

System Integrations Services

Enabling world-class design environments

Product Design Services

Designing technology products for high end applications

Design and Engineering Services

Giving shape to products through integrated industrial design and engineering services

Growth...
by design

Visual Computing Labs

Creating compelling digital content for the global entertainment industry



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INTRODUCTION

Today's technology evolves on a day-to-day basis. Companies around the world look for technology solutions, which can keep up with the rapid progress. In the ardent pursuit to innovate, to think anew and to provide inspired solutions, Tata Elxsi is in a unique position to partner with the best in the industry.

Seamlessly integrating precision and ingenuity, Tata Elxsi provides for creative leadership in hard-core technology and strength in design. Empowered with the best of both worlds, Tata Elxsi is able to offer creative excellence and technology expertise to its clients worldwide.

In the advance of civilization, it is new knowledge
that paves the way, and the road is eternal.



TATA ELXSI

Tata Elxsi is a part of the multi-billion Tata conglomerate. Incorporated in 1989, the Company has garnered an excellent reputation in the niche area of design technology. This encompasses technology solutions and services to automotive styling and animation.

The Company has built competence across the services-spectrum from conceptualizing and prototyping to realization across Industry verticals ranging from automotive to aerospace, bioinformatics to consumer electronics and semicon to telecom. This lateral exposure coupled with our expertise enables partners to leverage a whole new level of thinking.

Tata Elxsi is an SEI CMMi Level 5 Company - the first Company in the world for processes and methodologies exclusively in product design. This quality focus strengthens our clients, and our practices translate into shorter time-to-market- just what enterprises expect from an alliance in today's world.

Located in Bangalore, the IT hub of India, Tata Elxsi's network includes over 20 offices worldwide.

A 1700 strong workforce actively engages in providing expertise in VLSI design, embedded software, network telecom, multimedia, storage, visual and high-performance computing, mechanical product design, animation and special effect services. All this is supported by state-of-the-art development centers in Bangalore Chennai, Thiruvananthapuram, and production studios in Mumbai.

The Company's core practice areas cover

I. Software Development & Services, which encompass

Product Design Services: Designing technology products, including hardware and software, offering a cost and time benefit.

Design & Engineering Services: Providing integrated mechanical design solutions to give shape to products.

Visual Computing Labs: Making possible compelling digital content for the entertainment industry.

And

II. System Integration: Enabling the setting up of world-class design environments.

THE TATA LEGACY

The history of India bears the stamp of one business house over the last 130 years. From setting up a Hydroelectric Company in the 1920s to pioneering Indian aviation in 1932 and Asia's first international airline in 1948, to the advent of India in the world's information technology arena. This is the Tata Group, one of India's largest business conglomerates. Today, the group has active interests in diverse fields ranging from Materials and Engineering to Consumer Products, Communication and Information Systems.

The Tata Group has operations in more than 40 countries across six continents, and its companies export products and services to 140 nations.

The Tata family of companies shares a set of five core values: **integrity, understanding, excellence, unity and responsibility**. These values, which have been part of the Group's beliefs and convictions from its earliest days, continue to guide and drive the business decisions of Tata companies.

The Group and its enterprises have been steadfast and distinctive in their adherence to business ethics and their commitment to corporate social responsibility. This is a legacy that has earned the Group the trust of millions of stakeholders in a measure few business houses anywhere in the world can match. This is the hallmark of a true global leader.

At Tata Elxsi we bear this legacy with pride, as we continue to tread the path set by the founder.





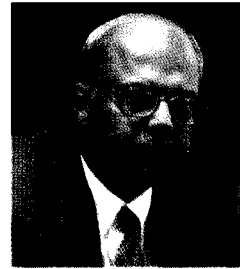
MR. SYAMAL GUPTA



MR. S RAMADORAI



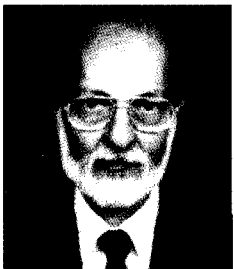
DR. F C KOHLI



MR. MADHUKAR DEV



BRIG. K
BALASUBRAMANIAM



MR. E A K
FAIZULLABHOY



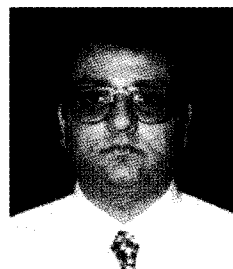
MR. SUJIT GUPTA



MR. HOSHIE
MALGHAM



MR. PATRICK
McGOLDRICK



MR. CYRUS PALLONJI
MISTRY



MR. PIYUSH G MANKAD

BOARD OF DIRECTORS

MR. SYAMAL GUPTA

After retiring from Tata International Ltd. as its Managing Director, Mr. Gupta joined the Company's Board in 1999 and is the Chairman. Apart from being a Director of Tata Sons Ltd., the Group holding company, he is also the Chairman of several Tata Group companies.

MR. S RAMADORAI

Mr. Ramadorai, Vice Chairman of the Company, joined the Company's Board in 1995. He is the Managing Director of Tata Consultancy Services Ltd. since 1996 and is also the honorary IT Advisor to Qingdao City and the Hangzhou district, People's Republic of China.

DR. F C KOHLI

Considered the Father of the Indian Software Industry, Dr. Kohli is the former Deputy Chairman of Tata Consultancy Services, which under his aegis grew from a start-up to India's largest software company. Dr. Kohli was awarded the Padma Bhushan by the Government of India in 2002. He was Chairman of the Company from inception until 1999, and continues to serve as a Board member in Tata Elxsi.

MR. MADHUKAR DEV

Mr. Dev is the CEO and Managing Director of Tata Elxsi. With over 20 years of experience in field sales, product management and marketing in industries spanning Information Technology, Power Electronics and Publishing, he has been with the company almost since its inception.

BRIG. K BALASUBRAMANIAM

Brig. Balasubramaniam has been on the Company's Board since the beginning. He has previously served the Army in the Planning and Provisioning of Communications, and Indian Telephone Industries and Tata Telecom Limited.

MR. E A K FAIZULLABHOY

Mr. Faizullabhoi has been on the Company's Board since inception. He is a Senior Solicitor-cum-Advocate, a Notary Public and a Senior Partner of Messrs. Mulla & Mulla & Craigie Blunt & Caroe, a leading law firm with expertise in Corporate Law.

MR. SUJIT GUPTA

Mr. Gupta has been on the Company's Board since inception. Starting his career with Tata Steel, he has held several senior positions in the Tata Group. After his retirement in 2002, Mr. Gupta continues on the Board of several Tata Group companies.

MR. HOSHIE MALGHAM

Mr. Malgham joined the Company's Board in 2001. He started his career with Tata International Limited and after retiring as its Executive Director, continues on the Board of various Tata companies.

MR. PATRICK MCGOLDRICK

Mr. McGoldrick has been on the Company's Board since 1993. After a career in Information Technology and related consulting in the US, Mr. McGoldrick joined the Tata Group in 1981 and is the Founder Director of Tata Technologies.

MR. CYRUS PALLONJI MISTRY

Mr. Mistry has been on the Company's Board since inception. Mr. Mistry runs the Shapoorji Pallonji Group and is on the Board of several companies.

MR. PIYUSH G MANKAD

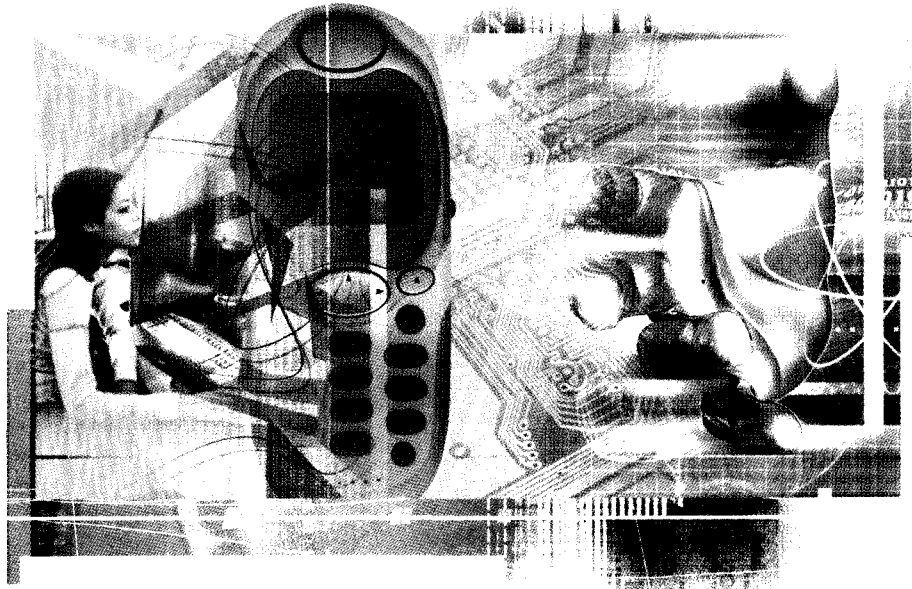
P G Mankad had a distinguished career of over forty years in the IAS. Prior to joining the Tata Elxsi board, he has held several key positions including being a Counsellor (Economic) in the Indian Embassy, Tokyo; to being a Board Member, Asian Development Bank, Manila.



PRODUCT DESIGN SERVICES

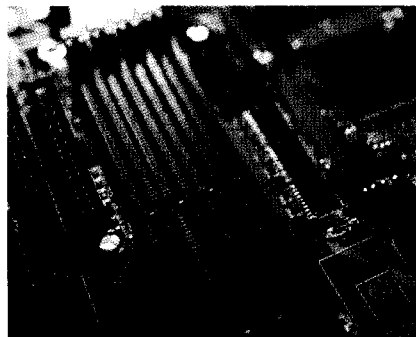
Tata Elxsi's Product Design Services answers the need for reliable outsourced R&D and product design, providing a full service software, hardware and system design and development program for technology products.

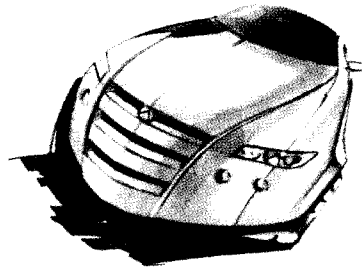
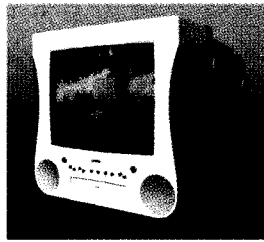
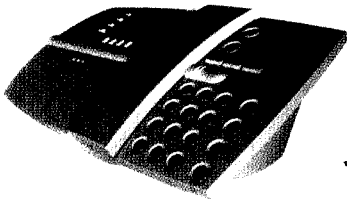
Over the years, the division has evolved "Inside the Box™" competencies - a layered capability model enabling Full Life-Cycle product design services to customers worldwide. PDS caters to diverse sectors - from automobiles and consumer products to semiconductors, media, storage and scientific applications. Backed by an exclusive mix of capabilities, the highest levels of quality and a multi-site delivery model, the division ensures cost-effective 'product engineering' and time to market advantages.



This very approach has won Tata Elxsi several customers in the last year - adding considerably to its client portfolio.

To meet the increasing needs of clients, the company has expanded its presence in key geographies to enable easy access.





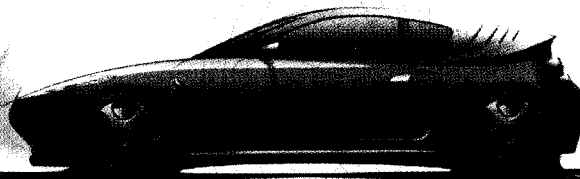
DESIGN AND ENGINEERING SERVICES

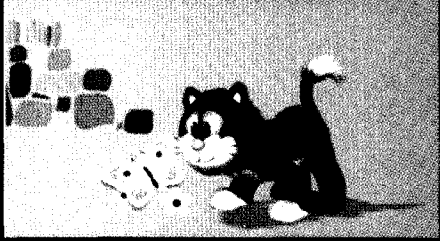
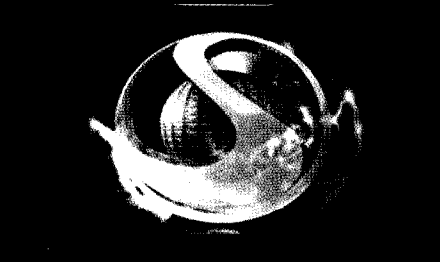
The Design and Engineering Services (DES) Division provides a full service innovation, mechanical product design and development program for global customers in areas of Automotive Design, FMCG products, Consumer Electronics and Appliances.

By leveraging on the division's domain experience in product design and deploying the latest digital tools and global resources, DES is able to provide world-class products cost effectively.

Supported by India's largest team of creative industrial designers and mechanical engineers, DES applies the latest digital Styling and CAD/CAM tools and Concurrent Engineering Processes to enable manufacturers to optimize product concepts early in the design process, enabling them to significantly improve product quality while reducing product development time and cost.

Working from product strategy and concept ideation, to prototype development and productionization, DES delivers a full design lifecycle service for new product development.





visual computing labs

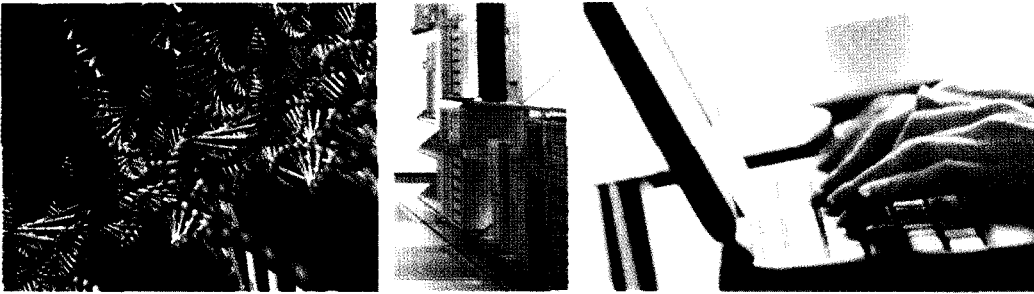
VISUAL COMPUTING LABS

Growing at a steady pace, Visual Computing Labs is setting a benchmark in the entertainment industry. Skillfully bringing technology and creativity together, the division provides Animation (2D / 3D), Special Effects and Games services to customers worldwide.

VCL leverages its unique mix of creative and specialized skills in 3D Computer Graphics, Animation and Visual Effects to offer Pre-Production, Production and Post-Production services for niche markets of advertising, film, television and games.

Versatility in handling diverse styles of animation plus offering VFX services under the same roof remains a key strength of VCL. Years of collective experience, and backed by an exceptional team has enabled VCL to take the lead in a burgeoning industry.





SYSTEM INTEGRATION

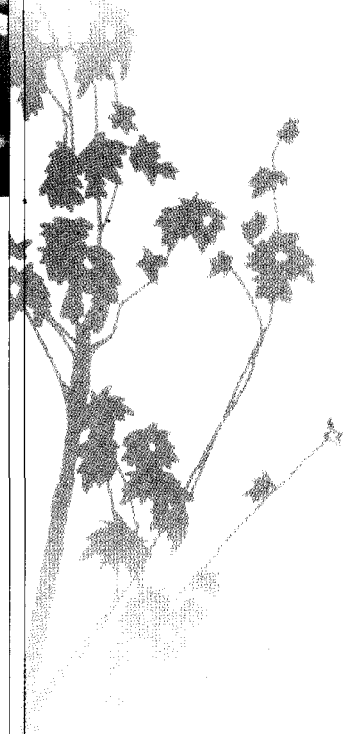
System Integration Services, one of Tata Elxsi's long-standing practice areas, integrates products and services using the inherent domain expertise in design tools, visualization, compute systems, storage and networking, to offer clients highly customized and effective solutions.

Partnering with global leaders, the System Integration division assists customers in implementing complex design solutions across market segments such as Automotive, Aerospace, Entertainment, Manufacturing, Government and Education.

Professional Services Group

Facilitating strategy, design and implementation of IT solutions is Tata Elxsi's Professional Services Group (PSG). The PSG team comprises experts in providing solutions, implementing applications, data mining, analyzing and managing enterprise-wide IT Infrastructure and ensuring uninterrupted workflow across systems, organization wide.

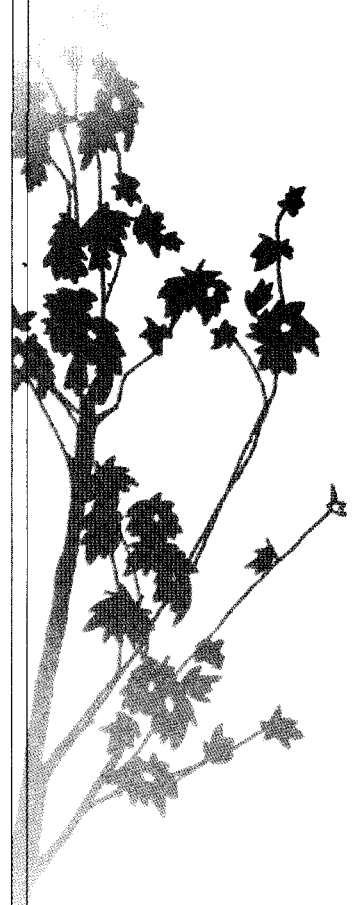
Tata Elxsi addresses the entire spectrum of requirements including Facilities Management, Network Management, Storage Consultancy & Management, System Administration, Security Consultancy & Management and Overseas Support and Services.





Mr. Syamal Gupta - Chairman of Tata Elxsi, garlanding the statue of Jamsetji N Tata - founder of the Tata group, on the occasion of his birth anniversary.

FINANCIALS 2004 - 2005



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BOARD OF DIRECTORS

Syamal Gupta	Chairman
S Ramadorai	Vice Chairman
F C Kohli	
Brig. K Balasubramaniam	
E A K Faizullabhoy	
Sujit Gupta	
H H Malgham	
P G Mankad	
P McGoldrick	
C P Mistry	
Madhukar Dev	Managing Director

STATUTORY COMMITTEES

AUDIT COMMITTEE

H H Malgham	Chairman
S Ramadorai	
E A K Faizullabhoy	
C P Mistry	

REMUNERATION COMMITTEE

F C Kohli	Chairman
Syamal Gupta	
S Ramadorai	

INVESTOR GRIEVANCE COMMITTEE

E A K Faizullabhoy	Chairman
H H Malgham	
C P Mistry	
Vijay Krishnamurthy	Chief Financial Officer & Company Secretary

Registrars & Share Transfer Agents

Tata Share Registry Limited
Army & Navy Building, 148 M. G. Road, Fort
Mumbai - 400 001

Auditors

M/s. RSM & Co.
Chartered Accountants

Registered Office

123, Richmond Road, Bangalore - 560 025. India

Corporate Office

ITPL Road, Whitefield, Bangalore - 560 048. India

NOTICE

Notice is hereby given that the **SIXTEENTH ANNUAL GENERAL MEETING** of **TATA ELXSI LIMITED** will be held at 12.00 noon on Friday, 22nd July, 2005 at the Company's Corporate Office, Whitefield Road, Hoody, Bangalore 560 048 to transact the following business:

1. To receive and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2005 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To declare dividend for the year ended 31st March, 2005.
3. To appoint a Director in place of Mr. C.P. Mistry who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. P. McGoldrick who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. S. Ramadorai who retires by rotation and is eligible for reappointment.
6. To appoint a Director in the place of Mr. P.G. Mankad who was appointed as an Additional Director of the Company by the Board of Directors with effect from 2nd September 2004 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company, but who is eligible for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder proposing his candidature for the office of Director.
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, that approval of the Company be and is hereby accorded to the appointment of Mr. Madhukar Dev as Managing Director of the Company for the period from 16th January, 2005 to 15th January, 2008 upon the terms and conditions contained in the draft Agreement submitted to this Meeting and initialled by the Chairman for identification, to be entered into between the Company of the one part and Mr. Dev of the other part, which Agreement is hereby specifically approved with liberty to the Board of Directors to alter, vary and modify the said terms of appointment and remuneration as may be agreed between the Board of Directors and Mr. Dev".
8. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution: "RESOLVED that pursuant to Section 310 and other applicable provisions of the Companies Act, 1956, and within the limits prescribed under Article 141 of the Articles of Association of the Company, the Company hereby authorises the payment of sitting fees of an amount to be determined by the Board from time to time upto Rs.20,000/- to Directors for attending meetings of the Board, and of Committees of the Board, which are in existence as on date or which may be constituted in future.
RESOLVED FURTHER that the Board of Directors be and are hereby authorised to vary the amount of sitting fees payable to the Directors of the Company within the overall limits as to payment of sitting fees as may be fixed from time to time by the Central Government under the Companies Act, 1956 and the notifications issued thereunder in this respect and Article 141 of the Articles of Association of the Company".
9. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors
For **TATA ELXSI LIMITED**
VIJAY KRISHNAMURTHY
Chief Financial Officer
& Company Secretary

Mumbai, 20th April, 2005

Registered Office:
123, Richmond Road,
Bangalore 560 025.

NOTES:

- a) The relevant details in respect of item Nos. 3 to 7 above pursuant to Clause 49 of the Listing Agreement are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the Meeting so that the required information can be made available at the Meeting.
- d) Members / Proxies attending the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting as also the Attendance Slip duly filled in for attending the Meeting.

NOTICE

- e) The Register of Members and Transfer Books of the Company will be closed from Tuesday 12th July, 2005 to 22nd July, 2005 (both dates inclusive) for the purpose of determining the shareholders entitled to the payment of Dividend declared, if any, at the Annual General Meeting on 22nd July, 2005 for the year ended March 31, 2005. Dividend on shares, when declared, will be paid only to those members whose names are registered as such in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 11th July, 2005 and to the Beneficial Holders as per the Beneficiary List as on 11th July, 2005, provided by the NSDL and CDSL. The dividend when declared will be payable on or after 25th July 2005.
- f) **Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with the Company's Registrars & Transfer Agents i.e. M/s. Tata Share Registry Limited, Army & Navy Building, 148 M.G. Road, Fort, Mumbai – 400 001. Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid / unclaimed for a period of 7 years from the date these first became due for payment are required to be transferred to the Central Government to the credit of the Investor Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.**

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item No. 6

Your Board appointed Mr.P.G.Mankad as an Additional Director of your Company pursuant to the provisions of Article 151 of the Articles of Association of your Company and Section 260 of the Companies Act, 1956 with effect from 2nd September, 2004. Accordingly, in terms of the said Article and Section, Mr.Mankad holds office upto the date of this Annual General Meeting and being eligible, is proposed to be appointed at this Annual General Meeting as a Director liable to retire by rotation.

Your Board considers that in view of the experience and expertise possessed by Mr.Mankad, it would be in the interest of the your Company to appoint Mr.Mankad as a Director of your Company.

Notice and deposit as required under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Mr.Mankad as a Director of your Company.

The Directors commend the resolution for acceptance by the members.

Item No. 7

Mr.Madhukar Dev was appointed as the Executive Director and Chief Executive Officer of the Company pursuant to Board Resolution dated 16th January, 2002. The appointment was for a term of 3 years effective 16th January, 2002. The Board has on 15th January, 2005, subject to the approval of the members in general meeting, appointed Mr.Dev as the Managing Director of the Company for a term of three years effective 16th January, 2005 on the terms and conditions mentioned below.

Mr.Dev is a M.Sc. from M.S. University of Baroda and M.B.A. from the Indian Institute of Management, Bangalore. Mr.Dev joined the Company on 3rd June 1991 in the Marketing function and over time has risen to his current position.

Salient terms of Mr.Dev's appointment as Managing Director, subject to the approval of the members in general meeting, are as follows:

- i. Subject to the supervision and control of the Board of Directors of the Company, the Managing Director shall be in charge of the affairs of the Company and exercise such functions and powers as shall, from time to time, be delegated to him by the Board of Directors.
- ii. **Period of Agreement :** For a period of 3 (three) years from 16th January, 2005
- iii. **Remuneration :**
 - a. **Salary** In the scale of Rs.40,000 – Rs.1,50,000 per month, with the basic salary to be decided by the Board each year on merit taking into account the Company's performance.
 - b. **Perquisites and Allowances**
 - i. In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, club fees and leave travel concession for himself and his family, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and such perquisites and allowances will be subject to a maximum of 140 % of his annual salary.
 - ii. For the purposes of calculating the above ceiling, perquisites shall be valued as per the Income-Tax Rules, wherever applicable; in the absence of any such rules, perquisites shall be evaluated at actual cost. Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
 - iii. Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-Tax Act, gratuity as payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

NOTICE

- c. Commission :** Such remuneration by way of commission, in addition to salary and perquisites and allowances payable, calculated with the reference to net profit of the Company in a particular financial year as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Section 198 and 309 of the Companies Act, 1956. The specific amount of commission payable to the Managing Director shall be an amount upto a percentage of the salary to be paid annually at the discretion of the Board, based on certain performance criteria to be laid down by the Board. The commission shall be paid after the Annual Accounts have been approved by the Board of Directors and adopted by the shareholders.
- d. Minimum Remuneration :** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above.
- e.** The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may, in its discretion deem fit, within the maximum amount payable to the Managing Director.
- f.** The agreement may be terminated by either party giving the other party six months notice or the Company paying six months salary in lieu thereof.
- g.** If at any time the Managing Director ceases to be a Director of the Company for any cause whatsoever, he shall also cease to be the Managing Director of the Company.
- h.** If at any time the Managing Director ceases to be the Managing Director of the Company for any cause whatsoever, he shall also cease to be a Director of the Company.
- i.** The Managing Director shall not be entitled to supplement his earning under the agreement with any buying or selling commissions. He shall not also become interested or otherwise concerned directly or through his wife or minor children in any selling agency of the Company, without prior approval of the Central Government.
- j.** Mr. Madhukar Dev shall not have the following powers:
 - a. to make calls on members in respect of moneys unpaid on shares in the Company,
 - b. to issue debentures,
 - c. to invest in funds of the Company in shares, stocks and securities, and
 - d. to buy back shares of the Company.

As required under Section 269 read with Schedule XIII to the Companies Act, 1956, his appointment and remuneration as Managing Director for a period of three years from 16th January, 2005 to 15th January, 2008 are being placed before the Members for approval. The Abstract and Memorandum under Section 302 of the Companies Act, 1956 regarding Mr. Dev's appointment has been sent to the Members.

No Director other than Mr. Dev is concerned or interested in this Resolution. Your Directors commend the resolution for acceptance by the members.

Item No. 8

In terms of the changes proposed in the existing Clause 49 of the Listing Agreement on Corporate Governance, all fees/ compensation, if any, paid to the Non-Executive Directors including Independent Directors shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting. Accordingly, the said resolution has been proposed to the Members to approve of the sitting fees to be paid to the Non-Executive Directors as may be determined by the Board of Directors within the overall limits as to payment of sitting fees as may be fixed from time to time by the Central Government under the Companies Act, 1956 and the notifications issued thereunder in this respect and Article 141 of the Articles of Association of the Company.

All the Non-Executive Directors are concerned or interested in the matter.

By Order of the Board of Directors

For TATA ELXSI LIMITED

VIJAY KRISHNAMURTHY

Chief Financial Officer
& Company Secretary

Mumbai, 20th April, 2005

Registered Office:

123, Richmond Road,
Bangalore 560 025.

ANNEXURE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of a new Director or reappointment of a Director

Name of the Director	C.P. Mistry,	P. McGoldrick	S. Ramadorai	P.G. Mankad	Madhukar Dev
Date of Birth	July 4, 1968	September 8, 1949	October 6, 1944	November 18, 1941	October 2, 1954
Date of appointment	September 24, 1990	January 12, 1993	June 26, 1995	September 2, 2004	16th January, 2002
Specialised Expertise	General Management	Information Technology & General Management	Information Technology & General Management	General Management	Information Technology & General Management
Qualifications	B.E.(Civil); Master of Science in Management – London Business School	B.E. Masters degree in Computer Science from Stanford University, USA	BSc (Physics); (Electronics Telecommunications); M.S (Computer Science)	M.A. (History), IAS	M.Sc. , M.B.A. (IIM-B)
Directorships of other Companies as on 31st March 2005	Shapoorji Pallonji & Co. Ltd. Cyrus Investments Ltd. Tata Power Co. Ltd. Shapoorji Pallonji Power Co. Ltd. Forbes Gokak Ltd. Afcons Infrastructure Ltd. Buildbazaar Technologies (India) Pvt. Ltd. Sterling Investment Corporation Pvt. Ltd. United Motors (India) Ltd. Samalpatti Power Co. Pvt. Ltd. Shapoorji Pallonji & Co. (Rajkot) Pvt. Ltd. Shapoorji Pallonji Finance Ltd. Shapoorji Pallonji Infrastructure Capital Co. Ltd. Oman Shapoorji Construction Co. Ltd., Muscat Pallonji Shapoorji & Co. Pvt. Ltd.	Tata Technologies Ltd.	Tata Consultancy Services Ltd. Tata Industries Ltd. Tata Internet Services Ltd. Tata Technologies Ltd. Tata Teleservices Limited Airline Financial Support Services (India) Ltd. Aviation Software Development Consultancy India Ltd. CMC Limited Hindustan Lever Limited Jataayu Software (P) Ltd. Nicholas Piramal India Ltd. WTI Advanced Technology Ltd.	Tata International Ltd.	Nil

DIRECTORS' REPORT TO THE MEMBERS

1. Your Directors present the Sixteenth Annual Report together with the audited Statements of Accounts of your Company for the year ended March 31, 2005.

2. Financial Highlights

During the financial year 2004-05, the operations of the Company resulted in the following:

	(Rs. Crores)	
	2004-2005	2003-2004
Sales and Service	185.77	153.48
Other income	1.08	1.53
Total Income	186.85	155.01
Profit before financial expenses and depreciation	36.89	24.34
Less : Financial expenses	0.14	0.14
Depreciation	5.02	4.04
Net profit for the year	31.73	20.16
Less : Provision for Income tax	5.44	2.61
Profit after tax	26.29	17.55
Add: Profit brought forward	9.21	7.71
Balance available for appropriation which has been appropriated as under :	35.50	25.26
Dividend	17.13	12.45
Dividend Tax thereon	2.43	1.60
Transfer to General Reserve	3.00	2.00
Balance of Profit carried to Balance Sheet	12.94	9.21
Total Appropriations	35.50	25.26

3. Dividend

Your Directors recommend for your approval a dividend of 55% (Rs.5.50 per share) [previous year 40% (Rs. 4.00) per share] for the year ended 31st March, 2005, involving an outgo of Rs.17.13 cr. (previous year Rs. 12.45 cr.). Additionally, dividend distribution tax at 14.03% (including surcharge) will involve an outlay of Rs. 2.43 cr. (previous year Rs. 1.60 cr.), which will be borne by the Company.

4. Review of Operations

The year under review witnessed steady economic growth in the markets in which your Company operates. There was increased technology spending by customers worldwide and a willingness to work with your Company in niche technical areas. In this backdrop, your Company was able to service a wider market through acquisition of new customers and also increased penetration in its existing key accounts. Physical infrastructure was augmented at all locations where your Company has its delivery centers and substantial investments were made in hardware and software tools to enhance productivity, all of which were funded through internal accruals. With continued strong marketing thrust and ongoing strategic cost reduction initiatives, it was possible to increase your Company's turnover by 21% and Profit before Tax by 57% during the year.

DIRECTORS' REPORT TO THE MEMBERS (Contd...)

Concern areas continue to be exchange risk and visa restrictions. During the year, the rupee had a maximum depreciation against the dollar, pound, euro and yen by 6%, 6%, 11% and 4% respectively. Your Company is not overly dependent on a single geographical area for its revenues and is able to balance the exchange risk, along with the hedging operations carried. The new tendency of global customers to open software centers in India whilst leading to a potential loss of business opportunity through business tending to get shifted to the global customer's captive India centre, can also result in an opportunity for the Company to work with the India centre in niche areas where your Company has expertise.

A business-wise analysis of your Company's two main segments viz. Software Development & Services and Systems Integration & Support follows hereunder:

Software Development & Services:

The businesses constituting this segment are Product Design Services (Design & Development of Hardware and Software), Design Engineering Services (Mechanical Design with a focus on Industrial Design) and the Visual Computing Labs Division (Animation and Special Effects). This business segment grew to Rs.146.46 cr. during 2004-05 from Rs. 94.10 cr. in the previous year with corresponding increase in the segment results to Rs. 34.11 cr. from Rs.19.41 cr.

Product Design Services: Your Company's Product Design Services offerings address a wide variety of specialized technologies ranging from Automotive Systems, VLSI design, Embedded Systems, Networking, Digital Signal Processing, Multimedia and Storage Systems.

Your Company's technological excellence has made it an extended arm of its customers, who rely on your Company for the R & D that shapes futuristic products in the market segments ranging from Automobiles, Consumer Products, Semiconductors, Media, Storage and Scientific Application.

Your Company's focus towards protecting customer information has led to the BS7799 Security Standard certification during the year. Coupled with your Company's world class processes based on SEI CMMi Level 5 standards, this ensures that your Company's customers get the best blend of secure technical and process methodologies that result in a reduction in their time-to-market, which is the essence in the business world.

Your Company has a firm presence in certain overseas countries e.g. USA, UK, Germany and Japan and is represented in certain other countries through its business associates. During the year, business increased in all these geographies.

Construction of a new building within your Company's existing Whitefield campus for housing the enlarged Design & Development activities, which was undertaken last year and completed during the year under review, has been fully occupied and made productive immediately after commissioning. In order to meet its growth requirements in different domains, your Company has opened a new development centre in Chennai. Additionally, the capacity of the existing development centre at Trivandrum was doubled during the year. Your Company is actively looking at other locations for setting up new development centers to support the Company's growth in this business.

Design Engineering Services: This business has had a good year and holds out potential for sizeable growth in the years to come in niche market areas like automotive styling, aesthetic and engineering design of consumer products, packaging design of FMCG goods, etc.. Your Company has a large talent pool of industrial designers and addresses the industrial design needs of several reputed customers in India and abroad.

Visual Computing Labs: This Group offers services in the areas of 3D animation, digital special effects for live-action films and games development services for the television, film and mobile phone markets in the domestic and international markets. The market reach of this Group has been increased through new sales offices in UK and in US apart from sales offices in India. This business is expected to grow significantly in the years to come.

DIRECTORS' REPORT TO THE MEMBERS (Contd...)

Systems Integration & Support

This segment caters to the domestic market and offers integrated hardware and packaged software solutions, sourced from principals who are world leaders, to meet the complex technical computing requirements of customers. This segment slowed down during the year with its turnover reducing from Rs. 60.13 cr. during 2003-04 to Rs.40.28 cr. during the year 2004-05 with corresponding decrease in the segment results from Rs. 6.15 cr. to Rs. 4.70 cr.. Due to the inherent nature of this business viz. value-added reselling and maintenance revenues, there is a greater upward and downward volatility in this segment over the years, driven by large customer orders in any year which may not repeat in the following year. Your Company's approach in this segment has been to maintain its domestic presence, exploit synergies wherever its principals in this segment are also its customers in another segment, and consciously refuse orders which are not commercially attractive whilst targeting only profitable and commercially neat orders. Several large and technically challenging orders were executed for government as well as private corporate customers during the year.

This business offers a wide range of technical computing solutions spanning from high-end computing platforms, connectivity solutions, mechanical design automation tools, enterprise storage solutions, digital media and lifesciences solutions.

5. Finance

Interest costs were contained at Rs.14.19 lakhs (previous year Rs.14.62 lakhs) notwithstanding higher outlay towards capital expenditure which was internally funded out of accruals.

6. Directors

Prof. Sadagopan stepped down from the Board on 23rd August, 2004. Your Board has placed on record its appreciation of the services rendered to the Company by Prof. Sadagopan during his tenure as Director.

Your Board appointed Mr. P. G. Mankad I.A.S. (Retd.) as an additional Director on 2nd September, 2004. Mr. Mankad has very rich administrative experience and has held senior positions in the Government in India and abroad. In accordance with Section 260 of the Companies Act, 1956 and Article 151 of the Articles of Association of the Company, Mr. Mankad vacates office at the forthcoming Annual General Meeting. A notice and the requisite deposit has been received from a member proposing the candidature of Mr. Mankad at the forthcoming Annual General Meeting, as required under Section 257 of the Companies Act, 1956.

Mr. Madhukar Dev, who was appointed as Executive Director on 16th January, 2002 for a three year term, has been appointed as Managing Director for a three year term effective 16th January, 2005.

Mr. C.P. Mistry, Mr. P. McGoldrick and Mr. S. Ramadorai retire by rotation and being eligible, offer themselves for reappointment.

7. Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, confirm that -

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

DIRECTORS' REPORT TO THE MEMBERS (Contd...)

8. Personnel

Your Company's growth is directly linked to the presence and quality of its workforce. Towards this end, your Company stepped up its recruitment drive during the year and also increased its investment in training inputs. Your Company's growth, rich technical content, multi-location delivery centers and global spread provides your Company's employees a diverse and enriching environment and also flexibility, wherever possible, to address individual requirements.

9. Disclosure of Particulars

Particulars required to be furnished under the Companies (Particular of Employees) Rules, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

10. Acknowledgements

The Directors wish to thank the Company's esteemed customers, partners, suppliers, and above all, its shareholders and investors for their continued support and co-operation.

On behalf of the Board of Directors

SYAMAL GUPTA
Chairman

Mumbai, April 20, 2005

ANNEXURE "A" TO DIRECTORS' REPORT

Particulars pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

1. Conservation of Energy

The operations of your Company are not energy intensive. Nonetheless, energy optimization measures continue to be pursued during the year and energy saving devices are used wherever possible based on techno-economic evaluation. While the overall energy expenses will increase in direct proportion to the increased infrastructure and space utilization by your Company as part of its growth, the per unit energy costs continue to be tightly monitored and controlled.

2. Technology Absorption

a. Research & Development

Your Company possesses technical expertise which has been built over the years and works with emerging technologies, for its customers and in-house projects, in the areas of high performance computing, graphical solutions, networking and communication protocols, DSP, ASIC, VLSI and storage solutions.

b. Benefits derived out of the above R & D

The above R & D activities have resulted in development of in-house expertise and IP rights. Besides expanding markets for its services, it has also enabled the Company to gain acceptance with technologically demanding customers.

c. Future plan of action

To continue to build and accelerate the existing competencies and expand the range of related skill sets with your Company.

d. Expenditure on R & D during the year

i. Capital	:	Rs.175.72 lakhs
ii. Recurring	:	Rs.542.35 lakhs
iii. Total	:	Rs.718.07 lakhs
iv. Total R & D expenditure as a percentage of total turnover	:	3.86%

3. Technology absorption, adaptation and innovation

Your Company's quality systems are certified at the highest level of ISO 9001 and CMMi Level 5, which reflects a high degree of technology absorption, adaptation and innovation. During the year, your Company also obtained the BS7799 certification which represents the highest certification possible of information security systems. There is on-going efforts to refine techniques and technologies resulting in enhancement of overall quality and productivity.

4. Foreign Exchange outgo and earnings

Your Company's growing Software Design & Development operations and also an increasing proportion of agency business with overseas principals in the Systems Integration business ensure a continued export thrust. The particulars of foreign exchange outgo and earnings are given in Item Nos. 19 and 20 of Schedule 16 to the Accounts.

ANNEXURE "B" TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2005.

Sl. No.	Name	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Commencement of Employment	Age (Yrs.)	Particulars of Last Employment/Employer / Last Post & Period for which post held
1.	Mr. Madhukar Dev	Managing Director	60,19,027	M.Sc, M.B.A.	27	03.06.91	50	Bennet Coleman & Co. Ltd - Chief Manager (RMD) - 1year
2.	Mr. Rajesh Kumar	General Manager	25,23,304	B.Tech	21	10.04.97	44	C-DAC - Team Coordinator (Visual Computing and Multimedia) - 7 years 5 months

Notes:

- Nature of employment is contractual. Other terms and conditions are as per the Company's Rules.
- The above employees are not related to any Director of the Company.
- Remuneration received includes Salary, Commission, House Rent Allowance, Privilege Leave Encashment, Contribution to Provident, Superannuation and Gratuity Funds, Leave Travel Assistance, Medical Assistance and other Perquisites evaluated in accordance with the Income-Tax Rules as applicable.

On behalf of the Board of Directors

SYAMAL GUPTA
Chairman

Mumbai, April 20, 2005

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Mandatory Requirements:

1. **A brief statement on the Company's philosophy on code of governance.** Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorisations, accountability and transparency. The business operations of your Company are conducted not to benefit any particular interest group but for the benefit of all stakeholders.

2. Board of Directors

The Company has a Non-Executive Chairman and the number of Independent Directors exceeds one-third of the total number of Directors. The number of Non-Executive Directors (NEDs) exceeds 50% of the total number of Directors. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges), across all the companies in which they are Directors. The necessary disclosures regarding Committee positions have been made by the Directors.

Four Board Meetings were held during the year 2004-05 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were 30th April, 2004, 30th July, 2004, 15th October, 2004, 21st January, 2005.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during 2004-05	Whether attended AGM held on 30th July, 2004	No. of Directorships in other Companies	
				Chairman	Member
Mr. Syamal Gupta (Chairman)	Not Independent / Non-executive	4	Yes	6	5
Mr. S Ramadorai (Vice Chairman)	Not Independent / Non-executive	2	No	2	9
Dr. F C Kohli	Independent / Non-executive	4	Yes	1	3
Brig. K Balasubramaniam	Independent / Non-executive	4	Yes	-	1
Mr. E A K Faizullahoy	Independent / Non-executive	3	Yes	-	1
Mr. Sujit Gupta	Not Independent / Non-executive	3	Yes	-	4
Mr. H H Malgham	Independent / Non-executive	4	Yes	-	3
Mr. P. G. Mankad *	Independent / Non-executive	2	N.A.	-	1
Mr. P McGoldrick	Not Independent / Non-executive	3	Yes	-	1
Mr. C P Mistry	Independent / Non-executive	3	Yes	-	5
Mr. Madhukar Dev \$	Not Independent / Executive Director	4	Yes	-	-
Prof. S. Sadagopan #	Independent / Non-executive	Nil	No	-	-

* Appointed as Additional Director on 2nd September, 2004

\$ Appointed as Managing Director effective January 16, 2005

Stepped down as Director effective 23rd August, 2004

The information as required under Annexure I to Clause 49 is being made available to the Board.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

3. Audit Committee

The terms of reference of the Audit Committee mandated by your Board of Directors, which is also in line with the statutory and regulatory requirements, are:

- a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the quarterly and annual financial statements before submission to the Board.
- d. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- f. Discussion with internal auditors on any significant findings and follow-up thereon.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee reviewed the reports of the internal auditors, the reports of the statutory auditors arising out of the quarterly, half-yearly and annual review of the accounts, considered significant financial issues affecting the Company and held discussions with the internal and statutory auditors and the Company management, during the year.

Five Audit Committee Meetings were held during the year 2004-05. The dates on which the Audit Committee Meetings were held were 29th April, 2004, 29th July, 2004, 14th October, 2004, 21st January, 2005 and 27th January, 2005.

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Mr. H H Malgham, Chairman	Independent/Non-executive	5
2.	Mr. S Ramadorai	Not Independent / Non-executive	1
3.	Mr. E A K Faizullahoy	Independent / Non-executive	5
4.	Mr. C P Mistry	Independent / Non-executive	2

4. Remuneration Committee

The terms of reference mandated by your Board, which are also in line with the statutory and regulatory requirements, are:

- To decide the policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments;
- To approve the terms of any Employee Stock Option Scheme or Plan as may be issued from time to time by the Company;

All Non-Executive Directors of your Company receive sitting fees for each meeting of the Board or Committee thereof attended by them. The net profits of the Company, not exceeding 1%, are distributable, as commission, amongst the Non-Executive Directors considering the special services and efforts rendered.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

Other than sitting fees and commission on the net profits of the Company, no other remuneration is payable to the Non-Executive Directors for 2004-05.

During the year, the Remuneration Committee held its Meeting on 15th January, 2005. The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Dr. F C Kohli, Chairman	Independent/Non-executive	1
2.	Mr. Syamal Gupta	Not Independent/Non-executive	1
3.	Mr. S Ramadorai	Not Independent/Non-executive	1

The remuneration earned during 2004-05 by the Non-executive Directors is given below:

Sl. No.	Name of the Non-executive Director	Sitting Fees Rs.	Commission Rs.
1.	Mr. Syamal Gupta	45,000	7,00,000
2.	Mr. S Ramadorai	20,000	4,30,000
3.	Dr. F C Kohli	45,000	6,70,000
4.	Brig. K Balasubramaniam	25,000	1,50,000
5.	Mr. E A K Faizullahoy	80,000	2,90,000
6.	Mr. Sujit Gupta	15,000	1,30,000
7.	Mr. H H Malgham	80,000	4,20,000
8.	Mr. P G Mankad	10,000	1,00,000
9.	Mr. P McGoldrick	15,000	1,30,000
10.	Mr. C P Mistry	30,000	1,80,000

Details of remuneration for 2004-05 in respect of Mr. Madhukar Dev, Managing Director, are given below:

Basic Salary Rs.	Commission Rs.	Contribution to Provident & other Funds Rs.	Other Allowances & Perquisites Rs.	Total Rs.
12,50,000	25,00,000	3,68,750	19,00,277	60,19,027

5. Investor Grievances Committee

The terms of reference mandated by your Board, which is also in line with the statutory and regulatory requirements, are:

- Redressing of Shareholders and Investors complaints;
- To ensure expeditious share transfers;
- To review status of legal cases involving the investors where the Company has been made a party.

Four Investor Grievance Committee Meetings were held during the year 2004-05. The dates on which the Investor Grievance Committee Meetings were held were 29th April 2004, 29th July 2004, 14th October 2004 and 27th January 2005.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Mr. E A K Faizullahoy, Chairman	Independent / Non-executive	4
2.	Mr. H H Malgham	Independent / Non-executive	4
3.	Mr. C P Mistry	Independent / Non-executive	1

Name, designation & address of Compliance Officer :

Mr. Vijay Krishnamurthy

Chief Financial Officer & Company Secretary

Tata Elxsi Ltd.

123 Richmond Road, Bangalore – 560 025.

Phone : +91-80-25566040

Fax : +91-80-25575889

E-mail : veekay@tataelxsi.co.in

Details of Investors complaints received during 2004-05 are as follows:

Sl. No.	Nature of Complaint	Received	Disposed	Pending
1.	Non-receipt of Dividend Warrant	236	236	Nil
2.	Non-receipt of Share certificates after TR / Cons. / Trans	20	20	Nil
3.	Non-receipt of I/W/Redemption	3	3	Nil
4.	Non-receipt of A/R, Right offer / Registered of C/A	6	6	Nil
	TOTAL	265	265	Nil

Complaints/correspondence are usually dealt with within 10 days of receipt and are completely resolved except in cases where litigation is involved.

Details of shares in physical form lodged for transfer during 2004-05 are as follows:

Sl. No.	Lodged for transfer	Transferred and returned	Pending	Remarks
1.	856	856	Nil	Nil

Share transfer lodgements are processed within 30 days and returned except in cases where litigation is involved.

The following persons can also be contacted in case of investors grievances:

- Ms. Mary Alles (email:mary@tataelxsi.co.in; phone: +91-080-22979789; Fax: +91-080-25575889)
- Tata Share Registry Ltd. (email:cs-g-unit@tatashare.com phone: +91-022-56658484; Fax: +91-022-56568494)

6. Other Committees

In addition to the above Committees, the Board has also constituted an Executive Committee, a Legal Committee and an Ethics Committee. The Executive Committee reviews and guides the Company on various operational matters. The Legal Committee monitors the legal compliances by the Company. The Ethics Committee reviews measures taken by the Company to prevent insider trading in the shares of the Company.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

The composition, names of the members, chairperson, particulars of the Meetings and attendance of the members during the year are as follows:

Executive Committee

The Executive Committee met on the following dates: 17th June 2004, 20th September 2004, 14th December 2004 & 24th March 2005.

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Dr. F.C. Kohli Chairman	Independent / Non-executive	4
2.	Mr. Syamal Gupta	Not Independent / Non-executive	4
3	Mr. Madhukar Dev	Not Independent / Executive	4

Legal Committee

The Legal Committee met on the following dates: 29th July 2004, 29th September 2004, 29th November 2004 & 27th January 2005.

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Mr. E.A. K. Faizullabhoj Chairman	Independent / Non-executive	4
2.	Mr. H.H. Malgham *	Independent/Non- executive	3
3	Mr. Madhukar Dev	Not Independent / Executive	3

* Appointed as a member of the Committee on 30th July, 2004

Ethics Committee

The Ethics Committee met on 4th February, 2005.

Sl. No.	Names of Members	Category	No. of Meetings attended during the year 2004-05
1.	Brig. K. Balasubramaniam Chairman	Independent / Non-executive	1
2	Mr. Madhukar Dev	Not Independent / Executive	1

7. General Body Meetings

Particulars about the last three Annual General Meetings (AGM's) of the Company are:

Sl. No.	AGM Particulars	Date	Venue	Time
1.	15th AGM in respect of the year 2003-04	30th July, 2004	Tata Elxsi Limited, Whitefield, Hoody, Bangalore	12:00 noon
2.	14th AGM in respect of the year 2002-03	28th July, 2003	JN Tata Auditorium, Indian Institute of Science Campus, Bangalore	12.00 noon
3.	13th AGM in respect of the year 2001-2002	21st June, 2002	JN Tata Auditorium, Indian Institute of Science Campus, Bangalore	11.00 AM

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

No item of business, which required the members' approval through postal ballot, was transacted during 2004-05. Accordingly, the Companies (Postal Ballot) Rules, 2001 is not applicable to the Company during the said year.

8. Disclosures

There are no materially significant related party transactions during the year that have potential conflict with the interests of the Company at large. The following however may be considered to be related party transactions:

- As part of its business activities, your Company provided software services aggregating to Rs. 8.41 cr. to Tata Consultancy Services (TCS), a division and subsequently a subsidiary of Tata Sons Ltd. Tata Sons Ltd. is considered to be a promoter of the Company and hence deemed to be a related party on this basis;
- Monetary transactions in the nature of sitting fees and commission payments to Non-Executive Directors and contractual payments duly authorised to the Executive/Managing Director, details whereof have been disclosed elsewhere (see under Remuneration Committee above);
- Monetary transactions with the members of management which comprise of contractual payments by way of remuneration and loans at nil/concessional rates of interest for exigencies/acquisition of assets in accordance with eligibility criteria fixed by the Company's rules.

There has been no non-compliance or penalties or strictures imposed on your Company by any of the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

9. Means of Communication

- Your Company uses several modes of communicating with its external stakeholders such as announcements and press releases in newspapers, circular letters and other reports to the members, posting information on its website (www.tataelxsi.com), intimation to the Stock Exchanges, responding to analyst's queries etc..
- Your Company's quarterly results are disseminated through all the modes mentioned above. Business Standard (English daily) and Prajavani (vernacular daily) are usually the papers in which the quarterly results are published.
- Your Company's Management Discussion & Analysis of the Business for the year ended 31st March, 2005 forms a part of this Annual Report and is given under the Section so captioned.

10. General Shareholders Information

Sl. No.	Salient Items of Interest	Particulars
i.	AGM Date, time and venue	22nd July 2005, 12.00 noon Tata Elxsi Corporate Office, Whitefield Road, Hoody, Bangalore - 560 048.
ii.	Financial Calendar	Year ending March 31, 2005
iii.	Date of Book Closure	12th to 22nd July, 2005 (both days inclusive)
iv.	Dividend Payment Date	25th July, 2005
v.	Listing on Stock Exchanges	<p>The Bangalore Stock Exchange Limited Stock Exchange Towers, 51, 1st Cross, J. C. Road Bangalore-560 027, India Tel. : +91-80-5157 5234 Fax : +91-80-5157 5242</p> <p>The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001, India Tel. : +91-22-2272 1234 Fax : +91-22-2272 3353</p> <p>The Delhi Stock Exchange Association Limited DSE House, 3/1 Asaf Ali Road, New Delhi-110 002, India Tel. : +91-11-2329 2417 Fax: +91-11-2329 2176</p>

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

Sl.No.	Salient Items of Interest	Particulars
		The National Stock Exchange of India Limited Trade World, Senapati Bapat Marg, Lower Parel, Mumbai-400 013, India Tel. : +91-22-2659 8100 Fax : +91-22-2659 8120
vi.	Stock Code	500408
vii.	Registrar & Share Transfer Agents	Tata Share Registry Limited, Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001.
viii.	Share Transfer System	Shares lodged in physical form with the Company / its Registrars & Share Transfer Agents are processed and returned, duly transferred within 30 days normally, except in cases where litigation is involved. In respect of shares held in dematerialized mode, the transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.
ix.	Dematerialisation of shares and liquidity	As at March 31, 2005, 2,80,11,613 shares were held in dematerialised mode.
x.	Outstanding GDRs/ADRs Warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding instruments and hence there will be no dilution of the equity.
xi.	Plant Locations	Your Company's software development centers are located at the following addresses: a. ITPL Road, Hoody, Bangalore – 560 048 b. 123 Richmond Road, Bangalore – 560 025 c. "Gayatri" Technopark, Trivandrum – 695 581. d. 'Guna Complex' New No. 443, Anna Salai, Teynampet, Chennai - 600 018
xii.	Address for correspondence	ITPL Road, Hoody, Bangalore – 560 048

Market Price Data: High/Low during each month of 2004-05 on the following exchanges:

Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No.)	High (Rs.)	Low (Rs.)	Vol (No.)
April 2004	97.75	80.00	17,62,974	98.00	79.60	30,33,597
May 2004	106.45	75.00	62,47,622	106.45	70.00	1,17,09,604
June 2004	114.20	91.80	1,07,48,565	114.20	91.70	1,90,35,082
July 2004	125.30	99.00	90,90,267	125.80	99.00	1,62,21,739
August 2004	149.50	111.40	1,48,28,183	149.40	111.25	2,49,03,216
September 2004	161.80	141.05	90,25,741	161.60	141.10	1,69,05,724
October 2004	168.60	148.00	48,39,463	168.50	146.00	81,96,710

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)

Month	Mumbai			National		
	High (Rs.)	Low (Rs.)	Vol (No.)	High (Rs.)	Low (Rs.)	Vol (No.)
November 2004	169.40	151.50	26,39,277	170.00	152.75	54,54,768
December 2004	165.00	145.60	25,42,643	164.90	145.10	49,22,427
January 2005	174.90	141.35	31,62,752	175.00	141.10	62,85,504
February 2005	184.50	157.00	24,75,806	184.90	157.00	55,37,541
March 2005	191.25	165.50	28,51,612	191.30	165.50	56,79,646

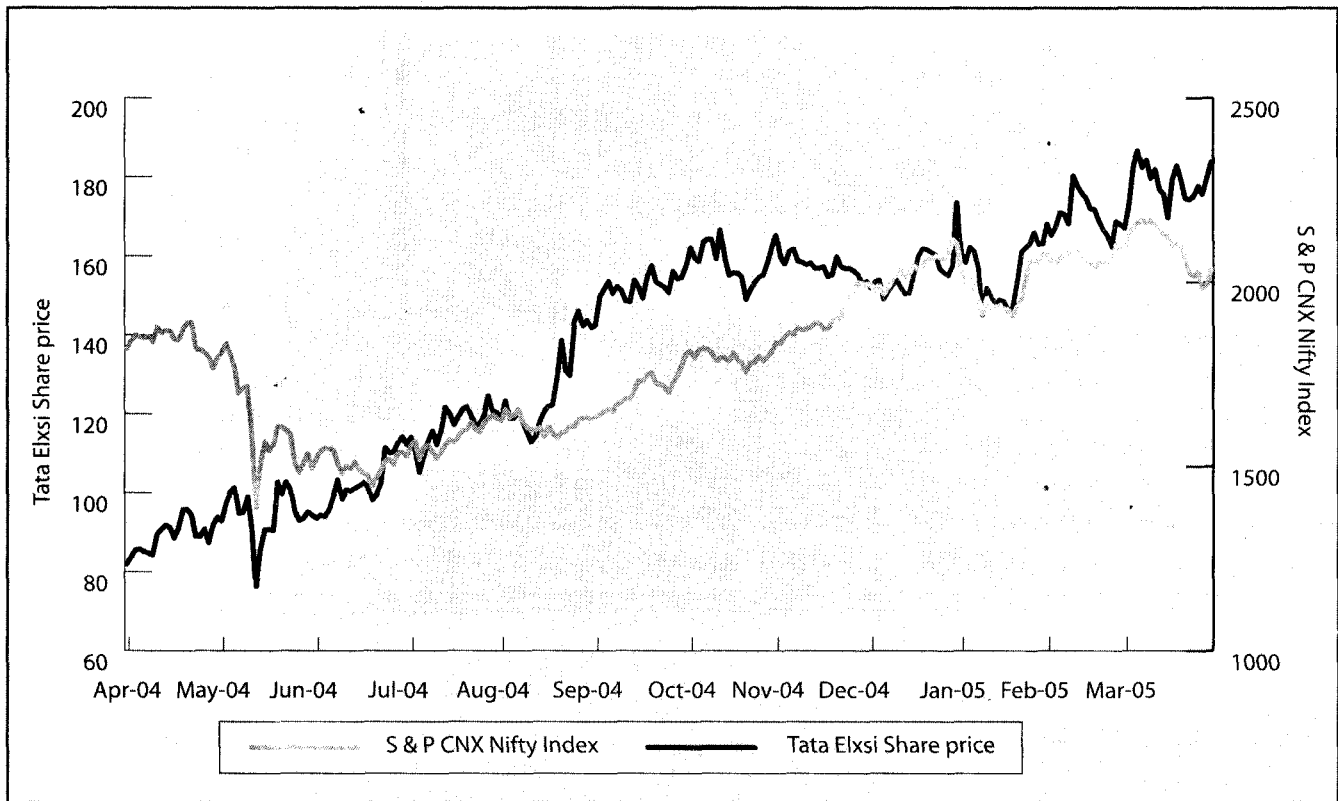
Distribution of Shareholding as on March 31, 2005

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	56,620	95.45	88,51,582	28.43
501 - 1000	1,719	2.90	14,04,427	4.51
1001 - 2000	567	0.96	8,66,899	2.78
2001 - 3000	144	0.24	3,72,433	1.20
3001 - 4000	77	0.13	2,84,594	0.91
4001 - 5000	55	0.09	2,60,071	0.84
5001 - 10000	68	0.11	4,95,561	1.59
Over 10,000	70	0.12	1,86,02,653	59.74
Total	59,320	100.00	3,11,38,220	100.00

Categories of Shareholding as on March 31, 2005

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals	57,993	1,25,61,084	40.34
NRI's	219	96,457	0.31
Companies	941	21,58,059	6.93
Tata Group	3	1,18,80,504	38.15
Mutual Funds, FI's, FII's	23	43,66,960	14.03
NSDL/CSDL transit position	141	75,156	0.24
Total	59,320	3,11,38,220	100.00

COMPLIANCE REPORT ON CORPORATE GOVERNANCE (Contd...)



Auditors' Certificate on Compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchanges

TO THE MEMBERS OF TATA ELXSI LIMITED

We have examined the compliance of conditions of Corporate Governance by Tata Elxsi Limited, for the year ended on March 31, 2005, 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 management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

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 **RSM & Co.**
Chartered Accountants

Place: Mumbai
Date : April 20, 2005

Vijay N. Bhatt
Partner (F-36647)

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2005

1. Business Analysis

Your Company's operations are broadly broken up into two business segments i.e. Software Development & Services and Systems Integration & Support.

Software Development and Services: This segment grew to Rs.146.46 cr. during 2004-05 from Rs. 94.10 cr. in the previous year with corresponding increase in the segment results to Rs. 34.11 cr. from Rs.19.41 cr.. Software Development and Services is broken up into three distinct business groups:

Product Design Services:

This business unit offers design and development services in niche technology domains like:

- Automotive Control systems
- Hardware & System Design
- VLSI, FPGA & Board Design
- Embedded Networking
- Mobile Computing
- Graphics, Imaging & Image Processing
- Routing & Switching
- VOIP
- Multimedia
- DSP Software
- Storage & File-systems
- Middleware Development & Application Integration
- Network Management

The Company works with global customers on cutting edge and emerging technologies in the area of outsourced R&D activities that helps develop futuristic products of its customers e.g. digital video cameras, multimedia players, video phones, set top boxes, cell phones etc.. The key deliverables in this effort are domain expertise, quick time-to-market deliveries and cost-effective solutions. The Company ensures this by ongoing technical training of its engineers, providing a diverse and rich environment to retain and attract talent and ensuring stringent levels of delivery processes certified at the highest level of CMM i Level 5 and ISO 9001:2000. The latest addition to the quality standards and customer focus of the Company was the BS 7799 certification during the year which represents strict information security processes followed by the Company.

Design Engineering Services: This business group addresses the mechanical design requirements of its customers with a focus on industrial design. The Company possesses a large and talented pool of industrial designers who service customers in different industries eg. automotive, FMCG etc.. Based on the customer needs in some cases, this business group is able to offer industrial design solutions to customers also serviced by the Product Design Services business group.

Visual Computing Labs: This business group creates content and special effects for the animation and motion picture industry in India and abroad. This is a relatively nascent business for the Company and also the country and the depth of expertise and experience available for this business group are lesser than those available for the other business groups, especially when addressing overseas markets. Considering this, the approach has been to make inroads into the various markets in a cost-effective manner. A portfolio of both domestic and international work was serviced during the year.

In the international markets, the main risk arises from fluctuations in the exchange rate. During the year, the rupee had a maximum depreciation against the dollar, pound, euro and yen by 6%, 6%, 11% and 4% respectively. The Company addresses exchange risk by ensuring that it is not excessively dependent on any country for its revenues and also by carrying out hedging operations. Visa restrictions in overseas countries is another impediment that delays the delivery process. Another emerging trend in the growing presence in India of captive subsidiaries of overseas customers. While this could result in a potential loss of business opportunity through business getting shifted to the global customer's captive India centre, it can also result in an opportunity for the Company to work with the India centre in niche areas where your Company has expertise and experience.

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2005 (Contd...)

Systems Integration and Support: This segment slowed down during the year with its turnover reducing from Rs. 60.13 cr. during 2003-04 to Rs. 40.28 cr. during the year 2004-05 with corresponding decrease in the segment results from Rs. 6.15 cr. to Rs. 4.70 cr.. Due to the inherent nature of this business viz. value-added reselling and maintenance revenues, there is a greater upward and downward volatility in this segment over the years, driven by large customer orders in any year which may not repeat in the following year. Your Company's approach in this business group has been to maintain its domestic presence, exploit synergies wherever its principals in this segment are also its customers in another segment, and consciously refuse orders which are not commercially attractive whilst targeting only profitable and commercially neat orders. Several large and technically challenging orders were executed for government as well as private corporate customers during the year.

This business group provides systems solutions to domestic customers through value-added reselling, integration and maintenance support. The Company's order generation and execution cycle comprises of offering an optimum configuration of varied IT hardware and software products that matches the customer specifications, at an optimum cost and serviced by timely deliveries of individual products from its several principals, which are then integrated, installed and commissioned at the customer premises as a turnkey solution, along with user training and maintenance support. Critical skills required in this area are the technical knowledge and the integration capabilities of the hardware and software products of the diverse principals which are supplied to the customer and balancing the customer delivery schedules with the different supply lead times of the different principals.

The business group operates in an environment of high obsolescence due to continuous technological upgradations by its principals and other global players, consequent falling hardware and software prices and rapidly changing market scenarios. The Company delivers value to its customers by using its technical knowledge of the products and market trends and its alliances with global players to provide optimum cost-configuration-integration-maintenance solutions to its Indian customers to meet their requirements.

The sales of this business group takes place on rupee and dollar payment basis. In the case of certain customers e.g. Software Technology Park units, government laboratories and institutions, universities etc., who are entitled to duty free imports, the Company organizes the import in the customer's own name and in respect thereof, the Company earns agency commission in foreign exchange from its foreign principal. In the current year, most orders were obtained in the customer's own name unlike the previous year when the duty-paid turnover predominated.

Some of the strategic alliances in this business group offering state-of-the-art solutions to customers are:

✓ **Computing Platforms**

- **Silicon Graphics** for High Performance Computing and Visualization Solutions
- **Hewlett Packard** for Enterprise and High Performance Computing

✓ **Connectivity Solutions**

- **Enterasys** for Networking solutions

✓ **Mechanical Design Automation Tools**

- **UGS – PLM** for Product Lifecycle Management Solutions
- **Alias** for Product Design & Styling
- **Tecnomatix** for Manufacturing Process Management
- **Opticore** for Digital Prototyping & Design Visualization

✓ **Enterprise Storage Solutions**

- **StorageTek** for Automated Data Backup & Archival Solutions
- **EMC²** for Enterprise Storage Consolidation, High Availability & Disaster Recovery Solutions
- **Veritas** for Data Storage Management Tools

✓ **Digital Media Solutions**

- **Discreet** for Advanced Editing, Compositing and Special effect
- **Apple Computers** for Non-linear Film, Video editing and Archiving solutions
- **Cambridge Animation** for 2D animation
- **Alias** for 3D animation

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2005 (Contd...)

2. Internal Controls systems and their adequacy:

The internal controls of the Company are operated through an exhaustive system of internal checks and balances involving inter-dependencies of job responsibilities, which ensures that there are joint discussions and approvals before any financial commitments are made. The nature and limits for financial commitments for each Department in the Company are also set out in a detailed Manual, which has to be adhered to for all financial approvals. Periodic audits by the internal and statutory auditors and regular meetings of the Audit Committee of the Board of Directors who discuss with the auditors and the management regarding issues raised in the audit reports and all financial matters also reinforce the impact of internal controls in the Company. With these ongoing initiatives, there are adequate internal control systems in the Company.

3. Financial Analysis:

The following are relevant financial performance details with respect to the operational performance of the Company:

Salient Financial Data
relating to the Profit & Loss Account

Particulars	2004-05 Rs. Crores	2003-04 Rs. Crores	% change over previous year
Sales	185.77	153.48	+21%
Other Income	1.08	1.53	-29%
Total Revenues	186.85	155.01	+21%
Cost of Sales	30.18	45.59	-34%
Personnel Expenses	92.71	62.14	+49%
Overheads	27.07	22.93	+18%
Financial Expenses	0.14	0.15	-7%
Depreciation	5.02	4.04	+24%
Total Expenditure	155.12	134.85	+15%
Profit before Tax	31.73	20.16	+57%
Tax	5.44	2.61	+108%
Profit after Tax	26.29	17.55	+50%

Expenditure Analysis
as a percentage of Income

2004-05 %	2003-04 %
99.42	99.01
0.58	0.99
100.00	100.00
16.16	29.41
49.62	40.08
14.49	14.80
0.07	0.10
2.69	2.60
83.03	86.99
16.97	13.01
2.91	1.68
14.06	11.33

Analysis:

- Sales:** While the overall Sales grew by 21% from Rs. 155.01 cr. during 2003-04 to Rs. 186.85 cr. during 2004-05, Sales in the Software Development and Services Segment grew by 55% from Rs. 94.10 cr. to Rs. 146.46 cr. and Sales in the Systems Integration and Support Segment dropped by 33% from Rs. 60.13 cr. to Rs. 40.28 cr. during the corresponding periods. The mix of business between the two Segments changed from 61:39 during 2003-04 to 78:22 during 2004-05.
- Other Income:** This comprises mainly of interest earned on deferred credit and surplus funds deployed with the banks and exchange gain.
- Cost of Sales:** This has decreased due to reduction in the sales in the Systems Integration and Support Segment involving value-added reselling as explained in Para 1 above.
- Personnel Cost:** This has increased by 49% from Rs. 62.13 cr. during 2003-04 to Rs. 92.71 cr. during 2004-05 corresponding to the increase in revenues in the Software Development and Services Segment as explained in Para 1 above, consequent to increase in the total employee strength and overseas deployment of marketing and engineering personnel.

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED 31ST MARCH, 2005 (Contd...)

5. **Overheads:** This has increased by Rs.4.14 cr., the main contributors being :

Account Head	Increase Rs. cr.	Decrease Rs. cr.	Remarks
Operating Lease Rentals	0.40	-	Due to increase in new premises taken on lease for software development operations
Rates and Taxes	0.65	-	This mainly represents works contract tax paid by the Company in respect of earlier years in respect of which the Company has preferred appeals.
Power & Fuel	0.52	-	Due to increase in new premises taken on lease for software development operations and higher usage of diesel generated power
Telephone, datalink, courier and postage	1.46	-	Increased bandwidth and leased line charges
Overseas travel	8.33	-	Comprises of overseas travel allowances and related expenses directly linked to the increase in overseas travel
Advertising and Promotion expenses	0.38	-	Due to increased participation in overseas exhibitions directly linked to thrust on marketing efforts
Training	0.61	-	Comprises of technical training programmes directly linked to the increase in the employees recruitment and strength
Bad Debts	-	2.81	Due to tight control and continuous monitoring of receivables

Significant Ratio Analysis

Particulars	Unit	2004-05	2003-04
Profit before Tax/Sales	%	16.97	13.01
Earning before Interest/Tax / Sales	%	17.05	13.10
Profit after Tax/Sales	%	14.07	11.33
Current Ratio	No. of times	1.33	1.55
Debt Equity Ratio	%	-	-
Earnings per Share	Rs.	8.44	5.63
Dividend per Share	Rs.	5.50	4.00
Book Value per Share	Rs.	17.56	15.49
Return on Networth	%	48.07	36.36
Return on Capital employed	%	46.13	35.03

4. Human Resources:

The Company stepped up its recruitment drive in the year under review and this thrust is expected to continue in the following years. Employee attrition, keeping pace with market compensation trends and ensuring that while the Company grows in size and multi-locational spread, focus on individual employees needs are not diluted are key challenges. Technical training on an ongoing basis, sponsorship of higher technical education, ongoing and responsive employee welfare measures are some of the initiatives taken by the Company to nurture, attract and retain its human talent. Additionally, the Company's growth, rich technical content, multi-location delivery centers and global spread provide employees a diverse and enriching environment and flexibility to the Company, wherever possible, to address individual requirements.

5. Quality Initiatives:

The Company has a very strong process orientation in the execution of its software projects and is a pioneer in the use of statistical methods of process controls. The Company is assessed at CMMi Level 5 certification which affirms the Company's capability to provide end-to-end design solutions that would match the customer requirements. During the year, the Company has also received BS7799 certification which represents the highest level of information security processes followed by the Company.

AUDITORS' REPORT

TO THE MEMBERS OF TATA ELXSI LIMITED

1. We have audited the attached Balance Sheet of **Tata Elxsi Limited** ('the Company') as at March 31, 2005, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('CARO'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books ;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : April 20, 2005

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a system of verification of all fixed assets once in a period of two years which in our opinion, is reasonable having regard to the size of the Company and the nature of its business. Management has physically verified fixed assets during the year. The process of reconciliation between the physical verification of assets and the books of account is in progress. The discrepancy, if any, which is not likely to be material, will be accounted on completion of the reconciliation.
- (c) The Company has not disposed off substantial parts of fixed assets during the year.
- (ii) (a) The management carried out physical verification of the inventory at reasonable intervals during the year.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company maintains proper records of inventory. Discrepancies noticed on physical verification of inventory as compared to the book records were not material and these have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, the Company has an adequate internal control procedure commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) According to the information and explanations given to us, based on the disclosure of interest made by the Directors of the Company, contracts or arrangements that need to be entered into a register in pursuance of Section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of contracts or arrangement entered in the registers maintained under Section 301, the rates at which such services are rendered are reasonable having regard to the prevailing market prices of such services and the prices charged to other parties.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Act and the rules framed there under are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Act for any of the activities of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable.
- (b) Disputed Income Tax of Rs. 192.60 lacs has not been deposited since the matters are pending with the relevant Appellate Authorities.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.

ANNEXURE TO AUDITORS' REPORT (Contd...)

- (xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of the dues to banks/financial institution with respect to its borrowings.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares.
- (xiii) Provisions for special statute applicable to Chit Fund, Nidhi, Mutual Benefit Funds/Societies, are not applicable to the Company.
- (xiv) According to information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its employees from housing finance companies amounting to Rs. 291.35 lacs and in our opinion the terms and conditions thereof are not prejudicial to the interest of the Company.
- (xvi) The Company has not taken any fresh term loans during the year.
- (xvii) On the basis of our examination and according to the information and explanations given to us, the Company has not used the funds borrowed on short term basis for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act. Accordingly, we have no comments to give on clauses (xviii), (xix) and (xx) of the CARO.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : April 20, 2005

BALANCE SHEET AS AT MARCH 31, 2005

	Schedules		Rs. lakhs As at March 31, 2004
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3,113.82	3,113.82
Reserves and surplus	2	2,355.66	1,710.96
		5,469.48	4,824.78
Deferred tax liability		230.18	184.15
Total		5,699.66	5,008.93
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	6,043.92	4,412.75
Less: Depreciation and impairment		2,566.81	1,987.12
Net block		3,477.11	2,425.63
Capital advances		108.80	27.45
		3,585.91	2,453.08
Current assets, loans and advances			
Inventories	4	31.07	73.82
Sundry debtors	5	4,113.61	3,152.69
Cash and bank balances	6	1,410.73	1,740.12
Loans and advances	7	2,818.29	2,277.06
		8,373.70	7,243.69
Less: Current liabilities	8	2,611.67	2,021.87
Provisions	9	3,648.28	2,665.97
		6,259.95	4,687.84
Net current assets		2,113.75	2,555.85
Total		5,699.66	5,008.93
Significant accounting policies and notes on accounts	16		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

As per our report of even date attached
For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F - 36647)

Syamal Gupta

F C Kohli
HH Malgham

Madhukar Dev

V Krishnamurthy

Mumbai, April 20, 2005

For and on behalf of the Board
Chairman

Director
Director

Managing Director

Chief Financial Officer
& Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2005

	Schedules		Rs. lakhs Previous year
INCOME			
Sales and services	10	18,577.40	15,348.05
Other income	11	108.04	152.56
Total		18,685.44	15,500.61
EXPENDITURE			
Cost of sales	12	2,996.15	4,537.52
Decrease in stock	13	21.91	21.90
Personnel expenses	14	9,271.23	6,213.76
Administration and selling expenses	15	2,707.00	2,293.16
Financial expenses		14.19	14.62
Depreciation		501.81	403.94
Total		15,512.29	13,484.90
Profit before tax for the year		3,173.15	2,015.71
Provision for tax - current		(470.00)	(372.00)
- deferred		(74.01)	110.87
Profit after tax for the year		2,629.14	1,754.58
Profit brought forward		920.96	771.46
Balance available for appropriation		3,550.10	2,526.04
Less: Proposed dividend		1,712.60	1,245.53
Less: Dividend tax thereon		242.96	159.55
Less: Transfer to general reserve		300.00	200.00
Balance of profit carried to balance sheet		1,294.54	920.96
Earning per share - basic and diluted (Rs.)		8.44	5.63

Significant accounting policies and notes on accounts 16

The schedules referred to above and the notes thereon form an integral part of the Profit & Loss account

As per our report of even date attached
For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F - 36647)

Mumbai, April 20, 2005

Syamal Gupta

F C Kohli
H H Malgham

Madhukar Dev

V Krishnamurthy

Mumbai, April 20, 2005

For and on behalf of the Board
Chairman

Director
Director

Managing Director

Chief Financial Officer
& Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	Rs. lakhs	
	Previous year	
A. Cash flows from operating activities		
Net profit before tax	3,173.15	2,015.71
Adjustment for:		
Depreciation	501.81	403.94
Interest income	(77.92)	(23.27)
Interest	14.19	14.62
Loss/(Profit) on sale of assets	(2.20)	(60.95)
Operating profit before working capital changes	3,609.03	2,350.05
Decrease/(Increase) in sundry debtors	(960.92)	106.87
Decrease/(Increase) in inventories	42.75	106.09
Decrease/(Increase) in loans and advances	(159.03)	(16.59)
Increase/(Decrease) in current liabilities	530.34	1,000.62
Cash inflow from operations	3,062.17	3,547.04
Income tax paid	(382.20)	(508.71)
Net cash inflow from operating activities	2,679.97	3,038.33
B. Cash flows from investing activities		
Purchase of fixed assets	(1,735.29)	(829.88)
Proceeds of sale of fixed assets	20.97	202.21
Subsidy from Kerala State Government	25.00	-
Interest income	77.92	23.27
Net cash outflow from investing activities	(1,611.40)	(604.40)
C. Cash flows from financing activities		
Long term borrowings	-	(228.98)
Interest paid	(14.19)	(14.62)
Dividend paid	(1,221.03)	(761.20)
Tax on dividend paid	(162.74)	(99.73)
Net cash outflow from financing activities	(1,397.96)	(1,104.53)
Net increase/(decrease) in cash and cash equivalents	(329.39)	1,329.40
Cash and cash equivalents as at beginning of the year	1,740.12	410.72
Cash and cash equivalents as at end of the year	1,410.73	1,740.12

As per our report of even date attached
For **RSM & Co.**
Chartered Accountants

Vijay N. Bhatt
Partner (F - 36647)

Syamal Gupta

F C Kohli
HH Malgham

Madhukar Dev
V Krishnamurthy

Mumbai, April 20, 2005

For and on behalf of the Board
Chairman

Director
Director

Managing Director

Chief Financial Officer
& Company Secretary

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2005

Rs. lakhs
As at
March 31, 2004

1. SHARE CAPITAL

Authorised :

350,00,000 equity shares of Rs. 10/- each 3,500.00 3,500.00

Issued and subscribed :

311,65,620 equity shares of Rs. 10/- each 3,116.56 3,116.56

Paid up :

311,38,220 equity shares of Rs.10/- each, fully paid up 3,113.82 3,113.82

Total

3,113.82 3,113.82

2. RESERVES AND SURPLUS

Capital reserve:

Subsidy received from Kerala State Government 25.00 -

General reserve:

Opening balance 790.00 590.00
Add: Credits during the year 300.00 200.00
Less: Impairment loss adjusted (Net of deferred tax of Rs. 27.98 lakhs) 53.88 -

Profit and loss account balance

1,036.12 790.00
1,294.54 920.96

Total

2,355.66 1,710.96

3. FIXED ASSETS

DESCRIPTION	Rs. lakhs											
	Gross Block			Depreciation Block					Net Block			
	As at April 1, 2004	Additions during the year	Sale Adjustment	As at March 31, 2005	As at April 1, 2004	For the Period	Sale/ Adjustment	As at March 31, 2005	Impaired Assets	As at March 31, 2005	As at March 31, 2004	
Land - Freehold	49.06	-	-	49.06	-	-	-	-	-	49.06	49.06	
Buildings	563.24	359.93	-	923.17	156.15	25.72	-	181.87	-	741.30	407.09	
Improvements to leasehold premises	100.55	6.46	-	107.01	99.48	4.32	-	103.80	-	3.21	1.07	
Plant and machinery	201.95	-	-	201.95	111.58	0.56	-	112.14	81.86	7.95	90.37	
Computer equipment	2,847.39	924.42	22.75	3,749.06	1,380.62	427.01	3.98	1,803.65	-	1,945.41	1,466.77	
Furniture and fixtures	373.16	177.51	-	550.67	158.15	26.94	-	185.09	-	365.58	215.01	
Office equipment	257.69	168.22	-	425.91	73.07	14.43	-	87.50	-	338.41	184.62	
Vehicles	19.71	17.38	-	37.09	8.07	2.83	-	10.90	-	26.19	11.64	
Total	4,412.75	1,653.92	22.75	6,043.92	1,987.12	501.81	3.98	2,484.95	81.86	3,477.11	2,425.63	
Previous Year	3,733.34	821.12	141.71	4,412.75	1,583.62	403.94	0.44	1,987.12	-	2,425.63		

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2005 (Contd...)

		Rs. lakhs As at March 31, 2004
4. INVENTORIES		
(as taken, valued and certified by management)		
Components and spares	31.07	51.91
Computer systems and software	-	21.91
Total	31.07	73.82
5. SUNDRY DEBTORS		
(Unsecured - considered good)		
Debts outstanding for a period exceeding six months		
- Considered good	214.08	295.75
Other debts	3,899.53	2,856.94
Total	4,113.61	3,152.69
6. CASH AND BANK BALANCES		
Cash on hand	0.80	0.59
Cheques on hand	78.54	75.53
Funds in transit	-	0.46
Balances with scheduled banks		
- in current accounts - for unencashed debenture redemption, interest warrants and dividends	127.69	107.26
- in current accounts	964.00	1,493.45
- in deposit accounts	13.42	0.29
	1,105.11	1,601.00
Balances with non-scheduled banks - in current accounts	226.28	62.54
Total	1,410.73	1,740.12
7. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	897.36	870.75
Deposits	357.03	224.61
TDS/Advance tax paid	1,563.90	1,181.70
Total	2,818.29	2,277.06
8. CURRENT LIABILITIES		
Sundry creditors	1,973.95	1,726.28
Advance from customers	179.25	95.58
Investor Education and Protection Fund shall be credited by the following amounts when due:		
Unencashed debenture	15.32	16.13
Unencashed debenture interest	2.81	6.12
Unencashed dividend	110.70	86.20
Other liabilities	329.64	91.56
Total	2,611.67	2,021.87
9. PROVISIONS		
Provision for leave encashment	169.82	127.90
Provision for taxation	1,526.10	1,132.99
Proposed dividend	1,712.60	1,245.53
Tax on dividend	239.76	159.55
Total	3,648.28	2,665.97

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

		Rs. lakhs
		As at March 31, 2004
10. SALES AND SERVICES		
Sales and support (Net of returns)	3,794.78	5,811.37
Services	14,618.30	9,354.46
Computer systems rentals	164.32	182.22
Total	18,577.40	<u>15,348.05</u>
11. OTHER INCOME		
Interest from:		
- banks	11.65	16.16
(Tax deducted at source Rs.2.38 lakhs (Previous year Rs.3.30 lakhs))		
- others	66.27	7.11
	77.92	23.27
Exchange gain (net)	14.30	56.37
Profit/(Loss) on sale of asset	2.20	60.95
Miscellaneous income	13.62	11.97
Total	108.04	<u>152.56</u>
12. COST OF SALES		
Cost of goods sold	2,648.34	4,010.50
Maintenance and spares	213.96	367.18
Lease charges	133.85	159.84
Total	2,996.15	<u>4,537.52</u>
13. (INCREASE)/DECREASE IN STOCKS		
Opening stock:		
Computer systems and software	21.91	43.81
Less: Closing stock:		
Computer systems and software	-	21.91
Total	21.91	<u>21.90</u>
14. PERSONNEL COST		
Salaries (including fees paid to consultants and overseas travel allowances)	8,831.70	5,854.07
Contribution to provident and other funds	294.76	240.55
Staff welfare expenses	144.77	119.14
Total	9,271.23	<u>6,213.76</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005 (Contd...)

Rs. lakhs
As at
March 31, 2004

15. ADMINISTRATION AND SELLING EXPENSES

Operating lease rentals	225.50		185.72
Rates and taxes	75.74		10.68
Power and fuel	170.32		118.38
Repairs and maintenance: building	14.20	8.10	
plant and machinery	79.38	37.63	
others	79.39	65.98	
	172.97		111.71
Telephone, datalink, courier and postage	351.81		205.32
Inland travel and conveyance	241.08		210.54
Overseas travel	1,553.85	719.59	
Less: Travel allowance for software development	1,019.09	308.58	411.01
Advertisement and promotion expenses	97.29		59.52
Commission on sales	20.78		28.01
Hiring charges	30.39		30.04
Printing and stationery	58.74		49.71
Motor vehicle expenses	80.69		55.25
Recruitment	110.42		88.90
Training	130.13		68.59
Legal and professional charges	36.89		39.12
Secretarial charges	16.70		20.63
Insurance	55.60		59.81
Bank and other charges	31.74		29.59
Commission to non-executive directors	32.00		20.00
Auditors' remuneration	9.11		8.65
Bad debts/advances written off (net of credit balances)	173.35		454.63
General expenses	50.99		27.35
Total	2,707.00		2,293.16



SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 16 - Significant Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

3. Fixed assets

Fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided on straight line method on pro rata basis in accordance with the provisions of Schedule XIV to the Companies Act, 1956, except that improvements to leasehold premises are depreciated over the lease period on straight-line basis.

If any addition to the fixed assets is made on or before 15th of the month, then full depreciation for that month is provided, otherwise no depreciation is provided for that month.

Capital advances represent outstanding or advance paid to acquire fixed assets.

4. Impairment of assets

Impairment of assets is recognized when there is an indication of impairment. On such indication the recoverable amount of the assets is estimated and if such estimation is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

5. Inventories

Components and spares are valued at cost. Cost is determined on the basis of specific identification method. Appropriate provisions are made for anticipated losses, if any.

Computer systems and software, components and spares intended for customer support are written off over the effective life of the systems maintained, as estimated by management.

6. Income

Sales

Income from sales is recognized upon completion of sale. Warranty charges forming part of the sales are not recognized separately and expenditure in this regard is accounted as and when incurred.

Services

a) Income from services is recognized upon rendering of the services. Income from maintenance contracts relating to the year is recognized when the contracts are entered into on a time proportionate basis.

b) Revenue from software development on fixed price, fixed time frame contracts is recognised as per the proportionate completion method. On time and materials contracts, revenue is recognised as the related services are rendered.

c) In respect of orders procured, for which sales are effected directly to the customers by Company's vendors, the Company accounts only for the commission, installation and other charges to which it is entitled.

7. Retirement Benefits

Liability for gratuity and superannuation is funded with the Life Insurance Corporation of India and incremental liability for the year is charged to the profit and loss account.

Provision for leave encashment is based on actuarial valuation done as at the close of the financial year.

8. Research and Development

Expenditure on research and development on revenue account is charged off to the profit and loss account. Assets acquired for research and development activity are capitalised and depreciated in the same manner as other fixed assets.

9. Foreign currency transactions

a) Foreign branches:

i) Fixed assets are translated at the rates on the date of purchase of assets and depreciation is calculated on the value so arrived.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005 (Contd..)

- ii) Current assets and current liabilities are translated at the exchange rate prevailing as at the end of the financial year.
- iii) Income and expenses are translated at average rates of exchange.
- b) Other foreign currency transactions:
 - i) Foreign exchange transactions are recorded at the rates of exchange on the dates of the respective transactions. Assets and liabilities designated in foreign currency are converted into rupees at the rates of exchange prevailing as on the balance sheet date or at the rate contracted and corresponding adjustment made to the relevant income, expenditure, assets and liabilities.
 - ii) Forward contracts are accounted at maturity or on cancellation.

10. Taxation

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax assets and liabilities are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date and are reviewed for appropriateness of their respective carrying values at each balance sheet date.

11. Subsidies

Subsidies not specifically related to fixed assets are credited to capital reserve.

Other revenue subsidies are credited to profit and loss account or deducted from related expenses.

B. NOTES ON ACCOUNTS

12. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 182.43 lakhs (previous year Rs. 99.88 lakhs).

13. Contingent liabilities

- a) Counter guarantees given to bankers for guarantees issued by the bankers Rs. 477.89 lakhs (previous year Rs. 517.39 lakhs) and debts discounted Nil (Previous year Rs. 400.00 lakhs).
 - b) Disputed demands for Wealth Tax Nil (previous year Rs. 25.88 lakhs)
 - c) Disputed demands for Income Tax aggregates to Rs. 197.43 lakhs (Previous year Rs. 147.48 lakhs).
 - d) Disputed Works Contracts Tax Nil (Previous year Rs. 108.97 lakhs)
 - e) Disputed demand with Customs Nil (Previous year Rs. 1.67 Lakhs)
 - f) Future receivables financed Nil (Previous year Rs. 176.08 lakhs).
 - g) Guarantees given to Housing Finance Company for housing loans availed by employees during their employment with the Company Rs. 291.35 lakhs (Previous year Rs. 379.09 lakhs).
14. The Company has credit facility from banks secured by hypothecation of stock of components and spares, computer systems, consumables stores, book debts etc.; pari passu charge on immovable property at Karnataka and other movable properties.
15. Based on the information available with management, the Company does not owe any sum to a small-scale industrial undertaking as defined in clause (j) to Section 3 of the Industries (Development and Regulation) Act, 1951.
16. Bank balances – Details of balances kept with non-scheduled banks as on balance sheet date and the maximum balances kept with non-scheduled banks during the year are as follows:

Name of the non-scheduled banks	Rs. lakhs			
	Balance as at March 31		Maximum balance held for the year ended March 31	
	2005	2004	2005	2004
HSBC London	16.07	14.14	41.42	14.14
Sumitomo Mitsui Banking Corporation Japan	152.87	48.40	291.58	48.40
Deutsche Bank AG	57.34	-	57.34	-
Total	226.28	62.54		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005 (Contd...)

17. Particulars in respect of sales, stocks etc.

Rs. lakhs

Class of goods	Opening Stock		Closing Stock		Purchases		Sales	
	Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
Computer systems, Peripherals, etc								
2005 Workstations	15	18.52	-	-	182	170.19	197	189.35
Desktops	-	-	-	-	63	25.17	63	35.90
2004 Workstations	15	37.22	15	18.52	215	2,170.00	215	2,354.00
Desktops	-	-	-	-	4	1.70	4	2.00
Software, etc								
2005		3.39		-		1,941.01		2,176.92
2004		11.99		3.39		1,732.78		2,103.07
Total		21.91				2,136.37		2,402.17
<i>(Previous year)</i>		49.21		21.91		3,904.48		4,459.07

Quantities are expressed in terms of base units whereas the corresponding value includes peripherals, etc.

18. Imports (valued on the cost, insurance and freight basis)

Rs. lakhs
2004-05
2003-04

Computer systems, peripherals, software, etc.	1,329.85	1,155.93
Capital goods	533.72	420.58
	1,863.57	1,576.51

19. Expenditure in foreign exchange

Overseas offices expenses	2,529.17	1,860.99
Foreign travel	1,203.31	433.56
Other expenditure	75.32	47.05
	3,807.80	2,341.60

20. Earnings in foreign currency

Service income	10,869.73	7,421.40
----------------	------------------	----------

21. Particulars of earning per share

Net profit for the year (Rs. Lakhs)	2,629.14	1,754.58
Number of equity shares	311,38,220	311,38,220
Nominal value of the shares (Rs.)	10	10
Earnings per share (Rs.)	8.44	5.63

22. Deferred taxation

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" (AS 22) and the pronouncement issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred taxes during the year.

Rs. lakhs

Following are the major components of deferred tax assets/(liabilities):

Difference between book and tax depreciation	(270.90)	(210.76)
Provision for leave encashment and others	40.72	26.61
Total (net)	(230.18)	(184.15)

23. Impairment loss

An impairment loss of Rs. 81.86 lakhs is computed as per the provisions of Accounting Standard 28 "Impairment of Assets" issued by the Institute of Chartered Accountants of India. The same has been adjusted against the opening balance general reserve of the Company as recommended by the Standard.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005 (Contd...)

Consequent to the above, deferred tax amount of Rs. 27.98 lakhs has been written back to the general reserve out of the amount already provided for in the earlier years in compliance with AS 22.

24. Related party transactions

The Company has entered into related party transactions with a major shareholder and key management personnel. Details of such transactions are given below:

				Rs. in lakhs	
Name of related party	Nature of relation	Nature of Transaction	2004-05	2003-04	
Tata Consultancy Services Limited	Associate Company	Sales and Services	840.49	1,478.84	
		Purchases	23.14	40.95	
		Transfer of lease hold land	-	198.81	
		Outstanding at the year end	97.54	366.96	
Mr. Madhukar Dev	Key management personnel	Managerial Remuneration paid	35.19	27.17	
		Commission paid	25.00	18.00	

25. Finance lease

The Company has sold computer hardware/software and peripherals on hire-purchase basis. Future minimum lease payments receivables are as follows:

					Rs. lakhs
					As at March 31,
		2005			2004
			Present Value		Present Value
Minimum lease payment upto the end of the lease	402.76	346.58	599.48	440.06	
Due not later than one year	196.72	158.03	196.72	117.03	
Due later than one year, and not later than 5 years	206.04	188.55	402.76	323.04	
Due later than 5 Years	-	-	-	-	
Unearned finance income		56.18		159.42	

26. Segment reporting

The Company's operations predominantly relate to providing systems integration and software development services in the Information Technology field.

Accordingly the systems integration & support services and software development & services comprise the primary basis for segmental information. The secondary segment is geographical, determined based on the location of the clients, where invoiced. Clients are classified as either domestic or overseas (comprising of Japan, North America and Europe).

Fixed assets used in the Company's business or liabilities contracted have not been identified to any segments, as allocation of assets and liabilities to the segments is currently not practicable. Accordingly, no disclosure relating to segment assets are made.

Primary segment information

				Rs. lakhs
	Systems Integration and Support Services	Software Development and Services	Total	
Revenues	4,027.58 (6,012.90)	14,646.21 (9,410.60)	18,673.79 (15,423.50)	
Identifiable operating expenses	3,557.99 (5,397.95)	11,234.72 (7,469.27)	14,792.71 (12,867.22)	
Segmental operating Income	469.59 (614.95)	3,411.49 (1,941.33)	3,881.08 (2,556.28)	

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005 (Contd...)

Rs. lakhs

	Systems Integration and Support Services	Software Development and Services	Total
Unallocable expenses:			
Interest and finance charges			14.19 (14.62)
Other unallocable expenses (Net)			693.74 (525.95)
Total profit before tax			3,173.15 (2,015.71)
Taxes			544.01 (261.13)
Net income after taxes			2,629.14 (1,754.58)

Previous year's figures are shown in brackets.

Secondary segment information

Rs. lakhs

	Domestic sales and Services	Overseas Sales and Services	Total
Revenues	8,661.44 (9,353.80)	10,012.35 (6,069.70)	18,673.79 (15,423.50)
Identifiable operating expenses	7,133.05 (7,974.60)	7,659.66 (4,892.62)	14,792.71 (12,867.22)
Segmental operating income	1,528.39 (1,379.20)	2,352.69 (1,177.08)	3,881.08 (2,556.28)
Unallocable expenses:			
Interest and finance charges			14.19 (14.62)
Other unallocable expenses(Net)			693.74 (525.95)
Total profit before tax			3,173.15 (2,015.71)
Taxes			544.01 (261.13)
Net income after taxes			2,629.14 (1,754.58)

Previous year's figures are shown in brackets.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005 (Contd...)

27. The details of provisions as required by the provisions of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" are as under;

Nature of provision	Rs. Lakhs	
	Leave encashment	Claims against the company
Opening Balance	127.90	-
Additional provisioning (including increases to existing provisioning)	145.35	5.00
Amounts used during the year	103.43	-
Amounts reversed during the year	-	-
Closing Balance	169.82	5.00

28. Auditors' remuneration

	Rs. lakhs	
	2004-05	2003-04
Audit fees	5.51	5.55
Tax audit fees	0.83	0.75
Fee for certification and others	2.19	1.82
Reimbursement of out-of-pocket		
Pocket expenses	0.58	0.53
	<u>9.11</u>	<u>8.65</u>

29. Managerial remuneration

The accounts includes managerial remuneration to a director under section 198 of the Companies Act, 1956 amounting to Rs. 60.19 lakhs (Rs. 45.17 lakhs) inclusive of estimated monetary value of perquisites and benefits Rs. 22.69 lakhs (Rs. 17.42 lakhs) and commission of Rs. 25.00 lakhs (Rs. 18.00 lakhs) as well as commission to non-wholetime directors of Rs. 32.00 lakhs (Rs. 20.00 lakhs), computed below:

	Rs. Lakhs	
	2004-05	2003-04
Profit before tax	3,173.15	2,015.71
Add: - Commission to non-executive directors	32.00	20.00
- Managerial remuneration	60.19	45.17
- Directors sitting fees	3.65	4.80
	<u>3,268.99</u>	<u>2,085.68</u>
Less:		
- Profit on sale of assets	2.20	60.95
Net profit as computed under Section 349	<u>3,266.79</u>	<u>2,024.73</u>
Commission payable to:		
a) Wholetime/Managing Director	25.00	18.00
b) Non- wholetime Directors @1% of the Net profits i.e., Rs. 32.66 lakhs (Rs. 20.24 lakhs) restricted to	32.00	20.00

30. Figures for the previous year have been regrouped and rearranged wherever necessary to conform to the current year's classifications.

Signature to schedules 1 to 16

For and on behalf of the Board

Syamal Gupta

F C Kohli

HH Malgham

Madhukar Dev

V Krishnamurthy

Chairman

Director

Director

Managing Director

Chief Financial Officer
& Company Secretary

Mumbai, April 20, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

0 9 9 6 8

State Code 0 8

Balance Sheet Date

3 1

0 3

2 0 0 5

Date

Month

Year

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

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

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

Total Liabilities

5 6 9 9 . 6 6

Total Assets

5 6 9 9 . 6 6

Sources of Funds :

Paid-up Capital

3 1 1 3 . 8 2

Reserves & Surplus

2 5 8 5 . 8 4

Secured Loans

N I L

Unsecured Loans

N I L

Application of Funds :

Net Fixed Assets

3 5 8 5 . 9 1

Investments

N I L

Net Current Assets

2 1 1 3 . 7 5

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

IV. Performance of the Company (Amount in Rs. Lakhs)

Turnover (Total Income)

1 8 6 8 5 . 4 4

Total Expenditure

1 5 5 1 2 . 2 9

+ - Profit/Loss Before Tax

+ 3 1 7 3 . 1 5

+ - Profit/(Loss) After Tax

+ 2 6 2 9 . 1 4

Please tick appropriate box (+ for Profit, - for loss)

Earnings per Share in Rupees (Rs.)

8 . 4 4

Dividend Rate (%)

5 5

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code Nos. (ITC Codes)

8 4 7 1 9 0 . 0 0

Product Descriptions

A U T O M A T I C D A T A P R O C E S S I N G
M A C H I N E S A N D U N I T S T H E R E O F

Item Code Nos. (ITC Codes)

N I L

Product Descriptions

M A I N T E N A N C E O F A U T O M A T I C D A T A
P R O C E S S I N G M A C H I N E S A N D U N I T S

Item Code Nos. (ITC Codes)

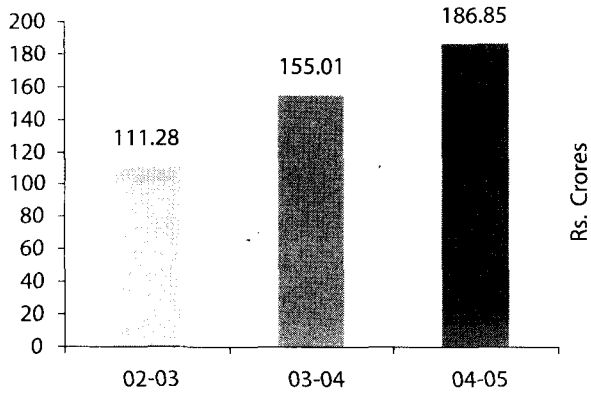
N I L

Product Descriptions

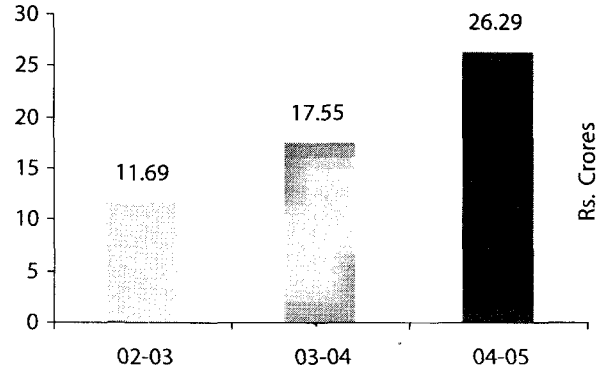
D E S I G N A N D D E V E L O P M E N T O F
C O M P U T E R H A R D W A R E A N D S O F T W A R E

FINANCIAL HIGHLIGHTS

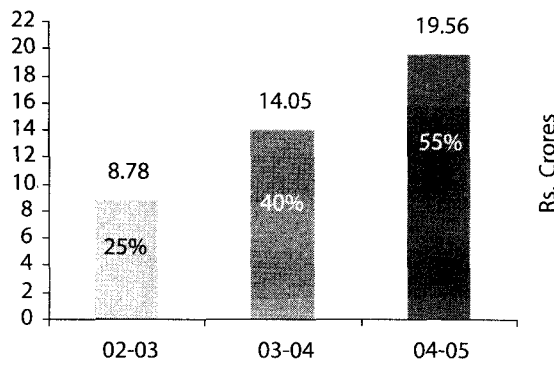
TURNOVER



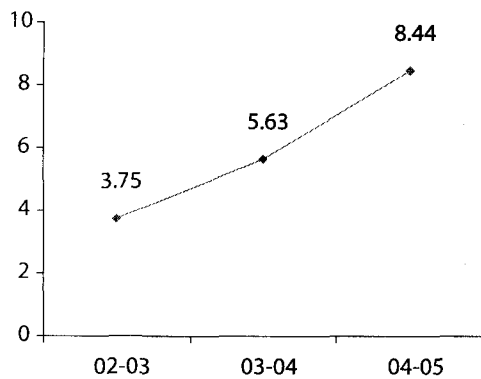
PROFIT AFTER TAX



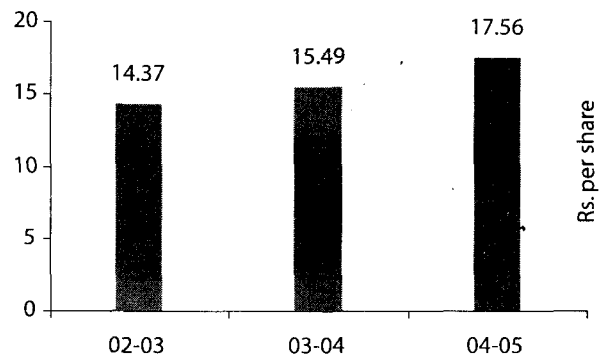
DIVIDEND



EARNING PER SHARE (Rs)



BOOK VALUE





Engineering Creativity

TATA ELXSI LIMITED

Regd. Office : 123, Richmond Road, Bangalore - 560 025

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP IN ALL RESPECTS AND
HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

REGD. FOLIO NO./CLIENT ID :

DP ID NO. :

NAME :

ADDRESS :

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Sixteenth Annual General Meeting of the Company.

Venue : Tata Elxsi Limited Corporate Office, Whitefield Road
Hoody, Bangalore - 560 048

Date : Friday, 22 July, 2005 at 12.00 noon

NAME OF THE SHAREHOLDER/PROXY (IN BLOCK LETTER)

Signature of the Shareholder or Proxy



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TATA ELXSI LIMITED

Regd. Office : 123, Richmond Road, Bangalore - 560 025

PROXY

I/We
of in the district of being a Member/Members of
TATA ELXSI LIMITED, hereby appoint of
in the district of or failing him/her, of
in the district of as my/our proxy to attend and vote for me/us and on
my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on Friday, 22nd July, 2005 at 12.00 noon at Tata Elxsi
Limited Corporate Office, Whitefield Road, Hoody, Bangalore - 560 048.

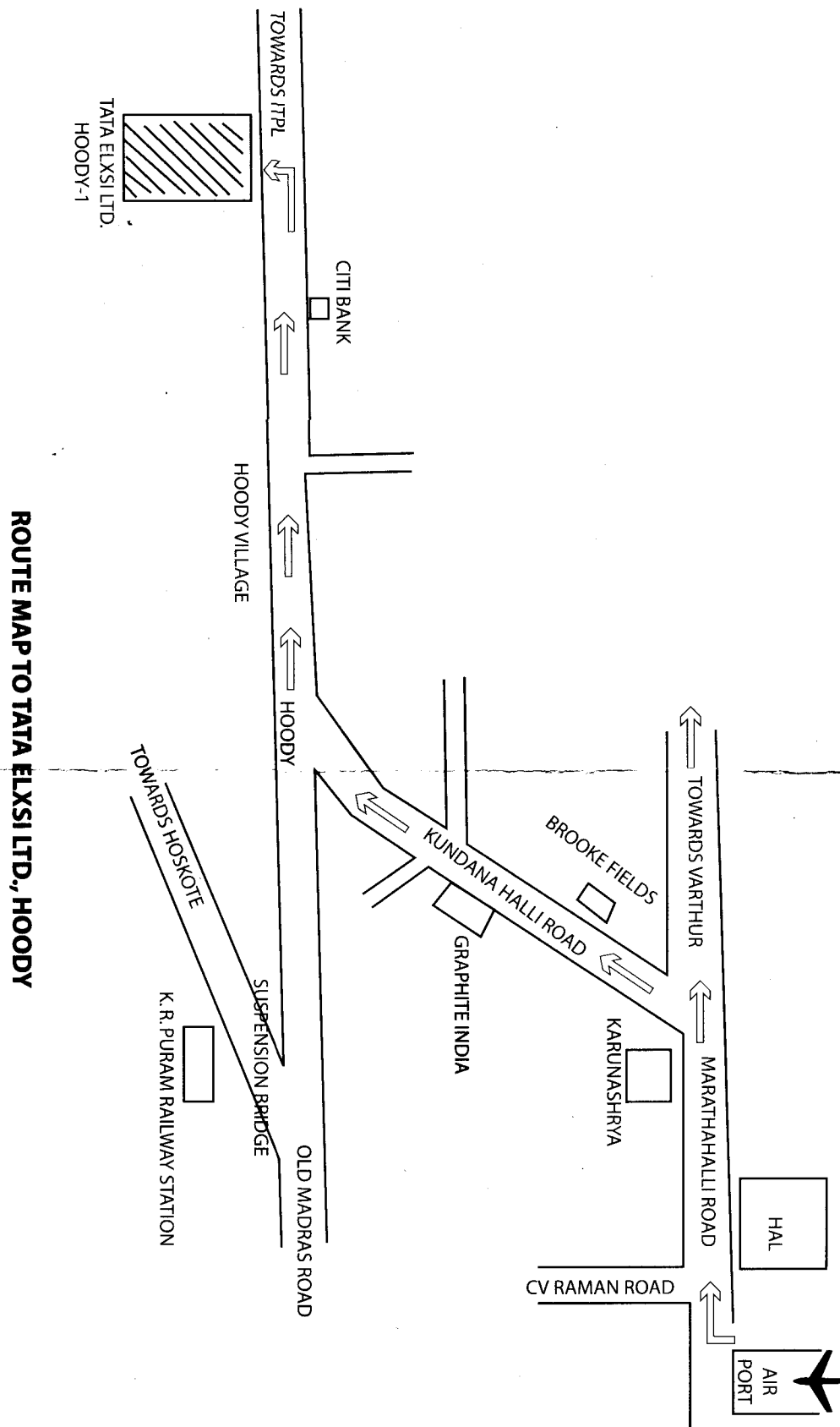
Signed this day of 2005

Regd. Folio/Client ID No. :
DP ID No. :
No. of Shares :

Signature



Note : The Proxy must be returned so as to reach the Registered Office of the Company, not less than FORTY EIGHT HOURS before the time of holding the Meeting.



ROUTE MAP TO TATA ELXSI LTD., HOODY

For the convenience of the Shareholders, transport has been arranged. Members desirous of availing the transport facility may intimate over Phone - 2297 9701, 2297 9712, 2297 9741.

TATA ELXSI WORLDWIDE**GERMANY**

Kaslor
Plats der Einheit - 1
Frankfurt Am. Main - 60327
Tel : +49 699 7503 131
Fax : +49 699 7503 200

GREATER CHINA

Vjet International Co, Ltd.
2F, No. 215, Xi-Zang Road, 108
Tai Pei, Taiwan, R.O.C
Tel : +886 2 2332 3113
Fax : +886 2 2337 7825

JAPAN

2F, Musashikosugi Fukokuseinei Building
915, Shinmarukocho, Nakahara -ku
Kawasaki -shi
Kanagawa 211 - 0005
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Fax : +81 4 4711 8118

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Hyde park Corner
London SW1X 7HS
Tel : +44 20 7905 0161
Fax : +44 20 7235 8727

HQ 8, The Square, Stockley Park
UXBridge
Middlesex UB11 1FW
Tel : +44 20 8610 6029

UAE

C/o. Tata West Asia, R/A - 08, ZB-07
P.O. Box 16980, Jebel Ali Free Zone
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Tel : +971 4 883 7750
Fax : +971 4 883 7806

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Fax : +1 248 687 1670

3500, West Olive Avenue, Suite 300
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Tel : +1 818 973 2710
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Newport Gateway Towers Center
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Tel : +1 949 224 3803
Fax : +1 408 420 3830

5445, DTC Parkway
Penthouse Four, Greenwood Village
Denver, CO 80111
Tel : +1 303 486 6836
Fax : +1 501 643 1856

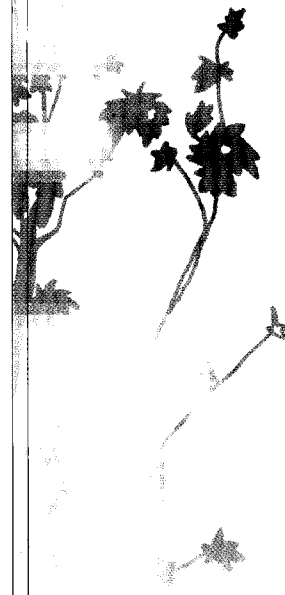
33, Wood Avenue South, Suite 600
Iselin, NJ, 08830
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Fax : +1 732 321 6562

255 West, 36th Street
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New York, NY - 10018
Tel : +1 212 300 2023
Fax : +1 212 300 2010

INDIA BRANCH OFFICES

• Bangalore Tel: (080) 2297 9701
• Chennai Tel: (044) 2499 4011
• Delhi Tel: (011) 2641 0661
• Jamshedpur Tel: (0657) 242 8161

• Kolkata Tel: (033) 2288 3480
• Mumbai Tel: (022) 2262 6894
• Pune Tel: (020) 2541 0981
• Secunderabad Tel: (040) 2789 8834



w w w . t a t a e l x s i . c o m

TATA
ELXSI

Engineering Creativity

TATA ELXSI LIMITED

REGISTERED OFFICE

123, Richmond Road, Bangalore - 560 025, India

Tel: +91 80 2297 9701, Fax: +91 80 2256 0617

CORPORATE OFFICE

ITPL Road, Whitefield, Bangalore - 560 048, India

Tel: +91 80 2297 9123, Fax: +91 80 2841 1474

INDIA DELIVERY CENTRES

■ Bangalore ■ Chennai ■ Mumbai ■ Thiruvananthapuram

Email: info@tataelxsi.com