

## Financial Technologies (India) Ltd.



[www.ftindia.com](http://www.ftindia.com)

### Registered Office

Financial Technologies (India) Ltd.  
III Floor, 141, Greaves Road,  
Chennai, TN - 600 006. ☐

### Corporate Office

Financial Technologies (India) Ltd.  
Krishna Bhavan, 67 Nehru Road,  
Vile Parle (East), Mumbai - 400 057,  
India.

### US

Financial Technologies (India) Ltd.  
505 Thornall Street, Suite 203,  
Edison, NJ 08837,  
USA.

### Singapore

Financial Technologies (India) Ltd.  
101, Cecil Street #20-01A,  
Tong Eng Bldg., Singapore 069533

### Australia

Financial Technologies (India) Ltd.  
c/o Rolfe & Nolan Systems Ltd.,  
Level 3, 333 George Street, Sydney,  
NSW 2000, Australia

Annual Report 2002-2003



# About Financial Technologies (India) Ltd.



FTIL is India's leading technology enterprise delivering mission critical Straight Through Processing (STP) solutions comprising Domain Consulting, Technology Licensing and Development Outsourcing for the global financial services industry. Headquartered in India, FTIL is a Vertical Specialist with proven transaction automation technologies for Equity, Treasury, Forex, Commodity and Derivatives markets.

FTIL has an integrated suite of solutions supporting end-to-end STP capability for real-time transaction and business processing. This covers all the stages of a trade life cycle: Pre-Trade, Trade and Post-Trade activities. The STP expertise of FTIL has been developed through cross-platform deployment and has proven their ability to handle transaction intensive marketplaces.

With its technological superiority and deep domain expertise, FTIL today offers integrated solutions to the global financial markets, addressing the needs of the STP business environment. It supports high transaction density for an expanding marketplace by delivering Performance Scalability, Open Architecture and Deployment Flexibility, which are critical in today's market dynamics.

Some of the key differentiators of FTIL include -

## Core value proposition -

- Domain knowledge and IP sharing – Over 50 years of exchange market expertise and over 200 man-years of combined domain specialization
- Technology Licensing – multiple, highly evolved mission-critical transaction technologies with extensive production experience
- Domain Projects through the outsourcing model
- Development Outsourcing leveraging our product delivery model

## Niche player with proven and wide technology offerings -

- Vertical focus – Financial Services Industry (securities trading)
- Technology thought leadership, extending into innovative business models – IBS Forex and STP-Gate™
- Mission-critical, transaction technology specialist firm with 70% of the market share
- STP technologies addressing end-to-end business requirements of Equities / Derivatives / Forex / Fixed Income and Commodity markets

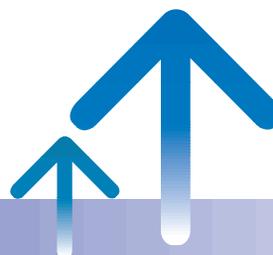
## Global Delivery Model -

- IP sharing and reusable component technologies
- Significant 'Cost' and 'Time-to-market' advantages
- Quality and Performance comfort
- Deep domain understanding ensuring quality and timely delivery – cost savings that can translate into business advantage for customers.

## Partial List of Our Clients



# Significant Achievements of 2002-03



- ➔ Operating Income grows by 118.83%
  - ➔ Added 96 new clients during the period
  - ➔ Successfully assessed for CMM Level 3 Certification
- ➔ Expansion of the business model – building long term sustainable revenue stream
  - ➔ Launched IBS Forex, India's first indigenous digital financial exchange for Inter Bank Foreign Exchange Trading, in Spot and Forwards
  - ➔ Launched, STP-Gate™, a STP market infrastructure service for securities industry, recognized by SEBI
- ➔ Front office trading solution accredited with Singapore Stock Exchange (SGX) and Australian Stock Exchange (ASX)
  - ➔ Back office trading solution accredited with Australian Stock Exchange (ASX)
  - ➔ Partnering OMGEO, a global leader for delivering cutting edge STP services

# Board of Directors

## BOARD OF DIRECTORS

### Executive

Jignesh P. Shah, Chairman & Managing Director  
 Dewang S. Neralla  
 Sajit Dayanandan  
 Mahesh R. Joshi  
 Ajay Narasimhan

### Non-Executive

P. G. Kakodkar  
 C. Subramaniam  
 Ravi K. Sheth  
 Ashish S. Dalal  
 V. Venkateswara Rao (IDBI nominee)

## COMPANY SECRETARY

P. Venkitasubramani

## ADVISORY BOARD

Nilesh Vira  
 Kanu Doshi  
 C. Kamdar

## MANAGEMENT COMMITTEE

Jignesh P. Shah, Chairman & Managing Director  
 Dewang S. Neralla, Chief Technology Architect  
 Sajit Dayanandan, Chief Information Officer  
 Mahesh R. Joshi, Chief Financial Officer  
 Ajay Narasimhan, Director-Corporate Strategy & Communication

## AUDITORS

Deloitte Haskins & Sells

## LEGAL ADVISORS

Crawford Bayley & Co.

## BANKERS

Union Bank of India  
 The Bank of Punjab Ltd.  
 HSBC Ltd.

## SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.  
 C-13, Pannalal Silk Mills Compound  
 L.B.S. Marg, Bhandup(W), Mumbai 400 078.

## REGISTERED OFFICE

3rd floor, 141, Greams Road, Chennai, 600 006, Tamil Nadu.

## CORPORATE OFFICE

Krishna Bhavan, 67, Nehru Road, Vile Parle (E), Mumbai 400 057

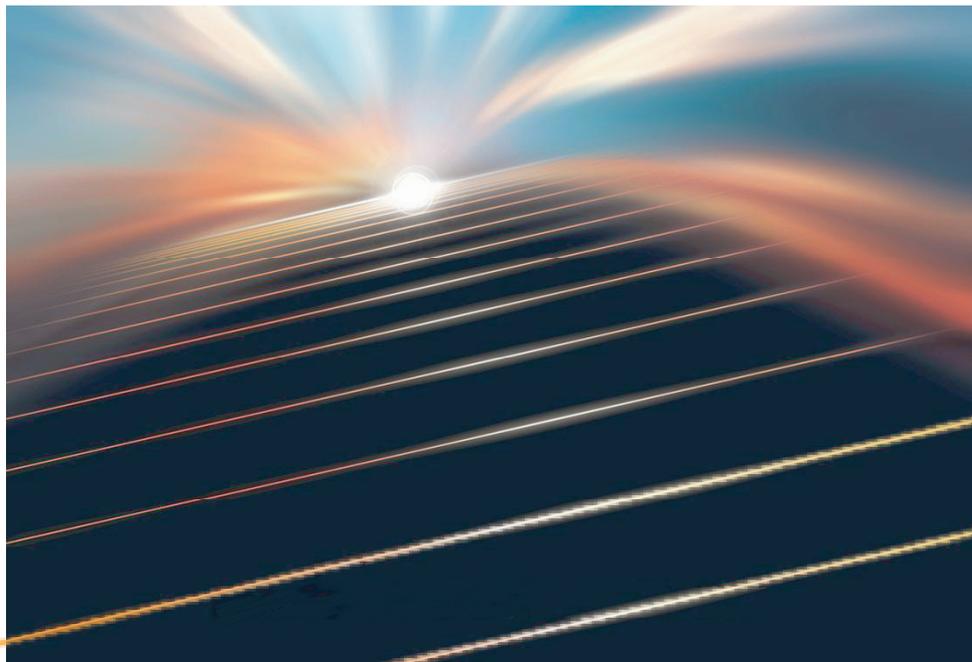
## INDEX

Chairman’s Statement .....	4
Business Trends .....	8
Inside FTIL - Business & Technology Initiatives .....	13
Directors’ Report .....	22
Management Discussion & Analysis .....	36
Financial Information .....	44



# Chairman's Statement

**Capitalizing** on our  
market leadership...



# Integrated Business Solutions Hold The Key For



“Your Company has successfully emerged from the industry downturn last year and has initiated new lines of business for growth and expansion, demonstrating its ability to manage difficult and demanding business conditions. We will continue to drive and capitalize on our market leadership and first mover advantage.”

## Dear Shareholders,

The past year has been a period of intense transformation for the economy. Despite the demanding times witnessed in this fiscal, your Company has recorded a profit and emerged stronger than ever before, which is a commendable effort. We are proud to say that FTIL solutions and capabilities have established strong footprint in our chosen market segments and credit for this performance goes to the entire FTIL team, and our shareholders for their unwavering support.

The Financial Services Industry is moving towards building integrated solution capabilities and FTIL is leading the way in this technology driven, business transformation. Our Business fundamentals remain strong – technology leadership, customer satisfaction and most importantly a progressive Balance Sheet. We are confident of further establishing our market leadership and setting the change agenda for the marketplace.

## 2002-03 Performance Overview

Post the phase of internal consolidation and efficiency building, we continue to gather momentum and are looking forward to a robust performance this coming fiscal. This optimism comes on the back of the strong business initiatives that we have taken in the last two quarters, as also the improved financial performance.

In comparison to last year, we grew our income by over 39 %, and have concurrently undertaken prudent cost cutting steps, demonstrating our ability to successfully meet business challenges. FTIL built new customer engagements and deepened the existing ones to emerge as the preferred technology partner in our market segment

Successful organizations choose FTIL technologies for their robustness, integration capabilities and service quality. This gets underscored by the fact that your Company has added 96 new clients during this period, including some of the segment leaders in their respective categories. Your Company's customer centric business strategy bears testimony to its commitment to constantly invest in people, innovative technology & new businesses.

FTIL's existing products have gained increased acceptance and retained its position as market leader in providing transaction trading technologies. You will be happy to know, that today FTIL's flagship product ODIN™ is deployed at more than 73 cities in India with over 7500 trading desks operational across the country.

Your Company is recognized for the quality of its technologies, delivery and processes and has been successfully assessed for CMM Level 3. This achievement could not have been possible without the contribution from each and every member of the FTIL family and I take this opportunity to thank them for their extraordinary dedication during these demanding times.

## Our Business Strategy -

Effective strategies are those that focus on creating and enhancing value for our stakeholders through tangible returns and business gains. We propose to achieve this by building long term value for our customers. We believe the following as the drivers for our strategy in the coming years –

- ▶ Product innovation to consistently define and lead emerging market trends
- ▶ Technology and Process excellence to build business edge for our customers
- ▶ Domain enhancement for further improving our competitive edge
- ▶ Market Leadership for deepening our customer engagements
- ▶ Sustainable partnerships for enhancing our offerings to our customers
- ▶ Globalization as the corner stone of our future growth and competitiveness

In short, we would strive to ensure that our customers continue to win and enjoy the strategic advantage that our technologies and services deliver to them in their business. To make the above happen, we would continue to encourage our people to lead a culture of innovation, dedication, customer focus and above all, enjoy what they do. As a company that builds intelligent solutions, we require our people to excel at what they do and make a conscious attempt to constantly raise the

# Future Business Growth



◀ **Jignesh P. Shah**  
Chairman &  
Managing Director

performance bar. As an organization, we are an equal opportunity employer and believe in rewarding meritocracy at all levels.

## New Initiatives and Offerings

Leveraging its core strength in domain knowledge, your Company offers a comprehensive solution framework of integrated solutions to its customers. These not only include solution licensing but also domain related project development work, based on a robust global outsourcing model.

Moreover, your Company is constantly evaluating new opportunities as part of its business strategy to build a sustainable and long term revenue model. Towards this it has established market wide services aimed at providing shared service infrastructure to the financial market participants. Transaction processing is a great example, to underscore this point.

IBS Forex Ltd. and STP-Gate™ are two such infrastructure service offerings, providing exchange based services for 'FX Trading' and 'STP message processing' respectively. These initiatives have underscored FTIL's potential to leverage its universal technologies developed for multiple markets as also its acceptance as an industry standard, neutral player.

## Realignment of Our Global Initiatives

Last year we announced our intent to build markets for our technologies beyond India. Appropriate steps have been taken to evaluate business opportunities in these markets, with focus on selecting the right business strategy. In line with the new growth area of development outsourcing, your Company will leverage its cost-effective, technology rich development center in India to emerge as a strong techno-domain player globally.

## Preferred partner across institutions -

The 'FTIL Partner' ecosystem, over the last few years, has been growing continuously to add strength and value in our offerings and capabilities. Our partners represent some of the leading technology and business organizations globally.

In continuation of our alliance strategy, Your Company has partnered with global leaders like Omgeo, for offering cutting-edge STP solutions and services to the global securities industry. Omgeo partnership is recognition of FTIL's strong technology capability in the domestic market, with a strong potential of extending to the global markets.

## Capital Restructuring Exercise

Your Company is committed to constantly identify steps are aimed at protecting and furthering our stakeholders' interest, through prudent and ethical financial practices. In order to make an appropriate representation of our revenue generating assets and IPRs, the Board has taken a forward looking decision of writing off the intangible asset pertaining to Application Service Provider operations, which has lost the potential to generate revenue, against the Equity Capital. The objective behind this was to ensure a fair representation of Asset & Liabilities of the company and protect stakeholders' long term interests.

## Industry Outlook and Future Opportunities

Market trends clearly point towards the fact that the software services industry is fast getting commoditised and volume will continue to drive business. In absence of a sustainable value proposition, Indian software industry would need to scale up the value chain to effectively meet challenges posed by emerging markets in software services. This new order for software companies underscores the need to develop strong, integrated solution offering capabilities built around domain / vertical specialization.

Your Company, by virtue of adopting a value-based business model from the beginning, has developed a unique distinction of being a vertical specialist with strong market leadership. It continues to invest in new technologies and markets to engineer growth and accelerate business operations. We expect our strong performance to continue into the new fiscal also, assuming the broad business sentiment continue to remain the same. This is a reflection of the strategic initiatives that your Company has undertaken to strengthen its business fundamentals. We will continue to pursue various growth opportunities with pragmatism and caution to establish our credentials both in domestic & international markets.

On behalf of the Board, I would like to thank our Shareholders, Employees, Clients and Business Partners for their continued support in our endeavors and cooperation in this momentous year.

**Jignesh P. Shah**  
Chairman and Managing Director

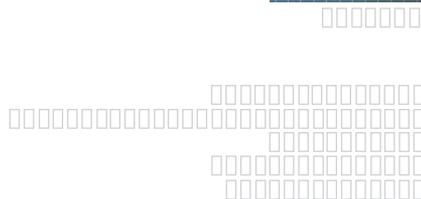
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# Business Trends

Domain expertise  
is the way **forward...**



# Business Trends

*Domain expertise is the way forward, especially as software services industry is getting commoditized.*

Recent reports from global research agencies indicate the emergence of new breed of nations that are likely to challenge the 'cost' advantage offered by plain vanilla, Indian IT companies. Market trends are indicating that the cost differential between India based development vis-à-vis other markets is fast diminishing as salary and other incidental costs in India are rising at an alarming rate, compared to some of the developed markets. This would mean that Indian companies would need to look beyond 'cost' positioning and try to build sustainable success differentiators that are difficult to reproduce.

It is now understood that, for sustaining the competitive advantage that the Indian IT industry has enjoyed so far, firms would need to increasingly look at building Intellectual Properties (IPs) that reflect strong business understanding and quality assurance. This calls for building competencies in the following areas –

- ▶ **Customer Satisfaction**
- ▶ **Operational Excellence**
- ▶ **Business / Domain Knowledge.**

FTIL is among the very few companies with a committed focus on providing mission critical Straight Through Processing (STP) technologies for the Financial Services Industry. Its deep domain expertise & technology excellence across key financial markets gives it a strategic lead over conventional IT companies. It has demonstrated its leadership position and has successfully operated at the highest end of the IT value chain.

Software service industry is increasingly getting commoditised and companies with high domain expertise are leading the new order of transformation. Customers today require their IT partners to understand their business processes and deliver expertise in building a seamless technology landscape addressing total IT needs.

Vertical specialization is the way forward as customers are increasingly looking at building business efficiencies, by implementing smart technologies and solutions. IT users are fast realizing the intrinsic benefits of partnering a domain intensive IT company as it leads to faster implementations thereby reducing overall project costs.

## Shared Service Business

Customers are increasingly advocating creation of recognized infrastructure platforms for outsourcing business processes and building market efficiencies for overall growth and value enhancement. Shared service, therefore seem to be an increasingly preferred option for the securities industry participants and firms are looking at establishing shared service infrastructure for different business processes.

Shared services involve consolidation of pan-market transactions into an aggregator model for building operational efficiencies, unlocking value and introducing better price discovery mechanisms.

The objective of these services is to deliver the most optimal, high quality service to multiple entities by broad basing the cost and associated risks. It helps in achieving economies of scale and eliminates replication of basic transaction processes across organizations. Adopting the shared service model has allowed organizations to focus more on business expansion and less on back-end process and automation.

However, there are certain important considerations that need to be kept in mind for establishing a successful shared service –

- ▶ Neutrality of the platform service provider
- ▶ Entry and exit costs associated with the service
- ▶ Confidentiality of the information exchanged
- ▶ Credibility of the service provider, through formal accreditation with regulatory authority
- ▶ Deployment cost of infrastructure to reduce loading on market participants
- ▶ Reliable and proven technologies ensuring security, scalability, reliability and robustness of the systems deployed
- ▶ Strong understanding of the business processes to deliver optimal advantage to the users

In line with the developments and growing need for niche players, FTIL is aggressively looking at offering shared services for the Financial Services Industry. It has been a pioneer in introducing market-wide STP service offering - STP-Gate™, for Fund Houses, Custodians & Brokerage Houses. It has also become the first and only company to deploy an indigenously developed foreign exchange trading platform, FXDirect™ for enabling Inter-bank Foreign Exchange trading operations in the country. These initiatives are based on a transaction based revenue model and going forward, will yield long term revenue advantage setting FTIL on a high growth path.

## 'Development' and 'Transaction Service' Outsourcing

With business uncertainties being faced by the user firms and limited visibility on the general economic turnaround and revival, customers are realigning their business focus by segregating core functions from non-core activities. This trend seems to be quite widespread and has found strong backing even within the financial services industry.

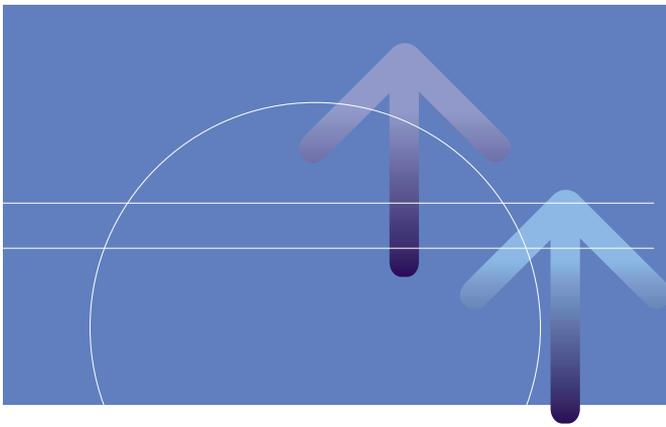
The recent advancement towards ensuring operational efficiencies like Decimalization and Straight Through Processing are creating increased pressure on companies to keep up with the new time lines and focus on core activities. Companies need to ensure they are able to adopt a strategic to tactical IT Investment approach in order to strengthen their core competencies and maintain their operational and business edge.



*A successful shared service infrastructure combines 'technological innovation' with 'business / domain expertise'. This creates an unbeatable value proposition for increasing operational efficiency, while driving down costs.*

*Companies have recently begun to consider outsourcing as a means to ensure reduced cost of development, business continuity, disaster recovery, 24x7x365 service offering by specialized companies that ensure new & higher service levels.*

It is estimated that worldwide spending on Business Process Outsourcing services totaled approximately US\$ 712 billion in 2001. IDC projects that by 2006, the potential IT Enabled services (ITES-BPO) market may increase to US\$ 1.2 trillion, with an overall compounded annual growth rate of 11 percent. In 2002-2003, according to the estimates of National Association of Software and Services Companies (NASSCOM) the quantum of new investment in India alone increased by around US\$ 300 million to reach US\$ 800 million by the end of 2002



- Deep Domain Expertise
- Technology Capabilities
- Time-to-Market
- Performance & Quality
- Location & Cost Competitiveness
- Partner Rating & Alliances

So far, India has managed to maintain its global competitiveness offering the best combination of cost-quality-scalability versus other competing offshore destinations. India is quickly emerging as a leader in the field of IT-enabled or remote services. India's competitive advantage in providing these services is well known: cost effectiveness, world-class quality, high reliability, and rapid delivery, all of it powered by state-of-the-art technologies. India offers:

- ▶ A virtual 12-hour time zone difference with USA and other major markets for IT-enabled Services
- ▶ A huge pool of English speaking and computer literate graduate manpower who can continue to cater to the growing demand for professionals for IT-enabled Services.
- ▶ Cost of qualified personnel is currently at one of the most competitive levels and India provides income tax holiday till 2010 for export of IT-enabled Services
- ▶ Thrust by Government of India to make India an IT-driven nation with a focus on services sector where potential for value addition and thus premium is higher.
- ▶ Almost two out of five Fortune 500 companies currently outsource some of their software requirements to India.

Rapid technological change has become an issue for many managers throughout all industries, resulting in more expense to upgrade systems, more time to install and increased complexity to master. Increased consolidation of exchanges and diluting geographical boundaries are surging up volumes on the Financial Markets. Cross Border Trades today are also impetus to the increase in the number of trades on exchanges.

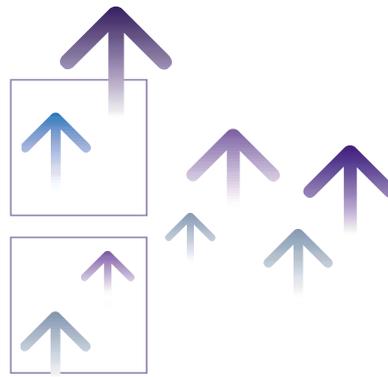
In addition to development outsourcing, firms are also looking at outsourcing process intensive operations that require basic understanding of the business domain, in addition to technology operations. These are the new breed of services that are aimed at the up market, domain related processing services (Transaction Processing Outsourcing -

TCO) by leveraging the low-cost infrastructure deployment and service management cost.

Companies in the Financial Services space are looking for several critical factors for selecting an outsourcing partner for transaction automation solutions. One of the most critical and influencing factors, ensuring organizations are now able to closely work with technology outsourcing companies, is high domain or business expertise.

#### Factors that are influencing and decisive in picking partners include:

- ▶ **Deep Domain Expertise** – Companies today partner with organizations that not only offer costs & quality advantage but more importantly, understand business operations and not just mere technology capabilities.
- ▶ **Technology Capabilities** – Technology Capabilities hold the next key for selecting outsourcing partners once companies are sure that the technology player understands business in every respect. These include creation of IPs (Intellectual Properties) that are reusable for rapid deployment and continuous returns.
- ▶ **Time-to-Market** – Companies need to partner with technology players that provide them with time-to-market advantage and rapid deployment capabilities which reduces the overall project time and also cost.
- ▶ **Performance & Quality** – High Performance & Quality levels are also key to choosing an outsourcing partner, as schedules and budgets are extremely tight with little room for failures
- ▶ **Location & Cost Competitiveness** – Companies need to choose locations, which give them benefit of cost & technology advantage, ensuring long-term business continuity
- ▶ **Partner Rating & Alliances** – Technology Partners who have strong Alliance model add to the choice of an outsourcing partner.



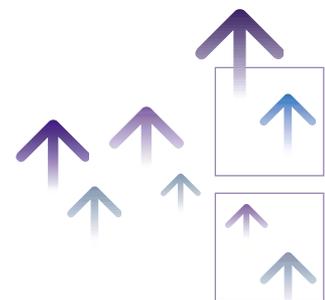
## Future Trends & Developments

In the last few years, technology sector has undergone a reality check wherein IT companies are being subjected to shrinking margins and longer sales cycle. This has forced many companies to rethink their business strategy and adapt to the changing business environment.

Though, large companies would be able to sustain themselves on account of economies of scale, they would still need to realign their strategy to ensure increased business profitability and to maintain attractive margin levels.

Future trends seem to clearly highlight that going forward, only domain intensive companies would be able to take advantage of the changing needs of the industry.

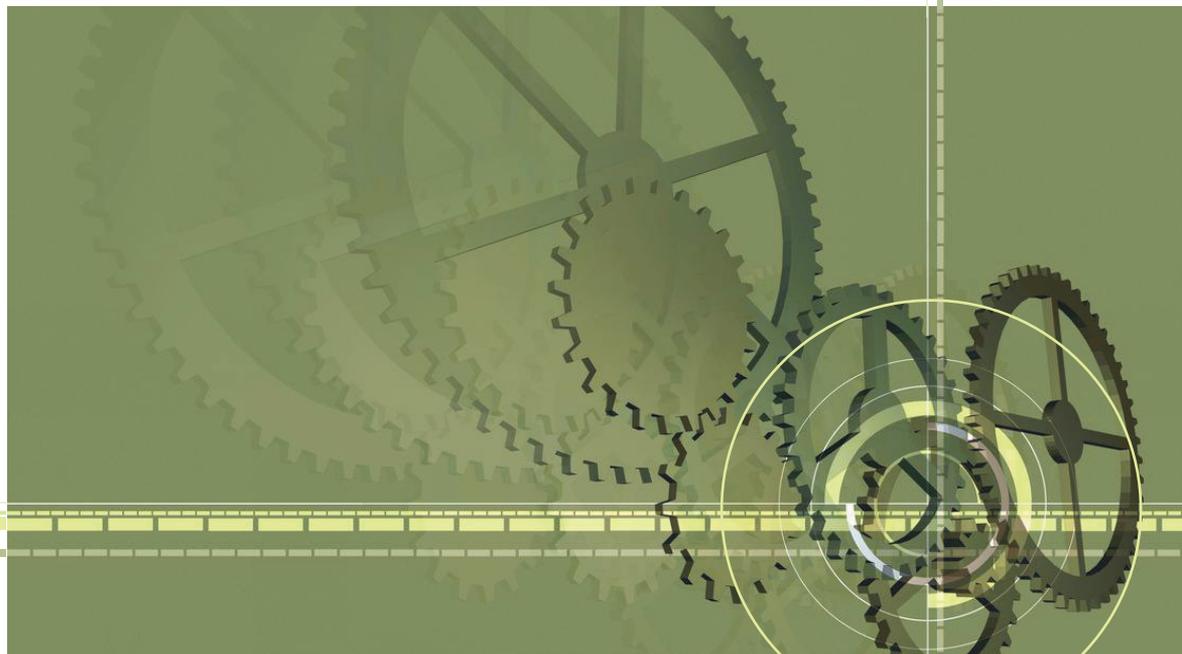
FTIL, recognizing this change, has commissioned a Global Delivery Model (GDM), which aims at providing global corporations access to FTIL's high quality, but cost-optimal development center in India. This center offers end-to-end delivery across time zones and assists clients in leveraging its infrastructure for undertaking transaction process outsourcing operations, especially in the areas of Back Office processing, leading to substantial cost savings. With increasing focus on domain capabilities, firms would find the ready-to-use technologies of FTIL a great time-to-market advantage with proven performance and quality.



# Inside FTIL

## Business & Technology Initiatives

Sound strategies  
for growth plans...



# Inside FTIL - Business & Technology Initiatives

FTIL is constantly evaluating and scanning the business landscape and looks at formulating sound strategies for its growth plans. FTIL's edge is reflected from its several intrinsic advantages;

- ▶ **Innovative Business Modeling** - FTIL unlike typical IT companies, has exhibited innovative business modeling capabilities that looks at furthering our vision for the Securities Industry including combination of Shared Service, License Deployment and Development Outsourcing initiatives
- ▶ **Time-to-market advantage** - Faster turnaround and delivery time to its customers
- ▶ **Techno-Domain specialization** - Access to a large array of superior, techno-domain specialists with proven capabilities
- ▶ **Integration and Interfacing benefits** - End to end technology offerings that seamlessly interface with one another, as also with third party systems. Ensures investment protection of existing technologies at customer site

## IBS Forex

FTIL initiated the IBS Forex Services in June last year. IBS Forex P Ltd. is a joint venture, promoted by Financial Technologies (India) Ltd. and leading market experts in the foreign exchange market. FTIL provided FX Direct™; a pioneering technology platform that helped to establish the first indigenous Digital Financial Exchange, approved by the Central Bank.



The platform developed by FTIL completely transformed the Indian Foreign Exchange market by breaking the monopoly of a global MNC, increasing small bank participation, reducing costs to 1/3 of the present technology costs and introducing matching on advanced forward instruments. This system enables real-time matching of currency pairs for immediate execution in both spot and forward instruments. It provides a real-time, two-way Risk Management to mitigate participant counter-party risk. FXDirect™ caters to the needs of Dealing rooms of banks engaged in inter-bank FX transactions, FX brokers/dealers and corporate treasury departments.

This technology breakthrough has successfully established the power of domain focused Indian technology companies that demonstrate the capability to build globally competitive technologies.



## STP-Gate™

STP-Gate™ (Secure Transaction Processing Gateway), a market infrastructure service, is among the first few services initiated under the aegis of the STP Committee & formalised by SEBI (Securities Exchange Board of India). Straight Through Processing or the STP framework as proposed by SEBI aims to develop a robust financial infrastructure providing end-to-end connectivity to the various entities in the trade life cycle, namely Fund Managers, Custodians and Trading Members. Based on the shared Service Model, FTIL launched STP-Gate™ service in November 2002. The STP environment is bound to generate operational benefits, cost efficiencies and enable seamless information flow.

STP-Gate™ provides online connectivity to the entities along with online status and message flow. Today, more than 70 market participants have signed up with FTIL's STP-Gate™ service. With leading Financial Institutions joining in, STP-Gate™ service will soon see efficiencies for all market participants in the country. With STP-Gate™, India is one of the very few countries to have implemented Straight Through Processing Technology for shared service initiative.

FTIL also signed up as a global STP partner with Omgeo, the worldwide leader in providing STP services to provide value added services and expand its STP Service initiative.

### STP-Gate™ & IBS Forex Services - Partial list of Clients who have signed up for these services

- |                        |                        |                     |
|------------------------|------------------------|---------------------|
| ▶ American Express     | ▶ Bank of Baroda       | ▶ Bank of India     |
| ▶ Bank of Novascotia   | ▶ Benchmark AMC        | ▶ BNP Paribas       |
| ▶ Canara Bank          | ▶ Citibank             | ▶ Creditcapital AMC |
| ▶ HDFC Bank            | ▶ ICICI Bank           | ▶ IDBI Bank         |
| ▶ IL&FS Investsmart    | ▶ Kotak Mahindra AMC   | ▶ PNB AMC           |
| ▶ Prudential ICICI AMC | ▶ Reliance Capital AMC | ▶ SUN F&C AMC       |
| ▶ SSKI                 | ▶ TAIB                 | ▶ UTI Bank          |

### FTIL as a preferred partner of choice

FTIL has implemented an effective alliance strategy through which it has established strategic alliance including, KEYSTONE (an alliance of HP, Intel & Microsoft), global marketing alliance with Intel among others. FTIL continues to cultivate strong business relationships among partners through its alliance model that offers value added benefits to clients, increases industry visibility and entering new markets. Last year, FTIL entered into a strategic alliance with OMGEO LLC for introducing state-of-the-art, globally competitive Straight Through Processing (STP) services.

### OMGEO Global STP Partners Program

FTIL has signed up with OMGEO, the global leader in STP Services (Omgeo LLC is the leading provider of complete global trade management services, processing 800,000 trades per day and serving 6,000 broker-dealers, custodians and investment managers in 40 countries), With OMGEO partnership, FTIL will provide local market participants with access to Omgeo’s Global Community of over 6,000 clients, including some of the leading Indian brokers. By joining the STP Partners Program, FTIL will work with all vendors on STP processes and set strategic business objectives benefitting our customers.

### FTIL Sponsored Events and Conferences

In continuation of its commitment to create market awareness on emerging business trends and opportunities, FTIL continues to seize initiative in making contributions back to the industry. Towards this, FTIL has singularly been advocating industry relevant issues by spearheading various conferences and discussion forums.

### Financial Technologies Derivatives Summit, 2002 - ‘The Road Ahead’

The full day Summit held on October 26, 2002 focused on addressing key issues in Derivatives markets. The Summit was well represented by industry experts representing the cream of the Institutional and Retail brokerages, Custodians,

Stock Exchanges amongst others. The Summit dwelled on operational issues relating to derivatives risk management, accounting policies, trading strategies and end-to-end process automation from order acceptance to trade settlement in an STP environment. The Summit also attempted to forecast the impending changes in the overall functioning of the participants due to anticipated changes in policy, legal, trading and settlement infrastructure in the Derivatives Trading.

### Straight Through Processing – Building Global Efficiencies

The Securities and Exchange Board of India (SEBI) has defined a road map for implementation of STP. Anticipating the underlying curiosity and need of the market, FTIL hosted the first STP conference on November 26, 2002, in Mumbai. This conference inaugurated by Mr. R.M.Joshi, Executive Director, SEBI discussed relevant issues related to the implementation of STP in the Indian markets. The conference included speakers from the STP committee set up by SEBI as well as other industry luminaries. The conference was attended by more than 100 participants from various organizations and the panel of experts represented some of the leading global and domestic financial institutions engaged in institutional securities trading operations. FTIL also took the opportunity to formally showcase and inaugurate its STP market infrastructure service called STP-Gate™ aimed at building process efficiencies for the Fund Houses, Brokerages and Custodians.

## Spearheading new Innovations and IPR's:

FTIL has believed in constantly leveraging its existing technologies and creations, which is a testimony to the depth and array of its technology offerings. Moreover, it has also constantly endeavored to create new technologies, in line with its vision to provide innovative solutions for the Financial Services Industry. In the last year, it has added several new technologies to its existing list of solution suite, few of which include:

### e-Hastakshar™ - Digital Signing Solution

e-Hastakshar™ is a Universal Digital Signing Solution which provides an efficient infrastructure to various market participants, enabling seamless dissemination of documents & contract notes in electronic format. It enables 'volume signing' of documents and facilitates distribution of electronically signed documents to a large number of customers with different distribution preferences. e-Hastakshar™ offers vast features including; Digital Signing of Documents & Statements, Multi-channel document delivery support - E-mail, Portal or FTP, Multi-login & user operation capability, Inherently ensures Non-repudiation-Confidentiality, Compliant with regulations, Audit & MIS Reports among others.

### STP-Connect™ - Global Interface

STP-Connect™ is an advanced messaging Interface with Omgeo OASYS Global of OMGEO LLC for implementation at institutional brokerage houses. Through its partnership with Omgeo, FTIL's solution suite will allow brokers and investment managers to move to a full STP environment and will provide local market participants with access to Omgeo's Global Community of clients. Numerous messages are supported as part of the current interface: Block Level Information message, Allocation Details

message, Rejection of Allocation Details message, Contracts / Confirmations message, Rejections of Contracts / Confirmations message.

### MATCH™ Messenger – Dissemination Engine

MATCH™ Messenger is a unique component which efficiently automates document generation and routing to clients registered in FTIL's back office solution (MATCH™). MATCH™ Messenger eliminates the need for manual operations and ensures improved client servicing by timely, accurate and consistent information dissemination. The solution has been designed to provide the flexibility and capability to expand the set of reports / MIS which can be configured for automatic dispatch to the registered clients. It facilitates dual modes of information dissemination – automatic, as per defined schedule (Daily / Weekly / Monthly) and ad-hoc basis.

### DIMEX – Universal Message Conversion Utility

DIMEX is a Data Cleansing & Universal Data Conversion utility. Through DIMEX, FTIL has developed a unique framework that aims to provide a unified view of data to end-applications. DIMEX allows this by capturing the external state of the 'data' in form of 'meta-data' and this meta-data is defined in an XML form. It supports Rule based Validation & Processing, which is a cost effective way of addressing basic needs of organization. The DIMEX component's biggest advantage is its capability to convert files into standard formats for messaging to various market participants. DIMEX component has provided market participant to readily embrace the STP-Gate™ market wide service.

## FTIL's new clients added during the year –

FTIL successfully added several new clients to its existing list including Stock Exchange, Exchange Members (Trading Members, Clearing Members, Trading & Clearing Members), Asset Management Companies, Custodians, Dealers, Institutions, Banks, Corporates, Primary Dealers and Depositories. A partial list of the new, leading clients added during the year includes:

- ▶ Ahmedabad Stock Exchange
- ▶ Bonanza Portfolio Ltd.
- ▶ Cochin Stock Exchange
- ▶ Deutsche Equities India Pvt. Ltd
- ▶ Dolat Capital Markets Ltd.
- ▶ Saurashtra Kutch Stock Exchange

# A People Driven Company

With the strategic foundation established over the last few years, we have proved that as a team we can overcome a range of competitive, commercial, technological and regulatory challenges. The creativity and dedication that has been demonstrated throughout the year is the main constituent of our success and will help us to continue to grow stronger. At FTIL, our people are our greatest assets who ensure the organization continues to move ahead in the ever-changing technology landscape, forging advantageous relationships with our clients and our investors.

FTIL's value-based philosophy believes in becoming increasingly sophisticated in our allocation of resources to lines of business. In an evolving global market, our goal is to be the best. This vision is reliant on attaining a critical mass so that we can deliver world-class solutions and services at optimal costs.

## Top Gun

In the last year, FTIL introduced a 'people empowerment' mechanism titled "Top Gun" that aims to build strong Middle Management Team through delegation of operational responsibilities and authority. Individuals are earmarked definite assignments, in addition to their existing responsibilities, who strive to build excellence in their chosen responsibilities across the enterprise.

## Harmony

'Harmony' was another initiative that was commenced in this fiscal – an informal, grass root level initiative stretching to the deepest layer of the organization. Harmony included various cultural and social exercises that encouraged informal cross-team and cross-layer interactions on a subconscious level, with emphasis on eliminating hierarchical gaps. As an initiative designed 'for the Team', 'by the Team' and 'of the Team', Harmony has attempted to generate greater bonhomie and team spirit across different teams and levels.

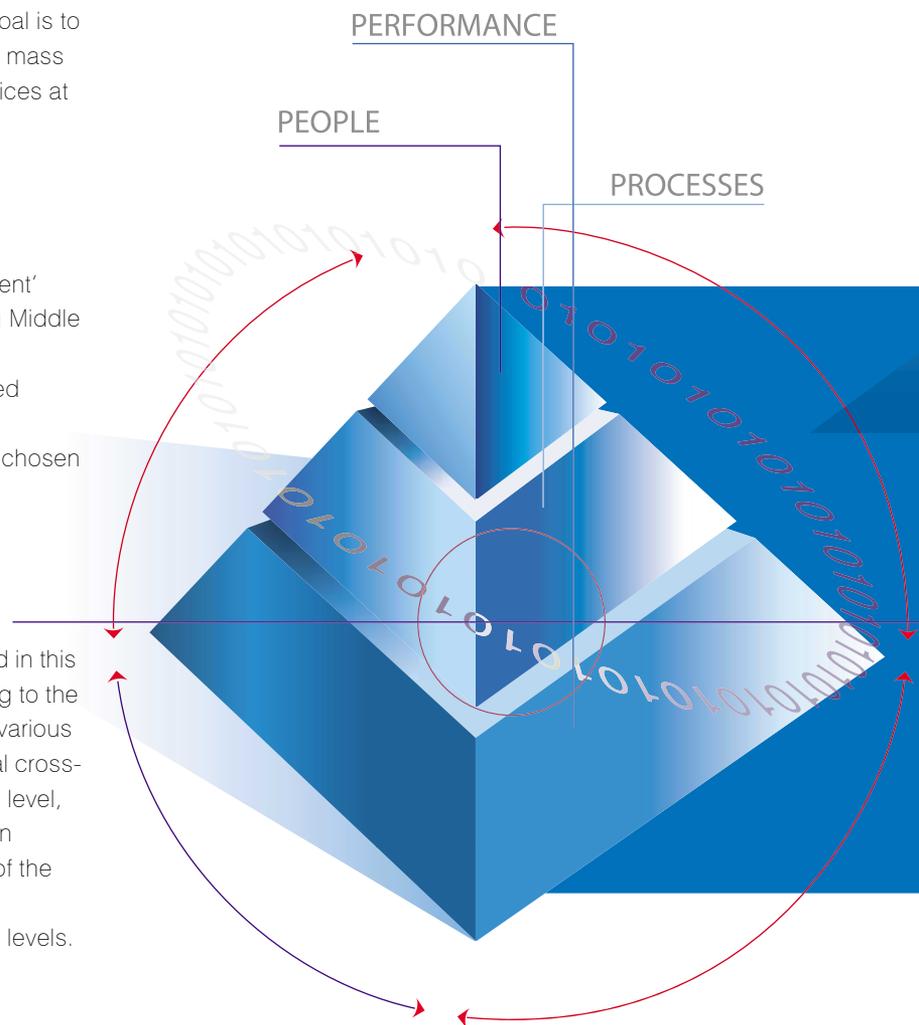
## Rain Awards

At FTIL, no talent or hardwork goes unrecognized. It is our belief and practice to extend recognition to outstanding performers as a mark of our appreciation for their contribution. Employees, who have shown unparalleled dedication & commitment to the growth of the Company, are honored at an award function titled 'The Rain Awards'. The Rain Awards recognized the star performers, both at the

individual and the team levels from FTIL family, and kept up the spirit of healthy competition within the enterprise.

## FTIL Consolidating its Global framework

In line with our global expansion plans, last year we have committed resources in studying and understanding the unique requirements of these markets. Further, these efforts have ensured that we are now implementing the appropriate strategy and business push into these territories.



With the new industry growth areas of development outsourcing, FTIL will now extensively leverage its development center in India to build competencies for its offerings and services. FTIL is committed to evolve into a world-class, global competitive organization with deep capabilities and is spreading its reach to newer markets, diverse clientele through its cost advantages.

## Accreditation and acceptance of our solutions in overseas exchanges

Last year, FTIL's STP technologies received accreditations from International exchanges, a testimony to the quality and comprehensiveness of its product offerings.

These accreditations will help FTIL to push its global initiatives further and help in building strong presence in the global market. FTIL's STP technologies are globally acceptable & the accreditations from Singapore Stock Exchange and the Australian Stock Exchange reinforce the same.

***FTIL's "STP-Technology Framework" is an innovative, base technology framework that supports any transaction intensive mission critical process and has capability to manage multiple business processes, multiple markets addressing the needs of the Financial Services Industry.***

- ▶ FTIL's Front-Office solution have been accredited by the Singapore Stock Exchange (SGX) catering to the Singapore Financial Services Industry.
- ▶ One of the select few technologies to have been accredited by the Australian Stock Exchange (ASX) for its front-office & back-office solutions



विधिवत निरंतर अनंत

'Ad Infinitum... as per defined processes'

## FTIL Quality Initiatives

In continuation to the efforts through the Financial

Technologies' Quality Management (FTQM) Program, we are happy to announce that FTIL is now a CMM Level 3 company. The successful CMM Level 3 assessment establishes its increased focus on quality & processes within the organization.

FTQM was implemented by forming a fulltime Quality group and was successfully institutionalized across the organization, and within a span of 12 months we were successfully assessed for CMM Level 2 & Level 3 certifications.



The efforts and study put in at the organization level for the successful implementation of FTQM includes;

- ▶ Dedicated Quality Group for Process implementation
- ▶ Commitment from Management and from others groups towards Quality Process
- ▶ Implementation of the FTQM
- ▶ Automation of Process by developing in-house Quality Process Tools like Visual Estimator, APMS, FTQMS, Stat Analyser among others.
- ▶ Training at Organization level to the respective Process groups.
- ▶ QAI appointed as Quality Consultant.

# FTIL Solution Offering

There is an industry saying - the true hallmark of a successful product organization is the depth and the width of its technology offerings and customer base. It is by no means a small achievement that FTIL is amongst the few companies globally with a proven, in-production class of technology assets deployed across different markets and participant categories.

Participant Type	Products	Components	Solution/Service
<b>Brokerage Houses</b>	<b>NeT.net™</b>	Internet Trading Engine	Solution
MARKETS ADDRESSED <b>EQUITIES &amp; DERIVATIVES</b>	<b>PMS™</b>	Portfolio Management System	Solution
	<b>Matching Engine</b>	Matching Engine (For Internal Crossing)	Solution
	<b>ODIN™ (Prime Brokerage Operations)</b>	Front End System Order Management System Risk Management System Alert Engine Broadcast Engine Market Access Gateways	Solution
	<b>MATCH™</b>	Back Office Processing Settlement Engine e-CIS (Electronic Client Information System)	Solution
	<b>STP-Switch™</b>	Internal STP (Connecting Front Office & Back Office)	Solution
	<b>STP-Connect™</b>	External STP (Interface to OMGEO)	Solution
	<b>STP-Gate™</b>	Straight Through Processing	Service
	<b>STP-Engine</b>	SMS Engine	Solution
	<b>e-Hastakshar™</b>	Digital Signing Utility	Solution

Participant Type	Products	Components	Solution/Service
<b>Fund Houses / Investment Managers</b>	<b>STP-Gate™</b>	Straight Through Processing	Service
MARKETS ADDRESSED <b>EQUITIES, DERIVATIVES &amp; FIXED INCOME</b>	<b>STP-Connect™</b>	External STP (Interface to OMGEO)	Solution
	<b>PMS™</b>	Portfolio Management System	Solution
	<b>I-Tracker™</b>	Index Fund Management	Solution
	<b>e-IPO™</b>	Front-end System Distribution Engine Security Issuance Marketplace Platform Book Building Engine	Solution
	<b>SMS Engine</b>	SMS Engine	Solution
	<b>e-Hastakshar™</b>	Digital Signing Utility	Solution
	<b>Asset Management</b>	Asset Management	Solution

Participant Type	Products	Components	Solution/Service
MARKETS ADDRESSED EQUITIES, DERIVATIVES & FIXED INCOME	<b>DPM™</b>	Billing Module Custody System e-CIS (Electronic Client Information System) Corporate Branch Web Access	Solution
	<b>SMS Engine</b>	SMS Engine	Solution
	<b>e-Hastakshar™</b>	Digital Signing Utility	Solution

Participant Type	Products	Components	Solution/Service
MARKETS ADDRESSED EQUITIES & DERIVATIVES	<b>STP-Gate™</b>	Straight Through Processing	Service
	<b>SMS Engine</b>	SMS Engine	Solution
	<b>e-Hastakshar™</b>	Digital Signing Utility	Solution

Participant Type	Products	Components	Solution/Service
<b>Exchanges/ECN</b>	<b>Central Trading System</b>	Exchange Matching Engine	Solution/Service
MARKETS ADDRESSED EQUITIES, DERIVATIVES, FOREX, COMMODITIES & B2B EXCHANGES	<b>eCommex™</b>	Exchange Clearing & Settlement System	Solution/Service
	<b>einfrac™</b>	Front End System Order & Trade Management Matching Engine RFQ Engine Auctions Engine	Solution/Service
	<b>FXDirect™</b>	Forex Exchange Matching Engine Negotiated Dealing System (Instant Messaging Platform) Order & Trade Management Risk Management	Solution/Service
	<b>SMS Engine</b>	SMS Engine	Solution/Service
	<b>e-Hastakshar™</b>	Digital Signing Utility	Solution/Service

Participant Type	Products	Components	Solution/Service
<b>Primary Dealers</b>	<b>M3™</b>	Money Market Manager	Solution

Participant Type	Products	Components	Solution/Service
Financial Portals	NeT.net™	Internet Trading Engine	Solution/Service
MARKETS ADDRESSED EQUITIES, DERIVATIVES, FIXED INCOME, COMMODITIES & B2B EXCHANGES	IM Platform	Instant Messaging Platform System	Solution/Service
	eintra™	Order & Trade Management Risk Management Exchange Matching Engine RFQ Engine Auction Engine	Solution/Service
	SMS Engine	SMS Engine	Solution/Service
	e-Hastakshar™	Digital Signing Utility	Solution/Service

Participant Type	Products	Components	Solution/Service
Banks	M3™ + ITS FX™	Integrated Treasury Solution	Solution
MARKETS ADDRESSED EQUITIES, DERIVATIVES & FIXED INCOME	M3™	Money Market	Solution
	ITS FX™	Forex Back Office	Solution
	Distribution Engine	Distribution Engine Security Issuance Marketplace Platform Book Building Engine	Solution
	SMS Engine	SMS Engine	Solution
	e-Hastakshar™	Digital Signing Utility	Solution

Participant Type	Products	Components	Solution/Service
Corporates	M3™ + ITS FX™	Integrated Treasury Solution	Solution
MARKETS ADDRESSED EQUITIES, DERIVATIVES & FIXED INCOME			

# Directors' Report

**Leadership** in the  
operating **markets...**



# Directors' Report

To,  
The Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report of your Company, together with the Audited Statement of Accounts for the year ended March 31, 2003.

The past year continued to be an extremely challenging year. Growth was virtually stagnant and the economy, as a whole, continued to be sluggish on account of recessionary pressures. This recessionary trend compelled market intermediaries to be cautious on the overall IT investments in their business operations. As a result of these uncertainties, your Company's performance, being directly related to the business sentiment of capital market segment, was equally affected. Despite this, the deeper push and penetration in the retail segment compensated for the lacklustre growth and resulted in a satisfactory performance of the Company.

## Financial Results

Rs. in Lakhs		
Particulars	Current Year 2002-2003	Previous Year 2001-2002
Total Income	1463.62	1051.50
Operating Profit/(Loss)	135.53	(722.78)
Interest	7.13	0.83
Depreciation	86.21	258.95
Profit/(Loss) before Tax	42.19	(982.56)
Provision for Taxation	-	-
Deferred Tax	219.93	42.00
Profit/(Loss) after Tax	262.12	(940.56)
Less: <i>Prior Period Adjustment</i>	0.02	-
	262.10	(940.56)
<i>Add: Balance b/f from Previous Year</i>	(718.04)	403.40
Unadjusted accumulated		
Deferred Tax Liability	-	(180.88)
Adjustment on Reduction of Capital	360.12	-
Balance available for appropriation	-	-
Appropriations :		
General Reserves	-	-
Balance c/f to Balance sheet	<b>(95.81)</b>	<b>(718.04)</b>

## Dividends

Despite the positive results announced by the Company, due to the overall market conditions, your Directors do not recommend any dividend and instead have decided to retain the earnings, to further strengthen our operations.

## Performance

### Operations

The Company continued its focus on the development and licensing of products without any deviation from its core activity. Our business and domain knowledge, new innovations, new markets, constant upgradation and prompt customer service helped the Company to continue to retain its leadership position in the market segments that it operates in.

In the domestic market, the business focus and thrust was on pushing technologies in the retail segment for online trading. The major revenue of the Company came in from this segment. Moreover as part of the business and revenue expansion strategy, the Company introduced country's first, indigenously developed Inter Bank Foreign Exchange Trading platform, FXDirect™ which has been deployed at IBS Forex Ltd. The platform service, initiated against a global leader in providing FX trading services, is recognized by the Central Bank and has successfully empanelled over 20 participants in this market so far. The IBS Forex initiative is an extension of the Company's business strategy for evolving long term revenue model.

Moreover, establishing its credentials as a pioneer in introducing new initiatives, the Company became amongst the first few in the country to introduce a cutting-edge, market infrastructure service called STP Gate™. This platform is a Straight Through Processing (STP) framework as proposed by SEBI, that aims to provide end-to-end transaction processing and confirmation facility to entities associated with the trade life cycle, namely Fund Houses, Custodians and Trading Members. The STP environment is expected to generate operational benefits, cost efficiencies and enable seamless information flow amongst market intermediaries, thereby building greater order flow into the system. This initiative is in line with the Company's stated objective to introduce mission-critical Shared Service models for the FSI participants and provide a transaction aggregator platform.

In addition to providing a robust platform for transaction processing and creating an interface between the various parties to a trade, FTIL creates an advantage for the participants to achieve end-to-end STP. Market intermediaries can deploy FTIL's complete end-to-end STP enabled solution suite that will integrate and automate processes associated with the complete trade life cycle starting from order routing, execution, trade reporting to the back office, contract note generation, brokerage computation, settlement : *Pre-Trade, Trade, Post-Trade.*

## Strategic Alliance

**Omgeo** – Global partnership under the STP Partner Program™: Your Company has entered into a strategic alliance with Omgeo, the leading trade management solutions provider and leader in providing STP services to the global financial services industry. This partnership is part of the global STP Partners Program of Omgeo and is aimed at combining the transaction technology excellence of our Company with the STP service offering from OMGEO.

Through this alliance, your Company's FTIL e.Cosystem™ solution suite will allow brokers and investment managers to move to a full STP environment. It will provide local market participants with access to Omgeo's global community of over 6,000 clients, including leading Indian brokers. Using STP-Connect™, an advanced set of messaging interfaces, developed by FTIL, clients will be able to access Omgeo's STP service including Omgeo OASYS Global and Omgeo CTM, to communicate with trading counter parties seamlessly.

## Expansion and Diversification

Your Company continues to look for new business and growth opportunities. With the software services industry getting increasingly commoditized, only specialist and domain intensive IT companies would henceforth be able to maintain strong value proposition for the customers. FTIL has carved a niche for itself as a vertical specialist in offering mission-critical transaction technologies backed with superior performance, which it will extensively leverage.

Going forward, FTIL will continue to expand its revenue generation capabilities by embracing new business models and offerings. As a case in point, the new emphasis on shared service models like the STP-Gate™ initiative, as also the 'development' and 'transaction processing' outsourcing opportunities are new growth drivers, which your Company would aim to maximize. Moreover, there would be renewed thrust on building a strong value proposition for the Company's operations overseas and efforts are on to leverage our domain and technology base for the same.

As a growth model, your Company is actively looking at opportunities to partner business enterprises, in addition to delivering our solutions. As an example, the IBS Forex initiative has demonstrated our commitment to vigorously pursue income as well as growth opportunities in critical market segments. Such initiatives would entail a long term growth strategy for the Company which would serve to provide a sustainable revenue platform.

## Reduction of Share Capital

### A. For Capital not represented by available asset.

As mentioned in the previous year, an application of the Company was made before the High Court of Judicature at Madras for reduction of Share Capital of the company towards the cancellation of 75,000 equity shares of Rs.10/- each, allotted to Network Oriented Data Systems, Geneva, since the said shares are not represented by the available assets.

The Company has received the necessary approval from the Madras High Court and the order dated August 13, 2002 has been filed with the Registrar of Companies on October 28, 2002. Accordingly, the necessary accounting entries for reduction of capital to the extent of Rs. 750,000/- and share premium to the extent of Rs.1,020,000 has been given effect during the year.

### B. For Capital Represented by unproductive asset.

The Company holds Intellectual Property Right (IPR) for APPLICATION SERVICE PROVIDER (ASP) in the field of On-line Trading. The same is represented as an asset in the books of the company. It was envisaged that the company would be able to generate strong revenues as an ASP in the field of On-line Trading. However, the market conditions changed adversely and there has been no revenue from this model even after two years of efforts and expenses in that direction and the Company does not anticipate realizing any income from this IPR in the immediate future.

Based on the market realities and the business outlook, it was the considered view of the Board, that the said asset is not likely to generate any immediate economic value and that as a prudent accounting practice, the IPR should be written off in the long term interest of the Company and its shareholders.

In that respect, the Company filed a scheme of capital reduction u/s 100 with Madras High Court to reduce the capital by Rs. 180,061,540/- representing intangibles and part of non-cash losses belonging to the said asset. Further it was also proposed that the paid up value of the shares be reduced to Rs.2/- each.

The Company received the necessary approval from the Madras High Court and the order dated February 27, 2003 has been filed with the Registrar of Companies on 19<sup>th</sup> March 2003.

The necessary accounting entries have been given effect in the accounts thereby reducing the capital by Rs. 180,061,540/- and reducing the carried forward losses to the extent of Rs. 360,12,308 and writing off the entire value of Intellectual Property Rights.

## Employees Stock Option

The Company took over the Employee Stock Option Scheme on amalgamation of Financial Technologies (India) Private Ltd., which entitled the employees to the specified number of shares at the option price in accordance with the scheme. During the year, the Company considered the implementation of the scheme including the option price and the vesting period and Board of Directors approved the same in toto. Accordingly, 223,402 stock options were granted to its employees out of which options to the extent of 32,944 equity shares were vested and options to the extent of 39,917 equity shares were lapsed on account of either resignations or declining of options from certain employees. The options to the extent of 150,541 equity shares were outstanding at the end of the year. The particulars of the same are given in Annexure "B" of this report.

## Corporate Governance

Your Company is committed to good Corporate Governance practices. The report on Corporate Governance, stipulated by clause 49 of Listing Agreement, is annexed hereto and forms part of this Annual Report.

A Certificate dated 15<sup>th</sup> July, 2003 by the Auditors of your Company regarding compliance of the requirements of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.

## Directors

Mr. P. G. Kakodkar, Mr. Ashish S. Dalal & Mr. Sajit Dayanandan retire by rotation and being eligible offer themselves for reappointment.

## Directors' Responsibility Statement

### The Directors confirm:

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with the explanation relating to material departures;
- b. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the

Company at the end of the financial year and of the loss of the company for that period;

- c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts on a going concern basis.

## Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## Statutory Information

### 1. Fixed Deposits

Your Company has not accepted any deposits and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

### 2. Particulars of Employees

During the financial year ended 31<sup>st</sup> March, 2003 no employee was drawing a remuneration of Rs. 2,400,000 or more in the aggregate or Rs. 200,000 or more per month if employed for part of the year.

### 3. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988, are given in Annexure "A" of this Report.

## Acknowledgement

Your Directors thank the clients, vendors, financial institution, bankers, business associates and various governmental as well as regulatory agencies for their valuable support to Company's growth. Your Directors also wish to place on record their appreciation of the contribution made by the employees, who through their hard work, dedication and commitment have enabled the Company to achieve operational efficiencies and business growth.

**For and On behalf of the Board of Directors**

**JIGNESH P. SHAH**

Chairman & Managing Director  
Mumbai, July 15, 2003

## Annexure 'A' to the Directors' Report

The information required under Section 217(1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

### Conservation of Energy

The operation of the Company involves low energy consumption. The Company has taken adequate measures in terms of using the equipments which would entail cost efficiency. There is no major financial impact of the measures considering composition of the power cost out of the total cost.

### Technology Absorption, Research & Development

#### Research & Development

The research and development activity of the Company involves the new software products. Since the technology is a fast changing concept, continuous investment in new initiatives is utmost important.

Efforts Made	:	Several new products are being developed considering the domestic and international market requirements.
Benefits	:	The development would enable the Company to provide state-of-the-art solutions to the users. Increased benefits from software sales in years to come with update and latest "first amongst all" technology.
Future	:	Directed towards creation of new Product Development, creation and enhancement value of the Company's software product with a view to generate revenues from these products in domestic & international markets.
Amount Spent	:	Revenue expenses Rs. 14,413,311/-.

### Foreign Exchange Earnings and Outgo

The details of foreign earnings and outgo are mentioned in Note 10 of Schedule 16 on Significant Accounting Policies and Notes to the Accounts.

## Annexure 'B' to the Directors' Report

### Employee Stock Option Scheme

Requisite disclosure in respect of the Employee Stock Option Scheme is as follows:-

a.	Options granted	:	223,402 equity shares.
b.	Pricing	:	At par. Originally priced at the face value of Rs. 10/- & subsequently reduced to f.v. of Rs. 2/- each consequent upon Reduction of Capital, approved by the High Court.
c.	Options vested & exercised	:	32,944
d.	Total no of shares arising as a result of exercise of options	:	32,944
e.	Options lapsed	:	39,917
f.	Variations in terms of options	:	NIL, except for the mandatory variation consequent to the Scheme of Reduction of Capital.
g.	Money realised by exercise	:	Rs. 65,888/-
h.	Options in force	:	150,541
i.	Employee wise details of options granted:-		
	- senior management personnel	:	NIL
	- employee holding 5% or more options	:	NIL
	- identified employees holding 1% of issued capital	:	NIL
j.	Diluted EPS	:	0.70

# Report on Corporate Governance

## 1. Company's Philosophy on Code of Corporate Governance

Your Company's philosophy on Corporate Governance envisages the attainment of highest levels of operations and enhancement of shareholder value and is committed to achieving the highest international standards. Our mission is to become global leader in developing reliable mission critical Straight Through Processing (STP) applications in all facets of business transactions.

## 2. Board of Directors

The Board of Directors consists of 10 Directors. The composition and category of Directors is as follows:

Director	Category
<b>Promoter Executive Directors</b>	
1. Mr. Jignesh P. Shah	Chairman & Managing Director
2. Mr. Dewang S. Neralla	Whole-time Director
3. Mr. Sajit Dayanandan	Whole-time Director
<b>Non-promoter Executive Directors</b>	
4. Mr. Mahesh R. Joshi	Whole-time Director
5. Mr. Ajay Narasimhan	Whole-time Director
<b>Non-executive and Independent Directors</b>	
6. Mr. C. Subramaniam	
7. Mr. Ravi K. Sheth	
8. Mr. P. G. Kakodkar	
9. Mr. Ashish S. Dalal	
10. Mr. V. Venkateswara Rao	IDBI Nominee (as Equity Investor)

Attendance of each Director at the Board meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each of Director in various companies as on 31-03-2003.

Name of the Director	Attendance Particulars		No. of other Directorships and Committees Memberships/ Chairmanships		
	Board Meeting	Last AGM	Other Directorships	Committees	
				Memberships	Chairmanships
Mr. Jignesh P. Shah	6	Yes	2	None	None
Mr. Dewang S. Neralla	3	No	1	None	None
Mr. Sajit Dayanandan	4	No	1	None	None
Mr. Mahesh R. Joshi	8	Yes	1	1	None
Mr. Ajay Narasimhan	6	No	None	None	None
Mr. C. Subramaniam	8	Yes	1	1	None
Mr. Ravi K. Sheth	6	No	5	1	None
Mr. P. G. Kakodkar	1	No	9	5	3
Mr. Ashish S. Dalal	8	Yes	2	1	None
Mr. V. Venkateswara Rao	7*	No	1	None	None

\* Includes one meeting held on 31st January 2003, attended by Mr. M.Ghosh on behalf of Mr. V.V.Rao.

### Number of Board Meetings held and the dates thereof:

The Board of Directors met 8 times during the year as against the minimum statutory requirement of 4 meetings in a year. The dates of meetings being 28th May 2002, 25th June 2002, 29th June 2002, 24th July 2002, 6th August 2002, 29th September 2002, 29th October 2002 and 31st January 2003. The maximum time gap between any two meetings was not more than 4 calendar months.

### 3. Audit Committee

#### Composition

The Audit Committee comprises of three independent Non-executive Directors viz., Mr. Ashish S. Dalal, Mr. C. Subramaniam and Mr. P. G. Kakodkar. Mr P. G. Kakodkar was appointed as a member of the Audit committee in place of Mr Ravi K. Sheth, who resigned w.e.f. 12<sup>th</sup> August 2002. The Chairman of the committee is Mr. Ashish S. Dalal, a practising Chartered Accountant. All the committee members are proficient in the field of finance, accounts, costing and company law.

#### Meetings and Attendance

During the year the Committee met 5 times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended all the meetings whereas Mr. Ravi K. Seth attended 2 meetings before his resignation whereas Mr P. G. Kakodkar attended 1 meeting after his appointment as a member.

#### Broad Terms of Reference

The Audit Committee of the company, inter-alia, provides assurance to the board on the adequacy of the internal control systems and financial disclosure. The functioning of the committee included the following:

- i) to oversee the Company's financial reporting process and to ensure correct disclosure of financial information in the financial statement;
- ii) to recommend the appointment and removal of external auditor, fixation of audit fees and approval for payment of any other services;
- iii) to review the quarterly, half-yearly and annual financial statements with the management before submission to the Board;
- iv) to review with the management, external and internal auditors, the adequacy of internal control measures;
- v) to review the adequacy of internal audit function;
- vi) to discuss with the internal auditors any significant finding and follow up thereon;

- vii) to review the financial risk management policies of the Company;
- viii) to look into the reasons for substantial defaults in the payments to the shareholders and creditors.

### 4. Remuneration and Compensation Committee

The Company is in the process of forming Remuneration & Compensation committee. The company reviews its remuneration policy in line with the industry and trends in the market with a view to attract the right talent. The Remuneration Policy of the whole time directors are in similar lines with the other employees of the company and are revised by the Board of Directors from time to time with the approval of members and regulatory authorities.

### 5. Remuneration of Directors

The aggregate value of salary, perquisites paid for the year ended 31-03-2003 to the Managing Director and Whole-time Directors were as follows:

Name	Remuneration Paid (Rs.)
Mr. Jignesh P. Shah	1,260,000/-
Mr. Dewang S. Neralla	630,012/-
Mr. Sajit Dayanandan	630,012/-
Mr. Mahesh R. Joshi	630,012/-
Mr. Ajay Narasimhan	630,009/-

Besides, the Whole-time Directors were also entitled for retirement benefits and encashment of leave, as per the rules of the Company.

The Company pays sitting fees of Rs.3,000/- per meeting to the Non-executive Directors for attending the meetings of the Board of Directors and Audit Committee. The sitting fees paid for the year ended 31st March, 2003 were as follows:

Name	Remuneration Paid (Rs.)
Mr. C. Subramaniam	39,000/-
Mr. Ravi K. Sheth	24,000/-
Mr. Ashish S. Dalal	39,000/-
Mr. V. Venkateswara Rao *	21,000/-
Mr. P. G. Kakodkar	6,000/-

\* Paid to IDBI

During the year Mr. P. G. Kakodkar, Non-executive Director, has been paid Rs. 60,000/- as Professional fees. The professional fees paid to him are not considered material enough to impinge on the independence on Mr. P. G. Kakodkar.

## 6. Shareholders' / Investor Grievance Committee

### Composition

The Board has constituted Shareholders' / Investor Grievance & Share Transfer Committee comprising of Mr. C. Subramaniam and Mr. Mahesh R. Joshi, Directors. Mr. C. Subramaniam, Non-executive Director, is the Chairman of the committee. During the year under review, the Committee met 20 times.

### Compliance Officer

Mr. P. Venkitasubramani, Company Secretary is the Compliance Officer.

### Functions

The Committee, inter alia, approves transfer and transmission of shares, issue of duplicate share certificates and reviews all the matters connected with the securities' transfers.

There were in all 34 cases of complaints received by the Registrars during the year which were resolved at their level. During the year, there were no complaints which were unsolved to the satisfaction of shareholders. Also there were no pending transfers as on 31st March 2003.

## 7. General Body Meetings

The date, time and venue for the last 3 Annual General Meetings is mentioned hereunder:

Year	Date	Time	Location
1999-00	08-09-2000	11.00 A.M.	Balamandir German Hall, 17, Prakasam Street, T. Nagar, Chennai 600 017
2000-01	27-09-2001	11.00 A.M.	Russian Cultural Centre, 27, Kasturi Ranga Road, Chennai 600 018
2001-02	30-09-2002	12.30 P.M.	3rd Floor, 141, Greams Road, Chennai 600 006

In addition, during the year, an Extraordinary General Meeting was held at 3rd Floor, 141, Greams Road, Chennai - 600 006 on 31st October 2002 at 12.30 PM.

## 8. Postal Ballot

No postal ballots were used / invited for voting at these meetings in respect of special resolutions passed as the relevant provisions were not applicable. The provision relating to Postal Ballot will be complied with in respect of matters where applicable.

## 9. Disclosures

There are no transactions with related parties that may have any potential conflict with the interest of the company at large. The company has not entered into any transaction of material nature with the Promoter, Directors or Management, their relatives that may have potential conflict of interest of the company at large. The Register of contract containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with related parties are disclosed in Note no. 12 of Schedule 16 to the Accounts in the Annual Report.

There were no instances of non-compliances of any mater related to the capital markets during the year and the company has complied with the requirements of regulatory authorities on capital markets.

## 10.Means of Communication

### Half-yearly report :

The half-yearly report will be sent to each household of the shareholders from the half year ending 30th September 2003.

### Quarterly Results :

The quarterly results are published in TRINITY MIRROR & BUSINESS STANDARD in English and MAKKAL KURAL in the regional language.

**Auditors' Certificate on Corporate Governance**

To the members of  
**Financial Technologies (India) Limited**

We have examined the compliance of conditions of Corporate Governance by Financial Technologies (India) Limited, for the year ended on 31st March 2003, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as certified by the Share Transfer Agents of the Company, based on the records maintained by them.

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.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner  
Mumbai, dated: July 15, 2003.

# General Shareholder Information

## 1. Annual General Meeting

Date and Time : 30th September, 2003 at 12.30 p.m.  
Venue : 3rd Floor, 141, Greams Road, Chennai 600 006.

## 2. Financial Calendar

Financial Year : 1st April to 31st March  
Annual General Meeting : September  
Results for the quarters : 30th June End of July  
30th September End of October  
31st December End of January  
31st March End of April or  
end June/July  
(audited  
figures) as per  
Stock  
Exchange  
guidelines

## 3. Book-closure date

The Books shall be closed from 19th September 2003 to 30th September 2003 (both days inclusive) for the purpose of ensuing Annual General Meeting.

## 4. Dividend payment date

Not Applicable

## 5. Listing

The shares of the Company are presently listed on Stock Exchanges at Chennai, Mumbai and Ahmedabad.

## 6. Stock Market Codes

Trading Symbol		
Chennai	Scrip Code : Abbreviated Name :	WTG FINANC TECH
Mumbai	Scrip Code : Demat Code : Abbreviated Name on BOLT :	26881 526881 FINANC TECHN
Ahmedabad	Scrip Code : Abbreviated Name :	67641 FINTECH
Depository for Equity Shares : NSDL and CDSL		
Demat ISIN Number : INE111B01023		

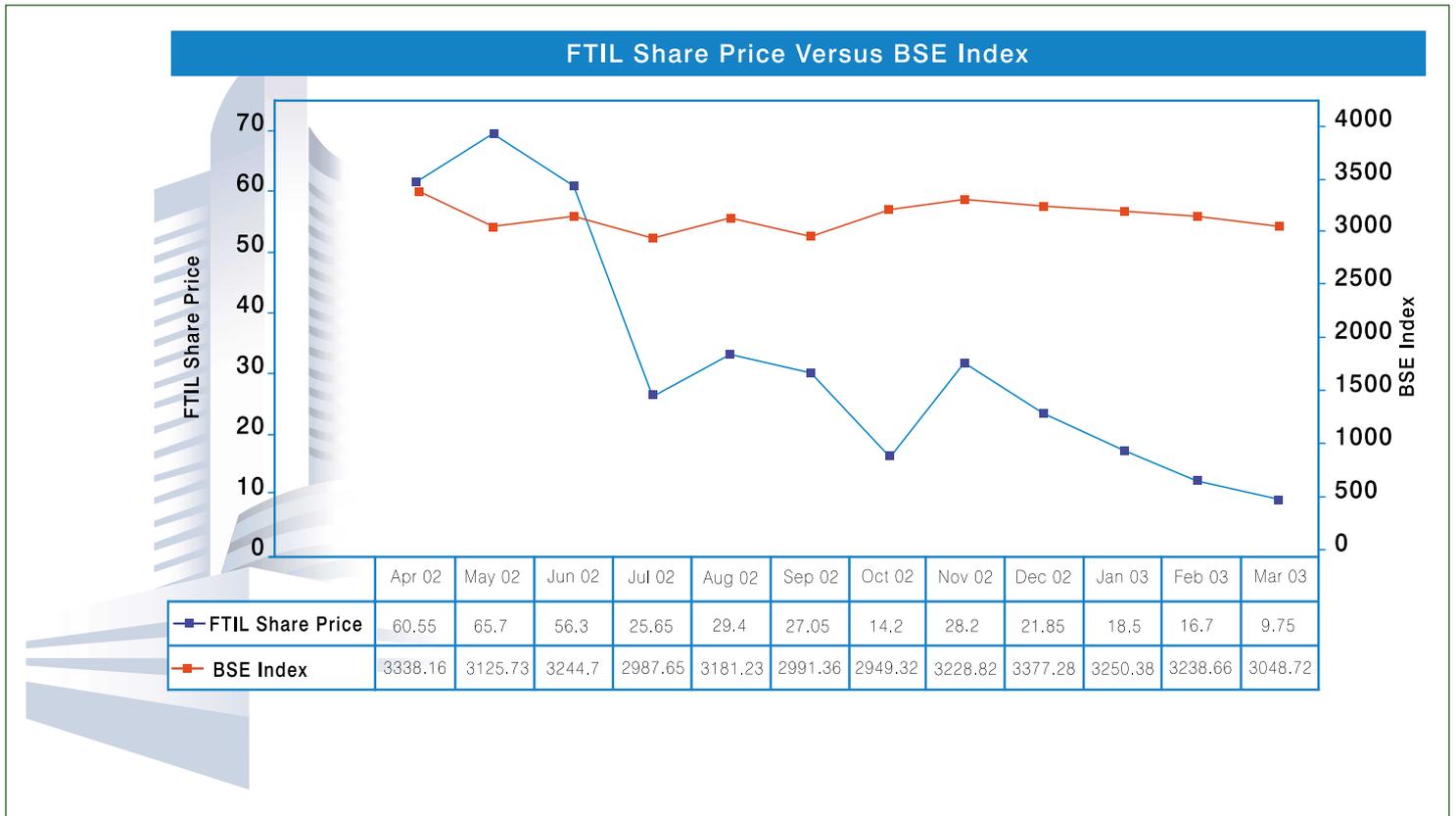
## 7. Stock Market Data

Month & Year	Bombay Stock Exchange		
	High Price Rs	Low Price Rs	Volume Nos
Apr - 2002	71.50	54.70	2856551
May - 2002	87.65	56.65	7321298
Jun - 2002	72.00	55.65	2838844
Jul - 2002	57.45	23.40	3270273
Aug - 2002	30.80	21.05	2171213
Sep - 2002	32.00	22.80	1353959
Oct - 2002	27.50	14.00	901955
Nov - 2002	29.95	13.70	739478
Dec - 2002	30.45	20.25	812284
Jan - 2003	24.00	17.00	666188
Feb - 2003	19.95	14.00	301527
Mar - 2003	17.00	9.75	537807



## 8. Share Price Performance in Broad Based Indices

The performance of the company's shares in comparison to BSE Sensex is given in the chart below:



## 9. Registrars & Transfer Agents

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078.

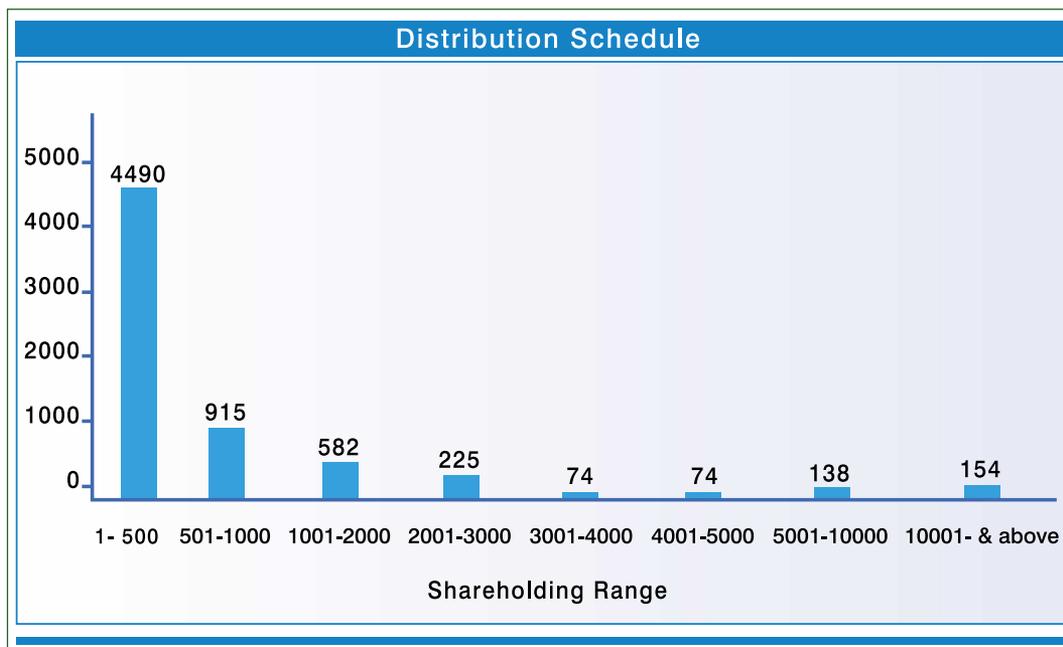
Tel. : 2592 38 37. Fax : 2567 26 93

Email : [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

## 10. Distribution of Shareholding and Shareholding Pattern as on 31st March 2003

**Distribution Schedule**

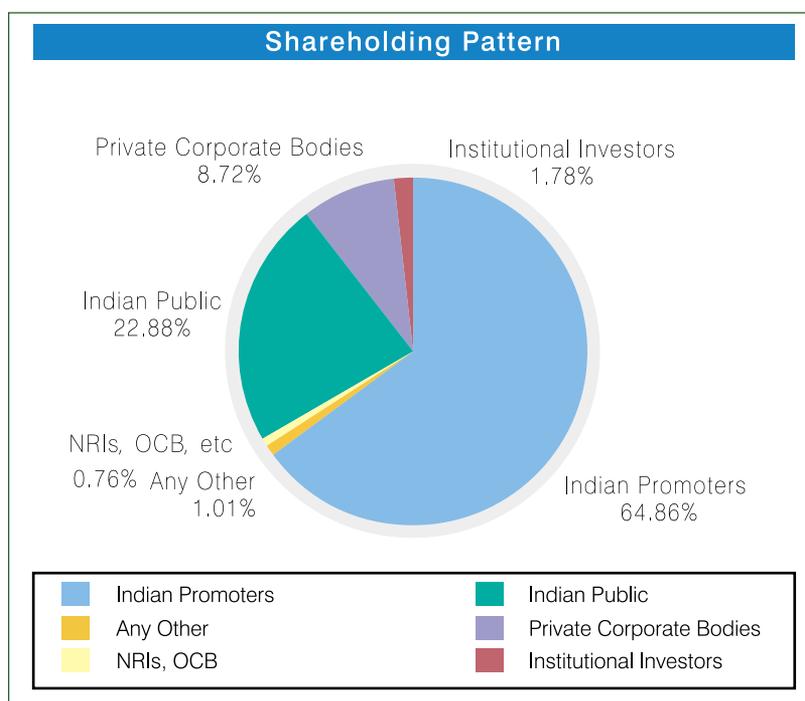
Shareholding Range		Shareholder		Shares held	
From	To	Number	% to total	Number	% to total
1	500	4,490	67.498	906,872	2.425
501	1000	915	13.755	662,429	1.771
1001	2000	582	8.749	828,565	2.215
2001	3000	225	3.382	578,043	1.545
3001	4000	74	1.112	262,193	0.701
4001	5000	74	1.112	337,655	0.903
5001	10000	138	2.075	981,086	2.623
10001	And above	154	2.315	32,846,302	87.817
<b>Total</b>		<b>6,652</b>	<b>100.000</b>	<b>37,403,145</b>	<b>100.000</b>



**Shareholding Pattern as per clause 35 of the Listing Agreement (summarised)  
as on 31<sup>st</sup> March, 2003**

	<b>No. of Shares held</b>	<b>% to total</b>
<b>A. PROMOTERS' SHAREHOLDINGS:</b>		
1) Indian Promoters (Promoters Directors, their relatives and companies under their control)	24259125	64.86%
2) Foreign Promoters	-	-
<b>SUB TOTAL</b>	<b>24259125</b>	<b>64.86%</b>
<b>B. NON-PROMOTERS' SHAREHOLDINGS:</b>		
3) Institutional investors:		
a. Mutual Funds & UTI	373652	1.00%
b. Banks, Financial Institutions, Insurance Companies, Central/State Government Institutions, Non- Government Institutions	538248	1.44%
c. Foreign Institutional Investors	-	-
<b>SUB TOTAL</b>	<b>911900</b>	<b>2.44%</b>
4) Others		
a. Private Corporate Bodies	3013593	8.06%
b. Indian Public	8556016	22.87%
c. NRIs / OCBs etc.	283028	0.76%
d. Any Other:	379483	1.01%
<b>SUB TOTAL</b>	<b>12232120</b>	<b>32.70%</b>
<b>Total Non-promoters' Shareholding</b>	<b>13144020</b>	<b>35.14%</b>
<b>Total Shareholding Grand Total</b>	<b>37403145</b>	<b>100.00%</b>

Note : a. The company has not issued any GDR / ADR  
b. The total foreign holding was 5,80,691 i.e., 1.55% of the total capital where in none of the single investor is holding 1% or more shares.



## 11. Dematerialisation of shares

The shares of the company have been brought under compulsory demat mode. As on 31st March 2003, 97.36% of the shareholding representing 36,415,702 shares of the company have been converted in to demat form.

## 12. Outstanding GDR /ADR / Warrants or any convertible instruments, conversion date and impact on equity

The company has not issued any ADR /GDR's or any conversion instruments till date. During the year the company has implemented the Employees Stock Option Plan. In accordance with the said scheme, the company has granted 223,402 options of Rs.2/- each to eligible employees. In terms of the said scheme options can be exercised for a period of 18 months from the date of vesting upto 31st March 2004. After taking into account the options granted, vested, lapsed and exercised during the year, the balance options outstanding at the end of the year were 150,541.

## 13. Location of Offices

1. Krishna Bhavan, 67, Nehru Road, Vile Parle (East), Mumbai 400 057.
2. Pressman House, 301/401/402/501/502, Off Nehru Road, Vile Parle (East), Mumbai 400 099.
3. Malkani Chambers, 1st Floor, Off Nehru Road, Vile Parle (East), Mumbai 400 099.

## 14. Investor Correspondence

All routine correspondence regarding transfer and transmission of shares, split, consolidation and issue of duplicate/renewed share certificates should be addressed to the Company's Registrars and Share Transfer Agents.

Complaints/grievances, if any, should be addressed to

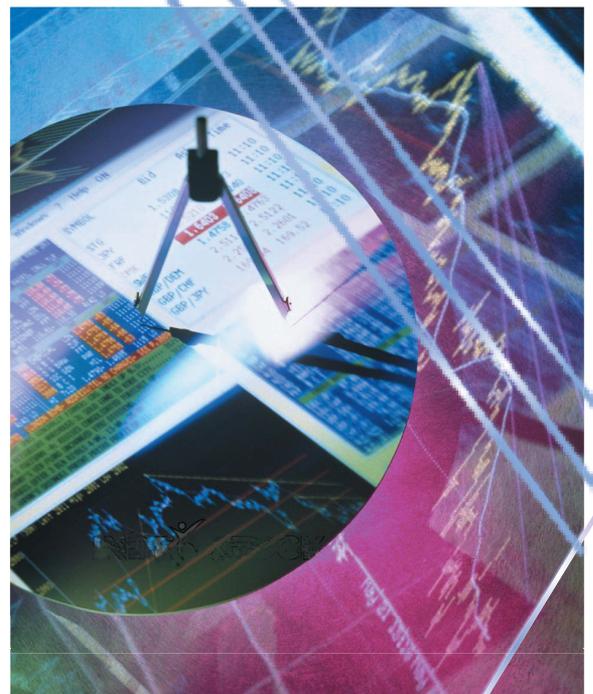
The Company Secretary,  
Financial Technologies (India) Ltd.  
Malkani Chambers, 1st Floor, Off Nehru Road, Vile Parle (East),  
Mumbai 400 099.  
Tel.: 2611 8195  
Fax: 2612 2342  
Email: [info@ftindia.com](mailto:info@ftindia.com)

## 15. Company's website

For any further information on the Company please visit Company's website [www.ftindia.com](http://www.ftindia.com).

# Management Discussion & Analysis

**Progress** despite  
challenges ...



# Management Discussion and Analysis

## Overview:

### Operational Review of the Company

As was the case with the general economic trend, the Company experienced a challenging business environment in view of the continued slow down of the economy. However, we have witnessed signs of recovery in the last quarter of the financial year. The Company concentrated on pushing in trading solutions in the retail segment and further penetrate in this segment, resulting in better revenue figures and overall satisfactory performance.

### Segment Analysis:

The Company, keeping its trend of monetizing (revenue) its Intellectual Property Rights (IPRs) and solution capabilities through Technology Licensing, Domain Consulting and Development outsourcing has generated revenues through one time license payment, pay per usage services and also project assignments on Time & Material model. During the year, the Company continued providing solutions and services in the single industry vertical under its comprehensive Straight Through Processing (STP) framework addressing the Pre-trade, Trade, and Post-Trade operations. The market areas being covered under this single business segment include Equity, Forex, Derivative, Commodities and Bond Market.

With the recessionary trends impacting the overall IT spends in the financial services industry, the Company was faced with difficult business prospects despite several strong leads generated during this time. Considering the overall trends, the Company has not made strong penetration in the overseas market so far, but we expect the situation to change with the general improvement in the business outlook.

The Company is in the business of providing mainly software solutions and in the opinion of the Management, has only one reportable business segment, the results of which are disclosed in the financial statements.

#### a) Domestic Market

During the year, the Company focused expressly on the retail market with a thrust to expand the existing market share of its technologies. This was achieved through the dual strategy of introducing advanced features in existing technologies as also introduction of new solutions to offer a more comprehensive solution suite. This strategy has met with tremendous success and proved to be beneficial to the

Company, as is reflected in its performance. The Company's performance is on an improvement scale as the technology sales has witnessed a strong growth in the last quarter, which we expect to see continuing into the new year.

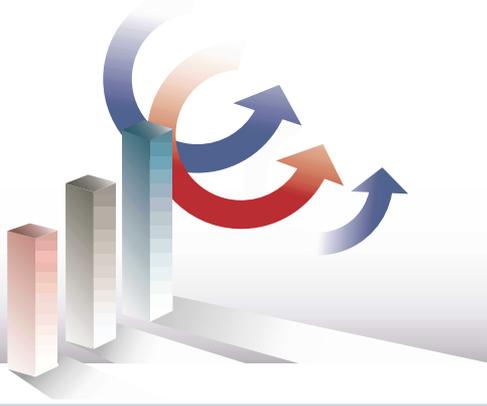
Moreover, the Company has also expanded its revenue streams by offering solutions and services through the infrastructure services model. This delivers a low-cost entry point for the end user but at the same time builds a strong revenue visibility for the Company as services typically get offered under the pay-per-usage model. It is expected that with the combination of new features, new technologies and new offerings, the Company would be able to evolve a long term and sustainable growth strategy.

#### b) International Market

As part of its enterprise strategy to establish our technology presence and build clients in the global markets, the Company undertook a series of measures to create an international market for its offerings and services. As part of this exercise, the Company has formally received accreditation from Australia Stock Exchange for its Front Office & Back Office Products as also with Singapore Stock Exchange for its Front Office trading solution.

During the year, there were several instances wherein prospects evinced strong interest in deploying our technologies and solutions, but because of business uncertainties, the IT investments were put on hold. However, despite these challenging times, the Company has been able to deploy its solutions for formal evaluation in one of the advanced markets in the region. It is expected that post evaluation stage, our solutions would be formally commissioned for live operations at some of these sites.

We continue to remain bullish on our plans to globalize our operations by successfully building international clients in our growing list of users. Towards that, your Company is actively evaluating several options, including setting up strategic alliances with some of the global corporations with established market presence.



## Company's Strength and Opportunities

The Company operates in a line of business that requires strong domain knowledge in addition to cutting-edge technology skills. These require deep understanding of the business practices of the target industry and this is where our Company has established strong leadership and market presence.

Our Company has created strong differentiation and niche market for its technologies and services that distinguish it from the plain vanilla IT services companies who are offering commoditized technology services. Some of the critical and strong differentiators of our Company include -

### a) Niche, Vertical Specialist Technology Company

Our Company is a focused player with distinct advantages of being an industry leader in deploying mission-critical transaction technologies for securities industry operations.

- ▶ **Domain Expertise** - Understand business processes in our domain and our expertise lies in building 'intelligent solutions' for the customers
- ▶ **Focus** - Helps our Company to go deeper in understanding the business requirements and challenges of our customers, and provide them with tangible benefits, through unique and innovative solutions.
- ▶ **Value Proposition** - The approach is not how much technology gets delivered, but how fast, reliable and beneficial are our solutions to the customer's business

**b) Strategic advantage through access to multiple transaction technologies** – Our Company today provides its customers access to its vast array of proven technology capabilities (as given in the previous section). These advantages typically include

- ▶ **Time-to-market advantage** - Faster turnaround and delivery time to its customers, with reusable components from our 'technology library'
- ▶ **ROI focused** - Superior quality of deliverables through 'in-production' technologies, jumpstarting the ROI for the customers
- ▶ **Integration and Interfacing benefits** - End to end technology offerings that seamlessly interface with each other, as also with third party systems. Ensures investment protection of existing technologies at customer site

**c) Innovative Business Partnerships** – The Company has exhibited innovative business modeling capabilities that looks at furthering its vision for the Securities Industry. These include setting up and running specialized, securities industry marketplace / infrastructure initiatives - Some of these strategic business initiatives include-

**IBS Forex** - Inter-Bank Foreign Exchange Trading Platform (Platform service approved by the country's Central Bank)

**STP-Gate™** - STP Market Infrastructure Utility for post-trade transaction processing (Infrastructure service recognized by SEBI)

The Company provides access to the best Techno-Domain resource capabilities, offering a combination of people and technologies for the mission-critical financial services industry. Moreover, these capabilities are delivered through our existing technologies and our high-end development outsourcing capabilities, from our India Development center where domain-intensive project development work gets undertaken.

## Risk & Concern

### Business Risk

As the Company is engaged in providing domain intensive technologies for the financial services industry, its growth is linked to its successful expansion in the international markets. Towards this, the major and prime risk which the Management is anticipating is with respect to the market assessment and time-line expectation in closing opportunities in international markets. This is so because with respect to all other challenges, the Company has achieved positive feedback and recognition from global players and technology giants such as Intel, Microsoft and HP. In terms of competition, since the alliance business model has been adopted, confidence of jointly succeeding (along with the alliance partners) is very high. The effective utilization of time and presence in various commercial capitals will surely reduce the risk as highlighted above.

## Financial Risk

Liquidity is the main concern in any technology outfit and it is of prime concern even for our Company. The nature of business is such that significant investments need to be made in New Product Development initiatives and Marketing new technologies and service offerings. The major risk, today faced by the Company is the drop in the cash accruals due to the overall business recession.

The Company, which has been debt free since last two years, is in the process of tying-up long term fund arrangement with Financial Institution for funding its expansion plans. Also with its strategic alliances and tie-ups, the Company is confident of global business thereby generating the cash.

## Internal Control and Their Adequacy

The Company has a strong system of internal control to ensure that all its assets are safeguarded and not exposed to risk. The well defined role for people at various levels ensures proper and timely flow of information, which considerably helps in mitigating risks. This also facilitates proper implementation of the defined control system. The Management reviews the internal control systems at regular and defined intervals in order to ensure efficient conduct of business. Regular Internal Audit reviews and constitution of an independent Audit Committee, formed with representation from the non-executive Members of the Board, have strengthened the overall internal controls within the organisation.

### The summarised results for the year are as follows:

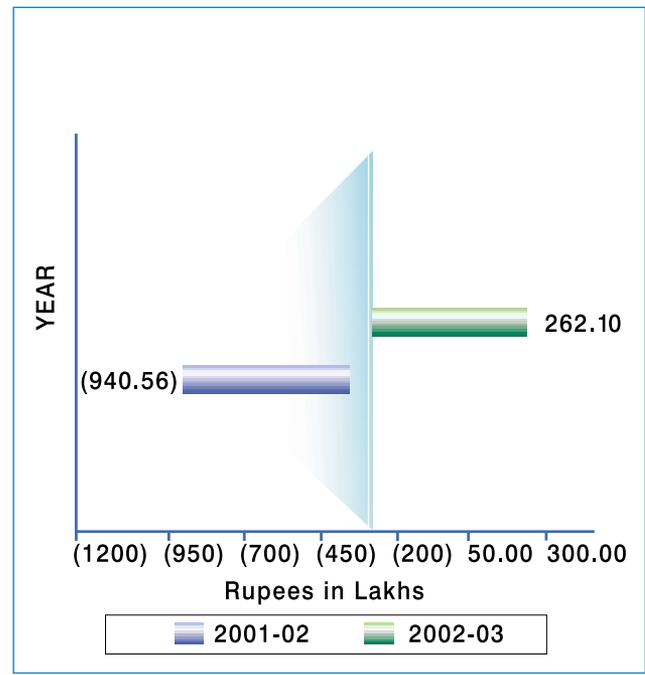
	(In Rs.lakhs)
Sales Revenues	1390.50
Other Income	73.13
<b>TOTAL INCOME</b>	<b>1463.62</b>
Operating Expenses	1328.09
PBDIT	<b>135.53</b>
Less :Interest	7.13
Less: Depreciation	86.21
<b>Profit/(Loss) before tax</b>	<b>42.19</b>
Add: Deferred Taxation	219.93
Add: Prior Period Adjustments	(0.02)
<b>Net Profit/(Loss)</b>	<b>262.10</b>

## Major Financial Events

### Profit After Tax

The Profit after tax is reported at Rs. 26,212,227 as compared to a loss of Rs. 94,056,072 in the previous year showing an increase on 128%.

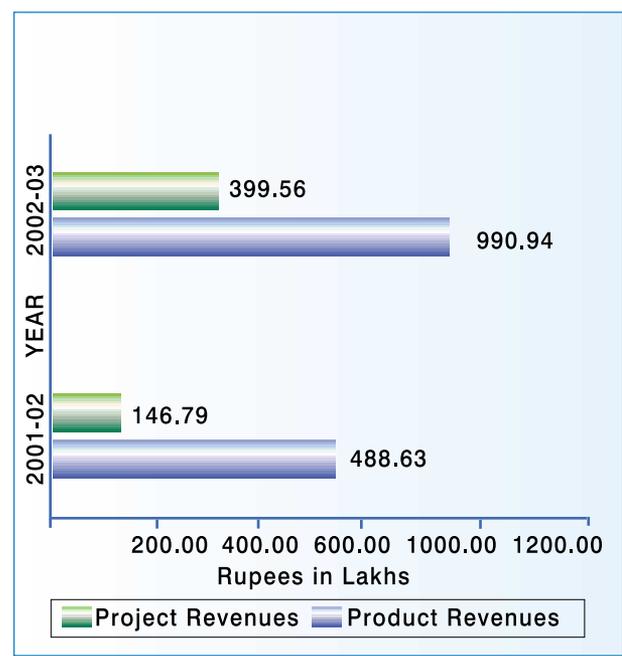
### Profit After Tax



## Revenues

The major contribution towards product revenue during the year was from retail market segment. The revenue from Product Licenses stood at Rs. 99,093,987 as compared to Rs. 48,863,276 in the previous year amounting to a jump of 103%. The quantum jump was solely attributable towards the efforts made in penetrating the retail market. Similarly, the Project based revenues also noticed a jump from Rs. 14,679,314 to Rs. 39,955,515 registering an increase by 172%.

### Revenues



## Operating Cost

The Company put in place strong cost control measures thereby successfully reversing the cost pattern in this year. The major cost element in the Company i.e. personnel cost, was reduced from Rs. 95,775,052 in the previous year to Rs. 65,009,666, recording a decrease of 32%. The major reason behind this was reduction of cost in US operations after giving rationalising effect during the year. Also contributing to the reduction was the voluntary reduction in salaries that was effected in September 2002 by each and every member of the Company. Similarly all major cost heads were controlled.

During the year, the Company continued to review its debt & advances, which are considered to be doubtful of recoveries. A provision for doubtful debt & advances was made to the extent of Rs. 3,929,658.

## Financial Restructuring

In the previous year, the Company had approached the Hon. High Court at Madras as permitted u/s 100 of the Companies Act 1956 in respect of reduction of the subscribed and paid up capital of the Company by Rs 750,000, representing 75,000 equity shares of Rs. 10 each and share premium of Rs 13.60 per share on the basis that such shares were unrepresented by any assets since the party to whom the shares were issued physically took away the assets brought in by them and the necessary records in relation to the assets were also not in the possession of the Company. The said amount of Rs. 1,770,000 was classified under Miscellaneous Expenditure to the extent not written off or adjusted. Effectively the issued, subscribed and paid up capital of the Company stands reduced to 25,486,783 equity shares of Rs 10 each and the balance in Securities Premium account stands reduced to Rs 133,968,113 considering reduction of premium of Rs 1,020,000.

The Fixed Assets as at April 1st 2002 included cost of Intellectual Property Right (Application Service Provider) Rs. 180,061,540 and accumulated depreciation Rs. 36,012,308. Based on the realities of business outlook, it was the considered view of the Board of Directors, that the said asset is not likely to generate any economic value and considering prudent accounting practices, such asset be written off in the long term interest of the Company and its shareholders. Accordingly, the Company as approved by the shareholders at the extraordinary general meeting held on October 31, 2002 approached the Hon. High Court of Madras for reduction of the share capital as stated above, as the same is unrepresented by available assets capable of generating revenue.

The High Court passed an order approving the reduction of Share Capital as under:

- i) The Subscribed and Paid up Capital of the Company stands reduced from Rs 254,867,830 (presently divided into 25,486,783 equity shares of Rs 10 each fully paid up) to Rs.74,806,290 (divided into 37,403,145 equity shares of Rs 2 each fully paid up).
- ii) The total reduction of capital aggregates to Rs.180,061,540 being sum unrepresented by available assets capable of generating revenues and non cash losses solely attributable to the said assets.

Consequent to the aforesaid order of the High Court regarding the Capital Reduction, the Company has adjusted Rs. 144,049,232 being the Written Down Value of the Intellectual Property Rights and Rs.36,012,308 being the non cash losses incurred in the earlier years have been adjusted from the debit balance in the Profit and Loss account in accordance with the aforesaid scheme.

Consequently, as the cost of the asset is adjusted under the Capital Reduction scheme, the Company has written back the deferred tax liability aggregating to Rs. 15,715,996 created in the earlier years on account of its depreciation, which has now resulted into a permanent difference.

The tax effect of significant timing differences during the year have resulted in deferred tax assets. As the Company has enough shelter under carried forward losses under Income Tax Act, the Company wrote back of all past provisions made under Deferred Tax. Considering the virtual certainty for recognition of deferred tax asset on unabsorbed depreciation and carry forward loss, the Company has recognized the same as an asset to the extent there is virtual certainty and the balance will be reassessed at subsequent balance sheet dates and will be accounted for in the year of virtual certainty in accordance with the aforesaid accounting standard.

## Employees Stock Option

The Company took over the Employee Stock Option Scheme on amalgamation of Financial Technologies (India) Private Ltd., which entitled certain employees to specified number of shares at an option price in accordance with the scheme. During the year, the said scheme has been approved by the Board of Directors and implemented by the Company.

In accordance with the said scheme 223,402 options of 1 share of Rs. 2 each, were granted to eligible employees to be exercised over a period of eighteen months from the date of vesting upto 31st March 2004.

Options granted during the year	223,402
Options vested and exercised during the year	32,944
Lapsed during the year	39,917
Options granted and outstanding at the end of the year	150,541

The stock option discount in the aforesaid scheme is being amortised over the respective vesting period. The discount has been computed as the difference based on the share price on the date when the capital reduction scheme became effective.

## Treasury Operations

During the year, the investments in Mutual Fund were kept nearly unaltered, keeping in mind the over all intention of maintaining the investments for the long term. During the year, the revenue generated from Investments were low as compared to previous year due to subdued market condition. However, considering the overall accumulated returns derived from the investments held by the Company, the investment yield is still above par. Also the trend in appreciation in Net Asset Value continues.

## HR Relations

Being a knowledge intensive enterprise with focus on Domain and business knowledge, it is extremely imperative that we maintain forward-looking HR practices. These practices are aimed at building a culture of fun and knowledge that aims to unlock the intrinsic potential of our organization, through our employees.

Keeping the above objective in mind, the Company has introduced several HR initiatives including a completely revamped performance appraisal system that looks at building high velocity performance across different levels of the enterprise. Moreover, as a means to enhance people to people contact, the Company has defined internal programs aimed at strengthening the Middle Management across various disciplines. This move is expected to yield long term benefits for the organization with emphasis on performance and high quality output, backed with a culture of fun and growth.

As a mark of our appreciation of the outstanding talent in the organization, the Company continued with its Annual 'Rain Awards' where high achievers and performers were recognized for their outstanding contribution and growth towards the organization growth and business activities.

## Cautionary Statement

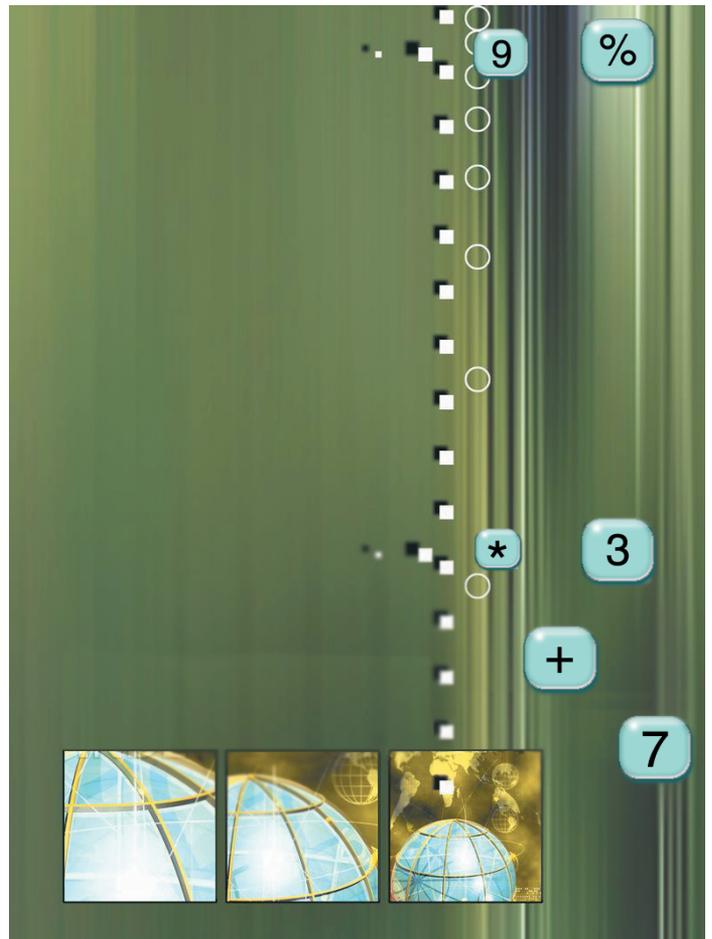
Statement in this Report on Management Discussion and Analysis describing the Company's objective, projections, estimates or predictions may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied.

The Company assumes no responsibility in respect of forward statements herein which may undergo changes in future on the basis of subsequent development, information or events.

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# Financial Information



# Auditors' Report

To the Members,  
Financial Technologies (India) Limited

1. We have audited the attached Balance Sheet of Financial Technologies (India) Limited as at 31st March, 2003, the Profit and Loss Account on that date annexed thereto and also the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to a service company.
4. Further, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the above books of account;
  - d) In our opinion the Balance sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of the written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003, from being appointed as a

director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
  - ii) in the case of the Profit and Loss Account, of the profit for the year ended as on that date ; and
  - iii) in the case of the Cash flow statement, of the cash flows for the year ended as on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner

Mumbai, Dated: July 15, 2003

## Annexure to the Auditors' Report

Financial Technologies (India) Limited  
Referred to in paragraph 3 of our report of even date

1. As the Company does not have any manufacturing activities, paragraphs (iii), (iv), (v), (vi), (xii), (xiv), (xvi) (xx) of clause A of the Order are not applicable to the Company.
2. The Company has maintained proper records showing full particulars and quantitative details of fixed assets. As explained to us, the Company has a procedure to carry out physical verification of assets at periodic intervals, which in our opinion is reasonable. In accordance with the program, we are informed that the Company's fixed assets have been physically verified during the year and no discrepancies were noticed on such verification.
3. None of the fixed assets has been revalued during the year.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in Annexure to the Auditors' Report register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this company as defined under subsection (1B) of Section 370 of the Companies Act, 1956.
5. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in register maintained under section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this company as defined under subsection (1B) of Section 370 of the Companies Act, 1956.
6. The Company has during the year, given interest bearing loan and advances in the nature of loan to a party. Interest accrued up to March 31, 2003 has been debited to the party's account. The said loan including interest is repayable at an appropriate future date not earlier than September 30, 2003 (Attention is invited to Note no. 5 of Schedule 16). As regards interest free loans and advances in the nature of loans given to employees of the Company such loans are being repaid as stipulated except in case of one employee who has left the Company's services and the amount irrecoverable has been written off.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of plant and machinery, equipment and other assets and for services rendered.
8. According to the information and explanations given to us, there are no transactions of purchase of materials and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.

As regards transactions of sale of services made in pursuance of contracts and arrangements entered in the register under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, we are informed that no similar services were rendered to other parties and hence the prices at which services are rendered are not comparable. On the basis of information and explanation given to us, these appear to be reasonable.

9. The Company has not accepted any deposits from the public within the meaning of section 58A of the Company's Act, 1956.
10. The Company has an internal audit system, which in our opinion is commensurate with the size of the company and nature of its business.
11. According to the information and explanations given to us and according to the records of the Company, Provident Fund and Employees' State Insurance dues have generally been regularly deposited during the year with the appropriate authorities.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as on 31st March, 2003, for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The Company's service activities are such that they do not involve consumption of materials and stores and hence the question of allocation of materials consumed to relative jobs does not arise.
15. According to the information and explanations given to us the Company has a system of allocating man-hours utilized to relative jobs, which in our opinion *needs to be strengthened* to be commensurate with its size and the nature of its business.
16. As stated in clause 14 above, the Company's activities do not involve consumption of material and hence question of reasonable system of authorization and adequate system of internal control on issue of stores does not arise. As regards allocation of labour to jobs, the same *needs to be strengthened* to be commensurate with the size of the Company and the nature of its business.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner

Mumbai, Dated: July 15, 2003

**BALANCE SHEET**

AS AT 31.03.2003

	Schedule No.	Rupees	31.03.2003 Rupees	31.03.2002 Rupees
<b>I. SOURCES OF FUNDS</b>				
(1) Shareholders' Fund				
(a) Capital	1	74,806,290		255,617,830
(b) Share Application Money		65,888		-
(c) Reserves and Surplus	2	149,409,377		149,747,425
			224,281,555	405,365,255
(2) Loan Fund				
(a) Secured loan	3		16,566,988	1,548,564
	<b>TOTAL</b>		<b>240,848,543</b>	<b>406,913,819</b>
<b>II. APPLICATION OF FUNDS</b>				
(1) Fixed Assets	4			
(a) Gross Block		90,067,006		263,842,296
(b) Less : Depreciation		27,486,666		54,950,506
(c) Net Block		62,580,340		208,891,790
(d) Capital work-in-progress		261,149		649,500
			62,841,489	209,541,290
(2) Investments	5		110,972,240	131,499,328
(3) Current Assets, Loans and Advances				
(a) Sundry Debtors	6	48,705,157		16,161,661
(b) Cash and Bank Balances	7	6,283,824		14,304,741
(c) Loans and advances	8	39,767,774		34,792,354
			94,756,755	65,258,756
Less: Current Liabilities and Provisions				
(a) Current Liabilities	9	26,403,561		40,441,574
(b) Provisions	10	10,899,838		10,524,460
			37,303,399	50,966,034
Net Current Assets			57,453,356	14,292,722
Deferred tax (liability) / asset (Refer note 8b to schedule 16)			-	(21,993,301)
(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	11		-	1,770,000
(5) Profit and Loss Account			9,581,458	71,803,780
	<b>TOTAL</b>		<b>240,848,543</b>	<b>406,913,819</b>

Significant Accounting Policies  
and Notes to Accounts

16

The schedules referred to above form an  
integral part of the accounts

**P. Venkitasubramani**  
Company Secretary

As per our report of even date.  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner

Place : Mumbai  
Date : July 15, 2003

For and on behalf of the Board.

**Jignesh P. Shah**  
Chairman and Managing Director

**Mahesh R. Joshi**  
Whole-time Director

**Ashish S. Dalal**  
Director

Place : Mumbai  
Date : July 15, 2003

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED MARCH 31, 2003

	Schedule No.	2002-2003 Rupees	2002-2003 Rupees	2001-2002 Rupees
<b>INCOME</b>				
Sales	12		139,049,502	63,542,590
Other income	13		7,312,854	41,607,622
			<b>146,362,356</b>	<b>105,150,212</b>
<b>EXPENDITURE</b>				
Operating and other expenses	14		132,809,469	177,427,191
Interest	15		712,666	83,467
Depreciation			8,621,245	25,895,474
			<b>142,143,380</b>	<b>203,406,132</b>
<b>Profit /(Loss) before tax</b>			4,218,976	(98,255,920)
<b>Provision for taxation</b>				
Current tax			-	-
Deferred tax			21,993,301	4,199,848
<b>Profit /(Loss) after tax</b>			26,212,277	(94,056,072)
Short Provision for income tax in respect of earlier years			(2,263)	-
Balance brought forward from previous year		(71,803,780)		40,339,824
Less: Adjusted on reduction of capital (Refer note 6b to schedule 16)		36,012,308		
			(35,791,472)	
Unadjusted accumulated deferred tax liability			-	(18,087,532)
Balance carried to Balance Sheet			<b>(9,581,458)</b>	<b>(71,803,780)</b>
<b>Earning Per Share</b> (Refer note 15 to schedule 16)				
Basic			0.70	(3.68)
Diluted			0.70	(3.68)

Significant Accounting Policies 16  
The schedules referred to above form an integral part of the accounts

**P. Venkatasubramani**  
Company Secretary

As per our report of even date.  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner

Place : Mumbai  
Date : July 15, 2003

For and on behalf of the Board.

**Jignesh P. Shah**  
Chairman and Managing Director

**Mahesh R. Joshi**  
Whole-time Director

**Ashish S. Dalal**  
Director

Place : Mumbai  
Date : July 15, 2003

## Statement of Cash flows

For the year ended on 31st March 2003

	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash Flow from operating activities</b>				
Net profit/(loss) before tax and extraordinary items		4,218,976		(98,255,920)
<b>Adjustment for</b>				
Depreciation	8,621,245		25,895,474	
Loss on obsolete assets	-		146,815	
Employees Compensation Expenses	681,952		-	
Profit on sale of Investments	(438,168)		(7,544,083)	
Profit on sale of fixed assets	(7,009)		-	
Income from Investments	(6,112,654)		(32,913,890)	
Interest expense	712,666		83,467	
Interest Income	(330,166)	3,127,866	(418,822)	(14,751,039)
<b>Operating profit/ (loss) before working capital changes</b>		<b>7,346,842</b>		<b>(113,006,959)</b>
<b>Adjustments for</b>				
Trade and other receivables	(37,518,916)		25,385,900	
Trade payables and provisions	(13,652,635)	(51,171,551)	11,959,093	37,344,993
<b>Cash used in operations</b>		<b>(43,824,709)</b>		<b>(75,661,966)</b>
Tax paid		(12,263)		-
Interest Income		330,166		418,822
<b>Net cash used in operating activities</b>		<b>(43,506,806)</b>		<b>(75,243,144)</b>
<b>B. Cash Flow from Investing Activities</b>				
Additions to Fixed Assets		(6,297,351)		(13,831,473)
Sale of Fixed Assets		333,684		372,442
Purchase of Investments		-		(125,644,900)
Sale of Investments		20,965,256		159,680,342
Income from Investments		6,112,654		32,913,890
<b>Net cash from investing activities</b>		<b>21,114,243</b>		<b>53,490,301</b>
<b>C. Cash flow from financing activities</b>				
Secured loan taken from Bank		15,018,424		1,548,564
Share application money		65,888		-
Interest Expenses		(712,666)		(83,467)
<b>Net cash from financing activities</b>		<b>14,371,646</b>		<b>1,465,097</b>
<b>Net cash flow during the year</b>		<b>(8,020,917)</b>		<b>(20,287,746)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(8,020,917)</b>		<b>(20,287,746)</b>
Cash and cash equivalents (opening balance)		14,304,741		34,592,487
Cash and cash equivalents (closing balance)		6,283,824		14,304,741

### Notes to cash flow statement:

- Cash and cash equivalents include cash and bank balances in current and deposit accounts
- Interest income from advances is classified as cash flow from operating activities.
- Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activities.
- The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

The schedules referred to above form an integral part of the accounts

For and on behalf of the Board.

**P. Venkitasubramani**  
Company Secretary

**Jignesh P. Shah**  
Chairman and Managing Director

As per our report of even date.  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Mahesh R. Joshi**  
Whole-time Director

**P. R. Barpande**  
Partner

**Ashish S. Dalal**  
Director

Place : Mumbai  
Date : July 15, 2003

Place : Mumbai  
Date : July 15, 2003

## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 2002-2003 Rupees	As at 2002-2003 Rupees	As at 2001-2002 Rupees
<b>Schedule 1: Share Capital:</b>			
<b>Authorised:</b>			
150,000,000 (Previous Year: 30,000,000) equity shares of Rs.2/- each (Previous Year of Rs.10/- each)		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up:			
*37,403,145 (Previous Year: 25,561,783) equity shares of Rs.2/- each (Previous Year of Rs.10/- each) fully paid up		74,806,290	255,617,830
Of the above:			
(a) NIL under Capital Reduction Scheme (Refer note 6a to schedule 16) (Previous Year: 75,000) shares of Rs.10/- each, fully paid had been allotted pursuant to contract without payment being received in cash (Refer note 6a of schedule 16)			
(b) 26,592,190 (Previous Year: 18,120,117) shares of Rs.2/- each (Previous Year of Rs.10/- each), fully paid have been allotted to the shareholders of the erstwhile Electronics Broking Services Limited, consequent to a scheme of amalgamation			
(c) 6,408,304 (Previous Year: 4,366,666) shares of Rs.2/- each (Previous Year of Rs.10/- each), fully paid have been allotted to the shareholders of the erstwhile Financial Technologies (India) Pvt. Limited, consequent to a scheme of amalgamation.			
<b>TOTAL</b>		<u><u>74,806,290</u></u>	<u><u>255,617,830</u></u>
* Equity share capital as reorganised as per the Capital Reduction Scheme (Refer note 6a and 6b to Schedule 16) The company has granted share options under its Employees Stock Option Scheme and the number of share options outstanding as on March 31, 2003 are 150,541 which will vest upto March 31, 2004.			
<b>Schedule 2 : Reserves &amp; Surplus</b>			
<b>Capital Reserve:</b>			
Balance at the commencement of the year		14,759,312	14,759,312
<b>Securities Premium Account:</b>			
Balance at the commencement of the year	134,988,113		134,988,113
Less: Adjusted in accordance with Capital Reduction Scheme (Refer note 6a of Schedule 16)	<u>(1,020,000)</u>	<u>133,968,113</u>	<u>-</u>
			134,988,113
<b>Employees Stock Option Outstanding:</b>			
Less: Employee stock option compensation to be written off	<u>2,045,858</u> <u>(1,363,906)</u>	681,952	-
<b>General Reserves:</b>			
Balance at the commencement of the year	-		29,000,000
Less : Deferred revenue expenditure writtenoff	-		(20,894,383)
Less : Accumulated deferred tax liability (to the extent of balance available in general reserve)	-		(8,105,617)
<b>TOTAL</b>		<u><u>149,409,377</u></u>	<u><u>149,747,425</u></u>
<b>Schedule 3 : Secured Loans</b>			
a) Cash credit account from a Bank		3,571,197	1,548,564
b) Overdraft account		12,995,791	-
<b>TOTAL</b>		<u><u>16,566,988</u></u>	<u><u>1,548,564</u></u>

### Notes:

- Cash Credit account from a bank is secured by hypothecation of book debts and personal guarantees of some of the directors of the Company. The said loan is further secured by equitable mortgage by deposit of title deeds of the immovable property (residential flat) located at Kandivli (Mumbai).
- Over draft from a bank is secured by creation of lien on 5,112,000 units of Rs.10/- each of Kotak Mahindra Mutual Fund - K- Bond (Unit Scheme '1999 Deposit Annual Dividend Plan)

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 4 : Fixed Assets

(In Rupees)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	Cost as at 1.04.2002	Additions	Deletion/ Adjustments	Cost as at 31.03.2003	Upto 31.3.2002	For the year	Deletions/ Adjustments	Upto 31.03.2003	As at 31.03.2003	As at 31.03.2002
Building (include improvement to lease hold premises)	31,249,668	-	-	31,249,668	3,325,288	1,643,688	-	4,968,976	26,280,692	27,924,380
Office Equipments	38,749,547	6,617,702	-	45,367,249	11,546,071	6,006,112	-	17,552,183	27,815,066	27,203,476
Furniture & Fittings	10,735,833	63,000	-	10,798,833	3,304,823	657,876	-	3,962,699	6,836,134	7,431,010
Vehicles	2,249,815	-	399,452	1,850,363	355,607	198,034	72,777	480,864	1,369,499	1,894,208
Intellectual Property Right	180,061,540	-	180,061,540	-	36,012,308	-	36,012,308	-	-	144,049,232
Trade Mark	162,480	5,000	-	167,480	89,702	9,966	-	99,668	67,812	72,778
Technical Knowhow	633,413	-	-	633,413	316,707	105,569	-	422,276	211,137	316,706
<b>TOTAL</b>	<b>263,842,296</b>	<b>6,685,702</b>	<b>180,460,992</b>	<b>90,067,006</b>	<b>54,950,506</b>	<b>8,621,245</b>	<b>36,085,085</b>	<b>27,486,666</b>	<b>62,580,340</b>	<b>208,891,790</b>
<b>PREVIOUS YEAR</b>	<b>251,704,283</b>	<b>13,338,223</b>	<b>1,200,210</b>	<b>263,842,296</b>	<b>29,735,985</b>	<b>25,895,474</b>	<b>680,953</b>	<b>54,950,506</b>	<b>208,891,790</b>	<b>-</b>
									<b>261,149</b>	<b>649,500</b>

#### Capital Work-in-progress (including capital advances).

##### Notes:

- 1) Building includes Rs. 250 towards the cost of the shares in the society.
- 2) Deletion under Gross Block and Depreciation under the head "Intellectual Property Right" represents adjustment in accordance with the Capital Reduction Scheme during the year.  
(Refer note 6b to schedule 16)

## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 2002-2003 Rupees	As at 2002-2003 Rupees	As at 2001-2002 Rupees
<b>Schedule 5: Investments (at Cost)</b>			
<b>Long Term:</b>			
<b>Trade:</b>			
<b>A) In equity shares (unquoted)</b>			
180,000 (Previous year: 180,000) equity shares of Rs.10/ each fully paid up of IBS Forex Pvt. Ltd		1,800,000	1,800,000
<b>Non-trade:</b>			
<b>B) In units of mutual funds</b>			
i. Nil (Previous Year: 222,209 ) Units of Rs.10/- each of Franklin Templeton Mutual Fund , (formerly known as Pioneer ITI)- Income Builder Fund Monthly dividend payout plan.	-		3,101,606
ii. 8,031,694 (Previous Year: 8,031,694 )Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K- Bond (Unit Scheme '1999 Deposit Annual Dividend Plan )	109,085,898		109,085,898
iii. 4,571 (Previous Year: 926,202) Units of Rs.10/- each of Franklin Templeton Mutual Fund (formerly known as Pioneer ITI) - Income Builder Fund - Plan A Growth	86,342		17,511,824
		109,172,240	129,699,328
<b>TOTAL</b>		<b>110,972,240</b>	<b>131,499,328</b>
<b>Notes:</b>			
a) Aggregate of quoted investments			
Cost		109,172,240	129,699,328
Market value*		89,944,138	106,363,783
* Net asset value			
b) Aggregate of unquoted investments ( at cost)		1,800,000	1,800,000
c) Lien has been created on 5,112,000 units in (ii) above as detailed in footnote b to schedule 3 "Secured Loans"			
<b>Schedule 6 : Sundry Debtors (Unsecured)</b>			
Debts outstanding for a period exceeding six months	10,408,992		5,049,758
Other Debts (Refer note 5 to schedule 16)	43,066,665		13,559,403
		<b>53,475,657</b>	<b>18,609,161</b>
Less: Provision		4,770,500	2,447,500
<b>TOTAL</b>		<b>48,705,157</b>	<b>16,161,661</b>
<b>Notes: Sundry Debtors include</b>			
Considered good		48,705,157	16,161,661
Considered doubtful		4,770,500	2,447,500
		<b>53,475,657</b>	<b>18,609,161</b>
<b>Schedule 7 : Cash and Bank Balances</b>			
Cash and cheques on hand		847,863	114,888
<b>Bank Balances</b>			
(a) with Scheduled Banks:			
(i) In current accounts		1,810,633	7,562,229
(ii) In deposit accounts*		1,300,000	500,000
(b) with others :			
i) with PNC Bank - New Jersey Branch in current account (Maximum balance during the year Rs.15,000,267 (Previous year:Rs.9,626,918)		53,044	1,476,465
ii) with PNC Bank - New Jersey Branch in deposit account (Maximum balance during the year Rs. 4,621,774 (Previous year:Rs.11,347,497)		2,085,784	4,651,159
iii) with ANZ Grindlays Bank - Australia Branch in current account (Maximum balance during the year Rs.485,546 (Previous year:Rs.Nil)		186,500	-
<b>TOTAL</b>		<b>6,283,824</b>	<b>14,304,741</b>

\* Deposited with bank against bank guarantees

## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 2002-2003 Rupees	As at 2002-2003 Rupees	As at 2001-2002 Rupees
<b>Schedule 8 : Loans and Advances (Unsecured)</b>			
Loans and advances to a company (Refer note 5 to schedule 16)	7,532,633		
Advances recoverable in cash or kind or for value to be received	10,312,316		12,520,722
Advance Income tax	15,580,905		15,021,815
Deposits	9,043,576		8,721,868
		42,469,430	36,264,405
Less: Provision		2,701,656	1,472,051
<b>TOTAL</b>		<b>39,767,774</b>	<b>34,792,354</b>
<b>Notes: Loans and advances include</b>			
1) a) Considered good		39,767,774	34,792,354
b) Considered doubtful		2,701,656	1,472,051
2) Rs 8,480,029 (Previous year Rs 8,352,281) paid as deposits towards premises taken on lease		<b>42,469,430</b>	<b>36,264,405</b>
<b>Schedule 9: Current Liabilities</b>			
Sundry Creditors		20,241,745	34,620,896
Unearned Revenue		6,024,800	5,643,342
Unclaimed Dividend*		137,016	137,016
Share application refund money		-	40,320
<b>TOTAL</b>		<b>26,403,561</b>	<b>40,441,574</b>
*Does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.			
<b>Schedule 10: Provisions</b>			
For taxation		8,750,000	8,760,000
For gratuity and leave encashment		2,149,838	1,764,460
<b>TOTAL</b>		<b>10,899,838</b>	<b>10,524,460</b>
<b>Schedule 11: Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			
Expenditure not represented by the assets (Refer note 6a to schedule 16)		-	1,770,000
<b>TOTAL</b>		<b>-</b>	<b>1,770,000</b>
<b>Schedule 12 : Sales</b>			
Products (IPR Based- License)		99,093,987	48,863,276
Services (Project Based) ( Refer note 5 to schedule 16)		39,955,515	14,679,314
<b>TOTAL</b>		<b>139,049,502</b>	<b>63,542,590</b>
<b>Schedule 13 : Other Income</b>			
Dividend from long term investments		6,112,654	32,913,890
Interest :			
From Bank on deposit account		91,063	379,520
From Others		239,103	39,302
(Tax deducted at source Rs. 63,321 (Previous year Rs.48,360)			
Profit on sale of Investments		438,168	7,544,083
Brokerage and Commission		-	47,450
Profit on sale of fixed assets		7,009	-
Bad Debts recovered		2,250	376,700
Miscellaneous income		50,555	17,563
Exchange rate fluctuations (net)		-	275,546
Provision for doubtful debts/advances written back		372,052	13,568
<b>TOTAL</b>		<b>7,312,854</b>	<b>41,607,622</b>



## Schedule 16

### Significant Accounting Policies and Notes to the Accounts

#### I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

##### A. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies' Act 1956.

##### B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

##### C. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction. They are stated at historical cost of acquisition of such assets. Advances paid towards acquisition of assets are included under capital work in progress.

##### D. Assets taken on lease are accounted as under;

###### Finance Lease

Assets taken on finance lease after April 1,2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on leases, (AS 19) issued by The Institute of Chartered Accountants of India.

###### Operating Leases

Assets taken on lease under which all the risk and rewards of ownership are effectively retained by the Lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

##### E. Depreciation

Depreciation is provided on the straight line method in accordance with the Companies Act 1956. Leasehold improvements are written off over the period of lease. Trade mark, technical know-how and Intellectual Property Right (upto 31st March, 2002- refer note 6b to schedule 16) are amortised over a period of fourteen and six years respectively considering their related useful lives.

##### F. Investments

Long term investments are stated at cost, less any diminution in value other than temporary.

##### G. Revenue Recognition

Revenue from sale of licenses for the use of software applications is recognised on transfer of the title in the user license. Revenue from fixed price contracts is recognised based on milestones achieved as specified in the contracts and in the case of time and material contracts, it is recognised on the basis of hours completed and material used. Revenue from Annual Maintenance Contracts is recognised proportionately over the period in which services are rendered. Revenue is recognized when no significant uncertainty as to determination or realization exists. Dividend income is recognized when the right to receive is established.

##### H. Foreign currency transactions

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of other transactions are recognised in the profit and loss account.

Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rate prevailing at the date of the balance sheet and the resulting net exchange difference is recognised in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

#### Foreign Branches

All revenues and expenses (except depreciation) during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary items are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is reported at the amount of the balance in the 'branch account' in the books of the head office. Net gain/loss on foreign currency translation is recognized in the profit and loss account.

#### I. Retirement Benefits

Company's contribution to provident fund/ ESIC is charged to profit and loss account. The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India except in the case of those who are not covered by the scheme, which liability is provided in accordance with the provisions of the payment of Gratuity Act, 1972. Leave encashment is provided on actual basis in accordance with the Company's scheme in this respect.

#### J. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

#### K. Income taxes

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid to/ recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates. At each Balance sheet date the company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

#### L. Contingent Liabilities

These are disclosed by way of notes to the balance sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after the year end, till the finalisation of accounts and have material effect on the position stated in the balance sheet.

## II. NOTES FORMING PART OF ACCOUNTS:

	Rupees 2002-03	Rupees 2001-02
1. Estimated amount of contract to be executed on Capital Account and not provided for (net of advances)	120,000	650,000
2. Contingent Liability not provided for in respect of:		
a) Counter guarantee issued against bank guarantee	5,200,000	1,000,000
b) Income tax demands disputed in appeal and pending decision before higher authorities	806,736	438,051
3. Payment to Auditors (including service tax)		
a) For Audit fees	324,000	315,000
b) For other matters (such as limited review, certification work etc)	162,750	110,250
c) For reimbursement of out of pocket expenses	3,742	2,140
<b>Total</b>	<b>490,492</b>	<b>427,390</b>
4. Managerial Remuneration under section 198 of the Companies Act, 1956		
a) Salaries and allowances*	3,965,068	4,498,507
b) Gratuity**	40,382	28,846

\* Computation of net profits in accordance with Section 349 of Companies Act, 1956 has not been given as no commission is payable to directors.

\*\* Excluding gratuity in respect of directors who are covered under Group Gratuity scheme and where the separate amount is not identifiable.

Note: Salaries and allowances to directors on annualized basis is as voluntarily reduced by those directors from earlier year (since 1st September, 2001) as compared to the limits sanctioned by the shareholders of the Company.

5. Loans and advances (Schedule 8) includes loan to a company (Multi Commodity Exchange of India Limited ("MCX")) of Rs. 7,532,633 (including interest) and Sundry Debtors (Schedule 6) includes Rs. 35,000,000 being the debt due from MCX. MCX is establishing a nation-wide multi commodities exchange. The Company has taken the initiative of developing software for MCX, which would benefit the Company and consequent to such initiative and long-term benefits, granted Rs. 7,532,633 as loan including interest repayable at an appropriate future date not earlier than 30th September 2003. As regards the debts outstanding, the Company has entered into an agreement with MCX that the debt would be appropriated against the issue of shares of MCX as per the said agreement. Accordingly, the said loan and debt are classified good of recovery by the Company.

6. a) In the previous year, the Company had approached the Hon. High Court at Madras as permitted u/s 100 of the Companies Act 1956 in respect of reduction of the subscribed and paid up capital of the Company by Rs 750,000, representing 75,000 equity shares of Rs. 10 each and share premium of Rs 13.60 per share on the basis that such shares were unrepresented by any assets since the party to whom the shares were issued physically took away the assets brought in by them and the necessary records in relation to the assets were also not in the possession of the Company. The said amount of Rs. 1,770,000 was classified under Miscellaneous Expenditure to the extent not written off or adjusted.

During the year, the Hon. High Court of Madras approved the reduction of the capital and share premium as aforesaid and accordingly the issued, subscribed and paid up capital of the Company stands reduced to 25,486,783 (Refer note 6(b)below) equity shares of Rs 10 each and the balance in Securities Premium account stands reduced to Rs 133,968,113 considering reduction of premium of Rs 1,020,000 being Rs. 13.60 per share on 75,000 shares.

- b) The Fixed Assets as at April 1, 2002 included cost of Intellectual Property Right (Application Service Provider) Rs.180,061,540 and accumulated depreciation Rs. 36,012,308. Based on the realities of business outlook, it was considered view of the Board of Directors that the said asset is not likely to generate any economic value and considering the prudent accounting practices be written off in the interest of the Company. Accordingly, the shareholders at the extraordinary general meeting held on October 31, 2002 approved, subject to confirmation of the Hon. High Court of Madras, the reduction of the share capital on the basis stated above as the same is unrepresented by available assets capable of generating revenue.

The High Court passed an order approving the reduction of Share Capital as under:

- i) The Subscribed and Paid up Capital of the Company stands reduced from Rs 254,867,830 (presently divided into 25,486,783 equity shares of Rs 10 each fully paid up – Refer note (a) above) to Rs.74,806,290 (divided into 37,403,145 equity shares of Rs 2 each fully paid up).
- ii) The total reduction of capital aggregates to Rs.180,061,540 being sum unrepresented by available assets capable of generating revenues and non cash losses solely attributable to the said assets.

The Authorised Share Capital of the Company as per the aforesaid order was divided into 150,000,000 equity shares of Rs 2 each.

Consequent to the aforesaid order of the High Court regarding the Capital Reduction, the Company has adjusted Rs.144,049,232 being the Written Down Value of the Intellectual Property Rights and Rs.36,012,308 being the non cash losses incurred in the earlier years have been adjusted from the debit balance in the Profit and Loss account in accordance with the aforesaid scheme.

As the cost of the asset is adjusted under the Capital Reduction scheme, the Company has written back the deferred tax liability aggregating to Rs. 15,715,996 created in the earlier years on account of its depreciation, which has now resulted into a permanent difference.

7. The Company took over the Employee Stock Option Scheme on amalgamation of Financial Technologies (India) Private Ltd., which entitled certain employees to specified number of shares at an option price in accordance with the scheme. During the year, the said scheme has been approved by the Board of Directors and implemented by the Company.

In accordance with the said scheme 223,402 options of 1 share of Rs. 2 each, were granted to eligible employees to be exercised over a period of eighteen months from the date of vesting upto 31st March 2004.

Options granted during the year	223,402
Options vested and exercised during the year	32,944
Lapsed during the year	39,917
Options granted and outstanding at the end of the year	150,541

The stock option discount in the aforesaid scheme is being amortised over the respective vesting period. The discount has been computed as the difference based on the share price on the date when the capital reduction scheme became effective and the option price.

8. a) No provision for current income tax has been made in the accounts since, in the opinion of the Company, there would be no taxable income in accordance with the provisions of Income tax Act, 1961 in view of the deductions available under the said Act or on the basis of Book Profits in accordance with Sec 115JB of the said Act.
- b) In accordance with the Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India, Deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position and the requirement of the accounting standard regarding virtual certainty for recognition of deferred tax asset on unabsorbed depreciation and carry forward loss, the same is recognized as an asset to the extent there is virtual certainty and the balance will be reassessed at subsequent balance sheet dates and will be accounted for in the year of virtual certainty in accordance with the aforesaid accounting standard.

The tax effect of significant timing differences during the year that have resulted in deferred tax assets and liabilities are given below:

Particulars		As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
a)	Deferred tax liability: Depreciation	(10,187,451)	(24,853,109)
		<u>(10,187,451)</u>	<u>(24,853,109)</u>
b)	Deferred tax asset: Carry forward loss/unabsorbed depreciation Provision for doubtful debts, advances etc. Others	6,054,189 3,451,890 681,372	- 1,818,419 1,041,389
		<u>10,187,451</u>	<u>2,859,808</u>
	Net deferred tax liability	<u>-</u>	<u>(21,993,301)</u>

9. The company has entered in to operating lease agreement for its development centers ranging 1 to 9 years. The lease rentals charged during the year and the maximum obligations on long term operating lease payable as per the rentals stated in respective agreement are as follows:

	2002-03 Rupees	2001-02 Rupees
Lease rentals (Refer schedule 14)	7,526,498	6,920,770
<b>Obligations on non-cancelable leases</b>		
Not later than one year	7,276,008	5,176,319
Later than one year and not later than five years	16,443,396	19,036,451
Later than five years	-	149,032

10. The company is engaged in development of computer software. The additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 is as under (to the extent applicable)

	2002-03 Rupees	2001-02 Rupees
<b>A C.I.F. value of imports:</b>		
Capital goods (Excluding capital goods for an amount aggregating to (Rs.Nil Previous year Rs.1,392,616) purchased by foreign branches)	NIL	21,638
<b>B Expenditure in foreign currency (including foreign branches):</b>		
Travelling	829,602	1,067,920
Professional fees	2,307,791	1,346,389
Salaries	12,813,480	27,599,276
Rent	2,135,966	1,654,120
Other matters	2,052,625	1,340,021
<b>Total</b>	<b>20,139,464</b>	<b>33,007,726</b>
<b>C Earnings in Foreign currency (including foreign branches):</b>		
a) Consultancy	1,173,495	11,747,198
b) Interest on deposits	25,461	149,250
<b>Total</b>	<b>1,198,956</b>	<b>11,896,448</b>

## 11. Segment Reporting

### a. Primary Segment

The Company considers business segment (business of 'End to End Straight Through Processing (STP) Technologies') as its primary segment considering the risks and rewards of the products and related services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the company has only one reportable business segment, the results of which are disclosed in the financial statements.

### b. Secondary Segment

Revenue attributable to location of customers is as follows:

(Figures in Rupees)

Geographic Location	Revenue from external customers Year ended March 31, 2003	Revenue from external customers. Year ended March 31, 2002
India	137,876,007	51,795,392
Outside India	1,173,495	11,747,198
<b>Total</b>	<b>139,049,502</b>	<b>63,542,590</b>

Segment assets based on their location are as follows:

(Figures in Rupees)

Geographic Location	Carrying amount of segment assets Asat March 31, 2003	Carrying amount of segment assets Asat March 31, 2002	Addition to fixed assets Year ended March 31, 2003	Addition to fixed assets Year ended March 31, 2002
India	61,384,134	207,723,417	6,426,169	11,953,562
Outside India	1,196,206	1,168,373	259,533	1,384,661
<b>Total</b>	<b>62,580,340</b>	<b>208,891,790</b>	<b>6,685,702</b>	<b>13,338,223</b>

## 12. Related Party information

### 1. Names of related parties and nature of relationship:

#### a. Key Management Personnel:

Mr. Jignesh Shah	:	Managing Director
Mr. Sajit Dayanandan	:	Whole-time Director
Mr. Dewang Neralla	:	Whole-time Director
Mr. Mahesh Joshi	:	Whole-time Director
Mr. Ajay Narasimhan	:	Whole-time Director

#### b. Relatives of the Key Management Personnel where transactions have taken place

Mr. Manjay Shah	:	Vice President
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### 2. Transactions with related parties

	Key Management Personnel Management (Amount in Rupees)	Relatives of Key Personnel (Amount in Rupees)
Remuneration:	4,005,450	428,468
	(5,929,430)	(167,000)
Car recoveries:	105,600	Nil
	(105,600)	Nil

**Note:**

- a. Related party relationship is as identified by the Company and relied upon by Auditors.
- b. Remuneration includes remuneration paid to Chief Technology Officer-Mr. V.Hariharan key managerial personnel in the earlier year.
- c. Previous year figures are given in brackets.

13. **Loans and Advance in the nature of loans (as required by clause 32 of the listing agreement with the stock exchanges)**

(Amount in Rupees)

Name of the company	Balance as on 31.3.2003	Maximum Outstanding during the year
Multi Commodity Exchange of India Limited	7,532,633	7,532,633

**Notes:**

- i) The above loans and advances in the nature of loans are interest bearing @ 14% p.a. and are repayable at an appropriate future date not earlier than September 30, 2003. (Refer note 5 above)
- ii) Loans to employees as per the Company's policy are not considered.

14. There were no dues to small scale industrial units as on the date of balance sheet.

15. **Earnings Per Share is calculated as follows:**

	2003	2002
a. Net Profit/(Loss) after tax (In Rupees)	26,212,277	(94,056,072)
b. Weighted average number of Equity Shares		
Basic	37,466,879	25,561,783
Add: Employees Stock Options	81,535	0
Diluted	37,548,414	25,561,783
c. Nominal value of equity share (In Rupees)	2	10

## 16. Balance sheet Abstract and the Company's General Business Profile :

## I. Registration Details

Registration Number	:	15586	State Code	:	18
Balance Sheet date	:	31-03-2003			

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

Public Issue	:	Nil	Rights Issue	:	Nil
Bonus Issue	:	Nil	Private Placements	:	Nil

## III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

TOTAL LIABILITIES	:	278,152	TOTAL ASSETS	:	278,152
PAID-UP CAPITAL	:	74,806	RESERVES & SURPLUS	:	149,409
SECURED LOANS	:	16,567	UNSECURED LOANS	:	Nil
NET FIXED ASSETS	:	62,841	INVESTMENTS	:	110,972
NET CURRENT ASSETS	:	57,453	DEFERRED TAX	:	Nil
MISC. EXPENDITURE	:	Nil	ACCUMULATED LOSSES	:	9,581

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

Turnover (Sales and Other Income)	:	146,362	Total Expenditure	:	142,143
Profit/(Loss) Before Tax	:	4,219	Profit/(Loss) After Tax	:	26,212
Earning per Share in Rs (Refer Note 15 above)	:	0.70	Dividend Rate %	:	0.00

## V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code ( ITC Code)	:	85249009.10	Product Description	:	Software Product
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## 17. Previous years figures have been re-grouped/rearranged wherever necessary.

**P. Venkatasubramani**  
Company Secretary

As per our report of even date.  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**P. R. Barpande**  
Partner

Place : Mumbai  
Date : July 15, 2003

For and on behalf of the Board.

**Jignesh P. Shah**  
Chairman and Managing Director

**Mahesh R. Joshi**  
Whole-time Director

**Ashish S. Dalal**  
Director

Place : Mumbai  
Date : July 15, 2003