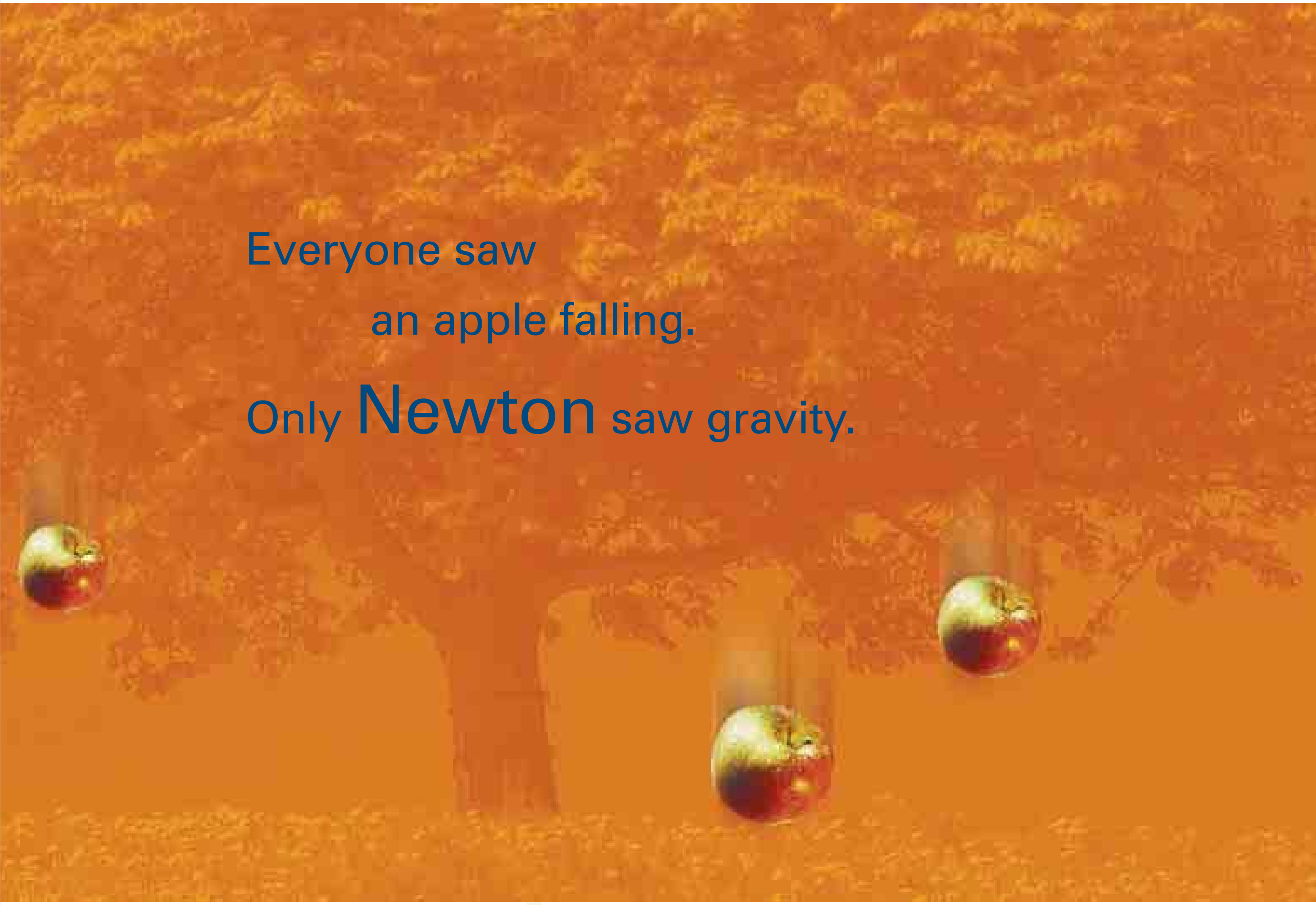
ANNUAL REPORT 06-07

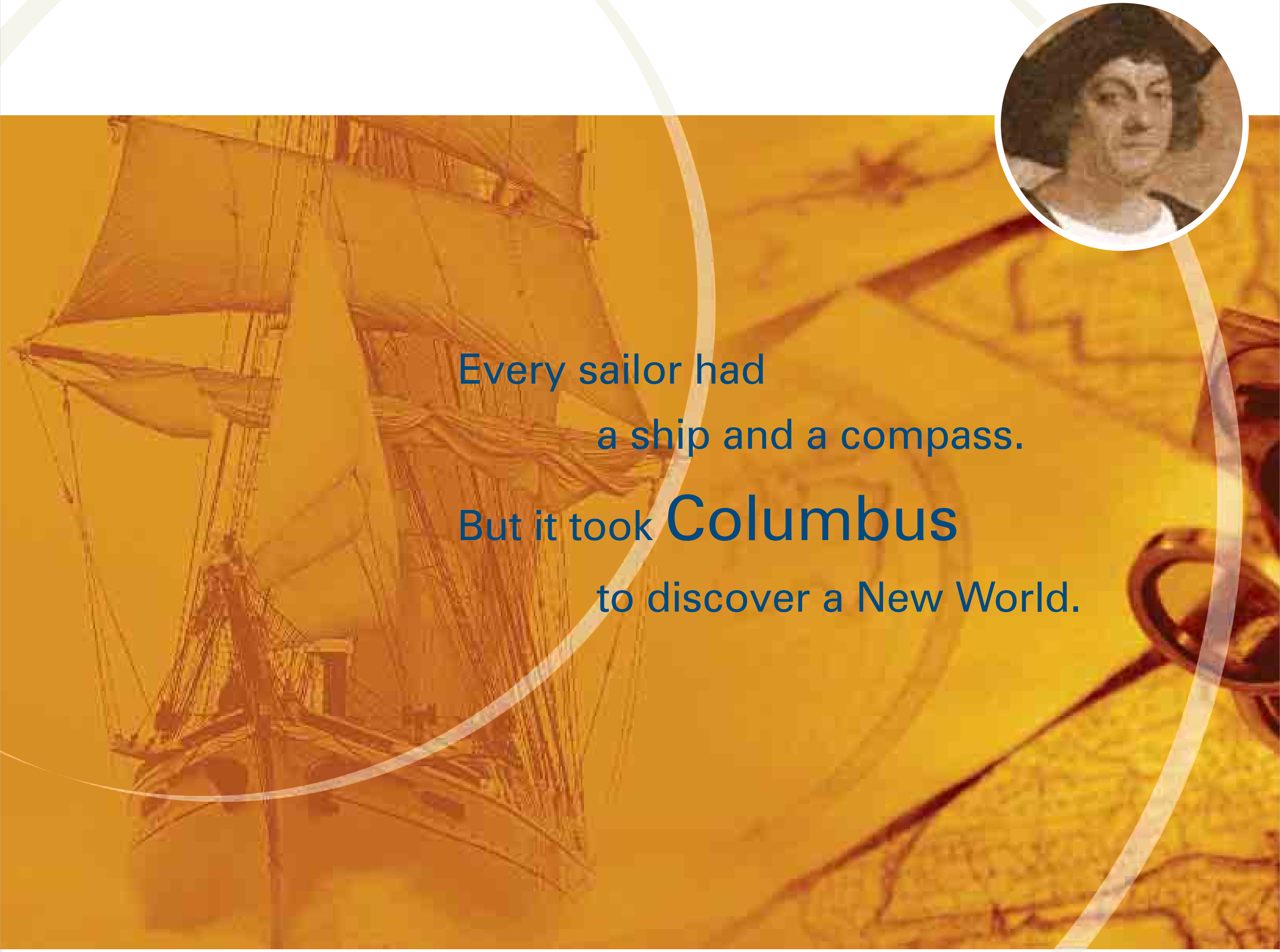
3i Infotech

Innovation • Insight • Integrity

ANNUAL REPORT 06-07

ANNUAL REPORT 06-07


Everyone saw
an apple falling.
Only Newton saw gravity.



Every sailor had

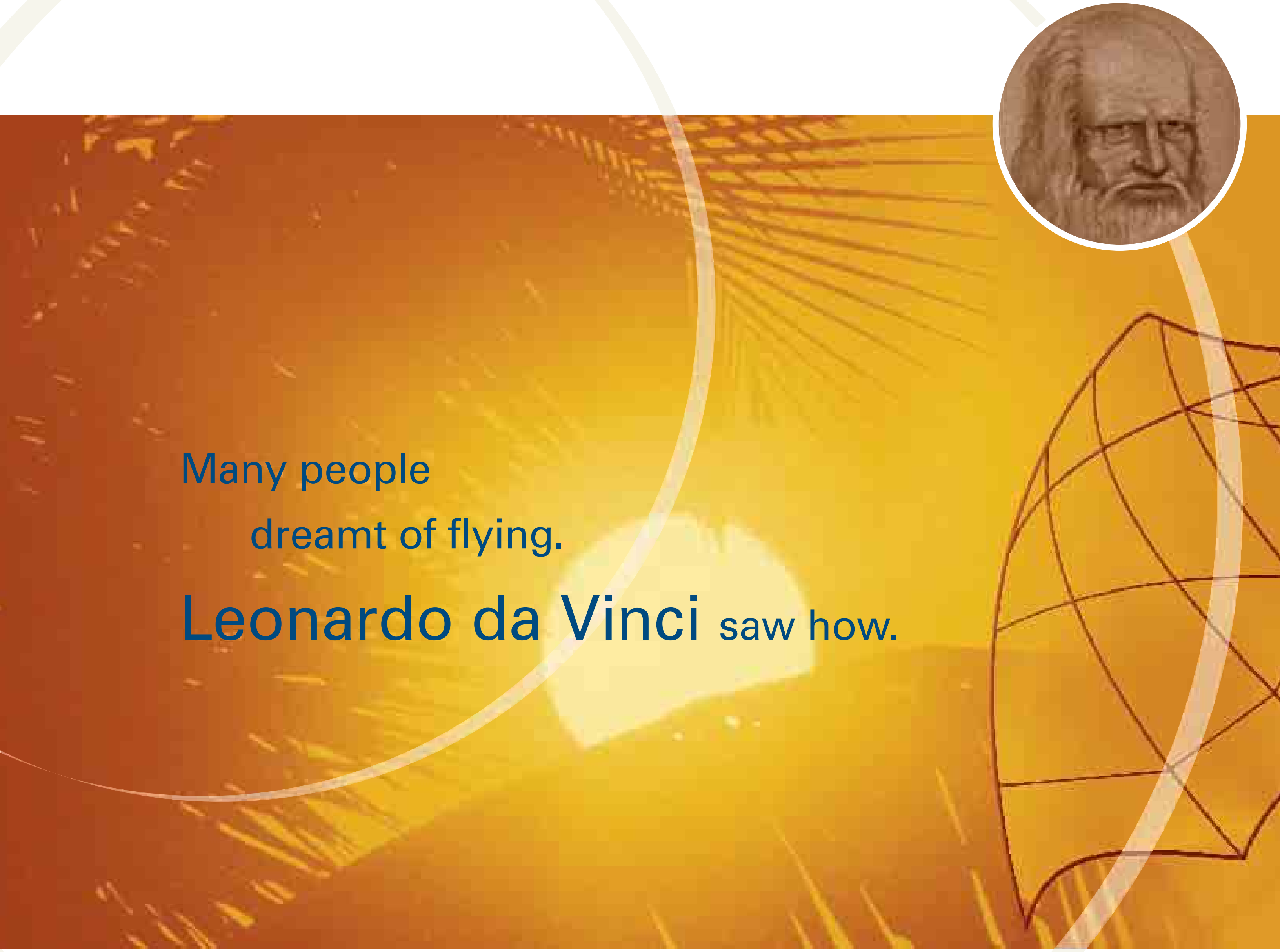
a ship and a compass.

But it took **Columbus**

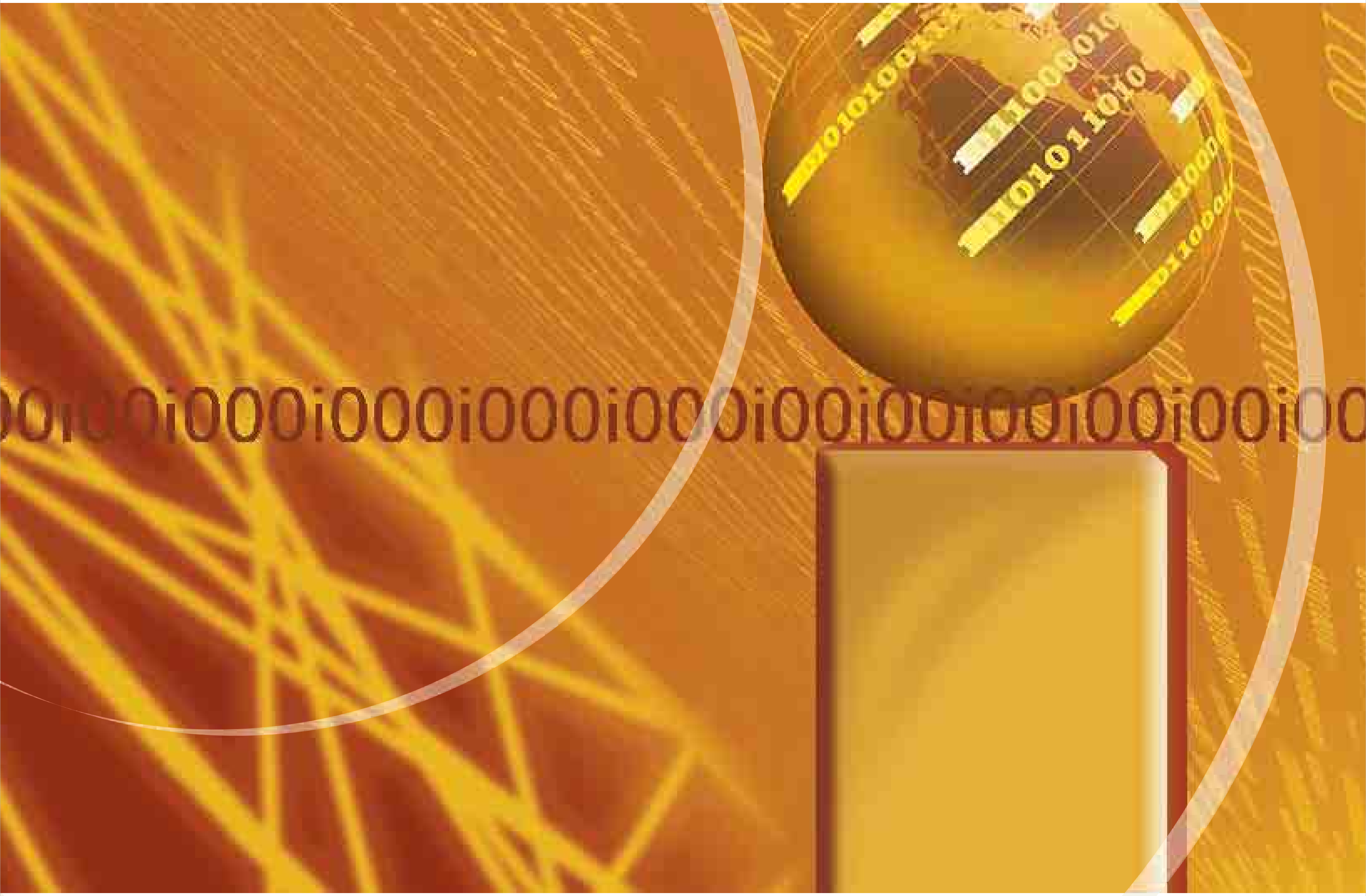
to discover a New World.

ANNUAL REPORT 06-07

Anyone could look
through a telescope.
But Galileo saw
more than anyone else.



Many people
dreamt of flying.
Leonardo da Vinci saw how.



Anyone can see the obvious.

It takes a 3i Infotech

to go beyond the obvious.

We thought innovatively, not conventionally.

We saw with insight, not just sight.

And we delivered with integrity.

MISSION

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

OUR CORE VALUES

Innovation

Flexibility is the key to our offerings, and intrinsic to this flexibility, is the spirit of **Innovation** that we bring to our products and services - from the very stage of design to implementation and customer support.

Insight

At 3i Infotech, we have always prided ourselves on the vision, skills, expertise and professionalism of our team. 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, we look at the Core Value of **Integrity** as 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.

NNUAL REPORT

'06 - '07

'06 - '07

At 3i Infotech we have always observed that growth belongs to the non-conformists.

Which is why we've done things differently, all along.

At every step we've believed in free thinking not bound by the past.

Some of the new ideas which have helped in bringing us to where we are today are a 'de-risked' business model, a wide geographical spread of revenues, a 1:1 products **and services** mix and an end-to-end spectrum across the Banking, Financial Services & Insurance (BFSI) space.

We also launched the country's first Insurance Broking Exchange.

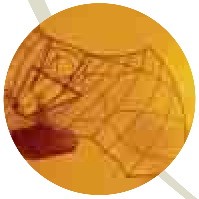
And we acquired local companies and made them capable of competing globally.

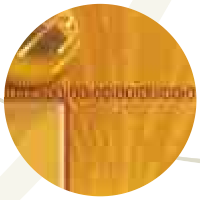
To put our ideas into practice, we established an Innovation Forum, a Technology Forum, a Merger Integration Team and a Cultural Integration Team.

However, the indisputable proof that all this innovative thinking works is that our turnover has increased substantially over the last few years. It has moved up from Rs. 4,240 million in FY06 to Rs. 6,700 million in FY07!

3i Infotech

Innovation • Insight • Integrity





COMPANY DETAILS

Board of Directors

Hoshang N. Sinor, Chairman

Ashok Jhunjhunwala, Director

Bruce Kogut, Director

Madhabi Puri Buch, Director

Samir Kumar Mitter, Director

S. Santhanakrishnan, Director

Suresh Kumar, Director

V. Srinivasan, Managing Director & CEO

Hariharan Padmanabhan, Deputy Managing Director

Amar Chintopanth, Executive Director & CFO

Principal Bankers

ICICI Bank

Development Credit Bank

Auditors

Lodha & Co., Chartered Accountants

Corporate Office

3i Infotech Limited

Akruti Centre Point, 6th Floor,

MIDC Central Road,

Next to Marol Telephone Exchange,

Andheri (E), Mumbai - 400 093,

INDIA

Tel: +91 22 39145700

Fax: +91 22 39145520

Executive Management

V. Srinivasan, Managing Director & CEO

Hariharan Padmanabhan, Deputy Managing Director

Amar Chintopanth, Executive Director & CFO

Anirudh Prabhakaran, Head - South Asia

Arvind Gupta, Head - Business Intelligence & Data Warehousing

Bharat Gupta, Head - Document Management Solutions

Chandrashekar M.S., Head - Mutual Funds

Chris Potts, CEO - Rhyme Systems Holdings Ltd. (Subsidiary of 3i Infotech)

Debneel Mukherjee, Head - Asia Pacific

Kalpesh Desai, Head - Europe, Middle East & Africa

M.B. Battliwala, Head - Marketing & Public Relations

Manoj Mandavgane, Head - Resourcing & HR

Padmanabhan Iyer, Head - Product Development - Banking, Insurance & ERP

Ravi Jagannathan, Head - BPO Services

Shivanand Shettigar, Company Secretary & Head - Legal & Compliance

Suheim Sheikh, Head - Capital Markets

Registered Office

3i Infotech Limited

Tower # 5, 3rd to 6th Floors,

International Infotech Park,

Vashi, Navi Mumbai - 400 703,

INDIA

Tel: +91 22 67928000

Fax: +91 22 67928095

CHAIRMAN'S MESSAGE

Dear Members,

It gives me great pleasure to share with you the progress your Company has made vis-à-vis the strategy it has adopted and also share with you the strategic path ahead in the light of emerging global trends.

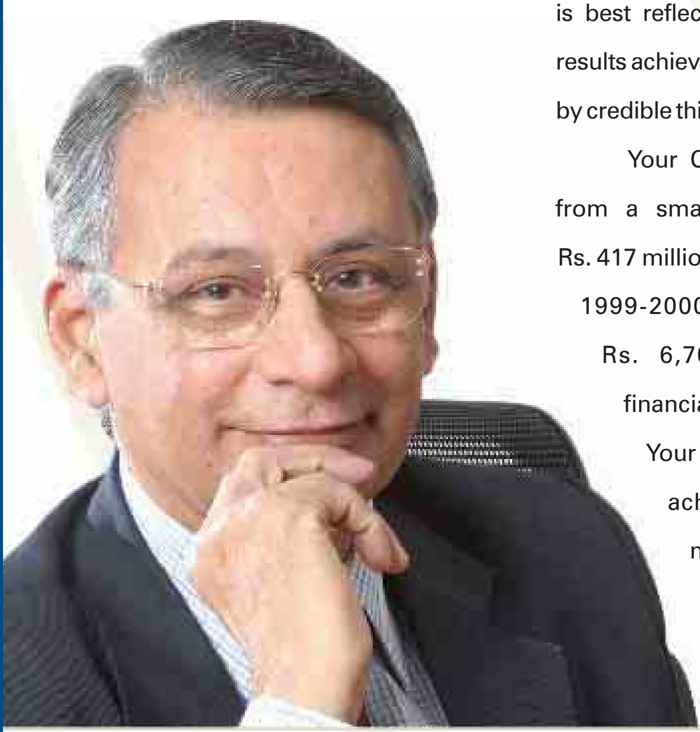
Your Company has, over the years, positioned itself as a 'Solutions' Company rather than a pure 'Services' or a pure 'Products' Company, thereby achieving an aggressive and balanced growth. This is reflected in the substantial growth your Company has achieved over the years in revenues and margins across geographies, offerings and customers.

The success of any strategy is best reflected by the objective results achieved and endorsements by credible third parties.

Your Company has grown from a small revenue base of Rs. 417 million in the financial year 1999-2000 to revenues of Rs. 6,708 million in the financial year just gone by. Your Company has also achieved a landmark milestone of crossing the Rs. 1,000 million mark in profits, by posting robust profits after tax of Rs. 1,045 million for the financial year 2006-07.

Achievements are best appreciated when they are communicated not by us, but are acknowledged by the various stakeholders viz. the company's customers, partners, industry experts, etc. Your Company has won various awards and accolades during the year across the globe, thereby reinforcing the fact that growth with quality of offerings is a sure road to success. Your Company will endeavor to move along this path in the future.

While it moves aggressively on the growth path, your Company also ensures that it follows the best governance practices and remains financially strong. It, therefore, constantly benchmarks itself



Hoshang N. Sinor, Chairman

against best practices. The ratings given to the Company by agencies like ICRA on Corporate Governance and Dun & Bradstreet on financial strength are endorsements of this.

Any strategy would need to take into account the economic environment in which the enterprise operates. I would therefore like to share with you some aspects of the global economic scenario and how your Company has strategized to operate in this environment.

The Global GDP is expected to grow at a CAGR of 3.5% during 2006-20, with developed countries growing at 2-3% p.a. and emerging countries (like India and China) growing at 8-9% p.a. Propelled by fast growth in China and India, Asia is expected to increase its slice of the world GDP from 35% in 2005 to 43% in 2020. High growth in emerging markets will result in high income levels and increased spending. This, in turn, will lead to a boom in the BFSI segment comprising retail loans, mortgages, insurance, mutual funds and capital markets. Your Company being present in all these sectors, coupled with its expertise in Managed IT Services and BPO, is well-positioned to capture this market. A wide range of offerings, both in products and services, will allow your Company to get a higher share of the IT wallet of players in the BFSI segment.

On the other hand, the companies in the developed markets like the US, which have been using legacy systems, will try to look for newer solutions to remain competitive in the global economy, which is continuously becoming flat. Your Company, with its wide range of offerings, both in products and services, including Managed IT Services and BPO, will be well-poised to capture this growth opportunity.

Your Company has, through an organic and acquisitive approach, built a range of offerings in the ‘Solutions’ space, which will meet the requirements of both the emerging Asian markets and the developed markets. It is, therefore, well-positioned to take advantage of the emerging trends in the global economy and capitalize on the same. I am, therefore, confident that having identified the right markets and the right offerings, and with a strong management team, your Company is poised for further substantial growth in the future years.

While thanking you for all the support in the past, I look forward to your continued support to the Company as it moves along the path of growth.

Thank You.

MANAGING DIRECTOR & CEO'S MESSAGE

Dear Members,

The year 2006-07 has been a memorable one for 3i Infotech. The Company took some strategic decisions that will contribute to its growth very significantly in the coming years. These include the entry of the Company in the Mutual Funds vertical, both in the products and services space, launch of the first ever Insurance Broking Exchange in India, expansion in the domestic BPO space in India, an entry into the UK market through a significant acquisition and also making its first insurance product sale in that geography, etc. This year also saw the Company successfully complete two Foreign Currency Convertible Bond (FCCB) issues, make many strategic acquisitions and maintain the impressive growth trajectory. It gives me great pleasure to share with you the highlights of some major accomplishments of the Company.

PERFORMANCE

The Company posted record results in fiscal 2006-07. Revenue on a consolidated basis grew to Rs. 6,708 million, registering a growth of 58% over the previous year's revenue of Rs. 4,240 million. Both the segments, products and services, witnessed good growth in the year. Lower growth in the costs as compared to the revenue resulted in improvement in margins, both at the operating level and at the net level. Operating profits (EBITDA) on a consolidated basis grew to

> "The Company posted record results in fiscal 2006-07. Revenue on consolidated basis grew to Rs. 6,708 million, registering a growth of 58% over the previous year's revenue of Rs. 4,240 million."

Rs. 1,585 million, a growth of 85% over previous year's operating profit of Rs. 858 million. The net profit grew to Rs. 1,045 million, registering a growth of 81% over last year's consolidated net profit of Rs. 577 million. In the beginning of the year, the Company gave a guidance of revenue growth of 25-30% and EPS of Rs. 13.0-13.5. This guidance was raised during the year to revenue of Rs. 6,200 - Rs. 6,400 million (growth of 46% to 51%) and EPS of Rs. 16.0 to Rs. 17.0 (on an equity base of Rs. 534 million). We are happy to say that your Company has posted results better than the revised guidance, with revenues of Rs. 6,708 million and EPS of Rs. 17.98 (on an equity base of Rs. 563 million).

The major business initiatives taken by the Company in the year include the launch of PREMIA Insurance Broking eXchange (IBX), a first of its kind subscription based Internet solution for the Indian insurance industry, commencement of BPO operations for the Mutual Funds industry, commissioning of Nemmadi, the prestigious Government of Karnataka's e-Governance project and the launch of the Technology Center of Excellence together with Oracle.

The significant accolades bestowed on your Company include securing 2nd rank in the Lending Segment in 2006, by the UK based International Banking Systems (IBS), widely recognized as a definitive source of banking news, research and analysis, in its March 2007 issue; being honored with the Asia Insurance 'Service Provider of the Year' award for the second year in succession; and winning the Frost & Sullivan Product Innovation Award for Insurance Solutions, 2006.

ACQUISITIONS COMPLEMENT ORGANIC GROWTH

The Company has carried out several acquisitions in the current year, mainly as a catalyst to organic growth. The acquisitions have been carried out with the following objectives:

Entering niche areas in the BFSI segment. Example:

The acquisition of Datacons, a company operating in the Mutual Fund space, has given the company an entry into the lucrative Mutual Funds space.

Complimenting our existing suite of products. Example:

The acquisition of Stex Software gave the Company a document imaging

V. Srinivasan, Managing Director & CEO

and work flow product which would compliment all our products and would also enable us to further penetrate our customer base. Similarly, the acquisition of e-enable, a company in the Business Intelligence (BI) area, has helped in creating BI modules to be integrated with the Company's existing products, thereby

> The Company has carried out several acquisitions in the current year, mainly as a catalyst to organic growth.

enhancing the value of the existing products significantly. It would also enable the Company to offer BI as an independent solution.

Entry into new markets. Example: With the acquisition of Rhyme Systems, the Company entered the brokerage and private wealth management market in the UK.

HUMAN RESOURCE - A SOURCE OF COMPETITIVE ADVANTAGE

"Competitive advantage can be obtained with a high quality workforce that enables organizations to compete on the basis of market responsiveness, product and service quality, differentiated products and technological innovation".

The Company has currently over 4,000 employees. The Company recognizes that in order to realize the growth potential from the acquired companies, it is important to retain and integrate the employees of the acquired companies. The Company has taken several steps (training, ESOPs, etc.) in order to attract and retain skilled talent. We focus on an initial learning program for our trainees as well as continuous learning programs for all our employees.

Sound judgment, a positive attitude and an innovative mind are all characteristics that companies want in their employees, but these qualities do not come easily; they have to be nurtured. It has always been the endeavour of the Company to encourage innovative and practicable ideas. The setting up of an organization-wide Innovation

> The Company has currently over 4,000 employees. The Company recognizes that in order to realize the growth potential of the acquired companies, it is important to retain and integrate the employees of the acquired companies.

Forum was aimed at kindling the spirit of innovation among all the employees. These efforts have paid dividends. One of these was the launch of PREMIA™ Insurance Broking eXchange (IBX),

> The setting up of an organization-wide Innovation Forum was aimed at kindling the spirit of innovation among employees.

India's first subscription and Internet based insurance broking software, at the Insurance Brokers Association of India (IBAI) Conference 2006, held in Mumbai in September 2006. PREMIA™ IBX enables insurance brokers, companies and customers to interact in real time with one another on the same software interface through the Web.

With your continued support we look forward to

> These efforts have paid dividends. One of these was the launch of PREMIA Insurance Broking eXchange (IBX)...

setting higher performance standards, overcoming greater challenges and achieving new milestones with renewed commitment to our core values of *Innovation, Insight and Integrity.*

3i Infotech
Innovation • Insight • Integrity

"There can be as much value
in the blink of an eye as
in months of rational analysis."
- Malcolm Gladwell

ANNUAL REPORT 06-07

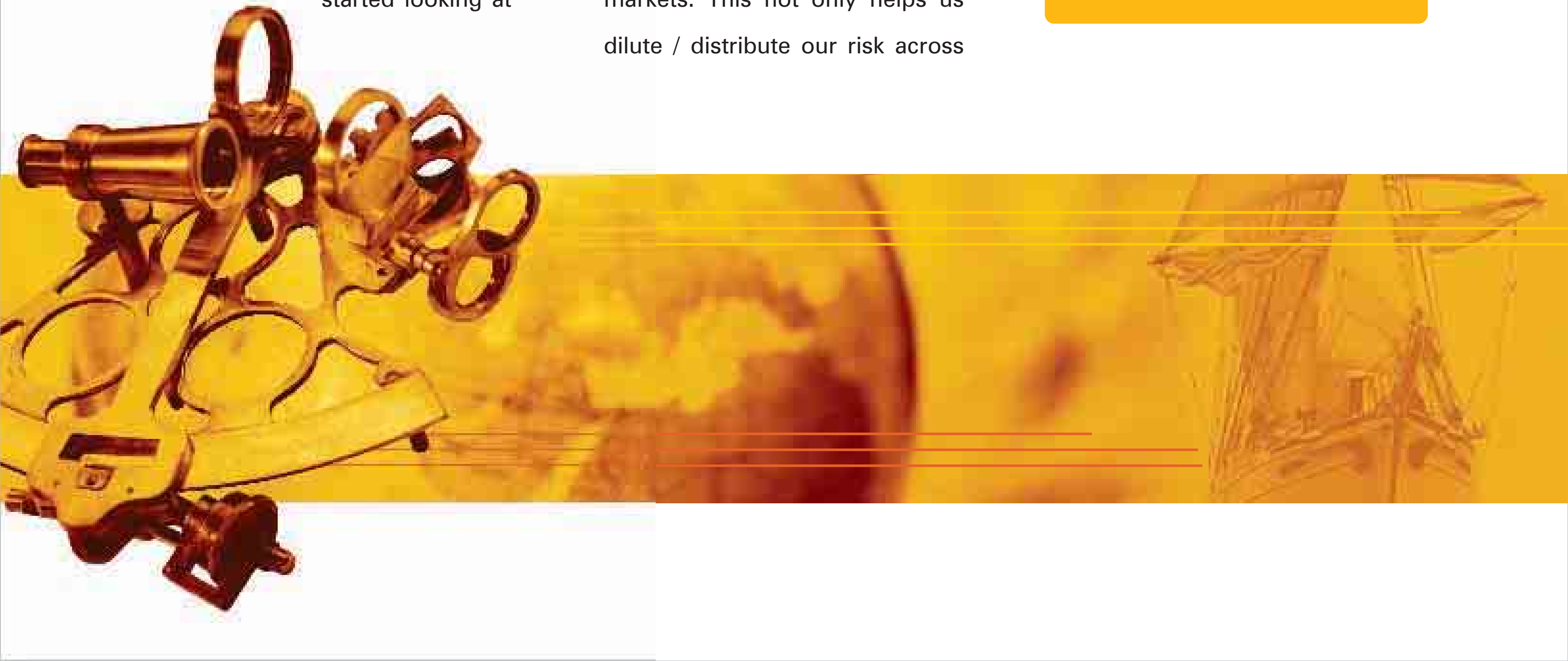
BUSINESS PROFILE

At 3i Infotech, we have always believed that to grow exponentially, we need to break free from convention. To look at things with a different perspective. To innovate where it doesn't seem possible. This is an ideology that has helped us grow from strength to strength. It forms the very DNA of our existence and is what drives us to achieve greater heights…differently.

LOOKING BEYOND THE OBVIOUS

While most IT companies looked at entering and expanding their operations in the existing growth markets like the US and Europe, we chose to approach this a little differently. We chose to diversify our focus and keenly started looking at the emerging markets in addition to existing large markets. We believed that emerging markets had the potential to be the growth drivers of the future and have therefore concentrated our efforts and energies in developing these markets. This not only helps us dilute / distribute our risk across markets, but also helps us grow rapidly by riding the growth of these emerging markets.

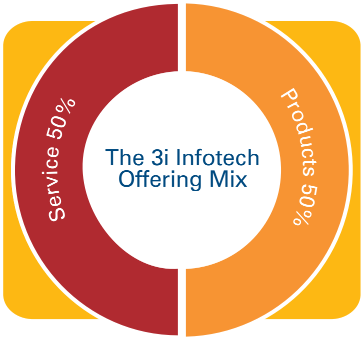
The 3i Infotech Approach:
Spotting emerging markets and even creating markets where there were none.



OPENING NEW VISTAS

We were always known as a software services company. Providing world-class software services was something we did very well. But it didn't just end there. We had the vision to attempt things that had not been done before, the attitude to develop the skills required and the perseverance to take it through.

While other IT companies focused on either the software services business or the products business, 3i Infotech chose to



straddle both domains - an unprecedented initiative at that point in time. This initiative was also driven by the fact that we were focusing on emerging markets, which had their own specialized needs and were looking out for flexible and competent partners.

While we offered an array of software services to clients in the developed markets of US and Europe, we presented a bouquet of product offerings to emerging markets of the Middle East, Africa and the Asia Pacific region.

The 3i Infotech Approach:
Customized offerings to suit existing and emerging markets.

AN UNCONVENTIONAL YET STRATEGIC ACTION PLAN

While we had the software capabilities and services to offer to clients and to attract new clients in developed economies, 3i Infotech did not have any products to offer to the requirements of the emerging economies. We did have the option of developing new product offerings from scratch, but we decided to take the road less traveled. 3i Infotech adopted an acquisition strategy to acquire IT companies that already had well accepted products launched in the market.

At 3i Infotech, we developed a two-pronged strategy.

1. To acquire products already launched and accepted in the market.

2. To add 3i Infotech-driven value to them, to make them much stronger offerings.

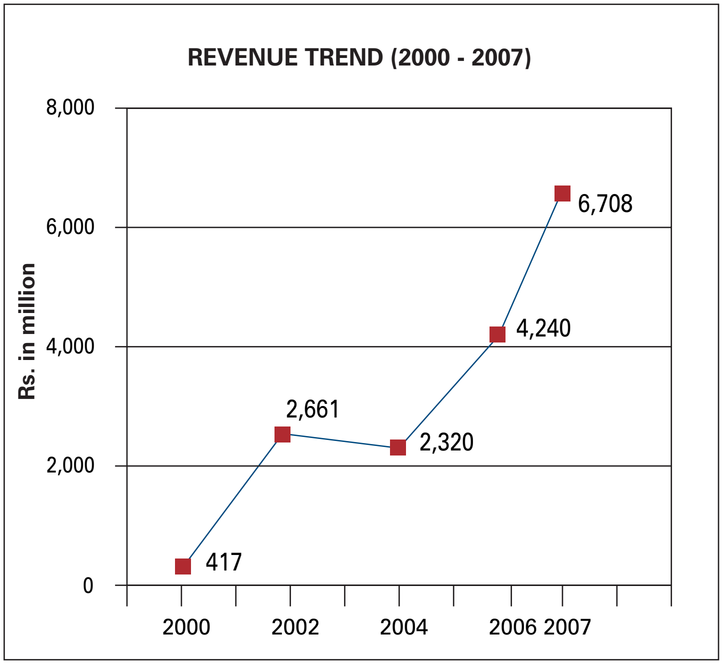
The 3i Infotech Approach:
Balance diversification with maintenance of growth by product acquisition strategy.

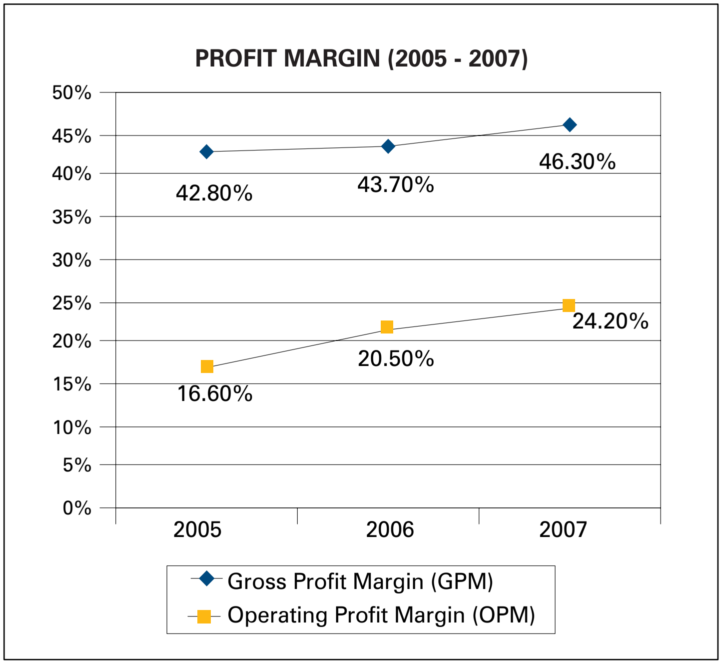
It is this strategic vision, insight and the ability to take on challenges that has made 3i Infotech a truly global IT Company. Today, it provides technology solutions to large companies in more than 50 countries across 5 continents. Our offerings span a range of verticals - Banking, Insurance, Mutual Funds, Capital Markets, Manufacturing, Retail & Distribution and Government.

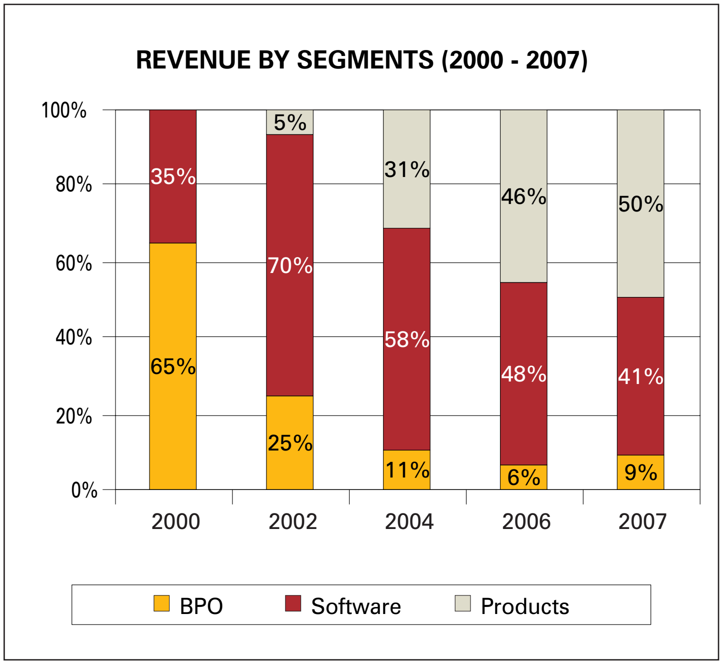
The Company's quality certifications include SEI CMMI Level 5 for its Software Business and ISO 9001:2000 for its Managed IT Services and Business Process Outsourcing (BPO) Operations.

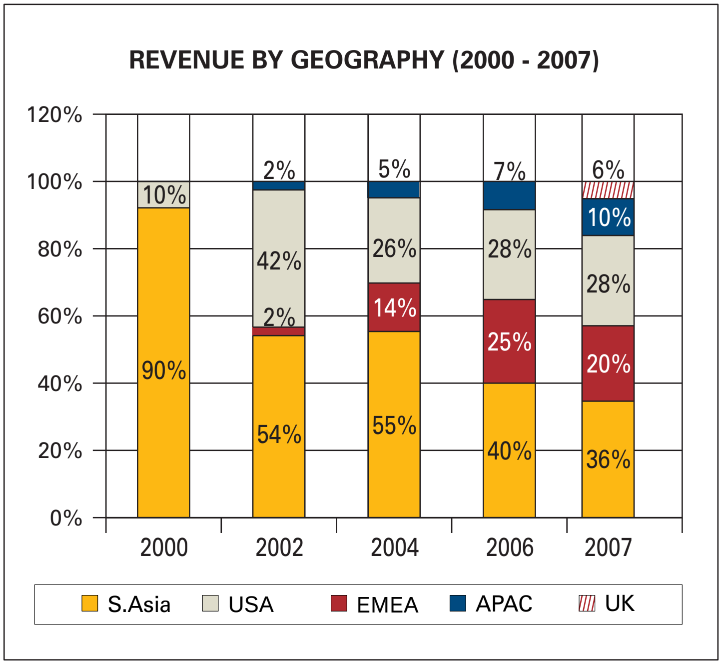
3i Infotech
Innovation • Insight • Integrity

Performance Snapshot


REVENUE TREND (2000 - 2007)
Rs. in million
8,000
6,000
4,000
2,000
0
417
2,661
2,320
4,240
6,708
2000
2002
2004
2006 2007


PROFIT MARGIN (2005 - 2007)
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
42.80%
43.70%
46.30%
16.60%
20.50%
24.20%
2005
2006
2007
Gross Profit Margin (GPM)
Operating Profit Margin (OPM)


REVENUE BY SEGMENTS (2000 - 2007)
100%
80%
60%
40%
20%
0%
35%
65%
5%
70%
25%
31%
58%
11%
46%
48%
6%
50%
41%
9%
2000
2002
2004
2006
2007
BPO
Software
Products


REVENUE BY GEOGRAPHY (2000 - 2007)
120%
100%
80%
60%
40%
20%
0%
10%
90%
2%
42%
2%
54%
5%
26%
14%
55%
7%
28%
25%
40%
6%
10%
28%
20%
36%
2000
2002
2004
2006
2007
S.Asia
USA
EMEA
APAC
UK

3i Infotech to Automate San Jose Police Department's Citation Process.

PoliceChief

3i Infotech a provider of mobile and wireless applications for state and local goverments, announced that it has been selected by the San Jose Police Department to provide mobile application for the city's electronic Citation project.

3i Infotech

Innovation • Insight • Integrity

3i Infotech buys majority stake in two companies

Global IT solution provider 3i Infotech has acquired controlling stake in two companies that will help it increase its client base and revenues from developed markets. The company has acquired 51per cent stake each in US - based Professional Access (PA) for $12 million and Delhi-based E enable for Rs. 5.11 crore.
PA is an IT solution provider and specialises in providing e-commerce services for the banking, financial services and insurance (BFSI) and retail

Award winning 3i Infotech sets the standard

3i Infotech Asia Pacific has won the "Service Provider of the Year" Award at the 10th Asia Insurance Industry Awards ceremony 2006 for the second year in succession.

3i Infotech wins deal from STC

A LEADING Islamic insurance firm in Kuwait is to implement a new integrated insurance management system to help automate its business.
Al Safat Takaful Company (STC), a subsidiary of Al Safwa

3i Infotech acquires US firm for Rs 54 cr

To buy 51% stake in Indian company E-Enable for Rs 5.1 cr

3i Infotech's net grows by 81pc

NEW DELHI:
3i INFOTECH, a global IT solutions provider, today clocked a 81.2 per cent year-on-year growth in net profit at Rs. 104.5 crore during 2006-07. The company also registered a 58.2 per cent y-o-y rise in revenues at Rs. 670.8 crores during 2006-07 fiscal. 3i Infotech's earnings per share (EPS) increased to Rs. 17.98 from Rs. 9.51 in the previous year, representing a growth of 89.1 per cent.

Bonus: The company would provide a bonus issue of 1:1 subject to approvals.

Rhyme wins leading industry award

11/04/2007 by: Press Release Team

Rhyme System, a leading provider of asset management solutions, today announces it has won the award for Superior Customer Service at the Systems in the City awards evening, held at The House of Lords last week in front of over 200 Investment Banks, Fund Managers and Stockbrokers.

EU Bankers.Net

3i Infotech Integrated Platform.

3i Infotech Orion Enterprise Provides Fiberglass Coatings with an Integrated Platform Across Growing Operations.

3i Infotech expands BPO offering for mutual funds

MUMBAI: IT products and services firm 3i Infotech, in which the ICICI group holds 48%, is expanding its BPO offering by launching investor services and fund accounting outsourcing services to mutual funds.

3i Infotech launches mutual fund solutions

BANGALORE: Mumbai-based 3i Infotech has launched a suite of solutions and an integrated back office operation for India's mutual funds business. In a conference call for the media here on Friday, V. Srinivasan, Managing Director of the company, explained that 3i had invested around Rs. 50 crore to create a combo of services for the mutual funds players including register and transfer and fund accounting. It also offered an outsourced business

3i Infotech eyes cos with products in insurance

3i Infotech unveils subsidiary in Saudi

CRM Directory

3i Infotech Integrates with Oracle® Applications to Offer an End to End Insurance Solution

Written by Don Panek-CRMDirectory Editor, Wednesday,31 Januiary 2007

3i Infotech Integrates with Oracle® Applications to Offer an End to End Insurance Solution. EDISON, N.J.-3i Infotech, a global provider of IT solutions and services, announced today that it has integrated its PREMIA™ insurance business solution to the Oracle® E-Business.

3i Infotech signs MoU with FINO for financial services

3i Infotech, on Wednesday signed an MoU with Financial Information Network & Operations Limited (FINO), to provide financial services through low cost technology enabled delivery channels, using Common Service Centres (CSCs). Through this partnership, 3i Infotech and FINO will

in the NEWS

IT News Online

Siam City Bank to Implement 3i Infotech's KASTLE Universal Lending.

IT News Online Staff 2006-07-18

Karnataka Govt to launch 'Nemmadi'

A consortium of three private IT companies led by 3i Infotech, would invest Rs 30 crore to set up 800 tele centres in villages to deliver all the Government services

LIC chooses 3i Infotech for rural foray

MUMBAI: 3I INFOTECH, a global provider of IT solutions and India's fourth largest software product company, on Wednesday announced that it has been awarded a contract from the Life Insurance Corporation of India (LIC), to enable Micro Insurance Agents. Institutions such as Non-Government Organisations, Self Help Groups and Micro Finance Institutions to transact insurance business on behalf of the Corporation.

3i Infotech unveils MFund solution

STAND 99-3

3I INFOTECH, the global IT ... Funds Management Solution at GITEX 2006. MFund/AM streamlines fund accounting,

Insurance NETWORKING NEWS

May 1, 2006 - AML/Fraud Detection Software

AMLOCK, an anti-money laundering (AML) and fraud detection software from 3i Infotech Ltd., a Edision, N.J.-based global provider of information technology solutions

Policy Management Combines With Rating Systems

India—based 3i Infotech Ltd., integrated its PREMIA policy-management solution with the Jersey City, N.J.-based ISO Properties Inc.'s Rating Service, a policy rating system and rate-management solution for property and casualty insurers.

Agency Integrates Truck Insurers On One Platform

Single platform using PREMIA, an underwriting, policy administartion, claims management, reinsurance and accounting package from India based 3i Infotech. PREMIA'S Web-based.

3i Infotech launches first Insurance Broking Exchange

BANGALORE, DHNS: 3i Infotech, a global provider of IT solutions and one of the leading Indian Software Product companies, announced on Monday the launch of Premia Insurance Broking exchange (IBX), a first of it's kind subscription based Internet solution for the Indian insurance industry.

3i INFOTECH TO LAUNCH NEW FINANCIAL SOFTWARE PACKAGES

3i Infotech will be showcasing its new range of software and IT solutions at GITEX this year. It is also looking at meeting new partners and recruiting for new regions. It is specifically looking at launching MFund, Asset and Mutual Funds Management Solution, MFund/AM streamlines fund accounting, valuation, investment management. It is designed specially for mutual funds, unit trusts, asset management companies, portfolio managers and FIs.

3i Infotech buys UK firm for £28 million

Mumbai, October 20

IT SOLUTIONS provider 3i Infotech has acquired British asset management solution provider, Rhyme Systems, for £28 million, marking its entry into UK's banking and financial services space.

The company also announced a 73.61 per cent increase in quarterly profits at Rs 28.18 crore as it registered a healthy growth in products and services and improved its margins.

"The acquisition will give us direct entry into UK's BFSI space and will enable us direct entry into

SupplyDemandChain Executive

Atlantic Handling System Taps 3i Infotech for Warehouse Management.

3i Infotech to spend FCCB funds on inorganic growth

"The \$50 million that we raised recently via FCCBs will be used mainly for acquisitions. Our primary growth has been through acquisitions and we are evaluating companies that are into life insurance and trade finance products."

3i Infotech plans document content management systems launch at MEFTEC, Bahrain

Global technology solutions and services provider, 3i Infotech, will stage the regional launch of its enterprise document content management and business process workflow management systems at MEFTEC 2007 - the premier banking & financial services technology event for the Middle East, Africa and SOth

3i Infotech to set up product centre in Kochi

LEADING software product company 3i Infotech has announced the launch of its global product development centre at Kochi. The centre will

3i Infotech cuts ribbon on new Bangkok office

JOHN BRADSHAW, BUSINESS DAY

MANAGING Director Mr. V. Srinivasan, Regional President Mr. Debneel Mukherjee and local Thailand Manager Mr. Jay Shankar recently celebrated the opening of the new branch office of 3i Infotech, a company that serves Thailand's business.

The original management 'guru'

NEW AGE MANAGEMENT PHILOSOPHY FROM ANCIENT INDIAN WISDOM

By V Srinivasan

Published by: Rali books

Pages: 121; Price: Rs 295

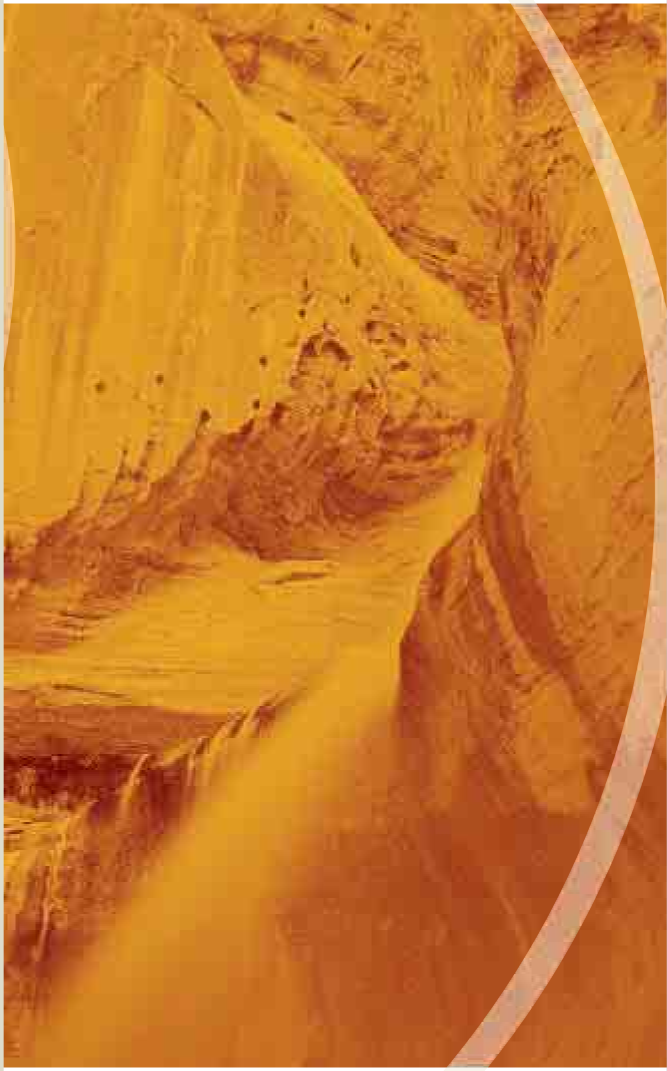
3i Infotech launches centre for EMEA insurance clients

IT Soutions and services outfit 3i Infotech has whipped the covers off its Europe, Middle East and Africa (EMEA) technology centre of excellence for the insurance sector. Where's the centre located? Everywhere and anywhere is the answer as 3i Infotech turns to a virtual web-based model to interact with customers across the region.

3i Infotech plans thrust on consulting, managed services

Consolidating its operations with three recent acquisitions, 3i Infotech Ltd, a technology solutions provider, is planning special thrust on consultancy and managed services across verticals it currently operates in, with focus on eGovernment projects.

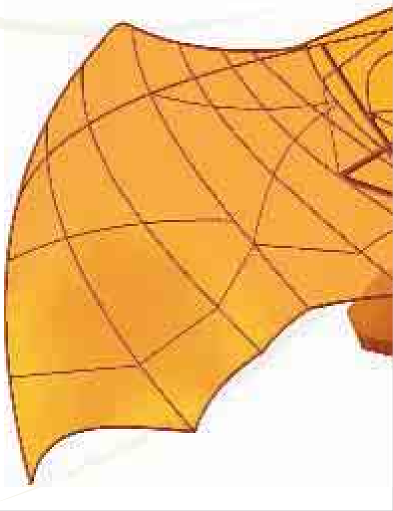
- One of the top 4 Indian software products companies (source: Dataquest, India)
- Rated as one of the fastest growing Indian software products companies with respect to both domestic and overseas software product sales (source: Dataquest, India)
- AMLOCK™ (Anti Money Laundering software solution) won the Hyderabad Software Exporters Association (HYSEA) Award for the 'Best Software Product of 2005-2006'
- Winner of Frost & Sullivan Product Innovation Award for Insurance Solutions - 2006
- Winner of the Asia Insurance Industry Award for 'Service Provider of the year' - 2005 and 2006
- KASTLE™ Universal Lending System rated as the 2nd highest selling Lending Solution by International Banking Systems (IBS) - 2006
- Winner of Top Contributor in FSI Sector Award from Oracle for Independent Software Vendor (ISV) - 2006
- Winner of Dubai Quality Appreciation Program award - 2005
- Rated among the top 4 Enterprise Application Software (EAS) vendors in the Middle East and North Africa (MENA) region
- Winner of Frost & Sullivan Award for Growth Strategy Leadership for India ERP Software for Small & Medium Businesses - 2005



Awards & Accolades

3i Infotech
Innovation • Insight • Integrity

Multiple solutions for multiple needs.
One core value - Innovation.



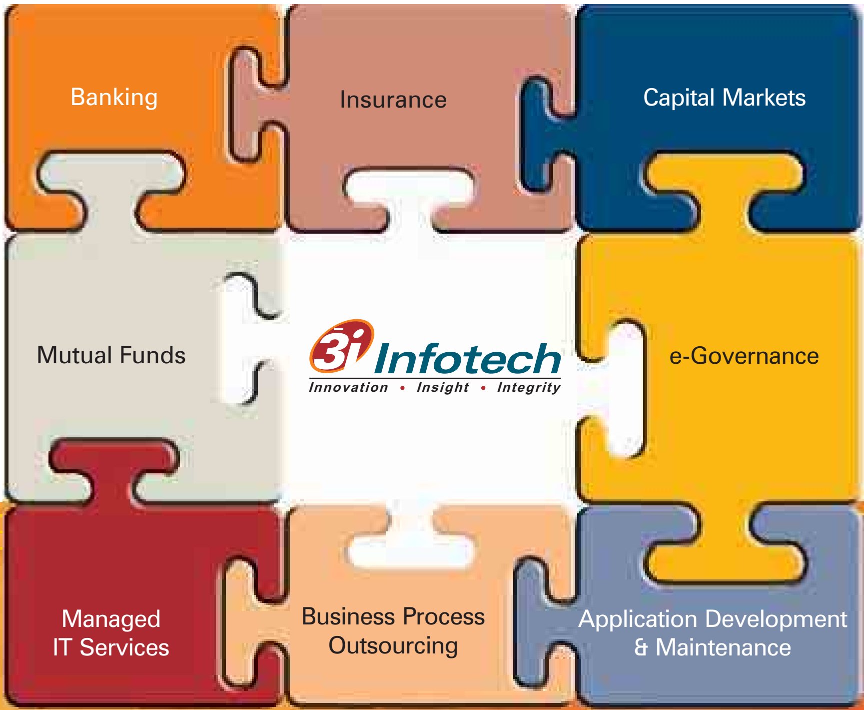
ANNUAL REPORT 06-07

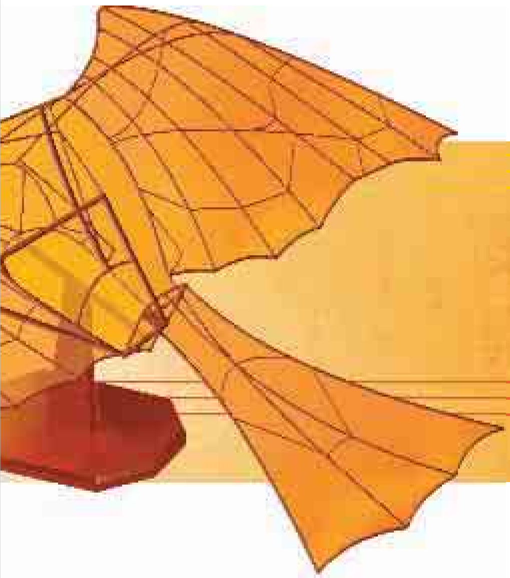
PORTFOLIO OF OFFERINGS

3i Infotech took a strategic decision of not limiting itself on any one segment but went further to transcend the products and services domains. While we have developed products internally from scratch, we have always looked at product acquisitions to augment our growth strategy.

We chose products that covered market segments that we wanted to target, evaluated them against other competitive offerings and then modified them to make them superior offerings for the selected markets.

This product development and acquisition strategy coupled with our inherent strengths in software services has today helped us create a diverse portfolio of offerings to suit a variety of needs across all geographies.





BANKING, FINANCIAL SERVICES & INSURANCE (BFSI) SOLUTIONS

3i Infotech is a globally established provider of software solutions and services for the Banking, Financial Services & Insurance (BFSI) industry, having a bouquet of proven offerings for the Banking, Insurance, Mutual Funds and Capital Markets sectors.

Our offerings across BFSI

Vertical Offerings

Banking

- KASTLE™ Core Banking
- KASTLE™ Universal Lending
- KASTLE™ Treasury
- KASTLE™ Risk Management
- KASTLE™ Asset Liability Management
- KASTLE™ Factoring
- KASTLE™ Wealth Management
- KASTLE™ Anti Money Laundering

Insurance

- PREMIA™ Property & Casualty
- PREMIA™ Life
- PREMIA™ Health
- PREMIA™ Takaful
- PREMIA™ Lite
- PREMIA™ Collaborator
- PREMIA™ Broker
- PREMIA™ Insurance Broking eXchange (IBX)

Mutual Funds / Asset Management

- MFund/AM™ - Asset Management Solution
- MFund/ISS™ - Investor Services System
- MFund/Dealing™
- rhymeSIGHT™ - Investment and Wealth Management Software
- Quasar™ - Investment Administration Software
- InvTrac™ - Investment Management Solutions

Capital Markets

- iBOSS™ - Integrated Broker Office Solutions Suite
- AWACS™ - Stock Exchange Surveillance System
- altimis™ - Stock Broking and Clearing Software
- Arrow™ - Crest Solution
- Fiscal™ - Integrated Stock Broking and Accounting System

Anti - Money Laundering - AMLOCK™

Managed IT Services / BPO / Document Management System (DMS) / Business Intelligence (BI) / Application Development & Maintenance

Horizontal Offerings

Our product development and acquisition strategy, coupled with our intrinsic strengths in software services, has helped us create an assorted portfolio of offerings to suit the varied, burgeoning demands of the industry, covering sectors such as Banking, Insurance, Mutual Funds and Capital Markets. We work closely with reputed organizations in the BFSI industry globally in providing them with value additions through our innovative solutions and services, specially designed for their unique needs and business processes.

Our KASTLE™ Secure Banking Solutions suite caters to all the operational requirements of a bank, such as core banking, treasury management, asset liability management, risk management, retail loans, investments, factoring and anti-money laundering.

Our PREMIA™ Insurance software solutions suite, implemented at over 100 customer sites across five continents, gives users the benefit of having a single technology, solution and vendor for their diverse operations and business processes.

With their market-driven features, our offerings for Mutual Funds benefit all the entities in this sector, such as, unit trust management companies, asset management companies and other financial institutions. We are also a market leader in the UK in Asset Management Solutions, which focus solely on the operations elements of the asset management process, such as clearing, settlement, order management and accounting.

We offer a wide gamut of products for Capital Market entities, such as stockbrokers, traders, stock exchanges and regulators. The products, which are designed to meet the business requirements of the entire industry, cater to market surveillance and monitoring, internet trading, trade order and risk management, clearing and settlement processes, among others.

Our multiple service offerings ably complement our BFSI products. These services include Managed IT Services, Business Process Outsourcing (BPO), Document Management System (DMS), Business Intelligence (BI), and Application Development & Maintenance, all of which have become crucial for success in today's fiercely competitive BFSI industry.

Our Document Management offerings are further augmented by our imaging and document management solution and our business process workflow management system, to provide efficient and effective means to make data available in optimal time.

Our Managed IT Services feature flexible, convenient delivery options, wherein the customer can go for options such as onsite, remote or a combination of the two, through either a short-term or long-term agreement.

Our ISO 9001:2000 certified BPO Services provide all the benefits of outsourcing through multiple communication channels, including backend transaction processing and web-based services.

As implementation partners of world-renowned Hyperion, our BI services offer a broad range of end-to-end solutions in data management, in addition to a variety of tools for BI and analytics.

Our Application Development & Maintenance Services cater to a number of niche areas. One such unique approach relates to an enterprise development framework for large organizations which we refer to as ORION™ Framework, which helps them leverage our pre-existing components, thereby reducing time to develop business solutions.

GOVERNMENT SOLUTIONS & SERVICES

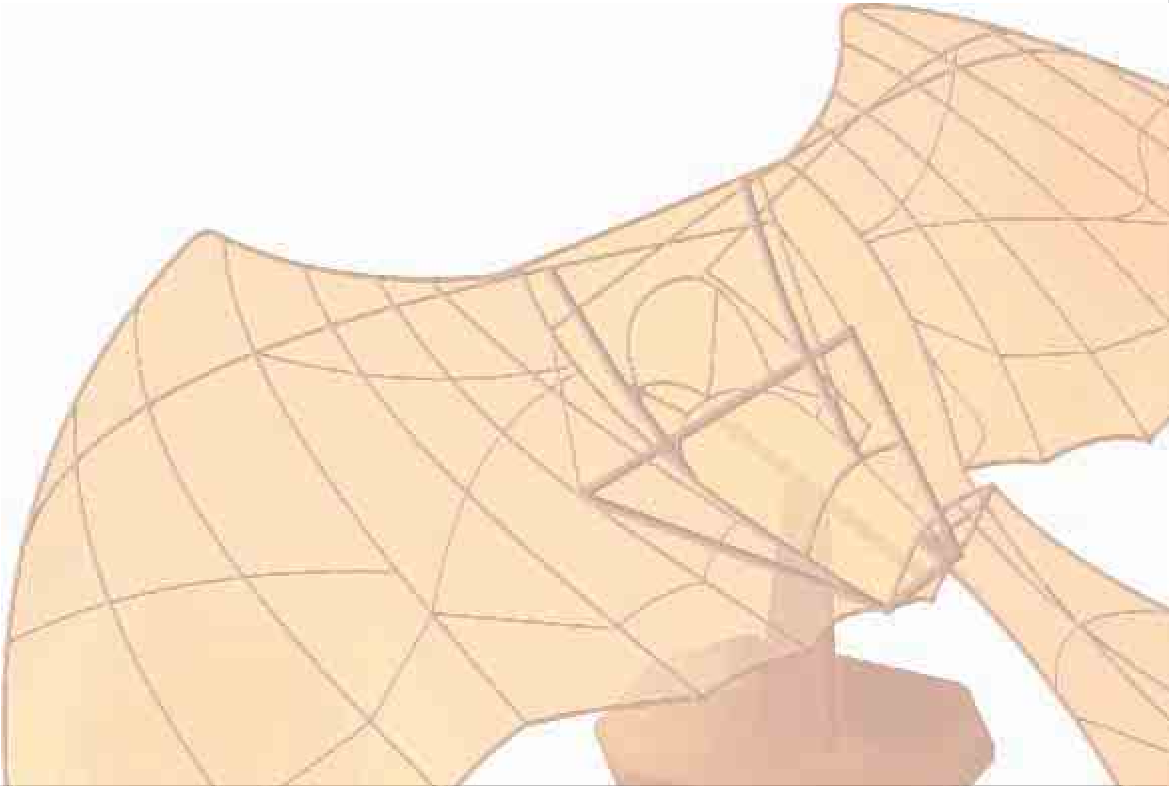
Our e-Governance Services focus on helping Government organizations at central, state and local levels adopt and utilize Information Technology to attain the highest degree of efficiency and effectiveness in their operations, and to deliver enhanced citizen-centric services. With our rich experience, good understanding of Government processes, and consistent exposure to large project management, we bring our strong quality orientation to our Government projects.

Our wide range of offerings (Consultancy Services, Managed IT Services, Software Development & Implementation, Software Products, etc.) puts us in an enviable position to provide complete turnkey solutions to Government departments as a 'Complete Technology Partner', starting from project conceptualization to a successful rollout. With a combination of our own resources as well as partnerships, we offer a unique

Public Private Partnership (PPP) model that allows us to manage projects far more efficiently than others.

We are the Managed Service Provider for implementing the Government of India's National Tax Information Exchange System (TINXSYS) project across the entire country.

We also offer solutions to government entities in different parts of the world. For example, in the United States we have successfully deployed a number of applications for state and local government agencies, law enforcement, fire departments and emergency management service organizations.



The Verdict

Ratings from D&B and ICRA

3i Infotech has been re-conferred the CGR2 rating for Corporate Governance by ICRA. 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.

Dun & Bradstreet has assigned a rating of 5A2 to 3i Infotech. The rating indicates that the Company is financially sound with low risk.

Our Partners say...

3i Infotech is an important global ISV of Oracle and our relationship goes a long way in our combined ability to provide best in class solutions to the Financial Services sector.

~ Sergio Giacoletto
Executive Vice President,
Europe, Middle East & Africa (EMEA), Oracle

Our Clients Say...

We chose PREMIA™ after an extensive review of General Insurance platforms from across the globe. Our research showed that PREMIA offered the best potential solution for our requirements by offering a winning combination of leading-edge technology and a high level of user configurability.

~ John O'Roarke
Managing Director - General Insurance, LV= Liverpool Victoria

---

Our vision was to have an integrated solution to perform all our insurance business critical operations. Apart from the fact that 3i Infotech had the right solution to meet our needs, they have the right attitude, dedication and commitment. This combination is a powerful one and we are extremely pleased to have 3i Infotech as our Implementation partner.

~ Chris Festog
Director - Information Services, Virginia Farm Bureau

We are delighted to say that 3i Infotech team proved our selection to be accurate and they showed an immense sense of responsibility and deftness at understanding our requirements. 3i Infotech team worked competently with the bank's team and every challenge was met with team effort. The process oriented approach by 3i Infotech has ensured timely delivery of the expected solution.

We take this opportunity to appreciate the commitment, dedication and professionalism exemplified by the entire 3i Infotech team during the implementation of KASTLE™ Loan Origination System.

~ Asim M. Basharullah
Head - Corporate & Investment Banking, Al Rajhi Bank

The Managed IT Services provided by 3i Infotech have contributed to the high availability of our data center computing environment and security infrastructure. 3i Infotech has been the backbone of IT support for the growing and ever changing demands of our users and customers, thus contributing to the successful growth of NCDEX.

~ Chandra Shekhar G.
Head - Technology, National Commodity & Derivatives Exchange Limited (NCDEX)

Fiscal™ software is our core system and we work closely together to ensure the product meets both regulatory and our business requirements. Fiscal™ is a solid and robust settlement engine.

~ Simon Still
Chief Operating Officer - Brewin Dolphin Securities Limited

Financials

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company with the audited statement of accounts for the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

a. Consolidated financials of the Company and its subsidiaries:

Your Company recorded a significant growth in its consolidated performance. The total income grew to Rs. 6707.72 million, registering a growth of 58.2% over the previous year's revenue of Rs. 4240.47 million. The gross margins moved from 43.7% of revenue in the previous year to 46.3% of revenue in the current year. The Earnings before Depreciation, Interest and Taxation (EBDIT) improved by 89.12% to Rs. 1739.85 million in the current year compared to Rs. 919.97 million in the previous year. Consequently, EBDIT margins moved from 20.5% of revenue in the previous year to 24.2% of revenue in the current year. The Company has posted a consolidated profit after tax of Rs. 1044.84 million (before exceptional item) for the current year, whereas it was Rs. 576.64 million in the previous year, thereby recording a growth of 81% profit after tax. Basic Earning Per Share (after exceptional item) for the year has grown to Rs. 17.98 per share, whereas it was Rs. 9.51 in the previous year. The brief financial highlights are as given below:

Rupees in Million

	Year ended March 31, 2007	Year ended March 31, 2006
Total Income	**6707.72**	4240.47
Profit / (Loss) before taxation	**1098.29**	579.66
Provision for taxation (Current and Deferred)	**53.45**	3.02
Profit / (Loss) after taxation and before exceptional item	**1044.84**	576.64
Exceptional item	**120.06**	-
Profit after exceptional item	**1164.90**	576.64
Less provisions for contingency	**(120.06)**	-
Profit after provision for contingency	**1044.84**	576.64
Earnings Per Share (Basic in Rs.) (After exceptional item)	**17.98**	9.51

b. Financials of the Company on a standalone basis:

The Profit & Loss Account of your Company on stand alone basis shows a profit after taxation of Rs. 494.39 million. The disposable profit is Rs. 912.26 million, taking into account the balance of Rs. 269.62 million brought forward from the previous year, subject to adjustments pertaining to that year. It was decided to transfer Rs. 49.44 million to the reserves, out of the current profit. The brief financial highlights are as given below:

Rupees in Million

	Year ended March 31, 2007	Year ended March 31, 2006
Total Income	**3479.08**	2819.36
Profit before tax	**510.47**	410.03
Provision for taxation (Current and Deferred)	**16.08**	17.90
Profit after tax and before exceptional item	**494.39**	392.13
Exceptional item	**268.59**	-
Provision for contingency	**(120.06)**	-
Profit after exceptional item and contingency	**642.92**	392.13
Balance brought forward from Previous year	**269.62**	187.89
Disposable profit	**912.26**	519.39
Transfer to reserves	**49.44**	30.00
Profit available for distribution	**862.82**	489.39
Earning Per Share (Basic in Rupees)	**10.63**	5.99

DIVIDEND

After taking into account the preference dividend of Rs. 63.50 million, the profit available for distribution of equity dividend works out to Rs. 799.32 million. The Company would like to keep up its growth momentum as reflected in its financials and hence requires funds to flow back to the business. Considering these, your Directors recommend a dividend of 20% on equity shares for this year. The details of appropriation are as given below:

Rupees in Million

	Year ended March 31, 2007	Year ended March 31, 2006
Profit available for distribution	**912.26**	519.38
Transfer to General Reserve	**49.44**	30.00
Proposed Dividend – Equity shares	**168.90**	106.09
Dividend on Preference shares	**63.50**	86.63
Corporate Dividend Tax	**37.61**	27.04
Balance carried to Balance Sheet	**592.81**	269.62

TRANSFER TO RESERVE

The Company proposes to transfer Rs. 49.44 million to the General Reserve. An amount of Rs. 592.81 million is proposed to be retained in the profit and loss account.

BUSINESS OVERVIEW

The Company continues to focus on technology related to the Banking and Financial Services Industry (BFSI) segment. The Company has its Intellectual Property Rights (IPR) driven solutions for Banking, Insurance, Mutual Fund and Capital Markets. The Company also provides Business Process Outsourcing (BPO), Managed Services, Technology Services, Workflow and Document Imaging, Business Intelligence and Data Warehousing Services.

The Company has achieved **leadership** in retail lending solutions, factoring solutions, end to end offerings in claim processing and Life Insurance Solutions in Asia. In Mutual Fund solutions, the Company is **a leader** in fund accounting and investors servicing in **Malaysia.** The Company is also a **leader in India** in providing Anti Money Laundering Solutions. The Company is gaining **leadership in e-governance services in India.** The Company has established its **sound presence** in the developed markets of **US** and **UK** with about one-third of its total revenue coming from these markets.

The Company has its presence world wide, with its offices across 10 countries and clients spread in more than 50 countries. The range of services and wide geographical reach has enabled the Company to become a formidable player in the global IT field.

The Company has demonstrated entrepreneurial capabilities by achieving 30% organic growth in the past three years by growing from a revenue of Rs. 2346 million in 2002-03 to Rs. 6707.72 million in 2006-07.

a. Inorganic Growth:

To complement and strengthen its product and services offerings and to meet customer expectations worldwide, your Company continued its acquisitive growth strategy during the current year. The acquisitive strategy has further enhanced the strength of your Company. With acquisition in various geographies, your Company has further consolidated its position as a strong BFSI player in various geographies.

During the year, your Company acquired Datacons Private Limited (a Bangalore based software products company for the mutual funds sector), Stex Software Private Limited (a Software solutions company offering document imaging and workflow management solutions), acquired majority stake in Delta Services (India) Pvt. Ltd. (a business process outsourcing and IT-enabled services company) and e-enable Technologies Pvt. Ltd. (a company offering business intelligence and data warehousing services).

Apart from domestic acquisitions, your Company ventured overseas to acquire Rhyme Systems Holdings Ltd., (Rhyme) a United Kingdom based asset management and brokerage solutions company. This strategic acquisition has complemented the Company's foray into UK's lucrative BFSI market. Rhyme provides software solutions for asset management companies, with a focus on the operational elements of the asset management process, including clearing, settlement, order management and accounting.

Having successfully acquired companies and integrated them well, your Company is well poised for fast track growth. Your Company would continue to explore proposals for acquisitions which would help meet the market demands and grow its business by meeting gaps in products and solutions offered by the Company and expanding its reach across geographies.

b. Development Centres:

Your Company continues to focus on Research & Development activity for continuously enhancing the products to have an edge over competition. Your Company has 10 Global Development Centres in India, the details of which are given in the Corporate Governance Report annexed to this report.

SUBSIDIARY COMPANIES

To drive its business globally, the Company has its subsidiaries across various geographies, which are 3i Infotech Holdings Private Limited, 3i Infotech Inc., 3i Infotech Consulting Inc., 3i Infotech Investment Services Inc., 3i Infotech Insurance Solutions Inc., 3i Infotech Factoring Solutions Inc., 3i Infotech Enterprise Solutions Inc., 3i Infotech Pte. Limited, 3i Infotech SDN BHD, 3i Infotech (Thailand) Limited, Datacons Asia Pacific SDN BHD, 3i Infotech (UK) Limited, Rhyme Systems Holdings Limited, Rhyme Systems Group Limited, Rhyme Systems Limited, Rhymesis Limited, 3i Infotech Saudi Arabia LLC, SDG Software Technologies Limited, SDG Software Technologies Pte. Ltd., Datacons Private Limited, 3i Infotech Trusteeship Services Limited, Delta Services (India) Private Limited, Stex Software Private Limited, Whizinfo Technologies Inc. and e-enable Technologies Private Limited. Except e-enable Technologies Private Limited and Delta Services (India) Private Limited, where your Company holds 51% stake each, your Company holds 100% shares in all other subsidiaries, directly or through its subsidiaries.

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. 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. The Company has obtained an exemption from the Central Government with respect to the requirement of attaching the Directors' Report, Balance Sheet, and Profit and Loss Account of the subsidiaries to its Balance Sheet vide letter reference no. 47/71/2007-CL-III dated March 6, 2007. 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 subsidiaries is given along with the consolidated accounts. The annual accounts of the subsidiaries, along with the related information, would 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 Office of the Company and its respective subsidiaries.

FUTURE OUTLOOK

As per the Economic Intelligence Unit Foresight 2020, the world economy would be two-thirds bigger in 2020. The Global GDP would grow at an average annual rate of 3.5%. US would maintain one of the fastest growth rates in the industrialized world at a growth rate of 3%. Propelled by fast growth in China and India, Asia would increase its slice of world GDP from 35% in 2005 to 43% in 2020. It is expected that by year 2020, India would emerge as the 3rd largest economy of the world after US and China. For developed countries, the transfer of jobs from the manufacturing sector to emerging markets would continue. Almost all net increase in employment in the US and Europe would be in the services sector, especially its higher value-added segments. In the US, new technologies in IT, biotechnology and pharmaceuticals would underpin output growth and account for a significant share of the increase in total employment. In the US, the employment in services industries is expected to increase from an already high rate of about 85% to well over 90% of total employment, predominately in the technology area. 44% of the new employment opportunities would be created in India and in China, of which the predominant part (about 30%) would be in India.

The above growth in developed as well as developing markets provides for significant future growth opportunities for the Company.

CAPITAL

a. Issue of Bonus Shares:

In view of the Company having crossed many a milestone and as an acknowledgement of the continued support provided by the shareholders, your Directors have announced a Bonus Issue of 1:1, subject to shareholders' and other requisite approvals.

b. Foreign Currency Convertible Bonds (FCCB):

As reported in the previous year, the Company had issued Zero Coupon Foreign Currency Convertible Bonds (the Bonds) on March 2, 2006, aggreagating to USD 50 million, with the option of conversion into equity shares at a price of Rs. 230 per share, which reflected a premium of 33% over the closing price of the shares on the National Stock Exchange on March 2, 2006. If not converted, the bonds are redeemable at the end of five years, with a redemption premium, giving a yield to maturity of 6.8%. Out of 500 bonds of face value of USD 100,000 each issued, 51 bonds were converted into 983,412 shares. As on the date of this report, 449 bonds aggregating to USD 44.9 million are outstanding.

The Company further issued Euro 15 million 1.5% Foreign Currency Convertible Bonds on October 6, 2006. These are with the option of conversion into equity shares at a price of Rs. 190 per share, which reflected a premium of 15% over the average closing price of the shares of the Company on the National Stock Exchange, five days preceding the transaction date. If not converted, the bonds are redeemable at the end of five years, with a redemption premium, giving a yield to maturity of 5.79%. Out of 15,000 bonds of face value of Euro 1,000 each issued, 3,000 bonds were converted into 920,210 shares. As on the date of this report, 12,000 bonds aggregating to Euro 12 million are outstanding.

The third tranche of FCCB of Euro 30 million Zero Coupon Foreign Currency Convertible Bonds were issued on April 2, 2007. These are with the option to convert into equity shares at a price of Rs. 308.63 per share, which reflected a premium of 25% over the closing price of the shares on the National Stock Exchange on March 26, 2007. If not converted, the bonds are redeemable at the end of five years, with a redemption premium, giving a yield to maturity of 6.90%. As on the date of this report, all the 30,000 bonds of the face value of EURO 1,000 each are outstanding.

All the above mentioned bonds issued by the Company are listed on the Singapore Exchange Limited.

c. ESOS Allotments:

1,350,262 shares were allotted under Employee Stock Options Scheme (ESOS) during the financial year 2006-07.

As a result of conversions of bonds and allotment of shares under ESOS, the share capital of your Company increased to Rs. 562,987,390 in the year 2006-07 from Rs. 530,448,550 in the year 2005-06.

d. Employee Stock Option Scheme:

In the fiscal 2000, the Company had instituted an Employee Stock Option Scheme (ESOS) to enable the employees and Directors of the Company and its subsidiaries to participate in the future growth and financial success of the Company. Options granted under this scheme vest in a graded manner. As per terms of grant, vesting takes place over 3-year period, with 20%, 30% and 50% of the grants vesting in each year, commencing one year from the date of grant. Options can be exercised within 10 years from the date of grant, or five years from the date of vesting, which ever is later. The price of the options granted before IPO was the fair value of the shares as decided by an independent valuer. The price of the options granted after the IPO is the closing market price on the stock exchange, which recorded the highest trading volume preceding the date of grant of option. The pricing of the stock options is in line with SEBI guidelines.

1) The particulars of the options granted and outstanding upto March 31, 2007 are as under:

Options Granted	10,904,325
Options Vested	2,245,555
Options exercised	1,660,472
Number of shares allotted pursuant to exercise of options	1,660,472
Options forfeited/lapsed	2,131,056
Extinguishment or modification of options	-
Amount realised by exercise of options (Rs.)	160,536,270
Total number of options in force	7,086,547

2) The following Directors and Senior Management were granted options during the year 2006-07:

Mr. V. Srinivasan, Managing Director & CEO - 500,000; Mr. Hariharan Padmanabhan, Deputy Managing Director - 250,000; Mr. Amar Chintopanth, Executive Director & CFO - 100,000; Dr. Ashok Jhunjhunwala, Director - 50,000; Mr. Anirudh Prabhakaran - 50,000; Mr. Arvind Joshi - 75,000; Mr. Arun Menon - 22,500; Mr. Battliwala M. B. - 36,000; Mr. Debneel Mukherjee -75,000; Mr. Jagannath Rao - 30,000; Mr. Kalpesh Desai - 100,000; Mr. Madhava K. - 30,000; Mr. Manoj Mandavgane - 36,000; Mr. M. S. Chandrashekar - 75,000; Mr. Padmanabhan Iyer - 60,000; Mr. Rakesh Doshi - 20,000; Mr. Ravi Jagannathan - 30,000; Mr. Shivanand R. Shettigar - 50,000; Mr. Shivaprakash Bidlur - 30,000; Mr. Suheim Sheikh - 50,000 and Mr. Shridhar Kane - 30,000. The 570,000 options granted to Mr. V. Srinivasan during the year 2004-05 exceeded 1% of the issued capital of the Company at the time of grant.

3) The following options granted and outstanding as at March 31, 2007, were granted three years prior to the IPO to Directors and Senior Management:

Mr. V. Srinivasan - 598,000; Mr. Hariharan Padmanabhan - 250,000; Mr. Amar Chintopanth -124,000; Mr. Debneel Mukherjee - 115,600; Mr. Arvind Joshi - 105,000; Mr. Battliwala M. B. - 59,350; Mr. Jagannath Rao - 24,000; Mr. Kalpesh Desai - 90,000; Mr. Manoj Mandavgane - 55,000; Mr. Ravi Jaganathan - 52,400; Mr. Rakesh Doshi - 31,000; Mr. Padmanabhan Iyer - 60,000 and Mr. Shivanand R. Shettigar - 50,400.

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

Financial year	Amount (in Rs.)
2002-03	(0.09)
2003-04	0.17
2004-05	2.18
2005-06	5.76
2006-07	17.37

5) Since the exercise price of the Company's options is the last closing price on the stock exchange, which recorded the highest trading volume preceding the date of grant of options, there is no compensation cost in fiscal 2007 based on intrinsic value of options. However, if the Company had used the fair value of options based on the Black–Scholes model, compensation cost in fiscal would have been Rs. 30.39 million, and proforma profit after tax would have been Rs. 391.60 million. On a proforma basis, the Company's basic and diluted earning per share would have been Rs. 7.60 and Rs. 7.05 respectively. The assumptions used to estimate the fair value are detailed on the next page:

Risk free interest rate	6.32% - 8.00%
Expected life of options	3-10 Years
Expected volatility	10% - 22.30%
Expected dividends yield	1.08%

6) Weighted Average Price:

Range of Exercise price	Weighted Average Exercise Price (in Rs.)
Rs. 75 to Rs. 100	97.30
Rs. 115 to Rs. 200	179.69

e. Postal Ballot:

In this year, the Members also approved the proposal for offer of equity shares and/or equity shares through depository receipts and / or any other securities convertible into equity shares upto Rs. 200 million, the proceeds of which if issued will be utilised for its future acquisitions and working capital requirement and the appointment of Mr. Amar Chintopanth as the Executive Director & CFO by way of a Postal Ballot dated March 7, 2007.

UTILISATION OF THE PROCEEDS OF IPO

In the Annual Report 2005-06, the Directors had reported that out of Rs. 2,176.68 million raised by your Company through its Initial Public Offering (IPO) of its equity shares, a balance of Rs. 26.30 million was lying unutilised. Subsequently, the balance amount has been fully utilised and no amount is lying unutilised as on March 31, 2007.

QUALITY

Your Directors are pleased to report that the Company is continuing on its path of continuous process improvement. The Company has successfully migrated to the CMMi model of SEI and has achieved Level 5, the highest level for the model. This migration strengthens the Company's delivery capabilities, ensuring delivery of high quality products and services to its clients. This also enables the Company to strengthen its position in the global markets. As you are aware, 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 and accolades during the previous year. For the year 2005-06, your Company was adjudged the **4th largest Indian Software Product Company** and the **Fastest growing Indian Software Product Company** with respect to both domestic and overseas Software Product sales as per the survey by Dataquest. Your Company has won the **Frost & Sullivan Product Innovation Insurance Software Awards 2006** in an event held in Mumbai, India. The Company has also won for two consecutive years i.e. 2005 & 2006, the **IT Service Provider of the Year Award at the 9th & 10th Annual Asia Insurance Awards** respectively. 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. **KASTLE Universal Lending System** was rated 2nd highest selling loan solution globally by the International Banking System in IBS Annual Sales League Table 2006. In the Malaysian market, your Company has been honoured with the prestigious **'Top Contributor in FSI Sector'** award by Oracle for Independent Software Vendor (ISV) category.

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 Board had appointed Prof. Dr. Ashok Jhunjhunwala as an Additional Director, whose term comes to an end at the ensuing Annual General Meeting. Dr. Jhunjhunwala is a Professor at the Department of Electrical Engineering, Indian Institute of Technology, Chennai, India and was department Chairman till recently. He received his B.Tech degree from IIT, Kanpur, and his MS and Ph.D degrees from the University of Maine. From 1979 to 1981, he was with Washington State University as Assistant Professor. Since 1981, he has been teaching at IIT, Chennai. Dr. Jhunjhunwala leads the Telecommunications and Computer Networks group (TeNeT) at IIT Chennai. This group is closely working with the Industry in the development of a number of Telecommunications and Computer Network Systems. TeNet Group has incubated a number of technology companies, which work in partnership with TeNet Group to develop world class Telecom and Banking products for the rural markets. Dr. Ashok Jhunjhunwala has been awarded Padma Shri in the year 2002. He has been awarded Shanti Swarup Bhatnagar Award in 1998, Dr.Vikram Sarabhai Research Award for the year 1997, Millennium Medal at Indian Science Congress in the year 2000, H. K. Firodia for "Excellence in Science & Technology" for the year 2002, Shri Om Prakash Basin Foundation Award for Science and Technology for the year 2004, the Jawarharlal Nehru Birth Centenary Lecture Award by INSA for the year 2006 and the IBM Innovation and Leadership Forum Award by IBM for the year 2006. He is a Fellow of Indian National Academy of Engineering (INAE), Indian National Science Academy (INSA), Indian Academy of Sciences (IAS) and The National Academy of Sciences (NAS) and a member of Prime Minister's Scientific Advisory Committee.

It was felt that his in-depth IT knowledge and rich experience would enable the Company in its growth. The Company has received notice from a Member under Section 257 of the Companies Act, 1956, recommending his appointment as a Director of the Company. The Board recommends his appointment as a Director liable to retire by rotation.

In terms of the provisions of the Articles of Association of the Company, Dr. Bruce Kogut and Mr. S. Santhanakrishnan are due to retire by rotation at the forthcoming 14th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Appointment of Mr. Hariharan Padmanabhan as Deputy Managing Director for a tenure of three years w.e.f. April 1, 2006, was approved by the Members and the Central Government on July 20, 2006 and December 8, 2006 respectively.

The Directors appointed Mr. Amar Chintopanth as the Executive Director & Chief Financial Officer for a period of five years with effect from January 17, 2007, subject to the approval of the Members of the Company. The Members have approved his appointment vide Postal Ballot dated March 7, 2007.

AUDIT COMMITTEE

To further strengthen the Committee, on October 19, 2006, the Board of Directors inducted Dr. Bruce Kogut to the Committee. Presently the Audit Committee comprises of Mr. S. Santhanakrishnan, as Chairman; Mr. Samir Kumar Mitter, Dr. Bruce Kogut 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 five 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 Dr. Bruce Kogut as Members, attends to matters relating to governance, nomination to the 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' GRIEVANCES COMMITTEE

The Shareholders' and Investors' Grievances Committee comprising of Mr. Hoshang N. Sinor, as Chairman and Mr. S. Santhanakrishnan and Mr. Hariharan Padmanabhan as Members, attends to matters relating to investors servicing. Majority of the Members are Independent Non-Executive Directors. 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 the 14th Annual General Meeting. M/s Lodha & Co. 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 14th Annual General Meeting until the conclusion of the 15th 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, efforts are always underway to explore, learn and absorb emerging technologies. The Company continuously makes investments in technological tools and imparts training to its employees on new technologies for deploying on the development projects, as deemed appropriate for the business of the Company.

a. **Research & Development (R&D):**

   Continuous research and development for enhancing the functionalities of various products of the Company, reducing the implementation timeframe, as also addressing specific technical requirements of customers, is carried out at its various development centres, as an integral part of the activities of the Company.

b. **Specific areas of R&D:**

   With a view to best suit the needs of existing customers, the development and up-gradation of solutions offered by the Company, and proactive research to bring key attributes in tune with the dynamics of the Industry, is conducted on an ongoing basis. In order to enrich the offering with the specific needs of the industry in the geographies of its presence, the Company also integrates the features of the products of the companies acquired by it to its core solutions. 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 competition in those areas.

c. Benefits derived as a result of R&D:

The solutions offered by the Company have become robust and versatile to tackle the complex nuances of the dynamic business situations in the BFSI segment. With this, the Company was able to cross sell its various products as a composite offering. The Company was able to penetrate 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.

d. Expenditure on R&D:

Rupees in Million

	2006-07	2005-06
Revenue Expenditure	**383.25**	20.10
Capital Expenditure	**-**	229.09
Total	**383.25**	249.19
Total R&D expenditure as a percentage of total revenue	**11.02%**	8.84%

e. Technology absorption, adaptation and innovation:

The Company is continuing to bring innovative solutions and services in its business operations. There has been a continued thrust on optimizing product architecture to maximize benefits of the advanced features used by the underlying technology platforms. Considerable progress has been made in setting up Centers of Excellence with major global technology companies. This would provide opportunity to transition our products to the forthcoming technologies and thus provide a definitive advantage over competition.

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

The year also saw continuation of internal contests amongst employees for innovative ideas and solutions. The contests were heavily 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 products 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 50 countries. The Company has offices in 17 cities across 5 continents, backed by state of the art offshore development centers in India at Mumbai, Bangalore, Chennai, Hyderabad, Delhi, Kochi 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, Navi Mumbai, India. Some of the software development centers of the Company in India are also registered as units of Software Technology Parks, whereby the Company is required to fulfill its export obligations as laid down by the Government.

b. Foreign Export earnings and expenditure:

During 2006-07, the expenditure in foreign currencies amounted to Rs. 1110.69 million on account of import of capital goods, dividend, travelling and other expenses. During the same period, the Company earned Rs. 1806.62 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 average age of employees is as low as 27 years.

a. Employee Training:

The Company believes that well-trained employees are key enablers for the efficient growth of operations and ability to manage large, complex business projects. The Company has professionally qualified technical and soft skill trainers. The Company is operating in an industry where frequent changes in the technology is an integral part of the business. To cope with these changes, the Company has fully equipped technical training centres at Mumbai, Chennai and Bangalore. At these training centres, technology training is provided to the employees. In addition to this, the Company also provides technical training to its employees at outside technical institutes, as and when deemed essential.

To foster a feeling of well-being in employees through care and respect, several structured processes, including employee counselling, mentoring, grievance management, corporate ethics and cultural integration programmes are in place to facilitate a friendly and cohesive organizational culture.

b. Knowledge Sharing:

Your Company has a Knowledge Management Portal which can be accessed by all its employees. This Knowledge Management Portal, besides giving opportunity to employees to share their knowledge and resolve their queries, also provides latest information about the development and progress of the Company.

c. Performance Evaluation:

With an endeavour to link careers to competencies, individual preferences and organizational needs, an elaborate and transparent performance evaluation 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 an employee's career, such as career and competency development, financial rewards and recognition.

d. University Alliance Program:

Your Company has devised a University Alliance Program (the Program) to overcome the perennial challenge of acquiring the right talent at the right time.

e. Recruitment and Selection:

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.

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 this Report.

CORPORATE GOVERNANCE

In recognition of the good Corporate Governance practices adopted by the Company, ICRA Limited (an associate of Moody's Investors Service), a leading provider of investment information and credit rating services in India, has assigned a CGR2 rating to the Corporate Governance Practices of the Company. 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, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Singapore Exchange Limited, Reserve Bank of India, Software Technology Park of India, Customs and other government authorities, banks and last but not the least, its 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 25, 2007

ANNEXURE TO THE DIRECTORS' REPORT – I

Corporate Governance Report for the financial year 2006-07

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 Policy. 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 core values, ***Innovation, Insight, and Integrity*** and they have been reflected in its structure, processes and efforts for sustained growth. These principles are closely integrated with its corporate and business practices and dealings with its customers, vendors, employees and all its other stakeholders. This is evident from the fact that ever since its inception and even prior to the listing of its shares, the Company has been guided by its own principles of good governance.

For 3i Infotech, Corporate Governance implies observance of 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 along with 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.

On the lines of its present Corporate Governance philosophy, during the year, the Company constituted an Operating Board, consisting of Wholetime Directors, all the geography heads, vertical heads, horizontal heads and functional heads. The Operating Board reviews the Company's performance vis-à-vis the strategy laid down by the Board and also ensures that the operations of the Company are being carried out in the best interests of all stakeholders.

The Company prides itself on being an employee sensitive enterprise, wherein 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, in letter as well as in spirit. After being listed on the National Stock Exchange and the Bombay Stock Exchange, the Company achieved a significant leap in its market capitalization and generated significant economic value to its shareholders and employees holding stock options. Thus, the Corporate Governance norms adhered to by the Company have led to unified alignment of the interests of the promoters, customers, employees and all other stakeholders.

CORPORATE GOVERNANCE RATING

ICRA conducted its annual assessment to re-assess the Corporate Governance Rating awarded by it to the Company earlier. ICRA re-conferred CGR2 rating to the Corporate Governance practices followed by the Company. ICRA rates companies on a 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 further strengthened the independence of the Board, by inducting an Additional Director on the Board. The total strength of the Board on the date of this report is ten. The Chairman of the Board is an Independent Non-Executive Director and the Board consists of seven Independent Non- Executive Directors, which constitutes more than two thirds of the total strength. None of the Directors are related to any of the other Directors of the Company. The composition of the Board and external directorships held for the year 2006-07 are given below:

Name	Category	Designation	Date of appointment	Date of resignation	Number of directorships in other companies+	Number of chairmanships in committees of boards of other companies*	Number of memberships in committees of boards of other companies*
Hoshang N. Sinor	INED	Chairman	24-Jul-03	-	8	1	2
Ashok Jhunjhunwala	INED	Director	19-Oct-06	-	6	-	3
Bruce Kogut	INED	Director	22-Apr-05	-	-	-	-
Madhabi Puri Buch	INED	Director	23-Jan-06	-	-	-	-
Samir Kumar Mitter	INED	Director	28-Oct-05	-	3	-	1
S. Santhanakrishnan	INED	Chairman, Audit Committee	22-Apr-05	-	3	1	-
Suresh Kumar	INED	Director	19-Oct-00	-	1	-	-
Vincent Addonisio	INED	Director	23-Jan-05	19-Apr-06	-	-	-
V. Srinivasan	ED	Managing Director & CEO	05-Sep-96	-	3	-	-
Hariharan Padmanabhan	ED	Deputy Managing Director	05-Nov-03	-	2	-	-

Name	Category	Designation	Date of appointment	Date of resignation	Number of directorships in other companies+	Number of chairmanships in committees of boards of other companies*	Number of memberships in committees of boards of other companies*
Amar Chintopanth	ED	Executive Director & CFO	17-Jan-07	-	6	-	-

Legend: INED=Independent Non-Executive Director, ED= Executive Director
+Excludes alternate directorships and directorships in section 25 companies, foreign companies, unlimited companies and private companies, which are not subsidiary / holding company of a public company.
*Includes only Audit Commitee and the Shareholders' Grievance Commitee.

b. The Board Meetings:

Among other things, key matters like periodic financial results, acquisitions, joint ventures, capital / operating budgets, findings / comments of the Statutory, Internal and other auditors, risk management, 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 has been decided in advance. During last financial year, the Board met four times on April 19, 2006, July 20, 2006, October 19, 2006 and January 17, 2007. The time gap between any two Meetings of the Board was less than four months.

The Agenda for the Board Meeting and its Committee Meetings are 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. The Agenda, along with 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 Executive Director & CFO 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
Ashok Jhunjhunwala*	1	0
Bruce Kogut	4	3
Madhabi Puri Buch	4	1
Samir Kumar Mitter	4	4
S. Santhanakrishnan	4	4
Suresh Kumar	4	4

Director	Number of Meetings held during the tenure of the Director	Number of Meetings attended
Vincent Addonisio*	1	1
V. Srinivasan	4	4
Hariharan Padmanabhan	4	4
Amar Chintopanth*	1	1

* was a Director only for part of the year.

Mr. Vincent Addonisio resigned at the Board Meeting held on April 19, 2006. Thereafter, Dr. Ashok Jhunjhunwala and Mr. Amar Chintopanth were appointed as Additional Directors by the Board at its Meetings held on October 19, 2006 and January 17, 2007 respectively. The Members have approved the appointment of Mr. Amar Chintopanth as Executive Director & CFO by way of Postal Ballot, the results of which were declared on March 7, 2007.

c. Appointment, performance evaluation and remuneration of the Directors:

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

Non-Executive Directors have a very important role in the growth and governance of the Company 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. 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 to the Board, the payment of remuneration 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.

Performance appraisal of the Members of the Board Governance Committee is carried out by the Board on the same criteria as above.

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. The Board finalises the remuneration payable to the Executive Directors, based on the recommendations of the Board Governance Committee.

Remuneration:

The Members of the Company at their Annual General Meeting held on July 22, 2005, approved the payment of remuneration by way of commission to the Independent Directors, at a sum exceeding 1% of the net profits but not exceeding 3% of the net profits subject to the approval of the Central Government. Subsequently, the Company has obtained the approval of the Central Government pursuant to Section 309 for the payment of Commission upto 3% of the net profits.

In the year 2006-07, the Company has paid remuneration by way of commission to the Non-Executive Directors at 1.5% of net profits for the year 2005-06. In addition to this, sitting fees for attending and participating in the Board and Committee Meetings for the financial year 2006-07 were also paid to the Non-Executive Directors. The remuneration, as explained above, was paid as per the recommendation of the Board Governance Committee and approval of the Board. The details are as given below:

Name of the Director	Commission (Gross in Rs.)	TDS (Rs.)	Sitting fees (Gross in Rs.)	TDS (Rs.)	Total (Gross in Rs.)	TDS (Rs.)	Net (Rs.)
Hoshang N. Sinor	1,500,000	84,150	220,000	12,036	1,720,000	96,186	1,623,814
Balaji Swaminathan*	100,000	5,100	-	-	100,000	5,100	94,900
Bruce Kogut	800,000	269,280	120,000	40,392	920,000	309,672	610,328
Madhabi Puri Buch	200,000	10,200	60,000	3,264	260,000	13,464	246,536
Samir Kumar Mitter	200,000	10,200	180,000	9,792	380,000	19,992	360,008
S. Santhanakrishnan	1,200,000	67,320	260,000	14,280	1,460,000	81,600	1,378,400
Suresh Kumar	1,200,000	67,320	140,000	42,840	1,340,000	110,160	1,229,840
Vincent Addonisio+	800,000	269,280	40,000	12,240	840,000	281,520	558,480

*Resigned on January 23, 2006.
+Resigned on April 19, 2006.

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

In addition to the above, the Company paid remuneration to its Wholetime Directors, Mr. Hariharan Padmanabhan, Mr. Amar Chintopanth and Mr. Manoj Kunkalienkar in accordance with and within the overall limits as per the provisions of Sections 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.

Mr. V. Srinivasan and Mr. Hariharan Padmanabhan, being non-resident Indians, the Company obtained the approval of the Central Government pursuant to Section 269 of the Companies Act, 1956 for their re-appointment.

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.)
Hariharan Padmanabhan (paid in AED)*	8,818,218	3,327,480	2,392,119
Manoj Kunkalienkar	4,876,943	-	-
Amar Chintopanth**	286,508	-	366,051

* 1 AED is equal to Rs. 12.324 as on March 31, 2007

**The above mentioned remuneration was received by him in his capacity as Executive Director & CFO, after he was appointed as such.

STOCK OPTIONS HELD BY THE DIRECTORS (as on March 31, 2007):

a. The Directors have been granted stock options under Employee Stock Option Scheme of the Company. Options granted under this scheme vest in a graded manner. As per the terms of grant,vesting takes place over a 3-year period, with 20%, 30% and 50% of the grants vesting in each year, commencing from one year from the date of grant. Options can be exercised within 10 years from the date of grant. The price of the options granted before the IPO was the fair value of the shares as decided by an independent valuer. The price of the options granted after the IPO is the closing market price on the stock exchange, which recorded the highest trading volume preceding the date of grant of option. The pricing of the stock options is in line with SEBI guidelines. During the year, the following Directors were granted stock options:

   Mr. V. Srinivasan, Managing Director & CEO - 500,000; Mr. Hariharan Padmanabhan, Deputy Managing Director - 250,000; Mr. Amar Chintopanth, Executive Director & CFO - 100,000 and Dr. Ashok Jhunjhunwala, Director - 50,000.

b. Number of shares held by the Directors (as on March 31, 2007):
   Mr. Hoshang N. Sinor, Ms. Madhabi Puri Buch, Mr. V. Srinivasan and Mr. Amar Chintopanth hold 25,000; 14,000; 71,020 and 2,000 shares respectively.

   No other director holds any shares in the Company.

II. BOARD COMMITTEES

Currently, the Board has three Committees, viz.

a. Audit Committee
b. Board Governance Committee
c. Shareholders'/Investors' Grievances Committee

All Committees, except the Shareholders' / Investors' Grievances Committee, consist entirely of Independent Directors. Normally, the Committees meet four times a year, except the Board Governance Committee, which meets as required (subject to a minimum of two meetings in a year). The Quorum for the meetings is either two directors or one third of the Members of the Committee, whichever is higher.

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;
- reviewing 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
Bruce Kogut	Member	Ph.D. (MIT)
Madhabi Puri Buch	Member	B. Sc, PGDM (IIM, A)
Samir Kumar Mitter	Member	M.A., LL.B

The Audit Committee comprises of four Independent Non-Executive Directors. All the Members of the Audit Committee are financially literate and the Chairman of the Committee has accounting and financial management expertise. The Chairman was present at the previous Annual General Meeting of the Company held on July 20, 2006. The Chief Financial Officer, Internal Auditor and the Statutory Auditors attend the Meetings of the Audit Committee as invitees. The Company Secretary is the Secretary to the Committee.

The Committee held five Meetings during 2006-07 on April 18, 2006, June 1, 2006, July 19, 2006, October 18, 2006 and January 17, 2007. The time gap between any two Meetings was less than four months.

Mr. Vincent Addonisio stepped down from the Committee on April 19, 2006 as he resigned from the Board. Ms. Madhabi Puri Buch and Dr. Bruce Kogut were inducted to the Committee as Members on April 19, 2006 and October 19, 2006 respectively.

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
S. Santhanakrishnan	5	5
Bruce Kogut	1	1
Madhabi Puri Buch	4	2
Samir Kumar Mitter	5	5
Vincent Addonisio	1	1

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 Subsidiaries.
- 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 the subsidiaries, nominated by the Company on its Board vis-vis KPA's (Key Performance Area) 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.

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

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

All the Members of this Committee are Independent Non-Executive Directors.

The Committee met three times during the year 2006-07 on April 18, 2006; October 19, 2006 and January 17, 2007.

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	3	2
Suresh Kumar	3	3

c. Shareholders' / Investors' Grievances Committee:

This Committee is constituted by the Board to look into matters relating to investors' servicing and to 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 procedures 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 and
- 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 Members of this Committee are Independent Non-Executive Directors. Mr. Shivanand Shettigar, the Company Secretary acts as the Secretary to the Committee.

During the year 2006-07, the Committee met four times on April 18, 2006; July 20, 2006; October 19, 2006 and January 17, 2007.

The Board appointed Mr. Hariharan Padmanabhan as a Member of the Committee on April 1, 2006.

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	4	4
S. Santhanakrishnan	4	4
Hariharan Padmanabhan	4	4

III. GENERAL MEETINGS

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

Year	Date	Time	Special Resolutions passed
2003-04	July 23, 2004	3.00 p.m.	1. Appointment of Mr. Hariharan Padmanabhan as Executive Director
2004-05	July 22, 2005	3.00 p.m.	1. Ratification of Employees Stock Option Scheme for grant of stock options to the Employees and Directors of the Company 2. Ratification of Employees Stock Option Scheme for grant of stock options to the Employees and Directors of the Subsidiaries and Holding Company 3. Approval of remuneration to Non-Executive Directors
2005-06	July 20, 2006	3.30 p.m.	1. Re-appointment of Mr. Hariharan Padmanabhan as the Deputy Managing Director 2. Amendment to the Articles of Association with regard to the authorized share capital.

The AGM dated July 23, 2004 was held at the Registered Office of the Company at Tower # 5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai 400 703. The AGMs dated July 22, 2005 and July 20, 2006 were 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 20, 2006:

Name of the Director
Hoshang N. Sinor
Bruce Kogut
Madhabi Puri Buch
Samir Kumar Mitter
S. Santhanakrishnan
Suresh Kumar
V. Srinivasan
Hariharan Padmanabhan

Details on Extraordinary General Meeting (EGM) held in the last three years:

Year	Date	Time	Special Resolutions passed
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	-	-	-
2005-06	-	-	-

The above EGM was 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 EGM and none of the Resolutions were passed by way of Poll.

Postal Ballot

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

Date of the Notice	Date of Result	Name of the Scrutiniser	Special Resolutions passed	Results
January 17, 2007	March 7, 2007	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;	Please refer Column I of the table given on the next page
			2. Appointment of Mr. Amar Chintopanth as Executive Director & CFO.	Please refer Column II of the table given on the next page

Procedure for the Postal Ballot:

The Postal Ballot Forms were sent to all the Members along with Notice dated January 17, 2007 and the Explanatory Statement pursuant to Section 173(2) of the Companies Act, for obtaining their approval.

The Board of Directors appointed Mr. N.D.Gupta, Practising Chartered Accountant, as Scrutiniser for conducting the Postal Ballot process.

The Members were requested to carefully read the instructions appearing in the Form, record their assent or dissent therein and return the said form duly completed, in original, in the attached postage pre-paid envelope so as to reach the Scrutiniser on or before March 3, 2007.

Upon the receipt and on completion of the scrutiny of the Postal Ballot Forms, the Scrutiniser submitted his report to the Chairman of the Company. The results of the Postal Ballot were announced by the Chairman on March 7, 2007. The results are displayed at the Registered Office of the Company and also on the Web site of the Company at: http://www.3i-infotech.com/investors/announcement.aspx

Results of the Postal Ballots:	Column I	Column II
Particulars	**Resolution No. 1**	**Resolution No. 2**
Total number of equity shareholders who have cast their votes by means of postal ballot forms	2,874	2,874
Less: Number of Equity shareholders whose postal ballot forms were rejected as invalid	52	110
Number of Equity shareholders represented by valid postal ballot forms	2,822	2,764
Voted in favour of the Resolution	2,772	2,698
Voted against the Resolution	50	66
Total number of votes cast by the Equity shareholders by means of valid postal ballot forms (Number of valid votes)	33,095,492	33,089,545
Votes in favour of the Resolution	33,086,901	33,082,887
Votes against the Resolution	8,591	6,658
Percentage of votes cast in favour	99.97%	99.98%

IV. DISCLOSURE REQUIREMENTS

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

b) Disclosure relating to material and commercial transactions having a potential conflict of interest:
During the year 2006-07, there were no material and commercial transactions, having a potential conflict of interest entered into by the Company with the Directors or Members of the Management.

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. The Policy is put up on the Knowledge Management Portal of the Company, which is an internal portal for the employees.
Under the Policy, employees are free to communicate any matters 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 adoption of non-mandatory requirements.
The Company has complied with all the mandatory requirements.

The Company's status of Compliance with the non-mandatory requirements is given below:

1. The Board:
   As our Chairman is an Independent Non-Executive Director, the Company maintains an office for him at the Corporate Office.
   None of the Independent Directors on our Board have served for a term exceeding nine years from the date when the new clause 49 became effective.
2. Remuneration Committee:
   The Company has a Board Governance Committee, which also functions as the Remuneration Committee. The details of the same are given elsewhere in the report.
3. Shareholder Rights:
   The quarterly and half yearly declaration of the financial performance are posted on the website of the Company and are also sent to the stock exchanges, where the shares of the Company are listed.
4. Audit Qualifications:
   The Company's financial statements are unqualified.
5. Training of Board Members:
   New Directors, on being inducted to the Board, are familiarized with the Company's Corporate Profile, the Corporate Governance Code, Code of Conduct for Directors and Senior Management, Insider Trading Code and the Company's policy for Unfair Trading Practices in Securities.
6. Mechanism for evaluating the performance of Non-Executive Directors:
   The Board evaluates the performance of the Non-Executive Directors every year.
7. Whistle Blower Policy:
   The Company has laid down a Whistle Blower Policy, the details of which are given elsewhere in the report.

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 of the Company at www.3i-infotech.com. The Company's results are also uploaded on the EDIFAR (Electronic Data Information Filing and Retrieval System) website maintained by National Informatics Center (NIC). The financial results are normally published in Financial Express/Business Line (National Newspaper) and Maharashtra Times (Regional Newspaper).

VI. GENERAL SHAREHOLDER INFORMATION

a. Details of ensuing AGM:

Day and Date	Time	Venue
Wednesday, July 25, 2007	4.00 p.m.	Arya Samaj Hall, Plot no 6, Sector 9A, Vashi, Navi Mumbai, 400 703.

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

	Opening Balance	Received	Processed	Pending as on March 31, 2007
Instructions	5	490	495	0
Grievances	0	2	2	0

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

Quarter End	Date
June 30, 2007	July 25, 2007
September 30, 2007	October 24, 2007
December 31, 2007	January 25, 2008
March 31, 2008	April 25, 2008

d. Financial Year: March 31

e. Date of Book Closure: July 7, 2007 to July 25, 2007 (both days inclusive)

f. Dividend payment date: within 30 days from July 25, 2007, subject to shareholders' approval.

g. Listing: The shares are listed on the 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:INE748CO1020

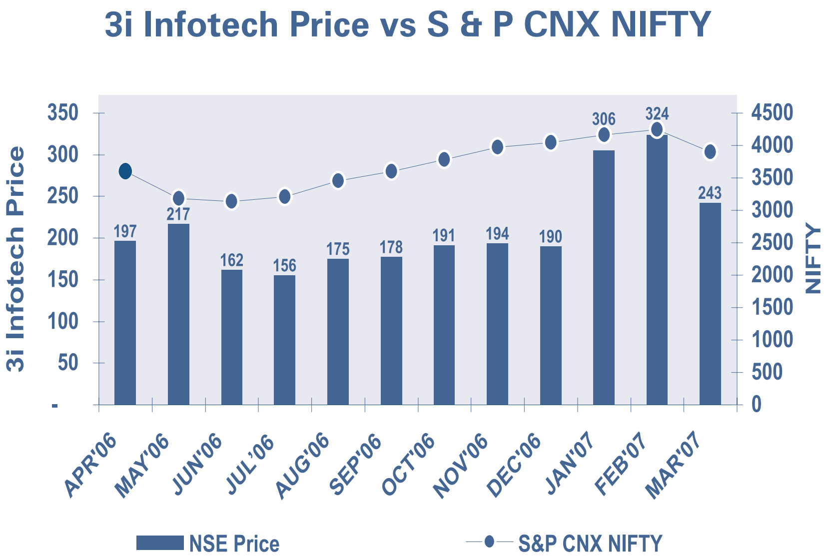
i. Market price data:
Monthly highs, lows and trading volume for FY2007

	National Stock Exchange			Bombay Stock Exchange			Total Quantity Traded
	High	Low	Trade Quantity	High	Low	Trade Quantity	
April 2006	196.50	170.00	7,075,691	197.00	170.00	3,384,767	10,460,458
May 2006	217.40	145.00	7,324,839	217.35	145.00	5,365,296	12,690,135
June 2006	161.70	125.00	2,624,609	176.50	123.05	4,631,978	7,256,587
July 2006	155.70	131.40	3,455,740	156.00	131.25	2,099,209	5,554,949
August 2006	175.00	142.00	6,415,947	175.40	139.80	3,585,075	10,001,022
September 2006	177.75	159.50	3,099,192	178.00	159.40	2,174,036	5,273,228
October 2006	191.45	169.65	7,503,629	191.50	166.00	5,930,225	13,433,854
November 2006	193.50	175.00	6,561,244	193.90	174.55	4,681,043	11,242,287
December 2006	190.00	165.00	4,401,457	193.50	165.00	4,020,705	8,422,162
January 2007	305.50	209.00	35,827,145	306.80	188.00	22,364,856	58,192,001
February 2007	323.80	234.00	13,819,319	322.80	235.15	7,091,789	20,911,108
March 2007	242.50	220.65	7,324,583	259.00	214.00	3,645,680	10,970,263

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 expertise and effective systems for share transfers.

l. 3i Infotech's share prices versus the NSE Nifty:



m. Distribution of holdings as on March 31, 2007:

Share holding of nominal value of rupees	Shareholders		Share Amount	
	Number	Percentage to total (%)	Rupees	Percentage to total (%)
Upto 5,000	62,521	95.08	58,565,350	10.40
5,001 - 10,000	1743	2.65	14,176,130	2.52
10,001 - 20,000	694	1.06	10,707,860	1.90
20,001 - 30,000	265	0.40	6,895,480	1.22
30,001 - 40,000	131	0.20	4,760,330	0.85
40,001 - 50,000	107	0.16	5,095,180	0.91
50,001 - 100,000	132	0.20	9,709,070	1.72
Above 100,001	165	0.25	453,077,990	80.48
Total	**65,758**	**100.00**	**562,987,390**	**100.00**

n. Shareholding Pattern as on March 31, 2007:

Category code	Category of shareholder	Total number of shares	Percentage of shareholding
(A)	**Shareholding of Promoter and Promoter Group**		
1	**Indian**		
(a)	Financial Institutions / Banks – ICICI Bank Limited	6,295,859	11.18
(b)	Any Other - Trust (Western India Trustees and Executor Co. Ltd. A/c ICICI Strategic Investment Fund)	19,518,095	34.67
	Sub-Total (A)(1)	**25,813,954**	**45.85**
2	**Foreign**	Nil	Nil
	Sub-Total (A)(2)	Nil	Nil
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**25,813,954**	**45.85**
(B)	**Public shareholding [1]**		
1	**Institutions**		
(a)	Mutual Funds / UTI	4,437,144	7.88
(b)	Financial Institutions / Banks	33,223	0.06
(c)	Central Government / State Government(s)	Nil	Nil
(d)	Venture Capital Funds	Nil	Nil
(e)	Insurance Companies	4,202,850	7.47
(f)	Foreign Institutional Investors	2,548,645	4.53
(g)	Foreign Venture Capital Investors	Nil	Nil
(h)	Any Other (Foreign Banks and Foreign Companies)	3,254,481	5.78
	Sub-Total (B)(1)	**14,476,343**	**25.72**
2	**Non-institutions**		
(a)	Bodies Corporate	4,418,961	7.85
(b)	Individuals -		
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	9,867,358	17.52
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	1,722,123	3.06
(c)	Any Other (specify)	Nil	Nil
	Sub-Total (B)(2)	**16,008,442**	**28.43**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**30,484,785**	**54.15**
	TOTAL (A)+(B)	**56,298,739**	**100.00**

o. Dematerialisation of shares and liquidity:
The shares of the Company are held in Dematerialised mode, except 46,504 shares, which are held in physical mode.

p. Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity
The Company has issued Foreign Currency Convertible Bonds. The details are given below:

	USD 50 Million Zero Coupon Convertible Bonds due in 2011	**Euro 15 Million 1.5% Convertible Bonds due in 2011**	**Euro 30 Million Zero Coupon Convertible Bonds due in 2012**
Identification No.	CB110317	CB110317	CB110317
ISIN	XS0245867667	XS0270546095	XS0292985727
Initial Conversion Price	INR 230 representing a premium of 33% to Rs. 173, the reference share price (closing price on NSE on March 2, 2006)	INR 190.00 representing a premium of 15% of average closing price of five days preceding the transaction date	INR 308.63 representing a premium of 25% to Rs. 246.90, the reference share price (closing price on NSE on March 26, 2007)
Conversion Ratio	Convertible into 19,282.6087 common shares per USD100,000 bond from April 25, 2006 until February 16, 2011	Convertible into 306.7368 common shares per bond of Euros 1,000 each from November 16, 2006 until March 17, 2011	Convertible into 186.6312 common shares per bond of Euros 1,000 each from May 13, 2007 until March 4, 2012
Yield to maturity	6.80% semi-annually, if conversion option not exercised.	5.79% semi-annual	6.90% annual basis
Number of Bonds Converted as on April 25, 2007	51	3,000	-
Number of Bonds outstanding as on April 25, 2007	449	12,000	30,000

Apart from these, there are no other GDRs / ADRs / Warrants or any convertible instruments, convertible instruments other than the stock options issued under the Employee Stock Options Scheme of the Company, which are outstanding.

q. Plant Locations:
As the Company is engaged in Information Technology Industry, it does not have Plants.

The addresses of the Global Developments Centers of the Company are given below:

1. Tower No. 5, 3rd to 6th floors, International Infotech Park, Vashi, Navi Mumbai 400 703.
2. Unit No. 301, "Akruti Trade Centre", Road No. 7, M.I.D.C. Road, Andheri (East), Mumbai - 400 093.
3. Brigade Champak, 6/2, Union Street, Off Infantry Road, Bangalore - 560 001.
4. Shantishree, #17/1, Hosur Road, Bangalore - 560 068.
5. 4th Floor, MBC Towers, No.81, TTK Road, Alwarpet, Mylapore, Chennai - 600 018.
6. 3rd Floor, Ratna Building, New No: 372, Old No: 231, TTK Road, Alwarpet, Chennai - 600 018.

7. 501, Babukhan's Millenium Centre, Somajiguda, 6-3-1099/1100, Off Rajbhavan Road, Hyderabad - 500 082.
8. 7th Floor, Apple Tower, Edappally Bypass Road, Palarivattam, Kochi - 682 024.
9. 26/2, Mohan Co-Operative Industrial Area, Behind Airtel Office, Mathura Road, New Delhi - 110 044.
10. 34, Netaji Subash Marg, Darya Gunj, New Delhi - 110 002.

r. Name, Designation and Address of Compliance Officer for communication:
Shivanand R Shettigar,
Compliance Officer & Company Secretary
3i Infotech limited,
Akruti Centre Point,
6th Floor, MIDC Central Road,
Next to Marol Telephone Exchange,
Andheri (East), Mumbai 400 093
Ph: (9122) 3914 5562
Fax: (9122) 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 a Code of Conduct for the Board of Directors and Senior Management. This code is applicable 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 functional heads. The Directors and Members of Senior Management have affirmed compliance with the Code of Conduct for the Board of Directors and Senior Management as on March 31, 2007. The Company has complied with the provisions of the Listing Agreement in this respect.

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

April 25, 2007 at Mumbai

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by **3i Infotech Limited**, for the year ended on March 31, 2007 as stipulated in Clause 49 of the Listing Agreement with the 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 according to the explanations given to us and based on the representations given by the Management of the Company, we certify that the Company has broadly complied 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

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, 2007:

- Total revenue grew to Rs. 6,708 million, registering a growth of 58.2% over the previous year's revenue of Rs. 4,240 million.
- Gross margins moved to 46.3% from 43.7% of operating revenue in the previous year.
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) improved by 84.7% to Rs. 1,585 million in the current year compared to the previous year. Consequently, EBITDA margins moved up to 24.2% from 20.5% in the previous year.
- The Company has posted a consolidated profit after tax of Rs. 1,045 million for the current year.
- The EPS for the year has grown to Rs. 17.98 for the current year as against Rs. 9.51 in the previous year.

RESULTS OF OPERATIONS

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

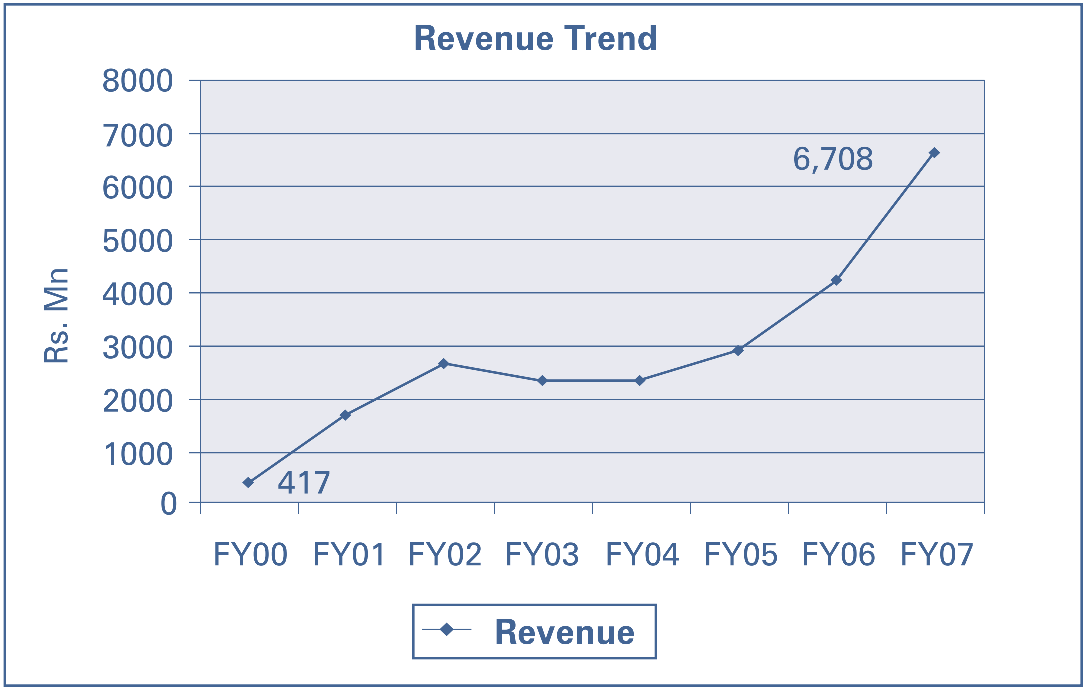
Rupees in million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Income		
Income from operations	6,553.17	4,178.14
Other Income	154.55	62.33
Total Income	**6,707.72**	**4,240.47**
Expenditure		
Cost of revenues	3,521.75	2,350.90
Gross Profit	**3,185.97**	**1,889.57**
Gross profit margins – on Operating Income	***46.3%***	***43.7%***
Selling general & administrative expenses	1,446.12	969.60
Profit before Interest, depreciation & taxes	**1,739.85**	**919.97**
Operating margins– on Operating Income	***24.2%***	***20.5%***
Software Development cost*	263.73	—
Interest	208.99	79.78
Depreciation	168.84	260.53
Profit before tax	**1,098.29**	**579.66**
Taxation	53.45	3.02
Profit after tax	**1,044.84**	**576.64**
Minority Interest	7.36	2.27
Net Profit after Minority Interest	**1,037.48**	**574.37**
*We started writing off the Software Development costs, which till FY2006 used to be capitalized.		

Revenues

In FY2007 the total revenue was Rs. 6,708 million, an increase of 58.2% over the previous year's revenues of Rs. 4,240 million. Over the years the Company has pursued a sales strategy aimed at a healthy mix between products and services, a balanced distribution among various geographies and offering a range of products to bring in predictability in the business model. This strategy has been executed by an aggressive sales force across the geographies, complemented by a partner network.

In the last seven years the revenues have grown at a CAGR of 48.7% from Rs. 417 million in FY2000 to Rs. 6,708 million in FY2007.



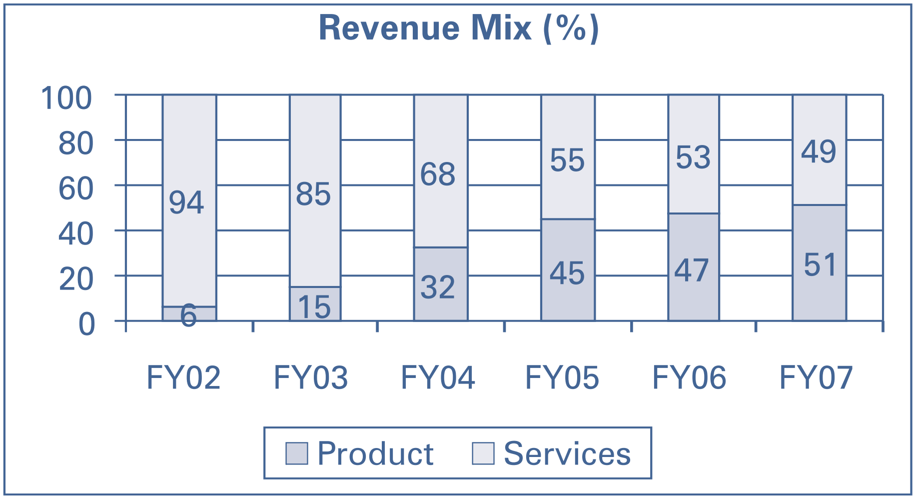
Revenue Mix

Offering-wise

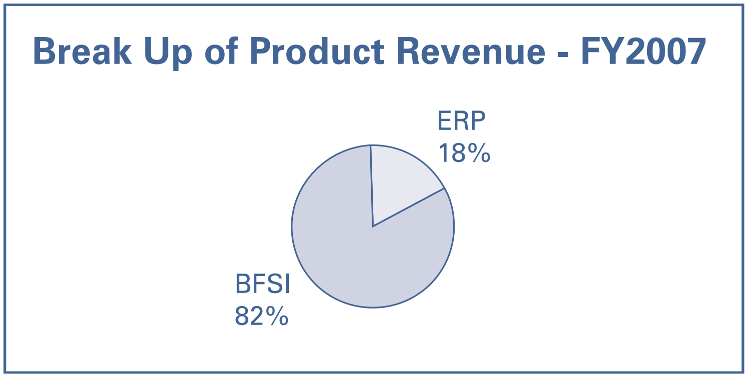
The Company derives its revenue from sale of software products and services. This year also we witnessed a balanced growth between products and services businesses.

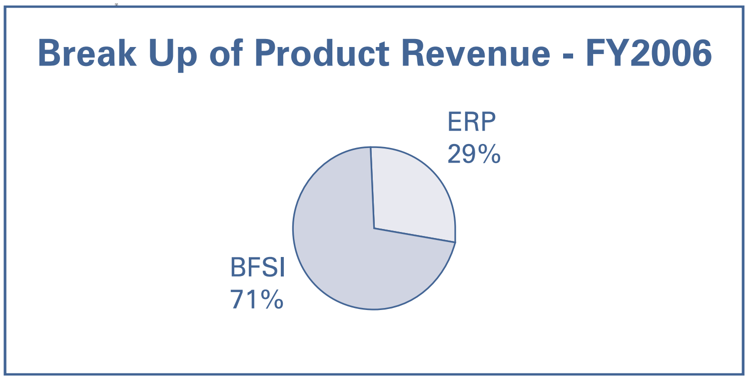
Services (including other income) clocked sales of Rs. 3,389 million, an increase of 48% over the previous year's services revenues of Rs. 2,289 million. Software products contributed Rs. 3,319 million in FY2007, a 70% increase over previous year's revenues of Rs. 1,952 million. The growth in products was widespread in all products and across geographies. Mutual Fund products, which were added to our suite of products in this year, also witnessed good growth.

In the last five years we have de-risked our business model by reducing our dependency on services business from 94% to the current 49%. This de-risking has been made possible by working towards the strategy of having a 50:50 mix between products and services.



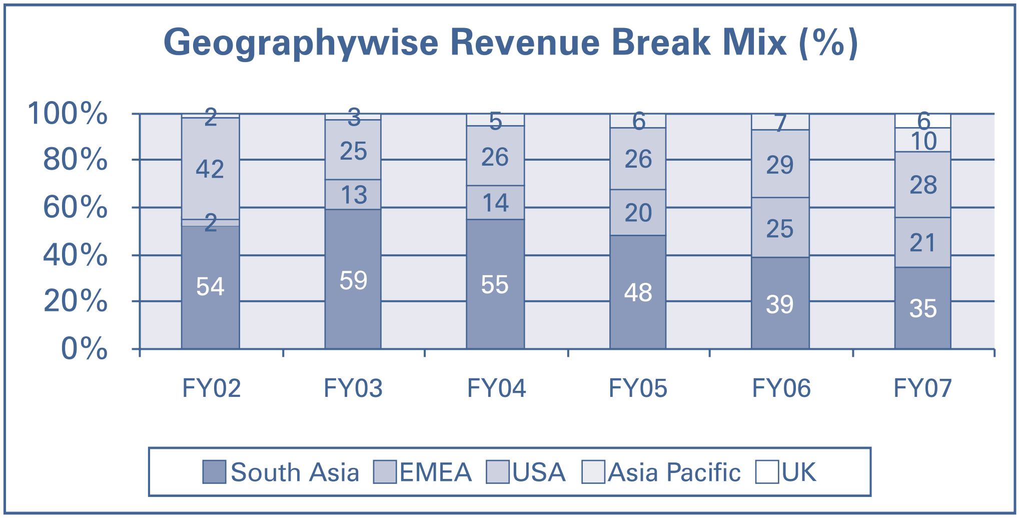
Not only was the revenue growth in 2006-07 broad based and well distributed between products and services but even within the products suite with all the products registered a good growth. The year also witnessed further broad basing of product revenues with the addition of new product offerings for Capital Markets (these consist of products for the Broker community, Mutual Funds and Private Wealth Managers).





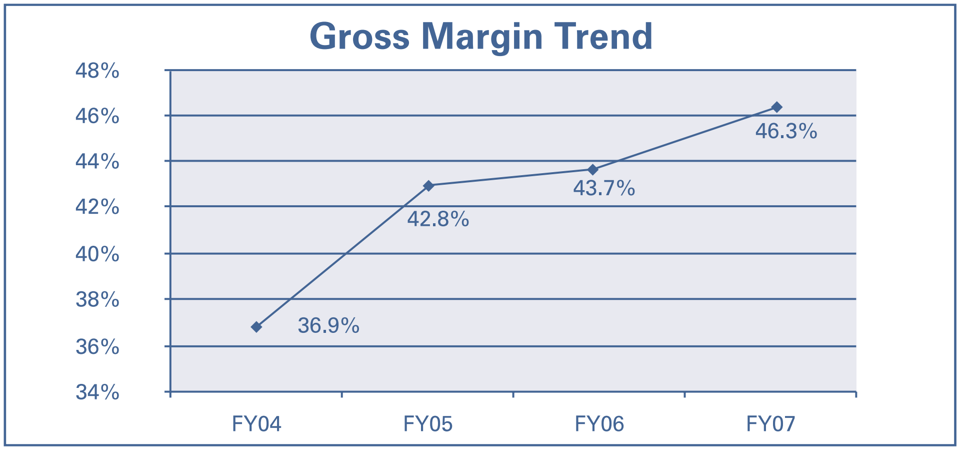
Geography-wise

Overall the geographical operating revenue mix in 2006-07 was broad based and well distributed with India & other South Asian countries contributing about 35%, North America 28%, and Middle East Asia and Africa about 21% and the Far East region contributing about 10% of the revenues. The Company also acquired Rhyme Systems of UK to make inroads in the European market. The UK geography contributed 6% of the revenue this year. In the last couple of years we have been able to de-risk our business model geography wise by making deeper inroads into the newer markets.



Cost of Revenues

Cost of revenues represents the direct cost for each of the business segments, the major components being payments and provisions for employees, staff welfare expenses and outsourcing expenses. Cost of revenues as a percentage of operating revenues has declined over the last couple of years from 63.1% in FY2004 to 53.7% in FY2007. This resulted in gross margins improving year on year from 36.9% in FY2004 to 46.3% in FY2007. This happened due to improvement in the gross margins in both the business segments: products and services. Gross margins in the products business improved from 45.8% in FY2004 to 54.3% in FY2007. The gross margins in the services business segment improved from 32.8% to 38.0% in FY2007. The year on year improvement in margins reflect the growing brand visibility of 3i Infotech and the increased acceptance level of its offerings.



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.

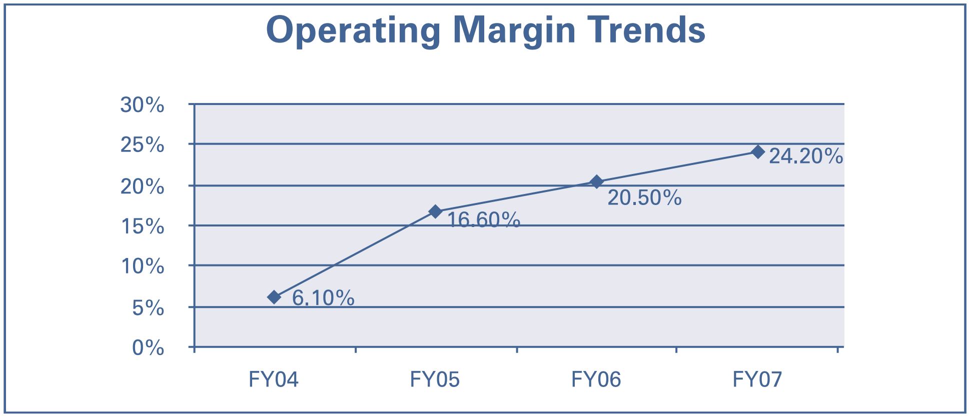
The selling, general and administrative expenses have declined as a percentage of operating revenues from 30.8% in FY2004 to 22.1% in FY2007. The main reason for this improvement has been the good sales growth coupled with the improvement in average deal size across all the products. Our partner sales strategy has been another reason for keeping the SGA expenses 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 the 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. 1,585 million in FY2007 against Rs. 858 million in FY2006, representing operating margins of 24.2% during the current year, as compared to 20.5% for the previous year.

In the last three years the operating margins have increased from 6.1% in FY2004 to 24.2% in FY2007. This increase of 18.1 percentage points between FY2004 and FY2007 is due to decrease in the cost of revenue by 9.4 percentage points and decrease in the SGA expenses by 8.7 percentage points.



Interest, Depreciation and Amortization

The interest cost has increased from Rs. 80 million in FY2006 to Rs. 209 million during the year. The increase in the interest costs has been due to increase in the debt during the year and also due to the rise in the rate of interest. The total outstanding debt rose to Rs. 3,829 million (excluding FCCB of Rs. 2,646 million) in FY2007 as compared to the debt position of Rs. 1,119 million (excluding FCCB of Rs. 2,231 million) at the end of FY2006. Of this increase, Rs. 729 million pertains to the debt of Rhyme Systems, the Company we acquired during the year. Rest of the increase in debt was to fund acquisition, product development and to meet working capital requirements.

The Company has provided Rs.169 million towards depreciation / amortization for FY2007 as against Rs. 261 million in FY2006. In FY2006-07 the Company changed its accounting policy in respect of Software development costs. Earlier these were capitalized and depreciated over a period of 10 years, which now are expensed off. This, in effect, has reduced the depreciation.

Provision for Taxes

The Indian corporate tax rate for FY2007 was 33.66% (comprising a base rate of 30% and a surcharge of 10% on the base rate and Education Cess of 2% on the base rate plus surcharge. Export profits from India are entitled to certain benefits. Under the scheme (Section 10A / 10B 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, Export Oriented Unit are entitled to a total tax holiday for ten years effective 1999-2000. The Company's Offshore Development Centers at Vashi, Bangalore, Chennai, Hyderabad and Export Oriented Unit at Andheri are covered under the said 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, UK and Mauritius, the Company's operations are subject to tax at rates applicable in the respective countries. With respect to operations in Malaysia and Thailand, the Company enjoys a tax holiday for ten and seven years respectively, as per applicable local laws of these countries.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalents as on March 31, 2007 were Rs. 974 million as against Rs. 2,604 million on March 31, 2006 (including Rs. 2,187 million raised through FCCB). Cash and cash equivalents include cash, deposits with banks and liquid investments due on demand or maturing within three months. The reduction in the Cash in FY2007 is largely due to utilization of cash for acquisitions. The current ratio, defined as current assets over current liabilities excluding bank borrowings as on March 31, 2007 was 2.8 as against 4.3 as on March 31, 2006. The reduction in the Current Ratio in FY2007 is largely due to utilization of cash for acquisitions.

Our Debt (including preference capital) to Equity ratio for the year stands at a comfortable 1.89. The reaffirming of P1 rating on the commercial paper of the Company by CRISIL, post the recent FCCB offering of EURO 30 million, reflects the sound financial position of the Company.

Our Days Sales Oustanding (DSO) in the last quarter of FY2007 was 81 days as compared to 85 days in the last quarter of FY2006.

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 as 'the Group' as at March 31, 2007 and also the Consolidated Profit and 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 Parent Company's management and have been prepared by them on the basis of separate financial statements and other financial information regarding components. 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 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 as at March 31, 2007 and revenues for the period as mentioned below:

Rupees in Million

Particulars	
<u>3i Infotech Inc., USA</u>	
Revenue for the year ended 31st March, 2007	1223.77
Total Assets	1752.64
<u>3i Infotech Consulting Inc., USA</u>	
Revenue for the year ended 31st March, 2007	402.64
Total Assets	333.75
<u>Delta Services (India) Private Limited, India</u>	
Revenue (From August 1, 2006 to March 31, 2007)	255.18
Total Assets	133.07

Rupees in Million

Particulars	
3i Infotech Investments Services Inc., USA	
Revenue for the year ended 31st March, 2007	12.16
Total Assets	11.83
3i Infotech Factoring Solutions Inc., USA	
Revenue for the year ended 31st March, 2007	12.32
Total Assets	308.83
3i Infotech Insurance Solutions Inc.,USA	
Revenue for the year ended 31st March, 2007	59.89
Total Assets	467.89
3i Infotech Enterprise Solutions Inc.,USA	
Revenue for the year ended 31st March, 2007	56.26
Total Assets	405.43
Stex Software Private Limited, India	
Revenue (From November 7, 2006 to March 31, 2007)	11.01
Total Assets	18.92
Ryhme Systems Holdings Limited, UK (consolidated)	
Revenue (From October 20, 2006 to February 28, 2007)	390.12
Total Assets (As at February 28, 2007)	1196.72
E – Enable Technologies Private Limited, India	
Revenue (From November 21, 2006 to March 31, 2007)	19.27
Total Assets	19.54
Whizinfo Technologies Inc., USA	
Revenue (From January 1, 2007 to March 31, 2007)	47.06
Total Assets	48.09

These financial statements of the above 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 and 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 and notes appearing in schedule XV of Significant Accounting Policies and Notes to Accounts 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, 2007;

   (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 and CO.**
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Mumbai,
April 25, 2007

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

Rupees in Million

	Schedule	As at March 31, 2007	As at March 31, 2006
I. SOURCES OF FUNDS			
1. Shareholders' Funds :			
A. Share Capital	I	1,562.99	1,530.45
B. Reserves and Surplus	II	3,397.44	2,148.25
		4,960.43	3,678.70
2. Minority Interest	III	19.02	6.87
3. Loan Funds :			
A. Secured Loans	IV	1,519.31	715.42
B. Unsecured Loans	V	4,955.59	2,634.90
		6,474.90	3,350.32
		11,454.35	7,035.89
II. APPLICATION OF FUNDS			
1. Goodwill arising on consolidation		5,783.37	704.44
2. Fixed Assets :	VI		
a. Gross Block		2,298.00	3,296.35
b. Less : Depreciation		927.81	1,110.90
c. Net Block		1,370.19	2,185.45
d. Capital Work-in-Progress		183.62	52.71
		1,553.81	2,238.16
3. Investments	VII	1.02	1.02
4. Deferred Tax Asset (net)		373.69	135.61
5. Current Assets, Loans and Advances	VIII		
A. Current Assets :			
a. Inventories		-	3.45
b. Sundry Debtors		1,896.33	1,138.63
c. Unbilled Revenues		1,754.77	972.04
d. Cash and Bank Balances		973.70	2,604.01
		4,624.80	4,718.13
B. Loans and Advances		1,154.89	448.37
		5,779.69	5,166.50

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

Rupees in Million

	Schedule	As at March 31, 2007	As at March 31, 2006
Less: Current Liabilities and Provisions :	**IX**		
A. Current Liabilities		**1,622.49**	939.88
B. Provisions		**414.74**	269.96
		2,037.23	1,209.84
Net Current Assets		**3,742.46**	3,956.66
6. Miscellaneous Expenditure	**X**	**-**	-
(To the extent not written off or adjusted)			
		11,454.35	7,035.89
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 and Company,
Chartered Accountants

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

R. P. Baradiya
Partner
Mumbai, April 25, 2007

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

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

Rupees in Million

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME :			
Income from Operations	**XI**	**6,553.17**	4,178.14
Other Income	**XII**	**154.55**	62.33
Total Income		**6,707.72**	4,240.47
EXPENDITURE:			
Cost of Revenues	**XIII**	**3,521.75**	2,350.90
Selling, General and Administrative Expenses	**XIV**	**1,446.12**	969.60
Total Expenditure		**4,967.87**	3,320.50
Profit before interest, depreciation and taxation		**1,739.85**	919.97
Software Development cost		**263.73**	229.09
Less : Transferred to Capital Work in Progress		**-**	(229.09)
Interest		**208.99**	79.78
Depreciation		**168.84**	260.53
Profit Before Taxation		**1,098.29**	579.66
Provision for Taxes			
- Deferred Taxes (net)		**9.20**	(9.51)
- Current Taxes		**32.04**	12.10
- Fringe Benefit Tax		**12.21**	10.06
- Mat Credit Entitlement		**-**	(9.41)
		1,044.84	576.42
- Deferred / Current tax pertaining to earlier years		**-**	(0.22)
Profit After Taxation		**1,044.84**	576.64
Add/(less) : Exceptional items (Refer Note no.2.8)		**120.06**	-
Profit After Exceptional Items		**1,164.90**	576.64
Add/(less) : Provision for Contingency		**(120.06)**	-
Profit After Provision for Contingency		**1,044.84**	576.64
Minority Shareholders' Interest		**7.36**	2.2
Net Profit After Minority Interest		**1,037.48**	574.37

3i INFOTECH LIMITED

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

Rupees in Million

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
Earnings Per Share			
(Equity shares, par value Rs. 10 each)			
Basic (Rs.)		**17.98**	9.51
Diluted (Rs.)		**17.37**	9.14
After Exceptional items and Provision for Contingency			
Basic (Rs.)		**17.98**	9.51
Diluted (Rs.)		**17.37**	9.14
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 and Company,
Chartered Accountants

R. P. Baradiya
Partner
Mumbai, April 25, 2007

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

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

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
A. Cash Flow from Operating Activities :		
Profit before Taxation and Exceptional items	**1,098.29**	579.66
Adjustments for:		
Depreciation / Amortization	**168.84**	260.53
Foreign Exchange loss / (gain)	**(35.91)**	(4.91)
Loss / (Profit) on sale / discarding of fixed assets	**8.83**	2.05
Dividend Income	**(1.45)**	(11.45)
Interest earned	**(81.61)**	(10.56)
Interest Paid	**208.99**	79.78
Obsolete stock written off	**3.42**	-
Provision for doubtful debts	**147.96**	31.61
Bad debts written off	**17.61**	34.12
Provision for diminution in the value of investments	**-**	21.00
Operating Profit before Working Capital Changes	**1,534.97**	981.83
Adjustments for:		
Trade and Other Receivables	**(2,264.53)**	(914.73)
Inventories	**0.00**	(3.11)
Trade Payables and Other Liabilities	**1,988.93**	252.32
	(275.60)	(665.52)
Cash generated from Operations	**1,259.37**	316.31
Income Taxes (including FBT (paid) / refund received)	**(106.37)**	(52.51)
Net cash from Operating Activities - A	**1,153.00**	263.80
B. Cash Flow from Investing Activities :		
Acquisitions during the year	**(3,862.89)**	(289.40)
Purchase of fixed assets (including Capital Work-in-Progress)	**(641.24)**	(847.77)
Sale / write off of fixed assets	**(16.84)**	5.91
Purchase of Investments / application money	**1,190.95**	(3,288.65)
Sale of Investments / Refund of Equity	**(1,190.95)**	3,294.00
Dividend received	**1.45**	11.45
Loans (given) / received back	**(1.41)**	45.27
Interest received	**73.31**	5.63
Net cash from Investing Activities - B	**(4,447.62)**	(1,063.56)

3i INFOTECH LIMITED

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

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
C Cash Flow from Financing Activities :		
Issuance of Equity Share Capital (net)	**133.24**	2,201.11
Share / FCCB Issue Expenses	**(122.90)**	(146.37)
Issuance of the Preference Share Capital	**-**	(500.00)
Dividends paid	**(169.87)**	(129.51)
Tax on distributed profits	**(23.76)**	(17.78)
Interest paid	**(205.59)**	(80.00)
Proceeds from / repayment of borrowings (net)	**1,153.96**	(334.81)
Proceeds of FCCB issue	**884.55**	2,231.25
Net Cash used in Financing Activities - C	**1,649.62**	3,223.89
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	**(1,645.00)**	2,424.13
Cash and Cash Equivalents as at beginning	**2,571.48**	147.35
Cash and Cash Equivalents as at end	**926.48**	2,571.48

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.
2. Margin money of Rs. 47.22 million (as at March 31, 2006 - Rs. 32.53 million) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
3. FCCB refers to 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. XV)

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

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

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

R. P. Baradiya
Partner
Mumbai, April 25, 2007

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
I. Share Capital		
Authorised		
150,000,000 Equity shares of Rs. 10 each (as at March 31, 2006 - 100,000,000 of Rs. 10 each)	**1,500.00**	1,000.00
200,000,000 Cumulative Preference shares of Rs. 5 each (as at March 31, 2006 - 300,000,000 of Rs. 5 each)	**1,000.00**	1,500.00
	2,500.00	2,500.00
Issued, Subscribed and Paid - up		
56,298,739 Equity shares of Rs. 10 each (as at March 31, 2006 - 53,044,855)	**562.99**	530.45
200,000,000 (as at March 31, 2006 - 200,000,000) 6.35% Cumulative Preference shares of Rs. 5 each	**1,000.00**	1,000.00
	1,562.99	1,530.45
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	**1,861.54**	80.67
Add: Received on allotment of equity shares	**119.74**	1,980.69
Add: In respect of Conversion of FCCB	**381.99**	-
Less: Utilised towards public issue expenses/FCCB	**106.73**	199.82
Add: IPO/FCCB issue expense provision written back	**28.29**	-
	2,284.83	1,861.54
c. General Reserve		
Balance as per last Balance Sheet	**60.00**	30.00
Add: Transferred from Profit and Loss Account	**49.44**	30.00
	109.44	60.00
d. Translation Reserve		
As per last balance sheet	**(13.56)**	(10.10)
Adjustment during the year	**(7.16)**	(3.46)
	(20.72)	(13.56)

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
e. Profit and Loss Account		
Profit / (Loss) brought forward as per last Balance Sheet	**239.69**	(85.78)
Less: Excess proposed dividend provision (including tax reversed thereon)	**(0.28)**	0.86
	239.41	(84.92)
Add: Profit / (Loss) for the year	**1,037.48**	574.37
	1,276.89	489.45
Less: Appropriations		
- General Reserve	**49.44**	30.00
- Proposed Dividend - Equity Shares	**112.60**	106.09
- Proposed Dividend - Preference Shares	**10.26**	10.26
- Interim Dividend - Preference Shares	**53.24**	76.37
- Corporate Dividend Tax	**28.04**	27.04
	1,023.31	239.69
Total	**3,397.44**	2,148.25
III. Minority Interest	**19.02**	6.87
IV. Secured Loans		
From Banks:		
Term Loans	**1,128.74**	358.13
Cash Credit	**390.57**	357.29
	1,519.31	715.42
V. Unsecured Loans		
Foreign Currency Convertible Bonds (Refer note no. 2.3 and 2.4)	**2,645.71**	2,231.25
Loans from banks	**2,309.88**	403.65
	4,955.59	2,634.90

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

VI. Fixed Assets

Rupees in Million

Particulars	GROSS BLOCK					DEPRECIATION/AMORTIZATION					NET BLOCK	
	As at April 1, 2006	Adjustments during the year*	Additions during the year	Ded / Adj during the year	As at March 31, 2007	Upto March 31, 2006	Adjustments during the year*	For the year	Ded / Adj during the year	Upto March 31, 2007	As at March 31, 2007	As at March 31, 2006
Intangible assets												
Goodwill	17.91	-	-	-	17.91	7.55	-	1.54	-	9.09	8.82	10.36
Software Products												
-Meant for sale	1,688.93	-	-	1,604.48	84.45	437.51	-	-	415.53	21.98	62.47	1,251.42
- Others	173.81	0.65	122.00	4.29	292.17	101.59	0.58	31.07	0.26	132.98	159.19	72.22
Business & Commercial Rights	365.12	-	75.12	(6.00)	446.24	116.02	-	42.02	-	158.04	288.20	249.10
Tangible assets												
Land - Leasehold	5.24	-	-	-	5.24	0.47	-	0.09	-	0.56	4.68	4.77
- Freehold	20.88	-	-	-	20.88	-	-	-	-	-	20.88	20.88
Buildings - Owned	12.16	7.22	-	2.24	17.14	1.39	1.19	0.30	0.21	2.67	14.47	10.77
- Leasehold	311.55	28.47	98.17	2.10	436.09	62.73	20.70	13.13	1.79	94.77	341.32	248.82
Plant & Machinery / Electrical Installations	131.63	2.92	1.26	2.76	133.05	32.95	2.17	7.75	1.41	41.46	91.59	98.68
Computers	317.88	40.15	21.20	7.60	371.63	251.96	20.06	33.93	6.30	299.65	71.98	65.92
Furniture & Fixtures	145.93	80.60	4.73	7.94	223.32	67.94	34.91	16.00	5.71	113.14	110.18	77.99
Office Equipment	58.51	1.56	13.46	3.06	70.47	20.18	0.72	5.12	0.43	25.59	44.88	38.33
Vehicles	46.80	10.04	10.37	11.19	56.02	10.61	5.51	5.55	6.13	15.54	40.48	36.19
Project Assets**	-	-	123.39	-	123.39	-	-	12.34	-	12.34	111.05	-
Total	3,296.35	171.61	469.70	1,639.66	2,298.00	1,110.90	85.84	168.84	437.77	927.81	1,370.19	2,185.45
Previous year	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	

*Pertains to adjustments arising out of merger / acquisitions.

**Project assets comprises of office equipments, plant and machinery / electrical installations, furniture and fixtures and computers purchased for contracts entered into with various state governments for e-governance projects.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
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**	21.00
	-	-
	1.02	1.02
VIII. Current Assets, Loans and Advances		
A. Current Assets		
a) Inventories - Hardware and Software Licences	**-**	3.45
b) Sundry Debtors	**1,896.33**	1,138.63
c) Unbilled Revenues	**1,754.77**	972.04
d) Cash and Bank Balances :		
i. Cash on hand	**0.89**	0.63
ii. Balances with banks:		
in current accounts *	**454.82**	375.37
in deposit accounts	**470.77**	2,195.48
in margin money accounts	**47.22**	32.53
	973.70	2,604.01
	4,624.80	4,718.13
* Includes cheques on hand and remittances - in - transit	**22.20**	197.97
B. Loans and Advances		
Loans (including employees)	**2.10**	0.69
Advance tax and tax deducted at source (net of provisions of Rs. 84.11 million; previous year Rs. 37.83 million)	**145.28**	89.94
MAT Credit Receivable	**9.41**	9.41
Deposits	**283.96**	114.81
Advances recoverable in cash or in kind or for value to be received	**714.14**	233.52
	1,154.89	448.37
	5,779.69	5,166.50

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
IX. Current Liabilities and Provisions		
A. Current Liabilities		
Acceptances	**226.46**	160.11
Sundry creditors	**1,070.27**	598.44
Advances received from Customers (including unearned income)	**192.18**	13.64
Interest accrued but not due	**3.98**	0.58
Other liabilities	**129.60**	167.11
	1,622.49	939.88
B. Provisions		
Provision for retirement benefits	**97.06**	77.23
Provision for warranty	**54.18**	60.06
Provision for Contingency (Refer note no. 2.10)	**120.06**	-
Proposed dividend	**122.86**	116.35
Tax on dividend	**20.58**	16.32
	414.74	269.96
	2,037.23	1,209.84
X. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Issue expenses		
Opening balance	**-**	8.99
Add: incurred during the period towards public issue of shares	**381.99**	128.36
	381.99	137.35
Less: Adjusted against share premium account	**381.99**	137.35
Closing balance	**-**	-
	-	-

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
XI. Income from Operations		
Services	**3,233.92**	2,226.56
Products	**3,319.25**	1,951.58
	6,553.17	4,178.14
XII. Other Income		
Interest	**81.61**	10.56
Dividend - Others (Non-Trade)	**1.45**	11.45
Foreign Exchange Gain (Net)	**35.91**	4.91
Miscellaneous income	**35.58**	35.41
	154.55	62.33
XIII. Cost of Revenues		
Salary and salary related expenses	**2,454.01**	1,425.30
Cost of Outsourced services and boughtout items	**1,159.32**	1,044.81
Travelling and conveyance	**172.15**	91.68
	3,785.48	2,561.79
Less: Transferred to Software development cost	**263.73**	210.89
	3,521.75	2,350.90

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		Rupees in Million
	For the year ended March 31, 2007	For the year ended March 31, 20060
XIV. Selling, General and Administrative Expenses		
Salary and salary related expenses	**285.52**	211.18
Recruitment and Training Expenses	**40.90**	42.81
Rent	**254.71**	149.73
Insurance	**22.11**	13.76
Travelling and conveyance	**171.87**	107.15
Electricity Charges	**48.69**	32.75
Rates and taxes	**23.43**	12.05
Communication expenses	**91.65**	72.24
Loss on sale / discarding of Fixed Assets (Net)	**8.83**	2.05
Printing and stationery	**20.20**	20.44
Repairs and maintenance - building	**3.97**	4.04
Directors Commission	**7.50**	6.09
Obsolete stock written off	**3.42**	-
Legal and professional charges	**79.95**	50.88
Miscellaneous Expenses	**105.15**	83.19
Bank Charges and other financial charges	**40.64**	29.85
Selling and distribution expenses	**72.01**	62.86
Bad debts written off	**17.61**	34.12
Provision for doubtful debts (Net)	**147.96**	31.61
Provision for diminution in the value of current investments	**-**	21.00
	1,446.12	987.80
Less: Transferred to Software development cost	**-**	18.20
	1,446.12	969.60

XV. SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Overview of the Group

3i Infotech Limited ('Parent') and its subsidiaries, collectively referred to as 'the Group', was promoted by the erstwhile ICICI Limited. The Group is a global information technology conglomerate headquartered in Mumbai, India. The group undertakes sale of software products, software development and consulting services, IT enabled service activities, IT infrastructure service and BPO services.

1.2 Basis of preparation of consolidated financial statements

The consolidated financial statements are 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 disclosures of an item or information in the financial statements are made relying on these estimates.

1.4 Principles of consolidation

The consolidated financial statements include the financial statements of 3i Infotech Ltd and all its 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 and in the case where equity exceeds the cost, the same is being adjusted in the said 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 and step down subsidiaries are listed below:

Entity	Country of incorporation	Percentage of holding	Date of acquisition / establishment
3i Infotech Inc.	USA	100% held by 3i Infotech Holdings Private Limited , Mauritius[1]	Jan 7, 2000
3i Infotech Pte Ltd.	Singapore	100% held by Parent Company	Nov 8, 2000
3i Infotech SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd	Sept 29, 2002
3i Infotech (UK) Limited [2]	England	100% held by Parent Company	April 1, 2005
3i Infotech (Thailand) Limited	Thailand	100% held by 3i Infotech Pte Ltd	May 12, 2005
3i Infotech Consulting Inc.	USA	100% held by 3i Infotech Inc.	Sep 26, 2005
SDG Software Technologies Limited	India	100% held by Parent Company	Nov 23, 2005
SDG Software Technologies Pte Limited	Singapore	100% held by SDG Software Technologies Ltd	Nov 23, 2005
Datacons Private Limited	India	100% held by Parent Company	May 11, 2006
Datacons Asia Pacific SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd	May 11, 2006
3i Infotech Investment Services Inc (formerly known as Datacons Inc.)	USA	100% held by 3i Infotech Holdings Private Limited	May 11, 2006
Delta Services (I) Private Ltd.	India	50.5% held by Parent Company	Aug 1, 2006
3i Infotech Trusteeship Services Limited (erstwhile G4 Software Technologies (India) Limited)	India	100% held by Parent Company	Aug 31, 2006
Rhyme Systems Holdings Limited	England	100% held by 3i Infotech (UK) Limited	Oct 20, 2006
Rhyme Systems Group Limited	England	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
Rhymesis Limited	England	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
Rhyme Systems Limited	England	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
Stex Software Pvt. Ltd	India	100%held by Parent Company	Nov 7, 2006
e-enable Technologies Pvt. Ltd	India	51% held by Parent Company	Nov 20, 2006
3i Infotech Holdings Private Limited, Mauritius	Mauritius	100% held by Parent Company	Nov 20, 2006
3i Infotech Enterprise Solutions Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Dec 15, 2006
3i Infotech Insurance Solutions Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Dec 15, 2006
3i Infotech Factoring Solutions Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Dec 18, 2006
3i Infotech Saudi Arabia LLC	Saudi Arabia	100% held by Parent Company	Dec 24, 2006
Whizinfo Technologies Inc.	USA	100% held by 3i Infotech Consulting Inc	Jan 26, 2007

Notes

1. Established on November 20, 2006. During the year, 3i Infotech Inc.'s shares have been transferred from the Parent Company to 3i Infotech Holdings Private Limited, Mauritius.
2. During the year, 3i Infotech (UK) Limited's shares have been transferred from 3i Infotech Inc. to the Parent Company.

1.6 Revenue Recognition

Revenue from products is recognized on delivery / installation, as the case may be, proportionately as considered appropriate by the management from time to time. 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 percentage of completion method. Revenue from other service contracts / supply of Hardware / Software licenses is recognized based on transactions processed, manpower deployed, delivery / installation as the case may be. Recovery of incidental expenses is added to such revenue.

1.7.1 Fixed Assets

Intangible: Purchased software meant for in-house consumption, Goodwill and Business and Commercial Rights are capitalized at the acquisition price.

Acquired software meant for sale are capitalized at the acquisition price.

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.

Advances given 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.

Costs in respect of Software development are charged to Profit and Loss account as and when incurred.

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 and Commercial Rights is amortized at lower of 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 and goodwill is amortized over a period of five years.
Project Assets / Acquired software are amortized at lower of the estimated life of the product / project and five years.

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 some subsidiary companies, it is provided on straight line basis over the estimated useful lives of the assets given hereinbelow:

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

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 Accounting of Retirement Benefits

Retirement Benefits to employees in India

a) Gratuity:
The Group provides for gratuity, a defined benefit retirement plan covering eligible employees. Liability under the gratuity plan is determined on actuarial valuation done by Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the company contributes all the ascertained liabilities to the Scheme with LIC. The group also provides for additional liability over the amount contributed to LIC based on actuarial valuation, done by an independent valuer. During the interim periods, the group provides gratuity liability as estimated by the management on the basis of parameters prescribed in the relevant Accounting Standard.

b) Superannuation:
Certain employees in India are also participants in a defined superannuation contribution plan. The Group contributes to the scheme with Life Insurance Corporation of India on a monthly basis. The Group has no further obligations to the plan beyond its monthly contributions.

c) Provident fund:
(i) Parent Company
Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contribution along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the Parent make a monthly contribution to the Provident Fund Trust equal to a specified percentage of the covered employee's salary. The Parent also contributes to a government administered pension fund on behalf of its employees.
The interest rate payable by the trust to the beneficiaries every year is being notified by the government. The Parent has an obligation to make good the shortfall, if any, between the return from investments of the trust and the notified interest rate. Such shortfall is charged to profit and loss account in the period it is determined.

(ii) Subsidiaries Contribution is made to the state administered fund as a percentage of the covered employees' salary.

d) Liability for leave encashment for employees is provided on the basis of the actuarial valuation at the year-end.

Retirement Benefits to employees in the Foreign Branch

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

Retirement Benefits to employees in Foreign Subsidiary Companies

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 year in accordance with the specific applicable laws.

MAT credit asset pertaining to the Parent and its Indian 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 and 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 and Loss Account. Overseas investments are recorded at the rate of exchange in force on the date of allotment/acquisition.

In respect of foreign branch (a) revenue items are recorded at the average rate 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 prevailing 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 non-monetary, 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 qualifying 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 and Loss Account.

1.13 Preliminary and Share Issue Expenses

Preliminary expenses, issue expenses including expenses incurred on increase in authorized share capital and premium payable 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 billing over the revenue recognized in respect of a customer is classified as unearned revenue.

1.16 Lease

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

(b) 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 the lessor, leases are classified as Operating lease. Lease rentals for such leases are charged to Profit and Loss account.

1.17 Impairment of assets

In accordance with AS 28 on 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, where there is an indication of impairment of the Group's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the 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 the 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, Contingent Liabilities and Contingent Assets

i) Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

ii) 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.

iii) Contingent Assets are neither recognised nor disclosed in the financial statements.

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 period'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 2.5 below.

2.2. Capital Commitments and Contingent Liabilities

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	**589.72**	109.05
Contingent Liabilities		
Outstanding guarantees given by banks	**325.81**	12.77
- Premium on redemption of FCCB (Refer Note No. 2.3 and 2.4)	**940.37**	880.41
Estimated amount of claims against the Group not acknowledged as debts*		
- Disputed demands for Income Taxes	**20.18**	20.47
- Customer claims	**-**	1480.16
- Others**	**4.36**	4.01

**Includes legal expenses relating to Registrar and Transfer Services, which are reimbursable by the Principal to the extent of Rs. 1.42 million (previous year Rs. 1.42 million).

2.3. During March 2006, the Parent issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating USD 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 = USD1) up to February 16, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issues, right issues, 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. 790.61 million after considering already converted FCCB into equity) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation.

Issue proceeds pending utilization lying as fixed deposits with Banks: Rs. 459.80 million overseas (previous year Rs. 2,186.38 million).

During the year, FCCB equivalent of value USD 5.10 million (Rs. 226.18 million) have been converted into Equity Shares.

2.4 During October 2006, the Parent issued 1.50% Foreign Currency Convertible Bonds (FCCB) aggregating Euro15 million, at par equivalent to Rs. 884.55 million. The bondholders have an option to convert these bonds into Equity Shares at an initial conversion rate of Rs. 190.00 per share at a fixed exchange rate (Rs. 58.28 = Euro1) up to March 17, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issues, right issues, 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 122.08% of the principal amount on March 17, 2011 which amount includes accrued (and unpaid) interest. Such premium is payable upon the Company opting to redeem or repurchase or cancel any time on or after October 6, 2008. 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. 149.76 million after considering already converted FCCB into equity) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation.

Issue proceeds have been utilized towards the objective of the issue.

During the year, FCCB equivalent of value Euro 3.00 million (Rs. 174.84 million) have been converted into Equity Shares.

2.5 Goodwill arising on consolidation:

Rupees in Million

		Refer Note No.	**As at March 31, 2007**	As at March 31, 2006
	Opening balance		**704.44**	355.10
	Add: Additions during the year upon acquisition of -			
1	Balance shares of Semantik Solutions GmbH, Germany	-	**-**	17.09
2	SDG Software Technologies Limited, Hyderabad, India (current year's additional consideration)	2.5.1	**56.31**	80.59
3	Innovative Business Solutions Inc., USA	2.5.2	**-**	212.73
4	Formula-ware Inc., USA (current year's additional consideration)	2.5.3	**48.63**	38.93
5	Distinctive Business Solutions Inc., USA	2.5.4	**370.24**	-
6	Datacons Private Limited , India	2.5.5	**337.30**	-
7	Delta Services (I) Pvt Ltd., India	2.5.6	**42.03**	-
8	G4 Software Technologies Inc., USA	2.5.7	**41.76**	-
9	Edge Software Technologies Inc., USA	2.5.8	**72.42**	-
10	Rhyme Systems Limited, England	2.5.9	**2534.38**	-
11	e-enable Technologies Private Ltd., India	2.5.10	**49.08**	-
12	Stex Software Private Limited, India	2.5.11	**53.17**	-
13	Corban Systems, Inc., USA	2.5.12	**86.89**	-
14	WhizInfo Technologies Inc., USA	2.5.13	**136.72**	-
15	3i Infotech Inc., USA (Reinstatement in value)	2.8.(a)	**1,250.00**	-
	Closing balance		**5,783.37**	**704.44**

2.5.1 In November 2005, the Parent entered into a share purchase agreement with the owners of SDG Software Technologies Limited (SDG), Hyderabad, India to acquire 800,000 equity 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 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 December 31, 2006 the earn out and the entire additional consideration for the balance equity shares has been paid in full. In respect of additional consideration and earn out paid aggregating Rs. 61.00 million, goodwill of Rs. 56.31 has been recognized.

2.5.2 In September 2005, 3i Infotech Inc., USA entered into a share purchase agreement with the owners of 3i Infotech Consulting Inc. (formerly Innovative Business Solutions Inc.), USA (IBSI) to acquire all the 1,000 shares of IBSI for a consideration of USD 3.60 million with scope for additional compensation payable subject to achievement of certain measurable criteria. As of December 31, 2006 the entire additional consideration has been paid in full. 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 is shown as goodwill arising on consolidation.

2.5.3 In September 2005, 3i Infotech Inc., USA entered into a share purchase agreement with the owners of Formula-ware Inc., USA to acquire all the 1,000 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 Rs. 85.60 million) subject to achievement of certain measurable criteria. The assets and liabilities were recorded at book values as of September 30, 2005. As of December 31, 2006, the entire additional consideration has been paid in full.

Additional consideration of USD 1.09 million (approximately equivalent to Rs. 48.63 million) paid during the current period has been recognized as goodwill arising on consolidation.

2.5.4 In April 2006, 3i Infotech Inc., USA acquired 100% of the issued and outstanding stock of Distinctive Solutions Inc., a California based company, engaged in providing factoring software solutions for a consideration of USD 1 million (approximately equivalent to Rs. 46.42 million).

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation. Distinctive Solutions Inc. was subsequently merged with the 3i Infotech Inc. in June 2006.

2.5.5 In May 2006, the Parent Company had entered into a share purchase agreement with the owners of Datacons Pvt. Ltd., Bangalore, India to acquire 3,500,000 equity shares for a consideration of Rs. 35.75 million. The assets (including investment in foreign subsidiaries) and liabilities were recorded at book values as of May 10, 2006.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.6 In July 2006, the Parent Company had entered into a share purchase agreement with the owners of Delta Services (I) Pvt. Ltd., Mumbai, India (Delta) to acquire 202,000 equity shares representing 50.5% of the paid up capital of Delta for a consideration of Rs. 51.93 million along with a commitment to acquire the balance 0.50% of the paid up capital at a future date for additional consideration payable as per the agreement subject to a cap of Rs. 50 million. The assets and liabilities were recorded at book values as of July 31, 2006.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.7 (i) In September 2006, the Parent Company entered into a share purchase agreement with the owners of G4 Software Technologies (India) Limited, Mumbai to acquire the 100% paid up capital of G4 Software Technologies (India) Limited for a consideration of Rs. 34.00 million. Subsequently, the Parent Company acquired the business of G4 Technologies (India) Limited, Mumbai effective September 5, 2006.

(ii) In September 2006, 3i Infotech Inc., USA acquired G4 Software Technologies Inc., USA from the Parent Company for a consideration of USD 0.32 million (approximately equivalent to Rs. 14.51 million). The assets and liabilities were recorded at book values as of September 2006.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.8 In September 2006, 3i Infotech Inc., USA entered into a share purchase agreement with the owners of Edge Software Technologies Inc., USA to acquire all 250,000 shares of the Company for a consideration of USD 1.20 million (approximately equivalent to INR 55.19 million). The assets and liabilities were recorded at book values as of July 31, 2006.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.9 In October 2006, 3i Infotech (UK) Limited, UK entered into a share purchase agreement with the owners of Rhyme Systems Holding Limited., UK to acquire all the shares of the Company for a consideration of GBP 19.60 million (approximately equivalent to INR 1666.00 million) and further consideration (earn out) payable on achieving certain measurable criteria such as future revenue / profitability etc., as defined in the agreement. The assets and liabilities were recorded at book values as of October 20, 2006.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.10 In November 2006, the Parent Company entered into a share purchase agreement with the owners of e-enable Technologies Pvt. Ltd, New Delhi, (ETPL) to acquire 77,826 shares (representing 51% of the paid up equity capital of ETPL) for a consideration of Rs. 51.10 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue / profitability etc., as per the agreement subject to a cap of Rs. 304 million.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.11 In November 2006, the Parent Company entered into a share purchase agreement with the owners of Stex Software Pvt. Ltd, Calcutta, (SSPL) to acquire 51,000 shares (representing 100% of the paid up equity capital of SSPL) for a consideration of Rs. 60.60 million and a further maximum consideration (earn out) of Rs. 35.00 million payable upon achievement of certain measurable criteria such as future revenue / profitability etc., as per the agreement.

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.5.12 In November 2006, 3i Infotech Inc., USA acquired 100% of the issued and outstanding stock of Corban Systems, Inc., engaged in providing software solutions for a consideration of USD 1.05 million (approximately equivalent to Rs. 47.25 million).

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

Corban Systems, Inc., was subsequently merged with the 3i Infotech Inc.

2.5.13 In January 2007, 3i Infotech Consulting Inc., USA acquired 100% of the issued and outstanding stock of WhizInfo Technologies Inc., engaged in software consulting business for a consideration of USD 4.08 million (approximately equivalent to Rs.183.60 million).

Excess of consideration paid over the value of the net worth of the company is shown as goodwill arising on consolidation.

2.6 Incorporation of 3i Infotech Holdings Pvt. Ltd., a subsidiary in Mauritius

The Parent Company has incorporated a new subsidiary 3i Infotech Holdings Pvt. Ltd. on November 20, 2006 in Mauritius with a share capital of MUR 100. The Mauritius Subsidiary has formed four subsidiaries in USA in order to reorient the corporate structure for the US operations in line with the various business segments. Accordingly, the assets and liabilities pertaining to each of the business segments have been transferred to those entities:

> 3i Infotech Enterprise Solutions Inc. (for ERP and related services)
> 3i Infotech Insurance Solutions Inc. (for Insurance Software and related services)
> 3i Infotech Factoring Solutions Inc. (for Factoring Software and related services)
> 3i Infotech Investment Services Inc. (for Software Services - Datacons Inc., subsidiary of 3i Infotech Inc., renamed)

Apart from reorientation of the corporate structure in USA, G4 Software Technologies Inc., subsidiary of 3i Infotech Inc. is merged with its holding company and Edge Technologies Inc., subsidiary of 3i Infotech Consulting Inc. is merged with its holding company.

2.7 The Parent Company has filed a merger scheme with the Honorable Bombay High Court for merging its 100% subsidiaries SDG Software Technologies Ltd. and Datacons Private Limited with the appointed date being April 1, 2006 and May 10, 2006 respectively. The Scheme is pending for approval by the Honorable Karnataka and Andhra Pradesh High Courts. The financial impact of the aforesaid scheme will be accounted for as and when the same is approved.

2.8 Exceptional items comprise:

Rupees in Million

a)	Reinstatement of Goodwill (Refer note no. 2.8 (a))	1250.00
b)	Software meant for sale capitalized in earlier years written off (Refer note no. 2.8.(b))	(1210.27)
c)	Reversal of deferred tax liability on (b) above	250.11
d)	Customer claims / penalties	(169.78)
	Total: (a-b+c-d)	**120.06**

2.8 (a) Pursuant to the reorganization of the US business and the transfer of 3i Infotech Inc. from the parent to its subsidiary in Mauritius, 3i Infotech Holdings Private Limited, the goodwill got re-instated by Rs. 1250 million.

2.8 (b) The Group has a suite of software products meant for sale (both acquired and developed in-house) for the banking, financial services, insurance and ERP markets. These are mature products having multiple clients. As the future costs on these products would be more to bring in innovation in the base products and not in the nature of bringing into being completely new products, the Company has decided to change its accounting policy for such products by writing off the costs as incurred. Any acquired software will be amortized at lower of the estimated life of the product and five years.

As this would bring in an inconsistency between the policy followed currently wherein the Company has been amortizing both acquired and internally developed software over a ten year period, the Company has, as a one time exercise, written off 95% book value of its software products meant for sale as on April 1, 2006 to the Profit and Loss account as an exceptional item.

2.9 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.

2.10 As a matter of prudence, the Parent Company has made provision of Rs. 120.06 million for contingencies such as customer / arbitration claims, penalties, contract losses etc.

2.11 Employee Stock Option

The Group 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 the managing director, 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 by paying cash at a price determined on the date of grant. The exercise price is determined based on the market price prevailing on the date of grant.

Method used for accounting for the share based payment plan:

The Company has elected to use the intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share as on the date of grant exceeds the exercise price of the option.

Summary of the options outstanding under the Employees Stock Options Plan (ESOP):

	As at March 31, 2007		As at March 31, 2006	
	Options	Weighted average exercise price (Rs.)	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	**5,701,292**	**103.57**	6,506,815	103.22
Granted during the year	**3,314,500**	**184.31**	100,000	115.00
Exercised during the year	**(1,350,262)**	**98.69**	(275,170)	88.80
Forfeited / lapsed during the year	**(578,983)**	**110.54**	(630,353)	108.23
Options outstanding, end of year*	**7,086,547**	**141.69**	5,701,292	103.57
Options Exercisable	**2,245,555**	**109.50**	2,336,605	110.92

*Includes 2,221,000 ESOP granted / exercisable to managing director / whole time directors and non-executive directors.

Weighted average share price for the stock options exercised during the year ended March 31, 2007 is Rs. 193.36 and for the year ended March 31, 2006 is Rs. 132.80.

The following summarizes information about stock options outstanding

As of March 31, 2007

Range of Exercise Price	Number of Shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs. 75 to Rs. 100	3,268,142	7	97.30
Rs. 115 to Rs. 200	3,818,405	9	179.69

As of March 31, 2006

Range of Exercise Price	Number of Shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs. 75 to Rs. 100	4,764,892	8	94.91
Rs. 115 to Rs. 200	936,400	6	147.64

Fair Value methodology for the option

The Fair value of options used to compute net income and earnings per equity share have been estimated on the dates of each grant within the range of Rs. 10.99 to Rs. 75.25 using the Black - Scholes pricing model. The Company estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the options granted under ESOP are:

	March 31, 2007	March 31, 2006
Dividend yield	**1.08%**	0.87%
Expected volatility	**10% - 22.30%**	10% - 17.5%
Risk-free interest rate	**6.32% - 8%**	6.32% - 6.65%
Expected life of Option	**3 – 10 yrs**	4 – 10 yrs

Impact of Fair value method on Net profit and EPS

Had the Compensation cost for the Company's Stock option plans outstanding been determined based on the fair value approach, the Company's net profit income and earnings per share would have been, as indicated below :

	March 31, 2007	Mar 31, 2006
Profit attributable to Equity Shareholdes (refer note no. 2.16) (Rs. in million)	**965.08**	310.40
Add: Stock-based employee compensation expense Included in net income (Rs. in million)	**-**	-
Less: Stock based compensation expense determined under fair value based method (Rs. in million)	**30.39**	16.21

	March 31, 2007	March 31, 2006
Net Profit (Rs. in million):	**934.39**	294.19
Basic earning per share (as reported) (Rs.)	**17.98**	5.99
Basic earning per share (under fair value method) (Rs.)	**17.43**	5.68
Diluted earning per share (as reported) (Rs.)	**17.37**	5.76
Diluted earning per share (under fair value method) (Rs.)	**16.83**	5.46

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 March 31, 2007	As at March 31, 2006
Within one year	**217.18**	42.61
Later than one year and not later than five years	**332.05**	105.66
Later than five years	**0.13**	-

b. Financial Lease

There were no material 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

	As at March 31, 2007*	Current Year Charge / (Credit)*	As at March 31, 2006
Deferred Tax Asset:			
Unabsorbed losses / depreciation	289.97	(12.38)	302.35
Expenses allowable on payment and others	113.15	66.96	46.19
	403.12	**54.58**	**348.54**
Deferred Tax Liability:			
Fixed Assets (Depreciation / Amortization)	29.43	(186.22)	215.65
Net Deferred Tax (Liability)/Asset	**373.69**	**240.80**	**132.89**

*Deferred tax balance in respect of companies acquired during the year and charge / (credit) for the post – acquisition period are included.

2.14 Disclosures pursuant to Accounting Standard 17 – Segment Reporting:

a) The group undertakes IT enabled service activities, IT Infrastructure service activities and BPO services 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 referred as 'Products'. These businesses have been considered as primary segments. The Profit and Loss account of the reportable segments is set out here below:

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
b) Segment Revenues:		
Services	**3233.92**	2226.56
Products	**3319.25**	1951.58
Total Revenues	**6553.17**	4178.14
c) Segment Results (Gross Profit):		
Services	**1229.13**	804.91
Products	**1802.29**	1022.33
Total Segment Results	**3031.42**	1827.24
Unallocable expenses:		
Selling, General and Administrative expenses	**1446.12**	969.60
Software Development Cost	**263.73**	-
Interest on loans	**208.99**	79.78
Depreciation	**168.84**	260.53
Operating Profit	**943.74**	517.33
Other Income	**154.55**	-
Profit Before Taxation	**1098.29**	-
Less: Taxes	**53.45**	3.02
Profit After Taxation	**1044.84**	576.64
Exceptional items	**120.06**	-
Less: Provision for Contingency	**120.06**	-
Less: Minority Shareholder's interest	**7.36**	2.27
Net Profit after Minority Interest and exceptional items	**1037.48**	574.37

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 March 31, 2007**	For the year ended March 31, 2006
- South Asia	**2438.99**	1634.70
- Unites States of America	**1847.88**	1190.79
- Middle East and Africa	**1755.95**	1056.33
- Others	**664.90**	296.32
Total Revenues	**6707.72**	**4178.14**
Assets (net of current liabilities)	**As at March 31, 2007**	As at March 31, 2006
- India	**4150.98**	4555.27
- Unites States of America	**3810.46**	1504.31
- Middle East and Africa	**3098.70**	770.98
- Others	**394.21**	205.33
Total Assets	**11454.35**	**7035.89**

2.15 Auditors' Remuneration:

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Audit Fees	**2.50**	2.14
Tax Audit Fees	**0.30**	0.08
Certification Fees	**0.90**	0.42
Re-imbursement of out of pocket expenses	**0.10**	0.31
Total	**3.80**	2.95

2.16 Earnings Per Share:

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

	For the year ended March 31, 2007	For the year ended March 31, 2006
Profit as per accounts (Rs. in million)	**1044.84**	576.64
Minority shareholder's Interest (Rs. in million)	**(7.36)**	2.27
Net profit after minority interest (Rs. in million)	**1037.48**	574.37
Less: Dividend on preference shares paid (incl. corporate taxes)	**(60.70)**	(70.03)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes)	**(11.70)**	(11.70)
Profit attributable to Equity Shareholders (Rs. in million)	**965.08**	492.64
Weighted average number of Equity Shares outstanding during the year (Nos.)	**53,660,029**	51,828,328
Add: Effect of dilutive issues of options	**1,886,798**	2,043,360

	For the year ended March 31, 2007	For the year ended March 31, 2006
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)	**55,546,827**	53,871,688
Nominal value of Equity Shares (in Rs.)	**10**	10
Basic Earnings Per Share (in Rs.)	**17.98**	9.51
Diluted Earnings Per Share (in Rs.)	**17.37**	9.14

2.17 Related Party Transactions:

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

- Associates: ICICI Bank Limited, 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., Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, Sridhar & Santhanam.
- Directors / Key Management Personnel: Mr.V. Srinivasan (Managing Director and Chief Executive Officer), Mr.Hari Padmanabhan (Deputy Managing Director), Mr. Amar Chintopanth (Executive Director and Chief Financial Officer), Mr. Manoj Kunkalienkar (Executive Director 2005-06).

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 March 31, 2007	For the year ended March 31, 2006
Associates – ICICI Bank Ltd:		
Income	**1207.49**	995.06
Interest Income	**68.90**	-
Expenses (including public issue expenses)	**45.32**	18.01
Loan availed	**400.00**	(202.27)
Loan repaid	**153.11**	-
Preference Dividend	**63.50**	86.64
Repayment of Preference Share Capital	**-**	(500.00)
Associates - Others:		
Income	**319.73**	115.72
Expenses (including public issue expenses)	**1.53**	38.28
Directors, Key Management Personnel and their relatives:		
Remuneration / fees	**45.63**	31.26
Expenses	**0.34**	0.34

Rupees in Million

	Outstanding balance as at March 31, 2007	Outstanding balance as at March 31, 2006
Associates - ICICI Bank Ltd:		
Loans	**290.30**	43.41
Bank balances	**553.10**	2241.66
Other Advances	**0.12**	0.14
Sundry Creditors	**16.94**	9.75
Unbilled Revenues	**100.33**	23.17
Sundry Debtors	**172.11**	225.39
Associates - Others:		
Other Advances	**0.11**	0.71
Deposits	**0.15**	-
Sundry Debtors	**64.15**	26.25
Advances received from customers	**0.60**	0.06
Unbilled revenues	**29.60**	3.44
Other Liabilities - Deposites	**12.74**	-

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 / written back except as stated above.

2.18 Amount of exchange difference (Net) credited to Profit and Loss Account during the year ended March 31, 2007 is Rs. 35.91 million (for the year ended March 31, 2006 credited – Rs. 4.91 million).

Signatures to Schedules "I" to "XV"

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

Mumbai, April 25, 2007

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 / (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, 2007	For the financial year ended on March 31, 2006	**For the financial year ended on March 31, 2007**	For the financial year ended on March 31, 2006
1	3i Infotech Inc. (USA)	March 31, 2007	55,264,838 shares of USD 0.30 each & 1,000,000 shares of USD 0.01 each	$100%	USD 7.99 Million	USD 0.87 Million	-	-
2	3i Infotech Pte. Ltd. (Singapore)	March 31, 2007	1,792,302 Ordinary shares of SGD 1 each	100%	SGD 1.47 Million	SGD 0.29 Million	-	-
3	3i Infotech (UK) Limited (England)	March 31, 2007	1,000,000 Equity shares of GBP 1 each	100%	GBP 0.24 Million	GBP (0.04) Million	-	-
4	3i Infotech SDN BHD (Malaysia)	March 31, 2007	50,000 Ordinary shares of MYR 1 each	*100%	MYR 3.73 Million	MYR 2.32 Million	MYR 1.00 Million	MYR 0.15 Million
5	3i Infotech (Thailand) Limited (Thailand)	March 31, 2007	25,000 Ordinary shares of THB 100 each	*100%	THB 6.78 Million	THB (0.56) Million	-	-
6	Datacons Private Limited (India)	March 31, 2007	3,500,000 Shares of Rs.10 each	100%	INR 44.71 Million	-	-	-
7	3i Infotech Consulting Inc. (USA)	March 31, 2007	1,945 Ordinary shares of USD 1 each	$$100%	USD 0.67 Million	USD 0.37 Million	-	-
8	SDG Software Technologies Limited (India)	March 31, 2007	10,00,000 Ordinary shares of Rs. 10 each	100%	INR (5.76) Million	INR 11.10 Million	-	-
9	SDG Software Technologies Pte Limited (Singapore)	March 31, 2007	65,000 Ordinary shares of SGD 1 each	*100%	SGD (0.07) Million	SGD (0.10) Million	-	-
10	Delta Services (I) P. Ltd (India)	March 31, 2007	4,00,000 Ordinary shares of Rs. 10 each	50.50%	INR 12.28 Million	-	-	-
11	e-enable Technologies Pvt. Ltd (India)	March 31, 2007	152,600 Ordinary Shares of Rs 10/- each	51%	NR (8.30) Million	-	-	-
12	Stex Software Pvt. Ltd (India)	March 31, 2007	51000 Ordinary Shares of Rs 10/- each	100%	INR 0.45 Million	-	-	-
13	3i Infotech Holdings Private Limited	March 31, 2007	2,526,781,837 Ordinary shares of MUR 1 each	100%	MUR 12.61 Million	-	-	-
14	3i Infotech Saudi Arabia LLC. (Saudi Arabia)	March 31, 2007	500 Ordinary Shares of SR 1,000 each	100%	SAR 5.00 Million	-	-	-
15	3i Infotech Trusteeship Services Limited (India)	March 31, 2007	5,569,762 Ordinary Shares of Rs. 10 each	100%	INR 55.69 Million	-	-	-
16	3i Infotech Enterprise Solutions Inc. (USA)	March 31, 2007	100,000 Ordinary shares of USD 1 each	$100%	USD (0.35) Million	-	-	-
17	3i Infotech Investment Services Inc. (USA)	March 31, 2007	200,000 Ordinary shares of USD 1 each	$100%	USD (0.20) Million	-	-	-
18	3i Infotech Insurance Solutions Inc. (USA)	March 31, 2007	100,000 Ordinary shares of USD 1 each	$100%	USD (0.03) Million	-	-	-
19	3i Infotech Factoring Solutions Inc. (USA)	March 31, 2007	100,000 Ordinary shares of USD 1 each	$100%	USD (0.07) Million	-	-	-
20	Datacons Asia Pacific SDN BHD (Malaysia)	March 31, 2007	555,000 ordinary shares of MYR 1 each	*100%	MYR 1.05 Million	-	-	-

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 / (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, 2007	For the financial year ended on March 31, 2006	**For the financial year ended on March 31, 2007**	For the financial year ended on March 31, 2006
21	Whizinfo Technologies Inc. (USA)	March 31, 2007	200 Ordinary shares of USD 1 each	[$$$]100%	USD 0.10 Million	-	-	-

[$]Held by 3i Infotech Holdings Private Limited (Mauritius)
[$$]Held by 3i Infotech Inc. (USA)
[*]Held by 3i Infotech Pte. Ltd. (Singapore)
[*]Held by SDG Software Technologies Limited (India)
[&]Includes consolidated results of Rhyme Systems Holdings Limited and its subsidiaries viz. Rhyme Systems Group Limited, Rhymesis Limited and Rhyme Systems Limited which were acquired during the financial year 2006-07.
[$$$]Held by 3i Infotech Consulting Inc. (USA)

STATEMENT RELATING TO SUBSIDIARY COMPANIES AS ON MARCH 31, 2007

Sr No.	Entity	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)[$]	720.67	416.96	1,622.81	1,622.81	322.77	1,130.42	356.69	9.63	347.06	-
2	3i Infotech Pte. Ltd. (Singapore)[$$]	51.33	127.29	184.61	184.61	13.23	297.81	48.26	6.21	42.06	-
3	3i Infotech (UK) Limited (England)[£]	85.26	1,646.54	935.52	935.52	-	725.97	24.22	3.46	20.76	-
4	3i Infotech SDN BHD (Malaysia)[*]	3.14	78.07	81.21	81.21	-	287.39	47.20	0.23	46.97	12.57
5	3i Infotech (Thailand) Limited (Thailand)[**]	3.38	8.42	11.80	11.80	-	46.36	9.18	-	9.18	-
6	Datacons Private Limited (India)	35.00	95.56	130.56	130.56	-	141.17	42.37	-2.34	44.71	-
7	3i Infotech Consulting Inc.(USA)[$]	0.08	167.63	333.92	333.92	140.40	386.52	31.83	2.78	29.06	-
8	SDG Software Technologies Limited (India)	10.00	12.06	22.55	22.55	1.79	84.55	-3.65	2.11	-5.76	-
9	SDG Software Technologies Pte Limited (Singapore)[$$]	1.86	-2.80	-0.94	-0.94	-	2.30	-1.99	-0.10	-1.89	-
10	Delta Services (I) P. Ltd (India)	4.00	31.30	53.86	53.86	-	254.61	18.26	5.98	12.28	-
11	e-enable Technologies Pvt. Ltd (India)	1.53	2.57	5.99	5.99	-	19.27	-8.30	-	-8.30	-
12	Stex Software Pvt. Ltd (India)	0.51	4.29	13.81	13.81	-	11.01	0.45	-	0.45	-
13	3i Infotech Holdings Private Limited (Mauritius)[@]	3,393.22	16.93	3,410.15	3,410.15	3,150.10	84.83	22.57	5.64	16.93	-
14	3i Infotech Saudi Arabia LLC. (Saudi Arabia)[#]	5.79	-0.18	5.61	5.61	-	-	-0.18	-	-0.18	-
15	3i Infotech Trusteeship Services Limited (India)	55.70	-30.74	24.96	24.96	-	-	-	-	-	-

Sr No.	Entity	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
16	3i Infotech Enterprise Solutions Inc. (USA)$	4.34	142.03	405.63	405.63	-	54.01	-15.23	-	-15.23	-
17	3i Infotech Investment Services Inc. (USA)$	8.69	-12.91	11.84	11.84	-	11.67	-8.84	-	-8.84	-
18	3i Infotech Insurance Solutions Inc. (USA)$	4.34	150.39	468.12	468.12	-	57.49	-1.21	-	-1.21	-
19	3i Infotech Factoring Solutions Inc. (USA)$	4.34	149.21	308.99	308.99	-	11.83	-2.84	-	-2.84	-
20	Datacons Asia Pacific SDN BHD (Malaysia)*	6.98	16.51	23.49	23.49	-	30.81	13.19	-	13.19	-
21	Whizinfo Technologies Inc. (USA)$	0.01	7.82	48.11	48.11	-	45.18	4.16	-	4.16	-

$ Converted to Indian Rupees at the Exchange rate, 1 USD = INR 43.442
S$ Converted to Indian Rupees at the Exchange rate, 1 SGD = INR 28.637
£ Converted to Indian Rupees at the Exchange rate, 1 GBP = INR 85.255
* Converted to Indian Rupees at the Exchange rate, 1 MYR = INR 11.834
** Converted to Indian Rupees at the Exchange rate, 1 THB = INR 1.354
@ Converted to Indian Rupees at the Exchange rate, 1 MUR = INR 1.343
# Converted to Indian Rupees at the Exchange rate, 1 SAR = INR 11.5859

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

		US Dollar in Million
	As at March 31, 2007	As at March 31, 2006
I. SOURCES OF FUNDS		
1. Shareholders' Funds:		
A. Share Capital	**35.98**	34.55
B. Reserves and Surplus	**78.21**	48.49
	114.19	83.04
2 Minority Interest	**0.44**	32.53
3. Loan Funds:		
A. Secured Loans	**34.97**	16.15
B. Unsecured Loans	**114.07**	59.48
	149.04	75.63
	263.67	158.82
II. APPLICATION OF FUNDS		
1. Goodwill arising on consolidation	**133.14**	15.90
2. Fixed Assets:		
A. Gross Block	**52.90**	74.41
B. Less: Depreciation	**21.36**	25.08
C. Net Block	**31.54**	49.33
D. Capital Work-in-Progress	**4.23**	1.19
	35.77	50.52
3. Investments	**0.02**	0.02
4. Deferred Tax Asset (Net)	**8.60**	3.06
5. Current Assets, Loans and Advances		
A. Current Assets:		
a. Inventories	**-**	0.08
b. Sundry Debtors	**43.65**	25.70
c. Unbilled Revenues	**40.39**	21.94
d. Cash and Bank Balances	**22.41**	58.79
	106.45	106.51

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

		US Dollar in Million
	As at March 31, 2007	As at March 31, 2006
B. Loans and Advances	**26.59**	10.12
	133.04	116.63
Less: Current Liabilities and Provisions:		
A. Current Liabilities	**37.35**	21.22
B. Provisions	**9.55**	6.09
	46.90	27.31
Net Current Assets	**86.14**	89.32
6. Miscellaneous Expenditure (To the extent not written off or adjusted)	**-**	-
	263.67	158.82

Notes: The above Balance Sheet is just the conversion of Consolidated Balance Sheet of 3i Infotech Limited (prepared as per Indian GAAP in Rs. in Million) into US Dollar Million. The conversion has been done at exchange rate of Rs. 43.442 for the year ended March 31, 2007 and Rs. 44.30 for the year ended March 31, 2006.

3i INFOTECH LIMITED

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

US Dollar in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME:		
Income from Operations	**144.81**	94.55
Other Income	**3.42**	1.41
Total Income	**148.23**	95.96
EXPENDITURE:		
Cost of Revenues	**77.82**	53.20
Selling, General and Administrative Expenses	**31.96**	21.94
Total Expenditure	**109.78**	75.14
Profit before interest, depreciation and taxation	**38.45**	20.82
Software Development cost	**5.83**	5.18
Less: Transferred to Capital Work in Progress	**-**	(5.18)
Interest	**4.62**	1.81
Depreciation	**3.73**	5.90
Profit Before Taxation	**24.27**	13.11
Provision for Taxes		
- Deferred Taxes (Net)	**0.20**	(0.22)
- Current Taxes	**0.71**	0.27
- Fringe Benefit Tax	**0.27**	0.23
- Mat Credit Entitlement	**-**	(0.21)
	23.09	13.04
- Deferred / Current tax pertaining to earlier years	**-**	-
Profit After Taxation	**23.09**	13.04
Add / (less): Exceptional items	**2.65**	-
Profit After Exceptional Items	**25.74**	13.04
Add / (less) : Provision for Contingency	**(2.65)**	-
Profit After Provision for Contingency	**23.09**	13.04
Minority Shareholders' Interest	**0.16**	0.05
Net Profit After Minority Interest	**22.93**	12.99

Notes: The above Profit and Loss Account is just the conversion of Consolidated Profit and Loss of 3i Infotech Limited prepared as per Indian GAAP in Rs. in Million) into US Dollar Million. The conversion has been done at exchange rate of Rs. 45.254 for the year ended March 31, 2007 and Rs. 44.19 for the year ended March 31, 2006.

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, 2007, 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 the 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 (Auditors 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 the directors as on March 31, 2007, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;

ii) in the case of the Profit and 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 and CO.
Chartered Accountants

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

Mumbai,
Date: April 25, 2007

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, 2007 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 / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

5. During the year, no contracts or arrangements were required to be entered in the register maintained under Section 301 of the Act.

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 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, 2007 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 on which the Company has given guarantee 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 except employee stock options allotted to directors of the Company as per Employees Stock Option Scheme approved by the shareholders of the Company.

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

17. During the course of our examination of the books of account and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA and CO.
Chartered Accountants

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

Mumbai
Date: April 25, 2007

3i INFOTECH LIMITED

BALANCE SHEET AS AT MARCH 31, 2007

Rupees in Million

	Schedule	As at March 31, 2007	As at March 31, 2006
I. SOURCES OF FUNDS			
1. Shareholders' Funds:			
A. Share Capital	**I**	**1,562.99**	1,530.45
B. Reserves and Surplus	**II**	**3,053.53**	2,191.74
		4,616.52	3,722.19
2. Loan Funds:			
A. Secured Loans	**III**	**512.82**	563.48
B. Unsecured Loans	**IV**	**4,947.34**	2,590.29
		5,460.16	3,153.77
3. Deferred Tax Liability (Net)		-	8.49
		10,076.68	6,884.45
II. APPLICATION OF FUNDS			
1. Fixed Assets:			
a. Gross Block	**V**	**1,956.87**	3,070.51
b. Less: Depreciation		**708.86**	999.15
c. Net Block		**1,248.01**	2,071.36
d. Capital Work-in-Progress		**129.89**	22.46
		1,377.90	2,093.82
2. Investments	**VI**	**5,917.24**	1,009.41
3. Deferred Tax Asset (Net)		**232.98**	-
4. Current Assets, Loans and Advances	**VII**		
A. Current Assets:			
a. Inventories		**-**	0.34
b. Sundry Debtors		**1,096.68**	1,083.51
c. Unbilled Revenues		**999.01**	587.16
d. Cash and Bank Balances		**651.73**	2,494.59
		2,747.42	4,165.60
B. Loans and Advances		**1,006.37**	527.10
		3,753.79	4,692.70

3i INFOTECH LIMITED

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	As at March 31, 2007	As at March 31, 2006
			Rupees in Million
Less: Current Liabilities and Provisions:	VIII		
A. Current Liabilities		812.81	657.98
B. Provisions		392.42	253.50
		1,205.23	911.48
Net Current Assets		2,548.56	3,781.22
5. Miscellaneous Expenditure	IX	-	-
		10,076.68	6,884.45
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 and Company
Chartered Accountants

R. P. Baradiya
Partner
Mumbai, April 25, 2007

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

Amar Chintopanth
Exceutive Director and CFO

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

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

	Schedule	For the year ended March 31, 2007	Rupees in Million For the year ended March 31, 2006
INCOME:			
Income from Operations	X	**3,323.70**	2,760.34
Other Income	XI	**155.38**	59.02
Total Income		**3,479.08**	2,819.36
EXPENDITURE:			
Cost of Revenues	XII	**1,533.95**	1,444.49
Selling, General and Administrative Expenses	XIII	**880.91**	661.66
Total Expenditure		**2,414.86**	2,106.15
Profit before interest, depreciation and software development cost		**1,064.22**	713.21
Software development cost		**231.78**	222.41
Less: Transferred to Capital Work in Progress		**-**	(222.41)
Interest	XIV	**184.29**	66.41
Depreciation		**137.68**	236.77
Profit Before Taxation		**510.47**	410.03
Provision for Taxes			
- Deferred Taxes (Net)		**5.95**	8.29
- Current Taxes		**0.10**	9.44
- Fringe Benefit Tax		**10.03**	9.80
- MAT credit entitlement		**-**	(9.41)
		494.39	391.91
- Deferred tax asset / Current tax pertaining to earlier years		**-**	(0.22)
Profit After Taxation and Before Exceptional items		**494.39**	392.13
Add / (Less): Exceptional items (Refer note no.2.4)		**268.59**	-
Profit after Exceptional items		**762.98**	392.13
Add / (Less): Provision for Contingency (Refer note no. 2.5)		**(120.06)**	-
Profit After Exceptional items and Provision for Contingency		**642.92**	392.13
Add: Balance of profit brought forward from the Previous Year		**269.62**	187.89
Add / (Less): Excess / (Short) equity dividend (including tax thereon)		**(0.28)**	0.86
Less: Losses in respect of merged subsidiary		**-**	(61.50)
Profit available for appropriation		**912.26**	519.38

3i INFOTECH LIMITED

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

Rupees in Million

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
Appropriations:			
General Reserve		**49.44**	30.00
Proposed Dividend - Equity Shares		**112.60**	106.09
Proposed Dividend - Preference Shares		**10.26**	10.26
Interim Dividend - Preference Shares		**53.24**	76.37
Corporate Dividend Tax		**28.04**	27.04
Balance carried to Balance Sheet		**658.68**	269.62
		912.26	519.38
Earnings Per Share			
(Equity shares, par value in Rs. 10 each)			
Before exceptional items			
Basic (in Rs.)		**7.86**	5.99
Diluted (in Rs.)		**7.60**	5.76
After Exceptional items			
Basic (in Rs.)		**10.63**	5.99
Diluted (in Rs.)		**10.27**	5.76
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 and Company
Chartered Accountants

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

R. P. Baradiya
Partner
Mumbai, April 25, 2007

Amar Chintopanth
Exceutive Director and CFO

Shivanand R. Shettigar
Company Secretary

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

		Rupees in Million
	For the year ended March 31, 2007	For the year ended March 31, 2006
A. Cash Flow from Operating Activities:		
Profit before Taxation and Exceptional items	**510.47**	410.03
Adjustments for:		
Depreciation / Amortization	**137.68**	236.77
Foreign Exchange loss / (gain)	**(45.60)**	(14.97)
Loss / (Profit) on sale / discarding of fixed assets	**8.25**	2.05
Obsolete stock written off	**3.42**	-
Dividend Income	**(1.45)**	(11.45)
Interest received	**(72.99)**	(9.23)
Interest Paid	**184.29**	66.41
Credit balances / excess provision written back (Net)	**(20.87)**	-
Provision for doubtful debts	**146.03**	31.58
Bad debts written off	**2.62**	10.00
Operating Profit before Working Capital Changes	**851.85**	721.19
Adjustments for:		
Trade and Other Receivables	**(842.71)**	(811.12)
Trade Payables and Other Liabilities	**1,186.67**	424.13
	343.96	(386.99)
Cash generated from Operations	**1,195.81**	334.20
Income Taxes paid (including FBT)	**(83.25)**	(49.22)
Net cash from Operating Activities - A	**1,112.56**	284.98
B. Cash Flow from Investing Activities :		
Purchase of fixed assets (Including Capital-Work-in-Progress)	**(567.06)**	(662.40)
Sale of fixed assets	**(15.18)**	1 .82
Purchase of Investments / application money [3]	**(1,772.62)**	(3,387.65)
Investment / transfer of shares in Subsidiary Companies / application money	**(3,076.16)**	(44.49)
Sale of Investments / Refund of Equity	**1,190.95**	3,288.65
Dividend received	**1.45**	11.45
Loans (given) / received back	**(22.63)**	43.70
Interest received	**73.31**	4.30
Net cash used in Investing Activities - B	**(4,187.94)**	(744.62)

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
C. Cash Flow from Financing Activities:		
Issuance of the Equity Share Capital	**133.24**	2,201.11
Share application money received (pending allotment)	**-**	-
Redemption of the Preference Share Capital	**-**	(500.00)
Dividends paid	**(169.87)**	(129.51)
Share / FCCB Issue Expenses	**(122.90)**	(146.37)
Tax on distributed profits	**(23.76)**	(17.78)
Interest paid	**(182.86)**	(66.81)
Proceeds from FCCB Issue	**884.55**	2,231.25
Proceeds from / (Repayment of) borrowings - net	**699.44**	(729.38)
Net Cash from Financing Activities - C	**1,217.84**	2,842.51
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	**(1,857.54)**	2,382.87
Cash and Cash Equivalents as at beginning	**2,462.05**	79.18
Cash and Cash Equivalents as at end	**604.51**	2,462.05

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. 47.22 million (as at March 31, 2006 - Rs. 32.54 million) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
3. (i) Includes amount paid for acquisition of equity of Datacons Private Limited - Rs. 355.41 million for the year ended March 31, 2007.
   (ii) Includes additional consideration and earnout aggregating to Rs. 61.00 million towards balance equity shares of SDG Software Technologies Limited for the year ended March 31, 2007, (as on March 31, 2006 Rs. 99.00 million).
   (iii) Includes amount paid for acquisition of equity of Delta Service (I) Private Limited - Rs. 51.93 million for the year ended March 31, 2007.
   (iv) Includes amount paid for acquisition of equity of Stex Software Pvt. Limited - Rs. 60.60 million for the year ended March 31, 2007.
   (v) Includes amount paid for acquisition of equity of e-enable Technologies Pvt. Ltd - Rs. 52.73 million for the year ended March 31, 2007.
   (vi) Includes amount paid for Purchase of mutual funds - Rs. 1190.95 million for the year ended March 31, 2007.

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

4. FCCB refers to Foreign Currency Convertible Bonds.
5. 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. XV)

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

As per our attached report of even date	**For and on behalf of the Board**	
For Lodha and Company		
Chartered Accountants		
	V. Srinivasan	**S. Santhanakrishnan**
	Managing Director and CEO	**Director and Chairman of Audit Committee**
R. P. Baradiya		
Partner	**Amar Chintopanth**	**Shivanand R. Shettigar**
Mumbai, April 25, 2007	**Exceutive Director and CFO**	**Company Secretary**

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at March 31, 2007	As at March 31, 2006
		Rupees in Million
I. Share Capital		
Authorised		
150,000,000 Equity shares of Rs. 10 each (as at March 31, 2006 - 100,000,000 of Rs. 10 each)	**1,500.00**	1,000.00
200,000,000 Cumulative Preference shares of Rs.5 each (as at March 31, 2006 - 300,000,000 of Rs. 5 each)	**1,000.00**	1,500.00
	2,500.00	2,500.00
Issued, Subscribed and Paid-up		
56,298,739 Equity shares of Rs. 10 each (as at March 31, 2006 - 53,044,855 of Rs. 10 each)[1]	**562.99**	530.45
200,000,000 6.35 % Cumulative Preference shares of Rs.5 each [2] (as at March 31, 2006 - 200,000,000)	**1,000.00**	1,000.00
	1,562.99	1,530.45

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. The Preference Shares are redeemable at par on expiry of nine years from the date of allotment i.e. March 31, 2003.

	As at March 31, 2007	As at March 31, 2006
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	**1,861.54**	80.67
Add: Received on allotment of equity shares	**119.74**	1,980.69
Add: In respect of Conversion of FCCB	**381.99**	-
Less: Utilised towards IPO / FCCB expenses	**106.73**	199.82
Add: IPO / FCCB issue expense provision written back	**28.29**	-
	2,284.83	1,861.54
c General Reserve		
Balance as per last Balance Sheet	**60.00**	30.00
Add: Transfer from Profit and Loss Account	**49.44**	30.00
	109.44	60.00
d Profit and Loss Account		
Balance as per annexed account	**658.68**	269.62
Total	**3,053.53**	2,191.74

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at March 31, 2007	As at March 31, 2006
		Rupees in Million
III. Secured Loans		
From Banks:		
Term Loans	**386.91**	357.13
Cash Credit	**125.91**	206.35
	512.82	563.48

Notes:

1. Security and terms and conditions for Term Loans :
   a. Rs.19.47 million (as at March 31, 2006 - Rs. 16.67 million) loan is secured by way of hypothecation on certain Company owned vehicles.
   b. Rs. 367.44 million (as at March 31, 2006 - Rs. 236.29 million) loan is secured by way of Equitable Mortgage of certain properties of the Company situated at Navi Mumbai and Mumbai.
   c. Rs.125.91 (as at March 31, 2006 - Rs. 104.17 million) loan is secured by way of charge against specific book debts.
2. Certain non-fund facilities of Rs. 93.32 million (as at March 31, 2006 - Rs. 102.02 million) and Cash Credit are secured by way of floating charge on book debts (other than those mentioned in par 1(c) above).

IV. Unsecured Loans		
Foreign Currency Convertible Bonds (Refer note no 2.3.1 and 2.3.2)	**2,645.71**	2,231.25
Rupee Loans from banks*	**2,301.63**	359.04
	4,947.34	2,590.29
* Repayable within one year	**1,409.76**	291.63

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

V. Fixed Assets

Rupees in Million

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK	
Particulars	**As at April 1, 2006**	**Additions during the year**	**Ded / Adj during the year**	**As at March 31, 2007**	**Upto March 31, 2006**	**For the year**	**Ded / Adj during the year**	**Upto March 31, 2007**	**As at March 31, 2007**	**As at March 31, 2006**
Intangible assets										
Goodwill	17.91	-	-	17.91	7.55	1.54	-	9.09	8.82	10.36
Software Products										
- Meant for sale	1,688.92	-	1,604.48	84.44	437.04	-	415.54	21.50	62.94	1,251.88
(refer note no 2.4.2)										
- Others	162.36	121.60	-	283.96	102.98	27.72	-	130.70	153.26	59.38
Business & Commercial Rights	298.48	147.76	-	446.24	116.02	42.02	-	158.04	288.20	182.46
Tangible assets										
Land - Leasehold	5.24	-	-	5.24	0.47	0.09	-	0.56	4.68	4.77
- Freehold	20.88	-	-	20.88	-	-	-	-	20.88	20.88
Buildings - Owned	12.16	-	2.24	9.92	1.39	0.20	0.21	1.38	8.54	10.77
- Leasehold	295.63	98.17	-	393.80	50.18	8.52	-	58.70	335.10	245.45
Plant & Machinery/Electrical										
Installations	129.39	1.24	1.35	129.28	32.96	7.34	0.49	39.81	89.47	96.43
Computers	244.80	12.21	5.76	251.25	187.21	25.42	5.38	207.25	44.00	57.59
Furniture & Fixtures	117.71	0.67	6.89	111.49	46.02	7.20	2.99	50.23	61.26	71.69
Office Equipment	40.97	2.15	-	43.12	10.48	2.05	-	12.53	30.59	30.49
Vehicles	36.06	10.37	10.48	35.95	6.85	3.24	3.36	6.73	29.22	29.21
Project Assets*	-	123.39	-	123.39	-	12.34	-	12.34	111.05	-
Total	**3,070.51**	**517.56**	**1,631.20**	**1,956.87**	**999.15**	**137.68**	**427.97**	**708.86**	**1,248.01**	**2,071.36**
Previous Year	2,397.91	680.28	7.68	3,070.51	746.46	256.50	3.81	999.15	2,071.36	
Capital work-in-progress (including capital advances)	22.46	128.66	21.23	129.89	-	-	-	-	129.89	22.46

Notes:

Buildings- Leasehold include:

(i) Rs. 208.53 million (as at March 31, 2006 Rs. 208.53 million), Accumulated Depreciation Rs. 21.86 million (as at March 31, 2006 Rs.18.29 million) and Net Value Rs. 186.68 million (as at March 31, 2006 Rs.190.24 million) being lease premium paid in respect of building taken on lease for sixty years.

(ii) Rs. 87.50 million (as at March 31, 2006 Rs. 87.10 million), Accumulated Depreciation Rs. 36.01million (as at March 31, 2006 Rs. 31.89 million) and Net Block Rs. 51.49 million (as at Marchch 31, 2006 Rs. 55.21 million) being the cost of improvement on leasehold building.

(iii) Rs. 97.77 million (as at March 31, 2006 Rs. Nil), Accumulated Depreciation Rs. 0.83 million (as at March 31, 2006 Rs. Nil) and Net Value Rs. 96.94 million (as at March 31, 2006 Rs. Nil) being lease premium paid in respect of building taken on lease for ninety nine years.

*Project assets comprises of office equipments, plant and machinery/electrical installations, furniture and fixtures and computers purchased for contracts entered into with various state governments for e-governance projects.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2007	As at March 31, 2006
VI. Investments		
Long Term Investments (Unquoted and Fully Paid-up)		
Trade:		
In Subsidiary Companies		
(as at March 31, 2006 - 45,302,704) Non-assessable shares of USD 0.30 each of 3i Infotech Inc., USA (refer note no. 2.4.1)	**-**	817.37
(as at March 31, 2006 -1,000,000) Non-assessable shares of USD 0.10 each of 3i Infotech Inc., USA (refer note no. 2.4.1)	**-**	47.74
1,792,302 Equity shares of SGD 1 each of 3i Infotech Pte Ltd., Singapore - (as at March 31, 2006 - 1,690,000)	**69.81**	44.28
1,000,000 Equity shares of GBP 1 each of 3i Infotech (UK) Ltd.[2]	**1,737.28**	-
2,526,781,837 Ordinary Shares of 3i Infotech Holdings Private Limited, Mauritius[3]	**3,421.78**	-
500 Shares of SR 1,000 each of 3i Infotech Saudi Arabia LLC[3]	**6.68**	-
1,000,000 Equity Shares of Rs. 10 each fully paid up of SDG Software Technologies Ltd. (as at March 31, 2006 - 800,000)	**160.00**	99.00
3,500,000 Equity Shares of Rs. 10 each fully paid up of Datacons Private Limited[6]	**355.41**	-
202,000 Equity Shares of Rs. 10 each fully paid up of Delta Services (I) Pvt. Ltd[4]	**51.93**	-
5,569,762 Equity Shares of Rs. 10 each fully paid up of 3i Infotech Trusteeship Services Limited (formerly G4 Software Technologies (India) Limited).[5]	**-**	-
51,000 Equity Shares of Rs. 10 each fully paid up of Stex Software Pvt. Limited[6]	**60.60**	-
77,826 Equity Shares of Rs. 10 each fully paid up of e-enable Technologies Ltd.[7]	**52.73**	-
Non-Trade:		
In other Companies		
200,000 Equity Shares of Srilankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	**1.02**	1.02

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	Rupees in Million	
	As at March 31, 2007	As at March 31, 2006
Current Investments		
Non-Trade (Quoted, fully paid-up):		
In Mutual Funds [1]	**-**	-
	5 ,917.24	1,009.41

Notes:

1. During the period, the Company has purchased 119,095,340 (for the year ended March 31, 2006 - 286,447,785) and sold 119,095,340 (for the year ended March 31, 2006 - 286,447,785) units of Mutual Funds.
2. Acquired during the year, 100% of the holding representing beneficial interest in 600,000 shares held by 3i Infotech Inc, USA and 400,000 shares in Company's Name.
3. Established during the year, representing 100 % of the holding
4. Acquired during the year, representing 50.5% of the holding.
5. Cost adjusted towards subsequent Business Purchase. (refer note 2.2.2)
6. Acquired during the year, representing 100% of the holding.
7. Acquired during the year, representing 51% of the holding.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
VII. Current Assets, Loans and Advances		
A. Current Assets		
a) Inventories - Hardware	-	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. 225.65 million; as at March 31, 2006 - Rs. 76.67 million)	**266.00**	253.71
- Other debts (net of doubtful debts provided for - Rs.12.73 million; as at March 31, 2006 - Rs. 21.76 million)	**830.68**	829.80
	1,096.68	1,083.51
c) Unbilled Revenues	**999.01**	587.16
d) Cash and Bank Balances :		
i. Cash on hand	**0.35**	0.25
ii. Balances with scheduled banks:		
in current accounts*	**122.11**	252.04
in EEFC accounts	**0.17**	0.17
in deposit accounts**	**460.11**	2,187.45
in margin money accounts***	**31.07**	14.76
	613.46	2,454.42
iii. Balances with Non-scheduled banks:		
in current accounts :		
with HSBC Bank Middle East (Maximum balance held at any time during the year Rs. 0.14 million; for the year ended March 31, 2006 - Rs. 0.16 million)	**0.11**	0.14
with HSBC Bank, Deira branch (Maximum balance held at any time during the year Rs. 9.96 million; for the year ended March 31, 2006 - Rs. 4.14 million)	**2.89**	2.01

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
with Commerz Bank, Germany (Maximum balance held at any time during the year Rs. 0.61 million; for the year ended March 31, 2006 - Rs. 0.61 million)	**0.30**	0.61
with Emirates Bank International (Maximum balance held at any time during the year Rs.120.49 million; for the year ended March 31, 2006 - Rs. 150.88 million)	**18.47**	19.38
in margin money accounts:*** with Emirates Bank International (Maximum balance held at any time during the year Rs. 20.86 million; for the year ended March 31, 2006 - Rs. 17.60 million)	**15.98**	17.60
with British Bank (Maximum balance held at any time during the year Rs. 0.18 million; for the year ended March 31, 2006 - Rs. 0.18 million)	**0.17**	0.18
	37.92	39.92
	651.73	2,494.59
	2,747.42	4,165.60
* Includes cheques on hand and remittances in transit	**40.03**	197.97

** Refer Note no. 2.3.1

*** Towards performance guarantees

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2007	As at March 31, 2006
B. Loans and Advances		
(Unsecured, considered good)		
Loans:		
To a subsidiary company	**22.54**	-
To others (including employees)	**0.09**	-
Advance tax and tax deducted at source (net of provisions of Rs. 34.55 million, previous year Rs. 37.41 million)	**163.34**	90.23
Deposits	**253.65**	96.91
Advances recoverable in cash or in kind or for value to be received*	**557.34**	330.55
MAT credit receivable	**9.41**	9.41
	1,006.37	527.10
	3,753.79	4,692.70
*Includes Interest receivable on bank fixed deposits	**4.62**	4.93
*Includes recoverable from subsidiary companies	**134.89**	208.87
VIII. Current Liabilities and Provisions		
A. Current Liabilities*		
Acceptances	**226.46**	160.11
Sundry creditors		
(Due to other than Small Scale Industrial Undertakings)		
- Trade	**398.74**	292.49
- Others	**57.93**	44.46
Advances received from Customers (including unearned income)	**49.63**	10.05
Interest accrued but not due	**1.49**	0.06
Other liabilities	**78.56**	150.81
	812.81	657.98

* There are no amounts payable to Investor Education and Protection Fund

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2007	As at March 31, 2006
B. Provisions		
Provision for retirement benefits	**76.45**	61.43
Provision for warranty	**52.45**	59.40
Provision for Contingencies	**120.06**	-
Proposed dividend	**122.86**	116.35
Tax on dividend	**20.60**	16.32
	392.42	253.50
	1,205.23	911.48
IX. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Preliminary expenses and Share issue expense	-	-
Opening balance	-	8.99
Add: expenses in relation to public issue of equity shares.	-	128.36
Add: expenses in relation to issue of FCCB	-	62.47
		199.82
Less: Adjusted against share premium account	-	199.82
	-	-

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

			Rupees in Million
		For the year ended March 31, 2007	For the year ended March 31, 2006
X.	**Income from Operations**		
	Products	**1,655.32**	1,277.36
	Services	**1,668.38**	1,482.98
		3,323.70	2,760.34
XI.	**Other Income**		
	Interest	**72.99**	9.23
	(Gross, TDS - 1.00 million; for the previous year - 0.01 million)		
	Dividend - Others (Non-Trade)	**1.45**	11.45
	Credit balances / excess provision written back (Net)	**20.87**	-
	Foreign exchange gain (Net)	**45.60**	14.97
	Miscellaneous income	**14.47**	23.37
		155.38	59.02
XII.	**Cost of Revenues**		
	Payments to and provisions for employees:		
	Salaries, bonus and other allowances	**1,063.59**	879.43
	Contribution to provident and other funds	**49.64**	37.68
	Staff welfare expenses	**55.89**	34.74
	Cost of outsourced services and boughtout items	**607.65**	722.11
	Travelling and conveyance	**80.53**	65.61
		1,857.30	1,739.57
Less: Transferred to software development cost		**231.78**	204.22
Less: Re-imbursement of costs by subsidiary companies		**91.57**	90.86
		1,533.95	1,444.49

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	For the year ended March 31, 2007	For the year ended March 31, 2006
XIII. Selling, General and Administrative Expenses		
Salaries, bonus and other allowances	**146.99**	115.41
Contribution to provident and other funds	**32.71**	5.53
Staff welfare expenses	**23.25**	29.04
Recruitment and training expenses	**40.00**	48.62
Rent	**188.30**	119.87
Insurance	**12.83**	7.76
Travelling and conveyance	**100.67**	83.23
Electricity charges	**42.87**	32.08
Rates and taxes	**10.55**	4.76
Communication expenses	**51.60**	52.41
Directors fees	**1.02**	1.06
Loss on sale / discarding of fixed assets (Net)	**8.25**	2.05
Printing and stationery	**17.13**	19.22
Repairs and maintenance - building	**3.97**	4.04
Obsolete stock written off	**3.42**	-
Legal and professional charges	**54.16**	35.91
Bank charges and other financial charges	**38.22**	24.91
Selling and distribution expenses	**28.82**	29.41
Directors commission	**7.50**	6.09
Bad debts written off	**2.62**	10.00
Provision for doubtful debts (Net)	**146.03**	31.58
Miscellaneous expenses	**82.29**	63.86
	1,043.20	726.84
Less: Transferred to software development cost	**-**	18.19
Less: Re-imbursement of costs by subsidiary companies	**162.29**	46.99
	880.91	661.66
XIV. Interest		
- On term loans	**176.44**	62.49
- Others	**7.85**	3.92
	184.29	66.41

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007.

SCHEDULE XV: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

1.1 Method of Accounting

The financial statements are 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 are made relying on these estimates.

1.3 Revenue Recognition

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

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 deployed. Revenue from supply of Hardware / Outsourced Software License, is recognized based on delivery / installation, as the case may be. Recovery of incidental expenses is added to such revenue.

1.4.

a. Fixed Assets

Intangible: Purchased software meant for in house consumption, Goodwill and Business and Commercial Rights are capitalized at the acquisition price.

Acquired software meant for sale are capitalized at the acquisition price.

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.

Advances given 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.

Cost in respect of Software development are charged to Profit and Loss account as and when incurred.

b. Depreciation / Amortization:

Leasehold land, Leasehold building and improvements thereon are amortized over the period of lease.

Business and Commercial Rights is amortized at lower of the period the benefits out of them is expected to accrue and 10 years, while purchased software meant for in house consumption and Goodwill are amortized over a period of five years.

Project Assets / Acquired software are amortised at lower of the estimated life of the product / project and five years.

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.

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 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 and 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 and 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/acquisition.

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.

1.8 Accounting of Retirement Benefits:

Retirement Benefits to employees in India

a) Gratuity

The Company provides for gratuity, a defined benefit retirement plan, covering eligible employees. Liability under gratuity plan is determined on actuarial valuation done by the Life Insurance Corporation of India (LIC) at the beginning of the year, based upon which, the Company contributes to the Scheme with LIC. The Company also provides for the additional liability over the amount contributed to LIC based on the actuarial valuation, done by an independent valuer.

b) Superannuation

Certain employees of the Company are also participants in a defined superannuation contribution plan. The Company contributes to the scheme with Life Insurance Corporation of India on monthly basis. The Company has no further obligations to the scheme beyond its monthly contributions.

c) **Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contribution along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contribution to the 3i Infotech Provident Fund Trust equal to a specified percentage of the covered employee's salary. Company also contributes to a government administered pension fund on behalf of its employees. The interest rate payable by the trust to the beneficiaries every year is being notified by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. Such shortfall is charged to Profit and Loss Account in the year it is determined.

d) Liability for leave encashment for employees is provided on the basis of the actuarial valuation at the year end.

Retirement Benefits to employees in foreign branches

In respect of employees in foreign branches, necessary provision is made based on the applicable laws. Gratuity/leave encashment as applicable to the employees in foreign branches is provided on the basis of the actuarial valuation at the year-end.

1.9 Provisions, Contingent Liabilities and Contingent Assets

i) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligations as a result of past events and it is probable that there will be outflow of resources.

ii) Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but pobably will not, require outflow of resources.

iii) Contingent Assets are neither recognized nor disclosed in the financial statements.

1.10 Borrowing Costs

Borrowing costs directly attributable to acquisition, construction and production of qualifying 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 and 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 billing on a customer is classified as unbilled revenue while excess of billing over the revenue recognized in respect of a customer is classified as unearned revenue.

1.13 Impairment of Assets

In accordance with AS 28 on 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is realizable whenever the carrying amount of such assets exceeds its recoverable amount. Impairment loss is recognized in the 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 payable on securities are adjusted against Securities Premium Account.

1.15 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 Capital commitments and contingent liabilities

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
Capital Commitments Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances).	**503.02**	109.05
Contingent Liabilities not provided for in respect of :		
Outstanding guarantees given by banks	**325.81**	252.97
Premium on redemption of FCCB (Refer Note no 2.3)	**940.37**	880.41
Estimated amount of claims against the Company not acknowledged as debts in respect of:		
- Disputed Income Tax matters	**17.34**	18.49
- Others*	**4.36**	4.01

*Includes expenses of legal cases relating to Registrar and Transfer Services, which are reimbursable by the Principal to the extent of Rs.1.42 million. (as at March 31, 2006 - Rs. 1.42 million).

2.2.1 In July 2006, the Company entered into a share purchase agreement with the owners of Delta Services (India) Pvt. Ltd., Mumbai, (DSIPL) to acquire the 202,000 shares (representing 50.5% of the paid up equity capital of DSIPL) for a consideration of Rs. 51.93 million along with a commitment to acquire the balance 0.50% of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue/profitability etc. as per the agreement subject to a cap of Rs. 50 million.

2.2.2 In September 2006, the Company entered into a share purchase agreement with the owners of G4 Software Technologies (India) Limited, Mumbai to acquire 100% paid up capital of G4 Software Technologies (India) Limited and its subsidiary G4 Technologies Inc., USA for a consideration of Rs. 34.00 million .

Subsequently, the Company acquired the business of G4 Technologies (India) Limited, Mumbai effective September 5, 2006.The profit and loss account for the year also includes transactions carried on by G4 Technologies Limited on behalf of the Company from September 5, 2006 to December 31, 2006. The Company had acquired / assumed the following assets and liabilities at their respective book values as appearing in G4 Technologies (India) Limited books as at September 05, 2006:

	Rupees in Million
Fixed Assets	50.62
Investments	14.51
Current assets, loans and advances	20.96
Current liabilities and provisions	56.20
Secured loans	2.47
Unsecured loans	2.45

The Share purchase consideration paid has been adjusted towards the book value of the net assets and the excess of consideration of Rs. 75.12 million has been added towards the Business and Commercial Rights of G4 Technologies (India) Limited acquired by the Company. Further investments in the US Subsidiary of G4 Technologies (India) Limited namely G4 Technologies Inc., USA has been transferred to 3i Infotech Inc., USA.

2.2.3 In November 2006, the Company entered into a share purchase agreement with the owners of e-enable Technologies Pvt. Ltd. New Delhi, (ETPL) to acquire 77,826 shares (representing 51% of the paid up equity capital of ETPL for a consideration of Rs. 51.10 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for additional consideration payable on achieving certain measurable criteria such as future revenue / profitability etc. as per the agreement subject to a cap of Rs. 304 million.

2.2.4 In November 2006, the Company entered into a share purchase agreement with the owners of Stex Software Pvt. Ltd. Calcutta, (SSPL) to acquire 51,000 shares (representing 100% of the paid up equity capital of SSPL) for a consideration of Rs. 60.60 million and a further maximum consideration (earn out) of Rs. 35.00 million payable upon achievement of certain measurable criteria such as future revenue / profitability etc., as per the agreement. As a part of the above transaction the Company has also acquired the business of Genesis Imaging and Allied Technologies Private Limited, Mumbai (owned by the owner of SSPL) effective November 6, 2006.The profit and loss account for the year also includes transactions carried on by Genesis Imaging and Allied Technologies Private Limited on behalf of the Company from November 6, 2006 to December 31, 2006. The Company had acquired/assumed the following assets and liabilities at their respective book values as appearing in Genesis Imaging and Allied Technologies Private Limited books as at November 6, 2006:

	Rupees in Million
Fixed Assets	0.45
Current assets, loans and advances	3.41
Current liabilities and provisions	1.33
Secured loans	2.23
Unsecured loans	0.30

2.2.5 The Company has filed a merger scheme with Honorable Bombay High Court for merging its 100% subsidiaries SDG Software Technologies Ltd. and Datacons Private Limited with the appointed date being April 1, 2006. The Scheme is pending for approval by the Honorable Karnataka and Andhra Pradesh High Courts. The financial impact of the aforesaid scheme will be accounted for as and when the same is approved.

2.3.1 During March 2006, the Company issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating USD 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 = USD 1) up to February 16, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issues, right issues, 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. 790.61 million after considering already converted FCCB into equity) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation.

Issue proceeds pending utilization lying as fixed deposits with Banks: Rs. 459.80 million overseas (previous year Rs. 2,186.38 million).

During the year, FCCB equivalent of value USD 5.10 million (Rs. 226.18 million) have been converted into Equity Shares.

2.3.2 During October 2006, the Company issued 1.50% Foreign Currency Convertible Bonds (FCCB) aggregating Euro15 million, at par equivalent to Rs. 884.55 million. The bondholders have an option to convert these bonds into Equity Shares at an initial conversion rate of Rs. 190.00 per share at a fixed exchange rate (Rs. 58.28 = Euro 1) up to March 17, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issues, right issues, 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 122.08% of the principal amount on March 17, 2011 which includes amount payable on accrued (and unpaid) interest. Such premium is payable upon the Company opting to redeem or repurchase or cancel any time on or after October 6, 2008. 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. 149.76 million after considering already converted FCCB into equity) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation. Issue proceeds have been utilized towards the objective of the issue.

During the year, FCCB equivalent of value Euro 3.00 million (Rs. 174.84 million) have been converted into Equity Shares.

2.4 Exceptional items comprise:

		Rupees in Million
a)	Reinstatement in value of Investments (Refer note no. 2.4.1)	1250.00
b)	Software meant for sale capitalized in earlier years written off (Refer note no 2.4.2)	1210.16
c)	Reversal of deferred tax liability on (b) above	247.41
d)	Customer Claims / Penalties	18.66
	Total: (a-b+c-d)	**268.59**

2.4.1. During the financial year 2001-2002, the Company had, based on an independent valuation, reduced the carrying value of Investment in its wholly owned subsidiary 3i Infotech Inc., USA by an amount of Rs. 1250 million.

Considering that the operations of the said subsidiary has improved substantially, the Company, based on an independent valuation recently carried out and in terms of Accounting Standard (AS) 13 "Accounting for Investments", has re-instated to Profit and Loss

Account the value of its investment in the said subsidiary by Rs. 1250 million.

The Company has transferred its resultant investment of Rs. 2637.86 million in 3i Infotech Limited Inc. to its wholly owned subsidiary 3i Infotech Holding Private Limited, Mauritius for a consideration of shares.

2.4.2 The Company has a suite of software products meant for sale (both acquired and developed inhouse) for the banking and financial services, insurance and ERP markets. These are mature products having multiple clients. As the future costs on these products would be more to bring in innovation in the base products and not in the nature of bringing into being completely new products, the Company has decided to change its accounting policy for such products by writing off the costs as incurred. Any acquired software will be amortised at lower of the estimated life of the product and five years.

As this would bring in an inconsistency between the policy followed currently wherein the Company has been amortising both acquired and internally developed software over a ten year period, the Company has, as a one time exercise, written off 95% book value of its software products meant for sale as on April 1, 2006 to the Profit and Loss account as an exceptional item. Consequent upon the change in accounting policy, there has been increase in Software Development cost by Rs. 231.78 million, decrease in depreciation by Rs. 175.33 million and decrease in profit by Rs. 56.45 million for the year ended March 31, 2007.

2.5 As a matter of prudence, the Company has made provision of Rs. 120.06 million for contingencies such as customer / arbitration claims, penalties, contract losses etc.

2.6 Managerial Remuneration:

Rupees in Million

	For the year ended March 31,2007	For the year ended March 31, 2006
Salaries, Bonus and other allowances	**19.43**	14.06
Contribution to Provident and Other Funds	**0.08**	1.88
Monetary value of perquisites	**0.57**	0.71
Commission	**7.50**	6.09

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

*For Rs. 0.81 million shareholders approval is awaited in the ensuing Annual General Meeting.

Computation of Net Profit under Section 198, 309 and 349 of the Companies Act, 1956

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
PAT before exceptional items as per Profit and Loss Account	494.39	392.13
Add: Provision for Current taxes under Income Tax Act, 1961	10.13	9.83
Directors Commission	7.50	6.09
Net Profit to ascertain commission payable to Director	**512.02**	**408.05**
Add: Directors Remuneration	20.07	16.65
Directors Sitting Fees	1.02	1.06
Net Profit to ascertain remuneration to Directors	**533.11**	**425.76**
Percentage of Commission payable to Non whole time directors*	1.50 %	1.50 %
Percentage of Remuneration paid to Directors	36 %	5.59 %

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

2.7 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 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 in respect of properties are renewable / cancelable at the Company's and/or Lessor's option as mutually agreed. The future lease rental payments that the Company is committed to make is:

Rupees in Million

	As at March 31, 2007	As at Mar 31, 2006
- within one year	**131.60**	65.80
- later than one year and not later than five years	**143.32**	71.66
- later than five years	**-**	-

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

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
- within one year	**69.07**	16.59
- later than one year and not later than five years	**116.93**	30.01
- later than five years	**-**	-

b. Financial Lease:

There were no financial leases entered into by the Company.

2.8 Auditors Remuneration:

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Audit Fees	**2.50**	2.14
Tax Audit Fees	**0.30**	0.08
Certification Fees	**0.90**	0.42
Re-imbursement of out of pocket expenses	**0.10**	0.31
Total	**3.80**	**2.95**

2.9 (i) Cost of Outsourced services and bought out items include / is net of:

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Expenses towards repairs and maintenance-computers	**25.63**	9.69
Expenses towards commission on sales	**21.36**	**57.74**

(ii) Aggregate expenses:

Aggregate amounts incurred on certain specific expenses

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Salaries, bonus and other allowances	**1210.58**	994.84
Contribution to provident and other funds	**82.34**	43.21
Staff welfare expenses	**79.14**	63.78
Traveling and conveyance	**181.20**	148.84
Rent	**198.16**	119.87
Communication expenses	**54.20**	58.08
	1805.62	**1428.62**

2.10 Deferred tax liability:

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

Rupees in Million

	As at March 31, 2007	As at March 31, 2006
Deferred Tax Asset:		
Unabsorbed losses / depreciation	**162.36**	173.44
Expenses allowable on payment and others	**105.97**	43.77
	268.32	217.21
Deferred Tax Liability:		
Fixed Assets (depreciation / amortization)	**35.35**	225.70
Net Deferred Tax Liability / (Asset)	**(232.97)**	**8.49**

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 the managing director, 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 by paying cash at a price determined on the date of grant.

Method used for accounting for the share based payment plan:

The Company has elected to use the intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share as on the date of grant exceeds the exercise price of the option.

Summary of the options outstanding under the Employees Stock Options Plan (ESOP):

	As at March 31, 2007		As at March 31, 2006	
	Options	Weighted Average exercise price (Rs.)	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	5,701,292	103.57	6,506,815	103.22
Granted during the year	3,314,500	184.31	100,000	115.00
Exercised during the year	(1,350,262)	98.69	(275,170)	88.80
Forfeited/lapsed during the year	(578,983)	110.54	(630,353)	108.23
Options outstanding, end of year*	7,086,547	141.69	5,701,292	103.57
Options Exercisable	2,245,555	109.50	2,336,605	110.92

*Includes 2,221,000 ESOP granted/exercisable to managing director/whole time directors and non-executive directors.

Weighted average share price for the stock options exercised during the year ended March 31, 2007 is Rs. 193.36 and for the year ended March 31, 2006 is Rs. 132.80.

The following summarizes information about stock options outstanding

As of March 31, 2007

Range of Exercise Price	**Number of Shares arising out of options**	**Weighted average remaining life (years)**	**Weighted average Exercise Price (Rs.)**
Rs. 75 to Rs. 100	3,268,142	7	97.30
Rs. 115 to Rs. 200	3,818,405	9	179.69

As of March 31, 2006

Range of Exercise Price	**Number of Shares arising out of options**	**Weighted average remaining life (years)**	**Weighted average Exercise Price (Rs.)**
Rs. 75 to Rs. 100	4,764,892	8	94.91
Rs. 115 to Rs. 200	936,400	6	147.64

Fair Value methodology for the option

The Fair value of options used to compute net income and earnings per equity share have been estimated on the dates of each grant within the range of Rs. 10.99 to Rs. 75.25 using the Black - Scholes pricing model. The Company estimated the volatility based on the historical share prices. The various assumptions considered in the pricing model for the options granted under ESOP are:

	March 31, 2007	March 31, 2006
Dividend yield	**1.08%**	0.87%
Expected volatility	**10% - 22.30%**	10% - 17.5%
Risk-free interest rate	**6.32% - 8.00%**	6.32% - 6.65%
Expected life of Option	**3-10 yrs**	4-10 yrs

Impact of Fair value method on Net profit and EPS

Had the Compensation cost for the Company's Stock option plans outstanding been determined based on the fair value approach, the Companys net profit income and earnings per share would have been, as indicated below:

	For the year ended March 31, 2007	For the year ended March 31, 2006
Profit attributable to Equity Shareholders (refer note no. 2.13) (Rs. in million)	**421.99**	310.40
Add: Stock-based employee compensation expense included in net income (Rs. in million)	**-**	-
Less: Stock based compensation expense determined under fair value based method (Rs. in million)	**30.39**	16.21
Net Profit: (Rs. in million)	**391.60**	294.19
Basic earning per share (as reported) (Rs.)	**7.86**	5.99
Basic earning per share (under fair value method) (Rs.)	**7.60**	5.68
Diluted earning per share (as reported) (Rs.)	**7.30**	5.76
Diluted earning per share (under fair value method) (Rs.)	**7.05**	5.46

2.12 Amount of exchange difference (Net) credited to Profit and Loss Account during the year ended March 31, 2007 is Rs. 45.60 million (for the year ended March 31, 2006 credited Rs. 14.97 million).

2.13 Earnings Per Share:

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

		For the year ended March 31, 2007	For the year ended March 31, 2006
Profit as per accounts (Rs. in million)		**494.39**	392.13
Less: Dividend on preference shares paid (incl. corporate taxes) (Rs. in million)		**(60.70)**	(70.03)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes) (Rs. in million)		**(11.70)**	(11.70)
Profit attributable to Equity Shareholders (Rs. in million)	A	**421.99**	310.40
Add: profit due to Exceptional items (after considering Provision for contingency. (Rs. in million)		**148.53**	-

		For the year ended March 31, 2007	For the year ended March 31, 2006
Profit attributable to Equity Shareholders after exceptional items (Rs. in million)	B	**570.52**	-
Weighted average number of Equity Shares outstanding during the year (Nos.)	C	**53,660,029**	51,828,328
Add : Effect of dilutive issues of options		**1,886,798**	2,043,360
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)	D	**55,546,827**	53,871,688
Nominal value of Equity Shares (Rs.)		**10**	10
Basic Earnings Per Share (Rs.)	A/C	**7.86**	5.99
Diluted Earnings Per Share (Rs.) After exceptional items	A/D	**7.60**	5.76
Basic Earnings Per Share (Rs.)	B/C	**10.63**	-
Diluted Earnings Per Share (Rs.)	B/D	**10.47**	-

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., United States of America; SDG Software Technologies Limited, Hyderabad, India; SDG Software Technologies Pte Limited, Singapore; Datacons Private Limited, India; 3i Infotech Investment Services Inc (earlier Datacons Inc), United States of America; Datacons Asia Pacific SDN BHD, Malaysia; Delta Services (I) P. Ltd., India; 3i Infotech Trusteeship Services Limited(earlier G4 Software solutions (India) Limited); Stex Software Private Limited, India; e-enable Technologies Private Limited, India; Rhyme Systems Holdings Limited, Rhyme Systems Group Limited, Rhymesis Limited, Rhyme Systems Limited United Kingdom; 3i Infotech Holdings Private Limited, Mauritius; 3i Infotech Saudi Arabia LLC, Saudi Arabia; 3i Infotech Enterprise Solutions Inc., 3i Infotech Insurance Solutions Inc., 3i Infotech Factoring Solutions Inc., United States of America, Whizinfo Technologies Inc., United States of America.

2. Other related parties with whom transactions have been entered into in the ordinary course of business:-
   • Associates: ICICI Bank Limited, 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., Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, Sridhar & Santhanam.
   • Directors/Key Management Personnel: Mr.V Srinivasan (Managing Director and Chief Executive Officer), Mr. Hari Padmanabhan (Deputy Managing Director), Mr. Amar Chintopanth (Executive Director and CFO), Mr. Manoj Kunkalienkar (Executive Director 2005-06).

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 March 31, 2007	For the year ended March 31, 2006
Subsidiaries - 3i Infotech Inc		
Income	**236.64**	130.89
Interest Income	**-**	0.26
Rent Expense	**5.47**	5.36
Guarantee given on its behalf	**86.88**	201.66
Loan Repaid	**-**	(41.47)
Investment made	**522.75**	44.54
Investment purchased (3i Infotech (Uk) Limited)	**69.63**	-
Advance given / (Repaid)	**(208.87)**	(19.85)
Subsidiaries - 3i Infotech Holdings Private Limited, Mauritius		
Income	**25.94**	-
Investment transfer (3i Infotech Inc.,)	**2637.86**	-
Subsidiaries - 3i Infotech (UK) Limited		
Income	**19.76**	14.49
Purchase of Business and commercial right	**72.64**	-
Investment made	**1667.65**	-
Subsidiaries - Datacons Private Limited		
Income	**10.00**	-
Purchase of services	**20.39**	-
Subsidiaries - SDG Software Technologies Limited		
Purchase of services	**28.77**	14.80
Subsidiaries - Others:		
Income	**62.18**	9.94
Interest Income	**-**	2.32
Purchase of services	**7.79**	-
Loans granted	**23.10**	-
Loans repaid	**0.56**	-
Investment made / (transferred)	**32.21**	-
Advances given / (repaid)	**93.38**	(20.99)

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Associates - ICICI Bank Ltd		
Income	**1181.72**	989.62
Interest Income	**68.90**	-
Expenses (including public issue expenses)	**45.32**	18.01
Loan availed	**400.00**	(202.27)
Loan Repaid	**153.11**	-
Preference Dividend	**63.50**	86.64
Repayment of Preference Share Capital	**-**	(500.00)

Rupees in million

	For the year ended March 31, 2007	For the year ended March 31, 2006
Associates - Others		
Income	**148.33**	115.72
Expenses (including public issue expenses)	**0.97**	38.28
Directors, Key Management Personnel and their relatives:		
Remuneration / fees	**20.07**	16.65
Expenses	**0.34**	0.34

Rupees in million

	Outstanding balance as at March 31, 2007	Outstanding balance as at March 31, 2006
Subsidiaries - 3i Infotech Inc		
Investments	**-**	865.11
Other Advances	**-**	208.87
Sundry Debtors	**-**	292.49
Guarantees Outstanding	**325.81**	245.41
Creditors	**1.00**	-
Subsidiaries - 3i Infotech Holdings Private Limited, Mauritius		
Investments	**3421.78**	-
Sundry Debtors	**41.36**	-

Rupees in Million

	Outstanding balance as at March 31, 2007	Outstanding balance as at March 31, 2006
Subsidiaries - 3i Infotech (UK) Limited		
Investments	**1737.27**	-
Other Advances	**7.69**	-
Subsidiaries - Datacons Private Limited		
Investments	**355.41**	-
Creditors	**61.83**	-
Subsidiaries - SDG Software Technologies Limited		
Investments	**160.00**	99.00
Other Advances	**23.91**	-
Guarantees Outstanding	**-**	1.63
Subsidiaries - Others:		
Investments	**241.75**	44.28
Loans	**22.54**	-
Other Advances	**93.38**	-
Sundry Debtors	**78.07**	46.27
Associates - ICICI Bank Ltd:		
Loans	**290.30**	43.41
Bank balances	**553.10**	2241.66
Other Advances	**0.12**	0.14
Other Liabilities-Deposits	**16.94**	9.75
Unbilled Revenues	**100.33**	23.17
Sundry Debtors	**167.35**	225.39
Associates - Others:		
Other Advances	**0.11**	0.71
Deposits	**0.15**	-
Sundry Debtors	**38.86**	26.25
Advances received from customers	**0.60**	0.06
Unbilled Revenues	**29.60**	3.44
Other Liabilities -Deposits	**12.74**	-

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/written off except as stated above.

5. Disclosure pursuant to Clause 32 of Listing Agreement:

Rupees in million

	Maximum balance outstanding during the year ended Mar 31, 2007
Other Advances	
a. 3i Infotech (UK)Limited	7.69
b. SDG Software Technologies Limited	47.54
c. Stex Software Pvt. Ltd.	2.18
d. Delta Services (I) P. Ltd.	36.22
e. Rhyme Systems Holdings Limited	59.99
Loans	
a. Delta Services (I) P. Ltd.	15.60
b. Stex Software Pvt. Ltd.	7.50

Note: As on 31st March, 2007 shares held by the above mentioned Subsidiaries in the Parent Company is 'nil'.

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 Foreign exchange currency exposures not covered by derivative instruments as at March 31, 2007:

		March 31, 2007		**March 31, 2006**	
Particulars	**Currency Type**	**Amount (Foreign currency in million)**	**Amount (Rs. in million)**	**Amount (Foreign currency in million)**	**Amount (Rs. in million)**
Foreign Currency Convertible Bonds	Dollar	**50.00**	**2,206.00**	50.00	2,231.25
	Euro	**15.00**	**870.75**	-	-
Secured Loan	AED	**0.28**	**3.42**	0.36	4.52
Current Assets, Loans and Advances	Dollar	**44.89**	**1,980.71**	61.00	2,721.30
	SGD	**2.54**	**73.15**	1.68	46.27
	AED	**59.73**	**717.77**	34.16	415.09
	MUR	**19.43**	**25.94**	-	-
	MYR	**0.72**	**8.98**	-	-
	EURO	**0.01**	**0.61**	0.01	0.61
	GBP	**19.46**	**1,682.05**	-	-
Current Liabilities	GBP	**0.02**	**1.49**	-	-
	Dollar	**0.03**	**1.38**	0.03	1.40
	AED	**12.38**	**148.80**	15.15	184.07

2.18

Rupees in Million

	For the year ended March 31, 2007	For the year ended March 31, 2006
a. CIF value of import of:		
(i) Capital goods	**72.64**	401.44
b. Expenditure in foreign Currency in respect of:		
(i) Cost of outsourced services and boughtout items	**2.60**	4.27
(ii) Travelling and other expenses	**58.37**	88.48
(iii) Dubai branch expenses (Including Professional and Consultancy charges Rs. 34.95 million; for the year ended March 31, 2006 Rs. 8.09 million and Commission paid/payable to agents Rs. 12.78 million; for the year ended March 31, 2006 Rs. 48.94 million)	**977.08**	736.34
(iv) London branch expenses (Including Professional and Consultancy for the year ended March 31, 2006 Rs. 0.56 million)	**-**	11.32
c. Dividend remitted in Foreign currency		
Number of shares	**23,07,268**	23,07,268
Dividend for the year	**2005-06**	2004-05
Amount remitted	**4.61**	2.31
d. Earnings in foreign currency		
(i) Income from Software development services and sale of Products	**1737.72**	1271.09
(ii) Interest Income	**68.90**	2.58

2.19 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 and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

Amar Chintopanth
Executive Director & CFO

Shivanand R. Shettigar
Company Secretary

Mumbai,
April 25, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No	:	74411	State Code	:	11
Balance sheet Date	:	March 31, 2007			
CIN No	:	U67120MH1993PTC074411			

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

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil
ESOS and FCCB Conversion	
32.54	

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

Total Liabilities	Total Assets
10,076.68	10,076.68
Source of Funds	
Paid -up Capital	Reserve and Surplus
1,562.99	3,053.53
Secured Loans	Unsecured Loans
512.82	4,947.34
	Deferred Tax Liability
	0.00
Application of funds	
Net Fixed Assets	Investments
1,377.90	5,917.24
Net Current Assets	Miscellaneous Expenditure
2,548.56	0.00
Accumulated Losses	Deferred Tax Asset
Nil	232.98

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

Turnover	Total Expenditure
3,479.08	2,968.61
Profit Before Tax	Profit After Tax
510.47	494.39
Earning per Share in Rs.	Dividend
7.86	112.60

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

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

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director and Chairman of Audit Committee

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

Mumbai,
Dated: April 25, 2007

Printed by Print House

Innovation • Insight • Integrity

Website: www.3i-infotech.com

USA | UK | SAUDI ARABIA | UAE | KAZAKHSTAN | INDIA | THAILAND | MALAYSIA | SINGAPORE | AUSTRALIA