3i Infotech®
Innovation • Insight • Integrity

Website: www.3i-infotech.com

SOUTH ASIA • USA • MIDDLE EAST, AFRICA, RUSSIA & CIS • WESTERN EUROPE • APAC

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Annual Report 07-08

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Annual Report

07-08

Company Details

Board of Directors:

Mr. Hoshang N. Sinor, Chairman

Dr. Ashok Jhunjhunwala, Director

Dr. Bruce Kogut, Director

Mr. S. Santhanakrishnan, Director

Mr. Samir Kumar Mitter, Director

Mr. Suresh Kumar, Director

Ms. Vishakha Mulye, Director

Mr. V. Srinivasan, Managing Director & CEO

Mr. Amar Chintopanth, Executive Director & CFO

Mr. Anirudh Prabhakaran, Executive Director & President - South Asia

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

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Executive Management:

V. Srinivasan, Managing Director & Chief Executive Officer
Amar Chintopanth, Executive Director & Chief Financial Officer
Anirudh Prabhakaran, Executive Director & President - South Asia

Babu Venkatesh, CEO - Professional Access (Subsidiary of 3i Infotech)
Chandrashekar M.S., Executive Vice President
Chris Potts, President & CEO - Western Europe
Debneel Mukherjee, President & CEO - Asia Pacific
Jayaraman Jagannadhan, Head - GDC - Insurance & ERP
Jyotin Mehta, Head - Enterprise Risk Management & Internal Audit
Manoj Mandavgane, Head - Global Resourcing & HR
M.B. Battliwala, Head - Marketing & Public Relations
Padmanabhan Iyer, Executive Vice President
Pankaj Chawla, Head - Middle East, Africa, Russia & CIS
Ravi Jagannathan, MD and CEO, Consumer Services Division
Robert Bartlet, CEO - J&B Software Inc. (Subsidiary of 3i Infotech)
Shivanand Shettigar, Company Secretary & Head - Legal & Compliance
Suheim Sheikh, Head - Capital Markets
Vivek Malhotra, Head - North America

Hari Padmanabhan, Chief Strategic Advisor

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 that your Company has made in the last year with respect to the strategy and plans.

The strategy to position your Company as a solutions company rather than just a Products and Services Company has borne fruit, with your Company crossing the Rs. 10 billion revenue threshold to clock a revenue of Rs. 12.24 billion. While this growth has been aggressive, it has also been well balanced with a 1:1 ratio of products to services. A good balance in terms of revenues across geographies has also been maintained, leading to de-risked currency exposures. The Transaction Services and Managed Services business has enjoyed considerable growth, and this has contributed to your Company's efforts in providing end-to-end solutions.

The globalization of markets for goods and services is continuing at an unabated pace. World trade volumes continue to advance, registering a robust 8.7 percent gain in 2007. Despite the sudden and sharp drop in market valuations of U.S. mortgage-backed securities in mid-2007, the emerging and developing economies have so far been less affected by financial market turbulence and have continued to grow at a brisk pace, led by China and India. The continued robust demand across developing countries is likely to offset the easing import growth in the U.S. and other high-income economies.

Global purchases of IT goods and services are expected to grow by 6 percent in 2008-09, with Asia Pacific, Eastern Europe, Middle East & Africa slated to be the main drivers of growth. The demand for software products, specifically is expected to rise by 8 percent in 2008. Your Company is well positioned to take advantage of this opportunity, due to its broad portfolio of offerings. You will be happy to know that your Company has upwards of 600 clients who use your wide range of products and services, in more than 50 countries, spread over developed countries and emerging economies, thereby allowing your Company to enjoy the best of both worlds.

Your Company has had a stellar track record of winning coveted awards and recognition globally for its path breaking performance, and this year has no exception. These awards provide the Company with a strong validation of its contribution to industry, and encourage us to continually raise the bar and prove your Company over and over again as a company operating successfully in global markets.

In its ongoing quest for transparency and accountability, your Company continues to place a strong emphasis on corporate governance. This is partly reflected by the organisation structure, where the business is structured along the lines of geographies, verticals, horizontals, and support groups. Your 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. Your Company also places a strong emphasis on meritocracy and innovation, and has created a favourable work environment for its people – the biggest asset.

A small, yet significant step in the area of Corporate Social Responsibility (CSR) has been the setting up of a foundation, which is enabling hundreds of school children and physically challenged individuals in rural areas of the country to change their lives for the better. It will be the endeavour of this foundation to provide many more learning and work opportunities for the less privileged and help in reducing social and economic barriers.

I believe that the Company has the right mix of products and services that will enable it to take advantage of addressable opportunities available in global markets. Combined with the benefits of having an excellent management team, I have no doubt that your Company will grow from strength to strength. Having said that, we will continually look for opportunities to grow through relevant acquisitions – a strategy that has been of immense benefit to provide more comprehensive solutions to demanding customers, and has at the same time increased shareholder value.

I thank you for your support in the journey so far, and look forward to it in future.

Hoshang N. Sinor

Managing Director & CEO's Message

Dear Members,

It gives me great pleasure in sharing with you the key highlights of your Company's consolidated operations for the year 2007 – 08 and the strategy and vision for the years ahead.

The year 2007-08 has seen the achievement of a major milestone in the growth path of your Company. The Company has crossed a revenue mark of Rs.1,000 crore (Rs.10,000 Million) by clocking revenues of Rs.1,224 crore (Rs.12,235.67 Million). Considering the fact that just three years ago when we concluded our Initial Public Offering our revenues were Rs.292 crore (Rs.2,920.34 Million), this milestone, achieved in a short period of time, not compromising on profits or quality of offerings is a significant achievement and is also a significant vindication of the success of our strategy.

It is pertinent to note that we had no significant impact due to the sub-prime crisis and currency fluctuations.

The net profit for the year was **Rs.183 crore (Rs. 1,831.98 Million)** which is an increase of 75.3% over the previous year.

The Company has achieved all-round growth, both in its offerings and across geographies during the year.

Total Income of the Company for FY 2007-08 increased to Rs.12,235.67 million from Rs.6,707.72 million in the previous year, at a growth rate of 82.4%, out of which organic growth was 37.9% and inorganic growth 44.5%.

With respect to the growth in the business segments, there was a good and sustained growth, both in products and services. In the Product segment, Banking products constituted 14%, Insurance 13%, Capital Markets 14% and ERP 8% of the total revenues respectively.

We continued to expand our services portfolio. Revenues from the Transaction Services (BPO) business grew to 12% in the current year, from 9% in the previous year. Application Development & Maintenance contributed approximately 25% and other services like Managed Services and the eGovernance practice contributed another 14% of the total revenues.

With respect to geographies, 34% of the Revenues were from South Asia, US was at 29%, Western Europe at 15%, "Middle East, Africa, Russia and CIS (MEARC)" at 14% and Asia Pacific at 8% of the total revenues .

Our products and services offerings were almost balanced at 1:1 as per our stated goal.

Our Differentiated Strategy

Having talked about the highlights of operations, I would like to delve upon our differentiated strategy, which has enabled creation of a well diversified global technology company. The key aspects of our strategy are :

- A diversified business model which concentrates on segments which are deeply scalable

- A diversified geography model so that we take advantage of the growth potential in the various geographies and at the same time de-risk the business with respect to exposures to a single geography

- Adequate importance to each geography by having COOs in each of the geographies, concentrating fully in growing the business in those geographies. This ensures that our geographical growth is not marred by a single global view we take of geographies, which has the danger of concentrating only on very large geographies to the neglect of smaller but faster growing geographies

- In the software product segment, we have a range of products catering to the BFSI segment, such that there is no over dependency on any single product, thereby evening out any lumpiness, which is typical of software product businesses globally

- Not look at BFSI in its narrow sense as only banking, but give equal importance to areas like insurance and financial services

contd...

- In the services segment, concentrate on services which are not purely cost arbitrage businesses, but those which add value to the clients through our IP and improved processes

- Sourcing the competencies from places where such competencies can be created at optimal cost

- In addition to applying the global strategy to India, have a specific strategy to capture the phenomenal growth anticipated in India in the areas of Transaction Services (B2B and B2C), Managed IT Services and eGovernance

How has this strategy worked for us?

- It has clearly differentiated us from a pure play IT Services Company

- It has given us a good geography distribution of revenues, thereby ensuring we ride on different growth drivers of each of the geographies in which we operate and simultaneously de-risk our geography concentration

- It has given us a good spread of revenues across offerings

- It has given us over 600 clients across 50 countries around the world

- It has helped in de-risking forex exposures to a major extent as we enjoy a natural hedge with Revenues & Cost in diversified currencies

- It has significantly ensured that concentrating on any single client is minimal

Thus, our differentiated strategy has helped us create a global technology company with deep customer penetration across the world, with low levels of product concentration, geography concentration, customer concentration and currency concentration risks. It has also enabled establishment of a strong platform for sustained high growth in the coming years.

Management & Governance:

Any growth will be substantial and sustainable only if there is a proper organization structure, manned by a strong management team which has both the vision and the execution capability to take the Company on a sustained high growth path.

The first step the Company took in the past was to have a clear organization structure in place with authority and the resultant accountability clearly defined. The organization is structured on the following lines:

- Geographies
- Verticals
- Horizontals
- Corporate Support Functions

Geographies are the business drivers and carry the Revenue and Profit targets. They are headed by very senior personnel who have long years of experience in managing businesses.

Verticals are the direct lines of businesses which go across geographies. Each vertical has a global head who enables geographies to grow these businesses. Verticals are again headed by senior personnel with multiple years of experience within the IT Industry and the respective domain areas.

Horizontals run across verticals and are again headed by very senior personnel.

The Geography, Vertical, Horizontal and Support heads constitute an Operating Board, which strategizes and ensures execution of the strategies.

Acquisitions:

Acquisitions have constituted a significant part of the Company's strategy. The drivers for acquisitions have been different at different points in time. These include acquiring product frameworks, entry into a new geography, acquiring delivery capability, increasing customer base, new offerings, market positioning, etc.

Our acquisitions have created deep synergies and have significantly strengthened organic growth. Out of the Compounded Annual Growth Rate of 61% over the last 4 years, 41% has been organic and 20% inorganic.

While we carry out acquisitions, our primary objective has always been to ensure that the acquisition, is accretive to the shareholders of the Company. The valuations at which we have carried out acquisitions have been very reasonable and almost all the acquisitions have been of profitable companies with surplus cash on their books.

We have put in place processes to take care of all aspects of an acquisition like pre - acquisition activities, the actual process of acquisition and post acquisition integration activities. This ensures that we address the acquisition matters with a small team of people who understand the process very well and are therefore able to close most of the issues in a smooth and efficient manner.

The Company will continue with its acquisitive strategy based on the strategic fit of businesses.

Funding Plans:

The Company continues to pursue the policy of having a judicious mix of debt and equity.

contd...

With Foreign Currency Convertible Bonds (FCCBs) as debt, the debt to equity ratio is 1.32:1 considering net debt (gross debt - cash balance) and considering gross debt, the ratio is 1.68:1. The Company has believed that a reasonable debt on the books is needed to improve the EPS to shareholders.

The Company believes that the FCCBs will get converted during their tenure and therefore the debt to equity position is very comfortable at this stage of growth of the Company.

Human Resource:

Employees are vital to 3i Infotech and are our most important assets. With our rapid growth in terms of geographies, businesses, products and services and the quantity and diversity of skill sets, we have had people joining us from a variety of sources like IT companies, private and public sector banks, EDP departments of private companies, campuses and the acquired companies in India and Overseas. Our focus is on enhancing the ability of the employees to deliver in multiple domains, technology and geographies.

We have created a favorable work environment and encourage innovation and meritocracy. We have also set up scalable recruitment and human resources management processes, which enable us to attract and retain high caliber employees.

We focus on learning programs for trainees as well as continuous learning programs for all the employees.

Our manpower strength has grown to over 6,500 employees globally.

Social Responsibility:

As the Company grows, we realize that as responsible corporate citizens, we have a social responsibility to perform. In line with this, the Board has approved the setting up of a Foundation to take care of such activities.

As a first step, the Company has donated computers last year to a social organization. These computers have helped in spreading computer literacy in several villages to more than 1,500 children in their centres and middle schools. We have received feedback that the familiarity of computers has made a great impact on the school going children. Not only the knowledge of computers has given them self-confidence, but also, their interest in other subjects has considerably improved.

In our Transaction Services business, we have opened up an opportunity for the hearing and speech impaired, to take up active data capturing functions, which has helped in building their self esteem and needless to say, their happiness is shown in their very high productivity levels.

We continue to pursue such opportunities which will enable us to make a small difference to the society we operate in.

Awards & Recognition:

We continue to be recognized and awarded in various areas, some of which are as follows :

The Company was judged as one of the top 4 Indian Software Product Companies, was awarded the Best eGov System Integrator 2008 at the 4th Dataquest eGov Summit 2008 and STQC's Capability Approval Certification, the first of its kind for an IT Company in the eGovernance space.

The Company was winner of the Frost & Sullivan's Growth Strategy Leadership Award for Mid-Market Enterprise Application - 2007, won the Australian Banking & Finance - Insurance Awards 2007 for Service Provider of the Year, was winner of Oracle's UK Technology Partner of the Year at the Oracle's Annual Business Partner Awards - 2007.

The Company won the Independent Software Vendor (ISV) Award from Oracle - 2007, was ranked as the third biggest Enterprise Application Software (EAS) vendor in the Middle East and North Africa region by International Data Corporation (IDC) and also received the Best Software Product award from the Hyderabad Software Exporters Association (HYSEA) for its Anti-Money Laundering (AML) and Fraud Detection software – AMLOCK™.

3i Infotech was awarded by Oracle Corporation for the Most Significant Deal in FY 07 and also won the IBM Strategic Partner 2007 award from IBM.

Acknowledgment to Stakeholders:

With gratitude to our investors, employees, customers and all stake holders, we look forward to your continued support in our endeavor to take 3i Infotech to greater heights.

V. Srinivasan

V. Srinivasan

A Global Technology Company with a . . .

Broad range of solutions

Wide geographic reach and

Strong platform for sustained high growth

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"Hello, is it 3i Infotech?"	"Yes, it is."
"I am your customer. I would like to get some help on your product which I have installed. Whom should I contact?"	"You can log on to our self service portal and our technicians will help you through the portal."
"I want to visit your software product centers. Where should I go?"	"Our product centers are in different cities across the world. Most of the customer presentations and demos happen through use of technology. You can see our product demos by connecting to our product centers."
"We are a company in UK seeking a suitable technology partner. Whom should I contact?"	"We will ask our Western Europe geography head based in London to contact you."
"I am an IT consultant working in the US, looking for a change in job with a reputed company like 3i Infotech. Whom should I contact?"	"Our centralized recruitment division in India handles this. I will put you on to the appropriate person."
"I want to meet your senior management. Where can I meet them?"	"Do you mean the CEO, CFO, Geography Heads or Practice Heads? Each one is in a different location across the world, working seamlessly through technology. You can meet them through teleconference or video conference from where ever you are."
"I am a representative of your credit rating agency. I would like to attend one of your senior management meetings as an observer. Should I come to your corporate office?"	"No, this is not necessary. Most of our senior management meetings happen though video / audio conference. We will send you the dial-in number."

"3i Infotech is a global technology company, maintaining customer relationships and delivering solutions locally, by sourcing them globally from places where they are produced at optimal cost."

Range

Of Our Offerings Across Industry Verticals

Vertical Offerings

Banking

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

Insurance

- PREMIA™ General Insurance
- PREMIA™ Property & Casualty
- PREMIA™ Life
- PREMIA™ Takaful
- PREMIA™ Lite
- PREMIA™ Collaborator
- PREMIA™ Broker

Capital Markets

- Tradis™ - 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

Horizontal Offerings

- Anti Money Laundering - AMLOCK™
- Application Development & Maintenance
- Transaction Services (BPO)
- Managed IT Services
- Business Intelligence (BI)
- Enterprise Document Management System (EDMS)

Kastle™ Secure Banking Solutions | PREMIA™ Taking the risk out of insurance | MFund Suite™

altimis | Arrow | Fiscal

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Mutual Funds

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

eGovernance Services

B2C Services

"One stop technology shop"

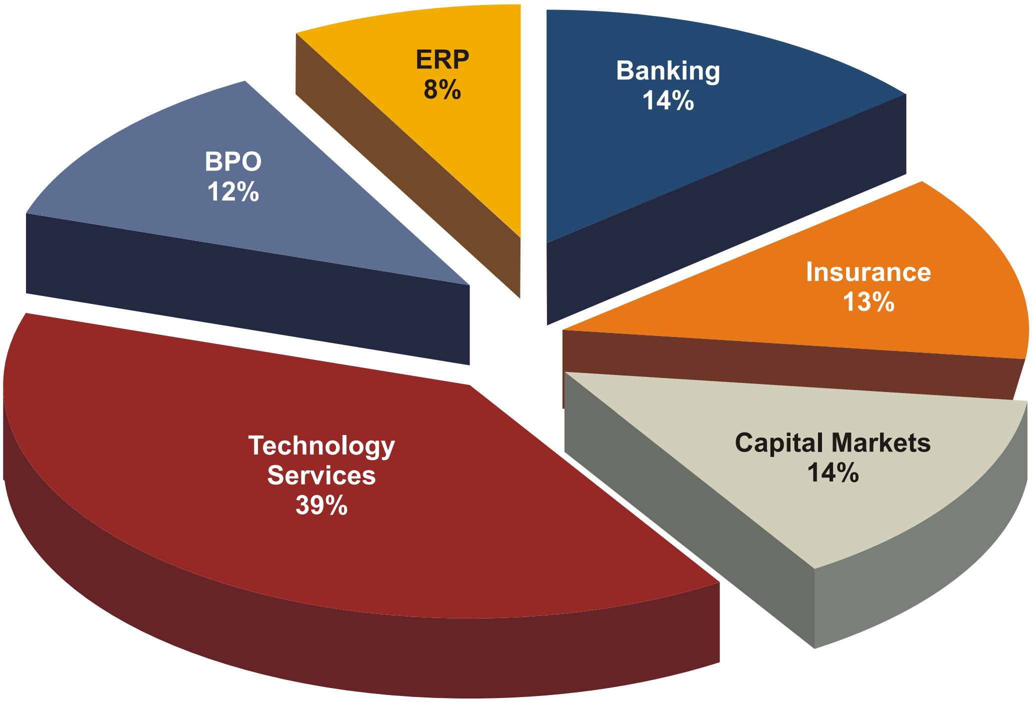
- More than 20 Software product IPRs
- End-to-end technology services to take care of all the IT needs of customers
- Appropriate Quality Certifications (SEI CMMi Level 5 for its Software Services, ISO 9001:2000 for its BPO Services and ISO-27001:2005 certified Infrastructure Services)

Tradis™ | AWACS™ | AMLOCK™ | RHYME sight

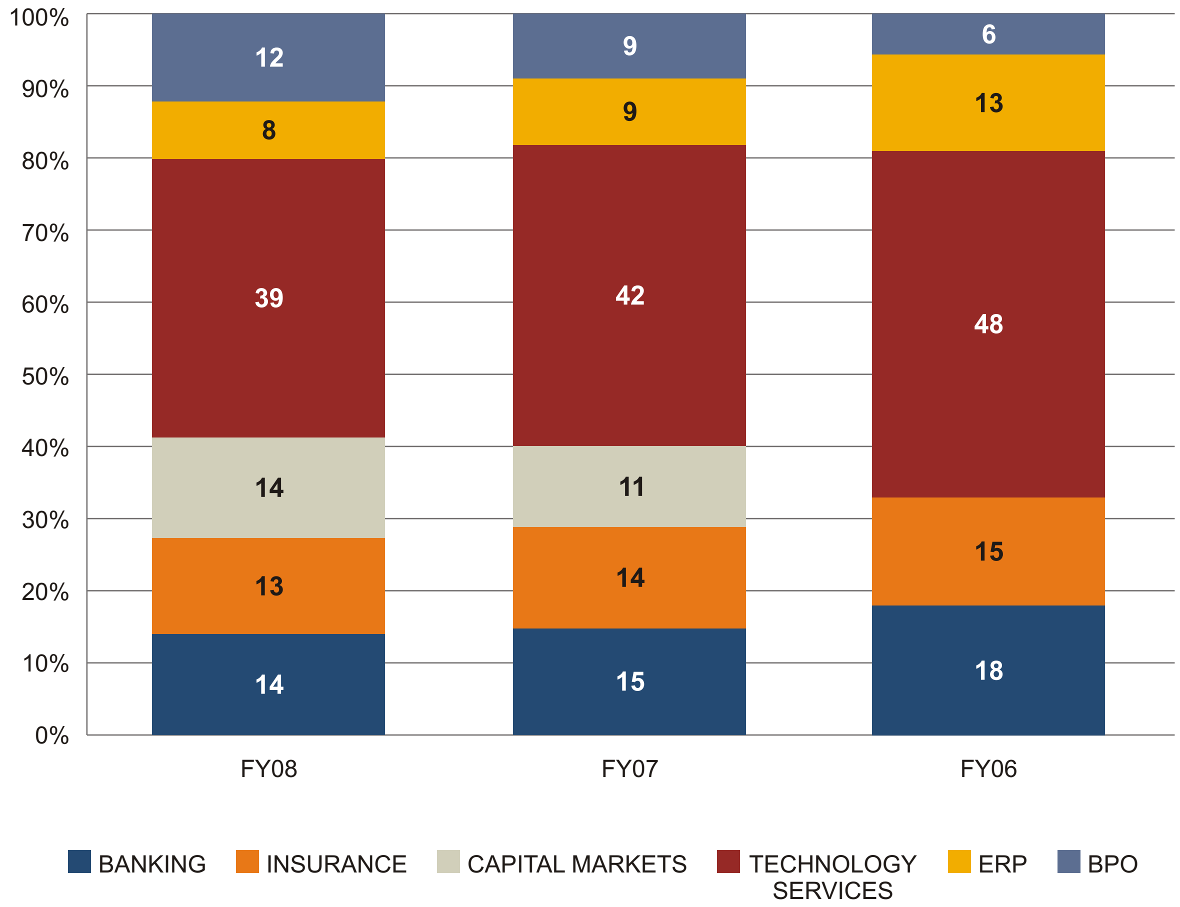
i-SERV | ORION™ | Taxsmile™ Taxes Simplified • Taxes Filed | Xroadz™

Range-

Revenue by Segments



REVENUE BY SEGMENTS (FY 2008)



REVENUE BY SEGMENTS (FY 2006 - 08)

Reach

Of Our Geographic Presence

Corporate Office, Mumbai

Global Development Centre, Chennai

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Edison, New Jersey Office

Dubai Office

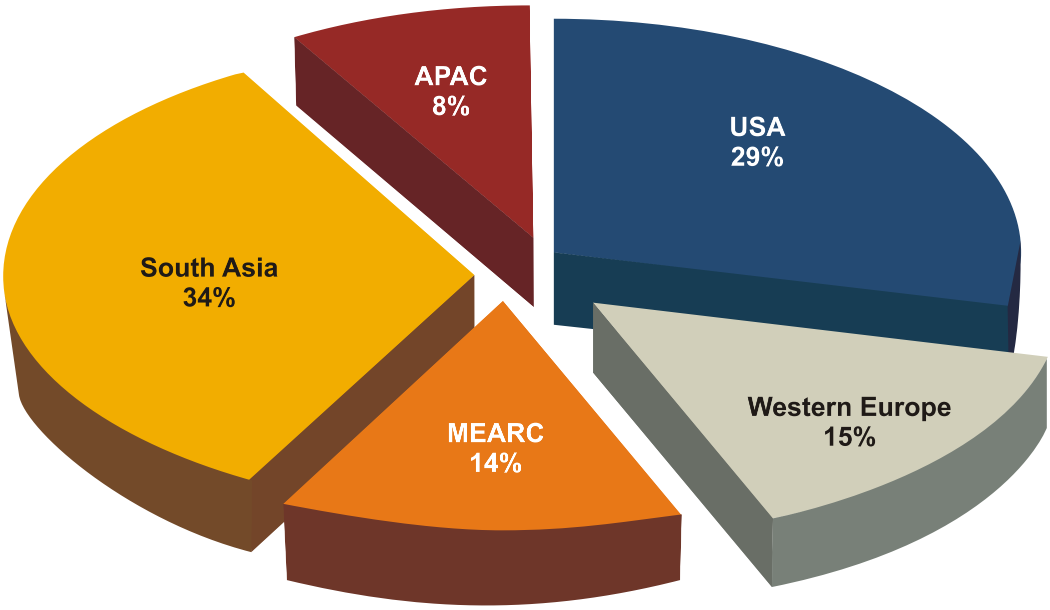

Singapore Office


Birmingham Office

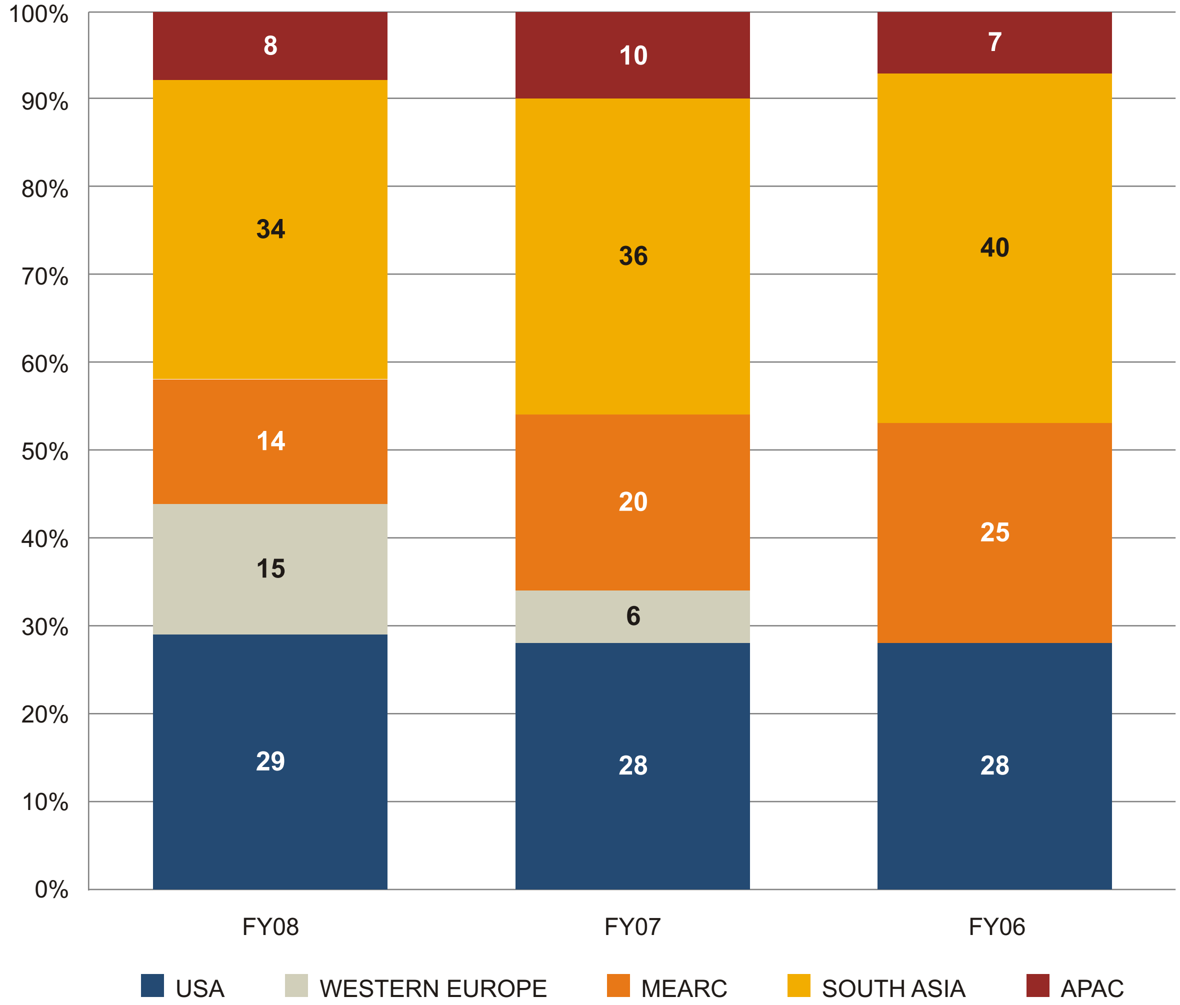
Worldwide presence through 24 offices in 12 countries across 5 continents. Servicing customers in 50 countries across the globe on a 24/7 basis

Reach-

Revenue by Geography



REVENUE BY GEOGRAPHY (FY 2008)



REVENUE BY GEOGRAPHY (FY 2006 - 08)

Global Media Coverage

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Awards, Recognitions
and Accolades

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- One of the top 4 Indian software product companies (*)
- Winner of Frost and Sullivan Growth Strategy Leadership Award for Mid-Market Enterprise Application - 2007
- Winner of Service Provider of the Year at the 5th Annual Australian Banking & Finance - Insurance Awards function - 2007
- Winner of Best e-Gov System Integrator Award at the 4th Dataquest e-Gov Summit - 2007
- Winner of Independent Software Vendor (ISV) Award from Oracle - 2007
- Oracle Corporation has awarded 3i Infotech - APAC geography the Most Significant Deal in FY07 Award
- Winner of Oracle's UK Technology Partner of the Year at the Oracle's annual Business Partner Awards - 2007
- Winner of IBM Strategic Partner Award from IBM - 2007
- Winner of the Integrity Partner Award from HP Singapore - 2008
- Kastle™ Universal Lending ranked 4th in the lending category of IBS Sales League Table - 2007

(*) Source: Dataquest Special Issue: Industry Overview (July, 2007)

Performance

Snapshots

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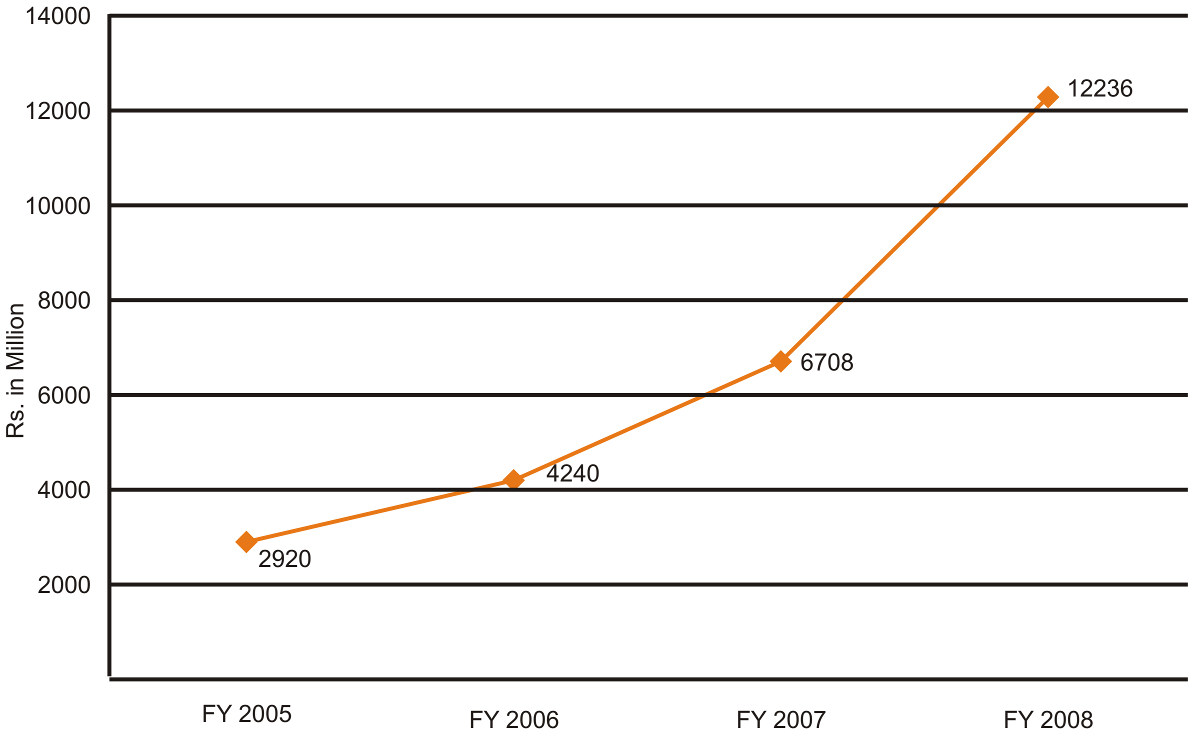
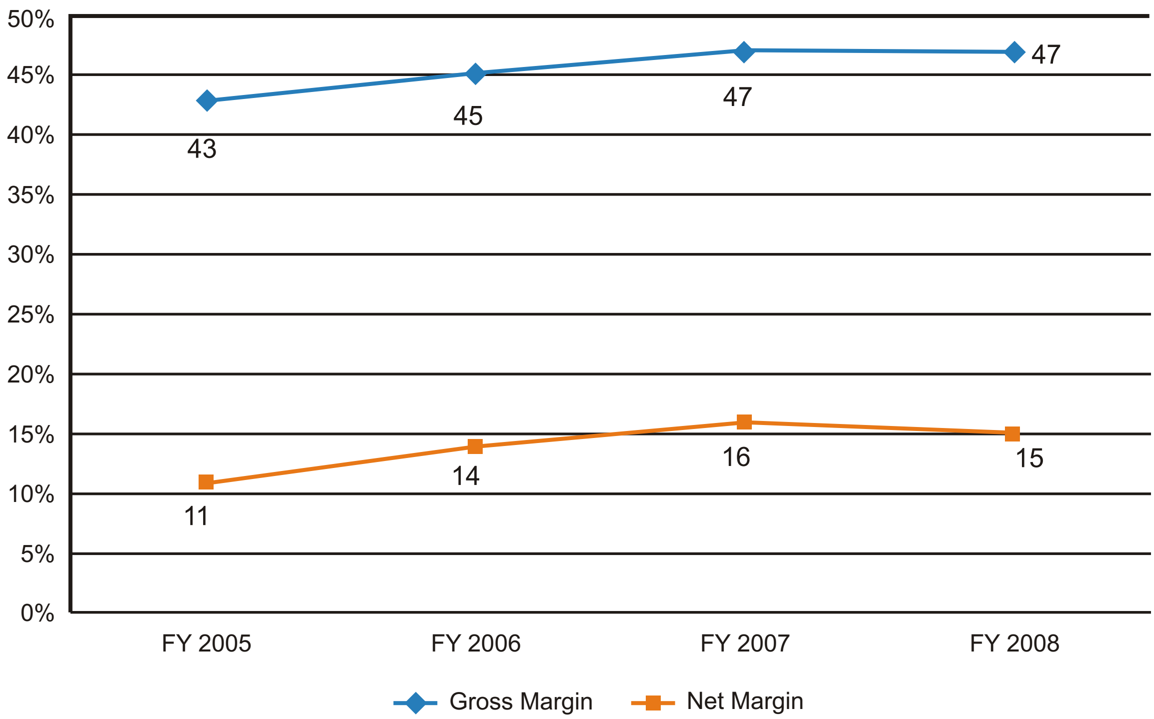
REVENUE TREND



PROFIT MARGIN



Financials

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company with the audited statement of accounts for the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Consolidated financials of the Company and its subsidiaries:

In the financial year 2007-08, your Company recorded a revenue of Rs.12,235.67 million, a growth of 82.4% over the corresponding period of the previous year. Profit after tax was Rs.1,831.98 milion, a growth of 75.3% over the corresponding period of the previous year. It is noteworthy that the revenue and profit after tax for this financial year have been substantially higher than those of the previous financial year 2006-07. Earnings per share (EPS) increased to Rs.13.40 from Rs.8.99 (adjusted for the bonus issue) in the corresponding period of the previous year. The brief financial highlights with comparison of previous year are as below:

Rs. in Million

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Total Income	**12,235.67**	6,707.72
Profit/ (Loss) before taxation	**1,983.17**	1,098.29
Provision for taxation (current and deferred)	**151.19**	53.45
Profit/ (Loss) after taxation and before extraordinary items	**1,831.98**	1,044.84
Exceptional item	**-**	120.06
Profit after exceptional item	**1,831.98**	1,164.90
Less provisions for contingency	**-**	(120.06)
Profit after provision for contingency	**1,831.98**	1,044.84
Earnings Per Share (Basic is Rs.) (After exceptional item)	**13.40**	8.99*

*adjusted for the bonus issue

Financials of the Company on a standalone basis:

The Profit & Loss Account of your Company on standalone basis shows a profit after tax of Rs.1,004.57 million. The disposable profit is Rs.1,064.36 million, taking into account the balance of Rs.658.68 million brought forward from the previous year, subject to adjustments pertaining to that year. The brief financial highlights are as below:

Rs. in Million

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Total Income	**4,637.38**	3,479.08
Profit before tax	**1,041.44**	510.47
Provision for taxation (current and deferred)	**36.87**	16.08
Profit after tax and before exceptional Item	**1,004.57**	494.39
Exceptional Item	**-**	268.59
Provision for contingency	**-**	(120.06)
Profit after exceptional item and contingency	**1,004.57**	642.92
Balance brought forward from previous year	**658.68**	269.62
Disposable Profit	**1,613.73**	912.54
Transfer to General Reserve	**101.00**	49.44
Profit available for distribution	**1,064.36**	863.10
Earning Per Share (Basic in Rs.) (After exceptional item)	**7.37**	5.32*

*adjusted for the bonus issue

DIVIDEND

After taking into account the preference dividend of Rs. 63.68 million, the profit available for distribution of equity dividend works out to Rs.1,000.68 million. Considering the current financial markets and the financial needs for expansion and growth, your Directors have recommended a dividend of 15% for this year on the enhanced, post bonus equity capital. The details of appropriation of profit are as under:

Rs. in Million

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Profit available for distribution	**1,064.36**	863.10
Transfer to General Reserve	**101.00**	49.44
Dividend on Preference shares	**63.68**	63.50
Proposed Dividend - Equity shares	**195.80**	112.60
Corporate Dividend Tax	**44.49**	28.04
Balance carried to Balance Sheet	**746.98**	658.68

TRANSFER TO RESERVE

Your Company proposes to transfer Rs.101.00 million to the general reserve. An amount of Rs.746.98 million is proposed to be retained in the profit and loss account.

TRANSFER OF UNPAID DIVIDEND

Your Company does not have any unpaid dividend meant to be transferred to Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 for this financial year.

OVERVIEW

Business:

Your Company, over a period of time, through sustained in-house research and product development, coupled with acquisition of some good software product companies, has created a pool of software solutions for a wide range of areas in the Banking, Financial Services and Insurance (BFSI) Industry. The present offerings of your Company include a wide range of BFSI products, ERP Products, Technology and Managed IT Services, BPO Services and System Integration Services. Your Company also undertakes large e-Governance projects. Your Company is also consciously working on offering its software platforms on a transaction services/ASP model.

During the year, your Company was able to demonstrate its competitiveness in the BFSI segment with a number of notable customer wins across all geographies, which has laid a strong foundation to take the organization ahead to newer and unprecedented heights.

The several awards that your Company has won during the year, some of which are mentioned in subsequent paragraphs, also strengthen the belief that we are poised to grow at a faster pace. Your Company is already among top 4 Indian Software Product companies*.

Your Company has implemented and is in the process of implementing various software and services projects for Central and State Governments. In this year, your Company has won several deals for setting up over 12,000 kiosks, spread across various States in India, for providing citizen services centers to be used for dispensing G2C (Government to Citizen) and B2C (Business to Customer) services. Your Company takes pride that these kiosks will transform the way Government services are rendered to citizens of this country.

One more major accomplishment during the year was the launch of the Company's first International Data Centre (IDC) in Chennai, which offers managed hosting services for applications and disaster recovery solutions.

* Source - Dataquest

Geographical reach:

Your Company has its presence world wide, with its offices spread across 12 countries and clients spread over 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.

All of our geographies and business segments have contributed towards the growth of the Company. The share of the geographies in the total revenue for the year has been: South Asia 34%, USA 29%, Western Europe 15%, MEARC (Middle East, Africa, Russia, and CIS countries etc.) 14% and APAC (Asia Pacific region comprising of Singapore, Malaysia, Japan, Korea, Mongolia, Australia, New Zealand, Thailand, Philippines, Myanmar, etc) 8 %.

The contribution of the various business segments to the revenue for the year has been: Banking products 14%, Insurance products13%, Capital Market products 14%, ERP 8%, Technology Services 39% and BPO/Transactions processing12%.

Unique Strength:

The Company's unique strength lies in its:

1) Range and Reach:

- the Company operates across the world, selling its products and services to several customers in about 50 countries, across 5 continents through its offices located in 12 countries.
- it has a range of software product IPRs across the BFSI vertical complimented by technology services, managed services, BPO / transaction services, all of which are built by deep domain expertise;

- it is this range and reach, which enables the Company to grow exponentially across different markets and
- this range and reach has also enabled the Company to de-risk from
  - Geography concentration
  - Customer concentration
  - Currency concentration
  - Product / service concentration

2) Excellent assimilation of acquired entities:

The Company has been very acquisitive since inception and has acquired several companies. In acquisition of companies, the challenges are assimilation, integration and deriving benefits of synergies. The Company has been successful in ensuring quick assimilation and integration, thereby deriving the benefits of synergies.

3) Organic Growth:

Though the Company has done a number of acquisitions, the organic growth rate has also been very high. Out of the compounded Annual growth rate of 61% over the last 4 years, 41% has been organic, which is much higher than the organic growth rate achieved by other mid sized IT Companies.

SUBSIDIARY COMPANIES

Acquisitions:

During the year under review, the growth story continued in the organic and inorganic modes. Your Company has acquired various companies directly or through its subsidiaries across geographies. In USA, your Company acquired 51% stake in Professional Access, (a company specialised in e-commerce solutions for Banking and Retail); 100% stake in Lantern System Inc, (a company specialised in IT infrastructure Services and Solutions), e-Power Inc, Objectsoft Group and Objectsoft Global Services, (engaged in Software Consultancy services), J&B Software Inc., (specialised in payment and remittance processing solutions). In UK, 100% stakes were acquired in Accounting Framework Limited, (providing software solutions for Venture Capital and Private Equity funds) and Exact Technical Services Limited, (providing multi-currency agency stock broking solutions).

In India, the Company acquired 100% stake in KNM Services Private Limited, 50.5% in aok In-house BPO Services Limited and aok In-house Factoring Services Private Limited, 51% in HCCA Business Services Private Limited, 26% stake in Taxsmile.com India Private Limited and 59.5% in Linear Financial & Management Systems Private Limited. In Manipal Informatics Private Limited, 70% stake was acquired by Delta Services (India) Private Limited, a subsidiary of your Company.

Your Company also acquired Transworks Kazakhstan LLC in Kazakhstan, to expand its market share in Russia and CIS Countries.

Incorporations:

Your Company continues to tread the path of expansion with incorporation of various wholly owned entities in India and abroad, which include 3i Infotech Consultancy Services Limited for doing software and IT service business, 3i Infotech Insurance & Re-insurance Brokers Limited to take up the activities of Insurance and Re-insurance Broking, as well as related software and solutions activities. The Company also incorporated 3i Infotech (Middle East) FZ LLC in Dubai, 3i Infotech (Australia) Pty Limited in Australia and 3i Infotech (Bangladesh) Services Private Limited, in Bangladesh to represent the Company in those regions and cater to the clients in that geography.

Mergers and Amalgamations:

Your Company has completed the mergers of SDG Software Technologies Limited and Datacons Private Limited with the Company. Whizinfo Technologies Inc was merged with 3i Infotech Consulting Inc. 3i Infotech Investment Inc, 3i Infotech Insurance Solutions Inc. and 3i Infotech Enterprise Solutions Inc. were merged with 3i Infotech Inc. The Company is also in the process of merging some of the acquired entities whose businesses are fully integrated with the Company.

Accounts of the 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 presents a full and fair picture of the state of affairs and financial conditions of the Company and its subsidiaries.

Hence, the Company had made an application to the Central Government, seeking exemption from the requirement of attaching the Directors' Report, Balance Sheet and Profit and Loss Account of the subsidiaries to its Balance Sheet. The approval of the Central Government is awaited. 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.

The approval of the Central Government has since been received vide letter reference no.47/132/2008-CL-III dated June 3, 2008.

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

FUTURE OUTLOOK

According to Forrester Research Report, the Global Annual IT (Information Technology) spend is projected to be USD 1.695 trillion for the year 2008. For 2008, a global growth in IT spend of 6% has been projected as against 12% in 2007. Though the overall growth projected is only 6% in software, IT services and outsourcing, which is the segment in which the Company operates, an overall growth of 8% to 9% has been projected. If we analyze the composition of this growth, while the growth in USA and Europe are projected at 5% to 6%, the growth in Eastern Europe and Middle East and rest of Asia has been projected at 14% to 16%. Further, the growth in India has been projected at 18%.

Another important factor to note is the diversity of IT spend, with Asian IT spend getting almost equal to US and European IT spend. As you have seen earlier, your Company derives significant revenues of 46% from high growth Asian markets, of which 36% comes from the very high growth driven Indian market.

Thus, your Company is ideally poised for capturing the growth in Asian markets, including the high growth Indian market where it also enjoys a good brand recognition.

In developed markets like UK and USA, the Company would be able to improve its market share by offering certain niche solutions, which would enable the customer to get cost advantage.

CAPITAL

a) Increase in Authorised Capital

The Authorized Capital of the Company was increased from Rs. 2,500 Million, divided into Rs. 1,000 Million, consisting of 200 Million Redeemable Preference Shares of Rs. 5 each and Rs. 1,500 Million divided into 150 Million Equity Shares of Rs. 10 each, to Rs. 4,000 Million, divided into Rs. 1,000 Million consisting of 200 Million Redeemable Preference Shares of Rs. 5 each and Rs. 3,000 Million divided into 300 Million Equity Shares of Rs. 10 each.

b) Increase in Paid-Up Capital

i) 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, the Company made a Bonus Issue of equity shares in the ratio of 1:1. Pursuant to this, 64,787,631 Bonus Shares were allotted on August 30, 2007.

ii) Foreign Currency Convertible Bonds (FCCBs):

Pursuant to the conversion notices received from the FCCB holders, your Company has allotted 8,675,030 shares during this year to the Bondholders.

Other details such as the total bonds issued, bonds converted, number of shares allotted and expected number of shares to be allotted with respect to FCCB have been given in detail in Corporate Governance Report at para No. VI (o).

iii) ESOS allotments:

773,785 shares were also allotted under Employee Stock Options Scheme (ESOS) during the financial year 2007-08.

As result of allotment of Bonus Shares, conversion of bonds and allotment of shares under ESOS, the share capital of your Company increased to Rs.1,305,351,850 in financial year 2007-08 from Rs.562,987,390 in financial year 2006-07.

c) Employee Stock Option Scheme

In the fiscal 2000, the Company 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 over a three-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 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.

In the last Annual General Meeting held on July 25, 2007, the approval of the Members was received for institution of new ESOS 2007 for grant of Stock Options to the employees of the Company and its subsidiaries.

Pursuant to the SEBI (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, for all the stock options which were granted and outstanding, grant price has been halved and number of stock options has been doubled on the Record date of the Bonus Issue.

a) The particulars of the options granted and outstanding upto March 31, 2008 are as under:

Particulars	ESOS 2000	ESOS 2007
Options Granted (Including Bonus)	26,553,077	2,575,000
Options Vested	11,056,351	NIL
Options exercised	2,434,257	NIL
Number of shares allotted pursuant to exercise of options	2,434,257	NIL
Options forfeited/lapsed	2,875,083	NIL
Extinguishment or modification of options	NIL	NIL
Amount realised by exercise of options (Rs.)	222,690,245	NIL
Total number of options in force	21,501,904	2,575,000

b) The following Directors and Senior Management were granted options during the year (The figures are post bonus):

Mr.V.Srinivasan, Managing Director & CEO – 1,000,000; Mr. Hariharan Padmanabhan, Deputy Managing Director – 500,000; Mr. Amar Chintopanth, Executive Director & CFO – 400,000; Mr. Anirudh Prabhakaran – 500,000; Dr Arvind Gupta – 150,000, Mr. Bharat Hari Gupta – 150,000; Mr. Chandrasekhar Sankaran – 250,000; Dr Chris Potts – 400,000; Mr. Debneel Mukherjee – 100,000; Mr. Jayaraman Jagnnadhan – 100,000; Mr. Jyotin Mehta – 200,000; Mr. Manoj Mandavgane – 200,000; Mr. M. B. Battliwala – 200,000; Mr. Padmanabhan Iyer – 250,000; Mr. Ravi Jagannathan – 400,000; Mr. Robert Bartlett – 250,000; Mr. Shivanand R. Shettigar – 160,000; Mr. Suheim Sheikh – 240,000 and Mr. Vivek Malhotra – 400,000.

The options granted to Mr. V. Srinivasan during the year 2004-05 (570,000) exceeded 1% of the issued capital of the Company at the time of grant.

c) The following options granted and outstanding as at March 31, 2008 (post bonus figures), were granted 3 years prior to the IPO to Directors and Senior Management:

Mr. V. Srinivasan, Managing Director & CEO - 1,196,000; Mr. Hariharan Padmanabhan, Deputy Managing Director - 500,000; Mr. Amar Chintopanth, Executive Director & CFO - 232,600; Mr. Debneel Mukherjee - 222,000, Mr. Manoj Mandavgane - 84,000; Mr. M.B.Battliwala - 118,700; Mr. Padmanabhan Iyer - 120,000; Mr. Ravi Jagannathan - 104,800, and Mr. Shivanand R. Shettigar - 96,800.

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

In 3 years prior to the IPO

As the Stock Options granted under ESOS 2007 scheme vest only in July 2008, the diluted EPS has been calculated without taking into account the options granted under ESOS 2007.

Financial Year	Amount (in Rupees)
2002-03	(0.09)
2003-04	0.17
2004-05	2.18

Last three years

Financial Year	Amount (in Rupees)
2005-06	5.76
2006-07	17.37
2007-08	12.65*

*Post-Bonus

e) Since the exercise price of the Company's options is the previous day's 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 2008 based on the 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 year would have been Rs.71.49 million; and proforma profit after tax would have been Rs.858.79 million. On a proforma basis, the Company's basic and diluted earning per share would have been Rs. 6.80 and Rs.6.43, respectively. The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumptions used to estimate the fair value are detailed below:

Risk free interest rate	6.32% to 8.25%
Expected life	3 – 10 years
Expected volatility	10% to 19.60%
Expected dividends yield	1.39%
Price of the underlying share in the market at the time of option grant	The Shares were granted at Closing price on NSE prior to the date of grant

Date of Grant	Grant Price
April 24, 2007	Rs. 139.5*
July 25, 2007	Rs. 143.5*
October 24, 2007	Rs. 140
January 24, 2008	Rs. 120

* adjusted for Bonus

f) Weighted average exercise price of Options granted during the year whose exercise price equals market price - Rs. 139.57

g) Weighted average fair value of options granted during the year whose exercise price equals market price - Rs. 59.09

POSTAL BALLOT

During the year 2007-08, no resolution was passed through postal ballot. The Company proposes to amend the Objects (Clause III) of the Memorandum of Association of the Company by seeking approval of the Members through postal ballot. For more details please refer to Part III, Postal Ballot section in Corporate Governance Report.

QUALITY

Your Directors are pleased to report that the Company is continuing on its path of continuous process improvement. This year, the Enterprise Technology (Infrastructure) Group has been certified as ISO 27001:2005. As intimated earlier, the Company has achieved Level 5 of the CMMi model of SEI, the highest level for the model. This ensures delivery of high quality products and services to its clients. This also enables the Company to strengthen its position in the global markets. The Company already has been certified for ISO 9001:2000 accreditation for its BPO group.

AWARDS AND ACCOLADES

Your Company has won several awards and accolades during the year. Your Company won Best e-Governance System Integrator Award at 4th Dataquest e-Governance Summit -2008 in India, and the Australian Banking & Finance - Insurance award for Service Provider of the Year at Insurance Awards Function 2007. Your Company has also won the prestigious Growth Strategy Leadership Award for Mid-Market Enterprise Application from Frost & Sullivan(F&S), India & South Asia. This is the third time that the Company has been recognized by F&S for its contribution to the Indian IT industry. The other awards received by your Company are Oracle's UK Technology Partner of the Year at the Oracle's Annual Business Partner Awards - 2007, Independent Software Vendor (ISV) Award from Oracle Corporation - 2007 and 3i Infotech - APAC geography getting the “Most Significant Deal in FY07” Award from Oracle Corporation. Kastle Universal Lending ranked 4th in the lending category of IBS Sales League Table - 2007, “IBM Strategic Partner” Award from IBM - 2007, Integrity Partner Award from HP Singapore, 2008.

PUBLIC DEPOSITS

During the year, the Company has neither invited nor accepted any deposit under Section 58A of the Companies Act, 1956.

DIRECTORS

During the year 2007-08, Ms. Madhabi Puri Buch resigned as a director with effect from June 01, 2007. Ms.Vishakha Mulye was appointed as a director with effect from July 25, 2007 to fill up the casual vacancy caused due to the resignation of Ms. Madhabi Puri Buch.

Mr. Anirudh Prabhakaran, was appointed as Additional Director and was designated as Executive Director on April 25, 2008.The Board approved the early retirement of Mr. Hariharan Padmanabhan, Deputy Managing Director w.e.f May 15, 2008.

In terms of the provisions of the Articles of Association of the Company, Mr. Hoshang N. Sinor and & Ms Vishakha Mulya are due to retire by rotation at the forthcoming 15th Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Mr. Anirudh Prabhakaran being, Additional Director will hold the post till the date of Annual General Meeting. It is proposed to appoint him as Director at the upcoming Annual General Meeting.

AUDIT COMMITTEE

Presently, the Audit Committee comprises of Mr. S. Santhanakrishnan, as Chairman; Mr. Samir Kumar Mitter and Dr. Bruce Kogut as Members. All the Members of the Audit Committee are Independent Non-Executive Directors. During the year, the Committee met four times to review quarterly accounts, internal control systems, discuss the audit findings and recommendations of the internal and statutory auditors.

BOARD GOVERNANCE COMMITTEE

The Board Governance Committee comprising of Mr. Hoshang N. Sinor, as Chairman; Mr. Suresh Kumar and Dr. Bruce Kogut as Members, attends to the 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 four 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, attends to the matters relating to investors servicing. Majority of the Members are Independent Non-Executive Directors. During the year, the Committee met four times. Mr. Amar Chintopanth, Executive Director and CFO has been inducted in place of Mr. Hariharan Padmanabhan to fill the vacancy caused by his early retirement.

FUND RAISING AND ACQUISITIONS COMMITTEE

The Fund Raising and Acquisitions Committee was constituted in July 2007 to approve acquisitions upto a certain limit, to recommend acquisitions to the Board above a certain limit, to analyse the funding needs of the Company and to note and review previous acquisitions. The Committee comprises of Mr. Suresh Kumar, Chairman; Dr. Bruce Kogut and Mr. V. Srinivasan as Members. A majority of the Members are Independent Non-Executive Directors. The Committee met once during the year.

AUDITORS

The Audit Committee had recommended the appointment of Joint Auditors for the year 2008-09. Accordingly, the Board has proposed that M/s Lodha & Co., Chartered Accountants, the existing Auditors, together with M/s RGN Price & Co. Chartered Accountants be appointed as the Joint Auditors of the Company, to hold office from the conclusion of the15th Annual General Meeting upto the conclusion of the16th Annual General Meeting.

The Company has received letters from both the appointees, wherein they have consented to act as Joint Auditors and have confirmed that they are eligible and qualified to be appointed as Auditors pursuant to the Sections 224(1B) and 226 of the Companies Act, 1956.

The Company has also received Special Notice pursuant to Section 225 of the Companies Act, 1956 for this appointment.

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. Adequate measures have been taken to reduce energy consumption wherever possible. 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, are not applicable to the Company and hence are not provided.

TECHNOLOGY ABSORPTION

Change is the only constant thing in today's technology driven world. In your Company also change is considered as the only constant thing, and this is the way your Company keeps itself aligned with changes in the external environment. The Company being primarily in the Information Technology domain, investments are continuously made in the latest technological tools.

During the year 2007-08, your Company has undertaken the following activities:

- Migrated from conventional network across offices to latest technology on MPLS and also wireless technology for faster turn around time. To support the expansion plans of the organization, the same technology has been extended to the Global offices of the Company.
- Towards providing technology services offerings to its customers, your Company has unveiled a new facility at Chennai, with Datacenter/DR Hosting Services (IDC) and Remote Infrastructure Management Services (RIMS). The facility has state of the art IDC, built to offer about 6000 sq ft, with an expansion capacity of 20,000 sq ft. The Network Operations Center provides 24*7 Remote Infrastructure Management Services. Your Company's IDC and RIMS operations have been certified to comply with ISO-27001 IT Security Standards, as well as globally acclaimed ISO 20000-1:2005, ITIL processes.
- To optimize usage and improve manageability
  - The messaging service have been centralized.
  - introduced virtualization of servers to cater to small project requirements.

- Availability of identified critical systems has been ensured
- High speed LAN architectures has been designed and implemented for the newly created support offices
- With the help of technology, the concept of home user was introduced in this year, enabling work from home and access to the data available on the servers in the office in a secure way.

Research & Development (R&D):

The Company also has set up Global Research Centre (GRC), besides having Global Development Centres (GDCs) for the development of its software products.

As a part of R&D, the GDCs participate in, contribute to and obtain inputs from various industry forums in the respective Geographies. These interactions, combined with inputs from our field force, facilitate effective and timely understanding of market trend / needs, resulting in focussed enhancement to products.

GRC provides assistance to individual verticals and geographies as well at the enterprise level, in identifying market opportunities and to achieve this, conducts structured competition analysis, industry landscape and country studies with reference to different products and services.

Specific areas of R&D:

At the GDCs, with the increase in the number of products, releases and technological innovations being effected, performance of the products at different concurrent user levels is an aspect for constant monitoring. Load testing laboratory has been set up at the GDC, to facilitate benchmarking of major releases of your Company's products for high number of concurrent users related to various business scenarios / transactions, thereby highlighting areas for code optimisation and corrective action to ensure scalability of the products.

The Quality Management Groups in the GDC have also been tailoring and enhancing the processes in line with CMMi Level 5, to continuously improve quality delivery to customers.

The GRC conducts research of two kinds – Planned Research and Request Based Research. The Planned Research is undertaken based on the Company's growth plans and Request Based research is undertaken on the basis of requests received from other departments.

Benefits derived as a result of R&D:

Due to constant efforts by GDC, 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 the niche markets with a competitive edge, to sustain higher level of acceptability in the regions of its presence.

The GRC has produced many planned based reports and request based reports which are being used for strengthening its products and for marketing of the products of the Company.

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 35% of the revenue of the Company is derived from exports. The Company has state of the art offshore development centers in India at Mumbai, Bangalore, Chennai, Hyderabad, Delhi, Kochi and onsite delivery and support facilities in offices located across the world.

Expenditure on R&D: **Rs. in Milion**

Particulars	**2007-08**	**2006-07**
Revenue Expenditure	**406.13**	383.25
Capital Expenditure	-	-
Total	**406.13**	383.25
Total R&D expenditure as a percentage of total standalone revenue	**8.76%**	11.02%

The Registered Office of the Company is located at an International Infotech Park, Vashi, Navi Mumbai. Some of the software development centers of the Company in India are also registered as Software Technology Parks of India(STPI). due to which the Company is required to fulfill its export obligations as laid down by the Government for STPI units.

b) Foreign Export earnings and expenditure

During the year 2007-08, the expenditure in foreign currencies amounted to Rs.1236.68 million on account of branch expenses, dividend, travelling & other expenses. During the same period, the Company earned Rs.1928.03 million in foreign currencies, as income from its exports and Interest Income.

PERSONNEL

By acquiring companies in overseas, especially in USA and UK and by integrating them with the 3i Infotech Group, your Company has exhibited the capacity to encompass a global culture.

Well defined Human Resources Development (HRD) policies, such as rigorous recruitment process, training employees in the required skill sets and a well established appraisal system was followed unrelentingly this year also. This year, the concept of 360 degree appraisal for the senior management in South Asia Geography was also introduced. 360 degree appraisal will ensure the dynamic growth of your Company's senior management as under this process not only the immediate reporting authority will appraise the employee but comments from customers, peers and subordinates will be taken and the information will be provided to the employee.

The average age of employees is as low as 28 years. The Company has developed robust processes to evaluate and recruit a 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.

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the Directors Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this report and Accounts are being sent to all the Members of the Company, excluding the Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company, and the same will be sent by post.

a) Knowledge Sharing:

The Company being in a knowledge-driven industry, it believes that knowledge sharing is the most important aspect of employee development. Various platforms are made available to the employees to share their knowledge with the employees spread all over the world. 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 the latest information about the development and progress of the Company.

The Managing Director & CEO circulates quarterly newsletters briefing about the significant developments in the quarter, including the major client wins for the information of the employees. A monthly e-magazine called 'GDC-BLITZ', has been introduced, wherein information about the product developments and various trainings is provided to the employees. Various business divisions also circulate monthly magazines indicating the progress in their division to respective employees.

b) Commitment Culture:

A contest to explore and reinforce the concept of commitment culture, on the basis of principle. “Individual commitment to group efforts - that is what makes a team work, a company work, a society work” and a civilization work was held during this year.

Overwhelming response was received to this contest from employees and winners were awarded.

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 Members and investors for their confidence and continued support. The Directors are grateful to the Central and State Governments, Securities & Exchange Board of India, 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 un-stinted 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 **Chairman**	**V. Srinivasan** **Managing Director & CEO**

Mumbai, April 25, 2008

ANNEXURE TO THE DIRECTORS' REPORT – I

Corporate Governance Report for the financial year 2007-08

CORPORATE GOVERNANCE - A way of life

At 3i Infotech Limited (3i Infotech) Corporate Governance is a way of life. The basic principle of life, "As you sow, so shall you reap" 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 three core values, ***Innovation, Insight and Integrity*** and they have been reflected in its structure, processes and efforts for sustained growth. These principles are closely interlinked in 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.

Corporate Governance, for 3i Infotech, implies observance of the basic principles of ethical growth and not mere compliance of globally prescribed standards of governance and disclosure.

The Board, along with its Committees, such as **Board Governance Committee, Audit Committee, Fund Raising and Acquisitions Committee and Shareholders' / Investors' Grievances Committee** lays down strategic paths, develops systems, processes and reviews mechanisms, to steer the Company on the right track of growth and help the Company 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 its Board and 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 interests of the stakeholders.

On the lines of its present Corporate Governance philosophy, the Company has an Operating Board - consisting of the Managing Director & CEO, the Executive 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 the individual goals and aspirations of the employees are in synchronization with the long-term goals of the Company, leading to a fulfilling partnership. As a responsible corporate citizen, the Company complies with the applicable laws of the land in letter as well as in spirit. The Corporate Governance norms adhered to by the Company are aimed at alignment of the interests of the shareholders, customers, employees and all other stakeholders.

STEPS TAKEN IN PROGRESSION OF THE CORPORATE GOVERNANCE PRINCIPLES ADOPTED BY THE COMPANY:

Taking forward the Company's Corporate Governance principles and on the recommendations of the Board Governance Committee, the Board has taken following initiatives in this financial year.

Retirement and tenure of Non-Executive Directors

The retirement age of Non-Executive Directors has been fixed at 75 years of age and the maximum tenure on the Board has been fixed at 9 years.

Constitution of Fund Raising and Acquisitions Committee

A new Committee called Fund Raising and Acquisitions Committee was constituted, which is not a regulatory requirement.

The Board felt the need for this Committee in view of the acquisitive growth strategy adopted by the Company. This Committee was constituted on July 25, 2007 to look into the matters relating to assessment of capital requirements of the Company and subsidiaries, fund raising and recommendation and approval of acquisition proposals.

Re-constitution of the Committees of the Board

The Committees of the Board may be re-constituted after every 3 years.

Appointment of Joint Auditors

The Audit Committee of the Company had recommended the appointment of Joint Auditors from the year 2008-09. Accordingly, the Board of Directors have proposed that at the ensuing Annual General Meeting M/s Lodha & Company, Chartered Accountants and M/s RGN Price & Company, Chartered Accountants shall be appointed as the Joint Auditors for the year 2008-09.

Corporate Social Responsibility

As a step towards meeting the corporate social responsibilities of the Company, it was felt advisable that the Company set up a foundation with appropriate objectives and responsibilities. An application has been made to the Charity Commissioner for the formation of a Charitable Trust. Pending this, during the year, the Company donated significant amounts for the education and development of rural and tribal children. The Company also donated a number of computer terminals for rural education purpose.

3i Infotech Foundation has been formed on May 14, 2008

CORPORATE GOVERNANCE RATING

ICRA has awarded CGR2 rating to the Corporate Governance practices of the Company. ICRA rates companies on the scale of CGR1 to CGR6 for the Corporate Governance practices followed by them, CGR1 being the best and CGR6 being poor.

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

I. BOARD OF DIRECTORS

a. Size and Composition of the Board

The total strength of the Board on the date of this report is eleven. The Chairman of the Board is an Independent Non-Executive Director and the Board consists of seven Independent Non-Executive Directors, which is more than the statutory requirement of one third of total strength. The composition of the Board, and external directorships held as on the date of this report is as below:

Name	Category	Designation	Date of appointment	Date of resignation	Number of directorship(s) in other companies @	Number of chairmanship(s) in committees of boards of other companies #	Number of membership(s) in committees of boards of other companies #
Hoshang N. Sinor	INED	Chairman	24-Jul-03	-	10	3	2
Ashok Jhunjhunwala	INED	Director	19-Oct-06	-	5	1	3
Bruce Kogut	INED	Director	22-Apr-05	-	-	-	-
Madhabi Puri Buch	INED	Director	23-Jan-06	01-Jun-07	-	-	-
Samir Kumar Mitter	INED	Director	28-Oct-05	-	4	-	1

Name	Category	Designation	Date of appointment	Date of resignation	Number of directorship(s) in other companies @	Number of chairmanship(s) in committees of boards of other companies #	Number of membership(s) in committees of boards of other companies #
S. Santhanakrishnan	INED	Director & Chairman, Audit Committee	22-Apr-05	-	2	1	-
Suresh Kumar	INED	Director	19-Oct-00	-	1	-	-
Vishakha Mulye	INED	Director	25-Jul-07	-	2	-	-
V. Srinivasan	ED	Managing Director & CEO	05-Sep-96	-	2	-	-
Hariharan Padmanabhan *	ED	Deputy Managing Director	05-Nov-03	-	2	-	-
Amar Chintopanth	ED	Executive Director & CFO	17-Jan-07	-	13	-	-
Anirudh Prabhakaran**	ED	Executive Director	25-Apr-08	-	5	-	-

None of the Directors are related to any of the other Directors of the Company.

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

@ Excluding directorships in private limited companies, foreign companies and Section 25 companies.

Includes Membership / Chairmanship in the Audit Committee and Shareholders' / Investors' Grievances Committee.

*Opted for early retirement w.e.f May15 , 2008

**Appointed as an Additional Director and Executive Director w.e.f April 25, 2008

b. The Board Meetings:

Among other things, key matters like periodic operating and 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 annual calendar of Board and its Committee Meetings is agreed upon at the beginning of the year. During the last financial year, the Board met six times on April 9 & 10, 2007, April 25, 2007, July 25, 2007, October 24, 2007, January 24, 2008 and February 27, 2008. 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 Company Secretary and Managing Director & CEO, 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 whole-time Directors 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	6	6
Ashok Jhunjhunwala	6	6#
Bruce Kogut	6	6#
Madhabi Puri Buch*	2	1
Samir Kumar Mitter	6	6
S. Santhanakrishnan	6	6
Suresh Kumar	6	6
Vishakha Mulye*	4	3
V. Srinivasan	6	6#
Hariharan Padmanabhan	6	6
Amar Chintopanth	6	6

Out of this, participated in one Board Meeting through Tele / Video Conferencing, but treated as absent for the purposes of quorum.

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

Ms. Madhabi Puri Buch resigned w.e.f. June 1, 2007. Her resignation was accepted at the Board Meeting held on July 25, 2007. Ms. Vishakha Mulye was appointed as a Director with effect from July 25, 2007 in the same Board Meeting to fill the casual vacancy caused by resignation of Ms. Madhabi Puri Buch.

c. Appointment, performance evaluation, age & tenure limit and remuneration of the Directors:

The policy of the Company for appointment, performance evaluation, age & tenure and remuneration limit of the Directors is as mentioned below:

Appointment:

The Board Governance, Compensation cum Nomination Committee, which consists exclusively of Independent Non-Executive Directors, identifies, selects, nominates and recommends induction of directors on the Board. Based on the recommendations of this Committee, the Board finalises the appointment of 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 deliberations using the knowledge, skill, experience and expertise in relation to the business of the Company, industry, international, financial/investment banking, domestic/global market and regulatory and other environment and its practical application 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 and

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 targets 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.

Age & Tenure Limit:
The Board has implemented the non-mandatory requirement under Clause 49 of the Listing Agreement. Accordingly, the retirement age of Non-Executive Directors is 75 years and the maximum tenure for which he / she can be on the Board is 9 years.

Remuneration Policy and details of remuneration / compensation:
The Members of the Company at their Annual General Meeting held on July 22, 2005, had approved the payment of remuneration by way of commission to the Independent Non-Executive 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. The Company has obtained the approval of the Central Government pursuant to Section 309 of the Companies Act, 1956 for the payment of Commission upto 3% of the net profits, which is valid up to March 31,2009.

In the year 2007-08, the Company has paid remuneration by way of commission to the Non-Executive Directors at 1.5% of net profits for the year 2006-07. In addition to this, sitting fees for attending and participating in the Board and Committee Meetings for the financial year 2007-08 were also paid to the Non-Executive Directors. The remuneration, as explained above, was paid as per the recommendations of the Board Governance Committee and approval of the Board. The details are as given below

Name of the Director	Total Sitting Fees(in Rupees)			Commission (in Rupees)			TOTAL (in Rupees)		
	Gross	TDS	Net	Gross	TDS	Net	Gross	TDS	Net
Mr. Hoshang N. Sinor	280,000	26,048	253,952	1,500,000	84,975	1,415,025	1,780,000	111,023	1,668,977
Dr. Ashok Jhunjhunwala	100,000	9,053	90,947	NIL	NIL	NIL	100,000	9,053	90,947
Dr. Bruce Kogut	280,000	95,172	184,828	1,400,000	158,620	1,241,380	1,680,000	253,792	1,426,208
Ms. Madhabi Puri Buch *#	40,000	2,266	37,734	500,000	28,325	471,675	540,000	30,591	509,409
Mr. Samir Kumar Mitter #	200,000	19,250	180,750	1,400,000	79,310	1,320,690	1,600,000	98,560	1,501,440
Mr. S. Santhanakrishnan	280,000	27,181	252,819	1,400,000	79,310	1,320,690	1,680,000	106,491	1,573,509
Mr. Suresh Kumar	220,000	74,778	145,222	1,400,000	158,620	1,241,380	1,620,000	233,398	1,386,602
Ms. Vishakha Mulye +#	60,000	6,798	53,202	NIL	NIL	NIL	60,000	6,798	53,202

*Resigned w.e.f. June 1, 2007.
+Appointed on July 25, 2007.

#The payments made to Ms. Madhabi Puri Buch, Mr. Samir Kumar Mitter and Ms.Vishakha Mulye were made to their respective employers as per the mandates received by the Company.

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

The Company also paid remuneration to its whole-time Directors, Mr. Hariharan Padmanabhan and Mr. Amar Chintopanth 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. During the Year, Mr. V. Srinivasan, Managing Director & CEO did not draw any remuneration from the Company, as he was drawing his remuneration from the wholly owned overseas subsidiaries of the Company.

Mr. V. Srinivasan and Mr. Hariharan Padmanabhan, being non resident Indians, the Company has 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 whole-time Directors:

Name of the Director	Basic Salary (Rs.)	Performance Bonus (Rs.)	Perquisites and all other allowances (Rs.)
Hariharan Padmanabhan (paid in AED)* (paid in USD)#	8,054,618*	6,143,572#	6,215,756*
Amar Chintopanth	3,000,000	1,500,000	37,66,966

* 1 AED is equal to Rs.10.97 as on March 31, 2008

1 USD is equal to Rs.40.2 on March 31, 2008

CODE OF CONDUCT

The Company has adopted a Code of Conduct for Board and Senior Management. All the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as on March 31, 2008. A declaration to this effect signed by the Managing Director & CEO forms part of this report.

STOCK OPTIONS HELD BY THE DIRECTORS: (as on March 31, 2008)

a. The Directors have been granted stock options under Employee Stock Option Scheme 2000 of the Company. Options granted under this scheme vest in a graded manner over a three-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 or five years from the date of vesting which ever is later. 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 (figures are post bonus):
Mr. V Srinivasan, Managing Director & CEO – 1,000,000, Mr. Hariharan Padmanabhan, Deputy Managing Director - 500,000 and Mr. Amar Chintopanth, Executive Director & CFO - 400,000.

The details of Stock Options held by the Directors as on March 31, 2008 are as below:
Mr. Hoshang N. Sinor – 50,000, Dr. Ashok Jhunjhunwala - 90,000, Dr. Bruce Kogut - 100,000, Mr. Samir Kumar Mitter - NIL, Mr. S. Santhanakrishnan - 100,000, Mr. Suresh Kumar - 100,000, Ms. Vishakha Mulye - NIL, Mr. V. Srinivasan - 3,266,000, Mr. Hariharan Padmanabhan - 1,500,000, Mr. Amar Chintopanth - 832,600.

b. Details of number of shares held by the Directors

Mr. Hoshang N. Sinor, Mr. V Srinivasan , Dr. Ashok Jhunjhunwala and Ms. Vishakha Mulye hold 50,000; 142,040; 10,050 and 12, 000 shares respectively as on March 31, 2008.

None of the other Directors hold any shares or convertible instruments in the Company.

II. BOARD COMMITTEES

Currently, the Board has four Committees, viz.

a. Audit Committee

b. Board Governance Committee

c. Shareholders'/Investors' Grievances Committee

d. Fund Raising and Acquisitions Committee

Audit Committee and Board Governance Committee consist entirely of Independent Directors. Normally, the Committees meet four times a year, except the Board Governance Committee which meets at least twice a year. The quorum for the Meetings is either two directors or one third of the Members of the Committee, whichever is higher.

As a part of good corporate governance practices, the Board has decided to adopt the rotation policy for constitution of various committees. Accordingly, all committees may be re-constituted after every 3 years.

The various committees of Board of Directors at present and their constitution are set out below:

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 and
- 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

* Ms. Madhabi Puri Buch resigned w.e.f. June 1, 2007.

The Audit Committee comprises entirely of Independent Non-Executive Directors. Majority of the Members of the Audit Committee, including the Chairman of the Committee have accounting and financial management expertise. The Chairman was present at the previous Annual General Meeting of the Company held on July 25, 2007. The Executive Director & 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 four Meetings during the year 2007-08 on April 24, 2007, July 24, 2007, October 23, 2007 and January 23, 2008. The time gap between any two Meetings was less than four months.

Ms. Madhabi Puri Buch ceased to be the Member of the Commitee w.e.f June 1, 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
S. Santhanakrishnan	4	4
Bruce Kogut	4	4
Madhabi Puri Buch*	1	1
Samir Kumar Mitter	4	4

* was a Director only for part of the year.

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 the terms of reference is as below:

- Identify the prospective directors, evaluate the current composition and recommend appointment of whole time directors;
- Evaluate the performance of Board and its Committees.
- Ensure that the Board of the Company and its subsidiaries are properly constituted to meet their fiduciary obligations, the corporate governance principles and best practices;
- Determine the Director(s) who shall be liable to retire by rotation;
- Formulate various codes of ethics, conduct 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 Whole-time Directors of the Company and the Directors nominated by the Company on the Board of its subsidiaries and to recommend the remuneration payable to them from time to time by way of salary, perquisites, commission, allowances, performance bonus, stock options etc and
- Approve the policy for 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 four times during the year 2007-08 on April 10, 2007, April 25, 2007, July 25, 2007 and October 24, 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	4	4
Bruce Kogut	4	4
Suresh Kumar	4	4

Remuneration policy and details of remuneration to all Directors is given under point I.c i.e under the heading - the Board of Directors and sub heading - Appointment, performance evaluation, age & tenure remuneration and limit of the Directors.

c. Shareholders'/Investors' Grievances Committee:

This Committee was 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 transfers of shares and other securities issued and that may be issued from time to time; and approve or reject application for transmission of shares;
- Approve/reject applications for re-materialisation, subdivision, consolidation, transposition and thereupon issue share certificates to the shareholders;
- Lay down suitable procedure and approve issue of duplicate certificates of shares and other securities;
- Decide the stock exchange(s)/depository(ies) in India or abroad, on which shares or other securities issued by the Company are to be listed or delisted including offering/issuing such shares/securities through depositories;
- Fix record date and determine closure of Register of Members and Transfer Books for the purpose of payment of dividend, interest, issue of rights/bonus shares or for such other purpose as Committee might deem fit;
- Redressal of shareholder and investor 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
Amar Chintopanth*	Member

*At the Board Meeting held on April 25, 2008, the committee was reconstituted and Mr. Amar Chintopanth was inducted as a member in place of Mr. Hariharan Padmanabhan

Majority of the Members of this Committee including the Chairman of the Committee are Independent Non-Executive Directors. Mr. Shivanand R. Shettigar, the Company Secretary is the Compliance Officer.

The Committee met four times, during the year 2007-08 on April 25, 2007, July 25, 2007, October 24, 2007 and January 24, 2008.

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
Amar Chintopanth	-	-

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

	Opening Balance	Received	Processed	Pending as on March 31, 2008
Instructions	NIL	723	720	3
Grievances	NIL	2	2	NIL

d. Fund Raising and Acquisitions Committee:

This non-mandatory Committee was constituted by the Board in the Board Meeting held on July 25, 2007 to look into the matters relating to assessment of capital requirements of the Company and its subsidiaries, fund raising and recommendation and approval of acquisition proposals.

Brief description of the terms of reference:

- To review all long term funding needs of the 3i Infotech group and make appropriate recommendations to the Board.
- To approve acquisitions/make recommendations to the Board for acquisitions
- Recommend for Board's approval acquisitions with a consideration more than USD 25 million;
- Noting and Performance review of previous acquisitions.

Composition of the Committee on the date of this report:

Director	Position
Suresh Kumar	Chairman
Bruce Kogut	Member
V. Srinivasan	Member

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

The First Meeting of the Committee was held on January 23 and 24, 2008.

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
Suresh Kumar	1	1
Bruce Kogut	1	1
V. Srinivasan	1	1

III. GENERAL MEETINGS

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

Year	Date	Time	Special Resolutions passed
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
2006-07	July 25, 2007	4.00 p.m.	1. Amendment of Articles of Association with regard to the authorised share capital 2. Authority for capitalization of Reserves by issue of Bonus shares 3. Authority for issue of shares under Employee Stock Option Scheme 2007 to Employees and Directors of the Company 4. Authority for issue of shares under Employee Stock Option Scheme 2007 to Employees and Directors of subsidiaries and/or holding Company

All the three AGMs 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 25, 2007

Hoshang N. Sinor
Ashok Jhunjhunwala
Bruce Kogut
Samir Kumar Mitter
S. Santhanakrishnan
Suresh Kumar
Vishakha Mulye
V. Srinivasan
Hariharan Padmanabhan
Amar Chintopanth
No Extraordinary General Meetings were held in the last three years.

Postal Ballot

No Resolution was passed through Postal Ballot during the Financial Year 2007-08.

The Company is seeking Shareholders' approval by way of Special Resolution for the proposed alteration of the Objects Clause (Clause III) of the Memorandum of Association of the Company through Postal Ballot.

The Notice of the Postal Ballot for Alteration of the Objects Clause of the Memorandum of Association of the Company has been approved by the Directors at their Meeting held on April 25, 2008. Accordingly, the Company has appointed Mr. N.D. Gupta as Scrutinizer. The necessary actions for completing the procedure of seeking approval of the Members through Postal Ballot are being undertaken.

IV. DISCLOSURE REQUIREMENTS

a) Management Discussion and Analysis Report:

The detailed Management Discussion and Analysis Report along with risks and concerns is given separately in the Annual Report.

b) Disclosure relating to material financial and commercial transactions having a potential conflict of interest:

During the year 2007-08, there were no material financial and commercial transactions, having a potential conflict of interest entered into by the Company with the Directors or Senior 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 status of compliance with the non-mandatory requirements is given below:

1. The Board

As our Chairman is an independent and 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. A detailed report on the same is given in clause II.b. of this report.

3. Shareholders Rights

The quarterly, half yearly and 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, the details of which are given in clause Ic.

7. Whistle Blower Policy

   The Company has laid down a Whistle Blower Policy, the details of which are given above in this 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 (English) and Maharashtra Times / Loksatta (regional newspaper).

VI. GENERAL SHAREHOLDER INFORMATION

a. Details of ensuing AGM:

Day and Date	Time	Venue
Friday, July 25, 2008	4 p.m.	Shri Saurashtra Patel Samaj Hall, Plot No. 6, Sector 2, Sanpada (East), Near Railway Station, Navi Mumbai – 400 706

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

Quarter End	Date
June 30, 2008	July 25, 2008
September 30, 2008	October 22, 2008
December 31, 2008	January 22, 2009
March 31, 2009	April 24, 2009

c. Financial Year: April 01 - March 31

d. Dates of Book Closure: July 09, 2008 to July 25, 2008 (both days inclusive)

e. Dividend payment date: within 5 days from July 25, 2008

f. Listing: The shares are listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)

g. Listing on Stock Exchanges and Codes

   ISIN No. in NSDL & CDSL:INE748CO1020

	NSE	BSE
Exchange Code	3IINFOTECH	532628

h. 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.

i. Share transfer system:

   The Company as R&T agent has expertise and effective systems for share transfers.

j. Market price data:

Monthly highs, lows and trading volume for FY 2008

(Pre-Bonus details, upto August 27, 2007)

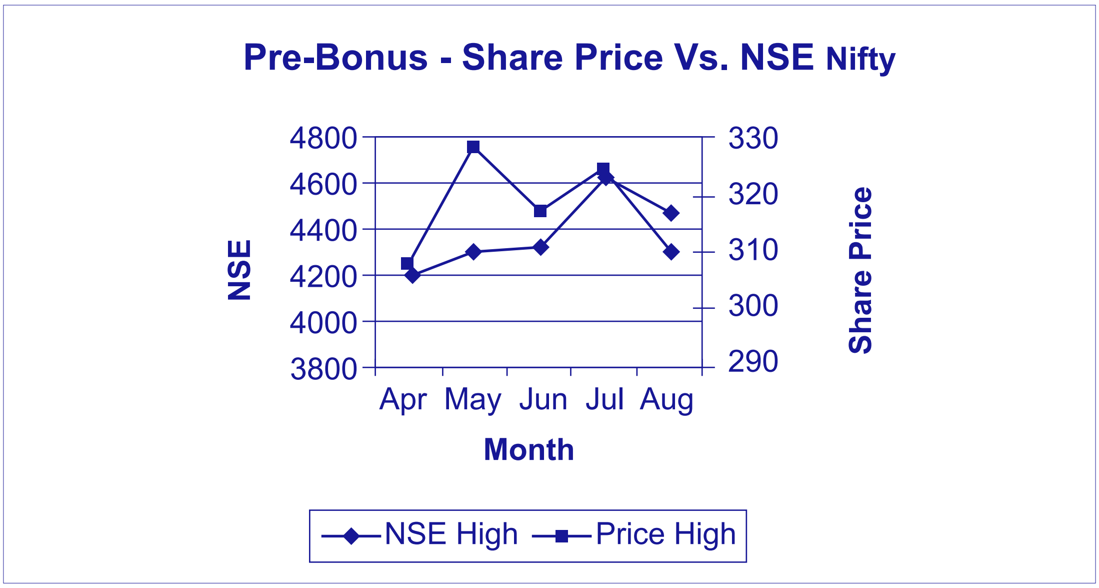
	National Stock Exchange			Bombay Stock Exchange			Total Quantity Traded
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
April 2007	307.50	223.40	15,06,3596	312.00	224.90	8,171,407	23,235,003
May 2007	328.40	285.00	20,25,9092	329.00	288.10	11,555,372	31,814,464
June 2007	316.90	290.60	9,724,484	317.00	291.25	5,498,691	15,223,175
July 2007	324.40	281.10	6,5474,67	324.35	282.05	3,557,384	10,104,851
August 2007	310.10	267.00	3,218,735	310.00	267.25	1,659,575	4,878,310

(Post Bonus details, from August 28, 2007 onwards)

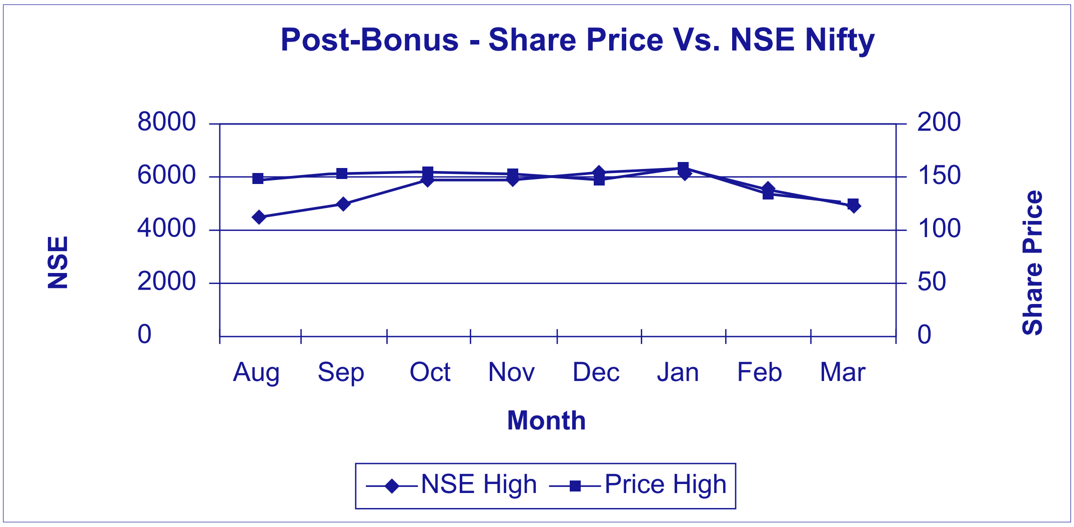
	National Stock Exchange			Bombay Stock Exchange			Total Quantity Traded
	High (Rs.)	Low (Rs.)	Trade Quantity	High (Rs.)	Low (Rs.)	Trade Quantity	
August 2007	148.40	130.00	1,778,302	150.00	128.00	1,016,725	2,795,027
September 2007	156.50	133.55	18,388,457	156.35	133.05	7,004,168	25,392,625
October 2007	157.00	124.30	17,266,745	156.90	120.00	8,007,798	25,274,543
November 2007	154.00	121.10	8,230,158	139.70	121.25	3,446,847	11,677,005
December 2007	148.65	111.00	10,093,858	150.00	135.05	3,884,161	13,978,019
January 2008	159.80	70.30	16,923,370	159.90	85.00	6,153,028	23,076,398
February 2008	135.00	111.15	6,332,570	135.50	111.25	1,93,7833	8,270,403
March 2008	126.50	84.10	4,639,504	126.40	84.00	1,904,240	6,543,744

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

Pre-Bonus:



Post-Bonus:



l. Distribution of holdings:

Share holding of nominal value of			Shareholders		Share Amount	
Rs			Number	Percentage to total (%)	Rs.	Percentage total (%)
Upto		5000	90,066	91.61	118,610,780	9.09
5001	-	10000	4,712	4.79	37,234,030	2.85
10001	-	20000	1,932	1.97	30,363,970	2.33
20001	-	30000	502	0.51	13,030,310	1.00
30001	-	40000	263	0.27	9,604,350	0.74
40001	-	50000	155	0.16	7,310,350	0.56
50001	-	100000	361	0.37	26,151,930	2.00
100001	-	above	319	0.32	1,063,046,130	81.44
Total			**98,310**	**100.00**	**1,305,351,850**	**100.00**

m. Shareholding Pattern as on March 31, 2008

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	12,591,718	9.65
(b)	Any Other - Trust Western India Trustees and Executor Co. Ltd. A/c ICICI Strategic Investment Fund)	39,036,190	29.90
	Sub-Total (A)(1)	**51,627,908**	**39.55**

Category code	Category of shareholder	Total number of shares	Percentage of shareholding
2	**Foreign**	**NIL**	**NIL**
	Sub-Total (A)(2)	**NIL**	**NIL**
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**51,627,908**	**39.55**
(B)	**Public shareholding [1]**		
1	**Institutions**		
(a)	Mutual Funds/ UTI	18,953,188	14.52
(b)	Financial Institutions/ Banks	159,112	0.12
(c)	Central Government/ State Government(s)		
(d)	Venture Capital Funds		
(e)	Insurance Companies	10,978,273	8.41
(f)	Foreign Institutional Investors	7,224,059	5.53
(g)	Foreign Venture Capital Investors		
(h)	Any Other (Foreign Banks and Foreign Companies)	6,275,904	4.81
	Sub-Total (B)(1)	**43,590,536**	**33.39**
2	**Non-institutions**		
(a)	Bodies Corporate	7,818,134	5.99
(b)	Individuals -		
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	22,466,089	17.22
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	4,703,043	3.60
(c)	Any Other (specify)	329,475	0.25
	Sub-Total (B)(2)	**35,316,741**	27.06
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**78,907,277**	**60.45**
	TOTAL (A)+(B)	**130,535,185**	**100.00**

n. Dematerialisation of shares and liquidity as on march 31, 2008

The shares of the Company are held in Dematerialised mode, except 59,383 shares, which are held in physical mode.

o. 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.

	US$ 50 Million Zero Coupon convertible bonds due in 2011	**Euros 15 Million 1.5 per cent convertible bonds due in 2011**	**Euros 30 Million Zero coupon convertible bonds due in 2012**	**US$ 100 Million Zero Coupon convertible bonds due in 2012**
Identification No.	CB110317	CB110317	CB110317	CB110317
ISIN	XS0245867667	XS0270546095	XS0270546095	XS0308551166
Initial Conversion Price	INR 230 representing a premium of 33% to INR 173, the reference share price(closing price on NSE on March 2, 2006)	INR 190.00 representing a premium of 15% of average closing price of 5 days preceding the transaction date	INR 308.63 representing a premium ` of 25% to INR 246.90, the reference share price (closing price on NSE on March 26, 2007)	INR 331.87 representing a premium of 10% to INR 301.70, the reference shareprice (closing price on NSE on June 25, 2007)
Initial Conversion Ratio	Convertible into 19,282.6087 common shares per US$100,000 bond from 25th April 2006 untill 16 February 2011	Convertible into 306.7368 common shares per bond of Euros 1,000 each from 16 November, 2006 until March 17, 2011	Convertible into 186.6312 common shares per bond of Euros 1,000 each from 13 May, 2007 until March 4, 2012	Convertible into 122.9698 common shares per bond of USD 1,000 each from 5 September, 2007 until July 20, 2012
Current Conversion Price	Rs. 115.00 w. e. f. August 28, 2007	NA	Rs. 154.315 w. e. f. August 28, 2007	Rs. 165.935 w. e. f. August 28, 2007
Current Conversion Ratio	Convertible into 38,565.2174 common shares per US$100,000 bond each	NA	Convertible into 373.2625 common shares per bond of Euros 1,000 each	Convertible into 245.9397 common shares per bond of USD 1,000 each
Yield to maturity	6.80% (semi annually), if conversion option not exercised.	5.79% semi annual	6.90% annual basis	7.05% per annum on semi-annual basis
Number of Bonds Converted as on March 31, 2008	298	15,000	NIL	NIL
Number of Bonds outstanding as on March 31, 2008	202	NIL	30,000	100,000
Expected number of shares to be issued	7,790,174	NIL	11,197,874	24,593,968

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.

p. Plant Locations:

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

The address of various offices / GDCs (Global Development Centres) of the Company are given below:

1. Tower No. 5, 3rd to 6th floors, International Infotech Park, Vashi, Navi Mumbai 400 703
2. Tower No. 6, 6th floor, International Infotech Park, Vashi, Navi Mumbai 400 703
3. J-210. 211, 212,213, 2nd Floor, Tower no. 5, International Infotech Park, Vashi, Navi Mumbai – 400 703.
4. K-202 Tower No-6, International Infotech Park, above Vashi Railway Station, Vashi
5. Unit No. 301, "Akruti Trade Centre", Road No. 7, MIDC, Andheri (East), Mumbai 400 093

6. Unit No. 601, “Akruti Center Point, MIDC, Near Marol Telephone Exchange, Andheri (East), Mumbai 400 093
7. Near Broadway Petrol Pump, Opp. Cine Wonder, Kapurbawdi, Thane 400 601
8. Vishveshwar Nagar, Near Pravasi Industrial Estate, Goregaon (E) Mumbai 400063
9. ICICI Maratha Mandir Annex, Dr. A. R. Nair Road, Mumbai Central, Mumbai 400 008
10. Tex Centre, 26-A Chandivali Road., off. Saki Vihar Road., Andheri (East), Mumbai 400 093.
11. Star Infrastructure Ltd., Sanghavi Chambers, First Floor, 27 Janmabhoomi Marg, Fort, Mumbai - 400 001.
12. 1st floor, Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai - 400 001
13. 104/105 Ashirwad Build, Upper Ground Floor, Opp. Sardar Patel Seva Samaj Hall, Near Aditya Bldg, Off. C.G. Road, Navrangpura, Ahmedabad-380009
14. 1, Poonam Arcade, 1170/11, Shivajinagar, Revenue Colony, Off J.M. Road, Pune – 411 005
15. Unit no. S-310, Manipal Center, Dickenson Road, Bangalore
16. Brigade Champak, 6/2, Union Street, Off Infantry Road, Bangalore 560 001
17. Shantishree, #17/1, Hosur Road, Bangalore 560 068
18. 1611, 'Janardhan Towers' 7th Cross Near BMTC bus depot, HSR 1st Sector Sarjapur Road, Bangalore 560 034
19. Neil Rao Towers, # 118, Road # 3, EPIP (Export Promotion Industrial Park) White Field, 1st floor (East Wing) Bangalore 560 066
20. 4th Floor, MBC Towers, No.81, TTK Road, Alwarpet, Mylapore, Chennai 600 018
21. 3rd Floor, Ratna Building, New No: 372, Old No: 231, TTK Road, Alwarpet, Chennai 600 018
22. PRINCE TECHNO PARK”, No.10, Old Mahabalipuram Road, Thoraipakkam, Chennai – 600 096
23. 501, Babukhan's Millenium Centre, Somajiguda, 6-3-1099/1100, Off Rajbhavan Road, Hyderabad- 500 082
24. Ground floor of Navbharat Chambers, Raj Bhavan Road, Hyderabad
25. 7th Floor, Apple Tower, Edappally Bypass Road, Palarivattam, Kochi - 682 024
26. H. NO. 20/160/A, Nagali, Taleigao, Tiswadi – Goa
27. 26/2, Mohan co-operative, Industrial Area, Behind Airtel Office, Mathura Road, New Delhi - 110 044
28. 34, Netaji Subash Marg, Darya Gunj, New Delhi 110 002
29. B-56, Sector – 57, NOIDA, U.P
30. G-46,Sector-3, Gautam Budh Nagar, Noida,U.P.-201301
31. First floor, 36 Rani Jhansi Road, New Delhi-110 005
32. 7, Bondel Road, Kolkatta – 700 019
33. Shiv Shakti, Badu Road, Abdalpur, Madhyamgram, 24 Parganas North, Kolkatta
34. 103 Furmanov St. Floor 7 Almaty, Kazakhstan 050000

q. Name, Designation and Address of Compliance Officer for communication:

Shivanand R Shettigar,
Company Secretary
3i Infotech limited
Tower # 5, 3rd to 6th Floor
International Infotech Park
Vashi, Navi Mumbai 400 703
Ph: (91 22) 6792 8000
Fax: (91 22) 6792 8094
Email: co@3i-infotech.com

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

This is to certify that 3i Infotech Limited has put in place the Code of Conduct for the Board of Directors and Senior Management. This code is applicable to all the Directors of the Company and the Members of Senior Management, which includes the employees of the Company who are one level below the Wholetime Directors and all the functional heads. The Directors and Members of Senior Management have affirmed compliance with the Code of Conduct for the Board of Directors and Senior Management as on March 31, 2008. 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, 2008 at Mumbai

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

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

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

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

For **LODHA & COMPANY**
Chartered Accountants

Sd/-
(R.P. Baradiya)
Partner

Membership No. 44101

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

The financial statements have been prepared in accordance with Accounting Standards of the Companies Act 1956 and Generally Accepted Accounting Principles (GAAP) in India. The following discussion is based on our audited consolidated financial statements.

The discussion covers the following areas :

- Industry Overview
- Positioning of 3i Infotech vis-à-vis the Industry Trends
- How this has helped in business growth including specific strategies on India and inorganic growth
- The risks that such growth exposes the organization to and steps taken by the Company to mitigate such risks
- A discussion on Revenues, Costs and Margins
- A discussion on significant Assets and Liabilities

A Industry Overview

Time for Transformation

Traditionally, Indian software companies have been providing software products and IT services, including offshore projects. This business model is facing challenges some of which are stated below:

a) This model essentially evolved out of the ability of local companies to leverage costs as a differentiator and benefit from the high wages in the international market, and correction in foreign exchange rates.

b) US software companies have also expanded aggressively in India and can now compete with Indian companies on price

c) There is a strain on the availability of skilled manpower in large numbers as the industry has now to compete for talent with large MNCs which typically pay higher salaries than domestic companies

d) Language constraints and some countries' deep routed reservations against outsourcing

In a pure play offshoring business model, there are very few differentiators that a mid-sized company can bring to the table. It has become increasingly difficult in this environment for an Indian pure play services company to therefore penetrate and grow. The time has come for software companies to create value add differentiators to secure growth and sustainable margins, thus ensuring competitive advantage.

Growth in the Indian IT sector has conventionally been concentrated in the western market. Recent reports however suggest that growth would be significantly higher in the emerging markets as compared to the traditional markets.

B 3i Infotech Positioning & Strategy

(i) A Diversified Business Model

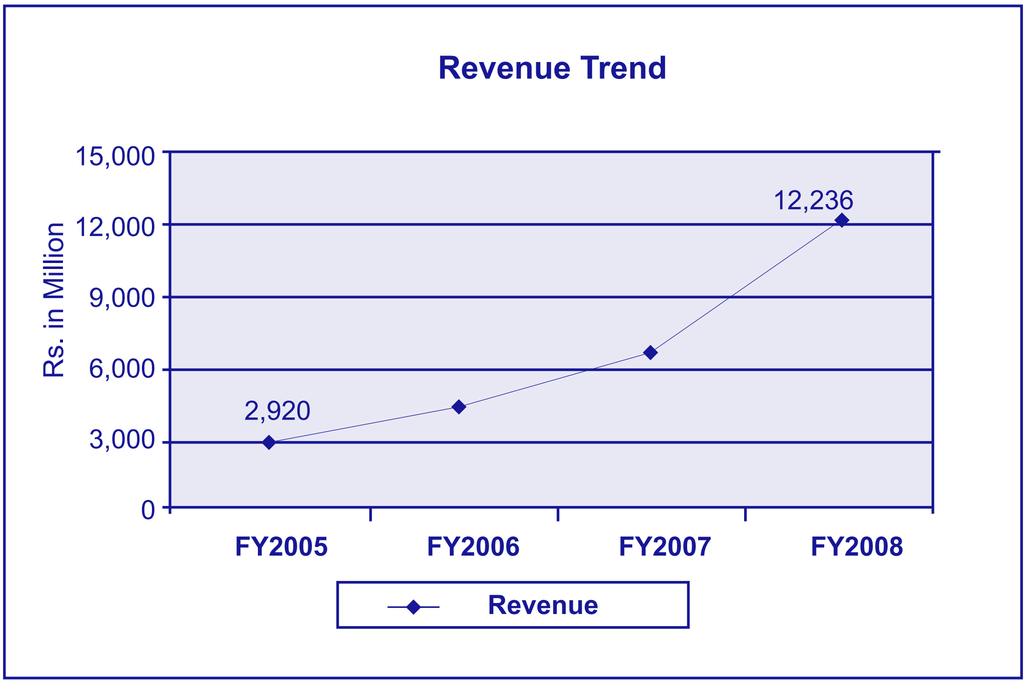
Anticipating such transformation in the industry, 3i Infotech has over the years consciously built a business model which creates differentiators vis-à-vis competition to achieve client competitiveness and growth. The business model also aims at achieving predictable sales, good returns and steady cash flows.

The Company maintains a balanced business mix with revenues from products and services currently in the ratio of 1:1. While product revenues provide high gross margins, service revenues provide stability to cash flows.

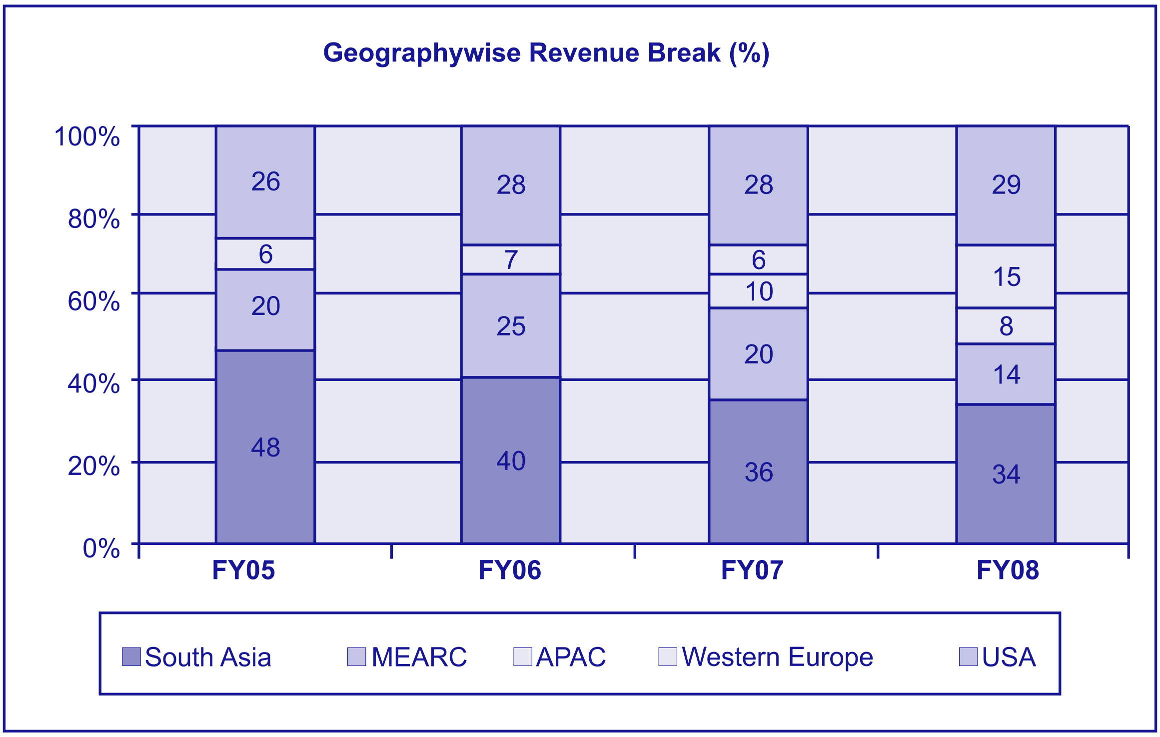
The Company's revenues are spread across various geographies, thereby not concentrating very significantly on any single geography.

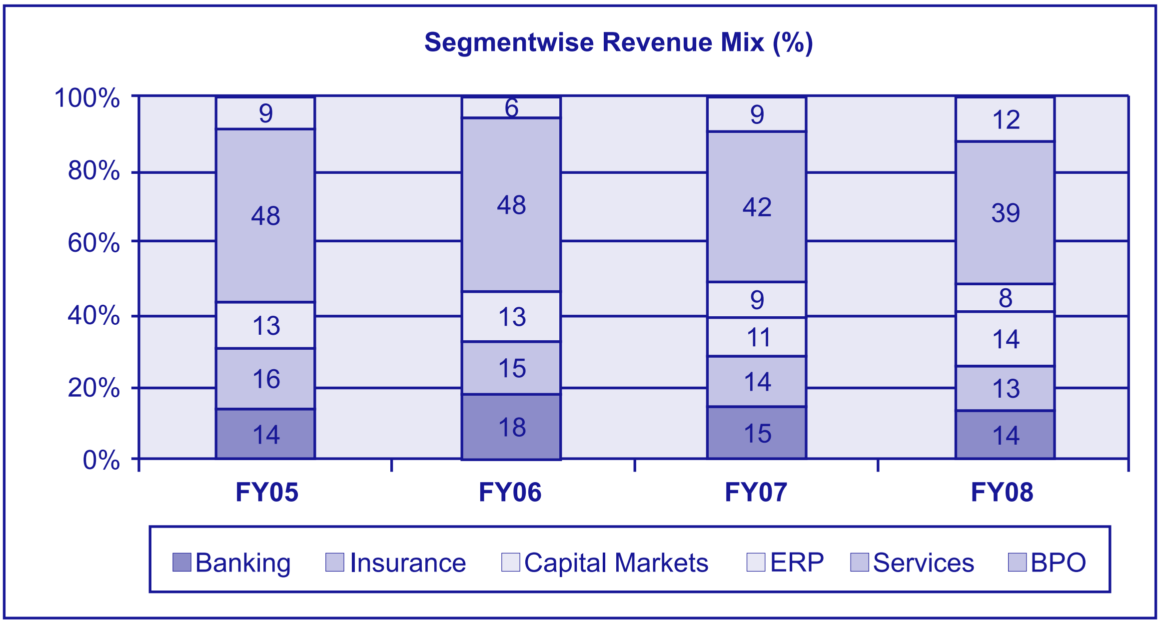
India has been and will continue to be an important market for the Company in which, apart from its products, the Company offers a wide range of services vis-à-vis technology services, transaction services, managed services, e-Governance and system integration.

The following data on Revenue geographywise and offeringwise gives an indication of how this strategy has helped the organization become a well diversified business model.



This represents a Compounded Annual Growth Rate (CAGR) of 61% over a period of four years; of which 41% has been organic and 20% inorganic.





(ii) Global Strategy

Globally, the Company has positioned itself as a software products and services company.

In the US, the Company is substantially in technology services and has made significant inroads in the Insurance Products business. The Western Europe, MEARC and APAC regions are to a large extent focused on the Software Products business.

In the products space, Capital Markets, Insurance, Banking are the major thrust and contribute to almost 14% each in terms of total sales.

On the services side, apart from consulting, application development and maintainence, the Company has concentrated on niche growth areas like e-Commerce, mobile applications, etc. which it considers has a good growth potential.

The Company has judiciously used the combination of its employees and a partner network to penetrate markets.

(iii) The India Strategy

In India, apart from pursuing technology solutions and services as outlined above, the Company has taken specific steps to address the significant growth that it anticipates in India in the years to come especially in the transaction services side. Some of these are described below:

A hub and spoke model is being set up spanning the country with cost-efficient delivery capabilities. With this structure, the Company is today into processing of credit cards, insurance applications, contact point verifications, soft collections, cheque clearing services, reconciliations, etc.

With a strategic stake in Taxsmile, which is an online tax filing portal, the Company hopes to gain significant access to tax payers as customers for the Taxsmile portal.

The Company has also won several deals for setting up over 12,000 kiosks across various states in India for providing citizen services which is expected to transform the way the government services are rendered to the citizens. This could be a major source of revenue for the Company in future.

The Company expanded its Chennai facility by setting up an International Data Center (IDC) which would offer managed hosting services for application and Disaster Recovery solutions. 3i Infotech would also provide remote IT infrastructure management services through its Global Network and Security Operations Center (GNSOC) from its Chennai facility.

With this, the Company plans to grow exponentially with the growth of India. Revenues in South Asia currently constitute 34% of its global revenues.

(iv) Acquisitions Complementing Organic Growth

At different stages of the Company's evolution, the drivers for acquisitions have been different like reaching out for a new geography or new customer segment, adding a product or service range in the offerings, improving market positioning and brand image, adding delivery capability and increasing in size.

Having successfully acquired several companies and integrated them well, the acquisitions have worked significantly towards strengthening the organic growth of the Company.

The CAGR over the last four years has been 61%, out of which organic CAGR has been 41% and inorganic CAGR 20%.

List of significant Acquisitions and their Strategic Fit:

Verticals				Horizontals			
Banking	Insurance	Capital Markets	ERP	Technology Services	BPO	Value Adds	B2C
Ajax Software	Insyst	SDG	Insyst	Professional Access	Delta Services	Stex	Taxsmile
		Datacons				e-enable	
Triton				IBSI	HCCA		
SDG		Rhyme Systems		Command	aok		
Newton		Exact		Lantern	KNM		
J&B		AFL			Linear Software		

C Risks and their Mitigation

The growth plans of the Company have necessitated the need to identify risks in a proactive manner and address those risks. The Company has therefore put in place an Enterprise Risk Management (ERM) framework for risk management.

While drawing up an ERM framework for 3i Infotech, the Company has tried to keep it pragmatic and simple so that it gets ingrained in the organization.

ERM is modeled such that it is followed as a process which will be carried out continuously and not as a one-time exercise; it is effected in a way where people in the geographies and various business groups are involved, thereby creating an ownership. It is applied in strategy and across the enterprise, within groups, at every level and unit and at related entities. It is designed to identify potential risk factors potentially affecting the entity; to provide awareness to an entity's management and board about 'where the organization is heading', and is geared to the achievement of objectives.

The benefits that 3i Infotech perceives in putting through the ERM is aligning risk appetite and strategy, linking growth, risk and return, enhancing risk strategy decisions, minimizing operational surprises and losses, identifying and managing cross-enterprise risks, and rationalizing capital.

"3i Infotech has looked at managing risks through broad basing of the decision-making process by defining approval and review mechanisms"

3i Infotech has a broad based decision-making process through an organization structure with decision-making powers at various levels coupled with review mechanisms.

Risks at 3i Infotech can be classified into Strategic, Operations and Compliance.

Strategic Risks cover organic growth like business mix, client / geographic concentration, financial leverage and inorganic growth through acquisitions.

These risks are being managed through a supervised Business Planning process by defining threshold limits for business mix, client concentration and geographic concentration, a balanced debt/equity ratio, documenting pre-acquisition decision process, due diligence process and post-due diligence and acquisition process.

Operations Risks cover business operations, asset procurement and safety, systems security, quality of delivery, accounting, financial, legal and employee related risks.

This is being managed by well-documented processes, adopting quality models like SEI CMMI Level 5 for our Software services, ISO 9001:2000 for Infrastructure services and BPO operations, ISO/IEC 27001:2005 for Information Security Management system, defining a composite scoring model across geographies, verticals, horizontals and support functions to identify and control these risks.

Compliance Risk : The Company has a separate Compliance Department which ensures that compliances are met by way of a confirmation from heads of each geography, business heads and subsidiaries, at appropriate periodic intervals.

D Financial Analysis

(i) Summary of the Financials :

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME:		
Income from Operations	12,052.62	6,553.17
Other Income	183.05	154.55
Total Income	**12,235.67**	**6,707.72**
Expenditure		
Cost of Revenues	6,454.13	3,521.75
Gross Profit	**5,781.54**	**3,185.97**
Gross Profit Margin	***47.25%***	***47.50%***
Selling, General & Administrative Expenses	2,643.16	1,446.12
Software Development Cost	406.13	263.73
Profit Before Interest, Depreciation, Taxes	**2,732.25**	**1,476.12**
Operating Margin	***22.33%***	***22.01%***
Interest	505.12	208.99
Depreciation & Amortisation	243.96	168.84
Profit Before Taxation	**1,983.17**	**1,098.29**
Provision for Taxes	151.19	53.45
Profit After Taxation	**1,831.98**	**1,044.84**
Minority Shareholders' Interest	66.24	7.36
Net Profit After Minority Interest	**1,765.74**	**1,037.48**

Revenues

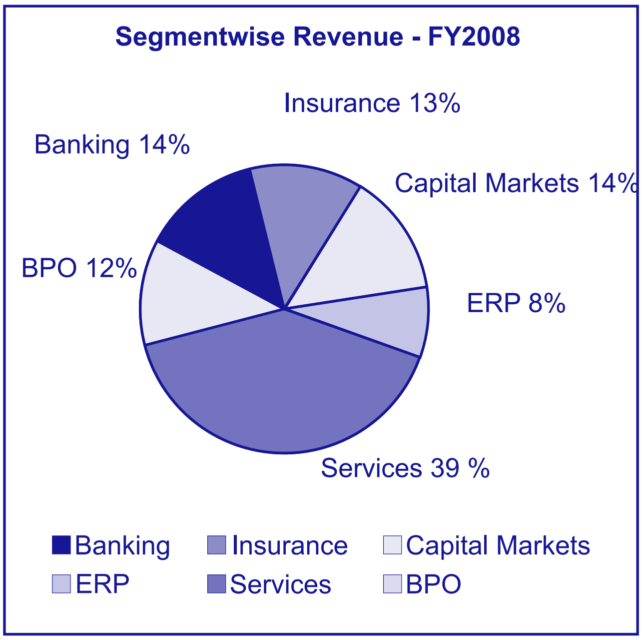
Revenue is broadly from two segments - software products and services. For the year ended March 31, 2008, this mix was 0.95:1 as compared to the previous year mix of 0.98:1.

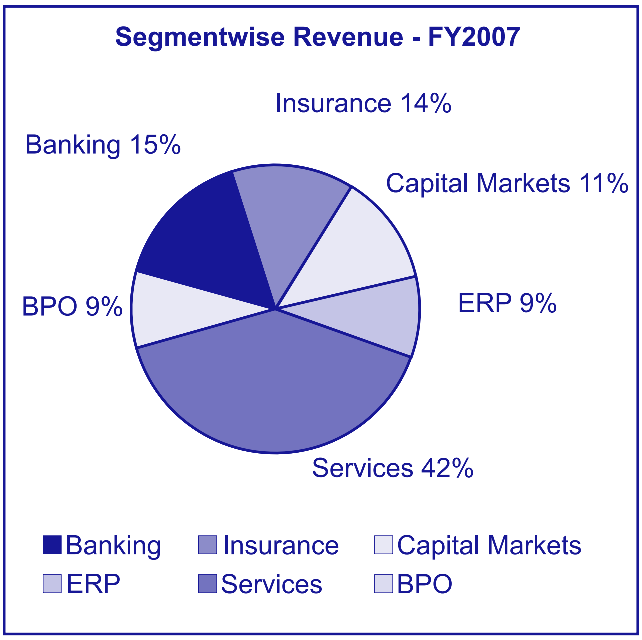
Capital Markets, which was a smaller component of revenue in the previous year has grown significantly in the current year. The Insurance, Banking and ERP products continue to make inroads into new clients and geographies.

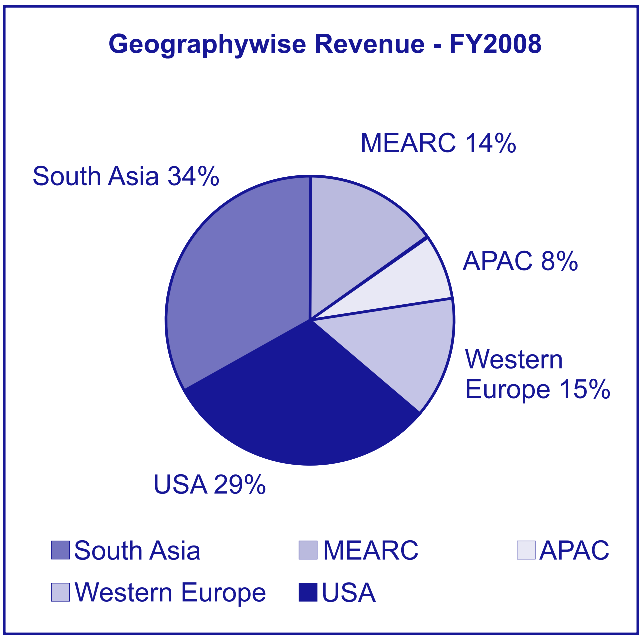
On the services side, substantial increase has happened in the BPO business from 9% of total revenues in the previous year to 12% of total revenues in the current year.

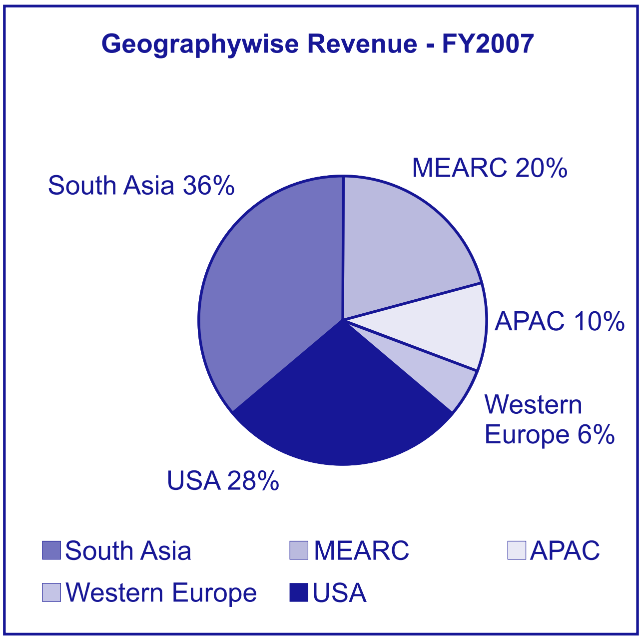
With respect to geographywise revenues, significant growth has happened across all markets.

The break-up of revenues is given below:









The Company also measures various metrics in order to assess the health of the revenue mix. Some of these which are considered critical are given below :

Client Concentration

	FY2008	FY2007
ICICI Group (Top customer)	15%	16%
Top 5 Customers (ex. ICICI Group)	8%	9%
Top 10 Customers (ex. ICICI Group)	12%	15%

Number of Million Dollar Clients

	FY2008	FY2007
> USD 1 million	48	32
> USD 5 million	6	4

Nature of Contracts with Client

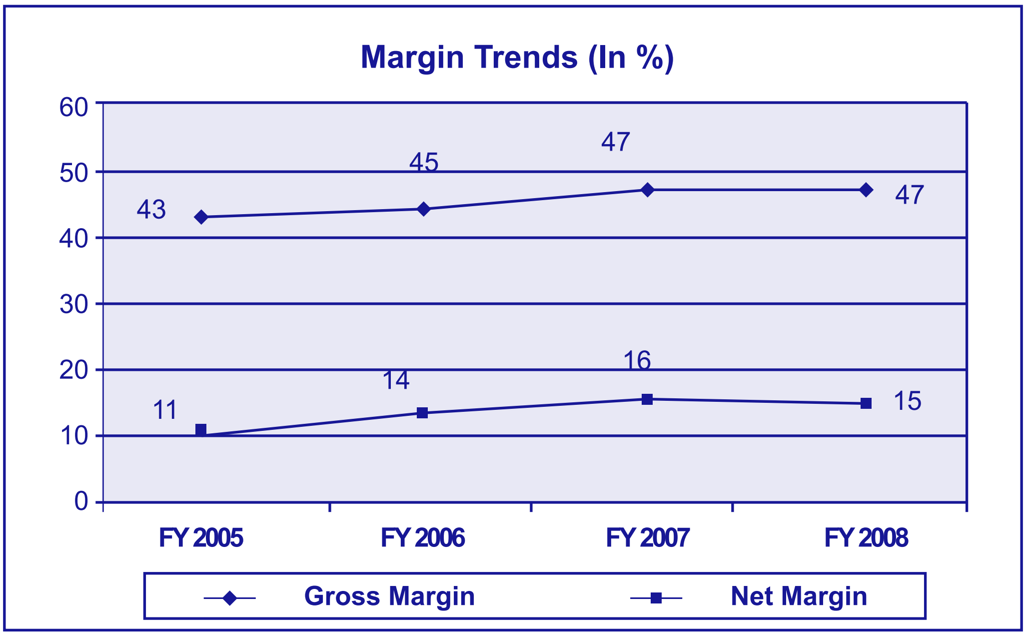
	FY2008	FY2007
Time & Material Basis	31%	25%
Fixed Price	69%	75%

Margins

Gross Margins on products are at 55% as against 54% in the previous year and on services at 40% as against 41% in the previous year.

Net Margin is arrived at after considering payroll costs which include salaries, commissions, etc. to the sales and support staff, traveling, advertisement expenses, rent, repairs and maintenance, communication, legal & professional charges, bank & other financial charges, selling & distribution expenses, bad debts, provision for doubtful debts and other miscellaneous expenses.

As the selling and general administration expenses are common across the segments, the Company measures overall Net Margins. These have moved from 15.6% in the previous year to 14.9% in the current year.



Commentary on Major Expenses:

Employee Cost

This consists of salaries and other manpower related costs. This forms a major portion of the Company's expenses. Employee cost as a percentage to total income was 40% in FY2008 as against 41% in FY2007.

Rent and Utilities

This includes leased rentals paid for premises and equipment. This has increased to 5% in FY2008 from 4% in FY2007.

The Company has always gone for a variable cost model to the extent possible. This allows the Company to free up capital expense costs which is much more of a commitment.

Cost of Outsourced and Bought out items

The Company has utilized the services of outsourcing agencies substantially in the transaction processing and managed services business. In addition, this line of cost also includes third party licenses which are sold as an integral part of our solutions to clients.

These expenses have increased to 21% in FY2008 as compared to 18% in FY2007. This increase is mainly on account of increase in revenues from the transaction services business.

Travel Expenses

Travel expenses as compared to sales have come down to 4% in FY2008 from 5% in FY2007. This is primarily due to rationalization of travel and organizing travel activity in an efficient way.

Research and Development

The Company believes in constantly investing in Research & Development (R&D). It has spent 3.32% of its revenues on product R&D in the current year as against 3.93% in the previous year.

Interest

Interest has grown from Rs. 208.99 million to Rs. 505.12 million in the current year primarily due to the increase in borrowings due to domestic acquisitions and working capital increase.

Interest cost as a percentage of average debt has moved from 8.45% to 10.32% in the current year. This is primarily due to hardening of the interest rates in the current year.

The Company continues to look at various options of reducing the average cost of borrowing by looking at various avenues including borrowing in international markets by its subsidiaries.

Depreciation and Amortisation

Depreciation has gone up from Rs. 168.84 million to Rs. 243.96 million in the current year. This is the result of additions in two areas. The e-Governance projects that the Company has forayed into, requires the Company to invest in infrastructure and IT equipment. In addition, the Company has moved from a pure leased decision to a combination of buy and lease in respect of IT equipment to rationalize the cost of lease vis-à-vis interest rates.

(ii) Balance Sheet Summary

	As at March 31, 2008	As at March 31, 2007
		Rupees in Million
SOURCES OF FUNDS		
Share Capital & Reserves	**7,542.77**	4,979.45
Loan Funds	**12,657.52**	6,474.90
Premium Payable on Redemption of FCCB	**362.37**	-
	20,562.66	11,454.35
APPLICATION OF FUNDS		
Goodwill on Consolidation	**10,031.01**	5,783.37
Net Fixed Assets	**2,931.20**	1,553.81
Investments	**33.54**	1.02
Deferred Tax Assets	**405.32**	373.69
Net Current Assets	**7,161.59**	3,742.46
	20,562.66	11,454.35

A few significant Balance Sheet items have been discussed below :

Debt

Debt consists of two components - debt raised from the Banks and the Foreign Currency Convertible Bonds (FCCBs) issued by the Company. The total debt of the Company as on March 31, 2008, was Rs.12,657.52 million as against Rs. 6,474.90 million in the previous year. This includes FCCBs of Rs. 6,694.80 million in the current year as against Rs. 2,645.71 million in the previous year.

These FCCBs carry no coupon but a Yield To Maturity (YTM) which gets payable only if they are redeemed. As per accounting standards, there is no need to make a provision for the premium payable on redemption since it is only contingent on repayment and is not payable if the FCCBs get converted. However, out of prudence, the Company has decided to provide for this out of the share premium account which is allowed under law.

The Company has believed that a reasonable debt on the books is needed to fund growth. Debt is taken for two purposes - working capital requirements and acquisitions. Since 69% of the Company's revenue comes from fixed price contracts, the business is working capital intensive. The Company raises both cash credit and working capital term loans to bridge the working capital gap. Acquisitions in India are temporarily funded by term loans which get repaid out of internal accruals.

The Company continues to pursue the policy of having a healthy mix between debt and equity. With FCCBs as debt, the debt to equity ratio is 1.32:1 considering net debt and considering gross debt, the ratio is 1.68:1.

Though FCCBs have been considered as debt, part of the FCCBs are already in the money and the balance have a long way to go before redemption. Besides, the Company has the option to force conversion if certain price triggers are reached. The Company therefore feels confident that these FCCBs will get converted and not remain as debt.

If these FCCBs are considered as equity, the debt to equity ratio is 0.23:1 considering net debt and considering gross debt, the ratio is 0.42:1.

The Company therefore does not consider it to be a cash flow problem.

Foreign Currency Convertible Bonds (FCCB)

3i Infotech has funded a significant part of its overseas acquisitions through FCCBs. FCCBs were issued at different points in time and at reasonable premiums to enable conversion. These zero coupon instruments had YTM ranging from 6.80% to 7.05%.

The Company has used this instrument effectively as it has got the advantages of both a debt and an equity instrument. As debt, they carry no coupon till redemption and as equity, they convert at a premium to market price on the date of issue, thereby reducing the dilution impact to existing shareholders.

A summary of the FCCBs issued is given below :

	First Issue	Second Issue	Third Issue	Fourth Issue
Issue Currency	USD	EURO	EURO	USD
Issue size	50 million	15 million	30 million	100 million
Issue date	Mar 16, 2006	Oct 16, 2006	Apr 2, 2007	Jul 26, 2007
Maturity date	Mar 17, 2011	Oct 17, 2011	Apr 3, 2012	Jul 27, 2012
Coupon rate	Zero coupon	1.50%	Zero coupon	Zero coupon
Conversion price–post bonus	Rs. 115.00	Rs. 95.00	Rs. 154.32	Rs. 165.94
Fixed Exchange rate of conversion	Rs. 44.35	Rs. 58.28	Rs. 57.60	Rs. 40.81
Early redemption option (i)	Yes	Yes	Yes	Yes
Conversions as at March 31, 2008	$ 29.80 million	€15.00 million	NIL	NIL
Conversions as at March 31, 2007	$ 5.10 million	€ 3.00 million	(-)	(-)
Pending utilization as at March 31,2008	NIL	NIL	NIL	NIL
Pending utilization as at March 31, 2007 (ii) (Rs. in million)	(459.80)	NIL	(-)	(-)
Contingent premium payable as at March 31, 2008 (iii)	355.69	NIL	547.80	1465.25
Contingent premium payable as at March 31, 2007 (Rs. in million)	(790.61)	(149.76)	(-)	(-)

Funds and their Utilization

		Rupees in Million
a)	**Current Assets Funding**	
	Debtors & Unbilled	4,988.33
	Loans & Advances and other Current Assets	2,530.74
		7,519.07
	Funded by :	
	Current Liabilities and Provisions	3,022.92
	Bank borrowings net of cash	3,297.28
		6,320.20
Balance from internal accruals		**1,198.87**
b)	**Fixed Assets and Goodwill Funding**	
	Goodwill	10,031.01
	Fixed Assets	2,964.74
		12,995.75
	Funded by :	
	Networth net of deferred tax asset	7,137.45
	FCCBs Pending Conversion	7,057.17
		14,194.62
Balance used to Fund Working Capital		**(1,198.87)**

Goodwill

Goodwill constitutes goodwill on consolidation arising out of the acquisitions that the Company has made.

Excess of consideration paid over the value of the net worth of the Company is shown as goodwill arising on consolidation in accordance with Accounting Standard 21 on 'Consolidated Financial Statements'. This Goodwill arising on account of acquisition of companies is not being amortized but is reviewed every year for impairment. The Company has had no reason to have an impairment on the goodwill till date.

The total consideration of Rs. 7,489.78 million paid by the Company for its various acquisitions post FY2005 has resulted in corresponding goodwill of Rs. 8,317.44 million out of the total goodwill of Rs. 10,031.01 million.

The total revenue of the acquired entities at the time of acquisition has been Rs. 5,397.86 million. This results in an average cost of acquisition of 1.39 times of revenue.

The revenue of the Company for the current year is Rs. 12,235.67 million, which is indicative of the organic growth that the Company is able to achieve.

Fixed Assets

Fixed assets are classified in the Company's Balance Sheet as Intangible and Tangible.

Intangible Assets include software purchased, goodwill and business & commercial rights which are capitalized at the acquisition price.

Tangible assets are stated at cost which comprises the purchase consideration and other directly attributable cost of bringing the asset to its working condition for the intended use. This includes land, buildings, plant & machinery / electrical installations, computers, furniture & fixtures, office equipment, vehicles & project assets.

To keep pace with the expansion plans of the Company, infrastructure facilities are being developed at various locations. The Company has traditionally gone for leased premises and infrastructure. The capital expenditure during fiscal 2007-08 amounted to Rs. 972.52 million. This primarily comprised expenditure on computers and project assets which included office equipment, plant & machinery / electrical installations, furniture & fixtures and computers purchased for contracts entered into with various state governments for e-Governance projects.

Adjustments made to the gross block were for an amount of Rs. 641.97 million. This was arising out of the mergers & acquisitions entered into by the Company.

Loans and Advances

Rupees in Million	FY2008	FY2007
Loans	1.86	2.10
Advance tax and tax deducted at source	315.49	145.28
(Net of provisions of Rs. 484.59 million; previous year Rs. 84.11 million)		
MAT Credit Receivable	120.09	9.41
Deposits	554.24	283.96
Advances recoverable in cash or in kind or for value to be received	1,539.06	714.14
Total Loans and Advances	**2,530.74**	**1,154.89**

Deposits comprise mainly rental deposits, tender deposits, etc. Advances recoverable in cash or in kind comprise mainly prepaid expenses like insurance, annual maintenance, etc., supplier advances, indirect tax recoverables, travel advances, etc.

Debtors and Unbilled Revenue

Debtors are booked as receivables in the Company's books, based on the payment milestones as per the contract with the Customer.

Unbilled Revenue is revenue recognized in the books as per percentage completion of work done but not yet billed or invoiced to the Customer since it is not due for billing as per the payment schedule in the contract entered into with the Customer.

The Company has taken certain steps to reduce Unbilled Revenue by building more payment milestones at the time of contract negotiation.

The following table gives the comparison of Days of Sales Outstanding for Debtors and Unbilled over a period of four years.

	Days Sales Outstanding			
	FY2005	**FY2006**	**FY2007**	**FY2008**
Debtors	89	86	82	70
Unbilled	103	73	76	58
	192	**159**	**158**	**128**

CAUTIONARY STATEMENT

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates, etc., may constitute 'forward- looking-statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections, etc. whether express or implied. Several factors could make a significant difference to the Company's operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, natural calamities, etc. over which the Company does not have any direct control.

Auditors' Report

To

The Board of Directors of 3i Infotech Limited
on Consolidated Financial Statements

1. We have audited the attached Consolidated Balance Sheet of 3i Infotech Limited (the 'Parent Company') and its subsidiaries collectively referred to as 'the 3i Infotech Group' as at March 31, 2008, the Consolidated Profit & Loss Account and also 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 certain subsidiaries whose financial statements reflect the total assets of Rs.16,283.67 million as at March 31, 2008 and total revenues of Rs. 6,020.76 million for the year/period ended that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

4. a) The financial statements of three subsidiaries, whose financial statements reflect total assets of Rs. 978.24 million as at March 31, 2008 and total revenue for the period ended on that date is Rs. 40.65 million, have not been audited. Our opinion is based on the management certificate provided to us.

   b) Financials of an associate in Egypt, in which the Group has invested a sum of Rs. 32.50 million in the month of October, 2007 hasn't been consolidated in view of the financials being under preparation. The management is of the opinion that the impact of the same on the said consolidated financials is insignificant.

5. 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.

6. Subject to the matter referred to in paragraph 4 above, 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 XIV 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 3i Infotech Group and its subsidiaries as at March 31, 2008;

   (ii) in the case of Consolidated Profit and Loss account, of the profit of the 3i Infotech Group for the year ended on that date; and

(iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the 3i Infotech Group for the year ended on that date.

For **LODHA & CO.**
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Mumbai,
April 25, 2008

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

Rupees in Million

	Schedule	As at March 31, 2008	As at March 31, 2007
I. SOURCES OF FUNDS			
1. Shareholders' Funds :			
A. Share Capital	I	**2,305.35**	1,562.99
B. Reserves and Surplus	II	**5,135.29**	3,397.44
		7,440.64	4,960.43
2. Minority Interest	III	**102.13**	19.02
3. Loan Funds :			
A. Secured Loans	IV	**1,078.65**	1,519.31
B. Unsecured Loans	V	**11,578.87**	4,955.59
		12,657.52	6,474.90
4 Premium payable on Redemption of FCCB		**362.37**	-
		20,562.66	11,454.35
II. APPLICATION OF FUNDS			
1. Goodwill arising on consolidation		**10,031.01**	5,783.37
2. Fixed Assets :	VI		
A. Gross Block		**3,665.17**	2,298.00
B. Less : Depreciation		**1,525.27**	927.81
C. Net Block		**2,139.90**	1,370.19
D. Capital Work-in-Progress		**791.30**	183.62
		2,931.20	1,553.81
3. Investments	VII	**33.54**	1.02
4. Deferred Tax Asset (net)		**405.32**	373.69
5. Current Assets, Loans and Advances	VIII		
A. Current Assets :			
a. Sundry Debtors		**2,719.95**	1,896.33
b. Unbilled Revenues		**2,268.38**	1,754.77
c. Cash and Bank Balances		**2,665.44**	973.70
		7,653.77	4,624.80
B. Loans and Advances		**2,530.74**	1,154.89
		10,184.51	5,779.69
Less: Current Liabilities and Provisions :	IX		
A. Current Liabilities		**2,448.61**	1,622.49
B. Provisions		**574.31**	414.74
		3,022.92	2,037.23
Net Current Assets		**7,161.59**	3,742.46
		20,562.66	11,454.35

Significant Accounting Policies and Notes to Accounts XIV

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

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

R P Baradiya
Partner
Membership No : 44101
Mumbai, April 25, 2008

For and on behalf of the Board

V Srinivasan
Managing Director and CEO

S Santhanakrishnan
Director and Chairman of
Audit Committtee

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, 2008

Rupees in Million

	Schedule	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME:			
Income from Operations	**X**	**12,052.62**	6,553.17
Other Income	**XI**	**183.05**	154.55
Total Income		**12,235.67**	6,707.72
EXPENDITURE:			
Cost of Revenues	**XII**	**6,454.13**	3,521.75
Software Development cost		**406.13**	263.73
Selling, General and Administrative Expenses	**XIII**	**2,643.16**	1,446.12
Total Expenditure		**9,503.42**	5,231.60
Profit before interest, depreciation and amortisation		**2,732.25**	1,476.12
Interest		**505.12**	208.99
Depreciation and amortisation		**243.96**	168.84
Profit Before Taxation		**1,983.17**	1,098.29
Provision for Taxes			
- Deferred Taxes (net)		**7.13**	9.20
- Current Taxes		**231.13**	32.04
- Fringe Benefit Tax		**22.01**	12.21
- Mat Credit Entitlement		**(110.33)**	-
		1,833.23	1,044.84
- Pertaining to earlier years written off		**1.25**	-
Profit After Taxation & Before Exceptional items		**1,831.98**	1,044.84
Add/(less) : Exceptional items (Refer Note no.2.7)		**-**	120.06
Profit After Exceptional Items		**1,831.98**	1,164.90
Add/(less) : Provision for Contingency (Refer note no 2.18)		**-**	(120.06)
Profit After Exceptional items & Provision for Contingency		**1,831.98**	1,044.84
Minority Shareholders' Interest		**66.24**	7.36
Net Profit After Minority Interest		**1,765.74**	1,037.48
Earnings per Share			
Equity shares, par value Rs 10 each (Refer note no 2.14)			
Before Exceptional items and Provision for Contingency			
Basic (Rs.)		**13.40**	8.99
Diluted (Rs.)		**12.65**	8.69
After Exceptional items and Provision for Contingency			
Basic(Rs)		**13.40**	8.99
Diluted (Rs)		**12.65**	8.69

Significant Accounting Policies and Notes to Accounts XIV

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

As per our attached report of even date For Lodha & Company Chartered Accountants	For and on behalf of the Board	
	V Srinivasan Managing Director and CEO	S Santhanakrishnan Director & Chairman of Audit Committtee
R P Baradiya Partner Membership No : 44101 Mumbai, April 25, 2008	Amar Chintopanth Executive Director and CFO	Shivanand R Shettigar Company Secretary

3i INFOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
A Cash Flow from Operating Activities :		
Profit before Taxation & Exceptional items	**1,983.17**	1,098.29
Adjustments for:		
Depreciation / Amortization	**243.96**	168.84
Foreign Exchange loss / (gain)	**(13.71)**	(35.91)
Loss / (Profit) on sale / discarding of fixed assets	**2.55**	8.83
Dividend Income	**(1.56)**	(1.45)
Interest earned	**(122.54)**	(81.61)
Interest Paid	**505.12**	208.99
Obsolete stock written off	**-**	3.42
Provision for doubtful debts	**168.13**	147.96
Bad debts written off	**13.05**	17.61
Operating Profit before Working Capital Changes	**2,778.17**	1,534.97
Adjustments for:		
Trade and Other Receivables	**(2,373.92)**	(2,264.53)
Trade Payables and Other Liabilities	**2,910.37**	1,988.93
	536.45	(275.60)
Cash generated from Operations	**3,314.62**	1,259.37
Income Taxes (including FBT (paid) / refund received)	**(437.78)**	(106.37)
Net cash from Operating Activities - A	**2,876.84**	1,153.00
B Cash Flow from Investing Activities :		
Acquisitions during the year	**(3,532.44)**	(3,862.89)
Purchase of fixed assets(including Capital Work-in-Progress & advances)	**(3,110.72)**	(641.24)
Sale / write off of fixed assets	**209.76**	(16.84)
Purchase of Investments / application money	**(1,157.09)**	1,190.95
Sale of Investments	**1,141.43**	(1,190.95)
Dividend received	**1.56**	1.45
Loans and advances (given) / received back	**0.24**	(1.41)
Interest received	**122.54**	73.31
Net cash used in Investing Activities - B	**(6,324.72)**	(4,447.62)

3i INFOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENTT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
C Cash Flow from Financing Activities :		
Proceeds from issue of Equity Share Capital	**62.15**	133.24
Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	**5,625.05**	884.55
Share / FCCB Issue Expenses	**(185.30)**	(122.90)
Proceeds from / (Repayment of) borrowings -net	**327.52**	1,153.96
Dividends paid (including taxes)	**(219.54)**	(193.63)
Interest paid	**(503.90)**	(205.59)
Net Cash from Financing Activities - C	**5,105.98**	1,649.62
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	**1,658.10**	(1,645.00)
Cash and Cash Equivalents as at beginning	**926.48**	2,571.48
Cash and Cash Equivalents as at end	**2,584.58**	926.48

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 on " Cash Flow Statements " issued by The Institute of Chartered Accountants of India.
2. Margin money of Rs.80.86 million (as at March 31, 2007 - Rs.47.22million) has been excluded from Cash and Cash equivalents and included in Trade and Other Receivables.
3. 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 XIV)

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

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

R P Baradiya
Partner
Membership No : 44101
Mumbai, April 25, 2008

For and on behalf of the Board

V Srinivasan
Managing Director and CEO

S Santhanakrishnan
Director and Chairman of Audit Committtee

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, 2008	As at March 31, 2007
I. Share Capital		
Authorised		
300,000,000 Equity shares of Rs.10 each (as at March 31, 2007 - 150,000,000 of Rs.10 each)	**3,000.00**	1,500.00
200,000,000 Cumulative Preference shares of Rs.5 each	**1,000.00**	1,000.00
	4,000.00	2,500.00
Issued, Subscribed & Paid - up		
130,535,185 Equity shares of Rs. 10 each (56,298,739 equity shares as at March 31, 2007)	**1,305.35**	562.99
200,000,000 6.35% Cumulative Preference shares of Rs.5 each	**1,000.00**	1,000.00
	2,305.35	1,562.99
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	**2,284.83**	1,861.54
Add : Received on allotment of equity shares	**54.42**	119.74
Add : On account of Conversion of FCCBs	**1,708.05**	381.99
Less : Utilised towards issue of Bonus shares	**647.88**	-
Less : Utilised towards FCCB issue expenses	**185.30**	106.73
Less : Utilised towards Premium payable on redemption of FCCB	**362.37**	-
Add : IPO/FCCB issue expense provision written back	**-**	28.29
	2,851.75	2,284.83
c. General Reserve		
Balance as per last Balance Sheet	**109.44**	60.00
Add : Transferred from Profit & Loss Account	**101.00**	49.44
Less : Adjustment for employee benefits (Refer note no. 2.3)	**76.28**	-
Add: Deferred Tax on above ajdustment (Refer note no. 2.13)	**25.93**	-
	160.09	109.44
d. FCCB Redemption Reserve		
Transferred from Profit and Loss Account	**448.37**	-
	448.37	-
e. Profit and Loss Account		
Profit / (Loss) brought forward as per last Balance Sheet	**1,002.59**	226.13
Less : Translation reserve adjusted	**(227.08)**	(7.16)
Less : FCCB Redemption Reserve	**(448.37)**	-
Less : Residual dividend paid	**(13.41)**	(0.28)
	313.73	218.69
Add : Profit / (Loss) for the year	**1,765.74**	1,037.48
	2,079.47	1,256.17

Rupees in Million

		As at March 31, 2008	As at March 31, 2007
	Less: Appropriations		
	- General Reserve	**101.00**	49.44
	- Proposed Dividend - Equity Shares	**195.80**	112.60
	- Proposed Dividend - Preference Shares	**10.44**	10.26
	- Interim Dividend - Preference Shares	**53.24**	53.24
	- Corporate Dividend Tax	**44.49**	28.04
		1,674.50	1,002.59
	Total	**5,135.29**	3,397.44
III	**Minority Interest**	**102.13**	19.02
IV	**Secured Loans**		
	Term Loans	**757.83**	1,128.74
	Cash Credit	**320.82**	390.57
		1,078.65	1,519.31
V	**Unsecured Loans**		
	Foreign Currency Convertible Bonds (Refer note no. 2.6)	**6,694.80**	2,645.71
	Loans from banks	**4,884.07**	2,309.88
		11,578.87	4,955.59

3i INFOTECH LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
VI Fixed Assets

Rupees in Million

Particulars	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at April 1, 2007	Adjustments during the year*	Additions during the year	Ded / Adj during the year	As at March 31, 2008	Upto March 31, 2007	Adjustments during the year*	For the year	Ded / Adj during the year	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
Intangible assets												
Goodwill	17.91	-	-	-	17.91	9.09	-	3.58	-	12.67	5.24	8.82
Software Products												
- Meant for sale	84.45	-	-	-	84.45	21.98	-	-	0.17	21.81	62.64	62.47
- Others	292.17	82.28	378.95	(2.51)	755.91	132.98	67.17	39.60	0.15	239.60	516.31	159.19
Business & Commercial Rights	446.24	51.78	-	0.61	497.41	158.04	-	43.18	0.15	201.07	296.34	288.20
Tangible assets												
Land - Leasehold	5.24	-	-	-	5.24	0.56	-	0.09	-	0.65	4.59	4.68
- Freehold 20.88	-	-	2.24	18.64	-	-	-	-	-	18.64	20.88	
Buildings - Owned	17.14	-	-	-	17.14	2.67	-	1.50	0.22	3.95	13.19	14.47
- Leasehold	436.09	69.24	-	0.59	504.74	94.77	32.17	23.34	0.08	150.20	354.54	341.32
Plant & Machinery / Electrical Installations	133.05	6.47	16.22	1.17	154.57	41.46	1.16	7.28	0.02	49.88	104.69	91.59
Computers	371.63	286.70	240.01	71.79	826.55	299.65	211.80	60.60	4.68	567.37	259.18	71.98
Furniture & Fixtures	223.32	59.42	30.56	3.35	309.95	113.14	40.16	9.45	1.81	160.94	149.01	110.18
Office Equipment	70.47	72.59	35.22	2.14	176.14	25.59	32.04	19.04	0.34	76.33	99.81	44.88
Vehicles	56.02	13.49	26.89	7.85	88.55	15.54	4.04	6.09	2.65	23.02	65.53	40.48
Project Assets**	123.39	-	244.67	160.09	207.97	12.34	-	30.19	24.75	17.78	190.19	111.05
Total	**2,298.00**	**641.97**	**972.52**	**247.32**	**3,665.17**	**927.81**	**388.54**	**243.96**	**35.02**	**1,525.27**	**2,139.90**	**1,370.19**
Previous year	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	

* pertains to adjustments arising out of merger /acquisitions

** 'Project assets' includes assets purchased for contracts entered into with various state governments for e governance projects. These assets are liable to be transferred to the respective Governments at various points of time as per the terms of the relevent agreements.The details whereof are as under:

(i) Computers of Rs.165.44 million (as at March 31, 2007 Rs.123.29 million), Accumulated Depreciation-Rs.17.76 million (as at March 31, 2007 Rs.12.34 million) and Net Value Rs.147.68 million (as at March 31, 2007 Rs.111.05 million) .

(ii) Plant & Machinery / Electrical Installations of Rs 39.78 million (as at March 31, 2007 Nil), Accumulated Depreciation-Rs.0.02 million (as at March 31, 2007 Nil) and Net Value Rs.39.76 million (as at March 31, 2007 Nil) .

(iii) Furniture & Fixtures of Rs.2.26 million (as at March 31, 2007 Nil), Accumulated Depreciation-Rs.0.01 million (as at March 31, 2007 Nil) and Net Value Rs.2.75 million (as at March 31, 2007 Nil) .

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	As at March 31, 2008	As at March 31, 2007
		Rupees in Million
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. 37,500 Equity Shares of Egyptian Pounds 100 ` each of Nile Information Technology (Refer Note No 2.4.21)	**32.50**	-
c. National Savings Certificate	**0.02**	-
d. 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
	-	-
	33.54	1.02
VIII Current Assets, Loans and Advances		
A Current Assets		
a) Sundry Debtors	**2,719.95**	1,896.33
b) Unbilled Revenues	**2,268.38**	1,754.77
c) Cash and Bank Balances :		
i. Cash on hand	**2.05**	0.89
ii. Balances with banks:		
in current accounts *	**2,559.96**	454.82
in deposit accounts	**22.57**	470.77
in margin money accounts	**80.86**	47.22
	2,665.44	973.70
	7,653.77	4,624.80
* Includes cheques on hand and remittances - in - transit	**1,684.46**	22.20
B Loans and Advances		
(Unsecured, Considered good)		
Loans	**1.86**	2.10
Advance tax and tax deducted at source (net of provisions of Rs.484.59 million; previous year Rs.84.11 million)	**315.49**	145.28
MAT Credit Receivable	**120.09**	9.41
Deposits	**554.24**	283.96
Advances recoverable in cash or in kind or for value to be received	**1,539.06**	714.14
	2,530.74	1,154.89
	10,184.51	5,779.69

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2008	As at March 31, 2007
IX Current Liabilities and Provisions		
A Current Liabilities		
Acceptances	**26.09**	226.46
Sundry creditors	**1,869.67**	1,070.27
Advances received from Customers (including unearned income)	**118.21**	192.18
Interest accrued but not due	**5.20**	3.98
Other liabilities	**429.44**	129.60
	2,448.61	1,622.49
B Provisions		
Provision for employee benefits	**157.89**	97.06
Provision for warranty	**55.07**	54.18
Provision for Contingencies	**120.06**	120.06
Proposed dividend (including tax thereon)	**241.29**	143.44
	574.31	414.74
	3,022.92	2,037.23
X Income from Operations		
Products	**5,961.35**	3,319.25
Services	**6,091.27**	3,233.92
	12,052.62	6,553.17
XI Other Income		
Interest	**122.54**	81.61
Dividend - Others (Non-Trade)	**1.56**	1.45
Foreign Exchange gain (net)	**13.71**	35.91
Miscellaneous income	**45.24**	35.58
	183.05	154.55
XII Cost of Revenues		
Salary and salary related expenses	**4,175.43**	2,454.01
Cost of Outsourced services & boughtout items	**2,387.02**	1,159.32
Travelling and conveyance	**297.81**	172.15
	6,860.26	3,785.48
Less: Transferred to software development cost	**406.13**	263.73
	6,454.13	3,521.75

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
XIII Selling, General and Administrative Expenses		
Salary and salary related expenses	**694.30**	285.52
Recruitment and Training Expenses	**74.21**	40.90
Cost of outsourced services	**171.84**	55.74
Rent	**560.80**	254.71
Insurance	**74.42**	22.11
Travelling and conveyance	**209.75**	171.87
Electricity Charges	**107.50**	48.69
Rates and taxes	**46.78**	23.43
Communication expenses	**152.13**	91.65
Loss on sale/discarding of Fixed Assets (net)	**2.55**	8.83
Printing and stationery	**25.83**	20.20
Repairs and maintenance - building	**7.79**	3.97
Directors' Commission	**12.10**	7.50
Obsolete stock written off	**-**	3.42
Legal and professional charges	**87.35**	24.22
Bank Charges and other financial charges	**40.02**	40.64
Selling and distribution expenses	**84.60**	72.01
Bad debts written off	**13.05**	17.61
Provision for doubtful debts	**168.13**	147.96
Miscellaneous Expenses	**110.01**	105.14
	2,643.16	1,446.12

3i INFOTECH LIMITED

XIV SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Overview of the Group

3i Infotech Limited ('Parent') was promoted by erstwhile ICICI limited. The Parent and its subsidiaries are collectively referred to as 'the Group'. 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 managed services 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. Any revision to accounting estimates is recognized prospectively.

1.4 Principles of consolidation

The consolidated financial statements include the financial statements of " The Parent" 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 AS 21- 'Consolidated Financial Statements' issued by the 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 have 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 standalone 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, step down subsidiaries and associates are listed below:

SI No.	Entity	Country of incorporation	Percentage of holding	Date of acquisition/ establishment
1	3i Infotech Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Jan 7, 2000
2	3i Infotech Asia Pacific Pte Ltd.	Singapore	100% held by Parent Company	Nov 8, 2000
3	3i Infotech SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd	Sept 29, 2002
4	3i Infotech (UK) Limited	UK	100% held by Parent Company	April 1, 2005
5	3i Infotech (Thailand) Limited	Thailand	100% held by 3i Infotech Pte Ltd	May 12, 2005
6	3i Infotech Consulting Inc.	USA	100% held by 3i Infotech Inc.	Sep 26, 2005
7	Datacons Asia Pacific SDN BHD	Malaysia	100% held by 3i Infotech Pte Ltd	May 11, 2006
8	Delta Services (India) Private Ltd.	India	51% held by Parent Company	Aug 1, 2006
9	3i Infotech Trusteeship Services Limited	India	100% held by Parent Company	Aug 31, 2006
10	Rhyme Systems Holdings Limited	UK	100% held by 3i Infotech (UK) Limited	Oct 20, 2006
11	Rhyme Systems Group Limited	UK	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
12	Rhymesis Limited	UK	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
13	Rhyme Systems Limited	UK	100% held by Rhyme Systems Holdings Limited	Oct 20, 2006
14	Stex Software Pvt. Ltd	India	100% held by Parent Company	Nov 7, 2006
15	E-Enable Technologies Pvt. Ltd	India	100% held by Parent Company	Nov 20, 2006
16	3i Infotech Holdings Private Limited	Mauritius	100% held by Parent Company	Nov 20, 2006
17	3i Infotech Financial Software Inc.	USA	100% held by 3i Infotech Holdings Private Limited	Dec 18, 2006
18	3i Infotech Saudi Arabia LLC	Saudi Arabia	100% held by Parent Company	Dec 24, 2006
19	3i Infotech (Africa) Limited	Kenya	100% held by Parent Company	April 27, 2007
20	Black Barret Holdings Limited	Cyprus	51% held by 3i Infotech Holdings Private Limited	May 8, 2007
21	Professional Access Software Development Pvt Limited	India	100% held by Black Barret Holdings Limited	May 8, 2007
22	Professional Access Limited	USA	51% held by 3i Infotech Holdings Private Limited	May 8, 2007
23	aok in-house BPO Services Pvt Ltd	India	50.5% held by Parent Company	May 29, 2007
24	aok in-house Factoring Services Pvt Ltd	India	50.5% held by Parent Company	May 29, 2007
25	KNM Services Pvt. Ltd	India	100% held by Parent Company	May 29, 2007
26	Lantern Systems Inc	USA	100% held by 3i Infotech (Middle East) FZ LLC	April 1, 2007
27	3i Infotech Kazakhstan LLC.	Kazakhstan	100% held by 3i Infotech Holdings Private Limited	June 29, 2007
28	3i Infotech (Middle East) FZ LLC.	UAE	100% held by 3i Infotech Holdings Private Limited	July 01, 2007
29	ePower, Inc	USA	100% held by 3i Infotech (Middle East) FZ LLC	July 01, 2007

1.5 Members of the Group:

3i Infotech's subsidiaries, step down subsidiaries and associates are listed below ++

Sl No.	Entity	Country of incorporation	Percentage of holding	Date of acquisition/ establishment
30	Manipal Informatics Pvt Limited	India	70% held by Delta Services (I) Pvt Ltd	July 29, 2007
31	HCCA Business Services Limited	India	51% held by Parent Company	Aug 29, 2007
32	Taxsmile.com India Pvt Ltd +	India	26% held by Parent Company	Sept 1, 2007
33	Antriksh Interactive Pvt. Ltd.	India	100% held by Taxsmile .com India Pvt. Ltd	Sept 1, 2007
34	Access Matrix Technologies Pvt. Ltd.	India	100% held by Taxsmile.com India Pvt. Ltd	Sept 1, 2007
35	J&B Software Inc.	USA	100% held by 3i Infotech Financial Software Inc.	Nov 1, 2007
36	J&B Software (Canada) Inc.	Canada	100% held by J&B Software Inc.	Nov 1, 2007
37	J&B Software India Pvt. Ltd	India	100% held by J&B Software Inc.	Nov 1, 2007
38	Objectsoft Group Inc.	USA	100% held by 3i Infotech (Middle East) FZ LLC	Nov 1, 2007
39	Objectsoft Global Services Inc.	USA	100% held by 3i Infotech (Middle East) FZ LLC	Nov 1, 2007
40	Linear Financial and Management systems Pvt Ltd	India	59.50% held by Parent Company	Dec 1, 2007
41	Exact Technical Services Limited	UK	100% held by Rhyme Systems Limited	Jan 29, 2008
42	Accounting Framework Limited	UK	100% held by Rhyme Systems Limited	Feb 8, 2008
43	3i Infotech Enterprise Solutions Inc. *	USA	100% held by 3i Infotech Holdings Private Limited	Dec 15, 2006
44	3i Infotech Insurance Solutions Inc. *	USA	100% held by 3i Infotech Holdings Private Limited	Dec 15, 2006
45	3i Infotech Investment Services Inc. *	USA	100% held by 3i Infotech Holdings Private Limited	May 11, 2006
46	Whizinfo Technologies Inc. **	USA	100% held by 3i Infotech Consulting Inc	Jan 26, 2007
47	Nile Information Technology***	Egypt	25% held by 3i Infotech (Middle East) FZ LLC	Oct 1, 2007
48	3i Infotech (Australia) Pty. Ltd.	Australia	100% held by 3i Infotech Pte Ltd	Feb 5, 2008
49	3i Infotech Services (Bangladesh) Pvt. Ltd.	Bangladesh	100% held by Parent Company	Mar 4, 2008

* On March 28, 2008, 3i Infotech Enterprise Solutions Inc, 3i Infotech Insurance Solutions Inc and 3i Infotech Investment Services Inc have been merged with 3i Infotech Inc and consequently the assets and liabilities pertaining to those entities which were hitherto owned by 3i Infotech Holdings Private Ltd. have been transferred to 3i Infotech Inc.

** On January 01, 2008 Whizinfo Technologies has been merged with 3i Infotech Consulting Inc.

*** Associate

\+ Board controlled Subsidiary Company

++ The following companies are not consolidated since there are no investments as on March 31, 2008:

a) 3i Infotech Consultancy Services Limited

b) SDG Software Technologies Pte. Ltd.

c) Convergent Payment Processing Services Inc.

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 year 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. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. Revenue from other service contracts is recognized based on transactions processed or 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.

1.7 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.

1.8a. Fixed assets

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

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

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

Tangible: Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset 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.

1.8b. Depreciation / Amortization:

Leasehold land, leasehold building and improvements thereon are amortized over the period of lease.
Business & Commercial Rights are amortized at lower of the period the benefits out of these are expected to accrue or ten years, while acquired 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 over the estimated useful life of the assets given herein below:

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

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

1.9 Investments

Trade investments are the investments made to enhance the Company's business interest. Investments are either classified as current or long-term based on the management's intention at the time of purchase. 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. Cost of overseas investment comprises the Indian Rupee value of the consideration paid for the investment.

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 in accordance with 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 the 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 are recognized in the Profit & Loss Account. Overseas investments are recorded at the rate of exchange in force on the date of allotment /acquisition.

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

All the activities of the foreign operations are carried out with a significant degree of autonomy. 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.

1.12 Accounting of Employee Benefits

Employee Benefits to employees in India

a) Gratuity

(i) Parent

The Parent 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 Parent also provides for additional liability over the amount contributed to LIC based on actuarial valuation, done by an independent valuer.

(ii) Subsidiaries

Liability for Gratuity for employees is provided on the basis of the actuarial valuation at the year-end.

b) Superannuation

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

c) Provident fund

(i) Parent

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. In case of Trust, 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/Government administered trust equal to a specified percentage of the covered employee’s salary.

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 & loss account in the year 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.
e) All actuarial gains/losses are charged to revenue in the year these arise.

Employee Benefits to employees in the Foreign Branches

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

All actuarial gains/losses are charged to revenue in the year these arise.

Employee 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 & loss account as incurred.

Liability for leave encashment is provided on the basis of actual eligibility at the year end as well as interim periods.

1.13 Provisions, Contingent Liabilities and Contingent Assets

i) Provisions involving substantial degree of estimation in measurement are recognized 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 recognized nor disclosed in the financial statements.

1.14 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 & Loss account.

1.15 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 in the Profit & Loss account whenever the carrying amount of such assets exceeds its recoverable amount. 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.

1.16 Securities issue expenses

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

1.17 Lease

(a) Lease transactions entered prior to April 1, 2001.
Lease rental in respect of assets acquired under leases are charged to Profit & 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. Equalized lease rentals for such leases are charged to Profit &Loss account.

1.18 Earnings per share

In determining the earnings per share, the Company considers the net profit after tax and post tax effect of any extra-ordinary/exceptional item is shown separately. The number of shares considered in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares considered for computing diluted earnings per share comprises the weighted average number of shares used for deriving the basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares which includes potential FCCB conversions. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.

1.19 Residual Dividend

Residual Dividend represents dividend on shares issued (entitled to previous period dividend) between the date of proposed dividend and record date.

2. NOTES TO ACCOUNTS

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

2.2 Capital commitments and contingent liabilities

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Capital Commitments*		
Estimated amount of contracts remaining to be executed on capital account and Not provided for (net of advances)	**277.87**	589.72
Contingent Liabilities		
Outstanding guarantees given by banks	**315.85**	325.81
- Premium on redemption of FCCB (Refer Note No. 2.6)	**2,368.74**	940.37
Estimated amount of claims against the Group not acknowledged as debts		
- Disputed demands for Income Taxes	**30.25**	20.18
- Customer claims	**-**	-
- Others**	**8.43**	4.36

* Excluding commitments pertaining to acquisitions which have been disclosed in the respective schedules.
**Includes legal expenses relating to Registrar & Transfer Services, which are reimbursable by the Principal to the extent of Rs. 1.32 million (previous year Rs 1.42 million).

2.3 Employee Benefit Plans

Effective April 1, 2007 the Company adopted the revised Accounting Standard (AS) 15 on Employee Benefits. Pursuant to the adoption, the transitional obligations i.e. for the period up to March 31, 2008 amounted to Rs. 76.28 million (net of deferred tax of Rs. 25.93 million) with respect to gratuity and leave encashment. As provided by the standard, such obligation has been adjusted to the opening balance of General Reserve.

The following table set out the status of the gratuity plan as required under AS 15:

Reconciliation of Benefit Obligations and Plan Assets

Rupees in million

Change in Defined obligation	**As at March 31, 2008**
Obligation at the beginning of the year	124.44
Interest cost	10.58
Current Service cost	18.13
Benefits paid	(5.48)
Actuarial (gain)/loss in obligations	(15.60)
Obligation at year end	**132.07**

Rupees in Million

Change in Fair value of plan assets	**As at March 31, 2008**
Fair value of planned assets at the beginning of the year	24.23
Expected return on the plan assets	2.06
Contributions by the employer	5.28
Benefits paid	(5.48)
Actuarial gain/(loss)on plan assets	-
Fair value of planned assets at year end	26.09

Rupees in Million

Reconciliation or Present Value of the obligation and the Fair value of the plan Assets	**As at March 31, 2008**
Liability at year end	132.07
Fair value of plan assets at year end	26.09
Liability recognized in the balance sheet	105.98

Assumptions	**As at March 31, 2008**
Discount Rate	8.25% p.a
Expected Rate of Return on Plan Assets	8.25% p.a
Salary Escalation Rate	7.00% p.a

With respect to leave encashment, liability recognized in the balance sheet as on March 31,2008 Rs. 46.14 million.

2.4.1 In July 2006, the Parent entered into a share purchase agreement with the owners of Delta Services (India) Pvt Ltd, Mumbai, (DSIPL) to acquire 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 maximum cap of Rs 50 million. In June 2007 the Parent has determined and paid the additional consideration and this being more than the maximum consideration of Rs 50.00 million, the Company has acquired the balance of 0.50%.

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

2.4.2 In October 2006, 3i Infotech (UK) Limited entered into a share purchase agreement with the owners of Rhyme Systems Holding Limited.,(Rhyme), 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.

In June 2007, the Parent has determined the earn out at GBP 1.2 million and has entered into an agreement with the owners of Rhyme to pay a sum of GBP 1.2 million as full and final consideration for the acquisition of shares of Rhyme.

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

2.4.3 In November 2006, the Parent 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 52.73 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 maximum consideration of Rs 304 million. In June 2007, the Parent has acquired the balance 49% at Rs 70.00 million.

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

2.4.4 In November 2006, the Parent 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.35.01 million payable upon achievement of certain measurable criteria such as future revenue/profitability etc., as per the agreement. In April 2007, the Parent has determined the earn out at Rs 35.01 million and has entered into an agreement with the owners of SSPL to pay a sum of Rs 35.01 million as full and final consideration for the acquisition of shares of SSPL.

Excess of consideration including additional consideration over the value of the net worth of SSPL is shown as goodwill arising on consolidation.

2.4.5 In May 2007, the Parent entered into a share purchase agreement with the owners of aok in-house BPO Services Ltd, New Delhi, (aok–BPO) to acquire the 15,605 shares (representing 50.5% of the paid up equity capital of aok in-house BPO Services Ltd, New Delhi) for a consideration of Rs 34.88 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.

Excess of consideration over the value of the net worth of aok–BPO is shown as goodwill arising on consolidation.

2.4.6 In May 2007, the Parent entered into a share purchase agreement with the owners of aok in-house Factoring Services Pvt. Ltd, New Delhi, (aok) to acquire 5,318 shares (representing 50.5% of the paid up equity capital of aok in-house Factoring Services Pvt. Ltd, New Delhi) for a consideration of Rs 24.67 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.

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

2.4.7 In May 2007, the Parent entered into a share purchase agreement with the owners of KNM Services Pvt. Ltd, New Delhi, to acquire the 6,000 shares (representing 60% of the paid up equity capital of KNM) for a consideration of Rs 8.06 million along with an option to acquire the balance 40% 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. In Feb 2008, the Parent has determined and paid the additional consideration and this being more than the maximum consideration of Rs.21.18 million for the balance of 40%.

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

2.4.8 In May 2007, 3i Infotech Holdings Private Limited, Mauritius, entered into a share purchase agreement with the owners of Black Barret Holdings Limited to acquire 510 shares (representing 51% of the paid up equity capital of Black Barret) for a consideration of USD 10.20 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for further consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement subject to a maximum consideration of USD 45.31 million.

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

2.4.9 In May 2007, 3i Infotech Holdings Private Limited, Mauritius, entered into a share purchase agreement with the owners of Professional Access Limited to acquire 51 shares (representing 51% of the paid up equity capital of Professional Access) for a consideration of USD 2.04 million along with a commitment to acquire the balance 49% of the paid up capital at a future date for further consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement subject to a maximum consideration of USD 2.45 million.

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

2.4.10 In April 2007, 3i Infotech Inc. entered into a share purchase agreement with the owners of Lantern Systems Inc., to acquire 500 shares (representing 100% of the paid up equity capital of Lantern) for a consideration of USD 7.50 million.

Excess of the value of net worth of Lantern over the consideration has been adjusted from goodwill .

In March 2008, the above mentioned shares have been transferred to 3iInfotech (Middle East) FZ LLC.

2.4.11 In June 2007, 3i Infotech Holdings Private Limited, Mauritius, acquired all the shares of Transworks LLP from the owners of Transworks LLP for a consideration of USD 4.5 million.

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

2.4.12 In July 2007, 3i Infotech Consulting Inc, acquired 3000 shares of ePower Inc., from the owners of ePower Inc., for a consideration of USD 6.13 million.

In December 2007, the above mentioned shares have been transferred to 3i Infotech (Middle East) FZ LLC.

Excess of consideration over the value of the net worth of ePower Inc, is shown as goodwill arising on consolidation.

2.4.13 In Aug 2007, the Parent entered into a share subscription and purchase agreement with HCCA Business Services Private Ltd., Mumbai, to invest in 11,932 shares (representing 51% of the paid up equity capital of HCCA) for a consideration of Rs 45.90 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 maximum of Rs 120.00 million.

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

2.4.14 In Aug 2007, Delta Services (India) Private Limited entered into a share purchase agreement with the owners of Manipal Informatics Private Limited to invest in 70,000 shares (representing 70% of the paid up equity capital of Manipal) for a consideration of Rs 22.76 million along with a commitment to acquire 20% for a consideration of Rs 6.50 million. Further, Delta Services (India) Private Limited has an option to acquire the balance 10% on a future date for additional consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement.

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

2.4.15 In September 2007, the Parent entered into a share purchase agreement with the owners of Taxsmile.com India Pvt. Ltd., Mumbai, to acquire the 1,040,000 shares (representing 26% of the paid up equity capital of Taxsmile) for a consideration of Rs 20.80 million along with a commitment to acquire the 25 % of the paid up capital after the closure of accounting year 31st March 2008 and before 31st May 2008 and another 25% of the paid up capital after the closure of accounting year 31st March 2010 and before 31st May 2010, for additional consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement.

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

2.4.16 In December 2007, the Parent entered into a share purchase agreement with the owners of Linear Financial and Management Systems Pvt. Ltd., New Delhi, to acquire the 16,386 shares (representing 59.50% of the paid up equity capital of Linear) for a consideration of Rs 93.24 million along with a commitment to acquire the 40.5 % of the paid up capital as per the terms defined in the agreement.

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

2.4.17 In November 2007, 3i Infotech Financial Software Inc. (formerly 3i Infotech Factoring Solutions Inc.) entered into a share purchase agreement with the owners of J&B Software Inc., to acquire the 3,000,000 shares (representing 100% of the paid up equity capital of J&B) for a consideration of USD 26 million.

Excess of consideration over the value of the net worth of J&B is shown as goodwill arising on consolidation.

2.4.18 In November 2007, 3i Infotech Consulting Inc. entered into a share purchase agreement with the owners of Objectsoft Group Inc. and Objectsoft Global Services Inc., to acquire the 400 shares (representing 100% of the paid up equity capital of Objectsoft Group and Objectsoft Global) for a consideration of USD 12.95 million. The shares were transferred to 3i Infotech (Middle East) FZ LLC in December 2007.

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

2.4.19 In January 2008, Rhyme Systems Limited entered into a share purchase agreement with the owners of Exact Technical Services Limited, UK to acquire 100 shares (representing 100% of the paid up equity capital of Exact) for a consideration of GBP 1.46 million (approximately equivalent to INR 116.81 million).The assets and liabilities were recorded at book values as of January 29, 2008.

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

2.4.20 In February 2008, Rhyme Systems Limited entered into a share purchase agreement with the owners of Accounting Frameworks Limited (AFL), UK to acquire 1000 shares (representing 100% of the paid up equity capital of AFL) for a consideration of GBP 6.27 million (approximately equivalent to INR 499.37 million).The assets and liabilities were recorded at book values as of February 08, 2008.

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

2.4.21 In October 2007, 3i Infotech Holdings Private Limited, Mauritius has invested in Nile Information Technology, Egypt , associate with holding of 25% of the total paid up capital.

The financials of this associate has not been consolidated in view of the financials being under preparation. The impact of the same on the consolidated financial is insignificant.

2.4.22 Effective April 1, 2006 the Parent merged its 100% subsidiary SDG Software Technologies Limited after obtaining the requisite approval in the month of December 2007.

2.4.23 Effective May 10, 2006 the Parent merged its 100% subsidiary Datacons Private Limited after obtaining the requisite approval in the month of January 2008.

2.5 The Parent has commenced the process of obtaining/compiling information from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006 and hence the disclosure, if any, relating to amounts unpaid as at the end of the period together with interest paid/payable as required under the Act could not be furnished.

2.6 Foreign Currency Convertible Bonds (FCCB):

The Company has issued Foreign Currency Convertible Bonds (FCCB) at different points of time, the details of such FCCB issues are summarized as follows:

	First Issue	**Second Issue**	**Third Issue**	**Fourth Issue**
Issue Currency	USD	EURO	EURO	USD
Issue size	50 million	15 million	30 million	100 million
Issue date	Mar 16, 2006	Oct 16, 2006	Apr 2, 2007	Jul 26, 2007
Maturity date	Mar 17, 2011	Oct 17, 2011	Apr 3, 2012	Jul 27, 2012
Coupon rate	Zero coupon	1.50%	Zero coupon	Zero coupon
Conversion price–post bonus	Rs.115.00	Rs.95.00	Rs.154.32	Rs.165.94
Fixed Exchange rate of conversion	Rs. 44.35	Rs. 58.28	Rs. 57.60	Rs. 40.81
Early redemption option (i)	Yes	Yes	Yes	Yes
Conversions as at March 31, 2008	$ 29.80 million	€ 15.00 million	NIL	NIL
Conversions as at March 31, 2007	($ 5.10 million)	(€ 3.00 million)	(-)	(-)
Pending utilization as at March 31, 2008	NIL	NIL	NIL	NIL
Pending utilization as at March 31, 2007 (ii) (Rs. in million)	(459.80)	NIL	(-)	(-)
Contingent premium payable as at March 31, 2008 (iii)	355.69	NIL	547.80	1,465.25
Contingent premium payable as at March 31, 2007 (Rs. in million)	(790.61)	(149.76)	(-)	(-)

(i) Subject to certain criteria as per offer document.

(ii) Kept in fixed deposits in banks outside India.

(iii) Premium payable on redemption of FCCB is amortized proportionately till the date of redemption and is adjusted against the balance in Securities Premium account.

2.7 Exceptional items comprise: -

Rupees in Million

		For the year ended March 31, 2008	For the year ended March31, 2007
a)	Reinstatement of Goodwill	**Nil**	1,250.00
b)	Software meant for sale capitalized in earlier years written off	**Nil**	(1,210.27)
c)	Reversal of deferred tax liability on above	**Nil**	250.11
d)	Customer claims / penalties	**Nil**	(169.78)
	Total: (a-b+c-d)	**Nil**	120.06

2.8 Goodwill arising on consolidation:

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Opening balance	**5,783.37**	704.44
Add: Additions during the year upon acquisition of -	**4,151.88**	5,078.93
Add: Translation Reserve	**95.76**	-
Closing balance	**10,031.01**	5,783.37

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 Managerial Remuneration:

Rupees in Million

	For the Year Ended March 31, 2008	For the Year Ended March 31, 2007
Salaries, Bonus and other allowances	**43.11**	19.43
Contribution to Provident and Other Funds	**0.81**	0.08
Monetary value of perquisites	**0.18**	0.57
Commission	**12.10**	7.50

*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.

2.11 Leases:

a. Operating Lease:

(i) The Parent 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 future lease rental payment that the Parent is committed to make is:

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Within one year	**652.53**	217.18
Later than one year and not later than five years	**856.32**	332.05
Later than five years	**-**	0.13

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

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Within one year	**173.58**	69.07
Later than one year and not later than five years	**350.26**	116.93
Later than five years	**-**	-

b. Financial Lease

There were no material financial leases entered into by the Group.

2.12 Auditors' Remuneration:

Rupees in Million

	For the Year Ended March'08	For the Year Ended March' 07
Audit Fees	**4.50**	2.50
Tax Audit Fees	**0.50**	0.30
Certification Fees	**0.19**	0.90
Re-imbursement of out of pocket expenses	**0.20**	0.10
For Service Tax	**0.64**	0.45
Total	**6.03**	4.25

2.13 Deferred Tax Asset:

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

Rupees in Million

Deferred Tax Asset:	**As at March 31, 2008***	**Current Year (Charge) / Credit***	**As at March 31, 2007**
Unabsorbed losses / depreciation	339.17	49.74	289.97
Expenses allowable on payment and others**	205.62	55.52	113.15
	544.78	**105.26**	**403.12**
Deferred Tax Liability:			
Fixed Assets (Depreciation / Amortization)	139.46	112.38	29.43
Net Deferred Tax (Liability) / Asset	**405.32**	**(7.12)**	**373.69**

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

** Deferred tax asset of Rs 25.93 million created on the employee benefits pertaining to earlier years is adjusted against General Reserves (Refer note no 2.3)

2.14 Earnings Per Share:

The earnings per share have been computed in accordance with the 'AS 20 – Earnings per share'.

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

	For the year ended March31, 2008	For the year ended March 31, 2007
Profit as per accounts (Rs. in million)	**1,831.98**	1,044.84
Minority shareholder's Interest (Rs. In million)	**(66.24)**	(7.36)
Net profit after minority interest (Rs. in million)	**1,765.74**	1,037.48
Less: Dividend on preference shares paid (incl. corporate taxes)	**(62.08)**	(60.70)
Less: Dividend on preference shares accrued but not declared (incl. Corporate taxes)	**(12.21)**	(11.70)
Profit attributable to Equity Shareholders (Rs. in million)	**1,691.45**	965.08
Weighted average number of Equity Shares outstanding during the year (Nos.) *	**126,267,212**	107,320,058
Add: Effect of dilutive issues of options	**7,394,738**	3,773,596
Diluted weighted average number ofEquity Shares outstanding during the year (Nos.) *	**133,661,950**	111,093,654
Nominal value of Equity Shares (Rs.)	**10**	10
Basic Earnings Per Share (Rs.)	**13.40**	8.99
Diluted Earnings Per Share (Rs.)	**12.65**	8.69

* including adjustment for bonus issue made in August 2007.

2.15 Employee Stock Option Plan

The Company's Employees Stock Option Plan (ESOP) 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, apartfrom 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 ESOP:

	As at March 31, 2008		As at March 31, 2007	
	Options	**Weighted average exercise price (Rs.)**	Options	Weighted average exercise price (Rs.)
Options outstanding, beginning of the year	**7,086,547**	**70.85**	5,701,292	51.79
Granted during the year	**6,662,000**	**139.32**	3,314,500	92.16
Bonus issue during the year	**11,561,752**	**100.97**	-	-
Exercised during the year	**(773,785)**	**58.97**	(1,350,262)	49.35
Forfeited/lapsed during the year	**(485,160)**	**94.23**	(578,983)	55.27
Options outstanding, end of year*	**24,051,354**	**104.20**	7,086,547	70.85
Vested options pending exercise	**7,884,350**	**59.16**	2,245,555	54.75

*Includes 3,212,000 options granted to managing director/whole time directors and non-executive directors (for the year ended March 31, 2007 2,221,000 options). Weighted average market price of the shares with respect to stock options exercised during the year ended March 31, 2008 is Rs.138.53 (for the year ended March 31, 2007 Rs. 96.68).

The following summarizes information about stock options outstanding:

As at March 31, 2008

Range of Exercise Price	Number of Shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs 37 to Rs 50	5,775,790	7	48.85
Rs 57 to Rs 150	18,275,564	9	121.70

As at 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 37 to Rs 50	6,536,284	7	48.65
Rs 57 to Rs 150	7,636,810	9	89.85

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. 3.90 to Rs. 61.15 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:

	As at March 31, 2008	As at March 31, 2007
Dividend yield	**1.39%**	1.08%
Expected volatility	**10% - 19.60%**	10% - 22.30%
Risk-free interest rate	**6.32% - 8.25%**	6.32% - 8.00%
Expected life of Option	**3 - 10 yrs**	3 - 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:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Profit attributable to Equity Shareholders	**1,691.45**	965.08
Add: Stock-based employee compensation expense included in net income	**-**	-
Less: Stock based compensation expense determined under fair value based method	**71.49**	30.39
Net Profit :	**1,619.96**	934.39
Basic earning per share (as reported)	**13.40**	8.99
Basic earning per share (under fair value method)	**12.83**	8.71
Diluted earning per share (as reported)	**12.65**	8.68
Diluted earning per share (under fair value method)	**12.12**	8.41

2.16 Related Party Transactions:

Directors/Key Management Personnel: Mr. V Srinivasan (Managing Director & CEO) Mr. Hari Padmanabhan (Deputy Managing Director); Mr. Amar Chintopanth (Executive Director and CFO)
The following transactions were carried out with the related parties in the ordinary course of business during the year:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Directors, Key Management Personnel and their relatives:		
Remuneration/fees	**56.10**	45.63
Expenses	**0.34**	0.34

Related party as identified by the management and relied upon by the auditors.

2.17 Disclosures pursuant to AS 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 & Loss account of the reportable segments is set out here below:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
b) Segment Revenues:		
Services	**6,091.27**	3,233.92
Products	**5,961.35**	3,319.25
Total Revenues	**12,052.62**	6,553.17
c) Segment Results (Gross Profit):		
Services	**2,329.05**	1,229.13
Products	**3,269.44**	1,802.29
Total Segment Results	**5,598.49**	3,031.42
Unallocable expenses:		
Selling, General and administrative expenses	**2,643.16**	1,446.12
Software Development Cost	**406.13**	263.73
Interest on loans	**505.12**	208.99
Depreciation	**243.96**	168.84
Operating Profit	**1,800.10**	943.74
Other Income	**183.05**	154.55
Profit Before Taxation	**1,983.17**	1,098.29
Less : Taxes	**151.19**	53.45
Profit After Taxation	**1,831.98**	1,044.84
Exceptional items	**-**	120.06
Less : Provision for Contingency	**-**	120.06
Less : Minority Shareholder's interest	**66.24**	7.36
Net Profit after Minority Interest and exceptional items	**1,765.74**	1,037.48

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, 2008**	For the year ended March 31, 2007
- South Asia	**4,008.45**	2,284.44
- Unites States of America	**3,528.34**	1,847.88
- Middle East and Africa	**1,710.84**	1,755.95
- Others	**2,804.99**	664.90
Total Revenues	**12,052.62**	6,553.17

2.18 Provision for Warranty and Contingencies:

Rupees In Million

	Warranty	**Contingencies**
Balance as at April 1,2007	54.18	120.06
Provisions made during the year	3.21	-
Provision written back during the year	2.32	-
Balance as at March 31, 2008	55.07	120.06

2.19 Amount of exchange difference (net) credited to Profit & Loss Account during the year ended March 31, 2008 Rs.13.71 million (for the year ended March 31, 2007 credited – Rs.35.91 million)

Signatures to Schedules "I" to "XIV"

For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

Mumbai, April 25, 2008

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 Limited	
					For the financial year ended on March 31, 2008	For the financial year ended on March 31, 2007	**For the financial year ended on March 31, 2008**	For the financial year ended on March 31, 2007
1	3i Infotech Inc. (USA)	March 31, 2008	55,264,840 Shares of USD 0.30 each & 1,000,000 Shares of USD 0.01each	$100%	USD 2.78 Million	USD 7.99 Million	-	-
2	3i Infotech Consulting Inc. (USA)	March 31, 2008	3,095 Ordinary Shares of USD 1 each	$$100%	USD (0.63) Million	USD 0.67 Million	-	-
3	3i Infotech Holdings Private Limited, (Mauritius)	March 31, 2008	2,197,953,620 Ordinary Shares of MUR 1 each	100%	MUR (4.02) Million	MUR 12.61 Million	-	-
4	3i Infotech Financial Software, Inc. (USA)	March 31, 2008	100,000 Ordinary Shares of USD 1 each	$100%	USD (0.22) Million	USD (0.07) Million	-	-
5	3i Infotech (Africa) Limited	March 31, 2008	100 Shares of 1000 Kenya Shillings each	100%	KES 4.13 Million	-	-	-
6	Black Barret Holdings Limited (Cyprus)	March 31, 2008	510 Shares of 1 Cyprus Pound each	$51%	USD (0.03) Million	-	-	-
7	Professional Access Software Development Pvt Limited, (India)	March 31, 2008	860,000 Equity Shares of Rs. 10 each	#100%	INR 63.49 Million	-	-	-
8	Professional Access Limited, USA	March 31, 2008	51 Shares of USD 1 each	$51%	USD 0.85 Million	-	-	-
9	Lantern Systems Inc	March 31, 2008	500 Shares of USD 1 each	@100%	USD 0.28 Million	-	-	-
10	3i Infotech Kazakhstan LLC.	March 31, 2008	530,000 Shares of KZT 1 each	$100%	KZT 0.11 Million	-	-	-
11	ePower Inc.	March 31, 2008	3,000 Shares of USD 1 each	@100%	USD 0.43 Million	-	-	-
12	J&B Software Inc.	December 31, 2008	2,529,091 Ordinary Shares of USD 0.01 each	**100%	USD 1.34 Million	-	-	-
13	J&B Software (Canada) Inc.	December 31, 2008	1,000,000 Shares of Canadian $0.000001 each	^100%	USD (0.000458) Million	-	-	-
14	J&B Software India Pvt. Ltd	March 31, 2008	162,195 Equity Shares of Rs. 10 each	^100%	INR (0.60) Million	-	-	-
15	Objectsoft Group Inc.	March 31, 2008	200 Shares of No par value	@100%	USD 0.83 Million	-	-	-
16	Objectsoft Global Services Inc.	March 31, 2008	200 Shares of No par value	@100%	USD 0.03 Million	-	-	-
17	3i Infotech Asia Pacific Pte. Ltd. (Singapore)	March 31, 2008	1,792,302 Ordinary Shares of SGD 1 each	100%	SGD 1.28 Million	SGD 1.47 Million	-	-
18	3i Infotech SDN BHD (Malaysia)	March 31, 2008	250,000 Ordinary Shares of MYR 1 each	*100%	MYR 11.65 Million	MYR 3.73 Million	MYR 1.00 Million	MYR 1.00 Million
19	3i Infotech (Thailand) Limited (Thailand)	March 31, 2008	25,000 Ordinary Shares of THB 100 each	*100%	THB 6.78 Million	THB 6.78 Million	-	-
20	Datacons Asia Pacific SDN BHD (Malaysia)	March 31, 2008	555,000 Ordinary Shares of MYR 1 each	*100%	MYR (0.33) Million	MYR 1.05 Million	-	-
21	3i Infotech (Middle East) FZ LLC.	March 31, 2008	500 Shares of AED 1000 each	$100%	AED 15.30 Million	-	-	-
22	3i Infotech Consultancy Services Limited	March 31, 2008	100,000 Equity Shares of Rs. 10 each	100%	-	-	-	-
23	3i Infotech (UK) Limited (England)	March 31, 2008	1,000,000 Equity Shares of GBP 1 each	100%	GBP 1.00 Million	GBP 0.24 Million	-	-
24	Delta Services (I) Pvt. Ltd (India)	March 31, 2008	204,000 Ordinary Shares of Rs. 10 each	51%	INR 26.33 Million	INR 12.28 Million	-	-
25	E-Enable Technologies Pvt. Ltd (India)	March 31, 2008	152,600 Ordinary Shares of Rs 10/- each	100%	INR 0.06 Million	INR (8.30) Million	-	-
26	Stex Software Pvt. Ltd (India)	March 31, 2008	51,000 Ordinary Shares of Rs 10/- each	100%	-	INR 0.45 Million	-	-
27	Rhyme Systems Holdings Limited	February 29, 2008	1,884,000 Equity Shares of GBP 1 each	##100%	GBP (1.05) Million	-	-	-
28	aok in-house BPO Services Ltd	March 31, 2008	15,605 Ordinary Shares of Rs.10/- each	50.50%	INR 10.14 Million	-	-	-
29	aok in-house Factoring Services Pvt. Ltd	March 31, 2008	26,588 Ordinary Shares of Rs.10/- each	50.50%	INR 1.11 Million	-	-	-
30	KNM Services Pvt. Ltd	March 31, 2008	50,000 Ordinary Shares of Rs.10/- each	100%	INR 2.12 Million	-	-	-
31	Manipal Informatics Pvt Limited	March 31, 2008	70,000 Ordinary Shares of Rs.10/- each	***70%	INR (3.70) Million	-	-	-
32	HCCA Business Services Private Limited	March 31, 2008	26,996 Ordinary Shares of Rs.10/- each	51%	INR 12.50 Million	-	-	-
33	Taxsmile.com India Pvt. Ltd	March 31, 2008	1,040,000 Ordinary Shares of Rs.10/- each	26%	INR (8.42) Million	-	-	-
34	Antriksh Interactive Pvt. Ltd	March 31, 2008	175,000 Ordinary Shares of Rs.10/- each	&100%	INR (0.63) Million	-	-	-
35	Access Matrix Technologies Pvt. Ltd	March 31, 2008	100,000 Ordinary Shares of Rs.10/- each	&100%	INR 0.65 Million	-	-	-
36	Linear Financial and Management Systems Pvt Ltd	March 31, 2008	29,822 Ordinary Shares of Rs.10/- each	59.50%	INR 2.97 Million	-	-	-
37	Exact Technical Services Limited	January 31, 2008	200,000 Ordinary Shares of GBP 1 each	@@100%	GBP 0.09 Million	-	-	-
38	Accounting Framework Limited	March 31, 2008	1,000 Ordinary Shares of GBP 1 each	@@100%	GBP 0.02 Million	-	-	-
39	3i Infotech Trusteeship Services Limited (India)	March 31, 2008	5,569,762 Ordinary Shares of Rs. 10 each	100%	INR 10.51 Million	INR (28.78) Million	-	-
40	3i Infotech Saudi Arabia LLC	March 31, 2008	500 Ordinary shares of SAR 1000 each	100%	SAR 1.37 Million	SAR 0.02 Million	-	-
41	SDG Software Technologies Pte. Ltd	March 31,2008	65,000 Ordinary Shares of SGD 1 each	100%	-	-	-	-

$Held by 3i Infotech Holdings Private Limited (Mauritius)
$$Held by 3i Infotech Inc. (USA)
*Held by 3i Infotech Asia Pacific Pte. Ltd. (Singapore)
**Held by 3i Infotech Financial Software Inc. and includes Convergent Payment Processing Services Inc.
***Held by Delta Services (I) Pvt. Ltd.
#Held by Black Barret Holdings Ltd.
##Held by 3i Infotech (UK) Limited & includes Rhyme Systems Group Limited, Rhyme Systems Limited and Rhymesis Limited
@Held by 3i Infotech (Middle East) FZ LLC
@@ Held by Rhyme Systems Limited
^ Held by J&B Software Inc.
& Held by Taxsmile.com India Pvt Ltd

3i INFOTECH LIMITED
STATEMENT RELATING TO SUBSIDIARY COMPANIES AS ON MARCH 31, 2008

S	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) $	661.92	434.44	3,295.83	3,295.83	480.44	595.08	122.93	12.01	110.93	-
2	3i Infotech Consulting Inc.(USA)$	0.12	323.24	386.18	386.18	-	534.61	(21.57)	3.67	(25.23)	-
3	3i Infotech Holdings Private Limited (Mauritius)@	3,340.89	13.05	9,007.49	9,007.49	7,258.10	-	(6.11)	-	(6.11)	-
4	3i Infotech Financial Software Inc. (USA)$	3.99	128.09	1,576.32	1,576.32	1,291.37	51.45	(8.62)	0.31	(8.94)	-
5	3i Infotech (Africa) Limited, (Kenya)&	0.32	2.67	3.00	3.00	-	12.46	2.67	-	2.67	-
6	Black Barret Holdings Limited, (Cyprus)***	0.08	(1.25)	0 .13	0.13	-	-	(1.25)	-	(1.25)	-
7	Professional Access Software Development Pvt Limited, (India)	8.60	167.08	228.28	228.28	-	336.14	66.79	3.30	63.49	-
8	Professional Access Limited,(USA)$	0.01	(98.43)	237.48	237.48	-	1,209.39	(0.18)	-	(0.18)	-
9	Lantern Systems Inc., (USA)$	0.02	(44.47)	37.67	37.67	-	223.11	17.25	5.99	11.27	-
10	3i Infotech Kazakhstan LLC., (Kazakhstan)^	0.18	(6.99)	(6.81)	(6.81)	-	-	(0.04)	-	(0.04)	-
11	ePower Inc., (USA)$	0.12	23.75	74.64	74.64	-	302.24	(10.77)	7.17	(17.95)	-
12	J&B Software Inc.,(USA)$	1.01	(661.23)	325.42	325.42	1.42	880.09	(117.40)	(14.66)	(102.74)	-
13	J&B Software (Canada) Inc., (Canada)	0.00	0.83	1.37	1.37	-	93.96	1.85	0.72	1.13	-
14	J&B Software India Pvt. Ltd., (India)	1.62	78.88	80.85	80.85	-	366.54	1.75	2.96	(1.22)	-
15	Objectsoft Group Inc., (USA)$	0.02	37.99	124.06	124.06	-	558.96	2.14	10.31	(8.16)	-
16	Objectsoft Global Services Inc., (USA)$	0.04	0.06	33.97	33.97	-	188.02	9.03	2.42	6.61	-
17	3i Infotech Asia Pacific Pte. Ltd. (Singapore)S$	51.76	165.23	217.44	217.44	15.18	383.84	34.05	(2.83)	36.87	-
18	3i Infotech SDN BHD (Malaysia)*	12.65	203.91	216.56	216.56	-	557.90	148.17	0.69	147.47	12.65
19	3i Infotech (Thailand) Limited (Thailand)**	3.20	16.63	19.83	19.83	-	56.52	8.67	-	8.67	-
20	Datacons Asia Pacific SDN BHD (Malaysia)*	7.02	12.46	19.49	19.49	-	11.92	(4.15)	-	(4.15)	-
21	3i Infotech (Middle East) FZ LLC., (UAE)$$	5.43	166.24	171.68	171.68	1,060.09	355.11	166.24	-	166.24	-
22	3i Infotech Consultancy Services Limited	-	-	-	-	-	-	-	-	-	-
23	3i Infotech (UK) Limited (England) £	79.60	1,549.65	2,785.01	2,785.01	1,696.20	244.32	79.60	-	79.60	-
24	Delta Services (I) P. Ltd (India)	4.00	53.63	141.60	141.60	22.77	490.62	42.00	15.67	26.33	-
25	E-Enable Technologies Pvt. Ltd (India)	1.53	2.64	4.16	4.16	-	11.44	0.14	0.08	0.06	-
26	Stex Software Pvt. Ltd (India)	0.51	7.23	7.74	7.74	-	-	-	-	-	-
27	Rhyme Systems Holdings Limited (England)£	149.98	(17.74)	1 ,291.12	1,291.12	573.99	1,356.82	(73.98)	9.90	(83.88)	-
28	aok in-house BPO Services Ltd, (India)	3.09	26.63	56.68	56.68	-	178.64	19.46	7.16	12.30	-
29	aok in-house Factoring Services Pvt Ltd, (India)	0.53	8.96	17.43	17.43	-	55.58	2.19	0.93	1.26	-
30	KNM Services Pvt. Ltd, (India)	0.50	2.93	3 .54	3.54	-	31.88	3.38	1.10	2.28	-
31	Manipal Informatics Pvt Limited, (India)	1.00	31.66	44.04	44.04	-	33.09	(5.40)	(1.70)	(3.70)	-
32	HCCA Business Services Pvt Limited, (India)	0.53	62.83	63.75	63.75	-	140.85	18.50	6.49	12.01	-
33	Taxsmile.com India Pvt Ltd., (India)	40.00	(22.07)	62.93	62.93	1 7.10	0.27	(33.71)	(11.64)	(22.07)	-
34	Antriksh Interactive Pvt. Ltd., (India)	1.75	1.75	-	-	-	272	(0.06)	(0.56)	0.50	-
35	Access Matrix Technologies Pvt. Ltd., (India)	1.00	1.34	2.34	2.34	-	4.49	0.59	0.24	0.35	-
36	Linear Financial and Management Systems Pvt Ltd., (India)	0.50	37.74	43.07	43.07	-	98.66	22.54	10.72	11.82	-
37	Exact Technical Services Limited, (England)£	0.01	20.88	20.89	20.89	-	53.61	10.49	1.79	8.69	-
38	Accounting Framework Limited, (England)£	0.08	50.51	50.59	50.59	-	150.98	24.51	6.77	17.74	-
39	3i Infotech Trusteeship Services Limited (India)	55.70	15.65	71.35	71.35	-	18.88	12.31	1.83	10.48	-
40	3i Infotech Saudi Arabia LLC#	5.33	14.49	19.82	19.82	-	136.20	14.66	-	14.66	-
41	SDG Software Technologies Pte. Ltd.	-	-	-	-	-	-	-	-	-	-

[\$] Converted to Indian Rupees at the Exchange rate, 1 USD =39.90
[S\$] Converted to Indian Rupees at the Exchange rate, 1 SGD =28.879
[£] Converted to Indian Rupees at the Exchange rate, 1 GBP =79.605
[*] Converted to Indian Rupees at the Exchange rate, 1 MYR =12.654
[**] Converted to Indian Rupees at the Exchange rate, 1 THB =1.2797
[@] Converted to Indian Rupees at the Exchange rate, 1 MUR =1.52
[#] Converted to Indian Rupees at the Exchange rate, 1 SAR =10.6666
[\$\$] Converted to Indian Rupees at the Exchange rate, 1 AED =10.8672
[&] Converted to Indian Rupees at the Exchange rate, 1 KES =0.6469
[***] Converted to Indian Rupees at the Exchange rate, 1 CYP =107.7137
[^] Converted to Indian Rupees at the Exchange rate, 1 KZT =0.3354
[^^] Converted to Indian Rupees at the Exchange rate, 1 AUD =36.6182

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

US Dollar in Million

	As at March 31, 2008	As at March 31, 2007
I. SOURCES OF FUNDS		
1. Shareholders' Funds :		
A. Share Capital	**57.78**	35.98
B. Reserves and Surplus	**128.70**	78.21
	186.48	114.19
2. Minority Interest	**2.56**	0.44
3. Loan Funds :		
A. Secured Loans	**27.03**	34.97
B. Unsecured Loans	**290.20**	114.07
	317.23	149.04
4 Premium payable on Redemption of FCCB	**9.08**	-
	515.35	263.67
II. APPLICATION OF FUNDS		
1. Goodwill arising on consolidation	**251.40**	133.14
2. Fixed Assets :		
A. Gross Block	**91.86**	52.90
B. Less : Depreciation	**38.23**	21.36
C. Net Block	**53.63**	31.54
D. Capital Work-in-Progress	**19.83**	4.23
	73.46	35.77
3. Investments	**0.84**	0.02
4. Deferred Tax Asset (net)	**10.16**	8.60
5. Current Assets, Loans and Advances		
A. Current Assets :		
a. Sundry Debtors	**68.17**	43.65
b. Unbilled Revenues	**56.85**	40.39
c. Cash and Bank Balances	**66.80**	22.41
	191.82	106.45

3i INFOTECH LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

		US Dollar in Million
	As at March 31, 2008	As at March 31, 2007
B. Loans and Advances	**63.43**	26.59
	255.25	133.04
Less: Current Liabilities and Provisions :		
A. Current Liabilities	**61.37**	37.35
B. Provisions	**14.39**	9.55
	75.76	46.90
Net Current Assets	**179.49**	86.14
Miscellaneous Expenditure	**-**	-
	515.35	263.67

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. 39.90 for the year ended March 31, 2008 and Rs. 43.442 for the year ended March 31, 2007.

3i INFOTECH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

US Dollar in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME:		
Income from Operations	**299.18**	144.81
Other Income	**4.54**	3.41
Total Income	**303.72**	148.22
EXPENDITURE:		
Cost of Revenues	**160.21**	77.82
Software Development cost	**10.08**	5.83
Selling, General and Administrative Expenses	**65.61**	31.96
Total Expenditure	**235.90**	115.61
Profit before interest, depreciation and amortisation	**67.82**	32.62
Interest	**12.54**	4.62
Depreciation and amortisation	**6.06**	3.73
Profit Before Taxation	**49.22**	24.27
Provision for Taxes		
- Deferred Taxes (net)	**0.18**	0.20
- Current Taxes	**5.74**	0.71
- Fringe Benefit Tax	**0.55**	0.27
- MAT Credit Entitlement	**(2.74)**	-
	45.49	23.09
- Pertaining to earlier years written off	**0.03**	-
Profit After Taxation & Before Exceptional items	**45.46**	23.09
Add/ (less) : Exceptional items	**-**	2.65
Profit After Exceptional Items	**45.46**	25.74
Add/ (less) : Provision for Contingency	**-**	(2.65)
Profit After Exceptional items & Provision for Contingency	**45.46**	23.09
Minority Shareholders' Interest	**1.64**	0.16
Net Profit After Minority Interest	**43.82**	22.93

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. 40.29 for the year ended March 31, 2008 and Rs. 45.254 for the year ended March 31, 2007.

Auditors' Report

To

The Members of
3i Infotech Limited

1. We have audited the attached balance sheet of 3i Infotech Limited (”the Company”) as at March 31, 2008 and also the Profit and Loss Account and 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as “the Act”), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

i) 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;

ii) 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;

iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iv) 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;

v) On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

vi) 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 XIV and notes to accounts 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;

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;

b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

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

For **LODHA & CO.**
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Mumbai,
April 25, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2008 OF 3i INFOTECH LIMITED

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, the fixed assets have been physically verified (including electronic verification) by the management during the year in accordance with the phased programme of verification adopted by the Company and no material discrepancies were noticed on such verification. The phased programme is considered reasonable having regard to the size of the Company and nature of its fixed assets.

(c) No substantial part of the fixed assets has been disposed off during the year.

(ii) The Company is a service company, primarily rendering information technology services. Accordingly, it does not hold any physical inventories. Hence, paragraph 4(ii) of the Order, is not applicable.

(iii) As informed, the Company has not granted/taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

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

(v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Act.

(vi) The Company has not accepted any deposits from the public.

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

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for the services rendered by the Company. Accordingly, paragraph 4(viii) of the Order is not applicable.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth-tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth-Tax, Service tax, Customs Duty, Excise Duty, Cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of Income-tax, Sales-tax, Wealth - Tax, Service tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of any dispute.

(x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current and immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.

(xii) In our opinion and according to the information and explanations given to us, and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks and financial institutions, are not, prima facie prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.

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

(xviii) 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 employees stock options allotted to the directors of the Company as per Employees Stock Scheme approved by the shareholders of the Company.

(xix) The Company has not issued any secured debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) During the course of our examination of the books of accounts 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 & CO.**
Chartered Accountants

R.P. Baradiya
Partner
Membership No. 44101

Mumbai,
April 25, 2008

3i INFOTECH LIMITED
BALANCE SHEET AS AT MARCH 31, 2008

Rupees in Million

	Schedule	As at March 31, 2008	As at March 31, 2007
I. SOURCES OF FUNDS			
1. Shareholders' Funds :			
A. Share Capital	I	**2,305.35**	1,562.99
B. Reserves and Surplus	II	**4,144.49**	3,053.53
		6,449.84	4,616.52
2. Loan Funds :			
A. Secured Loans	III	**720.86**	512.82
B. Unsecured Loans	IV	**11,537.81**	4,947.34
		12,258.67	5,460.16
3. Premium payable on Redemption of FCCB		**362.37**	-
		19,070.88	10,076.68
II. APPLICATION OF FUNDS			
1. Fixed Assets :			
A. Gross Block	V	**2,905.13**	1,956.87
B. Less : Depreciation		**1,060.03**	708.86
C. Net Block		**1,845.10**	1,248.01
D. Capital Work-in-Progress		**648.72**	129.89
		2,493.82	1,377.90
2. Investments	VI	**12,043.57**	5,917.24
3. Deferred Tax Asset (net)		**247.10**	232.98
4. Current Assets, Loans and Advances	VII		
A. Current Assets :			
a. Sundry Debtors		**1,300.13**	1,096.68
b. Unbilled Revenues		**1,176.87**	999.01
c. Cash and Bank Balances		**370.58**	651.73
d. Other Current Assets		**247.22**	4.62
		3,094.80	2,752.04
B. Loans and Advances		**2,679.15**	1,001.75
		5,773.95	3,753.79
Less: Current Liabilities and Provisions :	VIII		
A. Current Liabilities		**922.98**	812.81
B. Provisions		**564.58**	392.42
		1,487.56	1,205.23
Net Current Assets		**4,286.39**	2,548.56
		19,070.88	10,076.68
Significant Accounting Policies and Notes to Accounts	XIV		

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 & Company		
Chartered Accountants		
	V Srinivasan **Managing Director and CEO**	**S Santhanakrishnan** **Director and Chairman of Audit Committtee**
R P Baradiya **Partner** **Membership No : 44101** **Mumbai, April 25, 2008**	**Amar Chintopanth** **Executive Director and CFO**	**Shivanand R Shettigar** **Company Secretary**

3i INFOTECH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Million

	Schedule	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME:			
Income from Operations	IX	**4,472.68**	3,323.70
Other Income	X	**164.70**	155.38
Total Income		**4,637.38**	3,479.08
EXPENDITURE:			
Cost of Revenues	XI	**1,839.62**	1,533.95
Software Development Cost		**262.96**	231.78
Selling, General and Administrative Expenses	XII	**863.90**	880.91
Total Expenditure		**2,966.48**	2,646.64
Profit before interest, depreciation and amortisation		**1,670.90**	832.44
Interest	XIII	**378.86**	184.29
Depreciation and Amortisation		**250.60**	137.68
Profit Before Taxation		**1,041.44**	510.47
Provision for Taxes			
- Deferred Taxes (net)		**16.06**	5.95
- Current Taxes		**103.39**	0.10
- Fringe Benefit Tax		**18.30**	10.03
- MAT credit entitlement		**(103.24)**	-
		1,006.93	494.39
- Pertaining to earlier years written off		**2.36**	-
Profit After Taxation & Before Exceptional items		**1,004.57**	494.39
Add / (Less) : Exceptional items (Refer note no.2.6)		**-**	268.59
Profit after Exceptional items		**1,004.57**	762.98
Add / (Less): Provision for Contingency (Refer note no. 2.20)		**-**	(120.06)
Profit After Exceptional items & Provision for Contingency		**1,004.57**	642.92
Add: Balance of profit brought forward from the Previous Year		**658.68**	269.62
Less: Losses and amortisation of goodwill of merged subsidiaries (Refer note no.2.3.10)		**49.52**	-
Profit available for appropriation		**1,613.73**	912.54
Appropriations:			
General Reserve		**101.00**	49.44
FCCB Redemption Reserve		**448.37**	-
Proposed Dividend - Equity Shares		**195.80**	112.60
Residual Dividend paid		**13.41**	0.28

3i INFOTECH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Million

	Schedule	For the year ended March 31, 2008	For the year ended March 31, 2007
Proposed Dividend - Preference Shares		**10.44**	10.26
Interim Dividend - Preference Shares		**53.24**	53.24
Corporate Dividend Tax		**44.49**	28.04
Balance carried over to Balance Sheet		**746.98**	658.68
		1,613.73	912.54
Earnings per Share			
Equity shares, par value Rs 10 each (Refer note no. 2.12)			
Before exceptional items			
Basic (Rs.)		**7.37**	3.93
Diluted (Rs.)		**6.96**	3.80
After Exceptional items			
Basic (Rs.)		**7.37**	5.32
Diluted (Rs.)		**6.96**	5.14
Significant Accounting Policies and Notes to Accounts	**XIV**		

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

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

R P Baradiya
Partner
Membership No : 44101
Mumbai, April 25, 2008

For and on behalf of the Board

V Srinivasan
Managing Director and CEO

S Santhanakrishnan
Director and Chairman of Audit Committtee

Amar Chintopanth
Executive Director and CFO

Shivanand R Shettigar
Company Secretary

3i INFOTECH LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

		Rupees in Million
	For the year ended March 31, 2008	For the year ended March 31, 2007
A Cash Flow from Operating Activities :		
Profit before Taxation & Exceptional items	**1,041.44**	510.47
Adjustments for:		
Depreciation / Amortization	**250.60**	137.68
Foreign Exchange loss / (gain)	**(15.19)**	(45.60)
Loss / (Profit) on sale / discarding of fixed assets	**2.12**	8.25
Obsolete stock written off	**-**	3.42
Dividend Income	**(1.47)**	(1.45)
Interest received	**(132.25)**	(72.99)
Interest Paid	**378.86**	184.29
Credit balances / excess provision written back (net)	**(1.70)**	(20.87)
Provision for doubtful debts	**154.80**	146.03
Bad debts written off	**5.76**	2.62
Operating Profit before Working Capital Changes	**1,682.97**	851.85
Adjustments for:		
Trade and Other Receivables	**(2,154.37)**	(842.71)
Trade Payables and Other Liabilities	**2,734.97**	1,186.67
	580.60	343.96
Cash generated from Operations	**2,263.57**	1,195.81
Income Taxes paid (including FBT)	**(266.91)**	(83.25)
Net cash from Operating Activities - A	**1,996.66**	1,112.56
B Cash Flow from Investing Activities :		
Purchase of fixed assets (Including Capital-Work-in-Progress & advances)	**(1,229.59)**	(567.06)
Sale of fixed assets	**218.18**	(15.18)
Purchase of Investments / application money [3]	**(1,390.18)**	(1,772.62)
Investment/ transfer of shares in Subsidiary Companies / application money	**(6,392.88)**	(3,076.16)
Sale of Investments	**1,141.43**	1,190.95
Dividend received	**1.47**	1 .45
Loans (given) / received back - Subsidiaries	**(119.37)**	(22.63)
Interest received	**122.90**	73.31
Net cash used in Investing Activities - B	**(7,648.04)**	(4,187.94)

3i INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	For the year ended March 31, 2008	For the year ended March 31, 2007
		Rupees in Million
C Cash Flow from Financing Activities :		
Proceeds from issue of Equity Share Capital	**62.15**	133.24
Proceeds from Issue of Foreign Currency Convertible Bonds (FCCB)	**5,625.05**	884.55
Share / FCCB Issue Expenses	**(185.30)**	(122.90)
Proceeds from/(Repayment of) borrowings - net	**466.48**	699.44
Dividends paid (including taxes)	**(219.55)**	(193.63)
Interest paid	**(375.38)**	(182.86)
Net Cash from Financing Activities - C	**5,373.45**	1,217.84
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	**(277.93)**	(1,857.54)
Cash and Cash Equivalents as at beginning	**604.51**	2,462.05
Cash and Cash Equivalents as at end	**326.58**	604.51

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.44.00 million (as at March 31, 2007 - Rs 47.22 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 aok BPO Services Pvt Ltd., - Rs.34.88 million for the year ended March 31, 2008.
   (ii) Includes amount paid for acquisition of equity of aok Inhouse Factoring Services Pvt Ltd., - Rs.24.67 million for the year ended March 31, 2008.
   (iii) Includes amount paid for acquisition of equity of KNM Services Pvt Ltd., - Rs. 29.24 million for the year ended March 31, 2008.
   (iv) Includes amount paid for investment in equity of HCCA Business Services Pvt Ltd., Rs.45.90 million for the year ended March 31, 2008.
   (v) Includes amount paid for acquisition of equity of Taxsmile.com Pvt Ltd., Rs.20.80 million for the year ended March 31, 2008.
   (vi) Includes amount paid for acquisition of equity of Linear Financial & Management Systems Pvt Ltd., Rs.93.24 million for the year ended March 31,2008.
4. The impact of merged subsidiaries is non cash in nature and hence excluded.
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 XIV)

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 & Company		
Chartered Accountants		
	V Srinivasan	S Santhanakrishnan
	Managing Director and CEO	Director and Chairman of Audit Committtee
R P Baradiya		
Partner	Amar Chintopanth	Shivanand R Shettigar
Membership No : 44101	Executive Director and CFO	Company Secretary
Mumbai, April 25, 2008		

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
I Share Capital		
Authorised		
300,000,000 Equity shares of Rs. 10 each (as at March 31, 2007 - 150,000,000 of Rs. 10 each)	**3,000.00**	1,500.00
200,000,000 Cumulative Preference shares of Rs.5 each (as at March 31, 2007 - 200,000,000 of Rs. 5 each)	**1,000.00**	1,000.00
	4,000.00	2,500.00
Issued, Subscribed & Paid - up		
130,535,185 Equity shares of Rs. 10 each (56,298,739 equity shares as at March 31, 2007)[1]	**1,305.35**	562.99
200,000,000 6.35 % Cumulative Preference shares of Rs.5 each[2]	**1,000.00**	1,000.00
	2,305.35	1,562.99

Notes :

1. Of the above, 84,788,331 Equity shares are allotted as fully paid-up Bonus shares (as at March 31, 2007 - 20,000,700 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, 2008	As at March 31, 2007
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	**2,284.83**	1,861.54
Add: Received on allotment of equity shares	**54.42**	119.74
Add: On account of Conversion of FCCBs	**1,708.05**	381.99
Less: Utilised towards issue of bonus shares	**647.88**	-
Less: Utilised towards FCCB expenses	**185.30**	106.73
Less: Utilised towards Premium payable on redemption of FCCB	**362.37**	-
Add: IPO/FCCB issue expense provision written back	**-**	28.29
	2,851.75	2,284.83
c. General Reserve		
Balance as per last Balance Sheet	**109.44**	60.00
Add: Transfer from Profit and Loss Account	**101.00**	49.44
Less: Adjustment for employee benefits (Refer note no. 2.2)	**76.28**	-
Add: Deferred Tax on above adjustment (Refer note no. 2.11)	**25.93**	-
	160.09	109.44
d. Translation Reserve	**(63.28)**	-
Adjusted against Profit and Loss Account balance	**63.28**	-
	-	-

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at March 31, 2008	As at March 31, 2007
		Rupees in Million
e. FCCB Redemption Reserve		
Transferred from Profit and Loss Account	**448.37**	-
	448.37	-
f. Profit and Loss Account		
Balance as per annexed account	**746.98**	658.68
Translation reserve adjusted	**(63.28)**	-
	683.70	658.68
Total	**4 ,144.49**	3 ,053.53
III Secured Loans		
a. From Banks:		
Term Loans	**493.38**	377.68
Cash Credit	**220.08**	125.91
b. Others Bodies Corporate	**7.40**	9.23
	720.86	512.82

Notes :

1. Security and terms and conditions:
   a. Rs.11.98 million (as at March 31, 2007 - Rs 19.47 million) loan is secured by way of hypothecation on certain Company owned vehicles.
   b. Rs.488.84 million (as at March 31, 2007 - Rs 367.44 million) loan is secured by way of Equitable Mortgage of certain properties of the Company situated at Navi Mumbai.
   c. Rs.220.08 million (as at March 31, 2007 - Rs 125.91 million) loan is secured by way of charge against specific book debts.
2. Certain non-fund facilities of Rs.176.35 million (as at March 31, 2007 - Rs 93.32 million) and Cash Credit are secured by way of floating charge on book debts (other than those mentioned in para 1 (c) above).

	As at March 31, 2008	As at March 31, 2007
IV Unsecured Loans		
Foreign Currency Convertible Bonds (Refer note no 2.5)	**6,694.80**	2,645.71
Rupee Loans from banks*	**4,843.01**	2,301.63
	11,537.81	4,947.34
*Repayable within one year	**3,276.94**	1,409.76

3i INFOTECH LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS
V Fixed Assets

Rupees in Million

	GROSS BLOCK					DEPRECIATION / AMORTISATION						NET BLOCK	
Particulars	As at April 1, 2007	Additions on merger (Refer note no. 2.3.10)	Additions during the year	Ded / Adj during the year	As at March 31, 2008	Upto April 1, 2007	Additions on merger (Refer note no. 2.3.10)	Addition to the Accu. Dep	Depre-ciation for the year	Ded / Adj for the year	Upto March 31, 2008	As at March 31, 2008	As at March31, 2007
Intangible assets													
Goodwill	17.91	-	409.36	-	427.27	9 .09	-	77.33	69.05	-	155.47	271.80	8.82
Software Products													
- Meant for sale	84.44	14.41	0 .07	14.48	84.44	21.50	3.07	-	-	3.07	21.50	62.94	62.94
- Others	283.96	10.00	141.19	-	435.15	130.70	0.67	0.74	46.84	-	178.95	256.20	153.26
Business & Commercial Rights	446.24	-	-	-	446.24	158.04	-	-	43.41	-	201.45	244.79	288.20
Tangible assets													
Land - Leasehold	5.24	-	-	-	5.24	0.56	-	-	0.09	-	0.65	4.59	4.68
- Freehold	20.88	-	-	-	20.88	-	-	-	-	-	-	20.88	20.88
Buildings - Owned	9.92	-	-	2.24	7.68	1.38	-	-	1.50	0.25	2.63	5.05	8.54
- Leasehold	393.80	7.46	42.85	-	444.11	58.70	7.46	-	16.19	-	82.35	361.76	335.10
Plant & Machinery / Electrical Installations	129.28	16.42	16.01	0.01	161.70	39.81	14.84	0.56	7.14	0.01	62.34	99.36	89.47
Computers	251.25	13.09	206.70	68.71	402.33	207.25	9.71	6.05	23.44	1.47	244.98	157.35	44.00
Furniture & Fixtures	111.49	9.44	25.65	0.09	146.49	50.23	6.55	1.35	6.56	0.05	64.64	81.85	61.26
Office Equipment	43.12	2.30	10.33	0.02	55.73	12.53	0.68	0.28	2.01	0.01	15.49	40.24	30.59
Vehicles	35.95	3.89	26.34	6.28	59.90	6.73	2.54	0.36	4.15	2.01	11.77	48.13	29.22
Project Assets*	123.39	-	244.67	160.09	207.97	12.34	-	-	30.22	24.75	17.81	190.16	111.05
Total	**1,956.87**	**77.01**	**1,123.17**	**251.92**	**2,905.13**	**708.86**	**45.52**	**86.67**	**250.60**	**31.62**	**1,060.03**	**1,845.10**	**1,248.01**
Previous year	3,070.51	-	517.56	1,631.20	1,956.87	999.15	-	-	137.68	427.97	708.86	1,248.01	
Capital work - in - progress (including Capital Advances)	129.89	-	879.93	361.10	648.72	-	-	-	-	-	-	648.72	129.89

Notes :

1 Buildings- Leasehold include:

(i) Rs 208.53 million (as at March 31, 2007 Rs. 208.53 million), Accumulated Depreciation-Rs.25.32 million (as at March 31, 2007 Rs.21.86 million) and Net Value Rs.183.21 million (as at March 31, 2007 Rs.186.67 million) being lease premium paid in respect of building taken on lease for sixty years.

(ii) Rs.120.70 million (as at March 31, 2007 Rs.87.50 million), Accumulated Depreciation Rs.45.96 million (as at March 31, 2007 Rs.36.01million) and Net Block Rs. 74.74 million (as at March 31, 2007 Rs.51.49 million) being the cost of improvement on leasehold building.

(iii) Rs 114.88 million (as at March 31, 2007 Rs.97.77 million), Accumulated Depreciation Rs.11.07 million (as at March 31, 2007 Rs.0.83 million) and Net Value Rs.103.81million (as at March 31, 2007 Rs.96.94 million) being lease premium paid in respect of building taken on lease for ninety nine years.

2 * 'Project assets' includes assets purchased for contracts entered into with various state governments for e-governance projects.These assets are liable to be transferred to the respective Governments at various points of time as per the terms of the relevent agreements.The details whereof are as under:

(i) Computers of Rs 165.44 million (as at March 31, 2007 Rs. 123.29 million), Accumulated Depreciation-Rs.17.76 million (as at March 31, 2007 Rs.12.34 million) and Net Value Rs.147.68 million (as at March 31, 2007 Rs.111.05 million).

(ii) Plant & Machinery / Electrical Installations of Rs 39.78 million (as at March 31, 2007 Nil), Accumulated Depreciation-Rs.0.02 million (as at March 31, 2007 Nil) and Net Value Rs.39.76 million (as at March 31, 2007 Nil) .

(iii) Furniture & Fixtures of Rs 2.75 million (as at March 31, 2007 Nil), Accumulated Depreciation-Rs.0.03 million (as at March 31, 2007 Nil) and Net Value Rs.2.72 million (as at March 31, 2007 Nil).

3 Capital work- in- progress comprise

-advance towards project Assets Rs. 544.50 milllion (as at March 31, 2007 Nil)

-others Rs. 104.22 milllion (as at March 31, 2007 Rs.129.89 million)

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2008	As at March 31, 2007
VI Investments		
Long Term Investments (Unquoted and Fully Paid-up)		
Trade :		
In Subsidiary Companies		
1,792,302 Equity shares of SGD 1 each of 3i Infotech Pte Ltd., Singapore (as at March 31,2007 - 1,792,302 shares)	**69.81**	69.81
1,000,000 Equity shares of GBP 1 each of 3i Infotech (UK) Ltd [2] (as at March 31,2007 - 1,000,000 share)	**1,737.28**	1,737.28
2,197,953,620 Ordinary Shares of MUR 1 each of 3i Infotech Holdings [3] Private Limited, Mauritius (as at March 31,2007 - 2,526,781,837 shares)	**2,962.21**	3,421.68
500 Shares of SAR 1,000 each of 3i Infotech Saudi Arabia LLC (as at March 31,2007 - 500 shares)	**6.68**	6.68
Equity Shares of Rs. 10 each fully paid up of SDG Software Technologies Ltd (as at March 31,2007 - 1,000,000 shares) Refer note 2.3.10	**-**	160.00
Equity Shares of Rs. 10 each fully paid up of Datacons Private Limited (as at March 31,2007 - 3,500,000 shares) Refer note 2.3.10	**-**	355.41
204,000 Equity Shares of Rs. 10 each fully paid up of Delta Services (I) Pvt. Ltd (as at March 31,2007 - 202,000 shares) Refer note 2.3.1	**101.93**	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 , as at March 31,2007 - 5,569,762 shares)	**0.10**	0.10
51,000 Equity Shares of Rs. 10 each fully paid up of Stex Software Pvt. Limited (as at March 31,2007 - 51,000 shares) Refer note 2.3.6	**95.61**	60.60
152,600 Equity Shares of Rs. 10 each fully paid up of E-Enable Technologies P Ltd (as at March 31,2007 - 77,826 shares) Refer note 2.3.2	**122.73**	52.73
15,605 Equity Shares of Rs, 100 each fully paid up of aok BPO Services Ltd. [4] (as at March 31,2007 - nil) Refer note 2.3.3	**34.88**	-
26,590 Equity Shares of Rs. 10 each fully paid up of aok In-house Factoring Services Pvt. Ltd [4] (as at March 31,2007 - nil) Refer note 2.3.4	**24.67**	-
50,000 Equity Shares of Rs. 10 each fully paid of KNM Services Pvt. Ltd. [5] (as at March 31,2007 - nil) Refer note 2.3.5	**29.24**	-

3i INFOTECH LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2008	As at March 31, 2007
26,996 Equity Shares of Rs. 10 each fully paid of HCCA Business Services Pvt. Ltd.[6] (as at March 31,2007 - nil) Refer note 2.3.7	**45.90**	-
1,040,000 Equity Shares of Rs. 10 each fully paid of TAXSMILE.Com Pvt. Ltd.[7] (as at March 31,2007 - nil) Refer note 2.3.8	**20.80**	-
29,822 Equity Shares of Rs. 10 each fully paid of Linear Financial & Management Systems Pvt Ltd[8] (as at March 31,2007 - nil) Refer note 2.3.9	**93.24**	-
347,630 Equity Shares of Taka 10 each fully paid of 3i Infotech Services (Bangladesh) Pvt. Ltd[9] (as at March 31,2007 - nil)	**1 .97**	-
14,518,699 Redeemable Convertible Preference Shares of GBP 1 each of 3i Infotech (UK) Ltd[10] (as at March 31,2007 - nil)	**1,157.07**	-
Redeemable Convertible Preference Shares of 3i Infotech Holdings Private Limited, Mauritius :[10] (as at March 31,2007 - nil)		
494,954,680 Series A - Redeemable Convertible Preference Shares of MUR 1 each	**737.02**	-
541,885,200 Series B - Redeemable Convertible Preference Shares of MUR 1 each	**806.89**	-
2,682,600,000 Series C - Redeemable Convertible Preference Shares of MUR 1 each	**3,994.50**	-
Non-Trade :		
In other Companies		
200,000 Equity Shares of Sri lankan Rs.10 each of First Capital Asset Management Co. Ltd., Sri Lanka	**1.02**	1.02
National Savings Certificates	**0.02**	-
Aggregate Value Of Unquoted Shares	**12,043.57**	5,917.24

Notes:

1. During the year, the Company has purchased 114,138,091.50 Units (year ended March 31, 2007-119,095,340) and sold 114,138,091.50 (year ended March 31, 2007 - 119,095,340) units of Mutual Funds.
2. Acquired during the year 2006-07 100% 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. During the year 3,390,611,663 number of equity shares were allotted to and 3,719,439,880 equity shares were bought back from the Company.
4. Acquired during the year, representing 50.50% of the holding.
5. Acquired during the year, representing 100% of the holding.
6. Acquired during the year, representing 51% of the holding
7. Acquired during the year, representing 26% of the holding (Board controlled Subsidiary Company).
8. Acquired during the year, representing 59.5% of the holding.
9. Established during the year, representing 100% of the holding.
10. Certificates yet to be received.

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at March 31, 2008	As at March 31, 2007
		Rupees in Million
VII Current Assets, Loans and Advances		
A Current Assets		
a) Sundry Debtors		
(Unsecured, considered good unless otherwise stated)		
- Debts outstanding for more than six months * (net of doubtful debts provided for Rs 373.14 million; as at March 31, 2007 - Rs.225.65 million)	**39.08**	266.00
- Other debts * (net of doubtful debts provided for Rs 14.28 million; as at March 31, 2007 - Rs.12.73 million)	**1,261.05**	830.68
	1,300.13	1,096.68
*Includes Private Limited companies where Directors are interested as Directors	**526.36**	138.15
b) Unbilled Revenues	**1,176.87**	999.01
c) Cash and Bank Balances :		
i. Cash on hand	**0.33**	0.35
ii. Balances with scheduled banks:		
in current accounts *	**266.16**	122.11
in EEFC accounts	**5.74**	0.17
in deposit accounts**	**0.38**	460.11
in margin money accounts***	**29.64**	31.07
	301.92	613.46
iii. Balances with Non-scheduled banks:		
in current accounts :		
with HSBC Bank, Dubai, UAE (Maximum balance held at any time during the year Rs.0.10 million; for the year ended March 31, 2007 - Rs 0.14 million)	**0.07**	0 .11
with HSBC Bank, Deira, UAE (Maximum balance held at any time during the year Rs. 17.21 million; for the year ended March 31, 2007 - Rs 9.96 million)	**4.17**	2.89
with Commerz Bank, Germany (Maximum balance held at any time during the year Rs.1.08 million; for the year ended March 31, 2007 - Rs 0.61 million)	**0.30**	0.30
with Emirates Bank International, Dubai, UAE (Maximum balance held at any time during the year Rs. 248.91 million; for the year ended March 31, 2007 - Rs 120.49 million)	**49.43**	18.47
in margin money accounts :***		
with Emirates Bank International, Dubai, UAE (Maximum balance held at any time during the year Rs.20.86 million; for the year ended March 31, 2007 - Rs 20.86 million)	**14.36**	15.98
with British Bank, Dubai, UAE (Maximum balance held at any time during the year Rs 0.17 million; for the year ended March 31, 2007 - Rs 0.18 million)	**-**	0.17
	68.33	37.92
	370.58	651.73

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at March 31, 2008	As at March 31, 2007
		Rupees in Million
d) Other Current Assets		
Receivable with respect to Project Assets	**233.25**	-
Interest Receivable on bank fixed deposits	**13.97**	4.62
	247.22	4.62
	3,094.80	2,752.04
* Includes cheques on hand and remittances in transit	**120.72**	40.03
** Refer Note no. 2.5		
*** Towards performance guarantees		

B Loans and Advances

(Unsecured, considered good)

Loans :		
To subsidiary companies #	**141.94**	22.54
To others (including employees)	**0.06**	0.09
Advance tax and tax deducted at source (net of provisions of Rs 168.11 million; as at March 31, 2007 - Rs.34.55 million)	**301.87**	163.34
MAT credit receivable	**112.73**	9 .41
Service tax recoverable	**72.33**	29.76
VAT recoverable	**47.49**	14.78
Deposits	**450.08**	253.65
Advances recoverable from subsidiary companies	**1,072.97**	134.89
Other advances recoverable in cash or in kind or for value to be received	**479.68**	373.29
	2,679.15	1,001.75
	5,773.95	3,753.79

Includes Private Limited companies where Directors are interested as Directors.

3i INFOTECH LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	As at March 31, 2008	As at March 31, 2007
VIII Current Liabilities and Provisions		
A Current Liabilities*		
Acceptances	**-**	226.46
Sundry creditors		
Refer note 2.4 for dues to Micro,Small and Medium Enterprises		
- Trade	**718.11**	398.74
- others	**4.87**	57.93
Advances received from Customers	**29.81**	49.63
(including unearned income)		
Interest accrued but not due	**4.97**	1.49
Other liabilities	**165.22**	78.56
	922.98	812.81
* There are no amounts payable to Investors Education and Protection Fund		
B Provisions		
Provision for Employee benefits	**152.12**	76.45
Provision for warranty	**51.11**	52.46
Provision for Contingencies	**120.06**	120.06
Proposed dividend (including tax thereon)	**241.29**	143.45
	564.58	392.42
	1,487.56	1,205.23

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	For the year ended March 31, 2008	For the year ended March 31, 2007
IX Income from Operations		
Products	**1,679.92**	1,655.32
Services	**2,792.76**	1,668.38
	4,472.68	3,323.70
X Other Income		
Interest	**132.25**	72.99
(Gross, TDS -1.57 million; previous year Rs 1.00 million)		
Dividend - Others (Non Trade)	**1.47**	1.45
Credit balances / excess provision written back (net)	**1.70**	20.87
Foreign exchange gain/ (loss) - net	**15.19**	45.60
Miscellaneous income	**14.09**	14.47
	164.70	155.38
XI Cost of Revenues		
Payments to and provisions for employees:		
Salaries, bonus and other allowances	**1,435.15**	1,063.59
Contribution to provident and other funds	**82.60**	49.64
Staff welfare expenses	**79.02**	55.89
Cost of outsourced services & boughtout items	**735.42**	607.65
Travelling and conveyance	**84.07**	80.53
	2,416.26	1,857.30
Less : Transferred to software development cost	**262.96**	231.78
Less : Re-imbursement of costs by subsidiary companies	**313.68**	91.57
	1,839.62	1,533.95

3i INFOTECH LIMITED
SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

		Rupees in Million
	For the year ended March 31, 2008	For the year ended March 31, 2007
XII Selling, General and Administrative Expenses		
Salaries, bonus and other allowances	**220.75**	146.99
Contribution to provident and other funds	**40.52**	32.71
Staff welfare expenses	**32.13**	23.25
Recruitment and training expenses	**51.33**	40.00
Cost of outsourced services	**83.34**	45.69
Rent	**349.48**	188.30
Insurance	**27.49**	12.83
Travelling and conveyance	**136.03**	100.67
Electricity Charges	**92.39**	42.87
Rates and taxes	**21.66**	10.55
Communication expenses	**82.41**	51.60
Directors' sitting fees	**1.46**	1.02
Loss on sale/discarding of fixed assets (net)	**2.12**	8.25
Printing and stationery	**17.64**	17.13
Repairs and maintenance - building	**4.87**	3.97
Obsolete stock written off	**-**	3.42
Legal and professional charges	**15.07**	8.47
Bank charges and other financial charges	**26.79**	38.22
Selling and distribution expenses	**32.15**	28.82
Directors' commission	**12.10**	7.50
Bad debts written off	**5.76**	2.62
Provision for doubtful debts	**154.80**	146.03
Miscellaneous expenses	**101.86**	82.29
	1,512.15	1,043.20
Less : Re-imbursement of costs by subsidiary companies	**648.25**	162.29
	863.90	880.91
XIII Interest		
- On term loans	**367.47**	176.44
- Others	**11.39**	7.85
	378.86	184.29

3i INFOTECH LIMITED

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS AS ON AND FOR THE YEAR ENDED MARCH 31, 2008

SCHEDULE XIV: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Method of Accounting

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (“ICAI”), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard required a change in accounting policy hitherto in use.

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. Any revision to accounting estimates is recognized prospectively.

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. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. Revenue from other service contracts is recognized based on transactions processed or 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 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.

1.5a. Fixed Assets

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

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

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

Tangible: Fixed Assets are stated at cost, which comprises of purchase consideration and other directly attributable cost of bringing an asset 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.

1.5b. Depreciation / Amortization:

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

Business & Commercial Rights are amortized at lower of the period the benefits arising out of these are expected to accrue and ten years, while purchased software meant for in house consumption and Acquired 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 as prescribed in Schedule XIV to the Companies Act, 1956. Subsequent upgrades of hardware are charged off to revenue in the year of purchase.

1.6 Investments

Trade investments are the investments made to enhance the Company's business interest Investments are either classified as current or long-term based on the management's intention at the time of purchase. 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. Cost of overseas investment comprises the Indian Rupee value of the consideration paid for the investment.

1.7 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 in accordance with 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.

1.8 Translation of Foreign Currency Items

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

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

All the activities of the foreign operations are carried out with a significant degree of autonomy. 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.

1.9 Accounting of Employee Benefits

Employee 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 to the Trust/Government administered Trust. In the case of Trust 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 & 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.

e) All actuarial gains/losses are charged to revenue in the year these arise.

Employee 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 for employees in foreign branches is provided on the basis of the actuarial valuation at the year end.

All actuarial gains/losses are charged to revenue in the year these arise.

1.10 Provisions, Contingent Liabilities and Contingent Assets

i) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation 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 probably will not, require outflow of resources.

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

1.11 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 & Loss account.

1.12 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 recognised in the Profit & Loss account whenever the carrying amount of such assets exceeds its recoverable amount. 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.

1.13 Securities issue expenses

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

1.14 Lease

Lease transactions entered prior to April 1, 2001

Lease rental in respect of assets acquired under leases are charged to Profit & Loss account.

Lease transactions entered into on or after April 1, 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. Equalized lease rentals for such leases are charged to Profit & Loss account.

1.15 Earnings per share

In determining the earnings per share, the Company considers the net profit after tax and post tax effect of any extra-ordinary/exceptional item is shown separately. The number of shares considered in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares considered for computing diluted earnings per share comprises the weighted average number of shares used for deriving the basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares which includes potential FCCB conversions. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.

1.16 Residual Dividend

Residual Dividend represents dividend on shares issued (entitled to previous period dividend) between the date of proposed dividend and record date.

2. Notes to Accounts

2.1 Capital commitments and contingent liabilities

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Capital Commitments*:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**146.46**	503.02
Contingent Liabilities not provided for in respect of:		
Outstanding guarantees given by banks	**314.84**	325.81
Premium on redemption of FCCB (Refer Note no 2.5)	**2,368.74**	940.37
Estimated amount of claims against the Company not acknowledged as debts in respect of:		
- Disputed Income Tax matters	**17.34**	17.34
Others**	**5.43**	4.36

* Excluding commitments pertaining to acquisitions which have been disclosed in the respective schedules.

**Includes expenses of legal cases relating to Registrar & Transfer Services, which are reimbursable by the Principal to the extent of Rs. 1.32 million (as at March 31, 2007 - Rs.1.42 million).

2.2 Employee Benefit Plans

Effective April 1, 2007 the Company adopted the revised Accounting Standard (AS) 15 on Employee Benefits. Pursuant to the adoption, the transitional obligation i.e. for the period up to March 31, 2007 amounted to Rs. 76.28 million (net of deferred tax of Rs. 25.93 million) with respect to gratuity and leave encashment. As provided by the standard, such obligation has been adjusted to the opening balance of General Reserve.

The following table set out the status of the gratuity plan as required under AS 15:

Reconciliation of Benefit Obligations and Plan Assets

Rupees in Million

Change in Defined obligation	**As at March 31, 2008**
Obligation at the beginning of the year	124.44
Interest cost	10.58
Current Service cost	18.13
Benefits paid	(5.48)
Actuarial (gain)/loss in obligations	(15.60)
Obligation at year end	**132.07**

Rupees in Million

Change in Fair value of plan assets	**As at March 31, 2008**
Fair value of planned assets at the beginning of the year	24.23
Expected return on the plan assets	2.06
Contributions by the employer	5.28
Benefits paid	(5.48)
Actuarial gain/(loss)on plan assets	-
Fair value of planned assets at year end	26.09

Rupees in Million

Reconciliation or Present Value of the obligation and the Fair value of the plan Assets	As at March 31, 2008
Liability at year end	132.07
Fair value of plan assets at year end	26.09
Liability recognized in the balance sheet	105.98

Assumptions	As at March 31, 2008
Discount Rate	8.25% p.a
Expected Rate of Return on Plan Assets	8.25% p.a
Salary Escalation Rate	7.00% p.a

With respect to leave encashment, liability recognized in the balance sheet as on March 31, 2008 is Rs. 46.14 million.

2.3.1 In July 2006, the Company had 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 maximum consideration of Rs 50.00 million. In June 2007 the Company has determined and paid the additional consideration and this being more than the maximum consideration of Rs 50.00 million the Company has acquired the balance of 0.50% as per the agreement.

2.3.2 In November 2006, the Company had 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 52.73 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 maximum consideration of Rs 304.00 million. In June 2007, the Company acquired the balance 49% at Rs 70.00 million.

2.3.3 In May 2007, the Company had entered into a share purchase agreement with the owners of aok In-house BPO Services Ltd, New Delhi, to acquire the 15,605 shares (representing 50.5% of the paid up equity capital of aok In-house BPO Services Ltd, New Delhi) for a consideration of Rs. 34.88 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.

2.3.4 In May 2007, the Company entered into a share purchase agreement with the owners of aok In-house Factoring Services Pvt. Ltd, New Delhi, to acquire the 5,318 shares (representing 50.5% of the paid up equity capital of aok In-house Factoring Services Pvt. Ltd, New Delhi) for a consideration of Rs 24.67 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.

2.3.5 In May 2007, the Company entered into a share purchase agreement with the owners of KNM Services Pvt. Ltd, New Delhi, to acquire the 6,000 shares (representing 60% of the paid up equity capital of KNM Services Pvt. Ltd, New Delhi) for a consideration of Rs 8.06 million along with an option to acquire the balance 40% 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. In February 2008 the Company has determined and paid the additional consideration and this being more than the maximum consideration of Rs 21.18 million; the Company has acquired the balance of 40%.

2.3.6 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.35.01 million payable upon achievement of certain measurable criteria such as future revenue/profitability etc., as per the agreement. In April 2007, the Company has determined the earn out at Rs 35.01 million and has paid a sum of Rs 35.01 million as full and final consideration for the acquisition of shares of SSPL.

2.3.7 In August 2007, the Company entered into a share purchase agreement with HCCA Business Services Private Ltd., Mumbai, to invest in the 11,932 shares (representing 51% of the paid up equity capital of HCCA Business Services Private Ltd., Mumbai) for a consideration of Rs 45.90 million along with a option to invest in the balance 49% of the paid up capital after the closure of accounting period 31st March 2009 and before June 30, 2009 for further consideration payable on achieving certain measurable criteria such as future revenue/profitability etc., as per the agreement subject to a maximum of Rs 120.00 million.

2.3.8 In September 2007, the Company entered into a share purchase agreement with the owners of Taxsmile.com India Pvt. Ltd., Mumbai, to acquire the 1,040,000 shares (representing 26% of the paid up equity capital of Taxsmile.com India Pvt. Ltd., Mumbai) for a consideration of Rs 20.80 million along with a commitment to acquire the 25 % of the paid up capital after the closure of accounting period 31st March 2008 and before 31st May 2008 and another 25% of the paid up capital after the closure of accounting period 31st March 2010 and before 31st May 2010, for additional consideration payable on achieving certain measurable criteria such as future revenue/ profitability etc., as per the agreement.

2.3.9 In December 2007, the Company entered into a share purchase agreement with the owners of Linear Financial and Management Systems Pvt. Ltd. , New Delhi, to acquire the 16,386 shares (representing 59.50% of the paid up equity capital of Linear Financial and Management Systems Pvt. Ltd.) for a consideration of Rs 93.24 million along with a commitment to acquire the 40.5 % of the paid up capital as per the terms defined in the agreement.

2.3.10

(a) Effective April 1, 2006 the Company merged its 100% subsidiary SDG Software Technologies Limited after obtaining the requisite approval in the month of December 2007. Accordingly the following assets and liabilities have been accounted for under the Pooling of Interest Method as prescribed in the AS -14 “Accounting for Amalgamation” and included in the corresponding assets and liabilities of the Company:

	(Rs. in Million)
Fixed Assets	35.54
Accumulated Depreciation	15.32
Deferred Tax Liability	0.49
Net Current Assets	3.37

Net Assets	23.10

On cancellation of investment of Rs 160 million against the aforesaid net assets, Rs 136.90 million has been accounted for as Goodwill. The loss and goodwill amortized of Rs 19.17 million and Rs 27.38 million, respectively for the period from April 1, 2006 to March 31, 2007 has been adjusted against the opening balance of the Profit & Loss account. The transactions for the period April 2007 to March 2008 are reflected in the annexed Profit & Loss account.

(b) Effective May 10, 2006 the Company merged its 100% subsidiary Datacons Private Limited after obtaining the requisite approval in the month of January 2008. Accordingly the following assets and liabilities have been accounted for under the Pooling of Interest Method as prescribed in the AS -14 "Accounting for Amalgamation" and included in the corresponding assets and liabilities of the Company:

	(Rs. in Million)
Fixed Assets	41.47
Accumulated Depreciation	30.23
Deferred Tax Asset	2.62
Net Current Assets	69.09

Net Assets	82.95

On cancellation of investment of Rs 355.41 million against the aforesaid net assets, Rs 272.46 million has been accounted for as Goodwill. The profit and goodwill amortized of Rs 46.98 million and Rs 49.95 million, respectively for the period from May 10, 2006 to March 31, 2007 have been adjusted against the opening balance of the Profit & Loss account. The transactions for the period April 2007 to March 2008 are reflected in the annexed Profit & Loss account.

2.4 The Company has commenced the process of obtaining/compiling information from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006 and hence the disclosure, if any, relating to amounts unpaid as at the end of the period together with interest paid/payable as required under the Act could not be furnished.

2.5 Foreign Currency Convertible Bonds (FCCB):

The Company has issued Foreign Currency Convertible Bonds (FCCB) at different points of time, the details of such FCCB issues are summarized as follows:

	First Issue	**Second Issue**	**Third Issue**	**Fourth Issue**
Issue Currency	USD	EURO	EURO	USD
Issue size	50 million	15 million	30 million	100 million
Issue date	Mar 16, 2006	Oct 16, 2006	Apr 2, 2007	Jul 26, 2007
Maturity date	Mar 17, 2011	Oct 17, 2011	Apr 3, 2012	Jul 27, 2012
Coupon rate	Zero coupon	1.50%	Zero coupon	Zero coupon
Conversion price–post bonus	Rs. 115.00	Rs. 95.00	Rs. 154.32	Rs. 165.94
Fixed Exchange rate of conversion	Rs. 44.35	Rs. 58.28	Rs. 57.60	Rs. 40.81
Early redemption option (i)	Yes	Yes	Yes	Yes
Conversions as at March 31,2008 Conversions as at March 31, 2007	$ 29.80 million ($ 5.10 million)	€15.00 million (€ 3.00 million)	NIL (-)	NIL (-)
Pending utilization as at March 31,2008 Pending utilization as at March 31, 2007 (ii) (Rs. in million)	NIL (459.80)	NIL NIL	NIL (-)	NIL (-)
Contingent premium payable as at March 31, 2008 (iii) Contingent premium payable as at March 31, 2007 (Rs. in million)	355.69 (790.61)	NIL (149.76)	547.80 (-)	1,465.25 (-)

(i) Subject to certain criteria as per offer document.

(ii) Kept in fixed deposits in banks outside India.

(iii) Premium payable on redemption of FCCB is amortized proportionately till the date of redemption and is adjusted against the balance in Securities Premium account.

2.6 Exceptional items comprise:

Rupees in Million

		As at March 31, 2008	As at March 31, 2007
a)	Reinstatement in value of Investments	**Nil**	1,250.00
b)	Software meant for sale capitalized in earlier years	**Nil**	1,210.16
c)	Reversal of deferred tax liability on (b) above	**Nil**	247.41
d)	Customer Claims/Penalties	**Nil**	18.66
	Total: (a-b+c-d)	**Nil**	**268.59**

2.7 Managerial Remuneration*:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Salaries, Bonus and other allowances	**27.69**	19.43
Contribution to Provident and Other Funds	**0.81**	0.08
Monetary value of perquisites	**0.18**	0.57
Commission	**12.10**	7.50

*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.

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

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Profit After Taxation before exceptional items as per Profit and Loss Account	**1,004.57**	494.39
Add: Provision for Current taxes under Income Tax Act,1961	**20.81**	10.13
Directors' Commission	**12.10**	7.50
Net Profit to ascertain commission payable to Directors'	**1,037.48**	512.02
Add: Directors' Remuneration	**28.68**	20.07
Directors' Sitting Fees	**1.46**	1.02
Net Profit to ascertain remuneration to Directors	**1,067.62**	533.11
Percentage of Commission payable to Non whole time directors*	**1.17%**	1.50 %
Percentage of Remuneration paid to Directors	**2.69%**	3.76 %

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

2.8 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 lessors' option as mutually agreed. The future lease rental payment that the Company is committed to make is:

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
- within one year	**429.00**	131.60
- later than one year and not later than five years	**374.52**	143.32
- later than five years	**-**	-

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

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
- within one year	**173.58**	69.07
- later than one year and not later than five years	**350.26**	116.93
- later than five years	**-**	-

b. Financial Lease:

There were no material financial leases entered into by the Company.

2.9 Auditors' Remuneration:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Audit Fees	**4.50**	2.50
Tax Audit Fees	**0.50**	0.30
Certification Fees	**0.19**	0.90
Re-imbursement of out of pocket expenses	**0.20**	0.10
For Service Tax	**0.64**	0.45
Total	**6.03**	**4.25**

2.10 (i) Cost of Outsourced services & bought out items include / is net of:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Software Expenses	**210.92**	233.80
Commission on sales	**47.81**	21.36
Infrastructure Charges	**195.91**	182.22
Transaction Processing Charges	**69.34**	56.23
Non IT - Outsourced Personnel	**67.18**	-
Purchases	**116.10**	55.72

(ii) Aggregate expenses:

Aggregate amounts incurred on certain specific expenses:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Salaries, bonus and other allowances	**1,655.90**	1210.58
Contribution to provident and other funds	**123.12**	82.34
Staff welfare expenses	**111.15**	79.14
Traveling and conveyance	**220.11**	181.20
Rent	**420.97**	198.16
Communication expenses	**97.58**	54.20
	2,628.83	**1,805.62**

2.11 Deferred tax liability:

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

Rupees in Million

	As at March 31, 2008*	As at March 31, 2007
Deferred Tax Asset:		
Unabsorbed losses/depreciation	**194.54**	162.36
Expenses allowable on payment and others**	**189.34**	105.97
	383.88	**268.33**
Deferred Tax Liability:		
Fixed Assets (depreciation/amortization)	**136.78**	35.35
Net Deferred Tax Liability/(Asset)	**(247.10)**	**(232.98)**

* Deferred tax balance in respect of companies merged and business purchases during the year is included.

** Deferred tax asset of Rs. 25.93 million created on the employee benefits pertaining to earlier years is adjusted against general reserve(Refer note no. 2.2).

2.12 Earnings Per Share

The earnings per share have been computed in accordance with the AS - 20 "Earnings per share."

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

		As at March 31, 2008	As at March 31, 2007
Profit as per accounts (Rs. in million)		**1,004.57**	494.39
Less: Dividend on preference shares paid (incl. Corporate taxes)		**(62.08)**	(60.70)
Less:Dividend on preference shares accrued but not declared (incl. Corporate taxes)		**(12.21)**	(11.70)
Profit attributable to Equity Shareholders (Rs. in million)	A	**930.28**	421.99
Add: Profit due to Exceptional items (after considering provision for contingency) (Rs. in million)		**-**	148.53
Profit attributable to Equity Shareholders after exceptional items (Rs. in million)	B	**930.28**	570.52
Weighted average number of Equity Shares outstanding during the year (Nos.)*	C	**126,267,212**	107,320,058
Add: Effect of dilutive issues of options (Nos.)		**7,394,738**	3,773,596
Diluted weighted average number of Equity Shares outstanding during the year (Nos.)*	D	**133,661,950**	111,093,654
Nominal value of Equity Shares (Rs.)		**10**	10
Basic EPS (Rs.)	A/C	**7.37**	3.93
Diluted EPS (Rs.)	A/D	**6.96**	3.80
After exceptional items Basic EPS (Rs.)	B/C	**7.37**	5.32
Diluted EPS (Rs.)	B/D	**6.96**	5.14

* including adjustment for bonus issue made in August 2007.

2.13 Employee Stock Option Plan

The Company's Employees Stock Option Plan 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 Option Plan (ESOP):

	As at March 31, 2008		As at March 31, 2007	
	Options	**Weighted average exercise price (Rs.)**	Options	Weighted average exercise price (Rs.)
Options outstanding at beginning of the year	**7,086,547**	**70.85**	5,701,292	51.79
Granted during the year	**6,662,000**	**139.32**	3,314,500	92.16
Bonus issue during the year	**11,561,752**	**100.97**	-	-
Exercised during the year	**(773,785)**	**58.97**	(1,350,262)	49.35
Forfeited/lapsed during the year	**(485,160)**	**94.23**	(578,983)	55.27
Options outstanding at end of year*	**24,051,354**	**104.20**	7,086,547	70.85
Vested options pending exercise	**7,884,350**	**59.16**	2,245,555	54.75

*Includes 3,212,000 options granted to managing director/whole time directors and non-executive directors (for the year ended March 31, 2007 2,221,000 options).

Weighted average market price of the shares with respect to stock options exercised during the year ended March 31, 2008 is Rs.138.53 (for the year ended March 31, 2007 Rs. 96.68).

The following summarizes information about stock options outstanding:

As at March 31, 2008

Range of Exercise Price	Number of shares arising out of options	Weighted average remaining life (years)	Weighted average Exercise Price (Rs.)
Rs. 37 to Rs. 50	5,775,790	7	48.85
Rs. 57 to Rs. 150	18,275,564	9	121.70

As at 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. 37 to Rs. 50	6,536,284	7	48.65
Rs. 57 to Rs. 150	7,636,810	9	89.85

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. 3.90 to Rs. 61.15 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:

	As at March 31, 2008	As at March 31, 2007
Dividend yield	**1.39%**	1.08%
Expected volatility	**10% - 19.60%**	10% - 22.30%
Risk-free interest rate	**6.32% - 8.25%**	6.32% - 8.00%
Expected life of Option	**3 - 10 yrs**	3 - 10 yrs

Impact of Fair value method on Net profit and EPS

Had the compensation cost for the Company's Stock Option Plan 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:

Rupees in Million

	As at March 31, 2008	As at March 31, 2007
Profit attributable to Equity Shareholders	**930.28**	421.99
Add: Stock-based employee compensation expense included in net income	**-**	-
Less: Stock based compensation expense determined under fair value based method	**71.49**	30.39
Net Profit	**858.79**	391.60
Basic earning per share (as reported)	**7.37**	3.93
Basic earning per share (under fair value method)	**6.80**	3.80
Diluted earning per share (as reported)	**6.96**	3.80
Diluted earning per share (under fair value method)	**6.43**	3.53

2.14 Amount of exchange difference (net) credited to Profit & Loss account during the year ended March 31, 2008 is Rs.15.19 million (for the year ended March 31, 2007 credited Rs.45.60 million).

2.15 Related Party Transactions:

The parties where control exists (subsidiaries) :- 3i Infotech Inc., United States of America; 3i Infotech Asia Pacific Pte Limited, Singapore; 3i Infotech SDN BHD, Malaysia; 3i Infotech UK Limited, United Kingdom; 3i Infotech (Thailand) Limited, Thailand; 3i Infotech Consulting 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); 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 Financial Software Inc., United States of America; 3i Infotech (Africa) Limited, Kenya; aok In-house BPO Services Ltd., India; aok In-house Factoring Services Pvt. Ltd., India; KNM Services Pvt. Ltd., India; Professional Access Software Development Pvt Limited, India; Professional Access Limited, USA; Lantern Systems Inc., USA; HCCA Business Services Private Ltd., India; Manipal Informatics Pvt. Ltd., India; ePower Inc, USA; 3i Infotech (MiddleEast) FZ LLC, UAE; Taxsmile.com Private Limited, India; Linear Financial and Management Systems Pvt. Ltd., J&B Software Inc., USA; J&B Software (India) Ltd, India; J&B Software (Canada) Inc., Canada; Objectsoft Group Inc. and Objectsoft Global Services Inc., USA; Exact Technologies, UK; Accounting Frameworks Limited, UK; 3i Infotech (Australia) Pty Ltd, Australia; 3i Infotech Services (Bangladesh) Pvt Ltd, Bangladesh; Nile Information Technology (Associate), Egypt.

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

Directors/Key Management Personnel: Mr. V Srinivasan (Managing Director & Chief Executive Officer), Mr. Hari Padmanabhan (Deputy Managing Director), Mr Amar Chintopanth (Executive Director & Chief Financial Officer).

The following transactions were carried out during the year:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
Subsidiaries - 3i Infotech Inc		
Income	**203.73**	236.64
Rent Expense	**4.86**	5.47
Guarantee given on its behalf	**-**	86.88
Investment made	**-**	522.75
Investment purchased (3i Infotech (UK) Limited)	**-**	69.63
Advance given/(Repaid)	**-**	(208.87)
Subsidiaries – 3i Infotech Holdings Private Limited, Mauritius		
Income	**-**	25.94
Investment made in Equity shares	**4,935.34**	2,637.86
Investment bought back	**5,394.91**	-
Investment in Redeemable Convertible Preference Shares	**5,538.41**	-
Advances given	**165.03**	
Subsidiaries - 3i Infotech (UK) Limited		
Income	**33.11**	19.76
Purchase of Business and commercial right	**-**	72.64
Investment made	**-**	1,667.65
Investment in Redeemable Convertible Preference Shares	**1,157.07**	-
Advances given	**537.67**	-
Subsidiaries - Delta Services (I) Pvt. Limited		
Purchase of Services	**82.14**	8.21
Advances given	**45.50**	-
Loan repayment	**6.71**	8.60
Interest Income	**0.70**	0.07
Subsidiaries - 3i Infotech Middle East FZ LLC		
Income	**164.84**	-
Advances given	**287.08**	-
Subsidiaries – Others:		
Income	**130.73**	62.18
Interest Income	**3.11**	-
Purchase of services	**50.98**	36.56
Loans granted	**116.67**	22.54

	As at March 31, 2008	As at March 31, 2007
Investment made/(transferred)	**1.97**	32.21
Advances given/(repaid)	**79.59**	93.38
Directors, Key Management Personnel and their relatives:		
Remuneration/fees	**28.68**	20.07
Expenses	**0.34**	0.34

Rupees in Million

	Outstanding balance as at March 31, 2008	Outstanding balance as at March 31, 2007
Subsidiaries - 3i Infotech Inc		
Guarantees Outstanding	**299.60**	325.81
Sundry Debtors	**431.54**	1.00
Subsidiaries - 3i Infotech Holdings Private Limited, Mauritius		
Investments	**2,962.21**	3,421.78
Sundry Debtors	**-**	41.36
Other Advances	**165.03**	-
Redeemable Convertible Preference Shares	**5,538.41**	-
Subsidiaries - 3i Infotech (UK) Limited		
Investments	**1,738.27**	1,737.27
Sundry Debtors	**-**	7.69
Other Advances	**537.67**	-
Redeemable Convertible Preference Shares	**1,157.07**	-
Subsidiaries - Delta Services (I) Pvt. Limited		
Investments	**101.93**	51.93
Sundry Creditors	**33.92**	-
Loan Granted	**8.61**	15.32
Sundry Debtors	**10.03**	10.03
Other Advances	**65.42**	19.93
Subsidiaries - 3i Infotech Middle East FZ LLC		
Other Advances	**287.08**	-
Subsidiaries - Others:		
Investments	**545.63**	705.23
Loans	**123.89**	7.22
Other Advances	**17.78**	97.37
Sundry Debtors	**84.79**	78.07
Sundry Creditors	**13.34**	61.83

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

4.Disclosure pursuant to Clause 32 of Listing Agreement:

Rupees in Million

	Maximum balance outstanding during the year ended March 31, 2008	Maximum balance outstanding during the year ended March 31, 2007
Loans		
a. Taxsmile.com Private Limited	**45.00**	-
Other Advances		
a. 3i Infotech Holdings Pvt Ltd (Mauritius)	**308.95**	-
b. 3i Infotech Trusteeship Pvt Ltd	**1.20**	-
c. 3i Infotech (UK) Ltd	**1.51**	82.01
d. 3i Infotech (Middle East) FZ LLC	**934.05**	-
e. HCCA Business Services Pvt Ltd	**12.00**	-
f. KNM Services Pvt Ltd	**4.58**	-
g. Rhyme Systems Holdings Ltd	**295.58**	59.99
h. Rhyme Systems Ltd	**255.99**	-

Note: As at March 31, 2008 shares held by the above mentioned Subsidiaries in the Parent Company is Rs. Nil (Previous Year Rs. Nil).

2.16 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.

2.17 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.

2.18 Foreign exchange currency exposures not covered by derivative instruments as at March 31, 2008:

		As at March 31, 2008		As at March 31, 2007	
Particulars	**Currency type**	**Amount (Foreign currency in million)**	**Amount (Rs. in million)**	Amount (Foreign currency in million)	Amount (Rs. in million)
Foreign Currency	Dollar	**120.20**	**4,801.39**	50.00	2,206. 00
Convertible Bonds	Euro	**30.00**	**1,893.40**	15.00	870.75
Secured Loan	AED	**0.23**	**2.49**	0.28	3.42
Redeemable	GBP	**14.52**	**1157.07**	-	-
Convertible	USD	**120.20**	**4801.39**	-	-
Preference Shares	EURO	**11.68**	**736.18**	-	-

		As at March 31, 2008		As at March 31, 2007	
Particulars	**Currency type**	**Amount (Foreign currency**	**Amount (Rs. in million)**	**Amount (Foreign currency in million)**	**Amount (Rs. in million)**
Current Assets, Loans and Advances	Dollar	**12.38**	**494.40**	44.89	1,980.71
	SGD	**3.06**	**88.69**	2.54	73.15
	MUR	**106.90**	**165.03**	19.43	25.94
	MYR	**0.03**	**0.41**	0.72	8.98
	SAR	**3.20**	**34.21**	-	-
	KES	**14.54**	**8.88**	-	-
	AED	**115.54**	**1,257.03**	59.73	717.77
	Taka	**9.65**	**5.70**	-	-
	EURO	**-**	**-**	0.01	0.61
	GBP	**6.76**	**538.59**	19.46	1,682.05
Current Liabilities	GBP	**-**	**-**	0.02	1.49
	Dollar	**-**	**-**	0.03	1.38
	AED	**37.34**	**406.21**	12.38	148.80

2.19 CIF value of imports:

Rupees in Million

	For the year ended March 31, 2008	For the year ended March 31, 2007
a. CIF value of import of:		
(i) Capital goods	**-**	72.64
b. Expenditure in foreign currency in respect of:		
(i) Cost of outsourced services and boughtout items	**20.93**	2.60
(ii) Travelling and other expenses	**67.20**	58.37
(iii) Dubai branch expenses	**1,143.92**	977.08
(Including Professional and Consultancy charges Rs. 16.50 million; for the year ended March 31, 2007 – Rs.34.95 million and Commission paid/payable to agents Rs. 41.34 million; for the year ended March 31, 2007 – Rs.12.78 million)		
c. Dividend remitted in Foreign currency		
Number of shares	**2,317,268**	2,307,268
Dividend for the year	**2006-07**	2005-06
Amount remitted	**4.63**	4.61
d. Earnings in foreign currency		
(i) Income from software development services and sale of products	**1,796.50**	1,737.72
(ii) Interest Income	**131.53**	68.90

2.20 Provision for Warranty and Contingencies disclosure as per AS - 29 “Provisions, Contingent Liabilities and Contingent Assets”:

Rupees in Million

	Warranty	**Contingencies ***
Balance as at April 1, 2007	52.46	120.06
Provision made during the year	3.42	-
Provision written back during the year	(4.77)	-
Balance as at March 31, 2008	51.11	120.06

* The Company has made provision for contingencies such as customer claims/arbitration claims/penalties, contract losses etc.

2.21 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 “XIV”

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, 2008

3i INFOTECH LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No	:	74411	State Code :	11
Balance sheet Date	:	March 31, 2008		
CIN No	:	U67120MH1993PTC074411		

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

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
647.88	Nil
ESOS and FCCB Conversion	
94.48	

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

Total Liabilities	Total Assets
19,070.88	19,070.88
Source of Funds :	
Paid -up Capital	Reserve and Surplus
2,305.35	4,144.49
Secured Loans	Unsecured Loans
720.86	11,537.81
	Deferred Tax Liability
	Nil
Application of funds :	
Net Fixed Assets	Investments
2,493.82	12,043.57
Net Current Assets	Miscellaneous Expenditure
4,286.39	Nil
Accumulated Losses	Deferred Tax Asset
Nil	247.10

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

Turnover	Total Expenditure
4,637.38	3,595.94
Profit Before Tax	Profit After Tax
1,041.44	1,004.57
Earning per Share in Rs.	Dividend
7.37	195.80

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 & Facilities Management Services Others

Signatures to Schedules "I" to "XIV"
For and on behalf of the Board

V. Srinivasan
Managing Director and CEO

S. Santhanakrishnan
Director & Chairman of Audit Committee

Amar Chintopanth
Executive Director and CFO

Shivanand R. Shettigar
Company Secretary

Mumbai, April 25, 2008