in the Company is justified.

The year 2005-06 has seen the Company further moving in the direction that it has set for itself as a strong player in the BFSI segment, with a mix of products and services. Nothing gives the Company greater satisfaction than hearing from clients and opinion makers about the business progress, the market ranking and the quality of offerings. The Company has been adjudged one of the leading providers of Insurance solutions and has been awarded the 'Service Provider of the Year' Award at the 9th Annual Asia Insurance Awards. The Company has also been ranked third in the ERP segment in the MENA region and the fastest growing Indian software products company. Coupled with these, a Corporate Governance rating of CGR 2 by ICRA is surely a sign that the Company stands by what it believes - that it is racing ahead, yet is steady on the ground. Your Company has performed well on both the turnover and the profits and has in fact during the year, revised the guidance that it had given for the year. It gives me great pleasure now to share with you briefly, the way forward for your Company in the background of the outlook for the world economy and for the IT industry specifically.

Environmental Outlook

The global economic scenario is filled with an air of optimism. This is because of good growth prospects for Asian countries especially China and India, coupled with stable growth of the US economy. The world economy is expected to grow at approximately 4% in the year 2006-07.

Industry Outlook

Looking at the current expectation of stable economic growth in the US, Europe and Japan, and the continued robust growth in the emerging markets, the global IT spending is expected to increase by 6.3% in 2006.

On the domestic front, the Indian IT and ITES industry (including domestic market) in 2005-06 grew by 31%, registering a revenue of US $29.6 billion, up from US $22.5 billion in 2004-05. On the export front, the Indian IT and ITES industry has registered a growth of 33%, clocking revenues of US $23.6 billion in 2005-06 (source: NASSCOM). The growth prospects for the Indian IT industry remain good in the near future, as the Indian IT industry is well positioned in terms of the basic drivers for growth such as availability of skilled manpower with a good command over English, available at lower cost and having flexibility in approach. The growth prospect for Indian software product companies is even better, with revenue potential of $7 billion by 2010, a near ten fold rise from the current levels. Large development skill pool, global exposure, strong domain knowledge gained over the years and low development costs hold India in good stead in the product development space. Setting up of captive development centers in India by most of the world's leading software product companies, testifies to the product development capabilities of India.

Outlook for the Company

3i Infotech has adopted a differentiated strategy of being a "Solutions" provider to global clients by providing both Products and Services, instead of being just a technology services provider. This strategy has helped the Company to go into unconventional markets and establish success, reflecting in the growth achieved by the Company.

The other strategy the Company follows is to widen its product range in order to penetrate its clients better and accelerate growth rate. In line with this strategy the Company acquired some companies this year too, which would fill some of the gaps in the Company's offerings and would help widen its customer base. The Company will continue to pursue this strategy of widening its product range either through in-house development or through acquisitions.

The Company's unique product range and a very good reach has created a robust platform for future growth. With this platform and with the unstinted and continued support of the shareholders, I am sure that the Company is poised for a good performance in the coming year. I thank all shareholders for their continued support.

Warm regards

Hoshang N. Sinor

Hoshang N. Sinor

From the Managing Director and CEO

Dear Members,

This is the first full year of operations of 3i Infotech as a listed company and it gives me pleasure to share with you the highlights of the operations of the Company and our strategy for the Company in the years ahead.

Eventful year

The year 2005-06 was an eventful year for 3i Infotech. The Company

- Came out with its Initial Public Offering (IPO) of its Equity shares of Rs.2,000 million in the Indian market, which was subscribed to the extent of six times. After considering the green shoe allotment, the total amount raised was Rs.2,177 million
- Was the recipient of various international awards across its offerings, re-iterating thereby its commitment to the quality of its offerings
- Made three acquisitions as a part of its growth strategy
- Came out with its first international offer in the form of Foreign Currency Convertible Bonds (FCCB) of USD 50 million, listed on the Singapore Stock Exchange.

Performance

On the performance front the Company posted record results in fiscal 2005-06. Revenue on consolidated basis grew to Rs 4,240 million, registering a growth of 45% over the previous year's revenue of Rs 2,920 million. Lower growth in costs as compared to the revenue resulted in improvement in margins, both at the operating level and at the net level. Operating profit on consolidated basis grew to Rs 920 million, a growth of 81% over previous year's operating profit of Rs 509 million. The net profit grew to Rs 577 million, registering a growth of 80% over last year's consolidated net profit of Rs 321 million.

Strengthening of platform

Following are some of the steps taken by the Company in the year 2005-06, which not only helped the Company in registering good growth in 2005-06, but will also help in the future growth of the Company:

Launch of newer and upgraded version of products: Considering that we derive 46% of our revenue from software products, we believe that it is important for us to keep investing in our products in order to keep our products up to date, or rather, a step ahead of the market. Keeping this in mind we launched newer versions of some of the products e.g. launch of ORION™ version 10.3, and launch of PREMIA Collaborator (e-business platform for the Insurance industry).

Acquired SDG Software in order to fill the gap in Banking and Insurance Product space and to enter into Capital Markets space: The challenge of complying with growing regulatory requirements is expected to result in good demand for anti money laundering products. Banking, Insurance and Capital Markets will be the main growth drivers for anti money laundering products. We believe that the anti money laundering product of SDG would help fill a gap in both our banking product and insurance product space, which in turn will help us further penetrate the banking and insurance industry. The anti money laundering product and other solutions of SDG for the capital markets has increased our offerings in the BFSI space. The coming together of the products of SDG and marketing skills of 3i Infotech has resulted in the Company receiving contracts from more than six banks for anti money laundering solutions and from several broking houses in the Middle East for Capital Market products, within a few months of the acquisition.

Acquired Innovative Business Solutions (IBS) Inc.: The Company acquired the US based IBS, a niche IT consulting firm. We believe that this acquisition, in addition to bringing the consulting practice in the high growth segments, like enterprise application integration, business intelligence and IT security, would also bring in lot of value to our organization by augmenting our customer base in the US.

Acquired FormulaWare in order to target Process-Manufacturing market: The Company acquired FormulaWare, a US-based software company that provides a robust Enterprise Resource Planning (ERP) solution for the process manufacturing industry. This acquisition has further strengthened our ERP product segment by providing software solutions for the entire range of small to medium-size enterprises and has extended our offering to meet the specific enterprise planning needs of certain process manufacturing industries.

Launch of its operations in more geographies: In the year 2005-06, the Company has launched its operations in Thailand and Kazakhstan. The Thailand operations have been launched by opening up of an office in Bangkok. This is a part of 3i Infotech Asia Pacific region with existing offices in Singapore and Kuala Lumpur. In addition the Company has also expanded its presence in the CIS region by setting up its office in Kazakhstan. This move to set up our own offices in these regions was done keeping in mind the high growth expected from these regions. We expect this move will help the Company in expanding its geographic reach and accelerate its growth going ahead.

Enter into newer partnerships and marketing alliances to increase our reach and market potential: The Company has entered into newer partnerships and marketing alliances in order to increase its reach and market potential. These alliances typically involve systems integration, joint product development and joint "go to market" strategies. We also intend to develop other alliances with local companies that have a strong presence in various markets, so as to acquire business development capabilities and a credible local presence in these markets.

Launch Systems Integration Practice For Small to Medium Sized Businesses: The Company launched its Systems Integration practice for small to medium sized businesses. The offerings have been designed to meet the areas of greatest need in the market today. In addition to disaster recovery capabilities, the offerings of the Systems Integration practice will also include storage management, data replication and mirroring, operating system migrations, infrastructure planning, audits and server consolidation.

Cross-selling to our existing customer base: We service a customer base of over 500 customers in more than 40 countries. Repeat business from existing customers constitutes an important revenue opportunity for us. We will seek to increase the revenues generated from our existing customers who have deployed our products only in specific functions or locations or have licensed only specific modules by licensing products on an enterprise-wide basis and by licensing additional modules to them. The nature of our product licensing arrangements is such that growth in our customers' business may result in additional revenues to us. Further, as we add new offerings to our portfolio of products and services, cross-selling opportunities to our existing customer base should continue to grow.

Best Practices

Your Company is committed to best practices in whatever it does be it related to Corporate Governance, Software processes etc.

Corporate Governance: Investment Information & Credit Rating Agency (ICRA) has assigned a CGR2 (pronounced C G R two) rating to the Corporate Governance practices of 3i Infotech Limited (3i Infotech). The rating of CGR2 implies that in ICRA's current opinion, 3i Infotech has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. The rating reflects the commitment of 3i Infotech's management towards good governance.

Quality: The Company has achieved SEI-CMMI Level 5 for its offshore development centres in Mumbai. We have also been awarded ISO 9001:2000 certificate for our non-software businesses.

Awards

Honored with Service Provider of the Year award: 3i Infotech has won the 2005 Service Provider of the Year award at the 9th Annual Asia Insurance Awards. Constituted in 1997 to encourage and salute excellence in the insurance industry, the award recognizes the pioneering work, contribution and commitment to the industry worldwide. Audited by KPMG, a panel of 22 eminent persons comprising industry regulators, insurance CEO's and industry association heads from Asia and across the world, decided the awards across 14 categories of excellence for the insurance industry.

Won Frost & Sullivan Growth Strategy Leadership Award for ERP in the SMB segment: 3i Infotech has won the Growth Strategy Leadership Award for India ERP Software for SMB, at the prestigious Frost & Sullivan Technology Awards 2005. The award recognizes companies that demonstrate an exceptional growth strategy in the Information & Communications Technology (ICT) industry.

Won Dubai Quality Appreciation Programme award: 3i Infotech has been awarded the Dubai Quality Appreciation Programme award of 2005 by the Vice President & Prime Minister of UAE and Ruler of Dubai, in appreciation of its efforts towards excellence in leadership, customer results and business processes. The Dubai Quality Appreciation Programme award based, upon the Excellence Model of the European Foundation for Quality Management (EFQM), has been designed to recognize the business practices of outstanding organizations.

Human Resource - Backbone of the Organization

"Knowledge employees mean Knowledge Company and the future belongs to the Knowledge Company"

Just like 3i Infotech as a company has laid down certain goals for itself in the years to come similarly every employee has certain career plans for himself/herself. At 3i Infotech we appreciate every employee's personal vision and try to align the growth of the employee with the growth of the company. Some of the methods adopted for the growth of the employee are a) job rotation & b) training. The wide diversity of our business; products, services, e-governance etc. provides the employees a wide choice for job rotation. In addition to that the Company conducts various training programmes for its employees in order to help them grow.

An organization wide Innovation Forum has been set up that is aimed at kindling the spirit of innovation among all employees. The employees are encouraged to come out with new practicable ideas, which can have meaningful impact on the organization, and they are duly recognized for the same. So this works as a win-win for both the employee and the organization.

The Company continues to use acquisition as a part of its strategy to grow its business. Even here the Company recognizes that it is important to retain and integrate the employees of the acquired companies in order to realize the growth potential from the acquired company.

We continue to look forward to the support of our employees for the future growth and work towards their growth, as we believe that only growing employees can lead to a growing company.

With your support and with the platform put in place we are very optimistic about the future of the Company. We look forward to your continued support, trust and confidence in our pursuit to build a world-class organization.

Warm regards

V. Srinivasan

V. Srinivasan

Portfolio of offerings

3i Infotech integrates its products and services to create customized solutions to allow you to undertake technology-based business transformation that allows reorganization in line with today's dynamic digital business environment.

Products & Services
How 3i Infotech is making industries more efficient

Creating innovative products and solutions aimed at providing consistent value to customers is the force that binds our ever-growing portfolio. Our suite of products and solutions continued to evolve during the year, keeping pace with rapidly changing market requirements and equipping our customers with a keenly competitive advantage.

Our range of offerings today includes software products and solutions, built on open platforms, for the Banking, Financial Services and the Insurance (BFSI) industry. We are also known for our range of enterprise software solutions. In the last year we have added a suite of solutions targeted at the Capital Market & Mutual Fund industry.

Our products and solutions give our customers the ability to enjoy several advantages that help make their business more efficient and profitable.

Flexibility
Our solutions are highly customizable, enabling them to be seamlessly integrated into systems that are already existing, thereby helping reduce cost, whilst maintaining system and process efficiency.

Modularity
Our modular solutions framework enables our customers to choose those modules that specifically meet their current requirements, with the option of integrating additional modules as and when required in the future.

Scalability
Our solutions are designed keeping in mind that as our customer's business grows, so will the need to have products and solutions that are scalable enough to complement that growth.

Platform Independence
Based on an open architectural framework, our solutions make use of industry standard platforms, thus making them platform independent and offering our customers the independence to work with multiple vendors.

Products

Banking Solutions

We offer a wide range of products and services for retail and consumer banking, corporate and investment banking, treasury and risk management, core banking operations and process management.

Kastle™ Secure Banking Solutions Core Banking

Kastle Core Banking is a scalable, multi-entity and multi-currency centralized core banking solution that is designed to address a banks core banking needs. Its superior architecture and the availability of online MIS facility helps strategic decision making thereby giving banks the much needed competitive edge.

Kastle™ Secure Banking Solutions Universal Lending

Kastle Universal Lending was designed to enable banks and financial institutions to manage their lending operation right from sourcing to account management and collections. It helps automate the front office operations (prospect management to disbursements) and back-office operations (all repayment life cycle account management events) for the retail and corporate loan segment. A web-based end-to-end universal lending solution it supports multiple lending products like home loans, auto loans, personal loans etc.

Kastle™ Secure Banking Solutions Treasury

Kastle Treasury facilitates multi-entity, multi-dealing room and multi-portfolio environment across a wide range of markets that include foreign exchange transaction, money market instruments, bonds, equities and equity related derivative instruments. This fully integrated functionally rich treasury management solution offers unrivaled look, feel and functionality across its front, middle and back office modules. These are integrated with accounting for straight through processing thereby significantly reducing treasury centre's overheads.

Kastle™ Secure Banking Solutions Risk Management

A web-enabled multi-entity market risk management solution. It offers multiple models for VaR computation to measure and manage market risk across fixed income, equities, foreign exchange, commodities and derivatives. It provides an exhaustive framework and analytics to support market risk management like what-if analysis, scenario analysis, etc. As its Basel II compliant, it offers market risk charge computations using standardized methodologies as well as internal model approach along with Back Testing and Stress Testing capabilities.

Kastle™ Secure Banking Solutions Asset Liability Management

Offers a wide variety of powerful risk evaluation and analytical tools that facilitate strategic planning and decision-making in order to increase profitability while ensuring liquidity. KASTLE™ - ALM addresses both sides of the risk return equation and offers ALM tools like Gap Analysis, Duration Analysis, Earnings at Risk, Economic Value/ Market Value of equity, Scenario Analysis, Behaviour Analysis, Trend Analysis, etc.

Kastle™ Secure Banking Solutions Factoring

An integrated solution to support business operations of organizations engaged in Factoring and Receivable Financing. It supports both Domestic and Cross-border forms of Factoring. The solution is designed to enable quick time to market with flexible product design and effective risk management to support rapid business growth. The application is completely web-enabled and built using J2EE standards facilitating platform independence, scalability, reliability and performance.

Kastle™ Secure Banking Solutions Wealth Management

It covers a comprehensive range of business functions from client acquisition, fund inflows, funds deployment, fund management and their related activities. It supports investments in markets like Fixed Income, Money Market, Equities and supports investments in derivative-based products in such markets. It comes with key functional features like modular design to support future functional enhancements, system level parameters and global reference data setup. The product also handles transactions in products offered by third-party ISPs.

Kastle™ Secure Banking Solutions Anti Money Laundering

KASTLE™ Anti Money Laundering solution is designed as a state-of-the-art Anti Money Laundering and Fraud Detection solution, encompassing detection, monitoring and investigation of potentially suspicious activities. The powerful combination of anti fraud, anti money laundering and business intelligence utilities, strengthened by ease of use, make the solution a formidable force among its competitors.

Insurance Solutions

We are a globally acclaimed Insurance Software Solutions provider with over 100 customer sites spanning 4 continents. We have received several awards and accolades for its achievements in the insurance industry including the Asia Insurance Industry Award 2005 for the Service Provider of the Year.

Our HIPAA-compliant PREMIA Insurance Software Solutions suite cost-effectively streamlines all the functions of an insurance company such as underwriting / policy administration, claims management, reinsurance and accounting. It caters to the needs of major lines of business such as Property, Motor, Fire, Engineering, Marine Cargo & Hull, Aviation, Life, Health, Personal & Commercial Auto, General Liability, Business Owners' Policy, Workers' Compensation, etc.

PREMIA™ Life
Taking the risk out of insurance

A life insurance software product for insurance providers, it caters to Individual Life, Group Life, Group Pension and Agency Management. It also incorporates a fully functional Agency Management module.

PREMIA™ Health
Taking the risk out of insurance

A highly scalable solution for managing benefit administration business, it complies with HIPAA rules pertaining to security, privacy and transaction code sets. It incorporates business lines such as medical, dental, vision, and pharmacy benefits, and allows users to interact with the system through Web, EDI interface and IVR system.

PREMIA™ Property & Casualty (General Insurance)
Taking the risk out of insurance

This property and casualty insurance software supports underwriting / policy administration, rating, billing, claims and reinsurance, and has comprehensive financial accounting, reporting and analysis features. It caters to business lines such as personal auto, homeowners, commercial package, professional liability and workers' compensation.

PREMIA™ Takaful
Taking the risk out of insurance

An Islamic insurance software solution that adheres to the principles of the Shariah law and supports both Mudarabah and Wakalla models of Islamic insurance.

PREMIA™ Collaborator
Taking the risk out of insurance

A solution for streamlining Interactive Insurance. It cost-effectively optimizes disparate information flow processes across the entire value chain. With extremely simple processes, it enables management of customer and partner relationships. The HIPAA compliant product allows providers, members, employers and brokers to carry out self-service functions.

PREMIA™ Broker
Taking the risk out of insurance

An insurance broking software solution, it supports broking, consultancy and claims, and also comprehensively caters to financial accounting, reporting and analysis needs.

Capital Market Solutions

We offer a wide gamut of products for capital market entities such as stockbrokers, traders, Exchanges and regulators. The products cover market surveillance and monitoring, Internet trading, trade order and risk management, and clearing and settlement processes.

iBOSS-Integrated Broker Office Solutions Suite

A comprehensive solutions suite for stockbrokers and traders, giving them effective control over the entire trading process from order to settlement.

The iBOSS suite comprises:

- IBOSS - Trader Workstation: A customizable, high performance trader front-office solution for retail, professional and institutional traders, that handles Exchange-traded instruments such as Equities, Commodities, Futures and Options.
- RMS Client: A real-time Risk Management and Post Trade Analysis System. A Surveillance System that allows brokerage houses to proactively monitor and contain risks.
- LiveStock: A comprehensive end-to-end solution for real-time Internet trading, having a feature-rich, customizable front-end and a robust, scalable back-end solution - with risk management features.
- Workhorse: An STP-compliant clearing and settlement back-office application for broker-dealers with integrated processing capabilities, encompassing all facets of trade management.

AWACS - Stock Exchange Surveillance System

An advanced warning and control system that handles all the critical elements of the surveillance process and provides a robust monitoring and warning mechanism for stock exchanges and regulators.

Mutual Funds Solutions

We offer a variety of proven solutions for Mutual Funds industry players such as unit trust management companies, asset management companies and other Financial Institutions. These products encompass operations such as fund accounting, valuation, investment management, lending operations, investor services, dealing, pre-dealing, intent generation, order management, etc.

MFund / AM

A comprehensive client-server based application suite that streamlines fund accounting, valuation, investment management, and lending operations. It is designed for mutual funds, unit trusts, asset management companies and other financial institutions.

MFund / ISS

A Web-based Investor Services System that helps Unit Trust Management companies cost-efficiently streamline the growing and dynamic needs of managing and serving the needs of investors of mutual fund schemes.

MFund / Dealing

A comprehensive front-office automation system for investment managers addressing requirements in the dealing, pre-dealing, decision support, intent generation and order management areas.

AMLOCK™ - Anti Money Laundering and Fraud Detection Solution

An advanced Anti Money Laundering and Fraud Detection solution that streamlines detection, monitoring and investigation operations. It is tailored for insurance, banking and capital market intermediaries like brokerages, mutual funds and registrars. It offers robust analytics in the Know Your Customer (KYC) and Transaction Analysis segments.

Enterprise Solutions

Our ORION™ suite of Enterprise Resource Planning (ERP) solutions assists clients in the manufacturing, retail, distribution and trading industries in integrating all facets of their respective businesses. The suite helps in streamlining different operations such as planning, production, customer relationship management, inventory control, customer service and human resources.

ORION™ Enterprise

An ERP II solutions offering that is structured to meet enterprises' needs in different processes ranging up to SCM, e-Procurement, e-Business and CRM.

ORION™ Advantage

A ready-to-deploy single window solution comprising hardware, operating system, database and a micro-verticalized ERP application.

ORION™ Lite

A ready-to-use, highly affordable ERP solution for small manufacturers and traders. It helps organizations in increasing sales, achieving on-time collections and streamlined accounting.

ORION™ Collaborator

An ERP solution that allows unrivalled interaction across the value chain comprising enterprises, vendors, customers, partners, and employees.

ORION™ PFM

The ORION™ PFM (Product Formulation Manufacturing) software designed to support midrange companies that use product formulation as the mainstay of their manufacturing process.

ORION™ Xroadz™

An integrated Enterprise Relationship Management (ERM) solution that not only allows you to improve your relationships with your customers, suppliers, business partners and employees, but also assures you of enhanced measurable returns from each of these relationships.

Technology Services

Our software solutions cover the entire spectrum of technology needs of enterprises, ranging from managing legacy systems to running contemporary applications, thereby, building and managing an effective digital ecosystem for our customer. Through our services, we cater to on-site and offshore software development, maintenance and support services, system integration and IT consulting services.

Our services cover IT Infrastructure Management, Application Migration, Custom Software Development, Packaged Application Implementation, System Integration, Enterprise Application Integration (EAI), Enterprise Application Management, Compliance Consultancy, Business Process Outsourcing (BPO), research & development, e-Governance, among others.

SOFTWARE DEVELOPMENT, IT CONSULTING & SUPPORT SERVICES

Customized Solutions & Maintenance

We develop and install software for a variety of custom-specific client needs. Our projects cover single platform, single-site systems to multi-platform, multi-site systems. They include new development and / or functional enhancements to existing applications. We have expertise in mainframe, client / server and Internet technologies, and in emerging platforms such as .NET and J2EE. We offer services across the entire development life cycle that include requirement analysis, design, implementation, integration and testing for our project. We also work jointly with our clients' teams. We perform application design, implementation and testing, primarily at our global delivery centers located in India, while requirement analysis, transition planning, user training and deployment are made available at our clients' sites.

Enterprise Application Integration

We offer a wide gamut of services based on software packages that are licensed by our clients from third party vendors. These services include business process definition, gap analysis, process reengineering, configuration, implementation, global deployment, version upgrades and maintenance.

System Integration

As part of our System Integration services, we ensure integration of disparate IT solutions and software systems. These services cover procurement and deployment of multiple hardware and software products, development of software products, and software that enhances the compatibility between multiple components of the overall IT infrastructure. We also manage programs and vendors' consortia, on behalf of customers.

Managed Services

Our Managed Services allows organizations to focus on their core competencies, while we take care of the operations of managing their IT Infrastructure. The purview of our managed services includes one or more of the following; management of IT security, audit compliance, applications, database, networks, data centers, desktops, peripherals, disaster recovery, IT infrastructure, enterprise resources, security consulting, and business continuity planning.

Business Process Outsourcing

We provide Business Process Outsourcing services to ICICI Bank and many of its subsidiaries and affiliates. These services include liability management services related to ICICI Bank's Indian Rupee liabilities, transaction processing, query resolution and maintenance of databases. We are a SEBI-registered registrar and transfer agent, and provide registrar and transfer agency services for ICICI Bank's shares and bonds issuance. Our services cater to more than 4.07 million ICICI Bank shareholders and bondholders.

e-Governance

Our Government (e-Governance) services are proven to significantly improve citizen service standards and organizational efficiency, while minimizing operational expenses of Government departments and organizations. With our rich experience, good understanding of the complexities in Government processes, and consistent exposure to large project management, we bring our strong quality orientation to our Government projects.

Quality Standards - We keep raising the benchmark

'PROVIDING OUR CUSTOMERS WITH THE BEST VALUE FOR THEIR INVESTMENT THROUGH EXCELLENCE AND A SUSTAINABLE COMPETITIVE EDGE.'

3i Infotech is part of the elite list of organizations with the distinction of having achieved the highest optimizing level of SEI CMMI Level 5. The scope includes Development, Maintenance, Customization and Implementation of Software Projects, Services and Banking Products.

This recognition only reiterates our commitment to remain focused on the needs of our customers.

SEI CMMI Level 5 benefits

- Increased value for customers through
  - -Faster project timelines and
  - -Better quality of overall deliverables
- Optimized and matured software development process
- Offering customers better control of their processes
- Increased return on investment

Along with SEI CMMI Level 5 for our software services, we have also adopted ISO 9001:2000 standard for our non-software businesses. The Quality Management System being practiced revolves around the Quality Policy and objectives defined by us, and covers both SEI CMMI Level 5 and ISO 9001:2000 standards.

Quality Management Group

3i Infotech has a Quality Management Group whose prime objective is to ensure compliance of various project activities in line with the Quality Standards set by the organization. The group consists of the following units:

- **Software Quality Assurance (SQA) Group**: The group provides guidance to the Quality Leaders within the projects to plan and conduct various reviews and audits.

- **Software Engineering Process Group (SEPG)**: The group is responsible for setting appropriate Quality Standards across the organization.

- **Metrics Group:** The group is responsible for setting and monitoring quantitative goals at the organizational level, with the aim of defining and improving organizational Quantitative Goals.

- **Defect Analysis and Process Group (DAPG)**: The group is responsible for conducting root cause analysis and monitoring defects and problems prevention at project and organization levels.

- **Technology Change Management Group (TCMG)**: The group is responsible for identifying, evaluating, and implementing new technology / methods / processes at the organizational level.

The achievements like SEI CMMI Level 5 and ISO 9001:2000 standards are significant steps towards our larger goal of becoming one of the leading Indian technology solutions company.

The Company's quality certifications include SEI CMMI Level 5 for its Software business and ISO 9001:2000 for its Infrastructure Services and Business Process Outsourcing (BPO) operations.

The Company's Global Delivery Model provides for the best resources to be drawn from its vast talent pool across the globe to offer optimal solutions.

Financials

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company with the audited statement of accounts for the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS & APPROPRIATIONS

Consolidated financials of the Company and its subsidiaries:

Your Company recorded a significant growth in its consolidated performance. The total income grew to Rs.4240.47 million, registering a growth of 45% over the previous year's revenue of Rs.2920.35 million. The gross margins moved from 43.3% of revenue in the previous year to 44.6% of revenue in the current year. The profit before interest, depreciation and taxation (PBDIT) improved by 81% to Rs.919.97 million in the current year compared to Rs.508.73 million in the previous year. Consequently, PBDIT margins moved from 17.4% of revenue in the previous year to 21.7% of revenue in the current year. The Company has posted a consolidated profit after tax of Rs.576.64 million for the current year, whereas it was Rs.321.14 million in the previous year, thereby recording a growth of 79.56% in profit after tax. Basic EPS for the year has grown to Rs.9.51, whereas it was Rs.6.89 in the previous year. The brief financial highlights are as below:

Rupees in million

	Year ended March 31, 2006	Year ended March 31, 2005
Total Income	**4240.47**	2920.35
Profit /(Loss) before taxation	**579.66**	212.66
Provision for taxation(Current and Deferred)	**3.02**	(108.48)
Profit /(Loss) after taxation	**576.64**	321.14
Earnings Per Share (Basic in Rupees)	**9.51**	6.89

Financials of the Company on a standalone basis:

The Profit & Loss Account of your Company shows a profit after taxation of Rs.392.13 million. The disposable profit is Rs.519.38 million, taking into account the balance of Rs.187.89 million brought forward from the previous year, subject to adjustments pertaining to that year. It was decided to transfer Rs.30.00 million to the reserves, out of the current profit. The brief financial highlights are as below:

Rupees in million

	Year ended March 31, 2006	Year ended March 31, 2005
Total Income	**2819.36**	2105.18
Profit before tax	**410.03**	198.72
Provision for taxation(Current and Deferred)	**17.90**	22.66
Profit after tax	**392.13**	176.06
Balance brought forward from Previous year	**187.89**	180.87
Disposable Profit	**519.38**	356.93
Transfer to Reserves	**30.00**	-
Profit available for distribution	**489.38**	356.93
Earnings Per Share (Basic in Rupees)	**5.99**	2.21

DIVIDEND

After taking into account the preference dividends of Rs.86.63 million, the profit available for distribution works out to Rs. 390.60 million. Taking into consideration the dividend generally declared by mid sized IT companies and the funds required for the growth initiatives of the Company, your Directors recommend a dividend of 20% on Equity Share Capital for this year. The details of appropriation are as under:

Rupees in million

	Year ended March 31, 2006	Year ended March 31, 2005
Profit available for distribution	**519.38**	356.93
Transferred to General Reserve	**30.00**	-
Proposed Dividend – Equity shares	**106.09**	54.00
Dividend on Preference shares	**86.63**	95.51
Corporate Dividend Tax	**27.04**	19.53
Balance carried to Balance Sheet	**269.62**	187.89

BUSINESS OVERVIEW

Over the last few years, the Company has transformed itself from a pure IT services company into a strong and dynamic IT solution provider offering a strategic mix of business critical IT products and services. Further, the Company is a very focussed player in the Banking, Financial Services and Insurance (BFSI) segment deriving more than 75% of revenue from this segment. The Company has a comprehensive range of IT products for Banking, Insurance, Capital Markets and an Enterprise Resource Planning (ERP) product for certain other verticals. Thus, the Company has put itself into a unique position in the Indian Software Industry in terms of the number of software products, which most of the other software companies cannot boast of. The Company has also put in place technology service capabilities to cater to most of the technology service needs of its customers. The Company's broad strategy is as under:

1. To have a business mix of 1:1 between IT products and IT services.
2. Product businesses to be driven predominantly by the Company's own Intellectual Property Rights (IPRs).
3. Services businesses to be driven by value added services in the software development, consulting, IT infrastructure and Systems Integration.
4. Products and System Integration to drive the penetration strategy on which services will build. Independent services opportunities to be pursued only in niche areas and niche geographies.
5. To pursue organic and inorganic growth.

By following the above strategy, during the year 2005-06, the Company achieved a significant growth in each of its business segments and each of its geographies as under:

BUSINESS SEGMENTS

Products:

Product segment comprising of following product lines contributed 46% of the revenue for the year 2005-06.

a. Banking

Banking products contributed 15% of the revenue for the year 2005-06. The Company with its rich domain expertise in the banking and financial services sector, has a proven track record in delivering optimised value propositions to customers in this space across the globe. **KASTLE™**, secure banking solutions suite of the Company, comprises an extensive range of enterprise banking products that cater to the varied operations and departments of banks and other financial services organizations. This gives customers a cost-effective option to go for multiple solutions that can be integrated with each other, from a single vendor. The KASTLE product suite consists of various modules apart from KASTLE Core Banking such as Treasury, Asset Liability Management, Risk Management, Universal Lending, Factoring, Anti Money Laundering and Wealth Management.

b. Insurance:

Insurance products contributed 18% of the revenue for the year 2005-06. The **PREMIA™** insurance management solutions suite is designed to proficiently perform all the functions of an insurance company such as underwriting/policy administration, claims management, reinsurance and accounting. This suite comprises PREMIA Property and Casualty, PREMIA Health, PREMIA Life, PREMIA General Insurance, PREMIA Takaful, PREMIA Broker and PREMIA Collaborator. The suite covers various business classes such as property, general liability, workers compensation, commercial auto, business owners policy, marine cargo, personal auto, homeowners, health liabilities and related areas. The offerings in this suite are used by some of the most recognized names in the global insurance industry. The Company's long association with these established organizations has benefited it in improvising its insurance management solutions.

c. Capital Market Products:

Capital Market products comprise of iBOSS™ and AWACS™. With the acquisition of SDG Software Technologies Private Limited, the Company entered the field of Capital Market. The products acquired from SDG Software Technologies Private Limited, iBOSS and AWACS have been well accepted in Middle East market apart from existing clients in India and Singapore.

iBOSS is a comprehensive solutions suite for stockbrokers and traders, giving them absolute control over the entire trading process from order to settlement. It cost-efficiently streamlines and integrates all the operations spanning front office, risk management and back-office.

AWACS - Advanced Warning And Control System - handles all the critical elements of the surveillance process and provides a robust monitoring and warning mechanism. It is designed to protect the integrity of capital markets from fraud, manipulation and abusive practices and to foster open, competitive and financially sound markets. Its astounding set of features and functions ensure strict market vigilance and quick access to historical information, which is essential to the user in decision-making.

d. AMLOCK™

During this fiscal year, the Company successfully launched AMLOCK, an Anti Money Laundering and Fraud Detection Software. AMLOCK cuts across various segments in the financial sector including Insurance, Banking and Capital Market intermediaries.

e. Enterprise Solutions:

In Frost & Sullivan's recent report on "India Mid-Market ERP Software", the Company has been considered as the Indian ERP solution provider with the highest market share in India. It may also be mentioned that the Company has been ranked amongst the top 5 Indian companies in Application Software and in the Mid-Market ERP Software. The Company has achieved this milestone within 3 years of entering the software product space. Enterprise Solutions contributed 13% of the revenue for the year 2005-06.

ORION™ Enterprise, which is an ERP II solutions offering, is meticulously structured to also meet clients' future needs in different processes ranging up to Supply Chain Management (SCM), e-Procurement, e-Business and Customer Relationship Management (CRM) applications.

ORION™ Advantage series, a pre-configured ERP solutions suite, is specially designed for SMEs to save costs, time and resources from day one, in order to deliver maximum Returns on Investment (ROI). Capitalizing on the experience of almost a decade in serving different industries, the Company presently has developed ORION Advantage packages, designed to match the specific requirements of industries viz. Pharmaceuticals, Chemicals, IT Distribution and Auto-ancillary.

ORION™ Xroadz™ - a premier integrated ERM solution that not only enables to improve relationships using secure, multi-channel and unprecedented level of interfaces, with the customers, suppliers, business partners and employees but also assures enhanced measurable returns from each of these relationships. The solution also helps in getting the best possible returns from investment in back-end systems by extending its functions across Relationship Management, Knowledge Management, SCM and e-Business.

f. Information Management:

Veda™ is an advanced Information Management software covering three key information management areas – aggregation, organization and retrieval. Veda™ uses Semantic technologies to understand and integrate information, which is available in different formats, structures and schemes and often stored in multiple repositories.

IT Services:

The Company has a wide range of IT services offering. Services business of the Company comprises of the following:

- Customised Solution and maintainance
- Enterprise Application Integration
- System Integration
- Managed Services
- Business Process Outsourcing
- e-Governance

IT Services business contributed 54% of the revenue for the year 2005-06.

GEOGRAPHIES

The Company has its business presence in about 45 countries. The business operations of the Company are grouped under four different geographies. While the Company is consistently exploring newer markets, the existing major geographies are:

- South Asia contributing 40% of the revenue.
- Europe, Middle East & Africa contributing 25% of the revenue.
- Asia Pacific contributing 7% of the revenue and
- North America contributing 28% of the revenue.

FUTURE OUTLOOK

As indicated earlier, the Company has created a unique range of products for the BFSI vertical and ERP. The Company's major products have multilingual and multi currency capabilities. The Company has also diversified well in terms of geographic presence. The Company aims to enhance its existing products, expand the range of product offerings and increase product reach globally, by continuous investment in enhancing the functionality of the products and also by acquiring new products in BFSI segment to complement or bridge gap, if any, in its offering to suit the market requirements. Similarly, the Company would continue to expand its range of service offerings in order to increase business from the existing clients and acquire new clients. To achieve this, the Company would continue to invest in R&D capabilities, particularly with a view to designing software engineering tools that enhance the ability to execute large, end-to-end projects and develop software solutions that address clients' changing needs. This would enhance the product innovation and mitigate the risk of dependence on a few existing products. In addition to this, the Company would also assess cross-selling opportunities to its existing customer base on a continuous basis.

Apart from organic growth, acquisitions have been a crucial part of the Company's growth strategy. The Company intends to evaluate on a case-by-case basis, potential merger and acquisition targets that offer an opportunity to expand business, capabilities or geographical reach and have manageable integration risks. It has been the endeavour of the Company to spread its operations globally as a risk mitigation measure. The Company is aware of the importance of branding in the modern world. Efforts are continuously on for developing and enhancing recognition of Company's brands, to enhance the visibility and strengthen the recognition in the global IT solutions industry.

The technology alliances for systems integration and joint product development with leading local as well as global technology companies are being strengthened which would assist in sales and delivery.

We believe that these measures would enable the Company to have a robust growth in future.

ACQUISITIONS

During the year, the Company acquired SDG Software Technologies Private Limited, a Hyderabad based software products company, having presence in the products space catering to the banking and capital market industry. 3i Infotech Inc., USA, a wholly owned subsidiary of the Company acquired FormulaWare Inc., a US-based software company which provides a robust Enterprise Resource Planning (ERP) solution for the process manufacturing industry. 3i Infotech Inc. has also acquired Innovative Business Solutions Inc., a US based IT consulting company. The name of Innovative Business Solutions Inc. was later changed to 3i Infotech Consulting Inc. The businesses of these three companies have been synergized with that of the Company to maximize the benefit arising out of the acquisitions.

SUBSIDIARY COMPANIES

Being a global IT company, the Company needs to be present across the globe either through its subsidiaries or branch offices, depending upon business plans and regulatory issues. To this end, the Company has incorporated and acquired a number of subsidiaries in different countries. During the year, your Company acquired SDG Software Technologies Pvt. Ltd, which has a wholly owned subsidiary, SDG Software Technologies Pte. Ltd. 3i Infotech Inc., the wholly owned subsidiary of the Company in USA, acquired Innovative Business Solutions Inc. and FormulaWare Inc. during the year. Further, 3i Infotech (UK) Ltd and 3i Infotech (Thailand) Ltd were incorporated as wholly owned subsidiaries of 3i Infotech Inc and 3i Infotech Pte Ltd., respectively.

The operations of 3i Infotech Pty Ltd, Australia and Semantik Solutions GmbH, Germany were merged with 3i Infotech Inc. and the Company respectively. Both these subsidiaries are in the process of being wound up.

With the above, your Company has nine wholly owned subsidiaries in aggregate, viz. 3i Infotech Inc., USA, 3i Infotech Pte. Ltd, Singapore, 3i Infotech SDN BHD, Malaysia, 3i Infotech (UK) Ltd, UK, 3i Infotech (Thailand) Ltd, Thailand, SDG Software Technologies Ltd, India, SDG Software Technologies Pte. Ltd, Singapore, 3i Infotech Consulting Inc., USA (formerly known as Innovative Business Solutions Inc.) and FormulaWare Inc., USA.

As per section 212 of the Companies Act, 1956, your Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of the subsidiaries to its Balance Sheet. The Company has made necessary application to Central Government, which has the power to grant exemption from this requirement, as the Company presents the audited consolidated accounts of the Company and its subsidiaries in this Annual Report. Your Directors believe that the audited consolidated accounts, present a full and fair picture of the state of affairs and financial conditions of the Company and its subsidiaries, as is done globally. Accordingly, the Annual Report of your Company does not contain separate financial statements of these subsidiaries, but contains audited consolidated financial statements of the Company and its subsidiaries.

However, a statement of the Company's interest in the subsidiaries and a summary of the financials of the subsidairies is given alongwith the consolidated accounts. The annual accounts of the subsidiaries along with the related information will be made available to the Members seeking such information at any point of time. The annual accounts of the subsidiaries are also available for inspection during business hours at the Registered Offices of the subsidiaries.

Note: The approval of the Central Government has since been received vide letter reference no. 47/84/2006-CL-III dated May 9, 2006

CAPITAL

As reported in the previous year, the Company has successfully completed the initial public offering of the equity shares and got its shares listed on the stock exchanges. The Company's Initial Public Offering received a very good response from the public and was subscribed more than 6 times. The shares of the Company are actively traded on the exchanges since then. Pursuant to the IPO, the Company allotted 21.76 million shares and raised Rs.2176.68 million, which was predominantly used for repayment of borrowings from banks and redemption of part of the preference capital. The Company allotted 306,220 equity shares pursuant to the Employee Stock Option Scheme, from April 1, 2005 till the date of this report. During the year, 100 million preference shares of Rs.5 each were redeemed and the preference capital currently comprises of 200 million preference shares of Rs.5/- each aggregating to Rs.1,000 million.

During the year, pursuant to the approval of the Members by means of Postal Ballot on December 30, 2005, the Company has issued Zero Coupon Foreign Currency Convertible Bonds (the Bonds) to the extent of USD 50 million, with the option of conversion into equity shares at a price of Rs.230/- which reflected a premium of 33% over the closing price of the shares in National Stock Exchange on the date of signing of the final terms and conditions for bonds. If not converted, the bonds are redeemable at the end of 5 years with a redemption premium giving a yield to maturity of 6.8% The bonds are listed on the Singapore Stock Exchange Limited.

UTILISATION OF THE PROCEEDS OF IPO

The Company has raised Rs.2176.68 million from its initial public offering (IPO) of its equity shares, for the purpose of redemption of part of the preference shares and repayment of certain debts of the Company. To improve the profitability and cash flow position, it was decided to amend the pattern of use of the IPO proceeds from what was stated in the Prospectus dated April 7, 2005 (Prospectus). Accordingly, your Directors obtained the consent of the Members of the Company, by way of Special Resolution passed by means of Postal Ballot for the purpose of variation in the utilisation of proceeds of the initial public offer of equity shares. The Members have approved the following pattern of utilisation.

Purpose	Amount in Rupees (million)
Redemption of Preference Shares	500.00
Repayment of short term loans and long term loans	1,563.68
Issue expenses	113.00
Total	**2,176.68**

As on March 31, 2006, the Company has already utilised Rs.2150.38 million towards the aforesaid payments and a balance of Rs. 26.30 million is lying unutilised.

EMPLOYEE STOCK OPTIONS

The Company continued to reward its high performing employees and made them partners in it's growth by grant of stock options under its Employee Stock Option Scheme. The details of the stock options granted are given in the Annexure to this Report.

QUALITY

Your Directors are pleased to report that the Company is continuing on its path of continuous process improvement. Further to achievement of SEI CMM Level 5, the Company has taken major steps in migrating to the CMMI model of SEI. This migration would strengthen the Company's delivery capabilities, ensure delivery of high quality products and services and thus, enable the Company to strengthen its position in the global markets. The Company already has ISO 9001: 2000 accreditation for all its non-software businesses.

AWARDS AND ACCOLADES

The efforts of the Company were appreciated globally and as a result, your Company has won several awards during the previous year. The Company won Growth Strategy Leadership Award for India ERP Software for SMB at the prestigious **Frost & Sullivan Technology Awards 2005** event, held in Mumbai, India. The award recognizes companies that demonstrate an exceptional growth strategy in the Information & Communications Technology (ICT) industry. The Company had also won the **2005 Service Provider of the Year award at the 9th Annual Asia Insurance Awards** held in the Ritz Carlton Millenia, Singapore on September 26, 2005. This is an award to encourage and salute excellence in the insurance industry. The award recognizes the Company's pioneering work, contribution and commitment to the Insurance industry worldwide. For the second successive year, the Company received the prestigious "**Partner Excellence Award for the Independent Software Vendor (ISV) category**" from Oracle Corporation. The Company has also been awarded the **Dubai Quality Appreciation Programme Award** by the Dubai Quality Appreciation Programme (DQAP) for its excellent business practices, growth strategy and service to its customers and stakeholders.

PUBLIC DEPOSITS

During the year, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956.

DIRECTORS

During the year under review, the Directors had appointed Mr. Samir Kumar Mitter and Ms. Madhabi Puri Buch as Additional Directors whose term comes to an end at the ensuing Annual General Meeting. Mr. Samir Kumar Mitter has a Masters Degree in Arts and is a Graduate in Law. He is an Executive Director in Life Insurance Corporation of India and Director and Chief Executive, in LIC Housing Finance Limited. Ms. Madhabi Puri Buch is a Graduate in Mathematics from St. Stephen's College, New Delhi and holds a Post Graduate Diploma in Management from the IIM, Ahmedabad. She is a Senior General Manager with ICICI Bank Limited.

It was felt that their vast domain knowledge and rich experience coupled with strategic contacts would enable the Company to achieve bigger milestones. The Company has received notices under Section 257 of the Companies Act, 1956, recommending their appointment as the Directors of the Company. The Board recommends their appointment as Directors liable to retire by rotation.

On January 23, 2006, Mr. Balaji Swaminathan, on account of his professional commitments and preoccupation, resigned from the Board and also as a Member of the Audit Committee and Shareholders and Investors Grievances Committee. With effect from April 1, 2006, Mr. Manoj Kunkalienkar, ceased to be an Executive Director. Mr. Vincent Addonisio resigned as a Director with effect from April 19, 2006, owing to his commitments as a consultant in the Merger and Acquisition activities of the Company.

The Board places on record its sincere appreciation of the valuable contribution of Mr. Swaminathan, Mr. Kunkalienkar and Mr. Addonisio during their tenure, towards the growth of the Company.

In terms of the provisions of the Articles of Association of the Company, Mr. Hoshang N. Sinor and Mr. Suresh Kumar are due to retire by rotation at the forthcoming 13th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Mr. Hariharan Padmanabhan would complete his term of appointment on October 31, 2006. In view of his excellent contribution to the Company in the past few years, the Board had re-designated him as Deputy Managing Director and re-appointed him for a further period of three years effective from April 1, 2006, His re-appointment and remuneration would be subject to the approval of the Members, at the ensuing 13th Annual General Meeting and the approval of the Central Government. The Board recommends the re-appointment of the above Directors.

AUDIT COMMITTEE

On account of the resignation of Mr. Balaji Swaminathan and Mr. Vincent Addonisio, the Audit Committee was reconstituted. Presently, the Audit Committee comprises of Mr. S. Santhanakrishnan, as Chairman; Mr. Samir Kumar Mitter and Ms. Madhabi Puri Buch as Members. All the Members of the Audit Committee are Independent Non-Executive Directors. During the year, the Committee met four times to review quarterly accounts, internal control systems, discuss the audit findings and recommendations of the internal and statutory auditors.

BOARD GOVERNANCE COMMITTEE

The Board Governance Committee comprising of Mr. Hoshang N. Sinor, as Chairman; Mr. Suresh Kumar and Mr. Bruce Kogut as Members, attends to the matters relating to governance, nomination to Board, compensation to the Directors and performance bonus, stock options etc. to the Directors and employees of the Company. All the Members of the Board Governance Committee are Independent Non-Executive Directors. During the year under review, the Committee met three times.

SHAREHOLDERS' AND INVESTORS' GRIEVANCE COMMITTEE

The Shareholders' and Investors' Grievance Committee was reconstituted on account of the resignation of Mr. Balaji Swaminathan and Mr. Manoj Kunkalienkar. Currently, this Committee comprises of Mr. Hoshang N. Sinor, as Chairman and Mr. S. Santhanakrishnan and Mr. Hariharan Padmanabhan as Members. During the year, the Committee met four times.

AUDITORS

The Auditors, M/s. Lodha & Co., Chartered Accountants, Mumbai, are due to retire at the conclusion of 13th Annual General Meeting. M/s Lodha & Company have confirmed their eligibility and willingness to accept office, if re-appointed. Your Directors recommend the re-appointment of M/s. Lodha & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of the Thirteenth Annual General Meeting until the conclusion of the Fourteenth Annual General Meeting of the Company.

CONSERVATION OF ENERGY

Although the operations of the Company are not energy intensive, the management has been highly conscious of criticality of conservation of energy at all the operational levels and efforts are made in this direction on a continuous basis. The requirement of disclosure of particulars with respect to conservation of energy as prescribed in Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is not applicable to the Company and hence not provided.

TECHNOLOGY ABSORPTION

The Company being primarily in the Information Technology domain, ongoing efforts are always underway to explore, learn and absorb emerging technologies. The Company continuously makes investment in technological tools and imparts its employees, training on the new technologies for deploying on the development projects as deemed appropriate for the business of the Company.

Research & Development (R&D):

Continuous Research and Development for enhancing the functionalities of various products of the Company is carried out at its various development centres, as an integral part of the activities of the company.

Specific areas of R&D:

The development and up-gradation of the solutions offered by the Company with a view to best suit the needs of the existing customers and proactive research to bring in the key attributes in tune with the dynamics of the industry are conducted on an ongoing basis. The Company also integrates the features of the products of the companies acquired by it to its core solutions with a view to enrich the offering with the specific needs of the industry in the geographies of its presence. Apart from this, research is also carried out in consultation with various domain experts within the Company and the industry to introduce key capabilities to raise the level of competence to meet the complex requirements of the industry. To foster innovation, the Company created an Innovation Forum, headed by the Deputy Managing Director, which has produced a lot of new ideas to enrich its products so that the Company can stay ahead of the competition in those areas.

Benefits derived as a result of the R&D:

The solutions offered by the Company have become robust and versatile to tackle the complex nuances of the dynamic business structures in the Banking, Financial Services and Insurance (BFSI) segment. With this, the Company was able to cross sell its various products as a composite offering. The Company was able to penetrate the niche markets with a competitive edge to sustain higher level of acceptability in the regions of its presence. The Company successfully integrated the key attributes of various products added consequent to acquisition of other companies globally, with its core solution offering.

Future plan of action:

The Company plans to foster and develop its R&D activities to strengthen its key offerings, leveraging on its domain expertise and technological capabilities. It is also planned to build, improvise and position its solutions, to navigate the dynamic processes of the contemporary as well as future business needs of the industry.

Expenditure on R&D:

Rupees in million

	2005-06	**2004-05**
Revenue Expenditure	20.10	16.99
Capital Expenditure	229.09	162.88
Total	249.19	179.87
Total R&D expenditure as a percentage of total revenue	8.84%	8.54%

Technology absorption, adaptation and innovation:

The Company is continuing to bring innovative solutions and services in diverse domain areas. There has been a continued thrust on optimizing product architechture to maximize benefits of the advanced features used by the underlying technology platforms.

With a view to enhance resource base for development of software to meet customer expectations, the Company has made significant additions to the technology equipments and its training programs. Adequate steps have also been taken in the direction of security and disaster recovery.

The year also saw many internal contests for innovative ideas and solutions. The contests were enthusiastically participated in and were very useful in bringing up some truly innovative ideas and solutions.

The aforesaid steps have enabled the Company to effectively provide solutions to its customers, which would enable them to have a sustained competitive advantage.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for product and services and export plans.

More than 60% of the revenue of the Company is derived from exports. The Company has more than 500 customers in 45 countries. The Company has offices in 14 cities across 3 continents, backed by state of the art offshore development centers in India at Mumbai, Bangalore, Chennai, Hyderabad and onsite delivery and support facilities in New Jersey, Dubai and Kuala Lumpur.

The Registered Office of the Company is located at International Infotech Park, Vashi, India. Some of the software development centers of the Company in India are also registered as Software Technology Parks of India, whereby the Company is required to fulfill its export obligations as laid down by the Government.

b) Foreign Export Earnings and Expenditure

During 2005-06, the expenditure in foreign currencies amounted to Rs.1244.16 million on account of import of capital goods, dividend, traveling & other expenses. During the same period, the Company earned Rs.1273.67 million in foreign currencies, as income from its exports.

PERSONNEL

The Company, being in a knowledge-driven industry, believes that its employees are key contributors to its business success. With its prime focus on attracting and retaining the best talent in the industry, the Company offers excellent working environment and competitive compensation programs, while continuously building a strong brand. The Company fosters a feeling of well being in employees through care and respect. Several structured processes including employee mentoring, grievance management and corporate ethics and cultural integration programmes are in place to facilitate a friendly and cohesive organizational culture.

The average age of the employees is as young as 27 years. The Company has developed robust processes to evaluate and recruit large numbers of employees from premier universities, colleges and institutes in India, including the Indian Institutes of Technology, regional engineering colleges and Indian Institutes of Management. A rigorous selection process involving a series of activities including individual and group interviews, technical and psychometric tests is in place.

The Company believes that well-trained employees are key enablers for the efficient growth of operations and ability to manage large, complex business projects. Continuous learning programmes that address project specific, technology and soft skills learning needs of our employees, are conducted throughout the year in a phased manner. The Company has put in place a good training infrastructure.

With an endeavour to link careers to competencies, individual preferences and organizational needs, an elaborate and transparent performance management system, involving setting key performance indicators, mid-year reviews and annual reviews, has been established. The review mechanism takes care of several aspects of the employee's career such as career and competency development, financial rewards and recognition.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees, covered under that section, are set out in the annexure to the Directors' Report.

CORPORATE GOVERNANCE

Your Company's corporate governance practices have been assigned a CGR2 rating by ICRA Limited (an associate of Moody's Investors Service), a leading provider of investment information and credit rating services in India. This rating implies that the Company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. A detailed report on Corporate Governance is given in the annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

a) In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

c) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and

d) We have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors are thankful to the shareholders and investors for their confidence and continued support. The Directors are grateful to the Central and State Government, Securities & Exchange Board of India, Reserve Bank of India, Software Technology Park of India, Customs, other government authorities, banks and last but not the least, it's trusted Clients for their continued support.

The Directors would like to express their gratitude for the unstinted support and guidance received from the ICICI group, alliance partners and vendors.

The Directors would also like to express their sincere thanks and appreciation to all the employees for their commendable teamwork and professionalism.

For and on behalf of the Board

Sd/-	Sd/-
Hoshang N. Sinor	**V. Srinivasan**
Chairman	Managing Director & CEO

Mumbai, April 19, 2006

Annexure to the Directors' Report - I

Details of stock options issued to the eligible employees and Directors as per Employees Stock Option Scheme (ESOS) as on March 31, 2006. This disclosure is made in accordance with para 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The following table sets forth, the particulars of options granted under ESOS.

Particulars	**Options granted 3 years prior to IPO i.e. from 01.04.2002 to 31.03.2005**	**Option granted during 2005-06**
a) Options granted to purchase Equity Shares	5,293,525	1,00,000
b) Basis for issue price	Fair Market value	Market value
c) Options vested and not exercised	1,284,425	-
d) Number of options exercised	90,145	-
e) Total number of Equity Shares arising as a result of exercise of options	90,145	-
f) Number of Options lapsed	821,498	-
g) Variation of Terms of Options	NA	NA
h) Money realised by exercise of Rights (Rs.)	8,571,300	-
i) Total number of Options in force	4,381,882	100,000

j) Employee wise details of options granted to:

a. Any Employee or Director who received grant in any one year of options amounting to 5% or more of option granted during that year:

Names	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
V. Srinivasan	35,000	28,000	35,000	570,000	-
Manoj Kunkalienkar	-	-	-	250,000	-
Hariharan Padmanabhan	-	-	-	250,000	-
Bruce Kogut	-	-	-	-	50,000
S. Santhanakrishnan	-	-	-	-	50,000

b. Identified employees and Directors who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time:

Names	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
V. Srinivasan	-	-	-	570,000	-

c. The following table sets forth details of outstanding options granted to senior managerial personnel as of March 31, 2006 and the shares in the Company held by them:

Name	**Position**	**Stock Options granted**	**Shares held**
V. Srinivasan	Managing Director and CEO	703,000	-
Hariharan Padmanabhan	Deputy Managing Director	275,000	-
Manoj Kunkalienkar	Executive Director	319,400	10,000
Amar Chintopath	Chief Financial officer	134,000	1,000
Arvind Joshi	COO-United States	105,000	3,000
Debneel Mukherjee	President – Asia Pacific	148,100	-
Ravi Jagannathan	COO - United Kingdom	55,400	-
Kalpesh Desai	COO – Europe, Middle East & Africa	90,000	-
Shivaprakash	Senior Vice President	-	-
Rakesh Doshi	Senior Vice President	31,000	-
Meherdaad B. Battliwala	Senior General Manager	70,250	-
Padmanabhan Iyer	Senior General Manager	60,000	960
Debasis Pal	General Manager	37,100	-
Jagannath Rao	General Manager	32,500	6,500
K. N. Madhava	General Manager	19,300	-
Manoj Mandavgane	General Manager	69,600	480
P. V. Sreenath	General Manager	40,800	2,040
Ramakrishnan V.	General Manager	33,400	-
Sanjeev Saxena	General Manager	44,000	-
Shridhar Kane	General Manager	34,300	100
Shivanand R. Shettigar	Company Secretary	70,000	500

k) Diluted Earning Per Share (EPS) pursuant to issue of Equity Shares on exercise of options calculated in accordance with Accounting Standard 20:

In 3 years prior to IPO In the current year 2005-06	Amount (in Rs.)
2002-03	(0.09)
2003-04	0.33
2004-05	2.18

For and on behalf of the Board of Directors

Sd/-	Sd/-
Hoshang N. Sinor	**V. Srinivasan**
Chairman	Managing Director & CEO

Mumbai, April 19, 2006

Annexure to the Directors' Report - II

3i Infotech Limited

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended March 31, 2006

Employee Name	Dept.	Grade	Designation	Date of Joining	Gross Earnings (Rs.)	Deductions (Rs.)	Net (Rs.)	Qualifications	Age (Yrs)	Exp (Yrs)	Last employment held	Percentage of equity shares held in the company (%)
Mr. Manoj Kunkalienkar	Operations - India	ED	Executive Director	September 1, 1999	6,508,271	3,160,574	3,347,696	M.Tech	46	23	Rohan Software Pvt. Limited	0.02
Mr. Amar Chintopanth	Finance and Accounts	1A	Chief Financial Officer	December 6, 2001	3,756,303	1,195,504	2,560,798	B.Com, C.A.	47	23	Polaris India Limited	0.00
Mr. Jagannath Rao	Software	2	General Manager	July 1, 2001	3,030,252	839,122	2,191,130	BE,PG Dip in Mgmt - IIM	45	22	ICICI Ltd.	0.01
Mr. Madhava K. N.*	Software-Offshore	2	General Manager	March 16, 2006	107,512	5,874	101,638	B Com, LLB, CA	52	29	Self Employment	0.00
Mr. Manoj Mandavgane	Human Resources	2	General Manager	February 1, 2000	2,716,874	686,217	2,030,658	B.Com,Master of Labour Studies	42	20	Easy Call	0.00
Mr. M. B. Battliwala	Global Marketing and PR	2	General Manager	September 1, 1999	4,414,339	1,542,266	2,872,073	M Sc,CAIIB,Dipl in Computer Mgmt,DISM,Masters in Fin Mgmt	57	34	ICICI Ltd.	NIL
Mr. Padmanabhan Iyer	Risk Mgt. & BPO	2	General Manager	March 3, 2004	3,489,628	1,343,808	2,145,820	B Com,Masters in Fin Mgmt	42	20	Reliance Infocom	0.00
Mr. Sanjeev Saxena	Technology Services	2	General Manager	December 26, 2002	4,519,430	2,435,236	2,084,194	AMIE	44	22	Data Craft	NIL
Mr. Sreenath P. V.	Software	2	General Manager	September 1, 1999	2,750,796	730,581	2,020,215	BTECH,PG Dip in Mgmt - IIM	40	17	ICICI Ltd.	0.00
Mr. Debasis Pal	Banking Product Group	2A	Deputy General Manager	September 4, 1997	2,442,380	576,490	1,865,890	BE,MBA,MTECH	44	20	ICICI Ltd.	NIL
Mr. Rakesh Bhatt	Banking Product Group	2A	Deputy General Manager	June 3, 2002	2,473,304	720,405	1,752,899	BSc,MCA	37	14	Apnaloan India P Ltd	NIL
Mr. Sandeep Desai	Software	2A	Deputy General Manager	April 1, 2004	2,407,834	854,829	1,553,005	BSc,MSc(Comp Science)	45	21	Zensar Technologies Ltd.	0.01
Mr. Shivanand R. Shettigar	Secretarial & Legal	2A	Deputy General Manager	October 9, 1995	2,450,190	713,715	1,736,475	B.Com,ACS (Associate Company Secretary),LLB	41	21	Shrenuj & Co. Ltd.	0.00

* was employed with the Company for part of the year.

1. Gross remuneration mentioned above includes Salary, Allowances, Compensation, Performance Bonus, LTA, Value of Perquisites as per Income Tax Rules, 1962, Company's contribution to Provident Fund, Superannuation Fund and Gratuity etc.
2. Net remuneration is shown after deduction from gross remuneration of contribution to Provident Fund, Profession Tax and Income Tax.
3. Designation, Nature of Duties and Remuneration are as at March 31, 2006
4. All employees are Permanent employees of the Company, governed by its rules and conditions of service.
5. Nature of Duties of all employees are managerial functions.

For and on behalf of the Board of Directors

sd/-	sd/-
Hoshang N. Sinor	V. Srinivasan
Chairman	Managing Director & CEO

Mumbai, April 19, 2006

ANNEXURE TO THE DIRECTORS' REPORT - III

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2005-06

CORPORATE GOVERNANCE - A way of life

At 3i Infotech, Corporate Governance is a way of life. The basic principle of life, as you sow, so shall you reap *(Bible)*, has also been the basic principle of 3i Infotech's Corporate Governance. Powered by this, 3i Infotech has created a distinct organisation that is focused to protect, strengthen and align together the interests of all its stakeholders. The Company is driven by its three core values, ***Innovation, Insight, and Integrity*** and they have been reflected in its structure, processes and efforts for sustained growth. These principles are closely entwined in its corporate and business practices and dealings with its customers, vendors, employees and all stakeholders. This is evident from the fact that ever since its inception and even prior to the listing of its shares in the early part of fiscal 2005, the Company has been guided by its own principles of good governance almost similar to the Governance Standards applicable to a listed company.

For 3i Infotech, corporate governance implies observance of certain basic principles of ethical growth and not mere compliance of globally prescribed standards of governance and disclosure. The Board of Directors of the Company is at the centre of the governance system of the Company. The Board alongwith its Committees such as Audit Committee and Board Governance Committee lays down strategic paths, develops systems, processes and reviews mechanisms to steer the Company on the right track of growth and mitigate risks. As a result of this, the Company has been able to achieve significant growth over the past few years. Today, the Company is in full compliance of the Corporate Governance principles enunciated in clause 49 of the Listing Agreement, in terms of structure, composition of board and its committees and other disclosure requirements. The norms of governance adopted by the Company are beyond the statutory prescriptions. This is clearly reflected in the transparent policy for nomination, performance evaluation and remuneration of the Executive and Non-Executive Directors. The financial reporting and risk mitigation measures adopted by the Company foster transparent disclosures and protect the interest of the stakeholders.

The Company has transformed itself into an employee sensitive enterprise, wherein the individual goals and aspirations of the employees are in synchronization with the long-term goals of the Company, leading to a fulfilling partnership. As a responsible corporate citizen, the Company complies with the laws of the land, as applicable. Post public issue, the Company achieved a significant leap in the market capitalization and generated significant economic value to its shareholders and employees holding the stock options. Thus, the corporate governance norms ushered by the Company have led to unified alignment of the interests of the promoters, customers, employees and all other stakeholders.

CORPORATE GOVERNANCE RATING

As a part of self-assessment of its Governance Practices, the Company approached ICRA (Investment Information and Credit Rating Agency) to assess and evaluate its Corporate Governance Standards.

ICRA assigned CGR2 rating to the corporate governance practices followed by the Company. ICRA rates companies on the scale of CGR1 to CGR6 for the corporate governance practices followed by them, CGR1 being the best and CGR6 being poor.

The CGR2 rating assigned by ICRA implies that the Company has adopted and followed such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance.

I. BOARD OF DIRECTORS

a. Size and Composition of the Board

The Company, in its commitment to uphold good corporate governance has strengthened the independence of the Board by further introducing Independent Directors on the Board. The total strength of the Board on the date of this report is eight. The Chairman of the Board is an Independent Non-Executive Director and the Board consists of six Independent Non-Executive Directors, which constitutes more than two thirds of the total strength. The details of the Directors on the Board of your Company for the year 2005-2006 are given below:

Name	Category	Designation	Date of appointment	Date of resignation	Number of directorship in other companies	Number of chairmanship in committees of boards of other companies	Number of membership in committees of boards of other companies
Hoshang N. Sinor	INED	Chairman	24-Jul-03	-	8	2	2
Balaji Swaminathan	INED	Director	22-Jul-02	23-Jan-06	-	-	-
Bruce Kogut	INED	Director	22-Apr-05	-	-	-	-
Madhabi Puri Buch	INED	Director	23-Jan-06	-	2	-	-
Ramni Nirula	INED	Director	22-Jul-02	22-Apr-05	-	-	-
Samir Kumar Mitter	INED	Director	28-Oct-05	-	3	-	1
S. Santhanakrishnan	INED	Chairman, Audit Committee	22-Apr-05	-	3	-	-
Suresh Kumar	INED	Director	19-Oct-00	-	6	1	-
Vijay Thacker	INED	Director	10-Jul-01	22-Apr-05	-	-	-
Vincent Addonisio	INED	Director	23-Jan-05	19-Apr-06	6	-	-
V. Srinivasan	ED	Managing Director & CEO	05-Sep-96	-	10	-	-
Hariharan Padmanabhan	ED	Deputy Managing Director	05-Nov-03	-	2	-	-
Manoj Kunkalienkar	ED	Executive Director	01-Oct-02	01-Apr-06	-	-	-

Legend: INED=Independent Non-Executive Director; ED= Executive Director

b. The Board Meetings

Among other things, key matters like periodic financial results,acquisitions, joint ventures, capital/operating budgets,finding/comments of the Statutory, Internal and other auditors, risk mangement, internal controls, issue of capital and other resource mobilization efforts are brought to the Board. The Board also regularly deliberates on the Company's positioning in the Indian and global IT scenario and adopts and approves the strategy for medium and long-term growth.

The schedule of the Board Meetings for the ensuing Financial year is decided in advance. During last financial year, the Board met four times on April 22, 2005, July 22, 2005, October 28, 2005 and January 23, 2006. The time gap between any two meetings was less than four months.

The Agenda for the Board Meeting and its Committee Meetings is drafted by the Managing Director and the Company Secretary in consultation with the Chairman of the Board or the Committee as the case may be. Agenda alongwith all information, including statutory information,relevant to the matters to be discussed is always sent well in advance to the Directors. The Members of the Board can also suggest any Agenda item to the Chairman, which is taken as any other item after the circulated items. Detailed presentations are made at the Board Meetings by the Managing Director & CEO, Deputy Managing Director and Chief Financial Officer on various strategic and operational issues.

The attendance of the Directors at the Board Meetings held during the year are given below:

Director	Number of Meetings held during the tenure of the Director	Number of Meetings attended
Hoshang N. Sinor	4	4
Balaji Swaminathan*	4	1
Bruce Kogut	4	4
Madhabi Puri Buch*	1	1
Ramni Nirula*	1	1
Samir Kumar Mitter*	2	1
S. Santhanakrishnan	4	4
Suresh Kumar	4	4
Vijay Thacker*	1	1
Vincent Addonisio	4	3
V. Srinivasan	4	4
Hariharan Padmanabhan	4	4
Manoj Kunkalienkar	4	4

* was a Director only for the part of the year.

Mr. Vijay Thacker and Ms. Ramni Nirula resigned as Directors at the Board Meeting held on April 22, 2005. Thereafter, Mr. Samir Kumar Mitter and Ms. Madhabi Puri Buch were appointed as Additional Directors by the Board at its Meetings held on October 28, 2005 and January 23, 2006 respectively. Mr. Balaji Swaminathan resigned at the Board Meeting held on January 23, 2006. Mr. Manoj Kunkalienkar ceased to be Director with effect from April 1, 2006. Mr. Vincent Addonisio resigned at the Board Meeting held on April 19, 2006.

c. Appointment, performance evaluation and remuneration of the Directors

The policy of the Company for appointment, evaluation and remuneration of the Directors is as mentioned below:

Appointment:

The Board Governance, Compensation cum Nomination Committee, which consists exclusively of Independent Non-Executive Directors identifies, selects, nominates and recommends induction of additional directors on the Board. Based on the recommendations of this Committee, the Board finalises the appointment of additional directors on the Board.

Performance Evaluation:

The Non-Executive Directors have a very important role in the growth and governance of the companies as they represent various fields with expertise in their respective areas and their positive contribution helps the Company to draw out effective strategies for future growth and enable the Company to achieve its laid down objectives. The Executive Directors in turn implement the strategies and draw out and monitor the operational strategies, plans, systems and processes to enable the Executive Management of the Company to achieve the goals set by the Board. The Board Governance Committee recommends the payment of commission to the Non-Executive Directors on the basis of following criteria:

a) Quality of participation at the Meeting, regularity and devotion of time;
b) Strategic direction, inputs, advice and contribution for long-term stability and sustenance of the Company;
c) Contribution in the Board's deliberations using the knowledge, skill, experience and expertise in relation to the business of the Company and practical application of their domain knowledge, business insight, acumen and international exposure towards the growth of the Company;
d) Contribution towards accounting, finance, tax matters, general management practices and matters of international relevance;
e) Level of Commitment towards compliance of legal requirements, codes of conduct and corporate ethics and values;
f) Working relationships with other Board Members and Senior Management and the Director's ability to communicate with and listen to others, within and outside the Board;
g) Sensitivity towards the shareholders' wealth and interest of Company's customers, suppliers, employees and partners;
h) Ability to analyse and review the performance of the management on behalf of and in the interest of the stakeholders and to give concrete suggestions for course corrections.

The performance of the Executive Directors is evaluated by the Board Governance Committee based on the attainment of the topline and bottomline budgets and implementation of the business plans approved by the Board. Performance Apprasial of the members of the Board Goverance Committee is carried out by the Board on the same criteria as above.

Remuneration:

The Company has paid remuneration by way of commission to the Non-Executive Directors in year 2005-06 on net profits of 1% for the year 2004-05. In addition to this, sitting fees for attending and participating in the Board and Committee Meetings for the financial year 2005-06 are also paid to the Non-Executive Directors. The remuneration, as explained above, was paid as per recommendation of the Board Governance Committee and approval of the Board and Members. The details are as given below:

Name of the Director	Commission Paid (Rs.) (gross)	Sitting fees(Rs.)
Hoshang N. Sinor	409,000	220,000
Balaji Swaminathan	409,000	80,000
Bruce Kogut	-	120,000
Madhabi Puri Buch	-	20,000
Ramni Nirula	-	20,000
Samir Kumar Mitter	-	20,000
S. Santhanakrishnan	-	160,000
Suresh Kumar	468,000	160,000
Vijay Thacker	643,000	60,000
Vincent Addonisio	58,000	120,000

The Non-Executive Directors are not paid any fixed periodic remuneration.

During the year, the Company obtained the approval of the Central Government pursuant to Section 309 of the Companies Act, 1956 for payment of Commission upto 3% of the net profits.

In addition to the above, the Company paid remuneration to its Wholetime Directors, Mr. Hariharan Padmanabhan and Mr. Manoj Kunkalienkar, in accordance and within the overall limits as per the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956. Mr. V. Srinivasan, Managing Director & CEO of the Company does not draw any remuneration from the Company, as he draws remuneration from 3i Infotech Inc., USA, a wholly owned subsidiary of the Company.

During the year, the following Remuneration was paid to the Wholetime Directors

Name of the Director	Basic Salary (Rs.)	Performance Bonus (Rs.)	Perquisites and all other allowances(Rs.)
Manoj Kunkalienkar	2,160,000	1,800,000	1,860,020
Hariharan Padmanabhan (Paid in AED)*	4,341,452	1,808,939	2,798,138

*1 AED is equal to Rs.12.06 as on March 31, 2006.

Remuneration paid to Mr. V. Srinivasan by 3i Infotech Inc.

Name of the Director	Basic Salary(Rs.)	Performance Bonus (Rs.)	Perquisites and all other allowances(Rs.)
V. Srinivasan (Paid in US $)	13,284,000	5,535,000	887,498

1 US$ = Rs.44.28 as on March 31,2006

Stock options held by Director: (as on March 31, 2006)

a.Wholetime Directors:

Name of the Director	Grant Price (In Rs.)	Options Granted	Date of grant	Vested and outstanding	Options Exercised	Last Date of Exercise
V. Srinivasan	100	500,000	23-Jan-05	100,000	-	23-Jan-15
	90	70,000	23-Apr-04	14,000	-	23-Apr-14
	90	35,000	17-Apr-03	17,500	-	17-Apr-13
	200	28,000	22-Apr-02	28,000	-	22-Apr-12
	136	35,000	20-Apr-01	35,000	-	20-Apr-11
	75	35,000	26-Apr-00	35,000	-	26-Apr-10
Total		**703,000**		**229,500**	**-**	
Hariharan Padmanabhan	100	200,000	23-Jan-05	40,000	-	23-Jan-15
	90	50,000	23-Apr-04	10,000	-	23-Apr-14
	90	25,000	17-Apr-03	12,500	-	17-Apr-13
Total		**275,000**		**62,500**	**-**	
Manoj Kunkalienkar	100	200,000	23-Jan-05	40,000	-	23-Jan-15
	90	50,000	23-Apr-04	10,000	-	23-Apr-14
	90	25,000	17-Apr-03	12,500	-	17-Apr-13
	200	12,000	22-Apr-02	12,000	-	22-Apr-12
	136	15,000	20-Apr-01	15,000	-	20-Apr-11
	75	17,400	26-Apr-00	7,400	10,000	26-Apr-10
Total		**319,400**		**96,900**	**10,000**	

b. Non Executive Directors

Name of the Director	Grant Price (In Rs.)	Options Granted	Date of grant	Vested & outstanding	Options Exercised	Last date of Exercise
Hoshang N. Sinor	100	50,000	23-Jan-05	10,000	-	23-Jan-15
Balaji Swaminathan	100	50,000	23-Jan-05	-	10,000	22-Apr-06
Bruce Kogut	115	50,000	28-Oct-05	-	-	-
S. Santhanakrishnan	115	50,000	28-Oct-05	-	-	-
Suresh Kumar	100	50,000	23-Jan-05	10,000	-	23-Jan-15
Vincent Addonisio	100	50,000	23-Jan-05	10,000	-	18-Jul-06

Details of number of shares held by the Directors as on March 31, 2006:

Name of the Director	Number of shares
V. Srinivasan	1,020
Manoj Kunkalienkar	10,000

II. BOARD COMMITTEES

The Board of Directors have constituted the following Committees
a. Audit Committee
b. Board Governance Committee
c. Shareholders'/Investors' Grievances Committee

a. Audit Committee:

Brief description of terms of reference:
The Audit Committee reviews, acts and reports to the Board of Directors with respect to:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment/removal of Statutory Auditor(s) & Internal Auditor(s), fix the audit fee and also approve the payment for any other services;
- Reviewing with the Management, the quarterly financial statements before submission to the Board;
- Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with Statutory Auditors, before the audit commences about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies;
- Reviewing the functioning of the Whistle Blower mechanism;
- Review the financial statements of subsidiary companies.

Composition of the Audit Committee as on the date of this Report

Name	Designation	Qualification
S. Santhanakrishnan	Chairman	C.A., LL.B
Samir Kumar Mitter	Member	M.A., LL.B
Madhabi Puri Buch	Member	B.Sc, PGDM(IIM,A)

The Audit Committee comprises of three Independent Non-Executive Directors. All the Members of the Audit Committee have accounting and financial management expertise. The Company Secretary is the Secretary to the Committee.

The Committee held four meetings during 2005-06 on April 22, 2005, July 21, 2005, October 24, 2005 and January 22, 2006. The time gap between any two meeting was less than four months.

Mr. Vijay Thacker and Mr. Balaji Swaminathan, who were Members of the Audit Committee stepped down from the Committee on April 22, 2005 and January 23, 2006 respectively, as they resigned from the Board. Mr. Suresh Kumar stepped down from the Committee on April 22, 2005. On April 22, 2005, Mr. S. Santhanakrishnan and Mr. Vincent Addonisio were inducted to the Committee. Mr. Samir Kumar Mitter was appointed as a Member of the Committee on January 23, 2006. Ms. Madhabi Puri Buch has been inducted to the Committee on April 19, 2006 due to resignation by Mr. Vincent Addonisio on that date.

Meetings attended during the year:

Director	Number of Meetings held during the tenure of the Director as a Member of the Committee	Number of Meetings attended
Balaji Swaminathan	4	3
S. Santhanakrishnan	3	3
Suresh Kumar	1	1
Vijay Thacker	1	1
Vincent Addonisio	3	3

b. Board Governance/Compensation Committee:

Brief description of terms of reference:

This Committee acts as a Board Governance, Compensation cum Nomination Committee. The summary of terms of reference is as below:

- Identifying the prospective directors, evaluate the current composition and recommend appointment of wholetime directors
- Evaluate the Performance of Board and Committees of the Company and Its Subsidaries;
- Ensure that the Board and the Board of the Subsidiaries are properly constituted to meet its fiduciary obligations, the corporate governance principles and best practices;
- Determine the Directors who shall be liable to retire by rotation;
- Formulate various code of ethics, conducts and governance practices;
- Evaluate succession planning and work with the Board for evaluating the potential successors to executive management positions;
- Evaluate and recommend to the Board, the compensation plan, policies and programs for executive directors and senior management;
- Review performance of wholetime directors of the Company and of the subsidiaries, nominated by the Company on its Board vis-vis KPA's and to recommend the remuneration payable to them from time to time by way of salary, perquisites, commission, allowances, performance bonus, stock options etc;
- Approve the policy for and quantum of bonus payable to the employees.

All the Members of this Committee are Independent Non-Executive Directors. Composition of the Committee as on the date of this Report is as given below

Director	Position
Hoshang N. Sinor	Chairman
Bruce Kogut	Member
Suresh Kumar	Member

The Committee met three times during the year 2005-06 on April 22,2005, October 28, 2005 and January 23, 2006.

Mr. Vijay Thacker, who was Member of the Board Governance Committee stepped down from the Committee on April 22, 2005 as he resigned from the Board and Mr. Bruce Kogut was appointed on the Committee on April 22, 2005.

Meetings attended during the year:

Director	Number of Meetings held during the tenure of the Director as a Member of the Committee	Number of Meetings attended
Hoshang N. Sinor	3	3
Bruce Kogut	2	2
Suresh Kumar	3	3
Vijay Thacker	1	1

c. Shareholders'/Investors' Grievances Committee:

This Committee is constituted by the Board to look into the matters relating to the investors servicing and redress the grievances of the investors.

Brief description of terms of reference:

- Allot to the applicants, shares and other securities issued by the Company from time to time including allotment under Employee Stock Option Scheme;
- Approve registration of transfer of shares and other securities issued and that may be issued from time to time; and approve or reject application for transmission of shares;
- Approve/reject applications for re-materialisation, subdivision, consolidation, transposition and thereupon issue share certificates to the shareholders;
- Lay down suitable procedure and approve issue of duplicate certificates of shares and other securities;

- Decide the stock exchange(s)/depository(ies) in India or abroad, on which shares or other securities issued by the Company are to be listed or delisted including offering/issuing such shares/securities through depositories;
- Fix record date and determine closure of Register of Members and Transfer Books for the purpose of payment of dividend, interest, issue of rights/bonus shares or for such other purpose as Committee might deem fit;
- Redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of Annual Reports, non-receipt of dividend declared etc.;
- Report to the Board about important developments in the area of servicing of shareholders;
- Take initiatives for better servicing of the shareholders.

Composition of the Committee on the date of this report:

Director	Position
Hoshang N. Sinor	Chairman
S. Santhanakrishnan	Member
Hariharan Padmanabhan	Member

Majority of the Member of the Committee are Independent Non- Executive Directors. Mr. Shivanand R. Shettigar, the Company Secretary acts as the Secretary to the Committee.

The Committee met four times during the year 2005-06 on April 22, 2005, July 22, 2005, October 28,2005 and January 23, 2006.

Mr. Balaji Swaminathan & Mr. Manoj Kunkalienkar, who were Members of the Committee stepped down from the Committee on January 23, 2006 and April 1, 2006 respectively. Mr. S. Santhanakrishnan was appointed as a Member of the Committee on January 23, 2006. Mr. Hariharan Padmanabhan has become the Member of the Committee on April 1, 2006.

Meetings attended during the year:

Director	Number of Meetings held during the tenure	Number of Meetings attended of the Director as a Member of the Committee
Hoshang N. Sinor	4	4
Balaji Swaminathan	4	NIL
Manoj Kunkalienkar	4	4

III. GENERAL MEETINGS

Details of the Annual General Meetings (AGMs) held in last three years.

Year	Date	Time	Special Resolutions passed
2002-03	July 24, 2003	4.30 p.m.	Amendment to Articles of Association
2003-04	July 23, 2004	3.00 p.m.	Appointment of Executive Director
2004-05	July 22, 2005	3.00 p.m.	1. Ratification of Employee Stock Option Scheme for grant of stock options to the Employees and Directors of the Company 2. Ratification of Employee Stock Option Scheme for grant of stock options to the Employees and Directors of the Subsidiaries 3. Approval of remuneration to Non-Executive Directors

AGMs dated July 24, 2003 & July 23, 2004 were held at the Registered Office of the Company at Tower # 5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai 400 703. AGM dated July 22, 2005 was held at Arya Samaj Hall, Plot No. 6, Sector 9A, Vashi, Navi Mumbai 400 703. The Resolutions were passed by show of hands at the above AGMs and none of the Resolutions were passed by way of Poll.

Attendance of the Directors at the last AGM held on July 22, 2005:

Name of the Director

Hoshang N. Sinor
Bruce Kogut
S. Santhanakrishnan
Suresh Kumar
Vincent Addonisio
V. Srinivasan
Hariharan Padmanabhan
Manoj Kunkalienkar

Details of Extraordinary General Meetings (EGM) held in last three years.

Year	Date	Time	Special Resolutions passed
2002-03	March 31, 2003	11.00 a.m.	1. Issue of preference shares.
2003-04	January 18, 2005	4.00 p.m.	1. Issue of Shares to public, 2. Increase in FII limits; 3. Change of name of the Company; 4. Amendment to Articles of Association.
2004-05	-	-	-

All the above EGMs were held at the Registered Office of the Company at Tower # 5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai 400 703. The resolutions were passed by show of hands at the above EGMs and none of the Resolutions were passed by way of Poll.

Postal Ballots:

During the year under review, in pursuance to Section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, voting by means of Postal Ballots were conducted twice for seeking approval of the shareholders as below:

Date of the Notice	Date of Result	Name of the Scrutinizer	Special Resolutions passed	Results
July 22, 2005	September 20, 2005	Mr. R. Hariharan	Variation in the utilisation of proceeds of the initial public offering of equity shares, as stated in the Prospectus dated April 7, 2005.	Please refer column I of the table given on the next page
October 28, 2005	December 30, 2005	Mr. N. D. Gupta	1. Offer of equity shares and/or equity shares through depository receipts and/or any other securities convertible into equity shares and; 2. Re-appointment of Mr. V. Srinivasan as Managing Director & CEO.	Please refer column II of the table given on the next page Please refer column III of the table given on the next page

Results of the Postal Ballots:	Column I	Column II	Column III
Particulars	**September 20, 2005**	**December 30, 2005**	**December 30, 2005**
Total number of equity shareholders who have cast their votes by means of postal ballot forms	4,318	3,183	3,183
Less: Number of Equity Shareholders whose postal ballot forms were rejected as invalid	223	210	621
Number of Equity Shareholders represented by valid postal ballot forms	4,095	2,973	2,562
Voted in favour of the Resolution	3,956	2,886	2,460
Voted against the Resolution	139	87	102
Total number of votes cast by the Equity shareholders by means of valid postal ballot forms (Number of valid votes)	31,495,791	34,536,874	34,488,258
Votes in favour of the Resolution	31,456,381	34,526,991	34,476,738
Votes against the Resolution	39,410	9,883	11,520
Percentage of votes cast in favour	99.87%	99.97%	99.97%

IV. DISCLOSURE REQUIREMENTS

a) Management Discussion and Analysis Report:
The detailed Management Discussion and Analysis Report is given seperately in the Annual Report

b) Disclosure relating to material and commercial transactions having a potential conflict of interest:
During the year 2005-06, there were no material and commercial transactions having a potential conflict of interest, entered into by the Company with the Directors or Members of Management. However, the Company had a pre-existing contract with a firm, whose Managing Partner was appointed as a Director during the year. As a matter of good corporate governance practice, the said contract was terminated w.e.f. December 31, 2005.

c) Details of non-compliance, penalties etc.:
The Company was not subject to any non compliance and no penalties or strictures were imposed on the Company by Stock Exchanges, SEBI or any statutory or other authority on any matters relating to capital markets, during the last three years.

d) Whistle Blower Policy:
The Company has been consistently adopting professional and transparent policies and practices in accordance with the global standards of best practices and governance. As a part of implementing the global best practices, the Company has put in place a Whistle Blower Policy to enable the employees to participate in fostering transparent practices in the organisation.

Under the Policy, employees are free to communicate any matter of concern in areas of accounts, finance, management, operations, employment and other affairs of the Company and its subsidiaries and discuss the same in terms of this policy. Since the date of the Policy, no employee has been denied access to the Audit Committee.

e) Details of compliance with mandatory requirements and adoptions of non mandatory requirements
The Company has compiled with all the mandatory requirements.

The Company has compiled with the following non mandatory requirements
1. The Company has a Board Governance Committee, which also functions as the Remuneration Committee.
2. The Company has laid down a whistle Blower Policy.
3. The Company's financial statements are unqualified.

V. MEANS OF COMMUNICATION- QUARTERLY/HALF YEARLY RESULTS ETC.

The Company's periodic financial results as well as official news releases and presentations made to the institutional investors and analysts are displayed on the web-site at www.3i-infotech.com. The financial results are published in one English and one regional newspaper.

VI. GENERAL SHAREHOLDER INFORMATION

a. Details of ensuing AGM:

Day and Date	Time	Venue
Thursday, July 20, 2006	3.30 p.m.	Arya Samaj Hall,Plot no 6,Sector 9A Vashi, Navi Mumbai,400703

b. The report on the Investors' & Shareholders' complaints received during the year:

	Opening Balance	Received	Processed	Pending as on March 31,2006
Instructions	-	3,252	3,247	5
Grievances	-	1,109	1,109	-

c. Schedule of the Board Meetings for declaration of Financial Results (tentative and subject to change):

Quarter End	Date
June 30, 2006	July 20, 2006
September 30, 2006	October 19, 2006
December 31, 2006	January 18, 2007
March 31, 2007	April 19, 2007

d. Financial Year: March 31
e. Date of Book Closure: July 4, 2006 to July 20, 2006 (both days inclusive)
f. Dividend payment date: within 30 days from July 20, 2006
g. Listing: The shares are listed on National Stock Exchange (NSE) and Bombay Stock Exchange(BSE)
h. Listing on Stock Exchanges and Codes

	NSE	BSE
Exchange Code	3IINFOTECH	532628

ISIN No. in NSDL & CDSL:INE748C01020

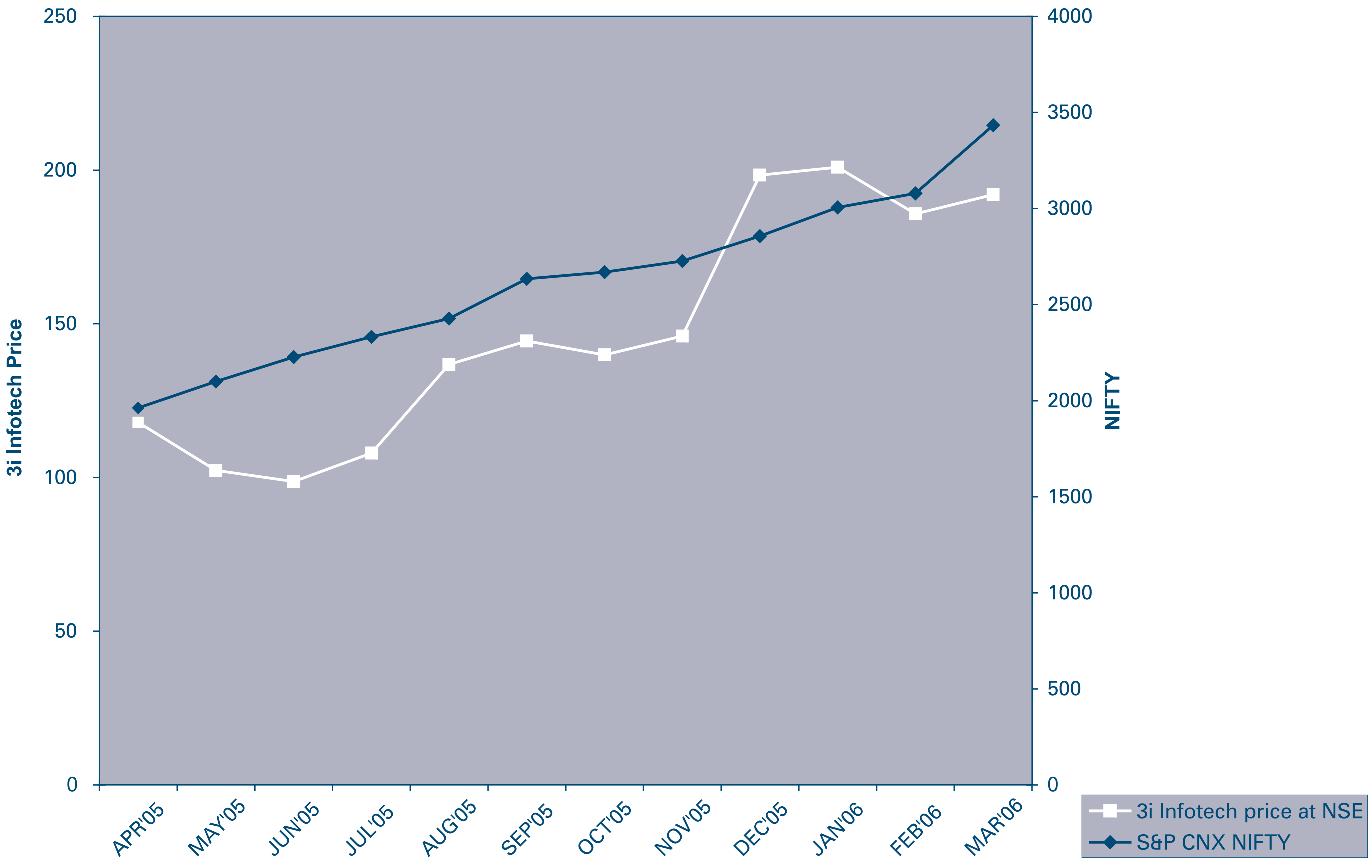
i. Market price data:
Monthly highs, lows and trading volume for FY 2006

Month	National Stock Exchange			Bombay Stock Exchange			Total Quantity Traded
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
April 2005	118.00	92.35	20,154,718	107.90	92.25	7,852,331	28,007,049
May 2005	102.30	92.70	14,065,634	102.70	92.55	4,521,442	18,587,076
June 2005	99.70	88.40	3,616,629	98.70	88.30	1,297,479	4,914,108
July 2005	107.95	88.05	11,708,284	107.30	88.20	6,657,426	18,365,710
August 2005	136.75	100.25	40,067,433	137.00	100.30	19,601,066	59,668,499
September 2005	144.40	115.25	20,053,214	144.00	115.55	9,048,828	29,102,042
October 2005	139.90	110.00	7,421,585	142.00	109.35	3,360,187	10,781,772
November 2005	146.00	115.00	9,849,093	146.00	114.80	4,467,707	14,316,800
December 2005	198.40	139.00	33,160,577	198.50	138.25	14,723,093	47,883,670
January 2006	200.95	175.50	14,032,419	200.95	176.00	5,662,632	19,695,051
February 2006	185.75	166.20	5,036,152	186.20	166.15	2,230,039	7,266,191
March 2006	191.80	167.00	8,023,153	192.00	169.00	3,569,293	11,592,446

j. Registrar and Transfer Agent:
The Company is a SEBI Registered Category I Share Transfer Agent and handles Registrar and Transfer Agents work in-house. The Company has adequate infrastructure to service its shareholders,

k. Share transfer system:
The Company, as R&T agent has the required expertise and effective systems for share transfers.

l. 3i Infotech's Share prices versus S&P CNX NIFTY



m. Distribution of holdings:

Shareholding of Nominal value of Rs.	Shareholders		Share Amount	
	Number	Pecentage to Total (%)	Rs.	Pecentage to Total (%)
Upto 5000	62,499	94.96	61,722,510	11.64
5001-10000	1,738	2.64	14,186,470	2.67
10001-20000	794	1.21	12,097,210	2.28
20001-30000	282	0.43	7,384,560	1.39
30001-40000	119	0.18	4,274,850	0.81
40001-50000	113	0.17	5,369,570	1.01
50001-100000	138	0.21	10,431,970	1.97
Above 100001	135	0.21	414,981,410	78.23
Total	**65,818**	**100.00**	**530,448,550**	**100.00**

n. Shareholding Pattern as on March 31, 2006

Category	No. of Shares held	Precentage of Shareholding
A. Promoter's Holding		
1. Promoters		
- Indian Promoters		
a) ICICI Bank Limited	9,145,238	17.24
b) WITECO A/c ICICI Strategic Investments Fund	19,518,095	36.80
- Foreign Promoters	-	-
2. Persons acting in Concert	-	-
Sub-Total	**28,663,333**	**54.04**
B Non-Promoters Holding		
Institutional Investors		
a) Mutual Funds / UTI	1,229,369	2.32
b) Banks, Financial Institutions, Insurance Companies (Central/ State Gov. Institutions/ Non-government Institutions)	3,776,200	7.12
c) FIIs	1,833,566	3.46
Sub-Total	**6,839,135**	**12.89**
C Others		
a. Private Corporate Bodies	3,806,162	7.18
b. Indian Public	11,001,747	20.74
c. Non Resident Indians / Overseas Corporate Bodies (NRIs / OCBs)	427,210	0.81
d. Any other		
Foreign Banks	2,304,268	4.34
Foreign Nationals	3,000	0.01
Sub-Total	**17,542,387**	**33.07**
GRAND TOTAL	**53,044,855**	**100.00**

o. Dematerialisation of shares and liquidity:
The shares of the Company are held in Dematerialised mode, except 5372 shares, which are held in physical mode.

p. Outstanding GDRs/ADRs/Warrants or any convertible instruments and likely impact on equity

During the year, the company came out with its first international offer in the form of Foreign Currency Convertible Bonds (FCCBs)of USD 50 million which are listed on the Singapore Stock Exchange.

The Code at the Singapore Exchange Code is detailed below:

Name	ISIN CODE	CODE
3IINFOTECHUS$50MCB110317	XSO245867667	7IUB

Important Terms of the FCCBs

Initial Conversion Price	INR 230 representing a premium of 33% to INR 173, the reference share price (closing price on NSE on March 2, 2006)
Initial Conversion Ratio	Convertible into 19282.6087 common shares per US$100,000 bond from April 25, 2006 untill February 16, 2011
Yield to Maturity	6.80% (semi annually), if conversion option not exercised.

Apart from this, there are no other GDRs/ADRs, warrants or any convertible instruments other than stock options issued under the stock options scheme of the Company.

q. Plant Locations: N.A.

r. Name, Designation and Address of Compliance officer for communication:
Shivanand R. Shettigar, Compliance Officer & Company Secretary,
3i Infotech Limited, Tower # 5, 3rd to 6th Floor,
International Infotech Park, Vashi, Navi Mumbai 400 703
Ph: (91 22) 6792 8090, Fax: (91 22) 6792 8094
Email: co@3i-infotech.com

CERTIFICATE FROM MANAGING DIRECTOR & CEO FOR COMPLIANCE WITH CODE OF CONDUCT FOR BOARD AND SENIOR MANAGEMENT

This is to certify that 3i Infotech Limited has put in place the Code of Conduct for the Board of Directors and Senior Management. This code is applicable with effect from April 22, 2005 to all the Directors of the Company and the Members of Senior Management, which includes the employees of the Company who are one level below the Wholetime Directors and all the functional heads. The Directors and Members of Senior Management have affirmed compliance with the Code of Conduct for Board and Senior Management as on March 31, 2006. The Company has complied with the provisions of the Listing Agreement in this respect.

Sd/-
V. Srinivasan
Managing Director & CEO
3i Infotech Limited

Mumbai, April 19, 2006

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by 3i Infotech Limited, as stipulated in clause 49 of the Listing Agreement with Stock Exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us and based on the representations given by the Management of the Company, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **LODHA & COMPANY**
Chartered Accountants

Sd/-
(**R.P. Baradiya**)
Partner
Membership No. 44101

Mumbai, April 19, 2006

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF CONSOLIDATED OPERATIONS

The following are the highlights of the operating results for the year ended March 31, 2006:

- Revenue grew to Rs 4,240 million, registering a growth of 45% over the previous year's revenue of Rs 2,920 million
- Gross margins moved to 44.6% from 43.3% in the previous year.
- Profit before interest, depreciation and taxation (PBDIT) improved by 81% to Rs 920 million in the current year compared to the previous year. Consequently, PBDIT margins moved to 21.7% from 17.4% in the previous year.
- The Company has posted a consolidated profit after tax of Rs 577 million for the current year.
- The EPS has grown to Rs 9.5 for the current year as against Rs 6.9 in the previous year.

RESULTS OF OPERATIONS

An overview of the Company's consolidated performance over last two years is summarized below:

Rs. in Million	FY 2006	FY 2005
Income		
Income from operations	4,178.14	2,891.82
Other Income	62.33	28.53
Total Income	**4,240.47**	**2,920.35**
Expenditure		
Cost of revenues	2,350.90	1,655.47
Gross Profit	**1,889.57**	**1,264.88**
Gross profit margins	***44.6%***	***43.3%***
Selling general & administrative expenses	969.60	756.15
Profit before Interest, depreciation & taxes	**919.97**	**508.73**
Operating margins	***21.7%***	***17.4%***
Interest	79.78	107.66
Depreciation	260.53	188.41
Profit before tax	**579.66**	**212.66**
Taxation	3.02	(108.48)
Profit after tax	**576.64**	**321.14**
Minority Interest	2.27	-
Net Profit after Minority Interest	**574.37**	**321.14**

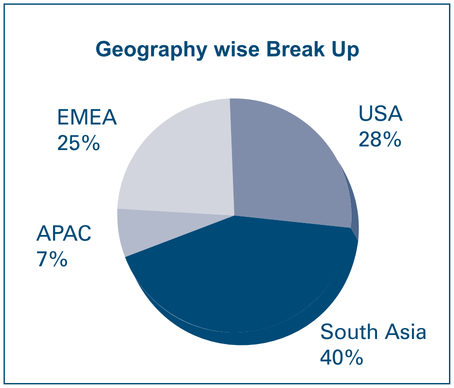
Revenues

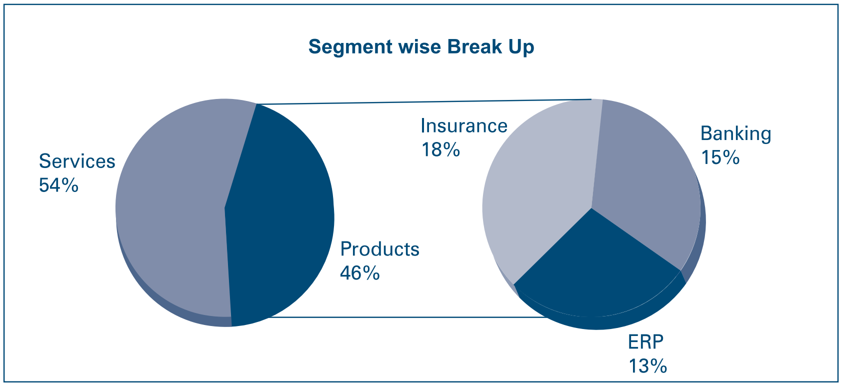
In FY 2006 revenues were Rs.4,240 million, an increase of 45% over previous year's revenues of Rs. 2,920 million. The increase in revenue in FY 2006 is mainly attributed among other things, to deeper penetration of the Company's products in the existing markets and an entry into newer markets. While the Company has opened two new offices in the year in Bangkok and Kazakhstan, the network of partners developed over the years has fuelled growth in all the geographies that the Company is operating in. We expect the new offices and the ongoing partnership sales strategy to help the Company in making deeper inroads in newer geographies and deeper penetration in the existing geographies.

Revenue Mix

The Company derives its revenue from sale of software products and services. Software products contributed Rs 1,951 million in FY 2006, a 51% increase over previous year's revenues of Rs. 1,288 million. This year has witnessed a much-balanced growth between products and services businesses. The continuous innovation of the products backed by innovative sales and marketing strategies were the main reasons behind the growth achieved in the products space. Services clocked sales of Rs 2,289 million, an increase of 40% over the previous year's services revenues of Rs 1,632 million.

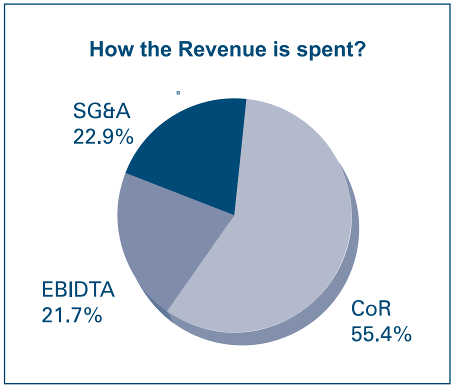
Overall the geographical revenue mix was broad based with India & other South Asian countries contributing about 40 %, North America 28%, and Middle East Asia and Africa about 25% and the Far East region contributing about 7% of the revenues.





Cost of Revenues

Cost of revenues represents the direct cost for each of the business segments, the major components being payments & provisions for employees, staff welfare expenses and outsourcing expenses. Cost of revenues as a percentage of revenues declined to 55.4% in FY 2006 as compared to 56.7 % in FY 2005. This resulted in gross margins improving by 1.3 percentage points in FY 2006 over the previous year. Gross margins of both the businesses; products and services improved in the year. Gross margins in the products business improved to 52.4% in FY 2006 from previous year's 51.3%. This improvement in the margins despite investment in the products space was largely due to a combination of large number of client wins and improvement in the deal size across all the products. Large number of client wins over the last couple of years along with the certain recognitions received by the Company's products has resulted in improving the brand power of the Company's products. This in turn has not only helped the Company in winning more and more clients but has also helped in Company targeting bigger clients thus increasing the average deal size. The gross margins in the services business segment also improved to 37.9% in FY 2006 from 37.0% in FY 2005.The Company has been able to improve these margins despite wage pressures. The billing rates have more or less stabilized and the company has not seen any pressures on this side.



Selling, General and Administrative (SGA) Expenses

Selling, General and Administrative Expenses primarily consist of payroll costs of the sales, marketing and other support service personnel, advertisement, brand building, provision for doubtful debts, repairs and maintenance, rent, communication costs, travelling expenses, legal and professional expenses, office expenses and other miscellaneous expenses.

The selling, general and administrative expenses have declined as a percentage of sales from 25.9% in FY 2005 to 22.9% in FY 2006. This decrease in SGA expenses (as % of sales) becomes more significant if we consider that this year witnessed setting up of two new offices in Kazakhstan and Bangkok. The main reason for this improvement has been the good sales growth coupled with the improvement in average deal size across all the products. Our partner sales strategy has been another reason for keeping the SGA under control, whereby the Company is able to sell in multiple geographies without having a direct local presence in those geographies, thereby moving on a model of variable costs rather than fixed costs as partner compensation is invariably on a sales success fee basis.

Earnings before Interest, Tax, Depreciation and Amortization (Operating Profit or EBITDA)
EBITDA is defined as operating profit before interest, depreciation, and taxes. EBITDA is a widely accepted valuation indicator for companies in Information Technology industry. EBITDA should not be considered in isolation or a substitute for measures for financial performance or liquidity. EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

The Company earned an operating profit (profit before interest, depreciation, amortization, tax and other income) of Rs. 920 million in FY 2006 against Rs. 509 million in FY 2005, representing operating margins of 21.7% during the current year as compared 17.4% for the previous year.

This increase in operating margins is due to decrease in the cost of revenue by 1.3% and decrease in the SGA expenses by 3.0% of revenues.

Interest, depreciation and amortization
The interest cost has decreased from Rs. 108 million in FY 2005 to Rs 80 million during the year. The decrease in the interest costs has been due to reduction in the overall debt during the year as the Company utilized a part of its IPO proceeds to repay its loans. The total outstanding debt came down to Rs 729 million at the first half of FY 2006 as compared to debt position of Rs 1,454 million at the end of FY 2005. But by the year-end (FY 2006) debt position (excluding FCCB) has gone up to Rs 1,119 million to fund acquisition and a part of the capital expenditure (including product developement cost).

The Company has provided Rs. 260 million towards depreciation /amortization for FY 2006 as against Rs. 188 million in FY 2005. Of this Rs 260 million provided towards depreciation / amortization, Rs 187 million pertains to amortization of Intangible assets (comprising of Software Products & Business & Commercial rights) and the rest towards other tangible fixed assets. This increased amortization towards intangibles is largely due to increase in the number of Software Products resulting from acquisitions done in the year.

Provision for Taxes
Export profits from India are entitled to certain benefits. Under the scheme (Section 10A of the Income Tax Act), the profits derived from the export of software, etc. out of operations carried out in a Software/Hardware Technology Park, Free Trade Zone, Special Economic Zone are entitled to a total tax holiday for ten years effective 1999-2000. The Company's Offshore Development Centers at Vashi, Bangalore, Chennai and Hyderabad are covered under this scheme. The Company is in a situation of minimum tax on book profits for its operations in India, as its taxable income is lower than the book profits.

With respect to the operations of the Company in the Middle East, the profits of the Company are not subject to taxes as per local laws in that region; with respect to the operations in the USA, since the Company has brought forward tax losses, there is no tax liability; with respect to the operations in Singapore, the Company's operations are subject to tax at rates applicable in Singapore and with respect to operations in Malaysia the Company enjoys a tax holiday for ten years under the local laws in that country.

LIQUIDTY AND CAPITAL RESOURCES
The cash and cash equivalents as on March 31, 2006 were Rs. 2,604 million (including Rs 2,187 million raised through FCCB) as against Rs.162 million on March 31, 2005. Cash and cash equivalents include cash, deposits with banks and liquid investments due on demand or maturing within three months. The current ratio, defined as current assets over current liabilities excluding bank borrowings as on March 31, 2006 was 4.3 as against 2.1 as on March 31, 2005. Excluding the money raised from FCCB the current ratio as on March 31, 2006 is 2.5. This increase in current ratio in FY 2006 is largely due to improvement in profitability resulting in improved cash position.

Excluding the debt related to FCCB as it was raised at the end of the year (and thereby was not put to use) our Debt (including preference capital) to Equity ratio for the year stands at a comfortable 0.8. Even after taking into account the amount raised through FCCB as debt, the Debt to Equity ratio for the year remains comfortable at 1.6. The reaffirming of P1 rating on the commercial paper of the company by CRISIL post FCCB offering reflects the sound financial position of the company. With the normal course of growth in the operations, possible reduction in the working capital requirements along with the utilization of FCCB money we expect to bring down the current Debt to Equity ratio from the current levels.

CHALLENGES AND APPROACHES

Risks related to geographical operations
The Company understands the need to be present across geographies to mitigate the risks arising out of concentration of clients in any particular geography as well as to comfort the existing & prospective clients about its ability to deliver the services irrespective of turmoil/ disturbance prevalent in any particular geographical region and therefore has significant operations spread across three continents viz., Asia, North America and Europe. The steps taken by the Company to broad base its geographical reach has resulted in reduction of significant dependence on any single geography. The Company has also diversified well into software products business in order to be able to provide ready to use solutions to its clients.

The Company owns certain IPRs (relating to products) and since it is present in various countries this exposes it to possible risk relating to litigation. However the Company has protected itself through insurance coverage and by putting relevant clauses in the contracts limiting its liability.

Internal Procedures & Control

The Company has put in place the procedures and controls that are intended to ensure the integrity and accuracy of the information reported as well as to safeguard the interests of the Company. This involves well-defined process flows (including authorizations) for revenue and capital purchases, other expenses, monitoring of inventory of resources & assets of the Company, plugging of revenue leakage, etc. The Company also has a quarterly internal audit done by an independent team to evaluate and ensure

1. Adherence to systems and procedures
2. Adequacy of controls
3. Accuracy of information
4. Utilisation of assets of the Company

The Company has an Audit Committee, which evaluates the report of the internal auditors and the audited financial statements of the Company. The Audit Committee consists only of Independent Directors. The Company has an Executive Management Committee that meets at regular intervals to deliberate on key operational and strategic issues.

ICRA has assigned a CGR2 (pronounced C G R two) rating to the Corporate Governance practices of 3i Infotech Limited (3i Infotech). The rating of CGR2 implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. The rating reflects the commitment of 3i Infotech's management towards good governance.

Following 3i Infotech's stock exchange listing and its acquiring of a more diversified shareholder base, the Company has taken further steps to improve its governance practices. For instance, it has set up a Board Governance Committee consisting solely of Independent Directors to consider critical issues like nomination, compensation and performance evaluation of Independent Directors, besides succession planning across the organization.

Management of Growth

In the last couple of years the Company has experienced significant growth. The Company's upward growth trajectory is expected to place demands on its management and other resources and will require continuous development and improvement of its operational, financial and other internal controls. The Company has planned significant growth over the next couple of years; the immediate challenges being recruiting, retaining personnel and maintaining high quality standards and preserving the Company's values and culture. Management of its growth and assimilation of new employees will be a crucial factor determining the quality of the Company's services and products, its ability to attract clients as well as skilled personnel, its business prospects, its results of operations and financial condition.

The Company so far has been able to recruit the people with the requisite skill sets and expects to do the same in the future on the back of various HR initiatives taken by the company like training, ESOPs etc.

Potential fluctuations in future operating results

The Company's operating results may fluctuate depending on number of factors like size, timing and profitability of projects, accuracy of estimates made, changes in the law, incentives provided by Government, exchange rate fluctuations besides the fact that a significant percentage of operating expenses are fixed in nature and may not be directly related to revenue generation. The uncertainty gets accentuated in light of the Company's focus on software products, which entail revenues that are non-uniform in nature, with the milestones spread over more than one accounting period. Further, revenues from software products involve sales cycles that are long drawn and can be as long as 18 months in BFSI vertical.

The Company's revenues are generated in more than 40 countries. This in turn results in billing of revenues in large number of currencies like US Dollar, Singapore Dollar, AED (Dirhams) etc. This protects the Company to an extent from exchange rate fluctuations.

The Company gets 46% of its revenue from sale of products and product business can be non-uniform and therefore can result in fluctuation in operations. The Company has been able to protect itself from the lumpiness associated with the products business because of its diverse product portfolio and wide geographic reach. First of all the Company is not dependant on a single industry for its product business. The Company's product portfolio caters to a) Banking industry, b) Insurance industry, c) Process manufacturing and Distribution industry (through its ERP product) and d) Capital Markets. Not only that the risk of lumpiness is further mitigated, as even for the banking industry the company is not dependant on a single product and has seven products (including the AML product of SDG). With company's products being sold in over 40 countries, this further helps in mitigating the risk of lumpiness associated with the products business.

Client concentration

Presently, around 20% of the revenues of the Company are derived from ICICI Bank group. This has come down from 26% in FY 2005. Apart from ICICI Bank group, the top 5 clients contributed only 11% of the revenue of the Company. The Company therefore has broad based its clientele to reduce dependency on a few large customers.

Fixed-Price, Fixed -Time Frame Contracts

The Company offers a substantial part of services on fixed-price, fixed-time contracts basis and the percentage may increase in the coming years. In view of the above, accurate estimation of the resources and time required for a project, future rates of wage inflation, currency exchange rates and the scope of engagement will be crucial to the Company's business and financial condition.

Historically, majority of the Company's revenue has been derived from fixed-price, fixed time contracts. This has made the Company fairly experienced in handling fixed-price, fixed time frame contracts.

Infrastructure & potential disruption in telecommunications

The Company's business model is based on offshore software development concept, which provides the Company with cost advantages and ability to provide 24x7 service to its clients. Any potential disruption in telecommunication channels would adversely affect the Company's operations.

The Company has not faced any such risk in the past and at present does not anticipate such scenario to emerge in the near future.

Competition

The market for IT services is rapidly evolving and highly competitive. Future competition may come from firms within India, Multi National Companies (MNC's) setting up subsidiaries in India and as well as from cost competitive economies like Eastern Europe and China. The Company's market share may be affected by the aforementioned factors. The new entrants and existing competitors could offer or introduce new technologies or could render the services provided by one of our businesses obsolete. In IT products, the Company faces competition from large product players. Some of the competitors have substantially greater financial, technical, marketing and other resources and have also made significant investments in new offshore facilities. The inability of the Company to cross sell services, attract and retain new customers could adversely impact the Company's business.

The Company feels that the following attributes will help the company to face competition and post significant growth rate in the next couple of years:

- **Differentiated strategy of being a solutions provider**: The Company has followed a differentiated strategy of being a solutions provider. Majority of the Indian IT companies have positioned themselves as either a pure service provider or a pure product provider.

- **Partnership sales strategy:** In addition to its strong sales force the company has also used channel partners in order to increase its presence in various countries. This partnership sales strategy has been successful and currently company's products and services are sold in more than 40 countries.

- **Face different competition for different products**: There is no single large competitor that matches the wide range of product portfolio of the Company and therefore can be considered a serious direct competition to the Company. For example; in the banking space the company has seven products and there is no single player in the Indian IT sector, which matches the product offerings of 3i Infotech in the banking industry. In addition to this in some of the products the company faces serious competition only from international players, which face the difficulty in matching the cost structure of the company.

Dependence on skilled personnel & risks of wage inflation

The Company's ability to execute complex project assignments and to obtain new clients is largely dependent on its ability to attract, train, motivate and retain highly skilled IT professionals. Inability to attract and retain the human assets will adversely impair the ability of the Company to expand its business. There is also significant competition for IT professionals with the requisite skills and talent.

This risk of attracting and retaining the skilled personnel is an industry phenomenon and is not restricted to 3i Infotech. Nevertheless the company has taken several steps (Training, ESOPs etc) in order to attract and retain talent, which is of utmost importance for expansion of its operations.

LODHA & COMPANY
Chartered Accountants
6, Karim Chambers,
40, A. Doshi Marg,
Mumbai – 400 023.
E-mail: mumbai@bdolodha.com

AUDITORS' REPORT

To,
The Members of
3i Infotech Limited

1. We have audited the attached Consolidated Balance Sheet of 3i Infotech Limited (the 'Parent Company') and its subsidiaries collectively referred to 'the Group' as at March 31, 2006 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the 3i Infotech Limited'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 an 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We have not audited the financial statements of the following subsidiaries, whose financial statements reflect the total assets and revenues as below:

Rupees in million

Particulars	**For the six months period since date of acquisition ended and as at March 31, 2006**
3i Infotech Consulting Inc.	
Revenue	165.95
Assets	(36.07)
Formula-ware Inc.	
Revenue	7.63
Assets	(9.34)

These financial statements of the subsidiaries have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports so furnished.

4. We report that the consolidated financial statements have been prepared by the Parent Company's management in accordance with the requirements of the Accounting Standards (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements, read together with para 3 above, give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of Consolidated Balance Sheet, of the state of affairs of the parent company and its subsidiaries as at March 31, 2006;

   (ii) in the case of Consolidated Profit and Loss account, of the profit for the year ended on that date; and

   (iii) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Mumbai, April 19, 2006

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3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

Rupees in million

	Schedule	As at Mar 31, 2006	As at Mar 31, 2005
I. SOURCES OF FUNDS			
1. Shareholders' Funds :			
A. Share Capital	I	1,530.45	1,810.03
B. Reserves and Surplus	II	2,148.25	101.15
		3,678.70	1,911.18
2. Minority Interest	III	6.87	-
3. Loan Funds :			
A. Secured Loans	IV	715.42	631.50
B. Unsecured Loans	V	2,634.90	822.37
		3,350.32	1,453.87
		7,035.89	3,365.05
II. APPLICATION OF FUNDS			
1. Goodwill arising on consolidation		704.44	355.10
2. Fixed Assets :	VI		
A. Gross Block		3,296.35	2,547.87
B. Less : Depreciation		1,110.90	842.67
C. Net Block		2,185.45	1,705.20
D. Capital Work-in-Progress		52.71	102.41
		2,238.16	1,807.61
3. Investments	VII	1.02	22.02
4. Deferred Tax Asset (net)		135.61	127.00
5. Current Assets, Loans and Advances	VIII		
A. Current Assets :			
a. Inventories		3.45	0.34
b. Sundry Debtors		1,138.63	644.93
c. Unbilled Revenues		972.04	744.41
d. Cash and Bank Balances		2,604.01	161.67
		4,718.13	1,551.35
B. Loans and Advances		448.37	304.07
		5,166.50	1,855.42
Less: Current Liabilities and Provisions :	IX		
A. Current Liabilities		939.88	768.53
B. Provisions		269.96	142.56
		1,209.84	911.09
Net Current Assets		3,956.66	944.33

6. Miscellaneous Expenditure (To the extent not written off or adjusted)	**X**	**-**	23.21
7. Profit and Loss Account (Loss)		**-**	85.78
		7,035.89	3,365.05

Significant Accounting Policies and Notes to Accounts **XVI**

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company
Chartered Accountants

R. P. Baradiya
Partner
Mumbai, April 19, 2006

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006.

Rupees in million

	Schedule	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
INCOME:			
Income from Operations	XII	**4,178.14**	2,891.82
Other Income	XIII	**62.33**	28.53
Total Income		**4,240.47**	2,920.35
EXPENDITURE:			
Cost of Revenues	XIV	**2,350.90**	1,655.47
Selling, General and Administrative Expenses	XV	**969.60**	756.15
Total Expenditure		**3,320.50**	2,411.62
Profit before interest, depreciation and taxation		**919.97**	508.73
Interest		**79.78**	107.66
Depreciation		**260.53**	188.41
Profit Before Taxation		**579.66**	212.66
Provision for Taxes			
- Deferred Taxes (net)		**(9.51)**	(129.03)
- Current Taxes		**12.10**	13.68
- Fringe Benefit Tax		**10.06**	-
- Mat Credit Entitlement		**(9.41)**	-
- Deferred tax expense due to re-estimation of useful life of intangibles		**-**	41.17
		576.42	286.83
- Deferred /Current tax pertaining to earlier years		**(0.22)**	(34.30)
Profit After Taxation		**576.64**	321.14
Minority Shareholders' Interest		**2.27**	-
Net Profit After Minority Interest		**574.37**	321.14
Earnings per Share			
(Equity shares, par value Rs 10 each)			
Basic (Rs.)		**9.51**	6.89
Diluted (Rs.)		**9.14**	6.82
Significant Accounting Policies and Notes to Accounts	XVI		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company
Chartered Accountants

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

R. P. Baradiya
Partner
Mumbai, April 19, 2006

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006.

Rupees in million

	For the year ended Mar 31,2006	For the year ended Mar 31,2005
A Cash Flow from Operating Activities :		
Profit before taxation	**579.66**	212.66
Adjustments for:		
Depreciation / Amortization	**260.53**	188.41
Foreign Exchange loss / (gain)	**(4.91)**	(6.43)
Loss / (Profit) on sale of fixed assets	**2.05**	2.81
Miscellaneous Expenditure written off	**-**	1.41
Dividend Income	**(11.45)**	(0.20)
Interest received	**(10.56)**	(5.63)
Interest Paid	**79.78**	107.66
Credit balances / excess provision written back (net)	**-**	(5.51)
Profit on sale of current investments (net)	**-**	(0.05)
Obsolete stock written off	**-**	9.08
Provision for doubtful debts	**31.61**	55.27
Bad debts written off	**34.12**	0.10
Provision for diminution in the value of investments	**21.00**	-
Operating Profit before Working Capital Changes	**981.83**	559.58
Adjustments for:		
Trade and Other Receivables	**(914.73)**	(581.70)
Inventories	**(3.11)**	(0.53)
Trade Payables and Other Liabilities	**252.32**	149.29
	(665.52)	(432.94)
Cash generated from Operations	**316.31**	126.64
Income Taxes/including FBT (paid) / refund received	**(52.51)**	8.74
Net cash from Operating Activities - A	**263.80**	135.38
B Cash Flow from Investing Activities :		
Acquisitions during the year	**(289.40)**	-
Purchase of fixed assets (Including Capital Work-in-Progress)	**(847.77)**	(514.99)
Sale of fixed assets	**5.91**	25.00
Purchase of Investments/ application money	**(3,288.65)**	(0.76)
Sale of Investments/ Refund of Equity	**3,294.00**	100.12
Dividend received	**11.45**	0.20
Loans (given) / received back	**45.27**	(29.62)
Interest received	**5.63**	5.63
Net cash from Investing Activities - B	**(1,063.56)**	(414.42)

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006.

Rupees in million

	For the year ended Mar 31,2006	For the year ended Mar 31,2005
C Cash Flow from Financing Activities :		
Issuance of Equity Share Capital (net)	**2,201.11**	2.53
Share/FCCB Issue Expenses	**(146.37)**	-
Issuance of the Preference Share Capital	**(500.00)**	-
Dividends paid	**(129.51)**	(111.00)
Tax on distributed profits	**(17.78)**	(14.46)
Interest paid	**(80.00)**	(106.88)
Proceeds from/Repayment of borrowings (net)	**(334.81)**	511.28
Proceeds from FCCB issue[3]	**2,231.25**	-
Net Cash used in Financing Activities - C	**3,223.89**	281.47
Net Increase in Cash and Cash Equivalents (A+B+C)	**2,424.13**	2.43
Cash and Cash Equivalents as at beginning	**147.35**	144.92
Cash and Cash Equivalents as at end	**2,571.48**	147.35

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 on " Cash Flow Statements " issued by the Institute of Chartered Accountants of India.
2. Margin money of Rs.32.53 million (as at Mar 31, 2005 - Rs.14.32 million) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
3. FCCB stands for Foreign Currency Convertible Bonds
4. Previous year's figures have been regrouped / rearranged wherever necessary to conform to the current year's presentation.

Significant Accounting Policies and Notes to Accounts (Refer Schedule No XVI)

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company,
Chartered Accountants

R. P. Baradiya
Partner
Mumbai, April 19, 2006

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		Rupees in million
	As at Mar 31, 2006	As at Mar 31, 2005
I Share Capital		
Authorised		
100,000,000 Equity shares of Rs. 10 each	**1,000.00**	1,000.00
300,000,000 Cumulative Preference shares of Rs.5 each	**1,500.00**	1,500.00
	2,500.00	2,500.00
Issued, Subscribed & Paid - up		
53,044,855 Equity shares of Rs. 10 each (as at Mar 31, 2005 - 31,002,841)	**530.45**	310.03
200,000,000 (as at Mar 31, 2005 - 300,000,000) 6.35 % Cumulative Preference shares of Rs.5 each	**1,000.00**	1,500.00
	1,530.45	1,810.03

Note : During the year the Company prepaid, at par, 100,000,000 preference shares out of fresh equity issue proceeds. The balance preference shares are redeemable at par on expiry of nine years from the date of allotment i.e Mar 31, 2003.

II Reserves and Surplus		
a Capital Reserve (on merger)		
Balance as per last Balance Sheet	**0.58**	0.58
b Securities Premium Account		
Balance as per last Balance Sheet	**80.67**	79.10
Add : Received on allotment of equity shares	**1,980.69**	1.57
Less : Utilised towards write off of expenses relating to public issue of equity shares (Refer Note No.2.2 in Schedule XVI)	**137.35**	-
Less : Utilised towards write off of expenses relating to public issue of bonds (Refer Note No.2.3 in Schedule XVI)	**62.47**	-
	1,861.54	80.67
c General Reserve		
Balance as per last Balance Sheet	**30.00**	30.00
Add : Addition during the year	**30.00**	-
	60.00	30.00
d Translation Reserve		
As per last balance sheet	**(10.10)**	(1.12)
Adjustment during the year	**(3.46)**	(8.98)
	(13.56)	(10.10)
e Profit and Loss Account		
Profit / (Loss) brought forward as per last Balance Sheet	**(85.78)**	-
Less : Excess proposed dividend provision (including tax reversed thereon)	**0.86**	-
	(84.92)	-
Add : Profit / (Loss) for the year	**574.37**	-
	489.45	-
Less: Appropriations		
- General Reserve	**30.00**	-
- Proposed Dividend - Equity Shares	**106.09**	-
- Proposed Dividend - Preference Shares	**10.26**	-
- Interim Dividend - Preference Shares	**76.37**	-
- Corporate Dividend Tax	**27.04**	-
	239.69	-
Total	**2,148.25**	101.15

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at Mar 31, 2006	As at Mar 31, 2005
		Rupees in million
III Minority Interest arising on acquisition of SDG Software Technologies Limited	**6.87**	-
IV Secured Loans		
From Banks:		
Term Loans	**358.13**	485.68
Cash Credit	**357.29**	145.82
	715.42	631.50
V Unsecured Loans		
Foreign Currency Convertible Bonds (Refer note no 2.3)	**2,231.25**	-
Loans from banks	**403.65**	822.37
	2,634.90	822.37

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

VI Fixed Assets

Rupees in million

Particulars	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at April 1, 2005	Adjustments during the year*	Additions during the year*	Ded / Adj during the year*	As at Mar 31,2006	Upto Mar 31, 2005	Adjustments during the year*	For the year*	Ded / Adj during the year*	Upto Mar 31,2006	As at Mar 31,2006	As at Mar 31, 2005
Intangible assets												
Goodwill	17.91	-	-	-	17.91	6.01	-	1.54	-	7.55	10.36	11.90
Software Products												
- Meant for sale	1,078.14	19.37	576.49	(2.57)	1,676.57	301.28	(9.04)	123.94	(1.21)	417.39	1,259.18	776.86
- Others	180.79	0.31	7.90	2.83	186.17	95.98	-	30.93	5.20	121.71	64.46	84.81
Business & Commercial Rights	295.85	-	69.36	0.08	365.12	85.71	-	30.42	0.11	116.02	249.10	210.14
Tangible assets												
Land - Leasehold	5.24	-	-	-	5.24	0.38	-	0.09	-	0.47	4.77	4.86
- Freehold	20.88	-	-	-	20.88	-	-	-	-	-	20.88	20.88
Buildings												
- Owned	12.16	-	-	-	12.16	1.19	-	0.20	-	1.39	10.77	10.97
- Leasehold	294.36	-	1.27	-	295.63	40.45	-	9.73	-	50.18	245.45	253.91
Leasehold Improvements	15.37	-	1.85	1.30	15.92	9.41	-	2.11	(1.03)	12.55	3.37	5.96
Plant & Machinery /Electrical Installations	126.79	2.24	3.63	1.03	131.63	25.83	0.01	7.44	0.33	32.95	98.68	100.96
Computers	293.94	12.32	11.98	0.36	317.88	209.33	8.00	37.96	3.33	251.96	65.92	84.61
Furniture & Fixtures	124.42	15.78	4.12	(1.60)	145.93	44.37	13.81	8.53	(1.23)	67.94	77.99	80.05
Office Equipment	48.51	1.16	8.65	(0.19)	58.51	14.27	0.78	3.82	(1.31)	20.18	38.33	34.24
Vehicles	33.51	1.44	18.31	6.46	46.80	8.46	0.43	3.82	2.10	10.61	36.19	25.05
	2,547.87	**52.62**	**703.56**	**7.70**	**3,296.35**	**842.67**	**13.99**	**260.53**	**6.29**	**1,110.90**	**2,185.45**	**1,705.20**

*pertaining to adjustments arising out of merger / acquisitions.

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		Rupees in million
	As at Mar 31, 2006	As at Mar 31, 2005
VII Investments		
Long Term Investments (Unquoted and Fully Paid-up)		
Non-Trade :		
In Companies		
a. 200,000 Equity Shares of Srilankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	**1.02**	1.02
b. 8% holding in Four Seasons Software, LLC, a 'S' corporation, Connecticut, USA	**21.00**	21.00
Less : Provision for diminution in the value of current investments	**21.00**	-
	-	-
	1.02	22.02
VIII Current Assets, Loans and Advances		
A Current Assets		
a) Inventories - Hardware & Software Licences	**3.45**	0.34
b) Sundry Debtors	**1,138.63**	644.93
c) Unbilled Revenues	**972.04**	744.41
d) Cash and Bank Balances :		
i. Cash on hand	**0.63**	0.56
ii. Balances with banks:		
in current accounts *	**375.37**	146.69
in deposit accounts	**2,195.48**	0.09
in margin money accounts	**32.53**	14.33
	2,604.01	161.67
	4,718.13	1,551.35
* Includes cheques on hand and remittances - in - transit	**197.97**	52.16
B Loans and Advances		
Loans (including employees)	**0.69**	45.95
Advance tax and tax deducted at source (net of provisions of Rs.37.83 million; previous year Rs.26.86 million)	**89.94**	58.47
MAT Credit Receivable	**9.41**	-
Deposits	**114.81**	107.80
Advances recoverable in cash or in kind or for value to be received	**233.52**	91.10
Advance against Share Capital	**-**	0.75
	448.37	304.07
	5,166.50	1,855.42

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		Rupees in million
	As at Mar 31, 2006	As at Mar 31, 2005
IX Current Liabilities and Provisions		
A Current Liabilities		
Acceptances	**160.11**	116.98
Sundry creditors	**598.44**	493.32
Advances received from Customers (including unearned income)	**13.64**	74.24
Interest accrued but not due	**0.58**	0.79
Other liabilities	**167.11**	83.20
	939.88	768.53
B Provisions		
Provision for retirement benefits	**77.23**	55.64
Provision for warranty	**60.06**	25.86
Proposed dividend	**116.35**	54.00
Tax on dividend	**16.32**	7.06
	269.96	142.56
	1,209.84	911.09
X Miscellaneous Expenditure (To the extent not written off or adjusted)		
Preliminary expenses	**-**	14.22
Share Issue expenses		
Opening balance	**8.99**	10.40
Add : incurred during the period towards public issue of shares	**128.36**	-
	137.35	10.40
Less : Adjusted against share premium account	**137.35**	-
Less : Written off during the year	**-**	1.41
Closing balance	**-**	8.99
	-	23.21
XI Profit and Loss Account		
Loss brought forward as per last Balance Sheet	**-**	237.88
Add : (Profit) / Loss for the year	**-**	(321.14)
	-	(83.26)
Less: Appropriations		
- Interim Dividend - Preference Shares	**-**	(95.51)
- Proposed Dividend - Equity Shares	**-**	(54.00)
- Corporate Dividend Tax	**-**	(19.53)
Net Debit balance in Profit and Loss Account	**-**	85.78

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
XII Income from Operations		
Services	**2,226.56**	1,603.92
Products	**1,951.58**	1,287.90
	4,178.14	2,891.82
XIII Other Income		
Interest	**10.56**	5.63
Dividend - Others (Non-Trade)	**11.45**	0.20
Profit on sale of current investments (net)	**-**	0.05
Credit balances / excess provision written back (net)	**-**	5.51
Foreign Exchange Gain (net)	**4.91**	6.43
Miscellaneous income	**35.41**	10.71
	62.33	28.53
XIV Cost of Revenues		
Salary and salary related expenses	**1,425.30**	966.09
Cost of Outsourced services & boughtout items	**1,044.81**	782.86
Travelling and conveyance	**91.68**	45.82
	2,561.79	1,794.77
Less : Transferred to Capital work-in-progress	**210.89**	139.30
	2,350.90	1,655.47

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
XV Selling, General and Administrative Expenses		
Salary and salary related expenses	**211.18**	181.74
Recruitment and training expenses	**42.81**	30.38
Rent	**124.74**	100.94
Insurance	**13.76**	12.49
Travelling and conveyance	**107.15**	78.83
Electricity charges	**32.75**	23.75
Rates and taxes	**12.05**	8.41
Communication expenses	**72.24**	57.89
Loss on sale/discarding of fixed assets (net)	**2.05**	2.81
Printing and stationery	**20.44**	8.22
Repairs and maintenance - building	**4.04**	3.95
Directors commission	**6.09**	2.00
Obsolete stock written off	**-**	9.08
Legal and professional charges	**50.88**	45.74
Miscellaneous expenses	**108.18**	99.16
Bank charges and other financial charges	**29.85**	6.30
Selling and distribution expenses	**62.86**	51.26
Bad debts written off	**34.12**	0.10
Provision for doubtful debts (net)	**31.61**	55.27
Provision for diminution in the value of current investments	**21.00**	-
Miscellaneous expenditure written off	**-**	1.41
	987.80	779.73
Less : Transferred to capital work-in-progress	**18.20**	23.58
	969.60	756.15

3i INFOTECH LIMITED

XVI SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Overview of the Group

3i Infotech Limited ('Parent') and it's subsidiaries, collectively referred to as 'the Group', was promoted by erstwhile ICICI Limited. The Group is a global information technology conglomerate headquartered in Mumbai, India. The Group's principal areas of operations are Software development, software products and related services thereof.

1.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented under historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('GAAP') and in compliance with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India (the 'ICAI'), to the extent applicable.

1.3 Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements has been made relying on these estimates.

1.4 Principles of consolidation

The consolidated financial statements include the financial statements of 3i Infotech Ltd and all it's subsidiaries, which are more than 50% owned or controlled and have been prepared in accordance with the consolidation procedures laid down in Accounting Standard 21 - 'Consolidated Financial Statements' issued by ICAI.

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. Unrealized losses resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.

- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.

- The consolidated financial statements are prepared using uniform accounting policies across the Group.

- Goodwill arising on consolidation.
  The excess of cost to the parent of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognized in the financial statements as goodwill. The parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

1.5 Members of the Group:

3i Infotech's subsidiaries, step down subsidiaries are listed below:

Entity	Country of incorporation	Percentage of holding
Subsidiaries:		
· 3i Infotech Inc.[1]	USA	100% held by Parent
· 3i Infotech Pte Ltd	Singapore	100% held by Parent
· 3i Infotech SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd
· 3i Infotech (UK) Limited[2]	England	100% held by 3i Infotech Inc
· 3i Infotech (Thailand)[3]	Thailand	100% held by 3i Infotech Pte Ltd
· 3i Infotech Consulting Inc.[4] (Formerly Innovative Business Solution Inc.)	USA	100% held by 3i Infotech Inc.
· Formula-ware Inc.[5]	USA	100% held by 3i Infotech Inc.
· SDG Software Technologies Limited[6]	India	80% held by Parent Company
· SDG Software Technologies Pte Limited[7]	Singapore	100% held by SDG Software Technologies Ltd

1 during the year, 3i Infotech Pty Ltd, Australia, has been merged with the 3i Infotech Inc.
2 incorporated on April 1, 2005, and its first accounting year ended on Mar 31, 2006.
3 incorporated on May 12, 2005, and its first accounting year ended on Mar 31, 2006.
4 100% control acquired effective September 26, 2005.
5 100% control acquired effective September 30, 2005.
6 80% control acquired effective November 23, 2005.
7 80% control acquired effective November 23, 2005.

1.6 Revenue recognition

Revenue from products is recognized on delivery / installation, as the case may be. Maintenance revenue in respect of products is deferred and recognized ratably over the period of the underlying maintenance agreement, as the case may be.

Revenue from services is recognized either on time and material basis or fixed price basis or based on certain measurable criteria as per relevant agreements. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixedprice contracts is recognized on the percentage of completion method. Revenue from other service contracts is recognized based on transactions processed, manpower deployment, as the case may be. Recovery of incidental expenses is added to such revenue.

1.7.1 Fixed assets

Tangible : Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Group, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired intangible assets such as Goodwill and Business & Commercial Rights are capitalized at the acquisition price.

Advances paid towards acquisition of fixed assets and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.

1.7.2 Method of depreciation / Amortization:

Leasehold land, Leasehold building and improvements thereon are amortized over the period of lease or life of the asset whichever is lesser.

Business & Commercial Rights and Software Products meant for sale is amortized over the period the benefits out of them is expected to accrue, in any case, not exceeding ten years, while purchased software meant for in house consumption is amortized over a period of five years, as considered appropriate by the management.

Depreciation on other fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, in the case of Parent while in case of Subsidiary Companies, it is provided on straight line basis over the estimated useful lives of the assets given herein below:

Fixed Asset	Useful life in years
Leasehold improvements	1 – 5
Furniture, Fixtures and Equipment	3 – 5
Vehicles	5 – 6
Computers	1 – 3
Software	3 – 5

Subsequent upgrades of hardware are charged off to revenue in the year of purchase.

1.8 Investments

Investments are classified into long-term investments and current investments. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments. Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the carrying value.

1.9 Retirement Benefits

The Parent has for its employees in India, retirement benefits such as Gratuity, Superannuation and Provident Fund. The Gratuity and Superannuation are covered by a scheme with Life Insurance Corporation of India and the Provident Fund is administered through trustees. The Parent's contribution to these funds is charged to revenue. Liability for leave encashment is provided on the basis of the actuarial valuation as at the year-end.

In respect of employees in an Indian subsidiary / foreign branches, necessary provision has been made based on the applicable laws.

In respect of employees in Foreign Subsidiary Companies, contributions to defined contribution pension plans are recognized as an expense in the profit and loss account as incurred.

1.10 Accounting for Taxes on Income

Provision for current income tax is made on the basis of the estimated taxable income for the current accounting period in accordance with the specific applicable laws.

MAT credit asset pertaining to the Parent and its India subsidiary company is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Provision for Fringe Benefit Tax (FBT) is made on the basis of expenses incurred on employees / other expenses as prescribed under the Income Tax Act, 1961.

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a reasonable / virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

The deferred Tax Assets /Liabilities and tax expenses are determined separately for parent and each subsidiary company, as per their applicable laws and then aggregated.

1.11 Translation of Foreign Currency Items

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss, except in cases where they relate to the acquisition of fixed assets, are recognized in the Profit & Loss Account. Overseas investments are recorded at the rate of exchange in force on the date of allotment.

In respect of foreign branch- (a) revenue items are recorded at the average rates during the accounting period; (b) monetary items are translated at the exchange rates prevailing at the balance sheet date; and (c) non-monetary items are recorded at the exchange rate on the date of the transaction.

All the activities of the foreign subsidiaries are carried out with a significant degree of autonomy from those of the Parent. Accordingly, as per the provisions of AS – 11 “Effects of changes in foreign exchange rates”, these operations have been classified as ‘Non integral operations’ and therefore all assets and liabilities, both monetary and nonmonetary, are translated at the closing rate while the income and expenses are translated at the average rate for the year. The resulting exchange differences are accumulated in the foreign currency translation reserve except those arising on account of net current assets, which are recognized as income or expense in the profit and loss account for the year.

1.12 Borrowing Costs

Borrowing costs directly attributable to acquisition, construction and production of assets are capitalized as a part of the cost of such asset up to the date of completion. Other borrowing costs are charged to the Profit & Loss Account.

1.13 Preliminary and share issue expenses

Preliminary expenses, issue expenses including expenses incurred on increase in authorized share capital and premium on securities are adjusted against Securities Premium Account.

1.14 Inventories

Inventories are valued at lower of cost and net realizable value. Cost is computed on ‘first-in-first-out’ method.

1.15 Unbilled and Unearned Revenue:

Revenue recognized over and above the billings on a customer is classified as unbilled revenue while excess of billings over the revenue recognized on a customer is classified as unearned revenue.

1.16 Lease

Lease transactions entered prior to April 1, 2001:
Lease rental in respect of assets acquired under leases are charged to Profit and Loss account.

Lease transactions entered into on or after April 1, 2001:
Where the Group has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rental paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating lease. Lease rentals for such leases are charged to Profit and Loss account.

1.17 Impairment of assets

The Group evaluates the recoverability of its long-lived assets, including capitalized software and identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets, which is measured on a discounted cash flow basis, and charged to profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation) had no impairment loss been recognized.

1.18 Provisions and Contingent Liabilities

The group recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

1.19 Employees Stock Option Scheme (ESOS)

Any concessions granted to employees under the Employees’ Stock Option Scheme by way of grants made at a discount to the fair value of the company’s shares on the date of the grant, is accounted for by way of a charge to the Profit and Loss account over the vesting period, in line with guidelines issued by the Institute of Chartered Accountants of India or other regulatory authorities in this regard from time to time.

2. NOTES TO ACCOUNTS

2.1 Figures for the previous year have been re-grouped / re-arranged, wherever considered necessary to conform to current year's presentation. The current year's figures are not comparable with those of the previous year to the extent of acquisitions made by the group during the current year as mentioned in Note 1.5 above.

2.2 The Parent made an Initial Public Offer ("IPO") for 23,000,000 Equity shares at Rs. 100 per share (including premium of Rs. 90 per share) including a Green Shoe Option for 3,000,000 shares, which opened on March 30, 2005 and closed on April 4, 2005. The Parent had opted to appoint a stabilization agent for a period of one month from the date of listing of shares on the stock exchanges. During the year, the Parent allotted 21,766,844 equity shares of Rs. 10 each, after considering the effect of stabilization, and accordingly credited the Securities Premium Account with Rs. 1959.02 million. Out of the issue proceeds of Rs.2176.68 million, Rs 2150.38 million have been applied towards the objects of the issue (including a part of the issue expenses) and the balance of Rs.26.30 million which is yet to be paid is earmarked and temporarily credited to the Parent's cash credit account. Additionally, the Parent incurred Rs. 19.25 million out of its internal generation to meet issue expenses in excess of the limits mentioned in the IPO prospectus.

2.3 The Parent had during March, 2006 issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating to UD $ 50 million, at par. The bondholders have an option to convert these bonds into Equity Shares at an initial conversion rate of Rs. 230.00 per share at a fixed exchange rate (Rs. 44.35 =US$1), between April 24, 2006 and February 16, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issue, right issue, extraordinary dividend etc. Further, under certain conditions, the Parent has an option for early redemption in whole but not in part. Unless previously converted, redeemed or repurchased or cancelled, the Parent will redeem these bonds at 139.703 percent of the principal amount on March 17, 2011. Payment of premium is contingent upon certain factors the outcome of which is not determinable as of now and therefore the management has treated the amount payable as contingent. Accordingly premium (maximum amount payable being Rs. 880.41 million) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchas or cancellation.

The Parent incurred Rs. 62.47 million towards the said issue as issue expense, out of which Rs. 18.06 million is yet to be paid. The amount of Rs 2186.38 million being issue proceeds along with the balance of issue expenses are yet to be applied towards the objective of the issue and is invested in fixed deposits temporarily.

2.4 The Parent had in November 2005 entered into share purchase agreement with the owners of SDG Software Technologies Limited (SDG), Hyderabad, India to acquire the 800,000 shares (representing 80% of the paid up capital of SDG) for a consideration of Rs 99.00 million along with a commitment to acquire the balance 20% of the paid up capital at a future date for additional consideration payable of Rs.1.00 million and further maximum consideration (earn out) of Rs.60.00 million payable upon achievement of certain measurable criteria. As of March 31, 2006 the earn out and the entire additional consideration for the balance equity shares has been claimed and paid in full in April 2006.

The assets and liabilities were recorded at book values as of November 30, 2005. Excess of consideration paid over the value of the net worth of the company has been shown as goodwill arising on consolidation (Refer Note No. 2.14).

2.5 3i Infotech Inc, USA had during the year entered into share purchase agreement with the owners of 3i Infotech Consulting Inc (Formerly Innovative Business Solutions Inc), USA to acquire all the 1000 shares of IBSI for a consideration of USD 3.60 million with scope for additional compensation payable subject to achievement of certain measurable criteria. The assets and liabilities were recorded at book values as of September 30, 2005. Excess of consideration paid over the value of the net worth of the company has been shown as goodwill arising on consolidation (Refer Note No.2.14).

2.6 3i Infotech Inc, USA had during the year entered into share purchase agreement with the owners of Formula-ware Inc., USA to acquire all the 1000 shares of Formula-ware Inc. for a consideration of USD 0.60 million with scope for additional compensation payable not exceeding USD 1.90 million (approximately equivalent to INR 85.60 million) subject to achievement of certain measurable criteria. The assets and liabilities were recorded at book values as of September 30, 2005. Excess of consideration paid over the value of the net worth of the company has been shown as goodwill arising on consolidation (Refer Note No.2.14).

2.7 During the year, the Parent acquired the balance 50% interest in erstwhile Joint Venture Viz., Semantik Solutions GmbH, Germany. Effective January 1, 2006 the Company merged the above subsidiary company after obtaining the requisite approval from Reserve Bank of India.

2.8 Loans and Advances include insurance claim receivable of Rs.71.72 million in respect of legal expenses incurred in relation of a pending arbitration proceedings. The management is confident of realizing the claim in due course of time.

2.9 Capital commitments and contingent liabilities

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
Capital Commitments Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	109.05	39.45
Contingent Liabilities Outstanding guarantees given by banks	12.77	55.00
Estimated amount of claims against the Group not acknowledged as debts*		
- Disputed demands for Income Taxes	20.47	18.49
- Premium on redemption of FCCB (Refer Note No. 2.3)	880.41	-
- Customer claims**	1480.16	-
- Others***	4.01	3.80

* The Group is subject to legal proceedings and claims, which have arisen in the ordinary course of its business. Management believes, based on consultation with counsel that the ultimate resolution of the litigations will not have a material adverse effect on the Group's results of operations, financial conditions or liquidity. However, the final outcome of the litigations cannot be predicted with certainty and accordingly, no assurance can be given that the ultimate resolution of the litigation will not have a material impact on the Group's results of operations, financial condition or liquidity.

** The above claim is partly covered by an Insurance policy.

***Includes legal expenses relating Registrar & Transfer Services, which are reimbursable by the Principal to the extent of Rs 1.42 million.

2.10 In the opinion of the Board, the investments, current assets, loans and advances are realizable at a value, which is at least equal to the amount at which these are stated, in the ordinary course of business and provision for all known and determined liabilities are adequate and not in excess of the amount stated.

2.11 Employee Stock Option

The Group's Employees Stock Option Scheme–2000, provides for issue of equity option up to 25% of the paid-up Equity Capital to eligible employees. The scheme covers whole time directors and the employees of the subsidiaries, the erstwhile holding company and subsidiaries of the erstwhile holding company. The options vest in a phased manner over three years with 20%, 30% and 50% of the grants vesting at the end of each year from the date of grant and the same can be exercised within ten years from the date of the grant at a price determined on the date of grant.

In millions

	As at Mar 31, 2006	As at Mar 31, 2005
Face value of grants	Rs.10 per grant	Rs.10 per grant
Grants:		
Outstanding as at beginning	6.50	2.43
Add: Granted during the year	0.10	4.36
Less: Exercised during the year	0.28	0.02
Less: Forfeited during the year	0.62	0.27
Outstanding as at end	5.70	6.50
Vested:		
Outstanding as at beginning	1.70	1.28
Add: Vested during the year	1.09	0.59
Less: Exercised during the year	0.28	0.02
Less: Forfeited during the year	0.17	0.15
Outstanding as at end	2.34	1.70

2.12 Leases:

a. Operating Lease:

The Group has acquired certain Land and Building under a lease arrangement for a period of sixty years at a premium of Rs.4.96 million starting from December 4, 2000 for Land and Rs.156.17 million starting from March 13, 2000 and Rs.50.54 million from March 1, 2003 for building and the same is being amortized over the lease period. All other lease arrangements are renewable / cancelable at the Group's and / or lessors' option as mutually agreed. The Group, from time to time, avails of non-cancelable long-term leases for various office facilities and equipment. The total of future minimum lease payments that the Group is committed to make are:

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
Within one year	42.61	32.33
Later than one year and not later than five years	105.66	55.95
Later than five years	-	17.06

b. Financial Lease

There were no financial leases entered into by the Group.

2.13 Deferred Tax Asset:

The break - up of net deferred tax liability / (asset) for the Group is as under:

Rupees in million

Deferred Tax Asset:	As at Mar 31, 2006	As at Mar 31, 2005
Unabsorbed losses / depreciation	321.09	312.98
Expenses allowable on payment and others	44.07	44.14
	365.16	357.12
Deferred Tax Liability:		
Fixed Assets (Depreciation / Amortization)	229.55	230.12
Net Deferred Tax (Liability) / Asset	**135.61**	**127.00**

2.14 Goodwill arising on consolidation:

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
Opening balance	355.10	355.10
Add: Additions during the year upon acquisition of -		
a. Balance shares of Semantik Solutions GmbH, Germany	17.09	-
b. Formula-ware Inc., USA	38.93	-
c. Innovative Business Solutions Inc., USA	212.73	-
d. SDG Software Technologies Limited, Hyderabad, India	80.59	-
Closing balance	**704.44**	**355.10**

2.15 Auditors' Remuneration

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Audit Fees	2.14	1.58
Tax Audit Fees	0.08	0.07
Certification Fees	0.42	2.35
Re-imbursement of out of pocket expenses	0.31	0.28
Total	**2.95**	**4.28**

2.16 Disclosures pursuant to Accounting Standard 17 – Segment Reporting:

a) The group undertakes IT enabled service activities and IT Infrastructure service activities apart from software development and consulting activities, which are collectively referred as 'Services' and Sale of products and affiliated services rendered in relation to such products are referred as 'Product'. These businesses have been considered as primary segments. The Profit & Loss account of the reportable segments is set out here below:

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
b) Segment Revenues:		
Services	2226.56	1,603.92
Products	1951.58	1,287.90
Total Revenues	4178.14	2,891.82
c) Segment Results (Gross Profit):		
Services	804.91	575.48
Products	1022.33	660.87
Total Segment Results	1827.24	1,236.35
Unallocable expenses:		
Selling, General and administrative expenses	969.60	756.15
Interest on loans	79.78	107.66
Depreciation	260.53	188.41
Operating Profit	517.33	184.13
Other Income	62.33	28.53
Profit Before Taxation	579.66	212.66
Less : Taxes	3.02	(108.48)
Profit After Taxation	576.64	321.14
Less : Minority Shareholder's interest	2.27	-
Net Profit after Minority Interest	574.37	321.14

Note: The segment operating profit is arrived at before allocating certain expenses to segments and such unallocable expenses are separately disclosed as 'Selling, General and Administrative expenses'.

d) Considering the nature of the group's business, the assets and liabilities cannot be identified to any specific business segment.

e) Disclosure of details of Secondary segments, being geographies, is as under:

Rupees in million

Revenues	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
- India	1634.70	1,214.15
- Unites States of America	1190.79	723.33
- Middle East and Africa	1056.33	586.23
- Others	296.32	368.11
Total Revenues	**4178.14**	2,891.82
Assets (net of current liabilities)	As at Mar 31, 2006	As at Mar 31, 2005
- India	4555.27	1,611.03
- Unites States of America	1504.31	823.14
- Middle East and Africa	770.98	175.39
- Others	205.33	646.50
Total Assets	**7035.89**	3,256.06

2.17 Earnings Per Share:

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Profit as per accounts (Rs in million)	576.64	321.14
Minority shareholder's Interest (Rs in million)	2.27	-
Net profit after minority interest (Rs in million)	574.37	321.14
Less: Dividend on preference shares paid (incl. corporate taxes)	(70.03)	(90.29)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes)	(11.70)	(17.41)
Profit attributable to Equity Shareholders (Rs. In million)	492.64	213.44
Weighted average number of Equity Shares outstanding during the year (Nos.)	51,828,328	30,990,563
Add: Effect of dilutive issues of options	2,043,360	297,428
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)	53,871,688	31,287,991
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings Per Share (Rs.)	9.51	6.89
Diluted Earnings Per Share (Rs.)	9.14	6.82

2.18 Related Party Transactions:

Related parties with whom transactions have been entered into in the ordinary course of business:-

- Associates: ICICI Bank Limited, ICICI Venture Funds Management Company limited, ICICI Securities and Finance Company Limited, ICICI Home Finance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, ICICI Brokerage Services Limited, ICICI Securities Inc, Sridhar & Santhanam.
- Directors / Key Management Personnel: Mr.V Srinivasan (Managing Director & Chief Executive Officer); Mr.Hari Padmanabhan (Deputy Managing Director); Mr.Manoj Kunkalienkar (Executive Director). During the year, following transactions were carried out with the related parties in the ordinary course of business:

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Associates - ICICI Bank Ltd:		
Income	995.06	745.75
Expenses	18.01	15.42
Bad Debts	-	0.10
Loan granted / (Repaid)	(202.27)	236.38
Preference Dividend	86.64	95.51
Repayment of Preference Share Capital	(500.00)	-

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Associates – Others:		
Income	115.72	75.50
Expenses (including public issue expenses)	38.28	6.52
Assets purchased	-	137.28
Dividend Equity	-	9.76
Directors, Key Management Personnel and their relatives:		
Remuneration / fees	31.26	30.06
Expenses	0.34	-

	Outstanding balance as at Mar 31, 2006	Outstanding balance as at Mar 31, 2005
Associates - ICICI Bank Ltd:		
Loans availed	43.41	245.68
Bank balances	2241.66	11.57
Other Advances	0.14	0.13
Sundry Creditors	9.75	8.55
Unbilled Revenues	23.17	3.81
Sundry Debtors	225.39	94.03
Associates – Others:		
Other Advances	0.71	0.08
Sundry Debtors	26.25	24.96
Advances received from customers	0.06	-
Unbilled Revenues	3.44	2.31
Directors, Key Management Personnel and their relatives:		
Sundry Creditors	-	107.86

1. Related party relationship is as identified by the management and relied upon by the auditors.
2. No balances in respect of the related parties have been provided for/written back except as stated above.

2.19 Amount of exchange difference (net) credited to Profit & Loss Account during the year ended Mar 31, 2006 is Rs.4.90 million, (Previous year, net debited, Rs.6.43 million)

Signatures to Schedules "I" to "XV"

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

Mumbai, April 19, 2006

3i INFOTECH LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of Subsidiary Company	Financial year of subsidiary ended on	Number of equity shares held by 3i Infotech Limited and / or its subsidiaries	Extent of interest of 3i Infotech Limited in the capital of the subsidiary	Net aggregate amount of profits or losses of the subsidiary so far as it concerns the members of 3i Infotech Limited and is not dealt with in the accounts of 3i Infotech Limited		Net aggregate amounts of profits/losses of the subsidiary so far as it concerns the members of 3i Infotech Limited dealt with or provided for in the accounts of 3i Infotech Limited	
					For the financial year ended on March 31, 2006	For the financial year ended on March 31, 2005	For the financial year ended on March 31, 2006	For the financial year ended on March 31, 2005
1	3i Infotech Inc. (USA)	March 31, 2006	45,292,704 shares of USD 0.30/- each & 1,000,000 shares of USD 0.01 each	100%	USD 0.87 Million	USD 2.59 Million	-	-
2	3i Infotech Pte. Ltd. (Singapore)	March 31, 2006	1,690,000 Ordinary shares of SGD 1/- each	100%	SGD 0.29 Million	SGD 1.38 Million	-	
3	SDG Software Technologies Limited	March 31, 2006	800,000 Ordinary shares of INR 10/- each	80%	INR 11.10 Million	-	-	-
4	3i Infotech SDN BHD (Malaysia)	March 31, 2006	2,50,000 Ordinary shares of RM1 each	*100%	MYR 1.56 Million	MYR 0.54 Million	MYR 0.15 Million	MYR 0.08 Million
5	3i Infotech (UK) Limited	March 31, 2006	200,000 Ordinary shares of GBP 1/- each	**100%	GBP (0.04) Million	-	-	-
6	3i Infotech (Thailand) Limited	March 31, 2006	25,000 Ordinary shares of THB 100 each	*100%	THB (0.56) Million	-	-	-
7	3i Infotech Consulting Inc (USA)	March 31, 2006	1,000 Ordinary shares of USD 1 each	**100%	USD 0.37 Million	-	-	-
8	Formula-ware Inc (USA)	March 31, 2006	1,000 Ordinary shares of USD 1 each	**100%	USD 0.02 Million	-	-	-
9	SDG Software Technologies Pte Ltd (Singapore)	March 31, 2006	65,000 Ordinary shares of SGD 1/- each	***100%	SGD (0.10) Million	-	-	-

* Held by 3i Infotech Pte. Ltd.
**Held by 3i Infotech Inc.
***Held by SDG Software Technologies Ltd.

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R.Shettigar
Company Secretary

Mumbai, April 19, 2006

3i INFOTECH LIMITED

STATEMENT RELATING TO SUBSIDIARY COMPANIES AS ON MARCH 31, 2006 **Rupees in million**

Sr. No.	Name of Subsudry Company	Issued and Subscribed Share Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/Loss before Taxation	Provision for Taxation	Profit/Loss after Taxation	Proposed Dividend
1	3i Infotech Inc. (USA)$	606.67	(360.60)	542.46	542.46	209.48	990.82	39.71	0.99	38.73	-
2	3i Infotech Pte. Limited, SingaporeS$	46.57	61.97	108.97	108.97	60.40	144.15	7.87	-	7.87	-
3	SDG Software Technologies Limited£	10.00	25.14	37.30	37.30	0.01	44.66	11.09	0.12	10.96	-
4	3i Infotech SDN BHD, Malaysia*	3.03	32.85	35.87	35.87	-	104.06	18.89	-	18.89	1.82***
5	3i Infotech (UK) Limited	15.50	(3.21)	43.29	43.29	-	78.77	(2.51)	0.70	(3.21)	-
6	3i Infotech (Thailand) Limited**	2.69	(0.60)	2.09	2.09	-	4.65	(0.60)	-	(0.60)	-
7	3i Infotech Consulting Inc, USA$	0.04	(36.12)	35.79	35.79	-	167.20	18.23	1.53	16.70	-
8	Formula-ware Inc, USA$	0.04	(9.38)	(9.34)	(9.34)	-	7.68	0.31	-	0.31	-
9	SDG Software Technologies Limited Pte. Limited, SingaporeS$	1.79	(2.89)	(1.20)	(1.20)	-	7.69	0.09	-	0.09	-

$ Converted into Indian Rupees at the Exchange rate, 1 USD = INR 44.615
S$ Converted into Indian Rupees at the Exchange rate, 1 SGD = INR 27.555
£ Converted into Indian Rupees at the Exchange rate, 1 GBP = INR 77.495
* Converted into Indian Rupees at the Exchange rate, 1 MYR = INR 12.1125
** Converted into Indian Rupees at the Exchange rate, 1 THB = INR 1.075
*** Paid to its holding company, 3i Infotech Pte Limited, Singapore

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET (IN US DOLLAR) AS AT MARCH 31, 2006

US Dollar in million

	As at Mar 31, 2006	As at Mar 31, 2005
I. SOURCES OF FUNDS		
1. Shareholders' Funds :		
A. Share Capital	**34.55**	40.86
B. Reserves and Surplus	**48.49**	2.28
	83.04	43.14
2. Minority Interest	**0.15**	-
3. Loan Funds :		
A. Secured Loans	**16.15**	14.26
B. Unsecured Loans	**59.48**	18.56
	75.63	32.82
	158.82	75.96
II. APPLICATION OF FUNDS		
1. Goodwill arising on consolidation	**15.90**	8.02
2. Fixed Assets :		
A. Gross Block	**74.41**	57.51
B. Less : Depreciation	**25.08**	19.02
C. Net Block	**49.33**	38.49
D. Capital Work-in-Progress	**1.19**	2.31
	50.52	40.80
3. Investments	**0.02**	0.50
4. Deferred Tax Asset (net)	**3.06**	2.87
5. Current Assets, Loans and Advances		
A. Current Assets :		
a. Inventories	**0.08**	0.01
b. Sundry Debtors	**25.70**	14.56
c. Unbilled Revenues	**21.94**	16.80
d. Cash and Bank Balances	**58.79**	3.65
	106.51	35.02
B. Loans and Advances	**10.12**	6.86
	116.63	41.88
Less: Current Liabilities and Provisions		
A. Current Liabilities	**21.22**	17.35
B. Provisions	**6.09**	3.22
	27.31	20.57
Net Current Assets	**89.32**	21.31
6. Miscellaneous Expenditure (To the extent not written off or adjusted)	**-**	0.52
7. Profit and Loss Account (Loss)	**-**	1.94
	158.82	75.96

Notes: The above Balance Sheet is just the conversion of Consolidated Balance sheet of 3i Infotech Limited (prepared as per Indian GAAP in Rs Mn) into US Dollar mn. The conversion has been done at exchange rate of Rs. 44.30 for both the years (year ended March 31, 2006 and year ended March 31, 2005).

3i INFOTECH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT (in US Dollar) FOR THE YEAR ENDED MARCH 31, 2006.

US Dollar in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
INCOME:		
Income from Operations	**94.55**	65.44
Other Income	**1.41**	0.65
Total Income	**95.96**	66.09
EXPENDITURE:		
Cost of Revenues	**53.20**	37.46
Selling, General and Administrative Expenses	**21.94**	17.11
Total Expenditure	**75.14**	54.57
Profit before interest, depreciation and taxation	**20.82**	11.52
Interest	**1.81**	2.44
Depreciation	**5.90**	4.26
Profit Before Taxation	**13.11**	4.82
Provision for Taxes		
- Deferred Taxes (net)	**(0.22)**	(2.92)
- Current Taxes	**0.27**	0.31
- Fringe Benefit Tax	**0.23**	-
- Mat Credit Entitlement	**(0.21)**	-
- Deferred tax expense due to re-estimation of useful life of intangibles	**-**	0.93
	13.04	6.50
- Deferred /Current tax pertaining to earlier years	**-**	(0.78)
Profit After Taxation	**13.04**	7.28
Minority Shareholders' Interest	**0.05**	-
Net Profit After Minority Interest	**12.99**	7.28

Notes: The above Profit and Loss account is just the conversion of Consolidated Profit and Loss Account of 3i Infotech Limited (prepared as per Indian GAAP in Rs. Mn) into US Dollar Mn. The conversion has been done at exchange rate of Rs. 44.19 for both the years (year ended March 31, 2006 and year ended March 31, 2005).

LODHA & COMPANY
Chartered Accountants
6, Karim Chambers,
40, Ambalal Doshi Marg,
Mumbai – 400 023.
mumbai@bdolodha.com

AUDITORS' REPORT

To,
The Members of
3i Infotech Limited

1. We have audited the attached Balance Sheet of 3i Infotech Limited as at March 31, 2006, the Profit and Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

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, to the extent applicable.

(e) On the basis of written representations received from directors as on March 31, 2006, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director of the Company 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 accounts read together with 'Significant Accounting Policies and Notes to Accounts' in Schedule XV and other notes appearing elsewhere in the accounts, give the information required by the Act in the manner so required 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 March 31, 2006;
ii) in the case of the Profit & Loss Account, of the profit of the Company 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.

For LODHA & COMPANY
Chartered Accountants

R.P. Baradiya
Partner
(Membership No. 44101)

Mumbai, April 19, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2006 OF 3i INFOTECH LIMITED.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained, the assets have been physically verified by the management in accordance with the phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of fixed assets. No material discrepancies were noticed in respect of the assets physically verified during the year. No substantial part of the fixed assets has been disposed off during the year.

2. a) The inventory has been physically verified by the management at reasonable intervals during the year.

   b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventories as compared to book records.

3. The Company has not granted or taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. There is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

5. The contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act, have been so entered. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. No deposits within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder have been accepted by the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

8. a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

   b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service tax, Customs Duty, Wealth Tax, Cess that have not been deposited on account of any dispute

9. The Company has no accumulated losses as at March 31, 2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

10. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.

11. During the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

12. In our opinion and according to the information and explanations given to us, the terms and conditions of the securities given by the Company for loans taken by others from banks and financial institutions are not, prima facie, prejudicial to the interest of the Company.

13. According to the information and explanations given to us, in our opinion, the term loans were applied for the purpose for which they were obtained.

14. According to the information and explanations given to us and on an overall examination of the cash flow statements and balance sheet of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long term investment.

15. During the year, 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.

16. The Company has not issued any secured debentures during the year.

17. We have verified the end use of money raised by public issue and the same has been disclosed in the notes to the financial statements.

18. To the best of our knowledge and belief and according to the information and explanations given to us, during the year no fraud on or by the Company has been noticed or reported by/to us during the course of our audit.

For LODHA & COMPANY
Chartered Accountants

R.P. Baradiya
Partner
(Membership No. 44101)

Mumbai, April 19, 2006

3i INFOTECH LIMITED

BALANCE SHEET AS AT MARCH 31, 2006

Rupees in million

	Schedule	As at Mar 31, 2006	As at Mar 31, 2005
I. SOURCES OF FUNDS			
1. Shareholders' Funds :			
A. Share Capital	I	1,530.45	1,810.03
B. Reserves and Surplus	II	2,191.74	299.14
		3,722.19	2,109.17
2. Loan Funds :			
A. Secured Loans	III	563.48	596.19
B. Unsecured Loans	IV	2,590.29	822.37
		3,153.77	1,418.56
3. Deferred Tax Liability (net)		8.49	0.20
		6,884.45	3,527.93
II. APPLICATION OF FUNDS			
1. Fixed Assets :			
A. Gross Block	V	3,070.51	2,397.91
B. Less : Depreciation		999.15	746.46
C. Net Block		2,071.36	1,651.45
D. Capital Work-in-Progress		22.46	79.11
		2,093.82	1,730.56
2. Investments	VI	1,009.41	866.48
3. Current Assets, Loans and Advances	VII		
A. Current Assets :			
a. Inventories		0.34	0.34
b. Sundry Debtors		1,083.51	575.89
c. Unbilled Revenues		587.16	411.02
d. Cash and Bank Balances		2,494.59	93.68
		4,165.60	1,080.93
B. Loans and Advances		527.10	595.11
		4,692.70	1,676.04
Less: Current Liabilities and Provisions :	VIII		
A. Current Liabilities		657.98	619.33
B. Provisions		253.50	134.81
		911.48	754.14
Net Current Assets		3,781.21	921.90

4. Miscellaneous Expenditure (To the extent not written off or adjusted)	**IX**	**-**	8.99
		6,884.45	3,527.93
Significant Accounting Policies and Notes to Accounts	**XV**		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company
Chartered Accountants

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

R. P. Baradiya
Partner

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

Mumbai, April 19, 2006

3i INFOTECH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

Rupees in million

	Schedule	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
INCOME:			
Income from Operations	X	2,760.34	2,070.28
Other Income	XI	59.02	34.90
Total Income		2,819.36	2,105.18
EXPENDITURE:			
Cost of Revenues	XII	1,444.49	1,270.47
Selling, General and Administrative Expenses	XIII	661.66	359.01
Total Expenditure		2,106.15	1,629.48
Profit before interest, depreciation and taxation		713.21	475.70
Interest	XIV	66.41	106.91
Depreciation		236.77	170.07
Profit Before Taxation		410.03	198.72
Provision for Taxes			
- Deferred Taxes (net)		8.29	1.66
- Current Taxes		9.44	12.79
- Fringe Benefit Tax		9.80	-
- MAT credit entitlement		(9.41)	-
- Deferred tax expense due to re-estimation of useful life of intangibles		-	41.17
		391.91	143.10
- Deferred tax asset/Current tax pertaining to earlier years		(0.22)	(32.96)
Profit After Taxation		392.13	176.06
Add: Balance Brought Forward from the Previous Year		187.89	180.87
Add: Excess Proposed Corporate dividend (including tax thereon)		0.86	-
Less: Losses in respect of merged subsidiary (Refer note no. 2.4)		(61.50)	-
Profit available for appropriation		519.38	356.93
Appropriations:			
General Reserve		30.00	-
Proposed Dividend - Equity Shares		106.09	54.00
Proposed Final Dividend -Preference Shares		10.26	-
Interim Dividend - Preference Shares		76.37	95.51
Corporate Dividend Tax		27.04	19.53
Balance carried to Balance Sheet		269.62	187.89
		519.38	356.93

Earnings per Share			
(Equity shares, par value Rs 10 each)			
Basic (Rs.)		**5.99**	2.21
Diluted (Rs.)		**5.76**	2.18
Significant Accounting Policies and Notes to Accounts	**XV**		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company
Chartered Accountants

R. P. Baradiya
Partner
Mumbai, April 19, 2006

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

Rupees in million

		For the year ended Mar 31,2006	For the year ended Mar 31,2005
A	**Cash Flow from Operating Activities :**		
	Profit before taxation	**410.03**	198.72
	Adjustments for:		
	Depreciation / Amortization	**236.77**	170.07
	Foreign Exchange loss / (gain)	**(14.97)**	(6.48)
	Loss / (Profit) on sale of fixed assets	**2.05**	1.00
	Miscellaneous Expenditure written off	**-**	1.41
	Obsolete stock written off	**-**	9.08
	Dividend Income	**(11.45)**	(0.20)
	Interest received	**(9.23)**	(8.23)
	Interest Paid	**66.41**	106.91
	Credit balances / excess provision written back (net)	**-**	(10.93)
	Profit on sale of current investments (net)	**-**	(0.05)
	Provision for doubtful debts	**31.58**	46.02
	Bad debts written off	**10.00**	0.10
	Operating Profit before Working Capital Changes	**721.19**	507.42
	Adjustments for:		
	Trade and Other Receivables	**(811.12)**	(393.27)
	Inventories	**-**	(0.53)
	Trade Payables and Other Liabilities	**190.79**	36.59
		(620.33)	(357.21)
	Cash generated from Operations	**100.86**	150.21
	Income Taxes paid (including FBT)	**(49.22)**	6.91
	Net cash from Operating Activities - A	**51.64**	157.12
B	**Cash Flow from Investing Activities :**		
	Purchase of fixed assets (Including Capital Work-in-Progress)	**(662.40)**	(465.10)
	Sale of fixed assets	**1.82**	1.99
	Purchase of Investments/ application money[3]	**(3,387.65)**	(0.75)
	Investment in Subsidiary Companies	**(44.49)**	-
	Sale of Investments/ Refund of Equity	**3,288.65**	92.00
	Dividend received	**11.45**	0.20
	Loans (given) / received back	**43.70**	(76.11)
	Interest received	**4.30**	8.23
	Net cash used in Investing Activities - B	**(744.62)**	(439.54)

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

			Rupees in million
		For the year ended Mar 31,2006	For the year ended Mar 31,2005
C	**Cash Flow from Financing Activities :**		
	Issuance of the Equity Share Capital	**2,201.11**	1.73
	Issuance / (Redemption) of the Preference Share Capital	**(500.00)**	-
	Dividends paid	**(129.51)**	(95.51)
	Share / FCCB Issue Expenses	**(146.37)**	-
	Tax on distributed profits	**(17.78)**	(12.47)
	Interest paid	**(66.81)**	(106.44)
	Proceeds from FCCB Issue	**2,231.25**	-
	Proceeds from/(Repayment of) borrowings - net	**(496.04)**	477.72
	Net Cash from Financing Activities - C	**3,075.85**	265.03
	Net Increase in Cash and Cash Equivalents (A+B+C)	**2,382.87**	(17.38)
	Cash and Cash Equivalents as at beginning	**79.18**	96.56
	Cash and Cash Equivalents as at end	**2,462.05**	79.18

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 on " Cash Flow Statements " issued by the Institute of Chartered Accountants of India.
2. Margin money of Rs.32.54 million (as at Mar 31, 2005-Rs14.50 million) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
3. Includes Investment in SDG Software Technologies P Limited (Refer note no. 2.3).
4. FCCB stands for Foreign Currency Convertible Bonds.
5. Previous year's figure have been regrouped / rearranged wherever necessary to conform to the current year's presentation.

Significant Accounting Policies and Notes to Accounts (Refer Schedule No XV)

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date
For Lodha & Company
Chartered Accountants

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

R. P. Baradiya
Partner
Mumbai, April 19, 2006

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
I Share Capital		
Authorised		
100,000,000 Equity shares of Rs. 10 each	**1,000.00**	1,000.00
300,000,000 Cumulative Preference shares of Rs.5 each	**1,500.00**	1,500.00
	2,500.00	2,500.00
II Issued, Subscribed & Paid - up		
53,044,855 Equity shares of Rs. 10 each (as at Mar 31, 2005 -31,002,841 of Rs. 10 each[1]	**530.45**	310.03
200,000,000 (as at Mar 31, 2005 - 300,000,000) 6.35 % Cumulative Preference shares of Rs.5 each[2]	**1,000.00**	1,500.00
	1,530.45	1,810.03

Notes :

1. Out of the above, 20,000,700 Equity shares are allotted as fully paid-up Bonus shares by capitalisation of Securities Premium Account and accumulated profits.
2. During the year, the Company prepaid, at par, 100,000,000 shares out of fresh equity issue proceeds. The balance shares are redeemable at par on expiry of nine years from the date of allotment i.e Mar 31, 2003.

	As at Mar 31, 2006	As at Mar 31, 2005
II Reserves and Surplus		
a Capital Reserve (on merger)		
Balance as per last Balance Sheet	**0.58**	0.58
b Securities Premium Account		
Balance as per last Balance Sheet	**80.67**	79.10
Add : Received on allotment of equity shares	**1,980.69**	1.57
Less : Utilised towards public issue expenses (Refer note no 2.1)	**137.35**	-
Less : Utilised towards FCCB issue expenses (Refer note no 2.2)	**62.47**	-
	1,861.54	80.67
c General Reserve		
Balance as per last Balance Sheet	**30.00**	30.00
Add: Addition during the year	**30.00**	-
	60.00	30.00
d Profit and Loss Account		
Balance as per annexed account	**269.62**	187.89
Total	**2,191.74**	299.14

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

		As at Mar 31, 2006	As at Mar 31, 2005
III	**Secured Loans**		
	From Banks:		
	Term Loans	**357.13**	484.30
	Cash Credit	**206.35**	111.89
		563.48	596.19

Notes :

1. Security and terms and conditions for Rupee Term Loans :
   a. Rs.16.67 million (as at Mar 31, 2005-Rs 14.59 million) loan is secured by way of hypothecation on certain company owned/leased vehicles.
   b. Rs.236.29 million (as at Mar 31, 2005-Rs 320.68 million) loan is secured by way of Equitable Mortgage of certain properties of the Company situated at Navi Mumbai & Mumbai.
   c. Rs.104.17 million (as at Mar 31, 2005-Rs 96.63 million) loan is secured by way of charge against specific book debts.
2. Certain non fund facilities of Rs. 102.02 million (as at Mar 31, 2005 - Rs. 91.17million) and Cash Credit are secured by way of floating charge on book debts (other than those mentioned in para 1 (c) above)

IV	**Unsecured Loans**		
	Foreign Currency Convertible Bonds (Refer note no 2.2)	**2,231.25**	-
	Rupee Loans from banks*	**359.04**	822.37
		2,590.29	822.37
	Repayable within one year*	**291.63**	433.72

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

V Fixed Assets

Rupees in million

Particulars	GROSS BLOCK					DEPRECIATION / AMORTIZATION					NET BLOCK	
	As at April 1, 2005	Taken over from SSG (Refer note no. 2.4)	Additions during the year	Ded / Adj during the year	As at Mar 31, 2006	Upto Mar 31, 2005	Taken over from SSG (Refer note no. 2.4)	For the year	Ded / Adj during the year	Upto Mar 31, 2006	As at Mar 31, 2006	As at Mar 31, 2005
Intangible assets												
Goodwill	17.91	-	-	-	17.91	6.01	-	1.54	-	7.55	10.36	11.90
Software Products												
-Meant for sale	1,046.41	110.19	532.32	-	1,688.92	296.55	19.64	120.85	-	437.04	1,251.88	749.86
- Others	157.75	-	4.61	-	162.36	80.41	-	22.57	-	102.98	59.38	77.34
Business & Commercial Rights	295.85	-	2.63	-	298.48	85.71	-	30.31	-	116.02	182.46	210.14
Tangible assets												
Land - Leasehold	5.24	-	-	-	5.24	0.38	-	0.09	-	0.47	4.77	4.86
- Freehold	20.88	-	-	-	20.88	-	-	-	-	-	20.88	20.88
Buildings - Owned	12.16	-	-	-	12.16	1.19	-	0.20	-	1.39	10.77	10.97
- Leasehold	294.36	-	1.27	-	295.63	40.45	-	9.73	-	50.18	245.45	253.91
Plant & Machinery / Electrical Installations	126.79	-	3.63	1.03	129.39	25.83	-	7.44	0.31	32.96	96.43	100.96
Computers	241.57	0.16	5.90	2.83	244.80	158.01	0.09	31.32	2.21	187.21	57.59	83.56
Furniture & Fixtures	115.31	-	2.59	0.19	117.71	38.67	-	7.45	0.10	46.02	71.69	76.64
Office Equipment	37.36	-	3.79	0.18	40.97	8.28	-	2.23	0.03	10.48	30.49	29.08
Vehicles	26.32	-	13.19	3.45	36.06	4.97	-	3.04	1.16	6.85	29.21	21.35
Total	**2,397.91**	**110.35**	**569.93**	**7.68**	**3,070.51**	**746.46**	**19.73**	**236.77**	**3.81**	**999.15**	**2,071.36**	**1,651.45**
Previous year	1,812.09		591.89	6.07	2,397.91	579.46		170.07	3.07	746.46	1,651.45	
Capital work - in - progress (including capital advances)	79.11		223.66	280.31	22.46	-		-	-	-	22.46	79.11

Notes :

Buildings- Leasehold include:

(i) Rs 208.53 million (as at March 31,2005 Rs. 208.53 million), Accumulated Depreciation-Rs.18.29 million (as at March 31,2005 Rs. 14.93 million) and Net Value-Rs.190.24 million (as at March 31, 2005 Rs.193.60 million) being lease premium paid in respect of building taken on lease for sixty years.

(ii) Rs. 87.10 million (as at March 31,2005 Rs.85.83 million), Accumulated Depreciation - Rs.31.89 million (as at March 31,2005 Rs.25.52 million) and Net Block-Rs.55.21 million (as at March 31,2005 Rs. 60.31 million) being the cost of improvement on leasehold building.

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

		As at Mar 31, 2006	As at Mar 31, 2005
VI	**Investments**		
	Long Term Investments (Unquoted and Fully Paid-up)		
	Trade :		
	(i) In Subsidiary Companies		
	45,302,704 Non-assessable shares of USD 0.30 each of 3i Infotech Inc., USA (as at Mar 31, 2005 -43,970,569)	**817.37**	772.83
	1,000,000 Non-assessable shares of USD 0.10 each of 3i Infotech Inc., USA	**47.74**	47.74
	1,690,000 Equity shares of SGD 1 each of 3i Infotech Pte Ltd., Singapore	**44.28**	44.28
	800,000 Equity Share of Rs. 10 each fully paid up of SDG Software Technologies Ltd	**99.00**	-
	(ii) In others		
	-(as at Mar 31,2005 - 1) Equity Share of EUR 12,500 of Semantik Solutions GmbH, Germany (Refer note no.2.4)	-	0.61
	Non-Trade :		
	200,000 Equity Shares of Srilankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	**1.02**	1.02
		1,009.41	**866.48**

Notes:

1 During the year, the Company has purchased 2,651,004,783 (for the year ended Mar 31, 2005 - 24,406,273) and sold 2,651,004,783 (for the year ended Mar 31, 2005 - 32,852,716) units of Mutual Funds.

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
VII Current Assets, Loans and Advances		
A Current Assets		
a) Inventories - Hardware	**0.34**	0.34
b) Sundry Debtors		
(Unsecured, considered good unless otherwise stated)		
- Debts outstanding for more than six months [net of doubtful debts provided for-Rs.76.67 million; (as at Mar 31, 2005 - Rs.65.46 million)]	**253.71**	80.49
- Other debts [net of doubtful debts provided for-Rs.21.76 million; (as at Mar 31, 2005 - Rs.5.54 million)]	**829.80**	495.40
	1,083.51	575.89
c) Unbilled Revenues	**587.16**	411.02
d) Cash and Bank Balances :		
i. Cash on hand	**0.25**	0.54
ii. Balances with scheduled banks:		
in current accounts *	**252.04**	65.10
in EEFC accounts	**0.17**	0.17
in deposit accounts	**2,187.45**	0.09
in margin money accounts**	**14.76**	2.95
	2,454.42	68.31
iii. Balances with Non-scheduled banks:		
in current accounts :		
with HSBC Bank Middle East (Maximum balance held at any time during the Year Rs.0.16 million; and for the year ended Mar 31, 2005 - Rs 0.19 million)	**0.14**	0.15
with HSBC Bank, Deira branch (Maximum balance held at any time during the year Rs.4.14 million; and for the year ended Mar 31, 2005 - Rs 4.40 million)	**2.01**	1.49
with Commerz Bank, Germany (Maximum balance held at any time during the year Rs.0.61 million; and for the year ended Mar 31, 2005 - Rs 0.61 million)	**0.61**	-
with Emirates Bank International (Maximum balance held at any time during the year Rs.150.88 million; and for the year ended Mar 31, 2005 - Rs 30.13 million)	**19.38**	11.63
in margin money accounts :**		

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in Million

	As at Mar 31, 2006	As at Mar 31, 2005
with Emirates Bank International (Maximum balance held at any time during the year Rs.17.60 million; and for the year ended Mar 31, 2005 - Rs 13.48 million)	**17.60**	11.39
with British Bank (Maximum balance held at any time during the year Rs 0.18 million; and for the year ended Mar 31, 2005 - Rs 0.18 million)	**0.18**	0.17
	39.92	24.83
	2,494.59	93.68
	4,165.60	1,080.93
* Includes cheques on hand and remittances in transit	**197.97**	52.16
** Towards performance guarantees		

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

		As at Mar 31, 2006	As at Mar 31, 2005
B	**Loans and Advances**		
	(Unsecured, considered good)		
	Loans :		
	i. To a subsidiary company	**-**	41.47
	ii. To others (including employees)	**-**	90.47
	Advance tax and tax deducted at source (net of provisions of Rs. 37.41 million and previous year Rs.25.93 million)	**90.23**	60.04
	Deposits	**96.91**	90.66
	Advances recoverable in cash or in kind or for value to be received *	**330.55**	311.72
	MAT credit receivable	**9.41**	-
	Advance against Share Capital	**-**	0.75
		527.10	595.11
		4,692.70	1,676.04
	*Includes Interest receivable	**4.93**	6.40
	*Includes recoverable from subsidiary companies	**208.87**	100.51
VIII	**Current Liabilities and Provisions**		
A	**Current Liabilities***		
	Acceptances	**160.11**	116.98
	Sundry creditors		
	(Due to other than Small Scale Industrial Undertakings)		
	- Trade	**292.49**	362.37
	- others	**44.46**	151.89
	Advances received from Customers (including unearned income)	**10.05**	45.39
	Interest accrued but not due	**0.06**	0.46
	Other liabilities	**150.81**	94.13
		657.98	619.33

* There are no amounts payable to Investors' Protection and Education Fund

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS — Rupees in million

		As at Mar 31, 2006	As at Mar 31, 2005
B	**Provisions**		
	Provision for retirement benefits	**61.43**	47.89
	Provision for warranty	**59.40**	25.86
	Proposed dividend	**116.35**	54.00
	Tax on dividend	**16.32**	7.06
		253.50	134.81
		911.48	754.14
IX	**Miscellaneous Expenditure** (To the extent not written off or adjusted)		
	Opening balance	**8.99**	10.40
	Add: expenses in relation to public issue of equity shares.	**128.36**	-
	Add: expenses in relation to issue of FCCB	**62.47**	-
		199.82	10.40
	Less : Written off during the year	**-**	1.41
	Less : Adjusted against share premium account	**199.82**	-
		-	8.99
X	**Income from Operations**		
	Product	**1,277.36**	880.73
	Services	**1,482.98**	1,189.55
		2,760.34	2,070.28
XI	**Other Income**		
	Interest (Gross, TDS - 0.01 million ; for the previous year - Nil)	**9.23**	8.23
	Dividend - Others (Non-Trade)	**11.45**	0.20
	Profit on sale of current investments (net)	**-**	0.05
	Credit balances / excess provision written back (net)	**-**	10.93
	Foreign Exchange Gain (net)	**14.97**	6.48
	Miscellaneous income	**23.37**	9.01
		59.02	34.90
XII	**Cost of Revenues**		
	Payments to and provisions for employees:		
	Salaries, bonus and other allowances	**879.43**	671.40
	Contribution to provident and other funds	**37.68**	37.03
	Staff welfare expenses	**34.74**	48.37
	Cost of Outsourced services & boughtout items	**722.11**	650.18
	Travelling and conveyance	**65.61**	45.82
		1,739.57	1,452.80
Less : Transferred to Capital work-in-progress		**204.22**	132.54
Less : Re-imbursement of costs by subsidiary companies		**90.86**	49.79
		1,444.49	1,270.47

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in million

		For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
XIII	**Selling, General and Administrative Expenses**		
	Salaries, bonus and other allowances	**115.41**	63.76
	Contribution to provident and other funds	**5.53**	5.30
	Staff welfare expenses	**29.04**	10.26
	Recruitment and Training Expenses	**48.62**	29.55
	Rent	**94.91**	57.30
	Insurance	**7.76**	8.48
	Travelling and conveyance	**83.23**	66.46
	Electricity Charges	**32.08**	23.63
	Rates and taxes	**4.76**	5.58
	Communication expenses	**52.41**	38.89
	Directors' fees	**1.06**	0.62
	Loss on sale/discarding of Fixed Assets (net)	**2.05**	1.00
	Printing and stationery	**19.22**	7.94
	Repairs and maintenance - building	**4.04**	3.95
	Obsolete stock written off	**-**	9.08
	Legal and professional charges	**35.91**	27.11
	Bank Charges and other financial charges	**24.91**	4.35
	Selling and distribution expenses	**29.41**	31.53
	Director's Commission	**6.09**	2.00
	Bad debts written off	**10.00**	0.10
	Provision for doubtful debts (net)	**31.58**	46.02
	Miscellaneous expenditure written off	**-**	1.41
	Miscellaneous expenses	**88.82**	55.74
		726.84	500.07
	Less : Transferred to Capital work-in-progress	**18.19**	23.58
	Less : Re-imbursement of costs by subsidiary companies	**46.99**	117.47
		661.66	359.01
XIV	**Interest**		
	- On term Loans	**62.49**	86.24
	- Others	**3.92**	20.67
		66.41	106.91

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006.

Schedule XV: Significant Accounting Policies and Notes to Accounts

1. Significant Accounting Policies

1.1 Method of Accounting
The financial statements have been prepared under the historical cost convention, on an accrual basis of accounting and in accordance with the generally accepted accounting practices in India (GAAP).

1.2 Use of estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements have been made relying on these estimates.

1.3 Revenue Recognition
Revenue from products is recognized on delivery / installation, as the case may be. Maintenance revenue in respect of products is deferred and recognized ratably over the period of the underlying maintenance agreement, as the case may be.

Revenue from services is recognized either on time and material basis or fixed price basis or based on certain measurable criteria as per relevant agreements. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixed-price contracts is recognized on the percentage of completion method. Revenue from other service contracts is recognized based on transactions processed, manpower deployment, as the case may be. Recovery of incidental expenses is added to such revenue.

1.4. a. Fixed Assets
Tangible: Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products. Other acquired intangible assets such as Goodwill and Business & Commercial Rights are capitalized at the acquisition price.

Advances paid towards acquisition of fixed assets and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.

b. Depreciation / Amortization:
Leasehold land, Leasehold building and improvements thereon are amortized over the period of lease.
Business & Commercial Rights and Software Products meant for sale is amortized over the period the benefits out of them is expected to accrue, in any case, not exceeding ten years, while other software products and Goodwill are amortized over a period of five years, as considered appropriate by the management.

Depreciation on other fixed assets is provided on straight-line method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956. Subsequent upgrades of hardware are charged off to revenue in the year of purchase.

1.5 Investments
Investments are classified into long-term investments and current investments. Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments. Current investments are carried at the lower of the cost and fair value and provision is made to recognize any decline in the carrying value.

1.6 Accounting for Taxes on Income
Provision for current income tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the Income - tax Act, 1961.

MAT credit asset is recognized and carried forward only if there is a reasonable certainty of it being set off against regular tax payable within the stipulated statutory period.

Provision for Fringe Benefit Tax (FBT) is made on the basis of expenses incurred on employees / other expenses as prescribed under the Income Tax Act, 1961

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

1.7 Translation of Foreign Currency Items

Transactions in foreign currency are recorded at the rate of exchange in force on the date of the transactions. Current assets, current liabilities and borrowings denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resultant gain/loss are recognized in the Profit & Loss Account, except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets. Overseas investments are recorded at the rate of exchange in force on the date of allotment.

In respect of foreign branch- (a) revenue items are recorded at the average rates during the accounting year; (b) monetary items are translated at the exchange rates prevailing at the balance sheet date; and (c) non-monetary items are recorded at the exchange rate on the date of the transaction.

1.8 Accounting of Retirement Benefits

The Company has retirement benefits such as Gratuity, Superannuation and Provident Fund, for its employees in India. Gratuity and Superannuation are covered by a scheme with Life Insurance Corporation of India and Provident Fund is administered through trustees. The Company's contribution to these funds is charged to revenue.

In respect of employees in foreign branches, necessary provision has been made based on the applicable laws. Liability for leave encashment for all employees and gratuity for that of employees in foreign branches is provided on the basis of the actuarial valuation at the year-end.

1.9 Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

1.10 Borrowing Costs

Borrowing costs directly attributable to acquisition, construction and production of assets are capitalized as a part of the cost of such asset upto the date of completion. Other borrowing costs are charged to the Profit & Loss Account.

1.11 Inventories

Inventories are valued at lower of cost and net realizable value. Cost is computed on 'first-in-first out' basis.

1.12 Unbilled and Unearned Revenue

Revenue recognized over and above the billings on a customer is classified as unbilled revenue while excess of billing over the revenue recognized on a customer is classified as unearned revenue.

1.13 Impairment of Assets

The Company evaluates the recoverability of its long-lived assets, including capitalized software and identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets, which is measured on a discounted cash flow basis, and charged to profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to extent of the carrying value of the asset that would have been determined (net of amortization / depreciation) had no impairment loss been recognized.

1.14 Preliminary and share issue expenditure

Preliminary expenses, Issue expenses including expenses incurred on increase in authorized share capital and premium on securities are adjusted against Securities Premium Account.

1.15 Employees Stock Option Scheme (ESOS)

Any concessions granted to employees under the Employees' Stock Option Scheme by way of grants made at a discount to the fair value of the Company's shares on the date of the grant, is accounted for by way of a charge to the Profit and Loss account over the vesting period, in line with guidelines issued by the Institute of Chartered Accountants of India or other regulatory authorities in this regard from time to time.

1.16 Lease

Lease transactions entered prior to 01.04.2001:
Lease rental in respect of assets acquired under leases are charged to Profit and Loss account.

Lease transactions entered into on or after 01.04.2001:
Where the Company has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rental paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating lease. Lease rentals for such leases are charged to Profit and Loss account.

2. Notes to Accounts

2.1 The Company made an Initial Public Offer ("IPO") for 23,000,000 Equity shares at Rs. 100 per share (including premium of Rs. 90 per share) including a Green Shoe Option for 3,000,000 shares, which opened on March 30, 2005 and closed on April 4, 2005. The Company had opted to appoint a stabilization agent for a period of one month from the date of listing of shares on the stock exchanges. During the year, the Company allotted 21,766,844 equity shares of Rs. 10 each, after considering the effect of stabilization, and accordingly credited the Securities Premium Account with Rs. 1959.02 million. Out of the issue proceeds of Rs. 2176.68 million, Rs 2150.38 million have been applied towards the objects of issue (including a part of the issue expenses) and the balance of Rs 26.30 million which is yet to be paid is earmarked and temporarily credited to cash credit account. Additionally the Company incurred Rs. 19.25 million out of its internal generation to meet issue expenses in excess of the limits mentioned in the IPO prospectus.

2.2 The Company had during March, 2006 issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating to US$ 50 million, at par. The bondholders have an option to convert these bonds into Equity Shares at an initial conversion rate of Rs. 230.00 per share at a fixed exchange rate (Rs. 44.35 =US$1), between April 24, 2006 and February 16, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issue, right issue, extraordinary dividend etc. Further, under certain conditions, the Company has an option for early redemption in whole but not in part. Unless previously converted, redeemed or repurchased or cancelled, the Company will redeem these bonds at 139.703 percent of the principal amount on March 17, 2011. Such premium is payable upon the Company opting to redeem or repurchase or cancel any time on or after March 30, 2009. Payment of premium is contingent upon certain factors the outcome of which is not determinable as of now and therefore the management has treated the amount payable as contingent. Accordingly premium (maximum amount payable being Rs 880.41 million) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation.

The Company incurred Rs. 62.47 million towards the said issue as issue expense, out of which Rs. 18.06 million is yet to be paid. The amount of Rs 2186.38 million, being issue proceeds along with the balance of issue expenses are yet to be applied towards the objective of the issue and is invested in fixed deposits temporarily.

2.3 The Company had in November 2005 entered into share purchase agreement with the owners of SDG Software Technologies Limited (SDG), Hyderabad, India to acquire the 800,000 shares (representing 80% of the paid up capital of SDG) for a consideration of Rs 99.00 million along with a commitment to acquire the balance 20% of the paid up capital at a future date for additional consideration payable of Rs.1.00 million and further maximum consideration (earn out) of Rs.60.00 million payable upon achievement of certain measurable criteria. As of March 31, 2006 the earn out and the entire additional consideration for the balance equity shares has been claimed and paid in full in April 2006.

2.4 During the year, the Company acquired the balance 50% interest in erstwhile Joint Venture Viz., Semantik Solutions GmbH, Germany (SSG). Effective January 1, 2006 the Company merged the above subsidiary company after obtaining the requisite approval from Reserve Bank of India. Accordingly the following assets, liabilities and accumulated losses have been accounted for under the Pooling of Interest Method as prescribed in the Accounting Standard-14 " Accounting for Amalgamation" and included in the corresponding assets, liabilities and Profit and Loss account balance of the Company:

	(Rs. In million)	(Rs. In million)
Fixed Assets		110.35
Accumulated Depreciation		19.73
Accumulated Losses		61.50
Current Assets	0.61	
Less : Current Liabilities	0.43	0.18

Investment of Rs. 1.31 million in the share capital of Semantik Solutions GmbH, Germany , Loan of Rs 88.23 million, Debtors of Rs 28.16 million, Advances of Rs 28.72 million and Accrued Interest of Rs 5.96 million have been cancelled / squared off .

2.5 Capital commitments and contingent liabilities

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances). (Also Refer Note No. 2.3)	109.05	39.45
Contingent Liabilities		
Outstanding guarantees given by banks	252.97	55.00
Premium on redemption of FCCB (Refer Note no 2.2)	880.41	-
Estimated amount of claims against the Company not acknowledged as debts in respect of :		
- Disputed Income Tax matters	18.49	18.49
- Others*	4.01	3.80

*Includes expenses of legal cases relating to Registrar & Transfer Services which are reimbursable by the Principal to the extent of Rs. 1.42 million.

2.6 Leases:

a. Operating Lease:

(i) The Company has acquired certain Land and Building under a lease arrangement for a period of sixty years at a premium of Rs.4.96 million starting from December 4, 2000 for Land and Rs.156.17 million starting from Mar 13, 2000 and Rs.50.54 million from Mar 1, 2003 for building and the same is being amortized over the lease period. All other lease arrangements are renewable / cancelable at the Company's and / or lessors' option as mutually agreed.

(ii) The Company avails from time to time non-cancelable long-term leases for computers and office equipment. The total of future minimum lease payments that the Company is committed to make are:

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
- within one year	16.59	6.67
- later than one year and not later than five years	30.01	14.26
-later than five years	-	-

b. Financial Lease:

There were no financial leases entered into by the Company.

2.7 Auditors' Remuneration:

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Audit Fees	2.14	1.58
Tax Audit Fees	0.08	0.07
Certification Fees	0.42	2.35
Re-imbursement of out of pocket expenses	0.31	0.28
Total	**2.95**	**4.28**

2.8 Managerial Remuneration: *

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Salaries, Bonus and other allowances	14.06	10.59
Contribution to Provident and Other Funds	1.88	0.45
Monetary value of perquisites	0.71	1.43
Commission	6.09	2.00

*Excluding contribution to the gratuity fund and provision for leave encashment but including monetary value of the perquisites computed as per the Income- tax Rules, wherever necessary

Compulation of Net Profit under Section 198, 309 and 349 of the Company Act, 1956.

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Profit as per Profit and Loss Accounts	392.13	176.06
Add:		
Provision for current taxes under Income Tax Act, 1961	9.83	12.79
Directors Commission	6.09	2.00
Depreciation	236.77	170.07
	644.82	360.92
Less:		
Depreciation as per Scheldule XIV	236.77	170.07
Net Profit to ascertain commission payable to Directors	408.05	190.85
Add:		
Director's Remuneration	16.65	12.47
Director's Sitting Fees	1.06	0.62
Net Profit to ascertain remunerationto Directors	425.76	203.94

Percentage of Commission payable to Non whole time directors*	1.50%	0.98%
Percentage of Remuneration paid to Directors	5.59%	7.40%

*Central Government's approval vide No. 1/392/2005-CLVII date January 17, 2006 was availed to pay in excess of 1%

2.9

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
(i) Cost of Outsourced services & bought out items' include / is net of:		
a. Expenses towards repairs & maintenance-Computers	9.69	5.58
b. Expenses towards commission on sales	57.74	50.20
(ii)Payments to and Provisions for employees		
Payments to and Provisions for employees	1101.83	836.12

2.10 Deferred tax liability:
The break - up of net deferred tax liability / asset is as under:

Rupees in million

	As at Mar 31, 2006	As at Mar 31, 2005
Deferred Tax Asset:		
Unabsorbed losses / depreciation	173.44	163.68
Expenses allowable on payment and others	43.77	24.80
	217.21	188.48
Deferred Tax Liability:		
Fixed Assets (depreciation / amortization)	225.70	188.68
Net Deferred Tax Liability / (Asset)	**8.49**	**0.20**

2.11 **Employee Stock Option Plan**
The Company's Employees Stock Option Scheme–2000, provides for issue of equity option up to 25% of the paid-up Equity Capital to eligible employees. The scheme covers whole time directors and the employees of the subsidiaries, the erstwhile holding company and subsidiaries of the erstwhile holding company, apart from the employees of the Company. The options vest in a phased manner over three years with 20%, 30% and 50% of the grants vesting at the end of each year from the date of grant and the same can be exercised within ten years from the date of the grant at a price determined on the date of grant.

In million

	As at Mar 31, 2006	As at Mar 31, 2005
Face value per grant (Rs)	10.00	10.00
Grants:		
Outstanding as at beginning	6.50	2.43
Add: Granted during the year	0.10	4.36
Less: Exercised during the year	0.28	0.02
Less: Forfeited during the year	0.62	0.27
Outstanding as at end	5.70	6.50
Vested:		
Outstanding as at beginning	1.70	1.28
Add: Vested during the year	1.09	0.59
Less: Exercised during the year	0.28	0.02
Less: Forfeited during the year	0.17	0.15
Outstanding as at end	2.34	1.70
Grants to Managing Director:		
Outstanding as at beginning	0.70	0.13
Add: Granted during the year	—	0.57
Less: Exercised during the year	—	—
Less: Forfeited during the year	—	—
Outstanding as at end	0.70	0.70
Vested to Managing Director:		
Outstanding as at beginning	0.09	0.06
Add: Vested during the year	0.14	0.03
Less: Exercised during the year	—	—
Less: Forfeited during the year	—	—
Outstanding as at end	0.23	0.09
Grants to Other Whole Time Director:		
Outstanding as at beginning	0.59	0.09
Add: Granted during the year	—	0.50
Less: Exercised during the year	—	—
Less: Forfeited during the year	—	—
Outstanding as at end	0.59	0.59

	As at Mar 31, 2006	As at Mar 31, 2005
Face value per grant (Rs)	10.00	10.00
Vested to Other Whole Time Director:		
Outstanding as at beginning	0.05	0.03
Add: Vested during the year	0.12	0.02
Less: Exercised during the year	0.01	—
Less: Forfeited during the year	—	—
Outstanding as at end	0.16	0.05
Grants to Non-Executive Directors:		
Outstanding as at beginning	0.25	—
Add: Granted during the year	0.11	0.25
Less: Exercised during the year	0.01	—
Less: Forfeited during the year Outstanding	0.09	—
as at end	0.26	0.25
Vested to Non-Executive Directors:		
Outstanding as at beginning	—	—
Add: Vested during the year	0.05	—
Less: Exercised during the year	0.01	—
Less: Forfeited during the year	—	—
Outstanding as at end	0.04	—

2.12 Amount of exchange difference (net) credited to Profit & Loss Account during the year ended March 31,2006 is Rs.14.97 million (for the year ended Mar 31, 2005 credited–Rs.6.48 million).

2.13 Earnings Per Share:
The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Profit as per accounts (Rs. in million)	392.13	176.06
Less: Dividend on preference shares for the year (incl. corporate taxes)	(70.03)	(90.29)
Less: Proposed Dividend on preference shares (incl. Corporate taxes)	(11.70)	(17.41)
Profit attributable to Equity Shareholders (Rs. in million) A	310.40	68.36
Weighted average number of Equity Shares outstanding during the year (Nos.) B	51,828,328	30,990,563
Add : Effect of dilutive issues of options	2,043,360	2,97,428
Diluted weighted average number of Equity Shares outstanding during the year (Nos.) C	53,871,688	31,287,991
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings Per Share (Rs.) A/B	5.99	2.21
Diluted Earnings Per Share (Rs.) A/C	5.76	2.18

2.14 Related Party Transactions:

1. The parties where control exists (subsidiaries) :- 3i Infotech Inc., United States of America; 3i Infotech Pte Limited Singapore; 3i Infotech SDN BHD, Malaysia; 3i Infotech UK Limited, United Kingdom; 3i Infotech (Thailand), Thailand; 3i Infotech Consulting Inc. (Formerly Innovative Business Solutions Inc.) , United States of America; Formula-ware Inc., United States of America; SDG Software Technologies Limited, Hyderabad, India; SDG Software Technologies Pte Limited, Singapore.

2. Other related parties with whom transactions have been entered into in the ordinary course of business:-

   - Associates: ICICI Bank, ICICI Bank Canada, ICICI Venture Funds Management Company limited, ICICI Securities Limited, ICICI Home Finance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, ICICI Brokerage Services Limited, ICICI Securities Inc, Sridhar & Santhanam.
   - Directors / Key Management Personnel: Mr.V Srinivasan (Managing Director & Chief Executive Officer), Mr.Hari Padmanabhan (Deputy Managing Director), Mr.Manoj Kunkalienkar (Executive Director).

During the year, following transactions were carried out with the related parties in the ordinary course of business:

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
Subsidiaries - 3i Infotech Inc:		
Income	130.89	109.22
Interest Income	0.26	1.49
Expenses	-	2.64
Guarantee given on its behalf	201.66	43.75
Loan granted / (Repaid)	(41.47)	41.47
Investment made	44.54	56.23
Advance given / (Repaid)	(19.85)	172.10
Subsidiaries - Others:		
Income	24.42	20.89
Interest Income	2.32	-
Expenses	14.80	-
Loan granted / (Repaid)	-	(25.33)
Investment made/(transferred)	-	(48.11)
Advances given/(repaid)	(20.99)	5.59
Joint Venture - Semantik Solutions GmbH:		
Income	-	17.59
Interest Income	-	3.57
Loan granted / (Repaid)	-	61.64
Advances given/(repaid)	-	6.61
Associates - ICICI Bank Ltd:		
Income	989.62	744.74
Expenses (including public issue expenses)	18.01	15.42
Bad Debts	-	0.10
Loan granted / (Repaid)	(202.27)	236.38
Dividend Equity	-	4.57
Preference Dividend	86.64	95.51
Repayment of Preference Share Capital	(500.00)	-
Associates - Others:		
Income	115.72	75.50
Expenses (including public issue expenses)	38.28	6.52
Assets purchased	-	137.28
Dividend Equity	-	9.76
Directors, Key Management Personnel and their relatives:		
Remuneration / fees	16.65	13.59
Expenses	0.34	-

Rupees in million

	Outstanding balance as at Mar 31, 2006	Outstanding balance as at Mar 31, 2005
Subsidiaries - 3i Infotech Inc		
Investments	865.11	820.58
Loans Given / (taken)	-	41.47
Other Advances	208.87	228.72
Sundry Debtors	292.49	94.13
Guarantees Outstanding	245.41	43.75
Subsidiaries - Others:		
Investments	143.28	44.28
Other Advances	-	20.99
Sundry Debtors	46.27	42.30
Sundry Creditors	1.63	-
Unbilled Revenue	-	0.01
Joint Venture - Semantik Solutions GmbH:		
Investments	-	0.61
Share Application Money	-	0.75
Loans Given / (taken)	-	90.47
Other Advances	-	8.07
Sundry Debtors	-	18.33
Associates - ICICI Bank Ltd:		
Loans availed	43.41	245.68
Bank balances	2241.66	11.57
Other Advances	0.14	0.13
Sundry Creditors	9.75	8.55
Unbilled Revenues	23.17	3.81
Sundry Debtors	225.39	94.03
Associates - Others:		
Other Advances	0.71	0.08
Sundry Debtors	26.25	24.96
Advances received from customers	0.06	-
Unbilled Revenues	3.44	2.31
Directors, Key Management Personnel and their relatives:		
Sundry Creditors	-	107.86

3. Related party relationship is as identified by the management and relied upon by the auditors.
4. No balances in respect of the related parties have been provided for/written back except as stated above.

2.15 In the opinion of the Board, the investments, current assets, loans and advances are realizable at a value, which is at least equal to the amount at which these are stated, in the ordinary course of business and provision for all known and determined liabilities are adequate and not in excess of the amount stated.

2.16 Quantitative Details:
The Company's operations comprise of Software Development Consultancy, Services and Software Products. The production and sale of software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

2.17

Rupees in million

	For the year ended Mar 31, 2006	For the year ended Mar 31, 2005
a. CIF value of import of:		
Capital goods	401.44	—
b. Expenditure in foreign Currency in respect of:		
(i) Selling & Distribution Expense	—	10.17
(ii) Cost of outsourced services and boughtout items	4.27	76.11
(iii) Travelling and other expenses	88.48	35.93
(iv) Dubai branch expenses (Including Professional and Consultancy charges Rs.8.09 million; for the year ended Mar 31, 2005 – Rs.8.40 million and Commission paid/payable to agents Rs. 48.94 million; for the year ended Mar 31, 2005 – Rs.49.52 Million)	736.34	362.35
(v) London branch expenses (Including Professional and Consultancy charges Rs 0.56 million; for the year ended Mar 31, 2005 – Rs. 0. 52 Million)	11.32	17.04
c. Dividend remitted in Foreign currency		
Number of shares	23,07,268	4,614,535
Dividend for the year	2004-05	2003-04
Amount remitted	2.31	1.15
d. Earnings in foreign currency		
(i) Income from Software development services and sale of products	1271.09	856.13
(ii) Interest Income	2.58	6.16

2.18 Figures for the previous year have been re-grouped / re-arranged, wherever considered necessary to conform to current year's presentation.

Signatures to Schedules "I" to "XV"

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

Mumbai, April 19, 2006

3i Infotech
Innovation • Insight • Integrity

3I INFOTECH LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No : 74411 **State Code** : 11
CIN No. : U67120MH1993PTC074411

Balance sheet Date : March 31, 2006

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

Public Issue 1,701.11	**Rights Issue** Nil
Bonus Issue Nil	**Private Placement** Nil

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

Total Liabilities 6,884.45	**Total Assets** 6,884.45

Source of Funds :

Paid -up Capital 1,530.45	**Reserve and Surplus** 2,191.74
Secured Loans 563.48	**Unsecured Loans** 2590.29
	Deferred Tax Liability 8.49

Application of funds :

Net fixed assets 2,093.82	**Investments** 1,009.41
Net Current Assets 3,781.21	**Miscellaneous Expenditure** -
Accumulated Losses -	**Deferred Tax Asset** -

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

Turnover 2,819.36	**Total Expenditure** 2,409.33
Profit Before Tax 410.03	**Profit After Tax** 392.13
Earning per Share in Rupees 5.99	**Dividend** 20.00%

V. Generic Name of Principal Product/Service of the Company (as per monetary terms)

Item Code No.	:	Not applicable
Service Description	:	Software Development and Consulting Services Software Products IT Infrastructure Networking & Facilities Management Services IT Enabled Transaction Processing Services Others

For and on behalf of the Board

V. Srinivasan
Managing Director & CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Chief Financial Officer

Shivanand R. Shettigar
Company Secretary

Mumbai, April 19, 2006

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