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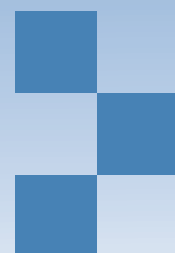


Aligning Intangibles with Strategy

Alignment of the three most important intangible assets viz. Human Capital (knowledge, talents and skills of employees), Information Capital (information systems, databases, knowledge application & technology infrastructure) and Organisation Capital (culture, leadership, teamwork) with the company's business strategy is integral to its successful execution.

In HTMT, these intangible assets have been well integrated and aligned with its critical internal processes that create and deliver the differentiating customer value proposition.

Such integration has been a source of sustainable competitive advantage for HTMT.



Mission & Vision

Mission

HTMT is dedicated to the creation and demonstration of a new corporate concept of linked prosperity across all its stake holders.

The Company's mission consists of three inter-related parts -

Service Offering

HTMT and its subsidiaries will offer High Quality Innovative and Value for money solutions across multiple technology platforms and businesses in IT/BPO, Media and Telecommunication space to their customers.

Economic

The Company and its subsidiaries will operate on a sound financial basis of profitable growth, to increase Value for shareholders and customers and create career opportunities and financial rewards for employees. The cornerstones of their economic principles will be sensible growth of a stable customer revenue base along with prudent expense management.

The Companies will be an agile force at all times adapting themselves to take advantage of the new challenges and opportunities and realize the aspirations of the above stake holders.

Social

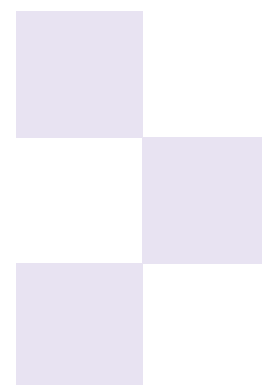
The Company and its subsidiaries will function in a way that actively recognizes the central role that the businesses play in the structure of the society by initiating innovative ways to improve the quality of life in the community they serve.

Vision

HTMT's vision is to become a Scale Player and leader in its core business of Information Technology with focus on Business Process Outsourcing space by leveraging the diversified customer base, experienced management bandwidth and deep domain expertise in specified business verticals.

HTMT will strengthen its ability to provide end-to-end outsourcing solutions to its customers both in Voice and Data across IT enabled services as well as IT services all under one organization very different from the way it is available with other Indian Companies.

In the longer term, the Company will grow into a potent convergence corporation through harmonious coalescence of its core business of IT and the businesses of its subsidiaries in Media and Telecommunication space and exploit the synergies arising therefrom.



Value System



The five principles as under, distilled from the lifetime experience of the Founder of Hinduja Group, late Shri Parmanand D. Hinduja, serve as the cultural cornerstones of the businesses of the Group, leading to a synergistic and creative partnership of professional management and entrepreneurship among the Group Companies.

Work to Give

◆
Word is Bond

◆
Act Local; Think Global

◆
Partnership for Growth

◆
Advance Fearlessly

Based on these principles, HTMT has evolved the following set of Seven Values that illumine, inspire and energise the corporate life of the Company and its subsidiaries, like melding hues of the light spectrum.

Customer Delight

Through excellence in service to customers and co-creation of value in partnership with them.

Total Quality

Continuous quality improvement through innovation, process improvement and team work.

Dependability

Expectation being met consistently through professionalism.

People Empowerment

Empowerment of employees to enhance self motivation and customer service.

Corporate Governance

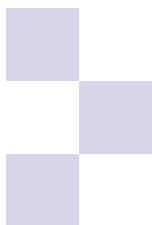
Maintenance of the highest standards of corporate governance and business ethics.

Global Mindset

Local responsiveness and global perspective.

Sustained Growth

Consistent growth and profitability through a sustainable business model for rewarding all the stakeholders viz: shareholders, employees, customers and society as a whole.



Linking intangible assets to strategy & performance



Dear Shareholder,

The year 2003-04 was exciting and eventful for your Company, which was consistent in delivering solid performance. The total revenue for the year increased 42% to Rs. 163 crores from Rs. 114 crores in the last fiscal.

The net profit at Rs. 76 crores showed an increase of 22% over the previous year. The Company's main ITES-BPO business grew 52% outpacing the Indian industry performance of 46% in that segment during the year.

The consolidated revenues of HTMT and its subsidiaries rose 32% from Rs. 217 crores last year to Rs. 285 crores. The consolidated net profit for the year at Rs. 84 crores represented an increase of 44% over the previous year.

Business Environment

The market and opportunities for your Company's core business of IT and ITES continue to be very good. Potential customers for HTMT's services operate in tough competitive environments and

our value addition through outsourced work in terms of cost arbitrage, quality process flow and response time is crucial for their competitive positioning and in some cases, survival. This has been an enduring driver of business even in the face of visible constraints such as backlash against outsourcing, slow growth and non tariff barriers in our major market, USA.

Another positive factor evident as well as espoused by experts, Industry Associations such as Nasscom and leading research firms such as Gartner, is the widening spread of services being offered and performed by Indian Companies across Industry sectors, practices and geographies. Besides, Companies such as HTMT have also enhanced the depth of their expertise and knowledge from domain, technology and process viewpoints.

These positive drivers enable us to look forward to the future with great optimism even though it will be tempered by short term setbacks and constraints. Our over dependence on North America as a market is an area of concern which we are addressing through stepping up our



marketing efforts in Europe and elsewhere.

From a delivery viewpoint, India is expected to be the key offshore outsourcing hub in Asia as compared to other countries, notably Philippines and China in 2004-2005. For instance, India's large pool of highly skilled, English speaking work-force with about 2.1 million graduates each year compares very favourably (vs Philippines of 380,000 per year).

Domain knowledge, process expertise and clients' perception of dependability of the service provider are the key selection criteria of BPO customers and India has excelled in these aspects.

It must however be said that in purely Voice related work, Philippines has been doing well and today represents a smart alternative to the customers.

Customers also look for diversification of global outsourcing locations to increase cost competitiveness and ensure business continuity. Your Company will continue to fare well in meeting the selection criteria.

Acquisition of Call Center at Philippines

Your Company has now acquired the controlling interest of Customer Contact Center Inc. (c3) in Manila, Philippines which operates a high quality Call Centre of 600 seats for global Fortune 500 customers. c3 has excellent infrastructure facilities to ramp up its seating capacity from 600 seats to 1100 seats. This company's financials will be consolidated with that of HTMT from the current year onwards. HTMT has now become one of the select few BPO companies having service delivery capabilities outside India.

The domain expertise of the c3 in banking and financial services, consumer electronics and energy sectors will be a shot in the arm of HTMT to jointly market their services to a wide range of clients looking for business derisking through geographical diversity. The combination of transaction based services from India and voice work proficiency from

Philippines could be a potential winning strategy for your Company.

Capacity Expansion

Your Company has taken on lease additional 80,000 sq. ft. premises at Bangalore close to the existing state-of-the-art 62,000 sq. ft. offshore development center to increase the capacity from 1050 to 2500 seats to meet the ever-growing requirements of clients. The filling up of the additional 1450 seats is expected to be completed by March 2005.

As per the requirement of US based healthcare insurance client, 200 seat Disaster Recovery Center (DRC) has been set up at In-Center, Andheri, Mumbai.

Your Company has sufficient cash resources to meet its expansion needs.

HTMT's Subsidiaries

HTMT, alongwith its subsidiaries, operates in all three areas of Information Technology, Media and Telecommunication leading to real convergence play. While the Company is well on its way to achieve its vision of becoming a scale player in its core business of IT, the Media subsidiaries of the company are yet to perform to their potential. This is due to the unorganized structure and unprofessional nature of the industry and not because of any lack of efforts or commitment of resources or its employees.

IndusInd Media & Communication Limited, a subsidiary of HTMT and India's leading MSO (multiple system operator) has been making substantial investments in its business since 1996 for building extensive Hybrid Fibre Cable network and introducing high quality analog and digital delivery of Cable TV services and high-speed Internet connections in association with group company In2cable (India) Ltd.

In the year under review, IMC invested in state of art equipment to make its network Conditional Access system (CAS) ready, based on a Central Law on CAS



for metros. However, subsequent retractions on the implementation of CAS have meant this investment not yielding results in the year. It is hoped that the appointment of TRAI as a regulator will streamline the functioning of the industry thereby ensuring equitable returns to all stakeholders viz:

broadcasters, MSOs, operators and subscribers in the business supply chain. While there is short term uncertainty in CAS implementation, we believe that over the long term, the digital delivery of Cable TV services through Set-Top-Boxes, which is superior in quality and broadband internet value added services at a reasonable cost should enable the subsidiaries to effectively meet the competition from new players and new technologies such as DTH and IPTV.

The announcement of broadband policy by the Government is due shortly. It is expected that such a policy will stimulate the development of broadband products and services thereby improving the prospect of the subsidiary In2cable.

Investment adding value to the shareholders

The value of your Company's investment in Fascel, the cellular partnership with Hutchison has received a big boost with the decision of Hutchison to consolidate its circle companies into one entity and go for an IPO. Their announced acquisition of Aircel (Chennai and Tamil Nadu circles) will add further value to the investment, as HTMT has been offered participation in the said acquisition pro-rata.

HTMT has a strategic investment in the equity of IndusInd Information Technology Limited (IITL), a subsidiary of IndusInd Bank Limited, which specializes in banking and financial services software. IITL is a profit making company and has potential for further growth, which will add value to your Company's investment.

Your Company has made full adjustment for the diminution in the value of portfolio investments taken over from erstwhile Hinduja Finance Corporation, as on 31st March, 2004. Some of these investments, which are strategic in nature, have good prospect of growing in value.

HTMT has 47 acres real estate property situated off the proposed Bangalore International Airport Road. The value of the property at Rs. 2.93 crores in the Company's books is expected to be considerably higher with certainty of the Airport now being built.

Redefining Mission

Mission and Vision statements set the general goals and direction for an organization. They help shareholders, customers and employees understand what the organization is about (Mission) and what it intends to achieve (Vision). While HTMT has set for itself the vision of becoming a scale player in IT business with focus on BPO space, a need was felt to redefine its mission after it became technology Convergence Corporation. Accordingly, a new mission statement has now been drafted in 3 inter-related parts service offerings, economic and social - for creating a new corporate concept of linked prosperity across the Company's stakeholders and circulated among all concerned. You will find a detailed exposition of this in the Annual Report.

Aligning intangibles with strategy

The consistent growth in the Company's revenue and profitability was the tangible outcome of the alignment of its three important intangible assets with its strategy viz: delivering differentiated value offerings to clients in the ITES-BPO segment supported by IT services.

The three intangible assets are Human Capital represented by the Company's people, Information Capital comprising its information systems, networks and technology infrastructure and Organization Capital encompassing its culture and leadership encouraging staff empowerment, knowledge sharing, teamwork and belief in its value system.

In addition to solid financial performance, alignment of the intangibles with the Company's strategic goals has enhanced its internal processes most critical to creating value for customers and shareholders.



Outlook

HTMT's dependence on a narrow client base for its ITES-BPO business is changing for the better with addition of new clients in the telecom, health and general insurance space. The Company is planning to revamp its marketing strategy in USA and Europe to increase visibility and brand recall.

Gaining control of c3 will reinforce the capabilities of HTMT to increase scale and cost effectiveness, enter new markets, customer segments and regions and, above all, offer geographical diversity to clients.

According to NASSCOM estimates in 2002-03, the financial services sector accounted for the largest share of Indian Software and Services Export at around 39%. Your Company has plans to participate in this export in a big way in collaboration with IITL in future

The combining and leveraging of resources - human resources (intellectual capital, for instance), brand names and technological, physical and financial resources will generate reciprocal synergies that will enable the two companies to work closer together, evolve joint marketing strategies and execute tasks through iterative knowledge sharing process, propelling HTMT closer to realization of its vision to become a scale player in IT business.

The Company is on the look out for further opportunities of acquisition in BPO space and in IT services segment. HTMT is also keen to grow IT services business and enhance the share of the business in its total revenue and upgrade its intellectual capital through Research and Development.

With innovation as a distributed capability across the Company and co-creation of value in partnership with clients as its goal, HTMT will continue to inspire the confidence of the clients for its getting steady flow of new business.

I am sure that the challenges of business growth

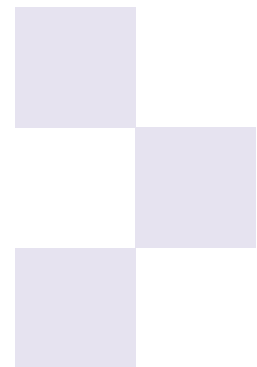
will spur the employees of the Company to organize and contribute the best of their energies and skills and help us win.

With this confidence, I sincerely thank the shareholders and the customers for the trust reposed in us and the employees for their unstinted co-operation and commitment.



Ashok P Hinduja
Chairman

Mumbai, 25th August 2004



HTMT 2004

HTMT had been the pioneer in adopting convergence business model in India in the year 2000 when it brought within its fold Information Technology, Media & Entertainment and Telecommunications businesses with diverse offering of services and solutions across these domains.

Today, with forays into Information Technology, Digital Television Distribution, Broadband Cable Internet and Voice over Internet Protocol services among others, HTMT, is growing from strength to strength, establishing itself as a pioneer, an innovator and further, a winner all the way.

Information Technology is the core business of HTMT. With over 2000 ITES-BPO employees working round the clock and through the year, processing insurance claims, providing technical support and contact center services, HTMT goes an extra mile to ensure customer delight.

The ITES-BPO offerings are complemented by the Company's software development services, which include custom built application and maintenance, legacy migration, engineering design and package implementation services.

The strategic intent of HTMT is to create an obsession with winning across all levels and functions of the organization. Strategy, execution, culture, structure

and innovation are the institution building initiatives that aid HTMT to implement this strategic intent.

Expanding Horizons

During the year, HTMT acquired controlling interest and management of Customer Contact Center Inc. (c3) Manila. An ISO 9001:2000 & BS 7799 certified company, c3 is among the major profit making offshore call centers in Philippines. It operates a 74,000 square feet call center facility located in the Eastwood City Cyberpark and has a capacity of 1100 seats, making it one of the largest call centers in that country.

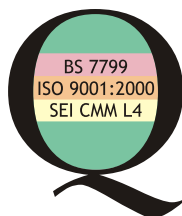
The acquisition makes HTMT among the first Indian ITES companies to offer its international clients an alternative location outside the country. This move also effectively widens the Company's capabilities to include other domains such as banking, financial services, consumer electronics, media & entertainment and energy in offering Call Center solutions.

HTMTians-Company's greatest asset

HTMT recognizes that employees, its most important asset, provide it with the hard edge of competitive advantage. The Company's HR policy has been designed to recruit and retain the best employees -



Customer Contact Center Inc., Manila



the people who make HTMT the winner that it is. Its culture and its employees are well aligned to its strategic goals and value creation to all stakeholders.

The HR policy of the Company is founded on the principles of fair process, which has elicited voluntary co-operation from the employees and made each employee a value builder. Company's employees endorsed the fairness of the policy when they voted for HTMT as the Most Preferred Employer among ITES-BPO companies in the DQ-IDC Employee Satisfaction survey 2003.

Quality- A standard HTMT lives by

Quality is paramount at HTMT. An ISO 9001:2000 certified company, HTMT strictly follows the guidelines and processes specified in its Quality Management System. With a rigorous performance metrics program in place, the Company ensures continuous monitoring and improvement of every function and process. Also certified for BS 7799 standards by KPMG, HTMT has its information security framework to monitor and control security to meet the corporate customers' and legal requirements.

In addition, HTMT's IT services division is also SEI CMM Level 4 assessed, encompassing design,

development, customization, installation and maintenance of software products on client server, web based and legacy system projects.

Furthermore, the Company is also implementing a Six Sigma programme to accelerate process improvements, enhance quality, eliminate wastage and reduce defects and variations to negligible levels.

Strong Performance, High returns

Over the past four years, HTMT has achieved record growth in revenues and profits, which has been noticed by international agencies and institutional investors.

During 2003-04, Deloitte Touche Tohmatsu ranked it among the 'Fastest Growing Technology Companies in the Asia Pacific Region'.

Successful implementation of the restructuring strategy for the company and its subsidiaries has led to increased shareholder value. As per the recently published '8th Wealth Creation Study' of Motilal Oswal Securities, HTMT was ranked as the 7th fastest wealth-creator in India for the period 1998-2003. Its market capitalization appreciated by 11 times, growing at a CAGR of 60.7% during the period.

Key Functionaries

Corporate



S. Solomon Raj, 70
Executive Vice Chairman

M. Sc.

Earlier Managing Director- IndusInd Bank, Deputy Managing Director - State Bank of India, SSR is with HTMT since 2000.



K. Thiagarajan, 51
Chief Operating Officer
(Being appointed as Managing Director & CEO w.e.f 1st Oct '04)

Bachelor of Technology (IIT, Madras), Post graduate Diploma in Business Management (IIM-Ahmedabad)

Earlier Director & Senior Vice President- Satyam Computers Services. Thiagu has joined HTMT in June this year.

Information Technology



R Mohan, 43
President & CEO, IT Division

Bachelor of Technology (University of Madras), Post graduate Diploma in Business Management (IIM-Ahmedabad)

Earlier with Mphasis BFL & Wipro, RM is with HTMT since 2002



Partha Sarkar, 41
Chief Operating Officer & Head - ITeS

Master of Technology (IIT, Madras), Post graduate Diploma in Business Management (IIM-Bangalore)

Worked earlier with Deloitte Consulting & GE Capital International Services, Partha is with HTMT since 2003.



V Prasanna Kumar, 47
Senior Vice President & Chief Operating Officer - HTMT Inc.

Master of Technology (IIT, Madras)

Worked earlier with Tata Consulting Services, VPK is with HTMT since 1996.



T V Sridhar, 44
Vice President - IT Services

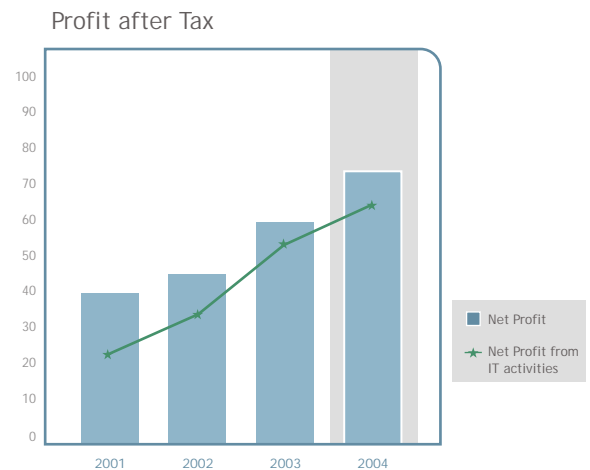
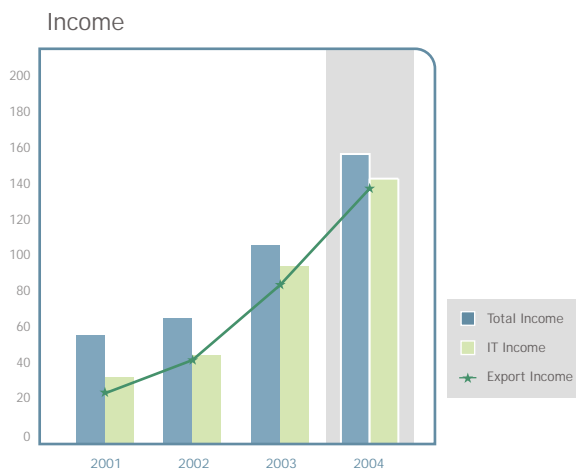
Bachelor of Engineering (IISc, Bangalore), Post graduate Diploma in Business Management (IIM-Bangalore)

Worked earlier with iTWINE Technologies & Mphasis-BFL, TVS has joined HTMT in April this year.

HTMT Financial Highlights

(in Rs. Crores,
unless otherwise
stated)

For the year	2002	2003	2004	Change over previous year
Total Income	72.94	114.46	162.49	42%
Of which				
- Income from IT Activities	54.79	99.75	144.99	45%
- Export Income	50.22	92.70	141.22	52%
PBIDTA	47.04	69.98	81.73	17%
Profit after Tax	46.73	62.03	75.53	22%
As at the end of the year				
Share Capital	35.58	40.90	40.90	-
Reserves and Surplus	337.40	383.04	409.55	7%
Networth	372.98	423.94	450.45	6%
Loan funds	0	0	0	-
Net Fixed Assets (excl. WIP)	16.23	26.50	29.11	10%
Investments	213.81	230.16	237.43	3%
Cash and Bank balances	41.58	34.61	14.43	-58%
Net Current Assets	140.87	165.79	182.40	10%
Earnings per Share (Rs.)	13.10	15.16	18.47	22%
Dividend (%)	60%	70%	75%	7%
Dividend Amount	21.35	28.63	30.68	7%
Book Value per Share (Rs.)	105	104	110	6%
Market Capitalisation	858	636	832	31%
Other Highlights				
Employees (nos.)	1003	1480	1743	18%
IT Division Staff Strength (nos.)	978	1452	1717	18%
Infrastructure Capacity (sq. feet '000)	52	52	142	173%
Number of Offshore Centres (nos.)	1	1	3	-



General Information

Board of Directors

A. P. Hinduja, *Chairman*
R. P. Hinduja, *Co-Chairman*
S. Solomon Raj, *Exec. Vice Chairman*
D. G. Hinduja
A. K. Das
Anil Harish
H. C. Asher
T. Ananthanarayanan
R. P. Chitale
K. V. Seshasayee
I. N. Chatterjee
(Alternate Director to R. P. Hinduja)

Committees of the Board

Audit Committee

Anil Harish, *Chairman*
R. P. Hinduja (*w.e.f. 30/04/2004*)
T. Ananthanarayanan
A. K. Das (*upto 29/04/2004*)
R. P. Chitale

Committee of Directors

S. Solomon Raj, *Chairman*
R. P. Hinduja
A. K. Das
K. V. Seshasayee

Investor Grievance Committee

Anil Harish, *Chairman*
A.K. Das
S. Solomon Raj

Legal & Secretarial

Somnath Majumdar, *Senior VP and Head-Legal & Secretarial*
Hasmukh Shah, *Asst. VP*

Internal Audit & Systems

Murtuza Kachwala, *Asst. VP*

Management Team

Corporate

S. Solomon Raj, *Exec. Vice Chairman*
K. Thiagarajan, *Chief Operating Officer*
M.S. Varadan, *Executive Director*
Raminder Singh, *President*
(*On deputation to InNetwork Entertainment*)
Pushkar Misra, *Senior VP*
(*on deputation to c3, Manila*)
Srinivas Palakodeti, *Senior VP*
(*on deputation to IndusInd Media*)
Somnath Majumdar, *Senior VP*
Arun Kumar, *Senior VP*
Yagnesh Sanghrajka, *Senior VP & CFO*
Kuntal Goel, *Asst. VP*

Information Technology

R. Mohan, *President & CEO*
Partha De Sarkar, *COO - ITES*
Prasanna Kumar V, *Senior VP & COO - HTMT Inc*
T.V Sridhar, *Vice President - IT Services*
Anil Varma, *CFO*
Lalit Malani, *VP - Projects*
Dr. R.Solomon Suresh, *VP - Human Resources*
Savita Govilkar, *VP - Operations*
Vishwanath Rao, *VP - Operations*
Narasimha Murthy, *VP - Planning & Business Transition - ITES*
Raju KM, *Assoc. VP - Marketing*
Subramanya C, *Assoc. VP - Technical Services*
Milind Kulkarni, *GM - Software Services*
Siddhartha S, *Assoc. VP - Projects Delivery*
Arullallar Arasar, *Assoc. VP - Projects*
A Venkataraman, *Assoc. VP - Operations*
B.S Ramesh, *GM - Finance*
V Prasad, *GM - Administration*
Jacob Joseph, *GM - Quality*

Auditors

Price Waterhouse
Chartered Accountants

Solicitors & Advocates

Crawford Bayley & Co.
Pandya & Co.

Bankers

UTI Bank
Canara Bank
IndusInd Bank
Standard Chartered Bank
HDFC Bank
State Bank of India
HSBC Bank
ICICI Bank

Registered Office

Hinduja House
171, Dr. Annie Besant Road
Worli
Mumbai 400018

Registrar & Share Transfer Agent

Sharepro Services
Satam Estate
Cardinal Gracious Road
Chakala, Andheri (E),
Mumbai 400 099

Directors' Report

To the Members :

Your Directors are pleased to present their Report on the business and operations of your Company for the year ended 31st March 2004.

(Rs. in lacs)

For the year ended 31st March	2004	2003
Operating Income	15746.03	11186.64
Add : Profit on sale of		
Investments (net)	489.06	178.31
Other Income	14.06	81.64
Total Income	16249.21	11446.59
Operating Expenses	8076.15	4448.71
Depreciation	460.59	385.96
Financial Expenses	0.16	-
Profit before tax	7712.25	6611.92
Provision for tax (incl. deferred tax)	159.11	408.87
Profit after tax	7553.14	6203.05
Add : Balance Brought forward from Previous year	6561.18	4208.50
Profit Available for Appropriation	14114.32	10411.55
Dividend		
- Interim	2045.19	2045.19
- Final (Proposed)	1022.60	818.08
Dividend Tax	395.68	366.79
Transferred to General Reserve	755.31	620.31
Balance Carried Forward	9895.54	6561.18
Earnings per share (Rs.)	18.47	15.16

Review of Financials

Operating income for the year increased by 41% to Rs. 157.46 Crores from Rs. 111.87 Crores in the previous year. Total income for the year rose by 42% to Rs. 162.49 Crores from Rs. 114.47 Crores in the previous year.

Income from IT activities increased to Rs. 144.99 Crores from Rs. 99.78 crores in the previous year a growth of 45%. Export income grew by 52% to Rs. 141.22 Crores. Your Company's income from IT activities has grown at a 3 year Compounded Average

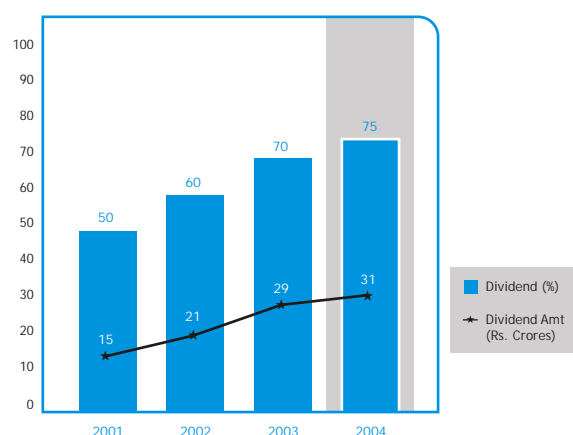
Growth Rate (CAGR) of 56%.

Profit after tax for the year was higher at Rs. 75.53 Crores from Rs. 62.03 Crores in the previous year, an increase of 22%.

The Company maintained its debt free status for the 3rd consecutive year. The Book Value per share increased to Rs. 110/- from that of Rs. 104/- last year.

Dividend

Your Company had paid an interim dividend of Rs. 5/- per share (50% on the face value of Rs. 10/-) in March 2004. Your directors now recommend a final dividend of Rs. 2.50 per share (25% on the face value of Rs. 10/-). The total dividend for the year would aggregate to Rs. 7.50 per share. (75% on the face value of Rs. 10/-).



The total amount of dividend for the year would be Rs. 30.68 crores (Rs. 28.63 crores for the previous year).

Business

FY2004 was a year of coruscating growth in the Company's core business of Information Technology. Against a backdrop of anti outsourcing wave and increasing competition from local as well as multinational players, your Company saw the addition of new ITES-BPO clients, fast ramp-up & enhanced work flow from the existing contracts and

expansion of the physical infrastructure.

a) IT Enabled Services (BPO & Call Centre)

During the year, your Company's income from ITES-BPO activities crossed the Hundred Crore mark. In a brief span of less than 4 years, your Company has been successful in becoming one of the leading third party ITES-BPO players. Penetration of the chosen customers, satisfaction of the chosen needs and acquisition of clients offering high volume, high value businesses has enabled the Company to post this remarkable growth.

The execution of the Company's BPO contracts of claim processing for US based insurance clients witnessed further deepening of relationship and ramp up during the year with the number of employees executing the contracts rising by 879 to a total of 1283 as on 31st July 2004. The outsourcing assignments, which were confined to payer function, have now been expanded to include provider domain and sophisticated high-end voice call centres staffed by medical practitioners and dentists.

Your Company also leveraged its telecom domain experience and signed up new clients for providing call centre solutions. As on 31st July 2004, your Company had 690 employees engaged in providing call centre services.

The total number of employees in the Company's IT enabled services wing increased from 1257 as on 31st March 2003 to 1973 as on 31st July 2004.

b) IT Services

Your Company's IT services wing has strong domain expertise in Discrete Manufacturing (Automobile) and is experienced in development and integration of large enterprise software packages including production planning, billing, finance, customer care and supply chain management. Having gained significant experience in the automobile segment and the successful implementation of an ERP project for a large commercial vehicle manufacturer, your Company was able to secure a similar IT Services contract from another large automobile company outside India.

The wing also successfully completed a media company order for implementing an ERP package,

subscriber management system and IT infrastructure strengthening.

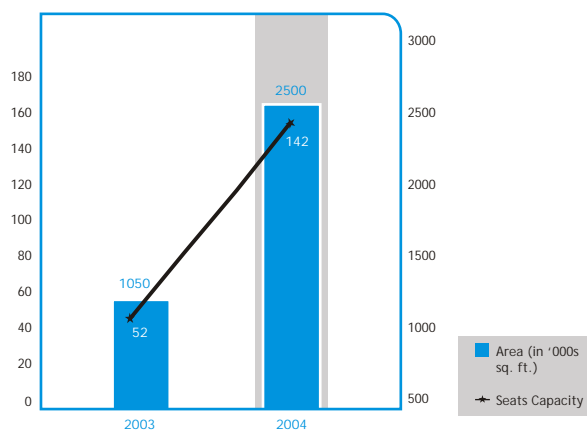
During the year, this wing received CMM Level4 certification signifying process discipline and maturity for software development and maintenance.

Your Company is also engaged in imparting IBM Mainframe Training to aspiring students from public domain. HTMT Training Academy, the training arm of HTMT trains close to 12 batches of students every year and has trained more than 10,000 students in the last few years.

HTMT has world-class facilities including a live IBM ES / 9000 Mainframe. The training classes are handled by experienced faculties. The training is targeted at first class science graduates/post-graduates (B.Tech, M.Tech, BE, MCA etc). HTMT issues a certificate to the students who successfully complete the training and provides assistance to them for placement. Some of the HTMT trained students have been placed in leading Software Companies like Infosys, IBM Global Services, Wipro, Mindtree, ITC Infotech, i-flex solutions etc.

c) Infrastructure (ODC/DRCs)

The state of the art 62,000 sq. feet Offshore Development Centre named 'HTMT House' at Bangalore with a capacity of 1050 seats with sports and training facilities was found inadequate to meet the requirements of existing and new BPO/Call centre clients. The infrastructure has been scaled up by taking on lease 80,000 square feet premises named ' HTMT Centre', quite close to the existing premises to create additional 1450 seats.



Of the four floors of the new premises, one floor has been fully furnished and occupied, with two more floors expected to be completely filled up by September 2005.

As per the requirement of the US based Healthcare insurance client, a 200 seats Disaster Recover Centre (DRC) has been set up at In-Centre, Mumbai.

d) Marketing & Business Development

The marketing and business development efforts of your Company's marketing team and alliance partners were intensified for penetrating into the businesses of the existing clients through adjacent marketing and attracting new clients.

Some of the marketing & business development initiatives during the year included:

- Thrust on new verticals like Healthcare provider side of business, Banking & Financial Services, Finance & Accounts etc
- Exploring avenues like bidding for Build-Own-Operate-Transfer model projects.
- Entering new geographies/markets that have limited competition for software services & maintenance business.
- Looking for acquisitions to secure new customers, skill sets, and domain knowledge.

e) Acquisition of Customer Contact Centre Inc. Manila (c3)

During the year, your Company's Board had approved, subject to requisite statutory approvals, the acquisition of controlling interest and management control in c3, one of the large profit making Offshore Call Centers in Manila, Philippines in partnership with Universal Vision Corporation (UVC), the Company's marketing partners, at a price not exceeding US\$ 4.05 Million. The acquisition has now been completed at a cost to your Company of US\$ 3.9 Million.

c3, located in Eastwood (an Export Promotion Zone in Manila) is operating as of date, approximately 600 Call Center seats. It has been in operation since June 2001 and has adequate infrastructure facilities to ramp up its seating capacity from 600 seats to 930

seats in a short span of time. c3 holds 42.5% stake in SOCA, a Joint Venture Company formed with Source One, USA, for servicing US clients procured by the Joint Venture Partner. c3 & SOCA's customers include a number of reputed overseas blue chip companies in various domains like Banking, Credit Card services, Consumer Electronics, Media and Entertainment etc.

c3 financials will be consolidated with your Company from the current year onwards. For the 6 months ended 30th June 2004, c3 has generated a net profit of approximately USD 0.45 Mn on a turnover of USD 3.69 Mn. The turnover and net profit of its joint venture company SOCA for the period were USD 5.72 Mn. and USD 1.50 Mn. respectively. The budgeted combined income and net profit for the year ended 31st December 2004 for both the companies are USD 20.3 Mn. & USD 3.7 Mn. respectively. The budget is considered achievable due to new business on offer.

The domain expertise of c3 and its client-base would be complementary to your Company's Call Center/BPO operations.

A joint marketing strategy between HTMT and c3 will be evolved to attract clients requiring geographical diversity and specified domain expertise.

f) Review of the IT business strategy

A review of the Strategy of the Company to offer differentiated value proposition to clients in BPO space in terms of quality, cost, productivity execution and delivery with support of IT Services under one organisation was conducted with reference to certain parameters. The metrics used and the results are given below:

i. Profitability Metrics

Your Company has the highest 4-year ITES-BPO income CAGR at 95% in the industry. It has the 3rd fastest profitability growth and highest ROCE in IT business (84.01% for current year)

ii. Strategic Economic Metrics

The metrics required review of the relative price, relative operating costs & relative capacity utilization of the Company. While in ITES-BPO business your Company's rates were inline with the industry, the billing rates for IT Services were lower than the competitors due to higher composition of domestic revenues. The

key component of the operating costs i.e. manpower cost was in line with the industry average. Your Company's utilisation rate is higher than the industry average due to small number of employees being on the bench.

iii. Value proposition Metrics

Penetration of the chosen customers and satisfaction of the chosen needs were the key criteria reviewed. That your Company was successful in garnering increased share of businesses from its existing clients is evident from strong ramp ups. The clients also consistently ranked your Company highly in terms of quality parameters.

iv. Distinctive activity related Metrics

This covered the operational parameters like service levels, activity costs etc. Your Company was able to constantly exceed the performance SLA's and the activity costs were lower as compared to industry average.

The key conclusion of the strategy review process was that the Company should:

- Continue to focus on the ITES-BPO segment
- Enhance the share of IT Services business (software development & maintenance) and
- Look into option of acquisition for fast growth of domain expertise and client base to enhance shareholder value.

g) Awards & Recognitions

Some of the awards and recognitions received by your Company during the year under as per the surveys conducted in the industry by the reputed magazines, research organisations and associations are:

- Most Preferred Employer - Your Company was voted as the Most Preferred Employer among top 15 BPO companies in India by Dataquest-IDC Employee Satisfaction Survey 2003.
- Leading Healthcare BPO - Your Company was rated as the Second Largest by Business World Magazine in terms of number of processors.
- Leading ITES-BPO Player - Nasscom ranked your Company as India's 9th largest third party ITES-BPO Company among 310 units.

- Among Most dynamic and fast growing companies - Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500 Program, 2003 recognized your Company as one of the Asia Pacific's most dynamic and fast growing companies.

h) Quality & Security Certifications

Your Company's disciplined processes and very good routines about information flows had enabled the Company to receive SEI CMM Level 4 and ISO 9001:2000 certification respectively for software development and processes across all segments of its business.

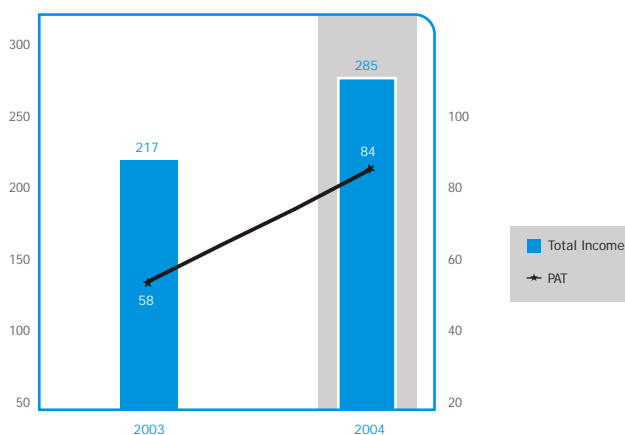
During the year, your Company received the prestigious BS 7799 information security certification. BS 7799, the benchmark standard for IT system security management, was awarded after a series of security systems and process audit conducted by KPMG.

These certifications reaffirm your Company's commitment to quality, data privacy and protection, security and continuous improvement in the processes and value offered to the clients.

The Company has also launched several initiatives (defect and cost reduction, value addition) under the six-sigma standards.

Consolidated Performance

The consolidated revenues of HTMT and its subsidiaries increased by 32% from Rs. 216.78 crores last year to Rs. 285.35 crores. The consolidated net profit for the current year at Rs. 84.13 crores



represents an increase of 44% over the previous year's net profit of Rs. 58.31 crores.

Consolidated EPS for the year was Rs. 20.57 as compared to Rs. 14.26 for the previous year.

Corporate Group

During the year, the corporate group at the Company headquarters consisting of specialists in investment banking, finance, technology, media & telecom and law continued to oversee the operations of IT division and the subsidiaries, providing them strategic guidance for growth and enhancing the value of their investments.

Subsidiaries/Associates

FY2004 was a year of mixed fortunes for the Company's media-telecom subsidiaries but its associate Fascel had excellent growth during the year.

Your company's flagship subsidiary *IndusInd Media & Communications Ltd (IMC)* completed the implementation of its state of the art Conditional Access System (CAS) Project in partnership with leading technological companies of the world. While CAS was rolled out in the city of Chennai, it was postponed in other metros (Mumbai, Delhi & Kolkata) due to general elections & non co-operation from the broadcasters. This postponement impeded the profitable performance of IMC during the year.

At the same time, notification of broadcasting & cable television as telecommunication services and appointment of Telecom Regulatory Authority of India (TRAI) as the regulator for cable and broadcasting services were positive developments expected to result in greater transparency among various stakeholders and smooth implementation of CAS.

While IMC has launched its CAS service under the brand 'InDigital', it is waiting for a conducive environment to start Value Added Services like Pay Per View, On Demand Services, and Interactive TV on implementation of CAS. IMC recognizes the fact that in the nascent stages of CAS implementation, substantial marketing efforts and extensive awareness campaigns would be required. In view of the long term benefits, Set Top Boxes (STBs) may

need to be further seeded on trial basis or deployed under lease or rental schemes on highly attractive terms. Accordingly, as a measure of prudence, IMC has, with the approval of the Hon'ble High Court of Mumbai vide its order dated 11th August 2004 set off the value of STBs and smart cards of Rs. 58.56 Crores, which represents a portion of its aggregate investments in implementing CAS, against its share premium account as on 31st March 2004. As a prudent measure, IMC has also set off bad debts of Rs. 34.77 Crores against its share premium account. After the above adjustments, the balance left in IMC's share premium account is Rs. 113.44 Crores.

The Broadband Cable Internet business carried out through your Company's wholly owned subsidiary *In2Cable (India) Ltd.* saw further growth in its business during the year. This growth was fuelled by the company expanding its services to new areas, launching new LAN based Broadband Internet services and consolidating its modem based services. The company's VoIP services launched during the year received good response from the market.

The merger of your Company's erstwhile subsidiaries viz. *IndusInd Entertainment Ltd* and *Cable Video India Ltd* into *InNetwork Entertainment Limited (INEL)* was completed on receipt of approval of the High Court of Mumbai. This merger was a result of your Company's continuous efforts of consolidating its business structure by reducing the number of subsidiaries.

During the year, INEL financed a Hindi movie called 'Baghban' which performed exceedingly well in both domestic and the overseas markets. The company's local content channel 'In Mumbai' was awarded the prestigious RAPA award for Outstanding News Coverage.

Both the news and film businesses of INEL maintained their eminent position in the market place during the year. INEL, with its vast & valuable content library & infrastructure has a strategic importance in your Company's future growth plans.

Your Company's subsidiary *IndusInd Telecom Networks Limited (ITNL)* has a 30% stake in *Fascel*, the cellular partnership venture with Hutchison. During the year, Fascel grew from strength to strength and doubled its subscriber base to cross one million. It maintained its leadership position in the

state of Gujarat and continued to post improved financial performance.

All the thirteen Hutch Cellular circle companies, including Fascel, are consolidating their shareholdings in Hutchison Max Telecom Limited (Hutch), Mumbai, to derive the economies of scale and to facilitate Initial Public Offer of equity shares. Hutch, the second largest GSM cellular operator in India with a subscriber base of over 7.3 million, has recently applied to FIPB for requisite approval in this regard.

Based on the relative valuation of various telecom circles, on consolidation, ITNL would be allotted 5.11% stake in the consolidated entity, Hutchison Max Telecom Limited, in lieu of its 30% stake in Fascel.

Subject to favourable capital market conditions, the IPO of Hutchison Max Telecom Ltd, is being planned for the last quarter of the calendar year 2004.

The recent acquisition of Aircel by Hutch and the proposed increase in the telecom FDI cap from 49% to 74% by the Government is expected to have a favourable impact on the valuation of Hutch & its IPO as also to the value of your Company's investment of Rs. 118.98 Crores. Your Company proposes to exit this investment in the near future at an appropriate price.

The reports and accounts of the subsidiary companies as required under Section 212(1) of the Companies Act, 1956 as well as the statement specified in Section 212(3) thereof are attached.

Other Investments

In addition to strategic & financial investments in subsidiaries & associates, your Company also has investments in equities & real estate.

The quoted/unquoted equity investments of Rs. 36 Crores as on 31st March 2004 are part of the legacy finance business of the erstwhile Hinduja Finance Corporation. During the year under review, your Company realised a profit of Rs. 4.89 Crores by divesting some of these investments. As the Company proposes to exit these investments, it is making continuous efforts to maximise the realisation from the rest.

HTMT has 47 acres real estate property situated off the proposed Bangalore International Airport Road. The value of the property at Rs. 2.93 crores in the Company's books is expected to be considerably higher with certainty of the Airport now being built.

Addressing Social Concerns

Your Company contributes for social upliftment through various charitable institutions including Hinduja Foundation, which has the objectives of establishing/maintaining hospitals and educational institutions, promoting art and culture, encouraging sports and providing healthcare to the poor, granting scholarships for encouraging excellence in education and providing relief in the event of natural disasters.

During the year, your Company made a donation of Rs. 12.77 lacs for social projects. Your Company co-sponsored a road safety rally at Bangalore in which more than 500 school children participated.

Communication & Public Relations

Your Company has, on a continuous basis, endeavoured to increase awareness among its shareholders and in the market place about the Company's strategy, new developments and financial performance. While financial results and new developments are regularly released to the press and uploaded on its website, your Company, through its Shareholder Letters, has provided the shareholders with detailed financial and non-financial highlights.

Officials from IT division, subsidiaries and the corporate group actively participated as speakers in seminars organised by industry associations and Government forums or as members of taskforce and technical committees.

Such participation has helped in promoting the HTMT brand and creating an awareness of customer friendly features of CAS. The corporate group also held dialogues with the investor community periodically to bring about a better understanding of the Company and its subsidiaries and their growth potential.

Conservation of Energy, Technology Absorption & Foreign exchange earnings and outgo

The prescribed particulars as required under Section

217 (1) (e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption, R&D and Foreign Exchange earnings and outgo are furnished in Annexure-A to this Report.

Corporate Governance

A detailed report on Corporate Governance in compliance with listing agreements forms Annexure-B

The Statutory Auditors of your Company have examined the Company's compliance and have certified the same as required under the listing agreements. The certificate is reproduced as Annexure-C.

Further, a separate Management Discussion and Analysis Report covering a wide range of issues relating to performance, outlook etc., is annexed as Annexure-D.

Fixed Deposit

Your Company has not accepted any fixed deposits from the public and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

Directors

Mr. R.P.Hinduja, Mr. D.G.Hinduja and Mr. Anil Harish, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

At the Board meeting held on 29th April 2004, Mr. I.N. Chatterjee was appointed as Alternate Director to Mr. R.P.Hinduja.

Your Company's audit committee was reconstituted with the appointment of Mr. R.P.Hinduja to the committee with effect from 30th April 2004. Mr. A.K.Das resigned from the committee effective close of business hours of 29th April 2004.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors, based on the information and

documents made available to them, confirm that:

- i) in the preparation of the annual accounts for the year ended 31st March 2004, the applicable accounting standards have been followed. There are no material departures in the adoption and application of the accounting standards.
- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

Appointment of Managing Director & Chief Executive Officer

Your Company appointed Mr. K. Thiagarajan, 51, as Chief Operating Officer, with effect from 16th June 2004. Mr. K. Thiagarajan is an MBA from IIM, Ahmedabad and B. Tech from IIT, Madras. He brings with him 27 years of rich experience in Chemical, Automotive, Engineering and IT sectors both in India and abroad. His last assignment since April 2001 was with Satyam Computer Services Ltd. as Director and Senior Vice President, responsible for Strategy, Planning, M&A, Marketing and Corporate Communications, Investor Relations as well as oversight responsibility for Quality, Internal Information Systems and Soft Infrastructure.

At the Meeting held on 25th August 2004, the Board passed a resolution appointing Mr. Thiagarajan as the Managing Director and Chief Executive Officer of your Company, with effect from 1st October 2004.

The appointment is subject to approval of the shareholders, which is being sought at the ensuing Annual General Meeting.

Auditors

M/s Price Waterhouse, Chartered Accountants, the Statutory Auditors of your Company, retire at the conclusion of the forthcoming Annual General Meeting of the Company and are eligible for re-appointment.

Employees

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report and is furnished as Annexure E.

Acknowledgements

Your Board takes this opportunity to thank the customers, vendors, business partners, shareholders and bankers for the faith reposed in the Company and also thank the Government of India, various regulatory authorities and agencies for their support and looks forward to their continued encouragement.

Your Directors place on record their sincere appreciation of the contribution of the Company's most important asset, viz: employees, who through their competence, hard work and co-operation have enabled the Company to achieve consistent growth.

For and on behalf of the Board

Ashok P. Hinduja
Chairman
Mumbai, 25th August 2004

Annexure 'A' to the Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

a. Conservation of Energy

The operations of the Company are not energy-intensive. However, the Company makes evaluation on a continuous basis to explore new technologies and techniques to make the infrastructure more energy efficient. An energy audit was conducted by HTMT's IT division at Bangalore to enhance energy efficiency during the year.

b. Research and Development

Continuous Research & Development investments are being made & regular efforts carried out by the Company to enhance the capability, quality, productivity and customer satisfaction.

c. Technology Absorption & Adaptation

During the past financial year, your Company significantly expanded and enhanced its technological infrastructure at existing premises and at the new premises. Some of the highlights include:

- Technology partnerships with Oracle, HP/Compaq for ISV/Microsoft Aspect for TCS workforce management solution were completed.
- Partnerships with IBM, SAP and Web Sphere have been initiated.
- Procurement of Stratus server for High Availability solutions in call center and your Company will be the first in ITES space for this application.
- Registration with APNIC (Asia Pacific Network Information center) for IP addresses for enabling Auto Switch over between ISP's for Data connectivity.
- Installation of carrier class Meridian 81 C Switch with Compression equipments (PASSPORT MULTIPLEXER) so as to cater to international customers with world-class solutions.
- Implementation of Fiber Remote Shelf for call center application for optimum utilization of the Meridian 81C Switch.
- Introduction of Net2phone services for better utilization of existing internet bandwidth and implementation of Voice over IP for National and International dialing and hence saving expense on ISD calls.
- Communication link with diverse redundant path from HTMT House to ensure no single

point of failure- intra Bangalore, intra India and international route to achieve near to zero.

All technology imported by the company during the past couple of years have been absorbed in the Company.

d. Export Initiatives, Foreign Exchange Earnings & Outgo

- Export initiatives and development of new export markets

In FY2003-04, your Company's income from export activities increased by 52% to touch Rs. 141.22 Crores. The Company's marketing subsidiaries in US, UK and France along with its marketing partners continued to refurbish its marketing network. The share of export income in the total income for last two years is as given under:

For the year	2003-04	2002-03
Exports as a:		
% of Operating income	90%	83%
% of Total Income	87%	81%

- Foreign Exchange earnings and outgo

(Rs. In Lacs)

For the year	2003-04	2002-03
Total Foreign Exchange Earned	14122.03	9270.03
Total Foreign Exchange Outgo	2850.83	1532.38

For and on behalf of the Board

Ashok P. Hinduja
Chairman
Mumbai, 25th August 2004

Report On Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") and the Management of your Company commit themselves to:

- Striving towards enhancement of shareholder value in the medium and long term through sound business decisions, prudent financial management and high standard of ethics throughout the organization.
- Ensuring transparency and professionalism in all decisions and transactions of the Company.
- Achieving excellence in Corporate Governance by
 - Conforming to and exceeding wherever possible, prevalent guidelines on Corporate Governance.
 - Reviewing the Board processes and Management systems regularly to improve governance relating to all the above

2. BOARD OF DIRECTORS

A. Composition

The composition of your Company's Board is as under:

Non-Executive Directors

Promoter Group

Mr. A. P. Hinduja, Chairman
Mr. R. P. Hinduja, Co-Chairman
Mr. D. G. Hinduja

Connected with Associate Companies

Mr. A. K. Das
Mr. K. V. Seshasayee

Independent

Mr. H. C. Asher
Mr. Anil Harish
Mr. T. Ananthanarayanan
Mr. R. P. Chitale

Executive Vice Chairman

Mr. S. Solomon Raj

At the Board Meeting held on 29th April 2004, Mr. I. N. Chatterjee was appointed as Alternate Director to Mr. R. P. Hinduja.

At the Board Meeting held on 25th August 2004, Mr. K. Thiagarajan was appointed as Managing Director and Chief Executive Officer with effect from 1st October 2004.

Your Company has a non-executive Chairman and the number of independent directors is more than one-third of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement with Stock Exchanges.

B. Dates of Board Meetings held during the year:

Date of Board Meeting	Board Strength	No of Directors present
29/04/03	9	8
05/05/03	9	6
24/06/03	10	8
24/07/03	10	10
30/10/03	10	9
20/01/04	10	9
17/03/04	10	9

The time gap between any two Meetings did not exceed four months. The information as prescribed under Clause 49 of the Listing Agreement was placed before the Board from time to time, as required.

C. Attendance of Directors:

Name of the Director	No. Of Meetings Attended	Attendance at the previous AGM held on 29th Sep. '03
Mr. A P Hinduja	7	Yes
Mr. R. P.Hinduja	5	No
Mr. D. G. Hinduja	5	Yes
Mr. S Solomon Raj	7	Yes
Mr. A K Das	4	Yes
Mr. H C Asher	6	Yes
Mr. Anil Harish	7	Yes
Mr. T Ananthanaraynan	6	Yes
Mr. K V Seshasayee	7	Yes
Mr. R. P. Chitale*	5	Yes

* Appointed as Additional Director at the Board Meeting held on 05/05/03

D. Details of Membership of the Directors in other Boards and in Board Committees:

Name of the Director	Other Boards	All Board Committees	Chairmanship of Board Committees
	(Excludes HTMT)*	(Includes HTMT)**	(Includes HTMT)
Mr. A. P. Hinduja	2		
Mr. R. P. Hinduja	4	1	
Mr. D. G. Hinduja	4	1	
Mr. S. Solomon Raj	2	1	
Mr. A. K. Das	7	3	
Mr. H. C. Asher	10	7	2
Mr. Anil Harish	10	8	4
Mr. T. Ananthanarayanan	6	3	1
Mr. K. V. Seshasayee	4	2	
Mr. R. P. Chitale	5	4	1
Mr. I. N. Chatterjee (Alternate to Mr. R. P. Hinduja)	2	3	

* (Excludes Foreign Companies, Private Companies and Alternate Directorships).

** (Only the following Board Committees have been considered for this purpose: Audit Committee, Shareholders' / Investors' Grievance Committee and Remuneration Committee)

Secretarial Standards relating to Meetings, etc.

The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards relating to Meetings of the Board and Committees thereof, General Meetings and Dividend. These Standards are presently recommendatory, and are likely to become mandatory in due course. The secretarial practices of your Company generally comply with these Standards.

3. AUDIT COMMITTEE

A. Terms of reference

To oversee your Company's financial reporting process and disclosure of its financial information, to recommend appointment of Statutory Auditors and fixation of audit fee, to review and discuss with Auditors about internal control systems, scope of audit including observations of auditors, adequacy of internal audit function, major accounting policies and practices, compliance with accounting standards and with Stock Exchange and legal requirements concerning financial statements and related party transactions, if any, to review your Company's fiscal and risk management policies and discuss with internal auditors any significant findings for follow-up thereon, to review quarterly, half yearly and annual financial statements before submission to the Board and to advise and guide operating management on specific issues/ transactions in co-ordination with Statutory Auditors.

The terms of reference and composition of the Audit Committee conform to the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

B. Composition

The composition of the Audit Committee is as follows:

Chairman:

Mr. Anil Harish

Members:

Mr. T. Ananthanarayanan

Mr. R. P. Chitale (appointed to the Audit Committee at the Board Meeting held on 24/06/03)

Mr. R. P. Hinduja (with effect from 30/04/04)

Mr. A. K. Das (upto 29/04/04)

The Company Secretary acts as secretary to the Committee. The permanent invitees to Audit Committee meetings include representatives of the Statutory Auditor, representatives of the Internal Auditor and the Chief Financial Officer.

C. Meetings and Attendance

The details of meetings held during the year, and the attendance thereat are as follows:

Dates of Meetings: 24th June 2003, 30th October 2003 and 20th January 2004

Attendance

Name of the Director	Number of Meetings attended
Mr. Anil Harish	3
Mr. T. Ananthanarayanan	3
Mr. A. K. Das	2
Mr. R. P. Chitale	2

4. COMMITTEE OF DIRECTORS

A. Terms of reference

The Committee of Directors is inter-alia empowered to oversee the functioning of your Company and its subsidiaries, to provide strategic direction to the subsidiaries / associates of your Company and to approve investments and borrowings within the limits prescribed by the Board. The Committee also acts as the Share Transfer Committee.

B. Composition

Chairman:

Mr. S. Solomon Raj

Members:

Mr. R. P. Hinduja

Mr. A. K. Das

Mr. K. V. Seshasayee

C. Meetings

During the year, 27 meetings were held to consider strategic issues, share transfers and other matters.

5. INVESTORS' GRIEVANCE COMMITTEE

A. Terms of reference

The Committee specifically looks into the redressal of shareholders' and investors' grievances, if any, relating to transfer of shares, non-receipt of dividends, issue of duplicate shares and any other matter of shareholders' interest.

The Committee reviews the system of dealing with and responding to correspondence from all categories of investors. The details of complaint letters, if any, received from Stock Exchanges/ SEBI and responses thereto are reviewed by the Committee. The Committee also reviews /approves initiatives for further improvements in servicing investors.

During the year 48 complaints were received from shareholders, which were duly attended to.

B. Composition

Chairman:

Mr. Anil Harish

Members :

Mr. A. K. Das

Mr. S. Solomon Raj

C. Meetings

The Committee met on 29th December 2003 and all the members were present.

6. REMUNERATION OF DIRECTORS

The details of remuneration of the Directors during the financial year are as follows:

Name of Director	Salary and allowances Rs. Lakhs	Perquisites* Rs. Lakhs	Total Rs. Lakhs
Mr S. Solomon Raj	25.42	1.82	27.24

*(Valued as per Income Tax Act, 1961, wherever applicable)

The terms of Mr. Solomon Raj's appointment provide for termination by giving three months' notice by either party or salary in lieu of notice. The terms of remuneration do not include bonuses or stock options.

Name of the Director	Sitting Fees (Rs.)
Mr. A.P.Hinduja	75,000
Mr.D.G.Hinduja	70,000
Mr.A.K. Das	1,10,000
Mr.H.C.Asher	50,000
Mr.Anil Harish	1,25,000
Mr. T.Ananthanarayanan	1,20,000
Mr.K.V.Seshasayee	75,000
Mr.R.P. Chitale	1,10,000

There were no material pecuniary relationships or transactions with non-executive Directors. The Company pays fees for professional services rendered by firms of solicitors/advocates/chartered accountants in which certain independent Directors are partners.

7. GENERAL BODY MEETINGS

A) Details of location, date and time of holding the last three Annual General Meetings:

Financial Year	Location	Date and Time
2000-2001	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018	27.09.2001 at 11.00 a.m.
2001-2002	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018	24.09.2002 at 11.00 a.m.
2002-2003	Cultural Centre of Russia, Auditorium, 31 A. Dr. G. Deshmukh Marg , Mumbai 400 026	29.09.2003 at 11:30 a.m.

An Extra-ordinary General Meeting of the shareholders was held on 24.09.2002 at 2.00 p.m. at the Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018, whereat the shareholders granted approval for the merger of Sarthak Mercantile Private Limited with the Company.

B) There was no special resolution requiring voting through postal ballot during the year.

8. DISCLOSURES

a) There were no material significant related party transactions that may have a potential conflict with the interests of the Company at large. Transactions with related parties have been disclosed vide Note No.7 in Schedule S to the financial statements.

b) There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority or any matter relating to capital markets during the last three years, except one, the details of which are given below:

In the year 1995, the Company had managed a Public cum Rights Issue of Subhash Projects & Marketing Ltd. (SPML) as a Lead Manager. Pursuant to complaints on matters concerning the Issue, SEBI had initiated investigation in the Issues of SPML. After investigation, Chairman, SEBI, passed an Order dated 11th January 2003 directing the Company not to deal in securities as an intermediary in any manner whatsoever for a period of 2 years.

It may be clarified that the aforesaid Order related to the erstwhile business of your Company, which your Company had discontinued more than five years before the passing of the Order. Since end-1997 your Company has not been acting as a merchant banker or as a financial intermediary in the capital and/or securities market and in fact, your Company did not renew its license to carry on merchant banking activities after it expired in October 1997. Your Company's core activity is IT and ITES and its subsidiaries are in Media and Telecom sectors. Hence the aforesaid Order does not affect the current business of your Company, nor does it debar your Company from accessing the capital markets.

However, aggrieved by the Order and so that the Order should not be construed as a stigma against the Company, the Company had filed an appeal against the same with Securities Appellate Tribunal (SAT), which has lifted the ban for the remaining period, by its order dated 23rd August, 2004.

Recently, SEBI has issued a letter to the Company, dated 21st July 2004, alleging violation of Regulations 6(2) and 6(4) for 1997 and Regulation 8(3) for 2002 and giving the Company an option to request for settlement by consent order by the learned Adjudicating Officer on payment of Rs.75000/- as penalty under Section 15A of the SEBI Act. The alleged violations pertain to late filing of certain forms. The Company believes that it has substantively complied with the regulations that are alleged to have been violated. The Company has filed its reply to SEBI setting out the above and seeking withdrawal of the suggestion for levying penalty.

9. MEANS OF COMMUNICATION

A. Quarterly communication on financial performance and significant developments were sent to the shareholders for the quarters ended 30th September 2003 and 31st December 2003.

B. The quarterly results are being published in leading national newspapers (Business Standard, Sakal, Economic Times and Maharashtra Times). The quarterly results are simultaneously displayed on www.hindujatmt.com, the Company's website. The website is updated regularly with the official news releases and disclosures as required from time to time.

C. Management Discussion and Analysis Report is given as an annexure to the Directors' Report

10 GENERAL SHAREHOLDER INFORMATION.

1 Next Annual General Meeting	
Date	28 th Sept. '04
Time	11.00 a.m.
Venue	Hall of Harmony, Nehru Centre, Worli, Mumbai 400 018
2 Financial Calendar for 2004-05	
Unaudited results for the quarter ended 30 th June 2004	26 th July '04
Unaudited results for the quarter / half year ending 30 th September 2004	4 th week of Oct. '04
Unaudited results for the quarter ending 31 st December 2004	4 th week of Jan. '05
Audited results for the year ending 31 st March 2005	4 th week of June '05
3 Record Date for Interim Dividend for the financial year 2003-04	25 th March '04
Book Closure Dates	From 16 th Sep. '04 to 28 th Sep. '04 (both days inclusive)
4 Payment date for Interim Dividend for the financial year 2003-04	27 th March '04
Final Dividend for the financial year 2003-04	On or after 29 th Sep. '04
5 Listing of Equity Shares	The Stock Exchange, Mumbai (BSE) and National Stock Exchange (NSE)
6 Stock Code	BSE: 500189 NSE: htmt

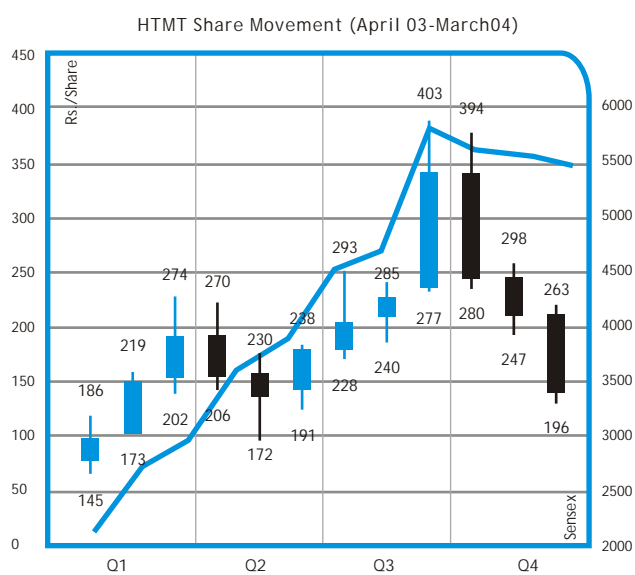
(Note: Annual Listing fee for the financial year 2004-05 has been paid to BSE & NSE)

11. STOCK MARKET DATA

Month	Stock Exchange, Mumbai		National Stock Exchange	
	Month's High Rs.	Month's Low Rs.	Month's High Rs.	Month's Low Rs.
April 2003	185.95	145.00	186.00	144.50
May 2003	219.00	173.00	218.00	174.90
June 2003	274.00	202.15	268.90	202.50
July 2003	269.90	206.10	269.80	206.40
August 2003	230.00	171.80	230.00	191.10
September 2003	237.90	191.05	238.00	190.00
October 2003	293.00	228.25	291.80	228.00
November 2003	284.75	240.25	285.00	215.00
December 2003	403.00	277.25	403.80	276.05
January 2004	393.60	280.00	393.00	278.80
February 2004	298.40	247.00	299.00	240.00
March 2004	263.00	196.25	262.90	196.00

SHARE PRICE MOVEMENT (BSE)

HTMT share price performance relative to BSE Sensex:



12. SHARE TRANSFER SYSTEM

Your Company's equity shares are compulsorily traded in dematerialized form as per the SEBI Guidelines. As on 31st March 2004, about 99.38% of your Company's equity comprising 40,650,476 shares had been dematerialized. Shares of your Company are regularly traded on the BSE and NSE. Share transfer requests received are processed / returned within 30 days from the date of receipt. The Committee of Directors also acts as the Share Transfer Committee.

On 31st March 2004, there were no unprocessed transfers pending. The details of shares transferred during the last three years are as under:

Particulars	2001-2002	2002-2003	2003-2004
No. of transfer deeds	373	238	143
No. of shares transferred	68400	34420	23600

Pattern of shareholding as of 31st March 2004:

Particulars	No. of shares	% of shareholding
Promoters	30570188	74.74
FII's	1978788	4.84
N.R.I.s/OCBs/Non Domestic Companies	345577	0.85
Mutual Funds, Banks, Financial Institutions, Insurance Companies	1383892	3.38
Private Corporate Bodies	3503210	8.56
Individuals / Others	3122232	7.63
Total Paid-up capital	40903887	100.00

Distribution Schedule as of 31st March 2004:

Distribution	No. of shareholders	No. of Shares	% of Shareholding
< 500	7986	1030521	2.519
500-1000	636	517694	1.266
1001-2000	345	549198	1.343
2001-3000	141	357489	0.874
3001-4000	69	251747	0.615
4001-5000	52	242724	0.593
5001-10000	71	538968	1.318
> 10000	103	37415546	91.472
Total	9403	40903887	100.00

Secretarial audit is carried out in line with SEBI requirements and reports submitted by an independent Company Secretary confirming that the aggregate number of equity shares of the Company held in NSDL, CDSL and in physical form tally with the issued/paid-up capital of the Company, were noted by the Board from time to time.

13. REGISTRAR AND SHARE TRANSFER AGENT

Your Company's Registrar and Share Transfer Agent is SharePro Services, Satam Estate, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai- 400 099.

Shareholders' correspondence should be addressed to the Registrar and Share Transfer Agent at the above address, marked to the attention of Ms. Mazrine Wadia/ Mr. Vinod Bhadkar. Tel: (91 22) 2288 4257, 2288 1568, 2288 1569; Fax: 2282 5484 Email: investor@hindujatmt.com

14. ADDRESS FOR CORRESPONDENCE WITH THE COMPANY

Queries relating to operational and financial performance of your Company may be addressed to :

Mr. Yagnesh Sanghrajka (Chief Financial Officer) /
Mr. Kuntal Goel (Asst. Vice President - Corporate Services Group)

Address: Hinduja House, 171 Dr. Annie Besant Road, Mumbai 400 018.

Tel: (91 22) 2496 6350 Fax: (91 22) 2493 7374
Email: enquiry@hindujatmt.com

Shareholders may also address queries relating to their holdings to Mr. Hasmukh Shah, Asst. Vice President - Legal & Secretarial at the above address or contact him on the numbers given above.

Plant Locations: Not applicable

15. COMPLIANCE OFFICER

With effect from 1st May 2004, Mr. Somnath Majumdar, Senior Vice President and Head- Legal & Secretarial is the Company Secretary and Compliance Officer.

For and on behalf of the Board

Place : Mumbai

Dated : 25th August 2004

Ashok P. Hinduja
Chairman

Annexure 'C' to the Directors' Report

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT (S)

To the Members of Hinduja TMT Limited

1. We have examined the compliance of the conditions of Corporate Governance by Hinduja TMT Limited for the year ended March 31, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to 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 the opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that in respect of investor grievances received during the year ended March 31, 2004, no investor grievances are pending against the company as on August 25, 2004 as per the records maintained by the Company and presented to the Shareholders/ Investor Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Mumbai
Date : August 25, 2004

P. N. Ghatalia
Partner
Membership Number: F/9554
For and on behalf of
Price Waterhouse
Chartered Accountants

Management Discussion & Analysis

A. HTMT's Background

HTMT is a part of the Hinduja Group - a worldwide conglomerate. The Group is one of the India's largest transnational business conglomerates with diversified operations. It operates in more than 20 countries and employs over 25,000 people.

HTMT, was formerly known as Hinduja Finance Corporation Ltd. In August 2000, it merged Ashok Leyland Information Technology Ltd. (ALIT) with itself. ALIT was engaged in IT Services since 1993 and pursuant to the merger, IT Services became a division of HTMT. Prior to the merger, HTMT was carrying on investment banking and equity trading businesses, which were discontinued from the year FY 2001-02 on the advice of management consultant 'Accenture'.

The core business of HTMT presently is IT (which includes both IT Services and IT Enabled Services)

with over 2000 employees. The company has two major roles to play

- As an operating IT Company, and
- Corporate parent of the subsidiaries in Media and Telecom space.

The Media and Telecom subsidiaries were acquired by HTMT from the Hinduja Group, which had incubated and nurtured these businesses as privately held companies, through a series of mergers and share swaps. These businesses were brought under the umbrella of HTMT so that the Company can become a truly convergence player and unlock the value latent in these businesses, thereby creating wealth for its shareholders.

HTMT's subsidiaries and associate companies in the areas of IT, Media and Telecom are as under:

S.No	Name of the Company	Nature of Business	HTMT's Effective Stake	HTMT's Holding Through	Shareholders other than HTMT
A SUBSIDIARIES					
1	HTMT Inc.	Information Technology	100%	Direct	n.a
2	HTMT Europe Ltd	Information Technology	51%	HTMT Inc.	Hinduja Group (offshore)
3	Hinduja TMT France	Information Technology	51%	HTMT Inc.	Hinduja Group (offshore)
4	C-cubed (Antilles) N.V.	SPV for c3, Philippines	51%	C-cubed Netherlands B.V.	JV partner from USA
5	InNetwork Entertainment Ltd (INEL)	Media & Entertainment	100%	Direct	n.a
6	Grant Investrade Limited	Special Purpose Vehicle	51%	Direct	Intel Capital
7	IndusInd Media & Communications Ltd (IMC)	Broadband Network / Multi System Operator	62.07% (*)	INEL & Direct	Grant, Indusind Bank, Hinduja Group (offshore)
8	Tele Video Communications India Ltd	Personnel support services for IMC	60%	INEL	Hinduja Group
9	In2Cable India Ltd	Broadband Internet Service Provider	100%	Direct	n.a
10	IndusInd Telecom Network Ltd (ITNL)	SPV for Fascal stake	67.42%	Direct & INEL	Sumitomo Corp & Hinduja Group (offshore)
B ASSOCIATES					
1	Fascal Ltd.	Cellular Services	20.24%	ITNL & INEL	Hutchison and others
2	USN Networks Pvt Ltd.	Cable TV Services	29.79% (*)	IMC	Local Cable Operators
3	United Mysore Network Pvt. Ltd.	Cable TV Services	29.79% (*)	IMC	Local Cable Operators
4	Planet E Shop Holdings P. Ltd	Holding Company for Shop 24 Seven	48%	INEL	JV partner from USA

(*:on fully diluted basis)

HTMT has broadly classified its IT offerings into

a. IT Enabled Services (BPO/Contact centres)

HTMT's expertise is in:

- Setting up and running contact centers
- Setting up, transiting and running Back Office Processing units.

b. IT Services

HTMT's expertise in software services is in offering end to end computing solutions on various platforms. Services include:

- IT Consulting
- Architecture and Integration
- Customized Systems Development
- Application Re-Engineering & Migration
- Application implementation & Maintenance
- Training

HTMT's domain expertise is in the areas of Discrete Manufacturing, Telecom and Insurance.

HTMT's Differentiators

- Financial strength and backing of the Hinduja group.
- The offering of a distinct value proposition to customers in the ITES Space in terms of quality and cost effectiveness supported by technology and domain capability in IT services.
- Superior performance in handling its existing IT enabled businesses and meeting stringent customer standards of quality and productivity.
- High quality top management that has handled the cultural aspects of working offshore.
- Ability to put in place infrastructure and scaling up or down.
- Flexible business model.
- Partnerships with customers, as modes of corporate growth and drivers of competitive

advantage.

- Acquisition and retention of talents and skills upgrade.
- High cash reserves and history of profitable operations.

B. Industry Structure and Development

Information Technology Industry

Amidst several challenges like appreciation of the rupee, backlash against outsourcing, pricing pressures, slow recovery of US economy and increased competition from multi national companies, the Indian software and services exports recorded a robust growth of 30.5% growth clocking revenues of US\$12.5bn in FY03-04 over export revenues of US\$9.6bn in 2002-03.

Indian software and services industry (including domestic market) grew by 28.2% in FY03-04 registering revenues of US\$15.9bn up from US\$12.4bn in 2002-03. Of the total software and services exports in FY03-04, IT Services segment grew by 25%, registering revenues of US\$8.9bn.

Indian IT Enabled Services-BPO segment revenues of US\$3.6bn recorded a growth of 46%. Your Company's ITES-BPO business outperformed the industry by growing 52%.

With more than 425 ITES-BPO companies as on date, this sector is expected to grow at a rate of 40% in FY 2004-05 to reach revenues of US\$5.1bn.

Media & Entertainment / Telecommunication Industry

The Indian entertainment industry grew by 15% to an estimated Rs. 192 billion in 2003. The industry benefited from the improved economic conditions of the country. This led to an increase in the television viewership and improved realisations from television subscription and film exhibition.

The highlights of the year were introduction of new content distribution channels like Conditional Access

Systems, Direct to Home services and continued adoption of next-generation technologies in film exhibition etc. The regulatory environment, the key enabler of the change, saw introduction of several progressive measures like rationalisation of entertainment tax in certain states, infrastructure sops for exhibition infrastructure, policy changes for introduction of addressable systems etc.

While the new distribution technologies are expected to bring in consumer addressability, improve transparency and combat piracy, the regulatory changes create an environment conducive for improvement in the industry.

Out of the Entertainment Industry's five main segments of Films, Television, Music, Radio and Live Entertainment, HTMT's business interest lies predominantly in Films and television segments.

The much awaited mandatory Conditional Access System (CAS) in the country could not be implemented in the country. Non co-operation from the broadcasters by refusing to announce the prices of their individual channels, delay in signing a revenue sharing agreements with the MSOs, resistance from the consumer bodies were the main reasons for the Government to postpone its full fledged implementation. While, CAS was implemented in the city of Chennai and in some regions of South Delhi, it could not be implemented in the other two metros of Mumbai & Kolkata.

HTMT is also a key participant in the Hindi Film industry through its wholly owned subsidiary INEL. During the year, the Film industry grossed total revenues of Rs. 450 billion on back of the multiplex boom, introduction of new exhibition technology, increasing corporatisation and ease in availability of funds at reduced rate.

As per Ficci-E&Y 2004 report on the Indian Entertainment Industry, the emerging macro trends and the growth drivers are expected to enable the Indian entertainment industry grow at a CAGR of 17%, from Rs. 192 billion in 2003 to Rs. 423 billion in 2008. The share of television segment in this pie is expected to grow at a similar growth rate to Rs. 288 billion by 2008 while the Film segment will see a compounded growth of 18% to reach Rs. 101 billion by 2008.

C. Opportunities

Offshoring is now mainstream amongst large US & UK based corporations with close to 40% of Fortune 1000 companies resorting to some kind of offshoring. Further, more & more organizations amongst Fortune 1000 & beyond are looking at offshoring in a big way. The Forbes magazine readers poll also voted "offshoring" as "the most significant business trend of 2003" & Gartner has termed it as an "irreversible long-term mega trend".

D. Threats

Some of the external threats faced by industry today are prolonged downturn in the global economy, anti outsourcing bills & increased visa restrictions, margin pressures, competition from multi national companies, competition from alternative outsourcing destinations, appreciation of Indian currency against US dollar and increased geo political risks due to strained relationships. The company specific internal threats faced by HTMT are related to the management of high growth, scaling up, attrition rates and moving up the value chain.

HTMT is making its best efforts to mould its business model in such a manner that it is able to quickly adapt itself in the dynamic business environment.

E. Outlook

A T Kearney has ranked India as the most attractive offshore location above China and other popular Asian destinations including Malaysia and Philippines. In view of the large potential available worldwide for BPO business, India in general and companies like HTMT in particular will be able to maintain the growth momentum of such business during 2004-05.

The investment in infrastructure, quality of people, financial strength, training resources, and strict adherence to security standards and co-creation of value in partnership with customers will continue to inspire confidence of the buyers in HTMT's services in the years to come.

F. Business-wise / Segment wise Analysis

At present, HTMT, a technology convergence company, functions as an

(a) operating IT Company and
(b) corporate parent of subsidiaries in Media and Telecom space.

IT and Media & Telecom segments have therefore become the primary business segments. The unconsolidated business segment wise analysis for the year ended 31st March 2004 is as given below:

(Rs. in Lacs)

	Primary Business - Convergence Activities			Other Other/ Unallocated
	IT	Media- Telecom	Treasury	
Segment Revenues	14499.19	810.80	925.10	14.06
Segment Results (PBIT)	6688.05	402.01	856.97	(234.78)
Capital Employed	7960.49	29253.91	7285.24	545.56

i. Information Technology

The performance of the IT business segment of the company for the year under review as compared to the previous year was as under:

(Rs. in Lacs)

	2003-04	2002-03	% Change
Segment Revenues	14499.19	9977.81	45
Segment Results (PBIT)	6688.05	5787.28	16
Capital Employed	7960.49	7654.42	4
ROCE (%)	84.01%	75.61%	11

Comments:

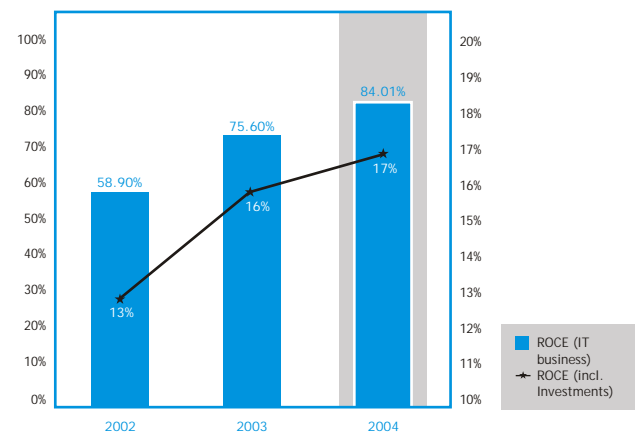
- HTMT's IT segment revenues increased by 45% mainly on account of higher revenues from the company's IT Enabled Services business (Contact centre and Business Process Outsourcing).
- Profit before Interest and Taxes (PBIT) was higher by 16% for the year.
- Return on Capital Employed (ROCE) in the company's Information Technology business for the year increased to 84% from 75.6% in the previous year.

d. The break-up of the capital employed in IT is as given under:

(Rs. in Lacs)

Details	2003-04	2002-03	% Change
Fixed Assets	2819.63	2511.54	12
Investments (HTMT Inc.)	1375.11	1282.47	7
Stock in Trade	124.43	151.76	(18)
Sundry debtors	3089.44	3455.31	(11)
Cash and Bank Balances	208.68	149.33	40
Other Current assets	288.85	3.49	-
Loans and Advances	838.58	499.31	68
Misc. Expenditure	0.00	4.08	(100)
Total Segment Assets	8744.72	8057.29	9
less : Segment Liabilities	784.23	402.87	95
Total Capital Employed	7960.49	7654.42	4

RETURN ON CAPITAL EMPLOYED



ii. Media-Telecom

The performance of the Media-Telecom business segment of the company for the year under review as compared to the previous year was as under:

(Rs. in Lacs)

	2003-04	2002-03	% Change
Segment Revenues	810.80	890.14	9
Segment Results (PBIT)	402.01	514.84	(22)
Capital Employed	29253.91	28679.94	2
ROCE (%)	1.37%	1.80%	(23)

Comments:

a. HTMT's Media-Telecom segment revenues comprise mainly of interest and other income derived by the company from its various Media/Telecommunication related activities. The revenue from this segment for the year under was Rs. 8.11 Crores as compared to Rs.8.90 Crores in the previous year, lower by 9% mainly due to reduced rate of interests on the financial assistance provided to the subsidiaries.

b. PBIT and ROCE from the segment were lower at Rs. 4.02 Crores and 1.37% respectively.

c. The break-up of the capital employed in Media and Telecom is as given under:

(Rs. in Lacs)			
Details	2003-04	2002-03	% Change
Financial Assistance to Subsidiaries/Associates	10485.00	11068.02	(5)
Investment in Subsidiaries	18397.02	17080.04	8
Other Fixed/Current Assets	371.89	617.28	(40)
Total Segment Assets	29295.69	28765.34	2
less : Segment Liabilities	41.78	85.40	(51)
Total Capital Employed	29253.91	28679.94	2

Out of total amount of Capital Employed in HTMT's Media-Telecom businesses of Rs. 28679.94 lacs, Rs. 11898.31 lac is invested in IndusInd Telecom Network Limited (ITNL). ITNL, in turn, holds 30% stake in Fascal, the largest cellular company of Gujarat. As this is a financial investment for your Company, the segment returns will improve post its divestment.

iii. Treasury

The performance of the Treasury business segment of the company for the year under review as compared to the previous year was as under:

(Rs. in Lacs)			
	2003-04	2002-03	% Change
Segment Revenues	925.10	497.00	86
Segment Results (PBIT)	856.97	461.41	86
Capital Employed	7285.24	8602.03	(15)
ROCE (%)	11.76%	5.36%	119

Comments:

a. HTMT's Treasury segment revenues comprise mainly income arising from deployment of surplus funds and income from sale of existing investments (other than subsidiaries).

b. The break-up of the capital employed in this segment is as given under:

(Rs. in Lacs)			
Details	2003-04	2002-03	% Change
Quoted/Unquoted Investments	3970.66	4653.30	(15)
Cash and bank balances	-	3200.00	(100)
Other Fixed/Current Assets (net of liabilities including dividend payable)	3314.58	748.73	343
Total Capital Employed	7285.24	8602.03	(15)

G. Risks and Concerns

HTMT has been regularly taking adequate steps to mitigate existing and potential risks like (a) client concentration (b) high exposure to one industry (c) geographical concentration (d) client creditworthiness (e) foreign exchange rate fluctuations (f) contractual obligations (g) project management (timely & satisfactory completion of assignments).

The Company has created a security-awareness culture by educating staff about security risks and their responsibilities and has obtained BS:7799 security standard certification with the help of KPMG. The Company has adequate backup procedures and redundancy in technology and telecommunication set up to address any kind of disaster. Multi-locational delivery of services is being considered so that alternate sites will be available in case of sudden disruption of work due to natural calamities or other internal as well as external factors.

H. Internal Control Systems and their adequacy

The internal control systems and processes of your Company cover operational efficiency, accuracy and promptness in financial reporting, compliance with

laws and regulations and development of mature, disciplined and effective processes. The processes also are designed to meet the goals of cost, schedule, functionality and product quality, thus resulting in higher levels of customer satisfaction.

A well-defined organizational structure, clearly demarcated authority levels and well-documented policy and guidelines to ensure process efficiencies are the hallmarks of the Company's internal control system.

Your Company is a ISO 9001 certificated for all its IT activities covering software projects, BPO activity and Call Center function and there will be six-monthly surveillance audit as per the certification norms.

Customer specific audit, process quality audit and financial procedure audit are carried out periodically to ensure compliance with the laid-down systems and procedures.

The internal and external Auditor's reports with comments of the management are regularly placed before the Audit Committee, which discusses the reports with the management and the Auditors to satisfy about the internal control environment designed to ensure that the results of operations are reflected properly in the financial statements and process control and quality standards are maintained.

I. Discussion on Financial results with respect to Operational Performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. There are no material departures from prescribed accounting standards in the adoption of the accounts. The management of HTMT accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and the judgements used therein.

The following are relevant financial highlights with respect to the operational performance of the company:

(Rs. in Lacs)

For the Year	2003-04	2002-03	% Change
Operating Income	15746	11187	41
Expenses	8076	4449	82
Operating Profit	7670	6738	14
Financial Expenses	0	0	0
Depreciation/ Amortisation	461	386	19
Operating Profit after Interest and Depreciation	7209	6352	13
Profit on Sale of long term Investments (net)	489	178	174
Other Income	14	82	(83)
Profit before tax	7712	6612	17
Provision for tax (incl. deferred tax)	159	409	(61)
Profit after tax	7553	6203	22

Analysis of Expenditure as a percentage to Operating Income

For the Year	2003-04	2002-03	% Change
Direct, Product Charges & Connectivity Costs	13.80%	3.27%	322
Employee cost	20.36%	20.51%	(1)
Administrative & Other Exp.	17.13%	19.26%	(11)
Financial Expenses	-	-	-
Depreciation/ Amortisation	2.93%	3.45%	(15)

Significant Ratios Comments

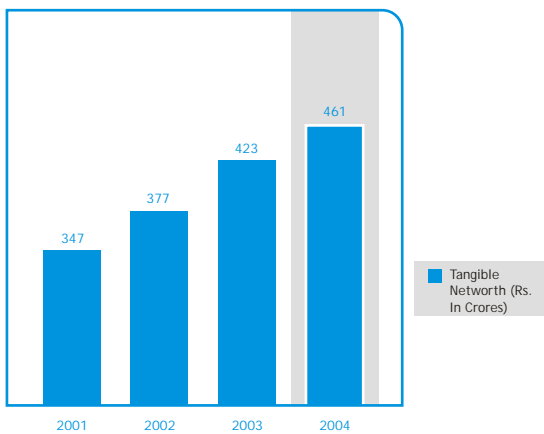
For the Year	Units	2003-04	2002-03
Current Ratio	No. of times	8.48	5.38
Debt Equity Ratio	times	-	-
Earnings per share	Rs.	18.47	15.16
Dividend per share	Rs.	7.50	7
Book Value per share	Rs.	110	104
Debtor turnover Period	Days	70	114
OPM on Operating Income	%	48.71	60.23
Cash/Bank Balance	Rs. in lacs	1443	3461

i. *Operating Income*: Operating Income for the year grew by 41% mainly due to higher IT income. The

growth in IT income was higher at 45.35% and was Rs. 144.99 Crores for the year. The share of IT income in the total operating income increased from 89% last year to 92% during the year under review.

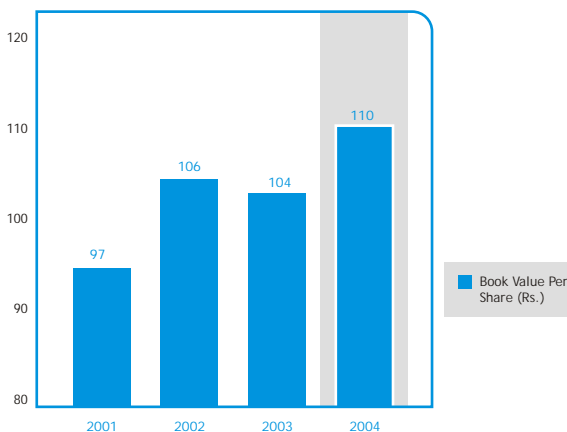
ii. *Expenses:* Expenses for the year increased by 82% or by Rs. 36.28 Crores on account of a increase in Direct, product charges & Connectivity costs, employee costs and Administrative and other expenses due to the ramp up & expansion of company's IT Enabled business. Employee Costs as a percentage of operating revenues reduced to 20.36% in the current year from 20.51% in the previous year. Similarly, Administrative and other expenses as a percentage of operating revenues for the year fell from 19.26% to 17.13%.

TANGIBLE NETWORTH



iii. *Operating Profit:* Operating profit for the year increased by 14% to Rs. 76.70 Crores.

BOOK VALUE



iv. *Financial Expenses:* The Company continued to remain debt free during the year as a result of higher generation of internal resources.

v. *Depreciation/Amortisation:*

Depreciation/Amortisation increased by Rs. 0.75 Crores or by 19% as a result of company ongoing capital expenditure in its IT offices at Bangalore.

vi. *Other income:* Other income/Income from sale of long term investments increased by Rs. 2.43 Crores for the year.

vii. *Provision for Taxes:* Provision for taxes for the year reduced by Rs. 2.50 Crores to Rs. 1.59 Crores in the current year. The taxes were higher in the previous year due to temporarily withdrawal of the benefits enjoyed by the Company under Sec 10A in the year 2002-03. This tax benefit has since been restored.

viii. *Net Profit:* Net Profit for the year was higher by 22% to Rs. 75.53 Crores as compared to Rs. 62.03 Crores in the previous year.

ix. *Cash & Bank Balances:* The Company's cash and bank balances for the year ended 31st March 2004 was Rs. 14.43 Crores.

J. Material Developments in Human Resource Management / Industrial Relations

The Company's HR policy has been designed to align its most important intangible assets as stated below with strategy for creation of value to its stakeholders:-

- Human Capital - Knowledge, Talents and Skills of Employees.
- Information Capital - Information Systems.
- Organization Capital - Culture of the organization which enables its employees to understand and believe in HTMT's core values of customer service, quality, innovation, staff empowerment and profitability.

The measurement of the above alignment through financial, customer, internal processes and learning and growth perspectives has confirmed the soundness of HTMT's HR policy. This is also reinforced by the Employee Satisfaction Survey 2003 conducted by IDC/Data Quest Magazine.

During the year, the Company's HR Department played a key role in the growth and learning perspective by imparting training to the employees in both IT Enabled Services and IT Services. Employees across departments were also taken out for outbound training, in order to enhance

communication and leadership skills and also an opportunity to informally meet employees at various levels.

In order to provide employees with multiple avenues for career progression some of the employees were put through a rigorous selection process for elevation to Group Leads, Sr. Executives-Quality and Assistant Trainers depending on their interest and attitude. The Agents who had applied for these positions were ranked based on their scores in product knowledge test, quality, attendance, appraisal and interview. For the interview a panel was formed with representatives from HR and a person from outside call center operation.

In order to encourage employee involvement and participation in organization development a suggestion Scheme was launched. The scheme enables people to voice their ideas and opinion on various issues that impact morale and efficiency. The suggestion box would be opened every week by the President & CEO IT Division and appropriate action as deemed fit by him is taken. This also gives the President & CEO IT Division an opportunity to reach out to the employees.

Keeping in mind the concern for the health and well being of employees, the Company hired the services of a registered medical practitioner for free of cost check-ups and periodic health education sessions. All the existing systems for recruitment, training and performance management were reviewed and are now being revamped. As part of the retention strategy, the rewards and recognition scheme was enhanced. In addition to the annual awards, a monthly award scheme has been put in place with ten new awards in recognition of the various facets of performance.

HTMT has also tied up with institutions providing technical and management development programs. These programs are extended particularly to ace performers to hone their leadership skills and also to facilitate retention. Considering the current practices and processes some new policies were also drafted. This year also saw a more competitive compensation and benefits package being drawn up. A new HR manual is being developed for moulding each employee into a value builder and brand ambassador.

Cordial industrial relations were maintained due to the Company's proactive HR policy and attrition rate which showed signs of going up due to establishment of a number of MNC captive offshore centers at Bangalore but the rate has now been brought down to as low as 2% per month, thanks to the Company's organization culture and revised incentive schemes introduced.

Annexure 'E' to the Directors' Report

Information as per section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, for the year ended 31st March 2004

Sr. No.	Name of Employee	Age	Designation	Gross Remuneration (Rs)	Qualification	Date of Commencement of Employment	Experience (No. of Years)	Last Employment	Designation
1	S. Solomon Raj	69	Executive Vice Chairman	27,24,413	M. Sc.	01.06.2000	47	IndusInd Bank	M.D.
2	R. Mohan	42	President & C.E.O. - I.T. Services	34,14,468	B. Tech M.B.A.	02.01.2002	19	Global Edge Software Ltd.	M.D. & C.E.O.
3	M. S. Varadan	58	Executive Director	28,70,616	B. Com., CAIIB, ICWA (GV)	01.05.2000	39	Ashok Leyland Ltd.	Advisor Finance Vizag Power Project
4	Partha De Sarkar *	42	Chief Operating Officer	23,29,550	M. Tech., M.B.A.	23.07.2003	19	Deloitte Consulting	General Manager
5	Rajiv Vyas *	41	President - InCablenet	23,06,800	B. Com., M.S.M.	01.12.2000	16	Baron International	COO & CFO

Notes:

- None of the above employees is related to any of the Directors.
- All appointments are contractual and are terminable by either side.
- Gross remuneration includes salary, allowances, ex-gratia, Company's contribution to Provident Fund and other fund, leave travel assistance and monetary value of perquisites valued as per the Income Tax Act.
- No employee himself or along with his spouse and dependent children holds two percent or more of the paid-up equity share capital of the Company.

* Employed for part of the year.

For and on behalf of the Board

Place: Mumbai

Ashok P. Hinduja

Date : 25th August 2004

Chairman