

**TATA CONSULTANCY SERVICES LIMITED**  
ANNUAL REPORT 2005 - 06

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Annual General Meeting on Thursday, June 29, 2006, at Birla Matushri Sabhagar, at 3.30 p.m.  
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.  
Shareholders are requested to kindly bring their copies to the meeting.

## **Board of Directors**

R N Tata (*Chairman*)

S Ramadorai (*CEO and Managing Director*)

Aman Mehta

Naresh Chandra

V Thyagarajan

Clayton M Christensen

## **Company Secretary**

S H Rajadhyaksha

## **Statutory Auditors**

S B Billimoria & Co.

## **US GAAP Auditors**

Deloitte Haskins & Sells

## **Registered Office**

Bombay House,  
24, Homi Mody Street, Fort,  
Mumbai 400 001.  
Tel : 022 6665 8282  
Fax : 022 6665 8080  
Website : [www.tcs.com](http://www.tcs.com)

## **Corporate Office**

11th Floor, Air India Building,  
Nariman Point,  
Mumbai 400 021.  
Tel : 022 6750 9999  
Fax : 022 6750 9344  
Email: [investor.relations@tcs.com](mailto:investor.relations@tcs.com)

## **Registrars & Transfer Agents**

TSR Darashaw Limited  
(formerly Tata Share Registry Limited)  
Army & Navy Building,  
148, M. G. Road, Fort, Mumbai 400 001.  
Tel : 022 6656 8484  
Fax : 022 6656 8494  
E-mail: [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)  
Website: [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

## Management Team

Function	Name
<b>Corporate</b>	
CEO & MD	S Ramadorai
CFO	S Mahalingam
Corporate Affairs	Phiroz Vandrevalla
Global Sales & Operations	N Chandrasekaran
Global Human Resources	S Padmanabhan
<b>Geography Head</b>	
North America	Surya Kant
United Kingdom	A S Lakshminarayanan
Europe	Girish Ramachandran
Asia Pacific	Girija Pande V Rajanna Johnson Lam Masahiko Kaji Rick Marmur
Iberoamerica	Gabriel Rozman
MEA	Manoj Sahai
India	K Jayaramakrishnan S Venkatramani
<b>Governance Functions</b>	
Marketing	J V Pendharkar Keith Sharp John Lenzen Jim Thomas
R & D	Mathai Joseph K V Nori M Vidyasagar Gautam Shroff Sunil Sherlekar
Technology	K Ananthakrishnan
Human Resources	Ritu Anand K Ganesan Dilip Mohapatra Thomas Simon Larry Chen Gloria Fogel Jyoti Srivastava
Information Systems	Alok Kumar Bandana Sinha
Legal	Satya Hegde
Administration	G George
Finance	B Sanyal V Ramakrishnan Pauroos Karkaria
Company Secretary	S H Rajadhyaksha

<b>Function</b>	<b>Name</b>
<b>Industry Practices</b>	
Banking & Financial Services	N G Subramaniam J R Bhandari Ravi Shah
Insurance	K Padmanabhan Usha Lakshmanan
Telecom	N Sivasamban
Government	Tanmoy Chakrabarty
Healthcare & Life Sciences	J Rajagopal
Energy & Utilities	Ajoyendra Mukherjee
Retail	Pratik Pal
Media Entertainment	Edward Altman
Travel & Hospitality	G Srinivasa Raghavan
<b>Service Practices</b>	
Engineering and Industrial Services	Ravi Gopinath Regu Ayyaswamy
Business Process Outsourcing Enterprise Solutions	Milind Kamat Hasit Kaji Abhijit Majumdar Raj Agarwal
Technology Solutions Infrastructure Services Business Intelligence Consulting	Anita Nanadikar P R Krishnan Santosh Mohanty Per Bragee Arun Agarwal V Ramaswamy
Migration / Re-engineering Solutions Security System Integration / Outsourcing Assurance Service	Sudheer Warriar R K Raghavan B Gopal G R K Mohan
<b>Products</b>	
Banking	N G Subramaniam John Weste
Insurance Clearing & Settlement Security NCS	Pradipta Pandit R Vivekanand Sanjay Bhanot Manoj Govel
<b>Global Delivery</b>	
Ravi Viswanathan G Ramanathan Nagraj Ijari Abid Ali Debashis Ghosh Ajoyendra Mukherjee Vijay Srirangan	

***From the CEO's Desk...***

Dear Shareholders,

2005-06 has been a defining year for Tata Consultancy Services, in many ways. This is the first Annual Report of the Company since it went public in August 2004 that captures the Company's performance over four quarters. The leader of the Indian IT industry for the last 35 years, the Company has just commenced its journey as a public company and made a smooth and successful transition by adopting governance measures as well as enhancing its communication and brand building activities with the media, analysts and investors and ensuring regulatory compliance. Your Company is accelerating its activities along these dimensions. Its internal systems for knowledge management, customer relationship management and data-driven decision making have indeed matured, creating a responsible, profitable and empowered global organization.

These robust foundations combined with an aggressive growth focus saw the Company entering new business segments and new markets, and helped sustain the present growth rate of 36 per cent, which continues to be higher than the industry average. Your Company has also demonstrated an ability to close its books in quick time.

Through this sustained period of rapid growth, we are building our intellectual assets and creating a learning organization, confident of its abilities and talents. Over 60,000 culturally and ethnically diverse professionals from 53 nationalities, located across 35 countries, use technology to collaborate and share ideas and create innovative solutions that delight customers and deliver value. Your Company is already collaborating to address market changes brought about by future disruptive technologies. Simultaneously, we are also defining the next level of internal digitization that these developments will necessitate.

Innovation-led change is the common thread binding your Company's overall strategy. We function in a highly dynamic business environment which demands almost immediate responsiveness. Through a series of innovative steps, using organic and inorganic methods, your Company has emerged as a scale player in the IT services industry worldwide. Your Company's ability to deliver total solutions from conception to implementation, its knowledge of technology and business as well as its world-class project management capabilities have propelled it into the top league of global consultants.

With over 6 per cent of your Company's employees being non-Indian, we are creating a multi-cultural global organization that operates in an enriched and inclusive atmosphere of collaboration and excellence. Higher brand awareness is attracting talented people to the Company and it is increasingly being recognized as a preferred employer in key world markets. In India, TCS continues to be among the largest employers in the private sector with over 60,000 employees and has added over 21,000 employees this year. TCS remains the employer of choice in a fast-paced industry and has the lowest attrition rate in the industry.

Your Company's significant and growing world-wide presence is an asset in an intensely competitive industry, where we compete with global IT companies in all markets for large engagements. Our global Network Delivery Model™, has given us unparalleled execution capabilities across the world and has greatly enhanced the Company's ability to consult and execute multi-location, complex engagements. This model has resulted in your Company setting up nearshore centres in North America, Europe and Asia-Pacific, regional development centres in Hungary, Uruguay and Brazil and a global development centre in China, in addition to India. More than 3,000 talented professionals work at these multiple locations and in the coming years, these centers will continue to scale up rapidly.

Your Company is also using various "wheels of growth" to increase its share of wallet with large customers by offering specialized and emerging services like consulting, management of infrastructure services, business process outsourcing, software assurance services as well as engineering and industrial services. These services are growing rapidly and some have the potential to become billion dollar businesses in the medium term.

As technology evolves at a fast pace and across industries, there is also a great need for devising new platforms for simplifying existing systems and replicating successful ones across different industries. In a recent record-breaking business process outsourcing deal for Indian industry, the business processing activities of the UK based Pearl Group were taken over by us into a separate unit, Diligenta, majority-owned by the Company. This deal underscores not only the Company's ability to leverage potential opportunities that can be replicated across markets, but also showcases its business management, domain, technology and systems engineering prowess.

By participating in international bodies, we are helping set the standards of tomorrow's technology and by partnering with leading research institutions, we are looking to pioneer the next generation answers to today's questions about data privacy and security.

As we continue on our journey, it is crucial that your Company invests in creating "tomorrow's talent" – professionals equipped to perform at the highest standards in a global setting. To develop this class of professionals, the Company continues to invest in the learning and development of its young employee base. Not only is it arming them with the latest information and technology tools, but is creating new mind-sets that pay increasing attention to cross-disciplinary skills, develop a problem-solving attitude and above all bring an innovation-led attitude to create solutions.

As the 'India story' continues to get even more traction in the international arena, both for its talent pool as well as its potential as an emerging market, the opportunities in the country for your Company are growing. From governments to the private sector, increased spending in technology is being seen as a crucial part of remaining competitive and efficient. During the year, your Company launched India's first mission-mode e-governance project, MCA-21, for the Ministry of Company Affairs, as well as used its skills to create an automated solution for the National Rural Employment Guarantee scheme that reduces waste and corruption.

As an expression of our Corporate Social Responsibility, we are using technology and other resources to spread literacy among adults, engage with students in multiple ways and enhance the cultural institutions of the country. We remain deeply committed to the protection of the environment. Apart from providing financial support to needy organizations in this field, our campuses are constantly exploring and adopting more environment friendly measures from rain harvesting to recycling of paper. TCS volunteers generously responded to disasters like the Mumbai Floods and Hurricane Katrina.

The revenue potential of the Indian IT industry is estimated to be \$60 billion by 2010 and your Company is well poised to take advantage of this opportunity. A verticalised organization, increasing domain specialization, building a global scale and increasing global marketing and communication efforts are measures taken with an eye on the future. There are unexplored opportunities in Latin America, North America, Europe, Asia-Pacific and India that the Company must tap be it in the form of potential markets or sources of talent. We continue to examine growth via mergers and acquisitions that are a strategic fit, complement our capabilities and plug gaps in our portfolio of offerings.

In the knowledge business that we are in, the immense professionalism and dedication of all TCSers continues to be your Company's greatest asset to face any challenge on its journey to be among the top technology companies in the world.

*April 17, 2006*

**S. Ramadorai**  
*CEO & Managing Director*

## Notice

Notice is hereby given that the eleventh Annual General Meeting of Tata Consultancy Services Limited will be held on Thursday, June 29, 2006 at 3.30 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020 to transact the following business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividends and to declare a Final Dividend on Equity Shares.
3. To appoint a Director in place of Mr. R.N. Tata, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.
5. **Appointment of Mr. V. Thyagarajan as a Director of the Company**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

“RESOLVED that Mr. V. Thyagarajan who was appointed by the Board of Directors as an Additional Director of the Company with effect from September 5, 2005 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

6. **Appointment of Prof. Clayton M. Christensen as a Director of the Company**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

“RESOLVED that Prof. Clayton M. Christensen who was appointed by the Board of Directors as an Additional Director of the Company with effect from January 12, 2006 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 (“Act”) and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company.”

7. **Remuneration of Chief Executive Officer & Managing Director**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

“RESOLVED that in partial modification of Resolution No.8 passed at the Annual General Meeting of the Company held on July 19, 2005 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (“Act”) read with Schedule XIII of the Act, the Company hereby approves of the revision in the perquisites and allowances payable to Mr. S. Ramadorai, Managing Director, (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from April 1, 2005 for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.”

“RESOLVED further that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

8. **Increase in the Authorised Share Capital**

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

“RESOLVED that pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorized Share Capital of the Company be increased from Rs. 60,00,00,000 divided into 60,00,00,000 Equity Shares of Re. 1/- each to Rs.120,00,00,000 divided into 120,00,00,000 Equity Shares



of Re.1/- each by the creation of 60,00,00,000 Equity Shares of Re.1/- each and that Clause V of the Memorandum of Association of the Company be altered accordingly.”

**9. Alteration of the Articles of Association of the Company**

To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

“RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 3 of the Articles of Association of the Company be substituted by the following Article :

‘3. The present Authorized Share Capital of the Company is Rs. 120,00,00,000 (Rupees One hundred and twenty crores) divided into 120,00,00,000 Equity Shares of Re. 1/- each’ ”.

**10. Issue of Bonus Shares**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

“RESOLVED that :

- (a) subject to such consents and approvals as may be required, and such conditions and modifications, as may be considered necessary and agreed to by the Board of Directors of the Company, (hereinafter referred to as the “Board” which expression shall also include a Committee thereof), a sum not exceeding Rs. 48,93,05,249 as may be determined to be required by the Board, out of the amount of Rs. 2066.68 crores standing to the credit of the Securities Premium Account as at March 31, 2006, be capitalized and transferred from the Securities Premium Account to Share Capital Account and that such sum as may be determined to be required shall be applied for allotment of New Equity Shares of the Company of Re. 1/- each as fully paid Bonus Shares to the persons who, on a date to be hereafter fixed by the Board (the “Record Date”), shall be the holders of the existing Equity Shares of Re. 1/- each of the Company on the said date and that such New Equity Shares out of the Company’s unissued Equity Shares, credited as fully paid, be accordingly allotted as Bonus Shares to such persons respectively as aforesaid in the proportion of 1 (One) new Equity Share for every 1 (One) existing Equity Share held by such persons respectively on the Record Date, upon the footing that they become entitled thereto for all purposes as capital;
- (b) the New Equity Shares of Re. 1/- each to be allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with and carry the same rights as the existing Equity Shares and shall be entitled to participate in full in any dividends declared after the Bonus Shares are allotted;
- (c) no Letter of Allotment shall be issued to the allottees of the Bonus Shares and the Share Certificates in respect of the New Equity Shares shall be issued and despatched to the allottees thereof within the period prescribed or that may be prescribed in this behalf from time to time, except that the Bonus Shares will be credited to the demat accounts of the allottees who are holding the existing Equity Shares in electronic form;
- (d) the allotment of the fully paid New Equity Shares as Bonus Shares to the extent that they relate to non-resident members of the Company, shall be subject to the approval of the Reserve Bank of India, under the Foreign Exchange Management Act, 1999, if necessary;
- (e) for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the issue, allotment and distribution of the New Equity Shares.”

**11. Appointment of Branch Auditors**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, (“Act”) the Board be and is hereby authorized to appoint as Branch Auditors of any

branch office of the Company, whether existing or which may be opened / acquired hereafter, in India or abroad, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor within the provisions of Section 228 of the Act and to fix their remuneration."

**Notes :**

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 5 to 11 above, are annexed hereto. The relevant details as required by clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment as Directors under Item Nos. 3, 5 and 6 above, are also annexed.
2. **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 of the Company.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued on behalf of the nominating organization.
3. The Register of Members and Transfer Books of the Company will be closed from Tuesday, June 20, 2006 to Thursday, June 29, 2006, both days inclusive. If the final dividend as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made on or after June 30, 2006 as under :
  - a) To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on June 19, 2006;
  - b) To all shareholders in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on June 19, 2006.
4. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of the dividend. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
5. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, TSR Darashaw Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
6. For Shareholders of erstwhile Tata Infotech Limited (TIL)

Pursuant to Sections 205A and 205C of the Companies Act, 1956, all unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits as at March 31, 2006 remaining unpaid or unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government. Members are requested to contact the Company's Registrars and Transfer Agents, in respect of unclaimed / unpaid dividends declared on or after September 1, 1999.

By Order of the Board of Directors,

**S.H. RAJADHYAKSHA**  
*Company Secretary*

Mumbai, April 17, 2006

**Registered Office :**

Bombay House,  
24, Homi Mody Street,  
Mumbai 400 001.

## Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173 of the Companies Act, 1956, ("Act") the following explanatory statements set out all material facts relating to the business mentioned under Item Nos. 5 to 11 of the accompanying Notice dated April 17, 2006.

1. Item Nos. 5 and 6 :

Mr. V. Thyagarajan and Prof. Clayton M. Christensen were appointed as Additional Directors of the Company on September 5, 2005 and January 12, 2006 respectively. As per the provisions of Section 260 of the Act, the two Directors hold office only up to the date of the forthcoming Annual General Meeting of the Company, and are eligible for appointment. The Company has received notices under Section 257 of the Act, in respect of the candidates, proposing their appointment as a Director of the Company, along with the requisite deposit.

Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the Annexure attached to the Notice. Keeping in view the experience and expertise of these persons, their appointment as Directors of the Company is recommended.

Each of the Directors may be deemed to be interested in the resolution relating to his own appointment.

2. Item No. 7 :

Mr. S. Ramadorai was appointed as the Managing Director of the Company for a period of five years with effect from August 9, 2004 on the terms and conditions and remuneration as approved by the Shareholders at the Annual General Meeting of the Company held on July 19, 2005.

In order to give flexibility to the Board of Directors to decide upon the benefits, perquisites and allowances to be granted to the Managing Director from time to time, within the overall ceilings prescribed under the Act, it is proposed to revise the terms of remuneration relating to perquisites and allowances of Mr. S. Ramadorai with effect from April 1, 2005. The Board of Directors at its meeting held on March 23, 2006, have, pursuant to the recommendation of the Remuneration Committee, approved of the aforesaid proposal, subject to the approval of the Members. All the other terms and conditions of the appointment and remuneration of Mr. S. Ramadorai would remain unchanged. The existing components of remuneration such as salary, incentive remuneration and commission along with the revised clause relating to benefits, perquisites and allowances are as set out below :

I. Remuneration

a. Salary

Upto a maximum of Rs. 5,00,000/- per month, with authority to the Board or a Committee thereof, to fix the salary within the said maximum amount from time to time. The annual increments which will be effective 1<sup>st</sup> April each year, will be decided by the Board or a Committee thereof and will be merit based and take into account the Company's performance.

b. Incentive Remuneration

Upto 200% of salary to be paid at the discretion of the Board annually, based on certain performance criteria.

c. Commission

Such remuneration by way of commission, in addition to the salary, incentive remuneration, if any, and benefits, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company

or a Committee thereof, at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amounts payable to the Managing Director will be based on certain performance criteria to be laid down by the Board or a Committee thereof and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Members.

d. Benefits, Perquisites & Allowances

- (i) In addition to the salary, incentive remuneration, if any, and commission payable, Mr. S. Ramadorai, Managing Director, shall also be entitled to perquisites and allowances such as accommodation (furnished or otherwise) or house rent and maintenance allowances, in lieu thereof; together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries; medical reimbursement / allowance; club fees and leave travel concession / allowance for himself and his family; medical / accident 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 or a Committee thereof and Mr. S. Ramadorai; such perquisites and allowances will be subject to such overall ceiling as may be fixed by the Board of Directors from time to time.
- (ii) Company maintained car with driver for official and personal use.
- (iii) Telecommunication facilities at residence.
- (iv) Contribution to Provident Fund, Superannuation Fund or Annuity Fund and Gratuity as per the rules of the Company.
- (v) Leave and encashment of unavailed leave as per the rules of the Company.

II. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr S. Ramadorai, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, incentive remuneration, benefits, perquisites and allowances as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

In compliance with the provisions of Sections 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration of Mr. S. Ramadorai are now being placed before the Members in general meeting for their approval. The Board commends the Resolution for acceptance by the Members.

An abstract of the variation in the terms of appointment of the Managing Director pursuant to Section 302 of the Act has been sent to the Members earlier.

Mr. S. Ramadorai is concerned or interested in the resolution at Item No. 7 of the Notice.

3. Item Nos. 8, 9 and 10 :

Within the guidelines prescribed by the Securities and Exchange Board of India (SEBI), for capitalization of reserves and in order to bring the paid up capital of the Company more in line with the capital employed, the Board at its meeting held on April 17, 2006 recommended an issue of Bonus Shares in the proportion of 1 (One) new Equity Share of the Company of Re. 1/- each for every 1 (One) existing Equity Share of the Company of Re. 1/- each held by the Members on a date to be fixed by the Board, by capitalizing a part of the Securities Premium Account.

As per Article 112 of the Articles of Association of the Company, it is necessary for the Members to approve the issue of Bonus Shares.

It is also necessary to authorize the Board of Directors of the Company to complete all the regulatory formalities in connection with the issue of Bonus Shares that may be prescribed by SEBI, the Stock Exchanges on which the Company's securities are listed and / or any other regulatory authority.

In order to facilitate the capitalization of reserves as set out in the Resolution at Item No.10 of the Notice, the Authorized Capital of the Company is being increased from Rs. 60,00,00,000 divided into 60,00,00,000 Equity Shares of Re. 1/- each to Rs. 120,00,00,000 divided into 120,00,00,000 Equity Shares of Re. 1/- each as indicated in the Resolution at Item No. 8 of the Notice. Consequently, Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company are proposed to be altered.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office between 11.00 am to 1.00 pm on any working day of the Company.

The Resolutions at Item Nos. 8 to 10 seek the approval of the Members to increase the Authorized Share Capital, alter the Memorandum and Articles of Association and issue Bonus Shares on the terms and conditions set out in Resolution No. 10. The Board recommends the Resolutions set forth in Item Nos. 8 to 10 above for approval of the Shareholders.

The Directors of the Company may be deemed to be concerned or interested in the issue of the Bonus Shares to the extent of their shareholdings in the Company, or to the extent of the shareholdings of the companies / institutions / trusts of which they are directors or members or trustees without any beneficial interest.

4. Item No. 11 :

The Company has branches in India and abroad and may also open / acquire new branches in India and abroad in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches. The Shareholders are requested to authorize the Board of Directors of the Company to appoint branch auditors in consultation with the Company's Auditors and to fix their remuneration.

No Director is in any way concerned or interested in the Resolution.

The Board commends the Resolution for acceptance by the Members.

By Order of the Board of Directors,

**S.H. RAJADHYAKSHA**  
*Company Secretary*

Mumbai, April 17, 2006

**Registered Office :**

Bombay House,  
24, Homi Mody Street,  
Mumbai 400 001.

### Details of Directors Seeking Appointment at the Annual General Meeting

<b>Particulars</b>	<b>Mr. R.N. Tata</b>	<b>Mr. V. Thyagarajan</b>	<b>Prof. Clayton M. Christensen</b>
Date of Birth	December 28, 1937	April 19, 1946	April 6, 1952
Date of Appointment	May 5, 2004	September 5, 2005	January 12, 2006
Qualifications	Bachelor of Science degree in Architecture from Cornell University. Completed the Advanced Management Program conducted by Harvard University.	B. Tech (Elec) and M.B.A. from the Indian Institute of Management, Ahmedabad	B.A. (Economics) M.Phil. (Economics) MBA and DBA from Harvard Business School.
Expertise in specific functional area	Eminent industrialist with wide business experience across a variety of industries	Wide experience in Marketing & Corporate Management in India and Overseas	Professor at Harvard Business School. Expertise in Technology & Operations Management and General Management
Directorships held in other Public companies (excluding foreign companies)	<ul style="list-style-type: none"> <li>● Tata Sons Limited</li> <li>● Tata Industries Limited</li> <li>● Tata Steel Limited</li> <li>● Tata Motors Limited</li> <li>● Tata Chemicals Limited</li> <li>● The Indian Hotels Company Limited</li> <li>● The Tata Power Company Limited</li> <li>● Tata Tea Limited</li> <li>● Tata Autocomp Systems Limited</li> <li>● The Bombay Dyeing &amp; Manufacturing Company Limited</li> <li>● Tata Teleservices Limited</li> <li>● Tata Teleservices (Maharashtra) Limited</li> <li>● Hindustan Aeronautics Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Glaxo Smithkline Pharmaceuticals Limited</li> <li>● EID Parry Limited</li> </ul>	Nil
Memberships / Chairmanships of committees of other public companies (Includes only Audit and Shareholders / Investors Grievance Committee)	Nil	Nil	Nil
Number of shares held in the Company	3,80,814	Nil	Nil

## Directors' Report

To the Members,

The Directors submit the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2006.

### 1. Financial Results

Financial Year

	<b>2005-2006 (Rs. in crores)</b>	2004-2005 (Rs. in crores)
(i) Income from Sales and Services	<b>11214.86</b>	8027.59
(ii) Other Income	<b>67.95</b>	95.22
(iii) Total Income	<b>11282.81</b>	8122.81
(iv) Operating Expenditure	<b>7946.59</b>	5568.54
(v) Profit before Additional Performance Incentive, Depreciation, Interest, Tax and Exceptional Items	<b>3336.22</b>	2554.27
(vi) Additional Performance Incentive	—	102.00
(vii) Interest	<b>4.49</b>	10.40
(viii) Depreciation	<b>257.38</b>	133.22
(ix) Profit before Taxes and Exceptional Items	<b>3074.35</b>	2308.65
(x) Provision for Taxes	<b>357.48</b>	280.76
(xi) Profit before Exceptional Items	<b>2716.87</b>	2027.89
(xii) Tax on transfer of Overseas Branches	—	(9.82)
(xiii) Charge on account of Employee Stock Purchase Scheme	—	(186.65)
(xiv) Net Profit for the Year	<b>2716.87</b>	1831.42
(xv) Balance Brought Forward from Previous Year	<b>1005.47</b>	0.64
(xvi) Amount transferred on amalgamation of companies	<b>136.16</b>	—
(xvii) Amount Available for Appropriation	<b>3858.50</b>	1832.06
<b>Appropriations</b>		
(a) Interim Dividends	<b>432.10</b>	312.07
(b) Interim Dividends - Tata Infotech Limited	<b>8.27</b>	—
(c) Proposed Final Dividend	<b>220.19</b>	240.06
(d) Tax on Dividends	<b>92.64</b>	74.46
(e) General Reserve	<b>272.00</b>	200.00
(f) Balance carried to Balance Sheet	<b>2833.30</b>	1005.47

(1 crore = 10 million)

## 2. Changes in Paid-up Share Capital

On February 1, 2006, three wholly-owned subsidiaries of the Company viz. Airline Financial Support Services (India) Limited (AFSL), Aviation Software Development Consultancy India Limited (ASDC) and TCS Business Transformation Solutions Limited (TCS BTS) as well as Tata Infotech Limited (TIL) were amalgamated with the Company (TCS) pursuant to two separate Schemes of Amalgamation.

The Scheme of Amalgamation of the three wholly-owned subsidiaries with the Company did not involve any issue of share capital by TCS, since the entire share capital of these subsidiaries was held by TCS.

As per the Scheme of Amalgamation of TIL with TCS, shareholders of TIL were entitled to receive one equity share of Re. 1/- each of TCS for every two equity shares of Rs. 10/- each held in TIL. Accordingly, 91,90,440 equity shares of Re. 1/- each of the Company were issued and allotted to the shareholders of the erstwhile TIL on March 7, 2006 resulting in the paid-up equity share capital of TCS increasing from Rs. 48,01,14,809 to Rs. 48,93,05,249 consisting of 48,93,05,249 equity shares of Re. 1/- each.

## 3. Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the shareholders a Final Dividend of Rs. 4.50 per share on 48,93,05,249 equity shares of the Company in respect of the financial year 2005-06. The Final Dividend, if declared as above, would involve an outflow of Rs. 220.19 crores towards dividend and Rs. 30.88 crores towards dividend tax, resulting in a total outflow of Rs. 251.07 crores. A table on the dividends paid during the year and the dividends paid during the previous year by TCS is given below :

(Rs. in Crores)

	2005-06					2004-05		
	No. of shares	Dividend per share (Rs)	Dividend Amount	Dividend Tax	Total Outgo	No. of shares	Dividend per share (Rs)	Total Outgo (incl. div. tax)
First Interim Dividend	48,01,14,809	3.00	144.03	20.20	164.23	48,01,14,809	3.00	162.85
Second Interim Dividend	-do-	3.00	144.03	20.20	164.23	-do-	3.50	190.01
Third Interim Dividend	-do-	3.00	144.04	20.20	164.24	-	-	-
<b>Sub-total</b>	-	-	<b>432.10</b>	<b>60.60</b>	<b>492.70</b>	-	-	<b>352.86</b>
Final Dividend	48,93,05,249	4.50	220.19	30.88	251.07	48,01,14,809	5.00	273.73
<b>Total</b>	-	-	<b>652.29</b>	<b>91.48</b>	<b>743.77</b>	-	-	<b>626.59</b>

During the year, the erstwhile Tata Infotech Limited (TIL) paid its shareholders three Interim Dividends each of Rs. 1.50 per share on its 1,83,80,880 equity shares of Rs. 10/- each. This involved a total outflow of Rs. 9.43 crores consisting of Rs 8.27 crores towards dividend and Rs. 1.16 crores towards dividend tax. These interim dividends were in proportion to the interim dividends declared by TCS keeping in view the share exchange ratio of 1:2 for the amalgamation of TIL with TCS.

## 4. Transfer to Reserves

The Company proposes to transfer Rs. 272 crores to the General Reserve out of the amount available for appropriations. An amount of Rs. 2833.30 crores is proposed to be retained in the Profit and Loss Account.



## 5. Issue of Bonus Shares

The Directors have, subject to the approval of the shareholders, approved a bonus issue of equity shares in the ratio of ONE equity share of the Company of Re. 1/- each for every ONE equity share of the Company held by the shareholders of the Company as on a Record Date to be fixed later. Necessary resolutions for obtaining the approval of the shareholders have been incorporated in the Notice for the forthcoming Annual General Meeting of the Company.

## 6. Operating Results and Business

The Company's performance in 2005-06 was dominated by strong, profitable growth in key markets around the world. The Company is emerging as a global full-services player in the IT sector with the ability to handle large customers and complex engagements.

For the year ended March 31, 2006, the Company earned total income of Rs. 11282.81 crores (previous year Rs. 8122.81 crores) and Rs.13386.23 crores as per the Consolidated Accounts (previous year Rs.9844.60 crores).

The net profit of the Company for the year amounted to Rs. 2716.87 crores or 24.08% of total income (Rs.2966.74 crores or 22.16% of total income as per the Consolidated Accounts) and for the previous year it amounted to Rs.1831.42 crores or 22.55% of total income (Rs.1976.90 crores or 20.08% of total income as per the Consolidated Accounts).

The Company continues its multi-pronged strategy to establish itself among the top global IT services and consulting companies by providing solutions to real business problems to corporations around the world by leveraging its excellence in technology, domain knowledge and processes.

The growing strength of the Company's core business of IT services including application development and maintenance (ADM) was underscored in its significant win from ABN Amro Bank, who awarded the Company a five-year ADM assignment in excess of Euros 200 million to be executed through its centres in Mumbai, Bangalore, Budapest, Luxembourg and Campinas, Brazil.

The Company's pioneering global Network Delivery Model™ is producing value for customers by providing seamless high-quality service across the globe through a network of global, regional, near-shore and on-site software development centres in India, China, Uruguay, Brazil, Hungary, Japan, Australia, UK and the USA. This extensive global footprint of offices and development centres across five continents helps the Company offer its suite of end-to-end solutions in English speaking and non-English speaking regions to local corporations as well as to units of multinational corporations.

The Americas continued to be the largest contributor to TCS' consolidated revenues for the year ended March 31, 2006 with a contribution of nearly 59.06 % of total consolidated revenues. India, Europe and Asia Pacific & others contributed 12.50%, 22.40% and 6.04% of the consolidated total revenues respectively.

Among the industry verticals, the banking, financial services and insurance sector contributed 38.32% of total revenues on the back of large outsourcing deals in banking, strong traction for the insurance products and solutions as well as the extensive range of solutions for the capital markets and its constituents. The manufacturing sector, which contributed 15.38% of the Company's total revenues, is being driven by demand for Enterprise solutions like ERP and engineering services. Other significant verticals include life sciences & healthcare, retail, telecom and transportation.

The Company's high-value "growth engines" which include emerging businesses like consulting, remote infrastructure management services, platform-based business process outsourcing, asset-based solutions as well as engineering and industrial services, and which, in the opinion of the Company, have significant potential to scale up in the next five years, continue to witness traction among customers in all geographies.

## **7. International Credit Rating**

Moody's Investors Services has assigned an investment-grade issuer rating of A3 as well an indicative foreign currency debt rating of Baa1 to the Company with the ratings outlook as stable. This is the first time that Moody's has assigned a rating to TCS. The rating is not for any specific debt issuance by TCS.

## **8. Acquisitions**

During the year, the Company through its subsidiaries made the following international strategic acquisitions towards attaining its goal of being among the top ten IT companies in the world :

### **i) Comicro S.A., Chile**

To enhance its presence in Latin America's emerging BPO market and pioneer the next generation of verticalised, platform-led opportunities, the Company made a strategic acquisition of Comicro S.A. in November 2005 through its newly formed subsidiary TCS Chile Limitada. Comicro is a leading BPO organization in Chile with a 57% market share of the cheque processing business and counts more than 70% of the banks operating in Chile as its customers.

The Comicro acquisition will drive TCS' growing presence in the region's banking sector, as Comicro's local expertise combined with TCS' banking domain expertise and proprietary assets like Quartz and FNS (see below) will enable the Company to offer the entire range of IT and BPO services to banks in Latin America.

### **ii) Financial Network Services (Holdings) Pty Limited, Australia (FNS)**

In October 2005, TCS made a strategic decision to become a complete solutions provider for the global banking industry by acquiring Sydney-based FNS, through the Company's newly formed subsidiary in Australia, TCS FNS Pty Limited.

The acquisition of FNS will further strengthen TCS' portfolio of banking and financial services products by adding BANCS, a strong, scalable, high-performance Core Banking Solution with an established global customer-base. TCS expects to derive high synergistic value by combining its own product portfolio with BANCS software and by offering the customer its servicing capabilities. Incremental revenue will come from both software licences and implementation and enhancement services.

BANCS has been installed in over 115 banks spread over 35 countries and its clients include Tier I and Tier II banks in emerging markets in Europe, Asia, Australia and Africa. In India, 40% of all bank business will soon be done on BANCS software following its implementation at all branches of State Bank of India and its associate banks as well as Indian Bank and others.

### **iii) Swedish Indian IT Resources AB (SITAR)**

The Company acquired SITAR through its subsidiary in Sweden viz. TCS Sverige AB, in May 2005. SITAR was TCS' exclusive partner in Sweden and a non-exclusive partner in Norway. SITAR's client list includes Ericsson, IKEA, Vattenfall and Hutchison. The acquisition has enabled TCS to deal directly with end-customers and help increase TCS' market share in the region.

## **9. Strategic Alliances**

### **i) Diligenta Limited**

In October 2005, the Company announced a new growth initiative to enter the Life Insurance and Pensions BPO market in the United Kingdom through a structured transaction with the UK-based Pearl Assurance Group (Pearl). This strategic initiative to pioneer the next generation of industry-specific BPO solutions built around IIMS, the Company's proprietary insurance solution platform, will start

operating in FY 2007 to service the Pearl Group's closed books portfolio of four million insurance policies and is expected to generate revenues of over £480m (\$847m) over the next 12 years.

During the year, TCS formed a majority-owned subsidiary in the UK named Diligenta Limited (Diligenta) to undertake the Pearl transaction. Diligenta will subsequently focus on offering similar services to other life insurance and pensions companies which presents its with a significant growth opportunity in an industry with high-entry barriers.

## ii) C-Edge Technologies Limited

The Company entered into a Joint Venture Agreement with the State Bank of India (SBI), pursuant to which a subsidiary company named C-Edge Technologies Limited (C-Edge) has been set up in India with equity participation from TCS and SBI. C-Edge will provide advanced technology solutions and world-class domain consulting for the banking and financial services sector.

## 10. Amalgamations

As mentioned in para 2 above, Tata Infotech Limited (TIL) and three wholly-owned subsidiaries of the Company, viz. AFSL, ASDC and TCS BTS have amalgamated with TCS. All the amalgamations are operative retrospectively from April 1, 2005.

The merger of Tata Infotech added 15 new Fortune 500 clients and enhanced the Company's Systems Integration and Infrastructure Service capabilities. The merger of TIL also added the capability of manufacturing specialized niche electromechanical equipment to the Company's Engineering and Industrial Services (EIS) strategic business unit. The merger has also enabled TCS to add an Education Services Practice to offer technical education as a new offering.

The merger of AFSL, ASDC and TCS BTS will strengthen the IT Enabled services (BPO) business offering from the Company.

## 11. Human Resource Development

TCS has been recognized for its good human resources practices not only in India but also in the United Kingdom and Hungary. In this high-growth industry, TCS continues to be the employer of choice, marked by the lowest attrition rate of 9.9%.

With over 62,000 associates from 53 nationalities, the Company is emerging as a true global firm with a diverse employee base. This heterogeneous base is central to sustaining the Company's competitive edge and at the end of the year, the number of non-Indian nationals working for the Company was 6.5% out of a total employee base of 62,832. The percentage of women working for the Company increased to 24 % from 21.6 % last year.

The Company's HR policies and processes are aligned to effectively drive its expanding business and forays into emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating a compelling work environment, empowering employees at all levels and maintaining well-structured reward and recognition mechanisms. The Company's commitment to competency development and performance excellence earned it a top 10 ranking globally in the American Society for Training and Development Best Awards Program.

Employee engagement remains a key focus of HR initiatives undertaken by the Company. TCS enables its employees to meet their career objectives through rotation across projects, functions and locations globally. The Company helps employees build new skills and competencies and promotes knowledge sharing and team building. To this end, an automated integrated system for competency management and learning and development has been launched.

The Company has further enhanced its benchmark Initial Learning Program by making it flexible and location independent. The Foreign Languages Department continues to promote foreign language education, especially French, German and Japanese and orientation on different cultures.

During the year, the Company added a net of 21,140 persons through recruitment and through mergers and acquisitions. The Company's recruitment practice ensures that suitable candidates with merit are recruited and provided with the right opportunities. During 2005-06, the Company received over 6.25 lakh applications of which only 3.5% were selected.

## **12. Interface with Academia**

Continuous interaction with educational institutions remains a central plank of the Company's strategy to attract the best scientific and engineering talent and engage in cutting-edge research and development in partnership with universities.

To bridge the campus-corporate gap, the Company has been conducting Faculty Development Programs across the country. Over 268 workshops were held, with 888 participants from 397 educational institutes. Moreover, 1087 students were provided with project internships during the year and the Company sponsored 144 conferences.

In January 2006 the Company entered into a 5-year Research and Development collaboration with Stanford University, one of the leading academic institutions in the US, for research in the critical area of data privacy. This is in addition to various other research initiatives being undertaken in partnership with institutes such as IIT Mumbai, University of York (UK), University of Aalborg (Denmark), as well as University of Illinois, University of Wisconsin, Georgia, Institute of Technology and University of California, Riverside, USA.

## **13. Quality Initiatives**

Reinforcing its commitment to high standards of quality, service management and robust information security practices, the Company was recommended enterprise-wide for ISO 9001:2000, BS 7799-2:2002 and BS 15000-1:2002 certifications in February 2006. This is the largest, enterprise wide and multiple certification of an IT solutions organisation done to date. This is TCS' second such enterprise-wide achievement, the first being the pioneering enterprise-wide CMMI® and PCMM® combined appraisal carried out in 2004.

As a result of these certifications, TCS also became the only software company in China to be assessed at CMMI and PCMM Level 5 and ISO 9001:2000 as well as gain BS 7799-2:2002 and BS 15000-1:2002 certifications.

An early adopter of the Tata Business Excellence Model (TBEM), the Company has used TBEM as the overarching framework to build excellence into its operations around the world.

## **14. Corporate Social Responsibility**

Social and Community Initiatives as expressions of the Company's Corporate Social Responsibility (CSR) operate at three levels :

Generation I of CSR focuses on philanthropy. Blood donation camps, support to orphanages, visits to remand homes, computer donation programmes for schools and charitable causes, are activities carried out by TCS volunteers and the Maitree organization, an in-house association of employees and their families. During the year, TCS volunteers generously responded to disasters like the Tsunami, the Mumbai Floods and Hurricane Katrina. Significant donations / commitments of the Company during the year include Rs. 3.25 crores towards Tsunami Relief, Rs. 25 lakhs towards Mumbai Flood Relief and Rs. 4.10 crores for the setting up of a Tata Cancer Hospital in Kolkata.

Generation II CSR in TCS covers engagement with external stakeholders. This involves active interaction with the academic and professional communities.

Generation III CSR relates to the use of the Company's core competencies in technology to address societal problems such as developing websites and customised database applications for charitable institutions. The Company's computer-based Adult Literacy Programme added two more languages (Oriya and Urdu) and the total number of people that have used the program crossed 65,000 nationwide.

The Company's CSR activities are also carried out in China, Hungary, UK, USA and Latin America by participating in community initiatives in the locations where TCS operates.

## 15. Awards / Recognition

During the year, the Company received various awards / recognitions, significant amongst which are the following :

- Enterprise-wide ISO 9001:2000, BS 7799-2:2002 and BS 15000-1:2002 certification. This is the largest, enterprisewide and multiple certification of an IT solutions organisation done to date.
- 'Investor in People' recognition for TCS UK. 'Investor in People' is a scheme that sets national standards of good working practices in the UK. TCS is the first among global IT solutions companies to achieve this recognition.
- Special award by the UK Prime Minister, Tony Blair, for TCS' "Outstanding Contribution to UK Knowledge Industry" in 2005.
- Dataquest-IDC Best Employer Award in IT Services.
- Rajiv Gandhi National Quality Award (RGNQA) for 2005 for TCS' Hyderabad Branch.
- TCS UK was ranked among 'Top Ten ICT Employers in the UK' for 2005 by The Corporate Research Foundation, Computing Magazine.
- TCS Hungary was ranked among the top 20 in the "Large Company category" in the Hewitt Best Employers Survey 2005 in Hungary. This was the highest ranking in the "IT sector" in the Large Company category.
- TCS was ranked among the Top Ten in the American Society for Training and Development's 2005 BEST Awards Program.

## 16. Corporate Governance Report and Management Discussion and Analysis Statement

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis statement.

## 17. Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act") and based on the representations received from the operating management, the Directors hereby confirm that :

- (i) in the preparation of the Annual Accounts for the year 2005-06, the applicable Accounting Standards have been followed and there are no material departures;
- (ii) they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial 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. They confirm that there are adequate systems and controls 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.

#### **18. Subsidiary Companies and Consolidated Financial Statements**

During the year, the Company has set up three subsidiaries, viz. TCS FNS Pty Limited in Australia, Diligenta Limited in the UK and C-Edge Technologies Limited in India. Three of the Company's subsidiaries have also set-up one subsidiary each and the new subsidiaries are Tata Consultancy Services Portugal Unipessoal Limitada in Portugal, Tata Consultancy Services Luxembourg S.A. in Luxembourg and Tata Consultancy Service Chile Limitada in Chile.

As mentioned in para 8 above, Comicro which was acquired in Chile had 5 subsidiaries. Similarly, FNS, Australia, which was acquired, had 9 subsidiaries. Of these, one subsidiary of FNS has been de-registered during the year. Also, SITAR, which was acquired by TCS Sverige AB, has become a subsidiary of the Company.

Further, 3 companies which were wholly-owned subsidiaries of TCS have merged with TCS on February 1, 2006 and 3 companies which were subsidiaries of Tata Infotech Limited (TIL) have become subsidiaries of TCS upon the amalgamation of TIL with TCS.

With the above, the Company has 49 subsidiaries as on March 31, 2006. There has not been any material change in the nature of the business of the subsidiaries. A statement containing brief financial details of the subsidiaries is included in the Annual Report.

As required under the Listing Agreements with the Stock Exchanges a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 issued by The Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details of the Company and its subsidiaries and associate companies as a single entity, after elimination of minority interest.

The Company has been granted exemption for the year ended March 31, 2006 by the Ministry of Company Affairs vide its letter dated April 17, 2006 ('Exemption Letter'), from attaching to its Balance Sheet, the individual Annual Reports of each of its subsidiary companies. As per the terms of the Exemption Letter, a statement containing brief financial details of the Company's subsidiaries for the year ended March 31, 2006 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company / its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company / its subsidiaries at the Corporate Office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head offices of the respective subsidiary companies.

#### **19. Fixed Deposits**

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

#### **20. Directors**

During the year, Mr. V. Thyagarajan and Prof. Clayton M. Christensen have been appointed as Additional Directors on September 5, 2005 and January 12, 2006 respectively. Both Mr. Thyagarajan and Prof. Christensen are Independent Directors. As per the provisions of Section 260 of the Companies Act, 1956, these Directors

hold office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices under Section 257 of the Act in respect of the above persons, proposing their appointment as a director of the Company, along with the requisite deposit. Resolutions seeking approval of the shareholders for their appointment have been incorporated in the Notice of the forthcoming Annual General Meeting along with brief details of the candidates.

Mr. R.N. Tata, Director, retires by rotation and being eligible has offered himself for re-appointment.

#### **21. Auditors**

M/s. S.B. Billimoria & Co., Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

#### **22. Particulars of employees**

Information as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in an Annexure forming part of this report.

#### **23. Conservation of energy, technology absorption, foreign exchange earnings and outgo**

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in an annexure to this report.

#### **24. Acknowledgements**

The Directors thank the Company's customers, vendors, investors, business associates and bankers for their support to the Company.

The Directors also thank the Government of India and the Governments of various countries, the concerned State Governments and other Government Departments and Governmental Agencies for their cooperation.

The Directors place on record their appreciation of the contributions made by every member of the TCS family across the world.

*On behalf of the Board of Directors,*

Mumbai  
April 17, 2006

**R. N. Tata**  
Chairman

## **Annexure to the Directors' Report**

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

#### **Conservation of energy**

The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.

#### **Technology absorption, adaptation and innovation**

The Company continues to use the latest technologies for improving the productivity and quality of its services and products.

#### **Innovation in TCS**

Innovation is at the core of Tata Consultancy Services (TCS). TCS has always had a strong commitment to innovation to ensure that its clients, partners, and the Company are competitive players, equipped to meet the challenges of a fast-paced and dynamic environment.

As early as in 1981, the Tata Research, Design and Development Center (TRDDC), the first and largest industrial Research and Development (R&D) facility in India was set up. This institution celebrates its 25<sup>th</sup> anniversary in 2006. TCS' commitment continues and its innovation network includes clients, other industry leaders, business partners, university partnerships and the internal R&D initiatives.

TCS believes that to succeed, innovation initiatives must :

- extend across the enterprise;
- establish and leverage an open and networked model;
- focus on executing both "sustaining" and "disruptive" initiatives (sustaining competitiveness as well as establishing radical and new ways to compete); and
- be effectively managed throughout the "innovation lifecycle".

#### **Specific areas in which R&D was carried out by the Company**

Areas in which the Company carried out R&D during 2005-06 are given below :

##### **i) TRDDC, Pune**

- Important R&D work was done in the area of data privacy and a new TCS data-masking tool, Masketeer™ was released; the tool provides mechanisms for ensuring privacy of data while maintaining high data utility. This is an area of considerable continuing work, in collaboration with academic institutions and with TCS clients. A new five-year R&D collaboration on data privacy with Stanford University started on January 1, 2006 and TCS also became an industrial partner in the US National Science Foundation Trust project on ubiquitous secure computing.
- Recent work led to the Information Extraction engine Inx (in collaboration with IIIT, Hyderabad, India) and the Smart text search engine Terese. A software tool was built to automatically unearth patterns and interesting knowledge from large, complex data sets.
- TRDDC continued to work closely with the Object Management Group (OMG); the Query-View-Transformation submission, for which TRDDC was a major contributor, has now been accepted by OMG as a standard.



- In mineral processing, it was shown that the yield of coal can be increased and ash content reduced using a novel reagent selection methodology and a judicious set of experimental conditions, a result that could have major implications for the steel industry.
- Research on cyclic heat processing led to a patent application for a method that resulted in uniform microstructure and properties, especially applicable for automotive and engineering applications.
- Computational Fluid Dynamics was used for several major applications, including minimizing hotspots in boilers and for the design of a vertical Bridgman furnace.
- TRDDC was the First Award winner in the IT-R&D category of the Maharashtra State Technology Awards for 2004-05.

#### **ii) Advanced Technology Centre, Hyderabad (ATC)**

- During the year 2005, the Advanced Technology Centre completed the development of the versatile, portable software package Bio-Suite™. This work received the IT Innovation in India Award for the year 2005, from Nasscom.
- ATC undertook a major initiative to provide an improved annotation of the *P. falciparum* genome, including the identification of the genes and their possible functions, as part of the New Millennium Indian Technology Leadership Initiative of the Council of Scientific and Industrial Research. *P. falciparum* is a parasite that is the principal causative agent of malaria. Though the genome of *P. falciparum* was sequenced in 2004, many of its genes and their functions remain unknown. The ATC approach is based on a combination of machine learning algorithms to predict the locations of genes, followed by experimental verification of the predictions by TCS' academic partners in the project.
- At the Open Source & Linux Center of Excellence, several contributions were made in areas such as : Development of Telugu versions of Openoffice suite and Firefox browser, tools for automatic conversion of non-Unicode compatible web pages to Unicode-compliant web pages, and other features such as dictionary and spell-check for Indian languages. A major milestone was reached in the Indian language initiative project with the second release of Swechha Telugu Desktop.
- The Life Sciences R&D Division started working with Congenia, a biotechnology start-up promoted by Italy's Genextra SpA group to provide advanced fragment-based lead optimization solutions for drug discovery.

#### **iii) Business Systems and Cybernetics Centre, Hyderabad**

- The architecture of the Next Generation Software Process which helps to assert the qualities of the developed product, both functional and non-functional has been completed. This has been presented in seminars at CMU, MIT and UMass at Amherst, all in the USA.
- Work on Morphogenetic and Epigenetic basis for deriving operational Enterprise Models is on-going. These models describe the enterprise at work in delivering its Plan, and its evolution that is governed by its Vision, Mission and Strategy. This on-going work was presented at UWisconsin at Milwaukee and MIT Sloan School, both in the USA.
- Empirical studies have been completed for measuring productivity in software processes.

**iv) Embedded Systems R&D Group, Bangalore & Kolkata**

- The development of an ambulatory / non-ambulatory ECG monitoring system with facilities for distance diagnosis and advice by experts was completed with the design and development of a 12-lead ECG system with a tiny printer attachment and RF link. This was done in collaboration with IIT Mumbai.
- In collaboration with the Advanced Technology Centre, Hyderabad, the Group implemented an Elliptic Curve Digital Signature Algorithm (ECDSA) and developed the Suraksha technology, an innovative hardware-software partitioned implementation of the ECDSA algorithm.
- A model integrated framework for the development of wireless medium access control (MAC) has been developed. This has been used to develop the MAC protocol software for WiMax.
- TCS has been invited to participate in the end-to-end reconfigurability (E<sup>2</sup>R) project, partly funded by the European Commission in the 6th Framework Programme. The work proposal submitted by TCS has been accepted and the project has started.
- A collaborative research effort involving TCS, the Centre for Development of Telematics (CDOT) and Communication Research Centre, Canada, in the area of Cognitive Radio for WiMAX is contributing to standards development activities of IEEE 802.16h.
- TCS has developed an IP-based desktop video conferencing system that is being planned for initial in-house deployment. All the core components like H.264 video compression, AMR audio compression codecs and the protocols have been developed and used for this. A videophone system and a place shifting set top box using the same technology is also in the process of development.

**v) TCS Technology Innovation Lab, Delhi**

- JfleX.com, the Web Application Player, is a new fundamental architectural concept, at the same level as the 'web application server'. Using JfleX.com, business analysts can develop and use custom applications without any 'traditional' programming. Jflex.com also enables deployment of custom applications without the need to own and manage the relevant hardware & software platforms.
- Natas - Natural Language Assistant - a text-based natural language conversational interface, has been developed for menu-driven systems. Natas permits the user to carry out a dialog with the system in order to fetch relevant data and carry out various tasks of the system. The architecture uses semantic web based ontology of the domain, to aid in the retrieval of the relevant data and concepts from the system.
- SfleX - a Software Flexibility Prototype, has been developed as a Zope plug-in and has been released as an open source project and is available for download under the terms of the GNU GPL (General Public License).
- Through iLab, TCS announced a relationship with CollabNet, the leading provider of on-demand (SaaS) distributed software development solutions. TCS has adopted CollabNet Enterprise Edition 4.0, the Company's flagship solution for distributed application lifecycle management and software development, for its internal projects.

### Patents granted during the year

Sr. No.	TITLE / DESCRIPTION	COUNTRY
1.	System and apparatus for programming system views in an object oriented environment	USA
2.	Pattern-based comparison and merging of model versions	USA
3.	Method and apparatus for object-oriented access to a relational database management system (RDBMS) based on any arbitrary predicate	USA
4.	A rice husk ash based domestic water filter - II	India

### Patents Applied for during the year

Sr. No.	TITLE / DESCRIPTION	COUNTRY
1.	To achieve uniform microstructure and properties during thermal processing	India
2.	A technique for composing MDA toolkits	India
3.	Architecture for MDD tool integration	India
4.	A technique to extend AOP with models	India
5, 6.	Enhancing spectral efficiency of OFDM systems by Data Transmission over Pilot Zones	European Union, USA
7.	Cybernetic Search with Knowledge Maps	India
8.	Automated Support for Monitoring and Managing Knowledge Work	India
9.	A hardware / software parallelized implementation of the elliptic curve digital signature algorithm	India
10.	Authentication Server	India
11.	Digital Images	India
12.	Video Coding Decoding Means	India
13.	CET Tool	India

### Patents Applications received pursuant to the merger of Tata Infotech Limited

Sr. No.	TITLE / DESCRIPTION	COUNTRY
1.	System Method and Product for Implementing a Tax and Revenue Solution	USA
2.	Enabling generation of composite instructions or performing redundancy elimination based on a profitability criteria	USA
3.	Automated Query Answering System including method and Computer Program Product therefore	India
4.	A Computer network providing improved data transfer speeds, customized content and increased security	India

### Benefits derived

Customers are able to see the benefits resulting from the Company's R&D efforts and are actively exploring the role that the Company can play in their long-term technology and research options. The past R&D efforts of the Company have resulted in sale of software licenses and usage of these licenses internally as follows :

Financial Year	No. of licenses	No. of licenses in TCS	No. of external licenses	Estd. Cost savings in USD
2003-04	1609	1560	49	1,640,200
2004-05	2631	2588	43	1,950,680
2005-06	3110	2637	473	3,362,318

**Future Plan of Action**

The Company has instituted a Corporate Technology Office headed by a Chief Technology Officer, and a Corporate Technology Board to oversee and govern Technology Innovation in the organization. The Company will continue its investments in research within TCS and also with its academic and industry partnerships across multiple areas, covering, inter alia :

- Further work on data privacy, with special emphasis on the requirements of large systems. A tool-assisted model-driven methodology is being developed to enhance component-based systems integration.
- Participation in key OMG standards committees and contributing to the Eclipse model driven development tool integration bus.
- Designing a generic Knowledge Management Framework to enable multiple decision-making components to be coupled together quickly and robustly to achieve various ends.
- Buidling models for detecting software piracy, evaluating the extent of piracy, and eventually being able to determine approximately how much piracy is really going on the Internet.
- Version 1 of RapidEx, a Rapid Development Environment for the Management Suite will be released in the next quarter, as will be the first tools developed with it.
- Multimedia information retrieval with enhancements to the current Query by Humming System and Video Shot Detection Systems. Multi-modal aspects of querying will be explored.
- Adaptive systems in the context of Telecommunications, both at the level of individual components like SDR and at the network level through end-to-end reconfigurability.

**Expenditure on R&D**

	<b>Year ended 31.3.2006</b>	Year ended 31.3.2005
(a) Capital	<b>1.88</b>	1.00
(b) Recurring	<b>30.16</b>	20.29
(c) Total	<b>32.04</b>	21.29
(d) Total R&D expenditure as percentage of total income	<b>0.28%</b>	0.26%

**Foreign exchange earnings and outgo**

Activities relating to exports, initiatives taken to increase exports : development of new export markets for products and services; and export plans } Mentioned in the Directors' Report.

	<b>Year ended 31.3.2006</b>	Year ended 31.3.2005
Foreign exchange earnings	<b>10127.08</b>	7485.25
Foreign exchange outgo (including capital goods and imported software packages)	<b>4427.57</b>	3079.08

*On behalf of the Board of Directors,*

Mumbai  
April 17, 2006

**R. N. Tata**  
*Chairman*

## Annexure to Directors' Report

**Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006**

Sr. No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
1.	Anand, Dr. Ritu	48	Vice President	26,84,286	18,11,850	MA, Phd	17	18-12-89	Academic Staff College, Bombay
2.	Bakshi, Mr. Sridhar	48	Principal Consultant	24,43,378	15,87,388	M.Tech	25	12-05-89	International Data Management
3.	Baliga, Mr. Pankaj Madhav	59	Vice President	26,02,785	16,83,080	BE, MBA	36	31-05-01	Indian Hotels Co. Ltd. (Taj Hotel)
4.	Banerjee, Mr. Shekhar	55	Principal Consultant	25,82,164	18,71,242	BSc, Bachelor of Gen Law MBA	34	01-04-05	Tata Infotech Ltd.
5.	Bhandari, Mr. Jagdish Raj	54	Vice President	33,84,407	21,41,377	BSc, M. Tech	30	15-12-75	First Employment
6.	Bhanot, Mr. Sanjay	42	Principal Consultant	25,04,686	16,16,654	M.Tech	19	27-01-87	First Employment
7.	Bhaskaran, Mr. K. L.	59	Senior Consultant	25,78,918	18,57,728	BSc, B. Tech, PGDM	35	01-04-05	Tata Infotech Ltd.
8.	Bhattacharya, Mr. Harin	53	Principal Consultant	29,62,032	20,96,951	BE	30	01-04-05	Tata Infotech Ltd.
9.	Bishram, Mr.	50	Principal Consultant	24,42,542	18,12,254	B. Tech, PG. Dip. in Bus. Mgmt	26	01-04-05	Tata Infotech Ltd.
10.	Chadha, Mr. Mahesh	49	Principal Consultant	25,39,427	18,42,440	B. Tech, MBA	23	01-04-05	Tata Infotech Ltd.
11.	Chakrabarty, Mr. Tanmoy	45	Vice President	51,43,800	33,58,177	B.Com, Dip. in Bus. Mgmt	23	12-01-04	EDS Electronics Data Systems
12.	Chandrasekaran, Mr. N.	43	Executive Vice President	58,71,596	37,35,749	BSc, MCA	19	27-01-87	First Employment
13.	Dewan, Mr. Bhushan Kumar	54	Vice President	24,81,425	15,94,868	Dip. in Comp. Mgmt	33	16-04-01	NMIMS, Mumbai
14.	Dhage, Mr. Dilip	49	Principal Consultant	27,02,644	19,27,907	M. Tech	25	01-04-05	Tata Infotech Ltd.
15.	Doreswamy, Mr. Satishchandra	39	Principal Consultant	35,20,277	24,12,751	BE	16	01-04-05	TCS Business Transformation Solutions Ltd.
16.	Gopal, Mr. Balakrishnan	53	Vice President	27,14,312	17,25,900	B. Tech	32	15-01-87	Digitron Computers
17.	Gopinath, Dr. Ravi S.	40	Vice President	30,42,261	19,76,030	Phd	15	05-09-94	Rensselaer Polytechnic Institute
18.	Gulati, Mr. Nityan	46	Principal Consultant	24,34,600	15,59,548	BE	24	12-07-82	First Employment
19.	Gupta, Mr. Jitander Kumar	46	Senior General Manager	24,57,163	17,07,093	MBA	21	29-04-02	Jay Engineering Ltd.
20.	Hate, Mrs. Chanda	54	Senior General Manager	29,16,587	20,71,962	MA	31	01-04-05	Tata Infotech Ltd.
21.	Husami, Mr. Muslim	48	Senior Consultant	24,12,914	17,33,399	B.Tech	25	01-04-05	Tata Infotech Ltd.
22.	Ijari, Mr. Nagaraj	47	Principal Consultant	24,46,054	15,69,900	B.Tech	20	15-01-90	Mafatlal Consultancy
23.	Jagannadhan, Mr. J.*	53	General Manager (of erstwhile TIL)	14,88,614	10,39,064	B.Tech, MS	27	28-03-80	Administrative Staff College
24.	Jagannathan, Mr. Rajagopal	52	Executive Vice President	57,36,000	36,68,641	B.Com, ACA, ACS, ACMA (UK), MBA (USA), AMP (Harvard)	24	09-09-02	Ways India Ltd.
25.	Jain, Mr. Kamal	59	Vice President	46,86,421	32,47,880	DME	34	01-04-05	Tata Infotech Ltd.
26.	Jayaramkrishnan, Mr. Kannan	52	Vice President	27,62,028	17,75,913	BSc, Dip. in Prod. Engg	31	01-12-89	S. B. Billimoria & Co.
27.	Joseph, Prof. Mathai	63	Executive Vice President	43,07,106	27,07,246	MSc, Phd	27	20-10-97	Carnegie Mellon University
28.	Kaji, Mr. Hasit	43	Vice President	24,43,320	15,76,237	BE	20	23-06-86	First Employment
29.	Kant, Mr. Surya*	51	Vice President	16,77,800	11,64,119	BSc, M. Tech	28	01-08-78	First Employment
30.	Karkaria, Mr. Pauroos D.	53	Executive Vice President	63,60,055	43,99,902	M.Com	32	01-04-05	Tata Infotech Ltd.
31.	Kavarana, Mr. Farrokh K.*	62	Executive Chairman (of erstwhile TIL)	1,13,94,025	52,98,208	B.Com (Hons), MBA, FCA (Eng & Wales)	36	03-10-01	Tata Infotech Ltd.
32.	Keeni, Dr. Gargi	53	Vice President	24,72,881	15,86,656	MSc, Phd	24	08-08-88	Facom Hitachi Ltd.
33.	Krishnan, Mr. Swaminathan*	42	Senior Vice President (of erstwhile TIL)	13,99,774	9,77,922	BE	30	01-07-04	Tata Infotech Ltd.
34.	Krishnan, Mr. K. Ananth	43	Vice President	31,86,254	20,30,118	MSc, M.Tech	18	08-02-88	First Employment
35.	Krishnan, Mr. P. R.	50	Vice President	35,65,116	22,72,057	ME	25	03-02-82	E R D C Keltron
36.	M, Mr. Rajagopalan	51	Principal Consultant	26,50,044	16,87,918	B.Tech, ME, ICWA	29	03-08-92	BHEL
37.	Mahajan, Mr. Mahesh	59	Vice President	24,36,707	15,65,466	PGDM	35	01-03-99	Unicrop Industries Ltd.
38.	Mahalingam, Mr. Seturaman	58	Chief Financial Officer	72,21,599	45,66,398	B.Com, ACA	39	09-11-70	G. P. Kapadia & Co.
39.	Malhotra, Mr. Vinod Kumar	59	Vice President	42,86,790	29,95,073	BSc	38	01-04-05	Tata Infotech Ltd.
40.	Menezes, Mr. Clifton S.	42	Senior Consultant	24,29,006	17,41,116	MSc	20	01-04-05	Tata Infotech Ltd.
41.	Mukherjee, Mr. Ajayendra	47	Vice President	35,66,438	22,95,457	BE	26	07-07-80	First Employment
42.	Nanadikar, Mrs. Anita P.	45	Principal Consultant	24,56,665	15,81,569	BE	23	25-07-83	First Employment
43.	Narayanan, Mr. Ramanathan*	61	Vice President	19,39,784	12,74,583	MSc	11	06-11-95	First Employment
44.	Narayanan, Mr. V. S.	35	Principal Consultant	27,20,708	19,46,559	MBA	9	26-05-05	Blue Brick Consulting
45.	Nilekani, Mr. Anand M.	53	Principal Consultant	33,13,296	24,41,056	BE, DMS	25	01-04-05	Tata Infotech Ltd.
46.	Nori, Prof. Kesav Vithal	60	Executive Vice President	42,21,018	26,49,242	M.Tech	38	08-10-83	CMU, Pittsburgh, USA
47.	Oberoi, Dr. Sundeeep	45	Principal Consultant	30,01,412	21,10,269	M.Tech, Phd	21	01-04-05	Tata Infotech Ltd.

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Sr No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
48.	Padmanabhan, Mr. Kishore	55	Vice President	29,33,372	18,43,867	M.Tech	31	01-09-75	First Employment
49.	Padmanabhan, Mr. S.	48	Executive Vice President	59,31,436	37,75,208	BE, PGDM	24	17-05-82	First Employment
50.	Pai, Mr. Dilip M.	48	Principal Consultant	24,63,766	17,66,004	B.Tech	24	01-04-05	Tata Infotech Ltd.
51.	Pande, Dr. Arun K.	54	Principal Consultant	26,85,539	19,41,672	ME, Phd	25	01-04-05	Tata Infotech Ltd.
52.	Pathak, Mr. Shrikant N.	49	Principal Consultant	30,71,364	21,90,390	BE, M.Tech	28	01-04-05	Tata Infotech Ltd.
53.	Pathak, Mr. Suhas	59	Principal Consultant	28,22,240	20,09,606	B.Tech, MSc, MBA	34	01-04-05	Tata Infotech Ltd.
54.	Pendharkar, Mr. Jayant V.	63	Vice President	28,17,608	17,83,855	B.Tech, MBA	36	16-07-96	United S/W Services, Inc., USA
55.	Poddar, Mr. Debashis	39	Senior Consultant	31,22,676	29,56,230	BE, PGDM	14	03-09-01	Arthur Anderson
56.	Pradip, Dr.	50	Scientist	25,18,266	16,32,929	Phd	31	06-04-84	Bhabha Atomic Research Centre
57.	Raghavan, Mr. Srinivasan	56	Principal Consultant	25,12,103	18,02,459	B. Tech, PGDM	34	01-04-05	Tata Infotech Ltd.
58.	Raisinghani, Mr. Suresh	59	Principal Consultant	26,59,485	18,94,379	B.Tech, PG. Dip. in Sys. Mgmt	37	01-04-05	Tata Infotech Ltd.
59.	Rajadhyaksha, Mr. Shailesh H.	54	Company Secretary	42,01,081	26,88,107	B.Com (Hons.), ACA, AICWA, ACS	31	22-04-04	Tata Industries Ltd.
60.	Ramachandran, Mr. S.	57	Principal Consultant	33,08,064	23,26,600	M. Tech, MSc	31	01-04-05	Tata Infotech Ltd.
61.	Ramadorai, Mr. Subramanian	62	CEO & Managing Director	2,14,42,701	1,37,45,417	BE, MSc	36	23-02-72	Physical Research Lab., Ahmedabad
62.	Ramanan, Mr. Ramanathan	48	Vice President	34,30,733	21,91,688	B.Tech	25	22-07-81	First Employment
63.	Rao, Mr. Anand	49	Senior Consultant	25,27,365	17,89,503	BE	25	01-04-05	Tata Infotech Ltd.
64.	Rao, Mr. Sriganesh Kamasamudra	48	Senior Consultant	26,10,814	18,90,717	BE, M. Tech, MBA	16	01-04-05	Tata Infotech Ltd.
65.	Rao, Mr. Venkata G.	55	Principal Consultant	25,33,714	18,01,787	DME	24	01-04-05	Tata Infotech Ltd.
66.	Ravichandran, Mr. K.	51	Principal Consultant	26,70,893	18,96,093	BE	29	01-04-05	Tata Infotech Ltd.
67.	Saha, Mr. Arup Kumar	57	Principal Consultant	36,40,661	25,44,326	MSc, PG. Dip. in Comp. Mgmt, PG. Dip. in Sys. Mgmt	34	01-04-05	Tata Infotech Ltd.
68.	Sanyal, Mr. Barindra	60	Vice President	41,79,877	26,79,106	BSc, ACA	30	11-03-03	Tata SS Ltd.
69.	Saxena, Mr. Rajeev	40	Consultant	24,68,170	17,75,672	BE	16	01-04-05	Tata Infotech Ltd.
70.	Sengupta, Dr. Siddhartha	55	Senior Consultant	25,01,660	17,73,968	MSc, Phd	30	01-04-05	Tata Infotech Ltd.
71.	Sethna, Mr. Behram Rustom	54	Vice President	27,38,614	17,55,123	MSc, MBA	30	01-06-76	First Employment
72.	Shah, Mr. Ravindra Jivandhar	55	Vice President	36,40,789	23,20,787	BE, M.Tech	31	15-12-75	Telerad
73.	Sharma, Mr. Shubendhu Dwaraka	46	Senior Consultant	26,82,876	19,95,818	BE	25	01-04-05	Tata Infotech Ltd.
74.	Sherlekar, Dr. Sunil Dattatraya	50	Principal Consultant	27,89,360	17,89,050	M.Tech, Phd	24	29-05-02	Sasken Communication Tech Ltd.
75.	Shevade, Mr. Suhas P.	52	Senior Consultant	25,95,898	18,89,505	B. Tech, PGDM	27	01-04-05	Tata Infotech Ltd.
76.	Shroff, Dr. Gautam	42	Vice President	24,60,856	15,80,387	Phd	15	02-01-98	IIT, Delhi
77.	Shukla, Mr. Subodh Vishnu*	51	Principal Consultant	12,54,983	8,90,210	B. Tech	27	15-05-03	Org Systems
78.	Srinivasan, Mr. N.	49	Senior Consultant	24,50,233	17,50,668	B. Tech, PGDM	25	01-04-05	Tata Infotech Ltd.
79.	Srinivasan, Mr. A.	49	Principal Consultant	24,52,304	15,68,811	M.Tech	23	02-11-87	Cholamandalam Software Ltd.
80.	Srirangan, Mr. Vijay	51	Vice President	42,22,721	29,37,853	B.Tech, PGDM	27	01-04-05	Tata Infotech Ltd.
81.	Subramaniam, Mr. Kalyanaraman	52	Senior Consultant	24,19,259	17,82,924	BE, PGDM	27	01-04-05	Tata Infotech Ltd.
82.	Subramaniam, Mr. N. Ganapathy	47	Vice President	41,65,331	27,30,908	MSc	24	04-01-82	First Employment
83.	Tenny, Mr. Cherian Koshy	43	Principal Consultant	29,31,609	21,07,311	BE, MMS, Master of Fin. Mgmt	19	01-04-05	Tata Infotech Ltd.
84.	Thapan, Mr. Rahul	42	Principal Consultant	26,39,579	18,65,289	BE	20	01-04-05	Tata Infotech Ltd.
85.	Ullas, Mr. Maipalli P.	51	Senior Consultant	24,92,372	18,24,870	BE, PG. Dip. in Mkt. Mgmt	26	01-04-05	Tata Infotech Ltd.
86.	Vaidyan, Mr. G. George	63	Vice President	28,37,818	17,95,247	BA	39	15-04-77	Indian Army
87.	Valia, Mrs. Ravita Rameshchand*	40	Principal Consultant	4,26,910	3,71,211	CA.	18	02-02-06	Lehman Brothers
88.	Vandrevala, Mr. Phiroz Adi	52	Executive Vice President	58,96,777	36,86,119	B.Com, ACA	24	08-09-92	Tandem Computers
89.	Varma, Mr. Satish	47	Principal Consultant	24,49,280	16,24,763	M.Tech	23	22-07-83	First Employment
90.	Vengadam, Mr. Thiru*	47	Principal Consultant	25,49,002	17,23,185	MBA.	19	02-05-05	People Soft India
91.	Vidyasagar, Dr. M.	59	Executive Vice President	46,05,798	29,95,725	MSc, Phd	37	19-04-00	Centre For AI & Robotics
92.	Viswanathan, Mr. Palghat Subramaniam	60	Vice President	28,13,464	18,14,308	BE, PGDBA	37	23-08-01	Vishva Flora Ltd.
93.	Viswanathan, Mr. Ravi P. V.	44	Vice President	31,48,614	20,33,313	BE	21	20-08-90	DCS Ltd.

Notes :

1. The gross remuneration shown above is subject to tax and comprises salary, allowances, cash incentive, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund and Superannuation Fund.
2. In addition to the above remuneration, employees are entitled to gratuity, medical benefits, etc. in accordance with the Company's rules.
3. The net remuneration is arrived at by deducting from the gross remuneration, income tax, Company's contribution to Provident Fund, Superannuation Fund and the monetary value of non-cash perquisites, wherever applicable.
4. The remuneration as indicated above, includes performance linked payments for employees for the previous year, which were approved by the Management during the year.
5. The above details are only for employees located in India.
6. Asterisk against a name indicates that the employee was in service or located in India only for a part of the year.

## **DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's web site.

I confirm that the Company has in respect of the financial year ended March 31, 2006, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer, the Company Secretary and employees in the Executive Vice President cadre as on March 31, 2006.

Mumbai  
April 17, 2006

**S. Ramadorai**  
*CEO & Managing Director*

## Management Discussion and Analysis

### 1 INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

#### 1.1 Growth of Indian IT Industry and Expected Industry Size

With estimated revenues of US\$ 36.3 billion in FY 2005-06, the Indian Information Technology – Information Technology Enabled Services (IT-ITES) Industry continues to grow 5 times as fast as the global IT services industry, clocking a Compounded Annual Growth Rate (CAGR) of 28% since FY 1999-2000. NASSCOM has forecast that the growth rate of over 25% is expected to continue and will help Indian IT-ITES exports exceed US\$ 60 billion by FY 2010. *“Source: NASSCOM Strategic Review 2006”*

**Chart 1: Growth in world-wide IT spends**

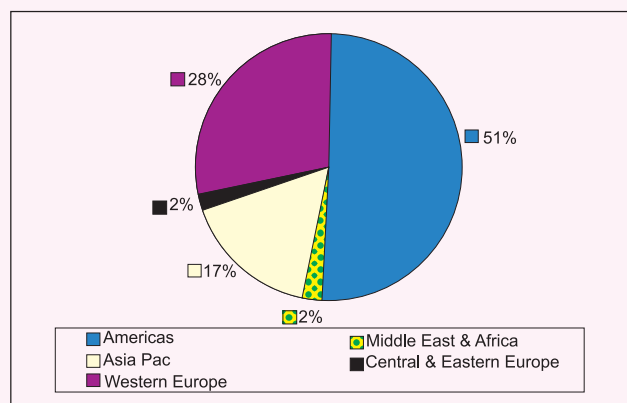
Amount in US\$ Billion

	Yr 2004	Yr 2005	Growth
IT Services	418	441	5.5%
BPO	361	395	9.4%
Product Engg	22	27	22.7%
Software Products	193	206	6.7%
Hardware	390	410	5.1%
<b>Total</b>	<b>1384</b>	<b>1479</b>	<b>6.9%</b>

*“Source: NASSCOM Strategic Review 2006”*

The Geographic market breakup of the Global IT-ITES markets for 2005 is as shown in Chart 2:

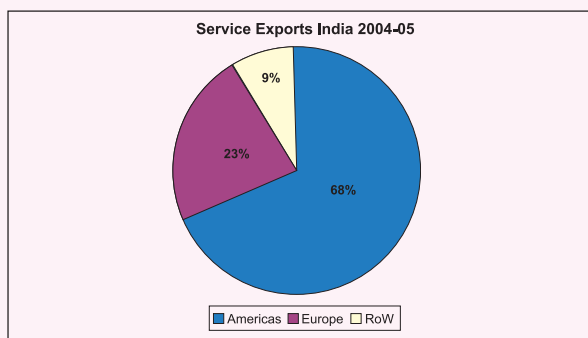
**Chart 2: Share of key markets in world-wide IT spends - 2005**



*“Source: NASSCOM Strategic Review 2006”*

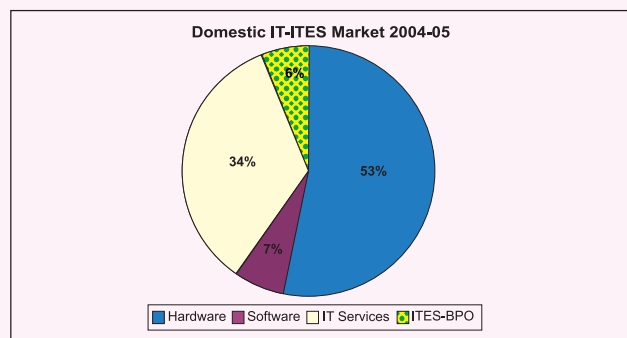
The trends in global IT spending over the years 2004 and 2005 by type of spend (see Chart 1) and share of such spend in 2005 by geographic region (see Chart 2) shows the components of growth over these two years and the industry revenue growth drivers.

**Chart 3: Service Exports from India 2004-05**



The total Indian IT-ITES **Services Exports** were US\$ 17.7 billion in 2004-05. Of the share of exports of 68.5% to Americas, 66.5% was to the USA. Out of the share of 23% of exports to Europe, 14% was to UK. NASSCOM estimates that in FY 2005-06 Indian IT exports (including hardware and software in addition to services) grew to US\$ 23.9 billion from US\$ 18.2 billion in 2004-05. *“Source: NASSCOM Strategic Review 2006”*

**Chart 4: Domestic IT-ITES market**

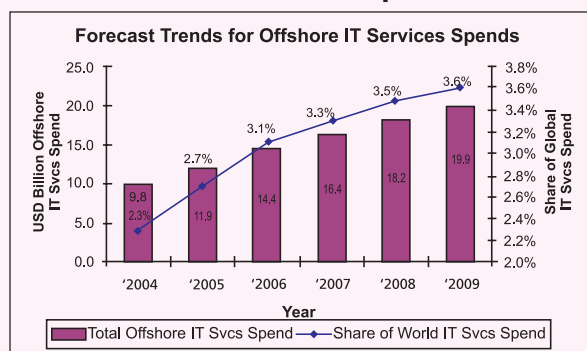


In FY 2004-05, the **domestic IT-ITES market** was valued at US\$ 10.2 billion (See Chart 4) and was estimated to grow at 22% to exceed US\$ 12.4 billion in FY 2005-06. The IT services segment in the domestic market is expected to reach US\$ 4.5 billion in FY 2005-06, exhibiting an 11.5% CAGR over 2001-2005. The domestic ITES or BPO segment is showing a CAGR of 60% over FY 2002-2006 and is expected to be US\$ 0.9 billion in the FY 2005-2006. *“Source: NASSCOM Strategic Review 2006”*



## 1.2 Size and Scope of Global Opportunity

**Chart 5: Offshore IT Services Spend Forecasts**



“Source: NASSCOM Strategic Review 2006”

Forecasting India’s sustained leadership position in the global outsourcing industry, the NASSCOM – McKinsey Report 2005 estimates that the Indian IT industry has only addressed 10% of a potential market size in excess of US\$ 300 billion so far. The report estimates that by 2010, of this US\$ 300 billion opportunity, almost 35% or US\$ 110 billion is expected to be relocated from source countries to low-cost offshore locations including India. It expects that the Indian IT & BPO industries could grow at an annual rate greater than 25% and generate exports of about US\$ 60 billion by 2010. The report predicts that innovation by industry players in India can accelerate this growth and add an additional US\$ 15-20 billion in export revenue over the next 5 to 10 years. *Source: NASSCOM McKinsey Report of December 2005*

IT outsourcing services such as hardware and software maintenance, network administration and help desk services are expected to account for more than 45% of the total addressable market for off-shoring of US\$ 150 to 180 billion, and are likely to be the drivers of growth. Today’s service lines such as Application Development and Maintenance, and R&D services have already reached penetrations of 30-35% and are not likely to show dramatic growth. *Source: NASSCOM McKinsey Report of December 2005*

In the addressable market of US\$ 120-150 billion for global off-shore BPO services, the report predicts that growth is expected to be driven by traditional industries (e.g. retail, banking) and cross-industry functions such as Human Resources, Finance and Accounting. *Source: NASSCOM McKinsey Report of December 2005*

India continues to be the offshoring destination of choice and the NASSCOM Strategic Review 2006 lists India at the top of the table of the list of 40 nations, based on an A.T. Kearney Global Services Location Index for 2005.

## 1.3 Global Growth Rates and Expected Industry Size

Reputed external agencies have estimated the expected growth rates of IT spending (CAGR) over 2004-09 and market size by region, types of services, etc. Though the forecasts vary these agencies expect the IT industry to continue in its growth trajectory. The forecasts of Gartner & IDC-NASSCOM are summarized below:

### Gartner Forecasts of December 2005: Expected IT Spending

**Chart 6: Forecast of Growth in world-wide IT spends**  
Amounts in US\$ Billion

	2004	2009	CAGR
Total worldwide IT spending (including Telecom)	2479.9	3203.2	5.3%
Total worldwide IT spending (excluding Telecom)	1328.6	1682.6	4.8%
IT Services Spending	582.5	759.9	5.5%

Source: Gartner Dataquest Market Databook, December 2005 Update

The CAGR of 5.5% forecasted by Gartner for global IT services spending for the period 2004-09 (see Chart 6) is lower than the forecast of NASSCOM – IDC of 7.2%.

**Chart 7: Forecast of Market Size in 2009 and CAGR by Geographic Region**  
Amounts in US\$ Billion

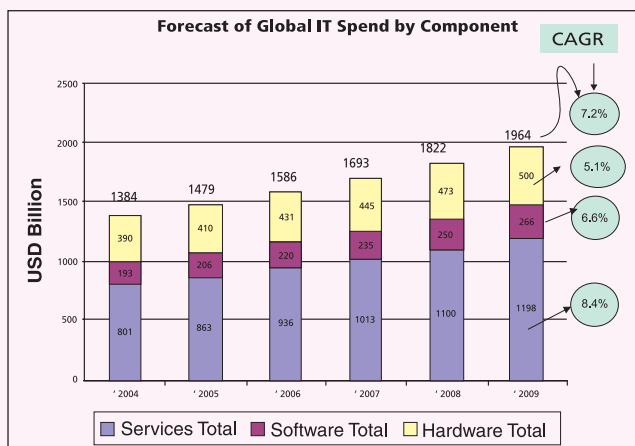
Region	Market Size in 2009	CAGR 04-09
Americas	1029.2	3.8%
Latin Americas	210.0	9.6%
Western Europe	852.3	3.2%
Central / Eastern Europe & Middle East / Africa	—	> 12%
Asia	461.6	8.3%

Source: Gartner Dataquest Market Databook, December 2005 Update

The expected market size and CAGR by geographic regions (see Chart 7) shows that Americas & Western Europe will be the largest markets but the CAGR in these markets will be less than 4%. The Latin American and Asian markets though smaller are expected to have a higher CAGR and are the strategic focus areas of the Company.

**NASSCOM-IDC forecasts: Expected IT spending**

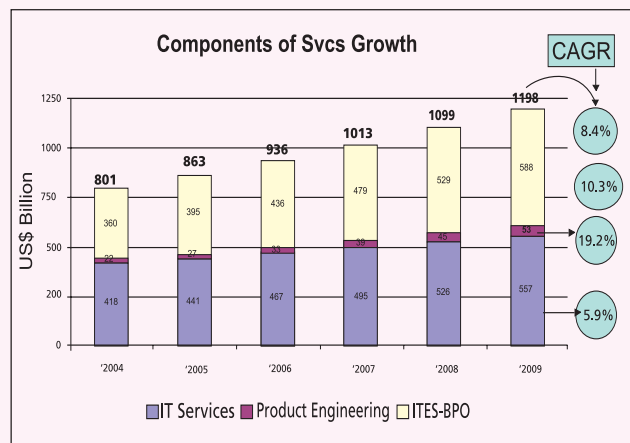
**Chart 8: Worldwide IT Spending – Global Markets - By Services Offered**



“Source: NASSCOM Strategic Review 2006”

NASSCOM estimates Global IT-ITES spending (including Hardware, Software and Services) to have grown by 7% to US\$ 1,479 billion in 2005 and forecasts that it will reach US\$ 1964 billion by 2009 - a CAGR of 7.2% over 2004-2009 (see Chart 8).

**Chart 9: Worldwide Services Spending Breakup – Global Markets**

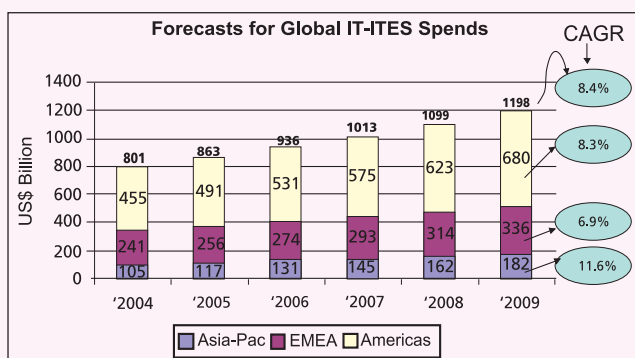


“Source: NASSCOM Strategic Review 2006”

During 2004-09, services spend will grow at a CAGR of 8.4% which is expected to be driven primarily by IT-Services, Product Engineering Services, and ITES-BPO Services (see Chart 9).

The Americas are expected to remain the largest market for services accounting for a little less than 60% of global spends through 2005-09. The forecasts of services spend by geographic regions is summarized in Chart 10. “Source: NASSCOM Strategic Review 2006”

**Chart 10: Worldwide Services Spending breakup – Global Markets - By Geographic Region**



“Source: NASSCOM Strategic Review 2006”

These reports from reputed external agencies validate the Company’s strategy. We continue to grow in multiple geographies, with a special focus on the North American and European markets. We have increased our scale and can deliver services to our customers from locations in Eastern Europe, Latin America and China. We also have a broad range of services covering a number of key industry verticals. We continue to strengthen our presence in these markets, have broadened our range of offerings, and grown our global and domestic businesses in the last year through international acquisitions as well as the merger of a company and three wholly owned subsidiaries. TCS expects that its global network of marketing offices and alliances will enable the Company to exploit the opportunities presented in the marketplace.

## 1.4 The Company's major offerings in the Industry

Currently, the major offerings the Company has identified and is focusing on for achieving its growth aspirations in the industry are:

- |   |   |
|---|---|
| (1) IT Solutions and Services (including Application Development & Maintenance, Systems Integration and Package Implementation) | (4) IT Infrastructure Services              |
| (2) Consulting Services   | (5) Engineering and Industrial Services and |
| (3) IT Enabled Services   | (6) Asset based offerings                   |

The Industry Verticals where the Company has a sizable presence include:

- |   |                              |
|---|------------------------------|
| (1) Banking & Financial Services                | (6) Transportation           |
| (2) Insurance                                   | (7) Utilities                |
| (3) Manufacturing                               | (8) Life Sciences and Pharma |
| (4) Telecommunications, Entertainment and Media |                              |
| (5) Retail                                      |                              |

The Company continuously integrates newer verticals and services based on the market potential of emerging opportunities. In fiscal 2006 the Company has integrated the high technology and computer services vertical as a distinct offering.

## 2. OPPORTUNITIES, THREATS, RISKS AND CONCERNS

### 2.1. Opportunities

The Company is the largest Indian IT Services Company in terms of revenues, profits, number of employees and market capitalization. Established in 1968 as a division of Tata Sons, TCS has pioneered the concept of offshore IT services since 1974 and has emerged as an integrated full-services player with a global footprint and scale.

The Company's opportunities for sustaining profitable growth emerge from increasing acceptance of outsourcing as a relevant business strategy in a globalised world as well as from new solutions and services that can be offered to its customers. The opportunity involves acquiring new customers who will realize the potential benefits of outsourcing as well as bidding for large outsourcing contracts coming up for renewal. According to the analyst firm Veritage, the "outsourcing, off-shoring and strategic sourcing space" will see more than 300 deals coming up for renewal in FY 2006-07 where each deal is valued at between US\$ 50 million to over US\$ one billion. "Source: NASSCOM Strategic Review 2006".

The Company's global scale and integrated capabilities allow it to bid for such deals by capitalizing on the trend of contracts to multiple vendors replacing the traditional concept of multiple year contracts to a single vendor.

Some of the key trends in the Industry that are favorable to the Company to exploit these emerging opportunities are:

- (i) Clients are more comfortable to partner with large global players with scale and with uniform high quality and security processes across the enterprise.
- (ii) Clients are considering Tier I Indian companies (including TCS) for mega deals (with decision cycle time of 8 to 12 months).

- (iii) Clients are demanding delivery excellence from distributed business units using uniform processes globally to deliver a high quality of service.

In order to leverage these opportunities the Company has over the years extended its geographic footprint for effectively marketing its offerings. These sales offices are grouped under seven geographical headquarters, viz. North America, Ibero America, U.K., Continental Europe, Middle-East & Africa, India and Asia Pacific. Each of these geographies has access to expertise in industry and service practices for effectively addressing market opportunities. The Company has pioneered a Network Delivery Model™ which enables the Company to service a customer's requirement through a combination of near-shore, regional and global delivery centers and provide superior value by effectively addressing regulatory, language and time-zone requirements.

The Company operates all over the world through its 169 offices in 35 countries. The Company became the first organization in the world to be certified enterprise-wide for ISO 9001:2000, BS 7799-2:2002 (Information Security) and BS 15000-1:2002 in February 2006. Our customers can continue to experience a high quality of service delivery, as we stay focused on continuous improvement of security, quality and processes in an industry where technology changes occur frequently.

## **2.2. Threats**

India remains the preferred offshore destination for IT Services for its huge talent pipeline as well as its cost effective servicing capability, followed by China, Malaysia, Philippines, Singapore, Thailand, the Czech Republic and Chile. (*"Source: NASSCOM Strategic Review 2006"*). Eastern Europe is fast catching up and remains a threat for West European deals coming up for 'outsourcing - off shoring - strategic-sourcing', as vendors outsourcing for the first time prefer to have an outsourcer with delivery locations close to their home base.

Some of the key changes in the Industry unfavorable to the Company are:

- (i) Global IT service and consulting companies are expanding operations in India.
- (ii) Increased competitive pressures including higher costs as a result of wage inflation due to the intense competition for skilled human resources as well as pricing pressures due to heightened competition from global and Indian IT companies.
- (iii) To cater to increasing customer demand for consultants with strong technology and domain knowledge, the Company will have to invest increasingly higher amounts in equipment, facilities and training of its personnel, who could subsequently be lured away by competitors.

## **2.3. Risks & Concerns and Risk Mitigation**

- 2.3.1. ***Availability of skilled personnel:*** While India has a large pool of trained / trainable resources, recruiting the requisite number of persons with desired skills at the right time may not be easy. The demand for specific skilled IT personnel may outpace supply, leading to an increase in salary levels.

In order to address the threat of attrition of skilled personnel the Company has been rapidly creating global size and scale and using best-in-class human resource policies to attract and retain talent. As a reflection of these employee friendly policies, the Company has the lowest attrition rate in the Industry and is winning accolades as an employer of choice and awards for its world-class Learning and Development Program. The Company is also focused on ensuring increasing levels of employee satisfaction and retention of its global workforce.

- 2.3.2. ***Country level risks:*** The Company is expanding its global footprint and establishing operations in many countries. The Company therefore carries the risk of one or more geographic markets collapsing because of unforeseen general macro-economic factors and political turmoil. To mitigate this risk, the Company has comprehensive business continuity plans in place. The Company is building deep customer relationships and has a well diversified geographic spread.

- 2.3.3. ***Margin-pressure:*** As international players are expanding their delivery capability from India, their cost patterns are undergoing change. At the same time, the intensified competition for human resources in

India is resulting in higher wage levels. Due to the above, margins are under pressure. In order to mitigate this risk, the Company is moving into higher value added services, and also effectively managing costs.

In order to enhance its ability to serve its customers better, the Company has been continuously expanding on its service and capabilities base to be a one-stop service provider, from Consulting to IT Services to Infrastructure Services to Business Process Outsourcing. The Company's process capabilities and range of services provide a compelling value proposition for both existing and new customers. These new offerings are helping the Company acquire a new customers and drive growth through cross selling to existing customers. Over 95% of the Company's business this year is from existing customers and the Company has added 330 new customers during fiscal 2006.

The Company has put in place future growth engines to drive profitable growth. These include new offerings in the consulting arena through our Global Consulting Practice or new services like Assurance and Testing, Remote Infrastructure Management, Asset-based offerings and Business Process Outsourcing, which have the potential to generate substantial business volumes over the course of the next few years.

Simultaneously, the Company is expanding its global footprint by penetrating further into markets such as Latin America, Europe and Asia Pacific including China by employing its trademarked Network Delivery Model. The continuing multi-pronged focus on growth engines will ensure that the Company capitalizes on emerging global opportunities. The Company will continue to add newer services to its portfolio where it can generate greater value for its customers and in the process for itself.

The Company had also set up Engineering and Industrial Services (EIS) as a business unit to address the fast growing global engineering services market. Today the scope of outsourced engineering services has expanded beyond product design and R&D services to include industrial services (like process engineering, plant automation and enterprise asset management). The Company is uniquely positioned in this market as the only service provider from India with an integrated service offering across the entire engineering value cycle (i.e. product engineering, process engineering, plant operation and enterprise asset management). EIS added 92 clients in 2005-06.

- 2.3.4. *New technologies and business models continue to emerge:* The Company continues to create different business models to address changing requirements. This results in alliances, strategic investments and joint ventures. The Company invests in creating new competencies in emerging areas. This investment is done through its R&D laboratories or through its centers of excellence.

As a value proposition, the Company also offers innovatively structured contracts, linking payments to actual attainment of milestones and delivery. Slippage in delivery in such contracts may negatively impact the Company. However, innovative structures also enable the Company to take on increasingly complex projects (which have opportunities for greater profitability) with more flexible team structures and an opportunity to capture greater value by using replicable solutions, methodologies and tool-sets. The Company ensures that the risks it undertakes are commensurate with better returns.

- 2.3.5. *Risk of Foreign Exchange Translation losses:* The Company's revenues are largely denominated in foreign currency, predominantly US\$, GBP and Euro. In addition to these currencies the Company also does business in Australian \$, Canadian \$, South African Rand and Swiss Franc among other currencies. Given the nature of the business a large proportion of the costs are denominated in Indian Rupees (INR). This exposes the Company to profit / loss on currency fluctuations. To mitigate this risk the Company follows a proactive hedging policy for all the above mentioned currencies. Net exposure is calculated for each currency by deducting expected costs from revenues in that currency. The Company hedges this net currency exposure using foreign exchange forward and options contracts. The tenure of these contracts is up to one year.

As on March 31, 2006 the Company had a hedge position in various currencies equivalent to US\$ 566 million as compared to a hedge position of US\$ 509 million as on March 31, 2005.

**3 FINANCIAL PERFORMANCE****OVERVIEW**

The Company is India's largest IT Services company in terms of both revenues and profits. Total income aggregated Rs. 11,282.81 crores in fiscal 2006 as compared to Rs. 8,122.81 crores in fiscal 2005, registering a growth of 38.90%. In fiscal 2006 the Company's profit before taxes and exceptional items aggregated Rs. 3,074.35 crores as compared to Rs. 2,308.65 crores in the previous fiscal 2005 - a growth of 33.17%.

In fiscal 2006, the Company's consolidated total income aggregated Rs. 13,386.23 crores as compared to Rs. 9,844.60 crores in fiscal 2005, recording a growth of 35.98%. The Company's consolidated profit before taxes aggregated Rs. 3,506.62 crores in fiscal 2006 as compared to Rs. 2,633.69 crores in fiscal 2005 - a growth of 33.14%.

**BACKGROUND AND BASIS OF PRESENTATION**

TCS has been in operation since 1968 as a division of Tata Sons Limited. In accordance with a scheme sanctioned by the High Court of Bombay the assets and liabilities of the TCS Division were transferred to TCS Limited effective April 1, 2004. During fiscal 2005 the Company made an Initial Public Offering (IPO) of 2.28 crores of equity of face value of Re. 1/- at a premium of Rs. 849 per share. The authorized share capital of the Company is Rs. 60 crores divided into 60 crores equity shares of Re. 1/- each. As on March 31, 2005, issued, subscribed and paid-up share capital stood at Rs. 48.01 crores of Re. 1/- each. During the current fiscal 2006, Tata Infotech Limited (TIL) merged with the Company effective April 1, 2005, resulting in an increase in the issued, subscribed and paid-up share capital of the Company to Rs. 48.93 crores.

The Company operates in India as well as overseas through its branches and partly or wholly owned companies.

The discussions on financial performance in the *Management Discussion and Analysis* relate primarily to the accounts of Tata Consultancy Services Limited (TCS). Wherever it is appropriate, information pertaining to consolidated accounts for the TCS group is provided. For purposes of comparison with firms in this industry as well as to see the positioning and impact that TCS has in the marketplace, it is essential to take the figures as reflected in the Consolidated Financial Statements.

**MAJOR EVENTS DURING FISCAL 2006**

In fiscal 2006 the Company's consolidated revenues grew by more than Rs. 3000 crores over the previous fiscal 2005. This has been achieved through organic as well as inorganic growth. The inorganic growth is attributable to the amalgamation of TIL in India with effect from April 1, 2005 pursuant to the Order of the Hon'ble High Court of Judicature at Bombay. The significant overseas acquisitions were Comicro S.A., a BPO Company in Chile and Financial Network Services Pty Ltd. (FNS), a global banking software product vendor based in Australia. The Company set up a subsidiary Diligenta Limited in the United Kingdom (UK), to service certain closed policies of Pearl Group Services Limited, UK.

In fiscal 2006, three wholly owned subsidiaries, viz, Aviation Software Development Consultancy India Limited (ASDC), Airline Financial Support Services (India) Limited (AFSL) and TCS Business Transformation Solutions Limited (TCS BTS) have been amalgamated with the Company effective from April 1, 2005 as per the Order of the respective High Courts.

The merger of ASDC, AFSL & TCS BTS was effected to bring in efficiencies through consolidation of expertise and infrastructure. The merger of TIL has brought into the Company's fold 15 Fortune 500 clients as well as an enhanced systems integration and IT infrastructure service capability for servicing the Company's global as well as domestic clients.

The Company set up a subsidiary, C-Edge Technologies Limited with State Bank of India (SBI) to provide certain specialised IT and IT enabled services in the banking sector. Setting up of C-Edge Technologies Ltd. along with SBI is aimed at leveraging the core banking and domain competencies of TCS and SBI in retail and investment banking. It would also leverage implementation capabilities in core banking in India and overseas.

The Company through its subsidiary in Sweden acquired Swedish Indian IT Resources AB (SITAR). This was done with the objective of acquiring end customers and increasing the market share and profitability in this region.

The acquisition of Comicro in Chile and the entry into 'Life and Pensions' BPO market in UK through Diligenta, would enable the Company to provide offerings in industry verticals by combining its IT services and BPO capabilities.

The acquisition of FNS has strengthened the portfolio of products in the banking area and the additional consulting and implementation services arising out of the sale of the product is expected to enhance the Company's service revenues.

### 3.1. RESULTS OF OPERATIONS

The following table gives an overview of the financial results of the Company. In view of the amalgamation of TIL, ASDC, ASFL and TCS-BTS with effect from April 1, 2005, the figures for fiscal 2005 are not strictly comparable to those of fiscal 2006.

Overseas business expenses mainly comprise expenses incurred in connection with overseas assignment of employees. Employee related expenses in overseas business expenses account have been grouped with employee costs in the summary below for ease of comparison.

TCS Accounts	For the year ended 31/3/2006		For the year ended 31/3/2005		Growth % Increase / (Decrease)
	Rs. crores	% of Income	Rs. crores	% of Income	
<b>Income from Operations</b>					
Consultancy services	<b>10673.22</b>	<b>94.60%</b>	7794.41	95.96%	36.93%
Sale of equipment and software licenses	<b>541.64</b>	<b>4.80%</b>	233.18	2.87%	132.28%
Sub-Total	<b>11214.86</b>	<b>99.40%</b>	8027.59	98.83%	39.70%
Other Income ( Net)	<b>67.95</b>	<b>0.60%</b>	95.22	1.17%	-28.64%
<b>Total Income</b>	<b>11282.81</b>	<b>100.00%</b>	8122.81	100.00%	38.90%
Expenditure:					
Employee costs	<b>4000.60</b>	} <b>45.33%</b>	1763.83	} 47.59%	32.30%
Overseas business expenses (employee allowances paid overseas)	<b>1113.36</b>		2101.69		
Overseas business expenses (other than employee allowances)	<b>402.83</b>	<b>3.57%</b>	225.90	2.78%	78.32%
Services rendered by business associates and others	<b>633.63</b>	<b>5.61%</b>	421.15	5.18%	50.45%
Others	<b>1796.17</b>	<b>15.92%</b>	1055.97	13.00%	70.10%
<b>Total Expenditure</b>	<b>7946.59</b>	<b>70.43%</b>	5568.54	68.55%	42.71%
Profit before additional Incentive, Interest, Depreciation and Taxes & Exceptional Items.	<b>3336.22</b>	<b>29.57%</b>	2554.27	31.45%	30.61%
Additional performance incentive	—	—	102.00	1.26%	—
Interest	<b>4.49</b>	<b>0.04%</b>	10.40	0.13%	-56.83%
Depreciation	<b>257.38</b>	<b>2.28%</b>	133.22	1.64%	93.20%
<b>Profit before Taxes and exceptional items</b>	<b>3074.35</b>	<b>27.25%</b>	2308.65	28.42%	33.17%
Provision for Taxes:					
Income tax expense	<b>337.23</b>	<b>2.99%</b>	280.76	3.46%	20.11%
Fringe benefit tax	<b>20.25</b>	<b>0.18%</b>	—	—	—
Profit from Operations after taxes	<b>2716.87</b>	<b>24.08%</b>	2027.89	24.96%	33.98%
Exceptional Items:					
One-time charge on compensation expense under ESPS	—	—	-186.65	-2.29%	—
One-time charge on transfer of overseas branches	—	—	-9.82	-0.12%	—
<b>Net Profit for the year</b>	<b>2716.87</b>	<b>24.08%</b>	1831.42	22.55%	48.35%

## Income

### Income from Operations

The Company's revenues consist mainly of income from Information Technology and Consultancy Services and to a lesser extent from sale of equipment and software licenses. Revenues from software licenses are derived primarily from sale of third party products such as Oracle and Unigraphics. The Company provides consultancy services either on time and material basis or fixed price fixed time basis. The Company takes particular care to estimate accurately the cost of resources required to deliver the fixed price fixed time engagements in order to mitigate the risk of underestimation of costs.

The Company recognizes revenue from contracts priced on time and material basis when services are rendered and related costs incurred.

Revenue from turnkey contracts, which are generally time bound fixed price contracts, are recognized over the life of the contract using the percentage completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognized when such losses are probable.

The Company recognizes revenue from the sale of computer equipment upon delivery, which is when the title passes to the customer. Revenue from maintenance contracts are recognized pro-rata over the period of the contract.

The Company's revenues increased by 39.70% to Rs. 11,214.86 crores in fiscal 2006 from Rs. 8,027.59 crores in fiscal 2005. The revenues from consultancy services increased by 36.93% to 10,673.22 crores from Rs. 7,794.41 crores in fiscal 2005. The revenues from the sale of equipment and software licenses increased by 132.28% to Rs. 541.64 crores in fiscal 2006 from Rs. 233.18 crores in fiscal 2005, mainly due to an increase in the volume of this business in general and the merger of TIL's business in hardware manufacturing and resale of equipment in particular.

### Consolidated Accounts of TCS Ltd. – Revenues

The summary of total Income as per the Consolidated Accounts of the Company is given below:

Consolidated revenues	For the year ended 31/3/2006		For the year ended 31/3/2005	
	Rs. crores	% of Income	Rs. crores	% of Income
<b>Income from Operations</b>				
Consultancy Services	12,396.84	92.61%	9,094.64	92.38%
Sale of equipment and software licenses	855.31	6.39%	653.83	6.64%
Sub-Total	13,252.15	99.00%	9748.47	99.02%
Other Income ( Net)	134.08	1.00%	96.13	0.98%
<b>Total Income</b>	<b>13,386.23</b>	<b>100.00%</b>	<b>9,844.60</b>	<b>100.00%</b>

The revenues as per the Consolidated Accounts increased by 35.94% to Rs. 13,252.15 crores in fiscal 2006 from Rs. 9,748.47 crores in fiscal 2005. The consolidated revenues from consultancy services increased by 36.30% to Rs. 12,396.84 crores in fiscal 2006 from Rs. 9,094.64 crores in fiscal 2005. Consolidated revenues from the sale of equipment and software licenses increased by 30.81% to Rs. 855.31 crores in fiscal 2006 from Rs. 653.83 crores in fiscal 2005, mainly due to increase in volume of this business in general and merger of TIL's business in hardware manufacturing and resale of equipment in particular, offset partially by inter unit transactions.



### Consolidated Revenues by Segments

The classification of revenues by geography and industry practice is more relevant when viewed against the consolidated results of the Company, and therefore are presented below:

#### Consolidated Revenue by Geography

Geography	For the year ended 31/3/2006 % of revenue	For the year ended 31/3/2005 % of revenue
Americas	59.06%	59.20%
Europe	22.40%	23.08%
India	12.50%	12.18%
Others	6.04%	5.54%
Total Revenue	100.00%	100.00%

The Americas segment continues to be the most significant contributor to revenues followed by Europe and India. There has not been any significant change in the geography mix of revenue.

#### Consolidated Revenue by Industry Practice

Industry Practice	For the year ended 31/3/2006 % of revenue	For the year ended 31/3/2005 % of revenue
Banking, Financial Services and Insurance (BFSI)	38.32%	34.84%
Manufacturing & Processing	15.38%	16.99%
Telecom	14.80%	14.61%
Retail & Distribution	5.00%	5.78%
Others	26.50%	27.78%
Total Revenue	100.00%	100.00%

The information in the table above relates to business in foreign geographies as well as India. The business in the Banking, Financial Services and Insurance (BFSI) practices continues to remain strong.

#### Other Income

Other Income of the Company in fiscal 2006 decreased to Rs. 67.95 crores from Rs. 95.22 crores in fiscal 2005. Other income comprises interest received on deposits with banks, dividends received on investments in subsidiaries, dividends from mutual funds and gains due to exchange rate fluctuations. The primary reason for the drop in other income is an absence of exchange gain in fiscal 2006 compared to a gain of Rs. 35.40 crores in fiscal 2005.

#### Expenditure

##### Employee Costs and Overseas Business Expenses

Employee costs consist of compensation of all employees. It includes salaries which have fixed and variable components, contribution to provident fund, superannuation fund and gratuity fund and the employee state insurance scheme. It also includes expenses incurred on staff welfare.

Overseas business expenses (an item in Schedule Q for operation and other expenses) comprises primarily of expenses incurred in connection with overseas assignments of employees. Expenses related to payments to employees contained in overseas business expenses have been grouped with employee costs for ease of comparison. Management discussions would cover changes in employee costs together with employee related overseas business expenses, hereinafter referred to as 'total employee cost'.

The total employee cost for fiscal 2006 was Rs. 5,113.96 crores, an increase of 32.30% over the total employee cost of Rs. 3,865.52 crores for fiscal 2005. Employee cost as a percentage of total income was 45.33% in fiscal 2006 and 47.59% in fiscal 2005. The decrease in the percentage in fiscal 2006 is attributable to relative increase in income from the sale of equipment and software licenses which arose as a result of the merger of TIL.

#### Overseas Business Expenses (other than employee allowances)

This head of expenses covers overseas travel expenses, overseas marketing, visa / passport expenses and overseas office expenses. Expenses on this score went up by 78.32%, from Rs. 225.90 crores in fiscal 2005 to Rs. 402.83 crores in fiscal 2006. In terms of total income, these expenses went up from 2.78% in fiscal 2005 to 3.57% in fiscal 2006. The variation of 0.79% is attributable to an increase in visa / passport expenses and payments made to local associates in overseas locations.

#### Services rendered by business associates and others

Payments for services rendered by business associates or sub-contractors engaged for software development and other IT services are included under this head. The Company normally engages these consultants to meet gaps in certain skill-sets that are required in various projects. Expenses on this score went up by 50.45% from Rs. 421.15 crores in fiscal 2005 to Rs. 633.63 crores in fiscal 2006. Expressed as a percentage of total income, it went up from 5.18% in fiscal 2005 to 5.61% in fiscal 2006. The increase is attributable to the increase in the number of business associates engaged in various foreign geographies on the basis of gaps in the availability of skill-sets in the Company.

#### Other Expenses

Details of other expenses are given in the table below.

TCS Accounts	For the year ended 31/3/2006		For the year ended 31/3/2005	
	Rs. crores	% of Income	Rs. crores	% of Income
Software Expenses	405.76	3.60%	218.76	2.69%
Product Expenses	195.45	1.73%	151.00	1.86%
Material Costs	156.19	1.38%	—	—
Communication	163.14	1.45%	115.63	1.42%
Travel Expenses	134.13	1.19%	78.89	0.97%
Rent	133.18	1.18%	80.85	1.00%
Legal and Professional Fees	81.97	0.73%	68.01	0.84%
Repairs and Maintenance	71.13	0.63%	50.8	0.63%
Electricity	66.85	0.59%	44.59	0.55%
Recruitment and Training Expenses	62.67	0.56%	32.5	0.40%
Exchange loss	53.50	0.47%	—	—
Other expenses	272.20	2.41%	214.94	2.64%
<b>Total Other Expenses</b>	<b>1796.17</b>	<b>15.92%</b>	<b>1055.97</b>	<b>13.00%</b>

Other expenses (excluding employee related overseas business expenses and cost of services rendered by business associates, already discussed earlier), have gone up from Rs. 1,055.97 crores in fiscal 2005 to Rs. 1,796.17 crores in fiscal 2006. In terms of total income, it has gone up from 13.00% in fiscal 2005 to 15.92% in fiscal 2006. The increase is primarily due to material costs incurred in the manufacturing business, now inducted on merger of TIL, increase in software expenses, marginal increase in travel expenses and exchange loss incurred in fiscal 2006.

#### **Profit before Additional Performance Incentive, Interest, Depreciation, Taxes and Exceptional Items.**

The Company's profit before additional performance incentive, interest, depreciation, taxes and exceptional items in fiscal 2006 was Rs. 3,336.22 crores, an increase of 30.61% from Rs. 2,554.27 crores in fiscal 2005. In terms of total income the profitability declined from 31.45% in fiscal 2005 to 29.57% in fiscal 2006. The primary reasons for the drop in profitability were the merger of TIL, which has had lower margins than TCS and the exchange loss due to the strengthening of the rupee in fiscal 2006.

The Consolidated profit before additional performance incentive, interest, depreciation, taxes and exceptional items in fiscal 2006 was Rs. 3,798.19 crores, an increase of 30.52% from Rs. 2,909.96 crores in fiscal 2005. In terms of percentage of total income profitability declined from 29.56% in fiscal 2005 to 28.37% in fiscal 2006. The primary reasons for the drop in profitability are the same as stated above.

#### **Additional Performance Incentive**

Under the EVA based incentive scheme followed by the Company, employees were eligible for incentive based on the Economic Value Add (EVA) generated in the immediately preceding year. The incentive payments to employees were made and accounted for in the subsequent year. During the year ended March 31, 2005, the Company revised the policy for accounting the payment under the EVA based incentive scheme, and the incentive was provided for in the year for which the EVA was being calculated. Consequently, additional performance incentive of Rs. 102.00 crores had been recognized in fiscal 2005. In fiscal 2006, this liability has been settled and EVA based incentive for fiscal 2006 has been paid and expensed in fiscal 2006. As a result, no additional EVA based incentive was required to be provided in fiscal 2006.

#### **Interest Costs**

Interest expenses decreased from Rs. 10.40 crores in fiscal 2005 to Rs. 4.49 crores in fiscal 2006. In terms of percentage of total income, interest has come down from 0.13% in fiscal 2005 to 0.04% in fiscal 2006. This decrease has been possible due to a reduction in overdrafts and loans against shipment. This is reflected in the total loan outstanding of Rs. 35.5 crores as on March 31, 2006 as against Rs. 120.74 crores as on March 31, 2005.

#### **Depreciation**

Depreciation charge has increased from Rs. 133.22 crores in fiscal 2005 to Rs. 257.38 crores in fiscal 2006 – an increase of 93.20%. In terms of total income, the depreciation charge was 1.64% in fiscal 2005 and 2.28% in fiscal 2006. This is mainly due to the addition of Freehold Buildings (Rs. 123.78 crores) and Computer Equipment (Rs. 260.89 crores) in the gross block of assets in fiscal 2006, in view of the expansion of the Company's business.

#### **Research and Development**

Research and Development (R&D) expenditure is recognized in the profit and loss account when incurred. Fixed assets utilized for R&D are capitalized and depreciated in accordance with the depreciation rates. This does not include development and upgradation of software products. R&D expenditure incurred aggregated Rs. 30.16 crores in fiscal 2006 and Rs. 21.29 crores in fiscal 2005.

**Provision for Taxation**

Income tax expense comprises the current income tax and the net change in the deferred tax assets and liabilities in the applicable fiscal period.

Income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operations are determined in accordance with tax laws applicable in countries where such operations are carried out. The tax paid for overseas operations generally qualifies for offset as double tax credit in India against the income tax liability computed on the Company's worldwide income.

The Company benefits in India from certain tax incentives under section 10A of the Income Tax Act, 1961, for the IT services exported from designated 'Software Technology Parks' (STP). The Company also benefits from tax incentives applicable to Free Trade Zones in respect of some of its units located in such zones. The benefits applicable to the STPs would expire by the end of March 2009 or on completion of ten years of the respective units of STP, whichever is earlier.

The Company's income tax expense in fiscal 2006 increased by 20.11% to Rs. 337.23 crores from Rs. 280.76 crores in fiscal 2005. Income tax expense represented 2.99% of the total income in fiscal 2006 and 3.46% of the total income in fiscal 2005. Income tax expense on profit before taxes and exceptional items was 10.97% in fiscal 2006 and 12.16% in fiscal 2005. The reduction in average tax rate is primarily attributable to certain refunds on completion of assessments for overseas operations, partly offset by higher average tax rate of Tata Infotech. Such refunds are of the nature of a 'one time' phenomenon and are not expected to be repeated.

The Finance Act, 2005, imposed a new tax, termed as Fringe Benefit Tax (FBT) payable by the employers on the value of benefits provided and / or deemed to have been provided to its employees. In accordance with the provisions of these new sections in the Income Tax Act and clarifications that followed, the amount of FBT has been calculated as Rs. 20.25 crores in fiscal 2006, which is 0.18% of the total income. There was no such expense in fiscal 2005.

**One-time compensation under Employee Stock Purchase Scheme (ESPS) in fiscal 2005.**

For the year ended March 31, 2005, the Company had allotted 17,49,810 shares to its employees and directors and 89,970 shares to employees and directors of its subsidiaries under the ESPS – 2004. The employee compensation charge amounting to Rs. 186.65 crores had been disclosed as an exceptional item in the Profit & Loss statement for fiscal 2005. In fiscal 2006, there has been no such employee compensation.

**Employee Stock Option Scheme (ESOS) of erstwhile TIL**

In accordance with the Employee Stock Option Scheme of the Employees' Share Participation Trust (Trust) of the erstwhile Tata Infotech Limited (TIL), the Trust had granted 3,72,950 options in earlier years out of the shares held by the Trust. Out of these options granted, the vesting period for 118,116 options had not lapsed as of January 2006.

Subsequent to the approval of the shareholders of the amalgamation of TIL with the Company, the Trustees of the Trust, at their meeting held on January 17, 2006, dissolved the Trust in terms of the Trust Deed, in view of the imminent amalgamation. The dissolution of the Trust resulted in the unvested options for 118,116 shares becoming fully exercisable by the employees. Further, disbursements of the residual assets in the Trust, comprising 1,20,626 shares held by the Trust and cash amounting to Rs. 10.17 crores with the Trust, were made to certain employees of TIL in January 2006 and Rs. 1.24 crores was paid to the Employee Welfare Trust of TCS Ltd. This does not affect the Profit & Loss account of the Company.

### **One-time tax on transfer of overseas branches.**

In fiscal 2005, the branches of the erstwhile TCS Division of Tata Sons Limited in South Africa, Canada, and Australia were transferred to the Company. This resulted in a one-time tax liability of Rs. 9.82 crores, disclosed as an exceptional item in last year's Profit and Loss statement. There is no such charge in fiscal 2006.

### **Net Profit**

The Company's net profit registered a growth of 48.35% from Rs. 1,831.42 crores in fiscal 2005 to Rs. 2716.87 crores in fiscal 2006. Net profit margin on total income went up from 22.55% in fiscal 2005 to 24.08% in fiscal 2006. The net profit margin before exceptional items on total income registered a drop from 24.96% in fiscal 2005 to 24.08% in fiscal 2006. This is primarily due to the merger of Tata Infotech which has lower margin than TCS.

The net profit as per consolidated accounts in fiscal 2006 was Rs. 2,966.74 crores, registering a growth of 50.07% over the net profit of Rs. 1,976.90 crores in fiscal 2005. The net profit margin grew from 20.08% in fiscal 2005 to 22.16% in fiscal 2006. The net profit margin before exceptional items registered a marginal drop from 22.72% in fiscal 2005 to 22.39% in fiscal 2006. The reason for the drop in net margin in the consolidated accounts for fiscal 2006 as well as fiscal 2005 as compared to the Company's accounts is that the overseas subsidiaries have been contributing lesser net margin on account of higher costs incurred in those locations.

## **3.2. FINANCIAL POSITION**

### **Share Capital**

The Authorized Share Capital of the Company is Rs. 60 crores divided into 60 crores equity shares of Re. 1/- each.

As per the Scheme of Amalgamation of TIL with Tata Consultancy Services Ltd (TCS), shareholders of TIL were entitled to receive one equity share of Re. 1/- each of TCS for every two equity shares of Rs. 10/- each held in TIL. Accordingly, 91,90,440 equity shares of Re. 1/- each of TCS were issued and allotted to the shareholders of the erstwhile TIL on March 7, 2006 resulting in the paid-up equity share capital of TCS increasing from Rs. 48,01,14,809 as on March 31, 2005 to Rs. 48,93,05,249 as on March 31, 2006.

### **Reserves and Surplus**

There has not been any change in the securities premium amount (net of share issue expenses) in fiscal 2006 and the same stands at Rs. 2,066.68 crores.

The amalgamation of AFSL, ASDC and TCS BTS – all wholly owned subsidiaries did not involve any exchange of shares. The merger of TIL with TCS, as stated earlier, involved allotment of one equity share of TCS of face value of Re. 1/- each for every two equity shares of face value of Rs. 10/- each of TIL. These amalgamations have been accounted for under the (pooling of interest) method (vide AS 14 issued by the Institute of Chartered Accountants of India).

The significant items of adjustments in the General Reserves arising out of the said amalgamations were: the net value of assets acquired as reduced by the difference between amounts recorded as share capital issued and the amount of share capital of the Transferor Company, the impact of recognition of deferred tax on account of US Federal and State tax losses carried forward in the books of the erstwhile TIL's branch in USA and transfer of balances of Profit and Loss of all the amalgamating companies into the Profit and Loss account of the Company. The net value of such adjustments aggregated to Rs. 198.59 crores.

Out of the profits in fiscal 2006, an amount of Rs. 272.00 crores has been transferred to General Reserve. Net of dividends (both interim and final) and dividend tax, Rs. 2,833.30 crores has been retained in the Profit and Loss account.

Reserves and Surplus at the end of fiscal 2006 stood at Rs. 5,560.40 crores – an increase of 69.88% over Rs. 3,273.04 crores as on March 31, 2005.

**Loan funds**

Secured loans at the end of fiscal 2006 were Rs. 26.52 crores, substantially lower than Rs. 111.01 crores at the end of the last fiscal. This is mainly due to the liquidation of shipment loans.

Unsecured loans at the end of fiscal 2006 stood at Rs. 8.98 crores, against Rs. 9.73 crores at the end of the last fiscal.

**Deferred Tax liability**

The Company has a deferred tax liability (net of deferred tax asset) of Rs. 38.88 crores as on March 31, 2006 (Rs. 64.32 crores as on March 31, 2005). The primary reason for the drop in this item is the increase in deferred tax assets in fiscal 2006, particularly on account of provision of doubtful debts and difference in depreciation for accounting and tax purposes.

**Fixed Assets**

Total addition to the gross block in fiscal 2006 amounted to Rs. 693.07 crores (excluding capital work-in-progress). This included an amount of Rs. 255.96 crores for assets transferred on amalgamation of TIL, TCS BTS, AFSL and ASDC. Net book value of fixed assets as on March 31, 2006 stood at Rs. 1,169.78 crores (excluding capital work-in-progress) as against Rs. 908.16 crores as on March 31, 2005.

The significant items of additions in fiscal 2006 were leasehold and freehold land & buildings, including improvement of leasehold properties (Rs. 201.69 crores) and computer equipment (Rs. 260.89 crores). The Company remains focused on the growth in fixed assets required to support its growing business in India and overseas. The amount in capital work-in-progress (Rs. 280.00 crores as on March 31, 2006 against Rs. 120.28 crores as on March 31, 2005) largely relate to infrastructure assets which are likely to be ready for use in fiscal 2007 and beyond.

**Investments**

A summary of the Company's investments is given below:

<b>Investments</b>	<b>As on March 31, 2006 (Rs. crores)</b>	<b>As on March 31, 2005 (Rs. crores)</b>
Trade investments (at cost)	1340.68	1032.69
Investments in Mutual Funds	633.61	378.00
Total Investments	1974.29	1410.69
Less: Provision for diminution in value of investments	10.77	6.27
<b>Net Investments</b>	<b>1963.52</b>	<b>1404.42</b>

As on March 31, 2005 the Company owned 96.3% in WTI Advanced Technology Limited (WTI). In fiscal 2006, WTI has become TCS' wholly owned subsidiary following a buy-back of the shareholdings in WTI.

Provision for diminution in value of investments as on March 31, 2005 constitutes impairment of the investment in eAF Pte. Ltd. (Rs. 6.27 crores). A provision of Rs. 4.5 crores towards impairment of investment made by erstwhile TIL in Exegenix Canada and provided in its books in fiscal 2004 has been retained in the merged entity as on March 31, 2006.

During fiscal 2006, the Company has made the following strategic investments directly or through its subsidiaries

Strategic Investment	Details
Investment in Sweden	The Company through its subsidiary in Sweden viz. TCS Sverige AB acquired Swedish Indian IT Resources AB (SITAR) in May 2005. SITAR was TCS's exclusive partner in Sweden and a non-exclusive partner in Norway. The acquisition has enabled TCS to deal directly with end-customers. It would enable TCS to increase its market share and profitability in the region. Amount invested is Rs. 21.50 crores.
Acquisition of Comicro in Chile	The Company through its subsidiary TCS Iberoamerica S.A has acquired 100% ownership in Comicro, the largest BPO Company in Chile, for a purchase consideration of Rs. 103.84 crores. This is intended to enhance the spread of BPO services of TCS in Latin America as well as in other geographies.
Acquisition of FNS in Australia	The Company has acquired 100% ownership of Financial Network Services Pty Ltd. (FNS), Australia, a banking software product vendor, for a purchase consideration of Rs.110.27 crores. For the purpose, a wholly owned subsidiary, TCS FNS Pty Ltd. was set up by the Company with an investment of Rs. 3.38 crores. The acquisition of FNS will further strengthen TCS' portfolio of banking and financial services products by adding BANCS, a strong, scalable, high-performance Core Banking Solution with an established global customer-base.
Investment in Diligenta in U.K	TCS has set up a company Diligenta Limited in the UK along with Pearl Group Services Ltd (Pearl Group), a premier player in the UK life insurance and pensions market and has acquired 760,001 shares in Diligenta Ltd. for Rs. 199.89 crores representing 76% of the share capital of Diligenta Ltd. The Company has also invested Rs. 30.86 crores in preference shares of Diligenta Ltd. In addition, the Company has provided a loan of Rs. 232.48 crores to Diligenta Ltd. In turn, Diligenta Ltd. has acquired from the Pearl Group its back office processing capabilities and consequently certain employees of the Pearl Group have become employees of Diligenta Ltd. A sum of Rs. 426.20 crores was paid to the Pearl Group as consideration for the above. Diligenta Ltd. would service the Pearl Group's closed books portfolio of insurance policies and pioneer the next generation of industry specific BPO solutions. Servicing of the Pearl Group policies would start in fiscal 2007. As part of the contract, TCS will carry out a transformation of the Pearl Group's existing systems in order to service the policies through TCS' Integrated Insurance Management System (IIMS™) platform. This transformation job has started in fiscal 2006.
Setting up of C-Edge in India	The Company has invested Rs.0.03 crores in the equity of C-Edge Technologies Limited (C-Edge) towards 51% stake in the JV with State Bank of India. C-Edge will provide advanced technology solutions and world-class domain consulting for the banking and financial services sector. Following TCS' recent acquisition of FNS, a banking products company in Australia, the new JV will also play a key role in deploying FNS products in the role of a preferred systems integrator and leverage the experience both organizations have gained in the roll out of core-banking solutions.
Increase in investment in TCS Iberoamerica S.A.	The Company increased its paid up capital in its wholly owned subsidiary, TCS Iberoamerica S.A. from Rs. 5.15 crores as on March 31, 2005 to Rs. 132.49 crores as on March 31, 2006. This was aimed at strengthening the operations of the Company in the Latin America region.

*Report on the performance of CMC Limited (consolidated)*

CMC Limited had earned total consolidated income of Rs. 916.16 crores in fiscal 2006 as compared to Rs. 814.21 crores in fiscal 2005, registering a growth of 12.52%. Income from sales & services went up from Rs. 807.42 crores in fiscal 2005 to Rs. 887.19 crores in fiscal 2006, an increase of 9.88 %. Other Income which was at Rs. 6.80 crores in fiscal 2005 increased to Rs. 28.97 crores in fiscal 2006, mainly due to profit of Rs. 24.66 crores earned on sale of properties. Profit before tax in fiscal 2006 was Rs. 66.00 crores as compared to Rs. 34.72 crores in fiscal 2005, an increase of 90.09%. Profit after tax was up from Rs. 24.80 crores in fiscal 2005 to Rs. 48.55 crores in fiscal 2006, an increase of 95.77%. As stated above, the increase is due to the profit of Rs. 24.66 crores recorded on sale of properties.

*Investments made in Mutual Funds*

The Company has been investing in various mutual funds. These are typically investments in short-term funds to gainfully use the excess cash balance with the Company. While investing in short-term instruments, the Company typically balances tax-efficient returns with risks involved in such investments. Investments in mutual funds aggregated Rs. 633.61 crores as on March 31, 2006 as compared to Rs. 378.00 crores as on March 31, 2005.

**Inventories**

The Company had inventories of Rs. 22.94 crores as on March 31, 2006 ('nil' as on March 31, 2005). The inventory in the current fiscal is the result of the merger of the manufacturing and domestic systems integration operations of TIL and constitutes raw materials, components, sub-assemblies and finished goods.

**Current Assets, Loans and Advances****Unbilled Revenues**

Unbilled revenues comprise revenue recognized in relation to efforts incurred on fixed price fixed time contracts and time and material contracts not billed as of the year end. Unbilled revenues stood at Rs. 353.91 crores as on March 31, 2006 (Rs. 130.09 crores as on March 31, 2005) representing 3.16 % of the annual revenues for fiscal 2006 (1.62% as on March 31, 2005). The relative rise in the volume of unbilled revenues is attributable to increase in the volume of fixed price fixed time contracts. The advance billing has also gone up to Rs. 197.74 crores as on March 31, 2006 from Rs. 75.97 crores as on March 31, 2005 for the same reason.

**Sundry Debtors**

Sundry Debtors as on March 31, 2006 aggregated Rs. 2326.63 crores (Rs. 1468.05 crores as on March 31, 2005). The amount of provision for bad and doubtful debts and debts written off in fiscal 2006 was Rs. 17.79 crores (Rs. 31.66 crores in fiscal 2005). The decrease has been possible due to increased follow up of the accounts which were ageing. Debtors are 20.75 % of revenue (18.29% in fiscal 2005). The increase is due to substantial billings in the later part of the fourth quarter, which have not become due for payment.

**Cash and Bank Balances**

As on March 31, 2006 the Company had cash & bank balance of Rs. 171.17 crores (Rs. 120.74 crores as on March 31, 2005).

**Loans and Advances**

Loans and advances as on March 31, 2006 was Rs. 1,107.87 crores (Rs. 596.23 crores as on March 31, 2005). Significant items of loans and advances were, loans to subsidiary companies Rs. 367.88 crores (Rs. 17.64 crores as on March 31, 2005) loans to employees Rs. 92.98 crores (Rs. 144.50 crores as on March 31, 2005), advance tax paid Rs. 99.34 crores (Rs. 18.91 crores as on March 31, 2005) and loans & advances provided for miscellaneous purposes Rs. 547.58 crores (Rs. 415.05 crores as on March 31, 2005). Reasons for significant increase in loans to subsidiaries are loan of Rs. 115.32 crores given to TCS FNS Pty Ltd. and Rs. 232.48 crores of loans extended to Diligenta Ltd, UK. Decrease in loans to employees is attributable to revision in the policy of housing loans and car loans to employees given effect to in fiscal 2006.

**Current Liabilities**

Current liabilities went up to Rs. 1,171.90 crores as on March 31, 2006 as compared to Rs. 714.28 crores as on March 31, 2005. This increase is primarily due to increase in sundry creditors from Rs. 445.68 crores as on March 31, 2005 to Rs. 737.09 crores as on March 31, 2006 and increase in advance billing and deferred revenues from Rs. 75.97 crores as on March 31, 2005 to Rs. 197.74 crores as on March 31, 2006. The increase in creditors is attributable to substantial addition of creditors arising out of the merger of Tata Infotech (approximately Rs. 82 crores) and increase in the volume of expenditure resulting in higher amount of creditors. Advance billing and deferred revenue increased mainly due to increase in billing of annual maintenance contracts (Rs. 28.81 crores) and increase in billing of fixed price fixed time contracts (Rs. 87.21 crores).



### Provisions

Provisions made towards taxes, employee retirement benefits, contingencies, proposed dividend, tax on dividend and warranties aggregated Rs. 540.54 crores as on March 31, 2006 as against Rs. 527.58 crores as on March 31, 2005. There has not been much variation on this score. Provision for contingencies includes an amount of Rs. 44.29 crores as on March 31, 2006 (Rs. 35.44 crores as on March 31, 2005) in respect of a dispute, which is currently pending before the High Court of Bombay, relating to coverage of the Company under the Provident Fund and Miscellaneous Provisions Act.

### 3.3. CASH FLOWS

The Company's growth has been financed largely by cash generated from operations. As on March 31, 2006, the Company had Rs. 2,270.41 crores as working capital. The secured and unsecured loans amounted to Rs. 35.50 crores. The Company has sufficient cash generated from operations for meeting its working capital requirements as well as the requirements for capital expenditure. In addition, the Company has short term working capital facilities with various banks. As on March 31, 2006, the Company had available lines of credit with its consortium of bankers (including funded and unfunded credit limits) of US\$ 30 million (utilisation 'nil') and Rs. 2,450.50 crores (utilisation Rs. 456.68 crores).

#### Cash Flow from Operations

Cash Flows from Operating Activities	For fiscal 2006	For fiscal 2005	Increase / (Decrease)
	Rs. crores	Rs. crores	Rs. crores
<b>Profit before taxes and exceptional items</b>	<b>3074.35</b>	<b>2308.65</b>	765.70
Depreciation	<b>257.38</b>	<b>133.22</b>	124.16
Others	<b>(23.36)</b>	<b>11.79</b>	(35.15)
<b>Operating Profit before working capital changes</b>	<b>3308.37</b>	<b>2453.66</b>	854.71
Effect of Working Capital Changes	<b>(561.05)</b>	<b>(272.59)</b>	(288.46)
Cash Generated from Operations	<b>2747.32</b>	<b>2181.07</b>	566.25
Tax Payments made	<b>(402.93)</b>	<b>(202.08)</b>	(200.85)
<b>Net cash provided by operating activities</b>	<b>2344.39</b>	<b>1978.99</b>	365.40

In fiscal 2006, the Company generated net cash of Rs. 2,344.39 crores from operating activities (Rs.1,978.99 crores in fiscal 2005). Apart from profit before taxes and exceptional items (Rs. 3,074.35 crores in fiscal 2006 and Rs. 2,308.65 in fiscal 2005), the net cash generated includes adjustments for non cash items like depreciation (Rs. 257.38 crores in fiscal 2006 and Rs. 133.22 crores in fiscal 2005). Other significant items contributing in generation / use of cash from operating activities include changes in the current assets and current liabilities such as increase in unbilled revenues of Rs. 204.23 crores in fiscal 2006 (decrease of Rs. 128.05 crores in fiscal 2005), increase in debtors (Rs. 705.49 crores in fiscal 2006; Rs. 532.33 crores in fiscal 2005), increase in current liabilities and provisions ( Rs. 369.72 crores in fiscal 2006; Rs. 53.35 crores in fiscal 2005) and payment of income taxes (Rs. 402.93 crores in fiscal 2006; Rs. 202.08 crores in fiscal 2005).

**Cash Flow from Investment Activities**

<b>Cash Flows from Investment Activities</b>	For fiscal 2006	For fiscal 2005	Increase / (Decrease)
	Rs. crores	Rs. crores	Rs. crores
Purchase of Fixed Assets	<b>(606.50)</b>	<b>(337.21)</b>	(269.29)
Purchase of Trade Investments	<b>(345.58)</b>	<b>(50.89)</b>	(294.69)
Loans given to Subsidiaries(Net)	<b>(376.02)</b>	<b>(12.42)</b>	(363.60)
Consideration for Transfer of TCS Division net of cash acquired of Rs. 63.26 crores	—	<b>(2236.74)</b>	2236.74
Sale of investment in Intelenet	—	<b>161.00</b>	(161.00)
Others	<b>(136.87)</b>	<b>(327.77)</b>	190.90
Tax on Overseas Branches transfer	—	<b>(9.82)</b>	9.82
<b>Net cash used by Investment activities</b>	<b>(1464.97)</b>	<b>(2813.85)</b>	1348.88

In fiscal 2006 the Company used Rs. 1464.97 crores on investment activities (Rs. 2813.85 crores in fiscal 2005). The significant items are purchase of fixed assets (Rs. 606.50 crores in fiscal 2006; Rs. 337.21 crores in fiscal 2005), purchase of trade investments (Rs. 345.58 crores in fiscal 2006; Rs. 50.89 crores in fiscal 2005), purchase of other investments (Rs. 192.09 crores in fiscal 2006; Rs. 349.84 crores in fiscal 2005) and loans given to subsidiaries (Rs. 376.02 crores in fiscal 2006; Rs. 12.42 crores in fiscal 2005). There are no items in fiscal 2006 akin to the sale of the investment in Intelenet to HDFC for Rs. 161 crores and the sum of Rs. 2,236.74 crores paid to Tata Sons Limited for the transfer of the TCS Division to the Company in fiscal 2005.

**Cash Flow from Financing Activities**

<b>Cash Flows from Financing Activities</b>	For the Year Ended 31/3/2006	For the Period Ended 31/3/2005	Increase / (Decrease)
	Rs. crores	Rs. Crores	Rs. crores
Issue of equity shares ( net of issue expenses)	—	<b>1882.49</b>	(1882.49)
Borrowings repaid (net)	<b>(85.48)</b>	<b>(561.89)</b>	476.41
Dividends paid including dividend tax	<b>(792.28)</b>	<b>(357.13)</b>	(435.18)
Interest Paid	<b>(4.51)</b>	<b>(10.12)</b>	5.61
<b>Net cash used in Financing activities</b>	<b>(882.27)</b>	<b>953.35</b>	(1835.62)

In fiscal 2006 the significant items of cash used in financing activities were repayment of borrowings (Rs. 85.48 crores in fiscal 2006; Rs. 561.89 crores in fiscal 2005), payment of dividend including tax (Rs. 792.28 crores in fiscal 2006; Rs. 357.13 crores in fiscal 2005).

**Cash Position**

Cash and cash equivalents as on March 31, 2006 amounted to Rs. 171.17 crores (Rs. 120.74 crores as on March 31, 2005).

**4 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long-term business plans have been laid down. The Company uses a state of the art ERP system to record data for accounting and management information purposes and connects to different locations for efficient exchange of information. It has continued its efforts to align all its processes and controls with global best practices.

The Company has appointed Ernst & Young Private Limited to carry out internal audit of the Company's activities. The audit is based on an Internal Audit Plan, which is reviewed each year in consultation with the statutory auditors and the Audit Committee. In line with international practice, the planning and conduct of internal audit is oriented towards the review of operational controls in the management of risks and opportunities. The Internal Audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations such as software delivery, accounting and finance, procurement, employee engagement, travel, insurance, IT processes in the Company, including the domestic and selected foreign branches. Safeguarding of assets and their protection against unauthorized use are also a part of these exercises.

The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the Internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up on the implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time.

## 5 DEVELOPMENTS IN HUMAN RESOURCES

During fiscal 2006, the Company has made substantial addition to human resources. The Company had a gross addition of 27,377 (previous year 14,176) employees and a net addition of 21,140 (previous year 10,871) employees through recruitment and through mergers and acquisitions. The total number of employees in the Company as on March 31, 2006 was 62,832 (40,992 as on March 31, 2005). The attrition rate of 9.9% (previous year 8.0%) in the current year is one of the lowest in the industry. This low attrition rate has been achieved by continuously investing in learning and development programs for associates, competitive compensation, creating a compelling work environment, empowering associates at all levels as well as a well-structured reward and recognition mechanism.

The gender mix of employees has shown a steady increase in favour of women during the year. As on March 31, 2006, women constituted 24 % (previous year 21.6%) of the work force. The Company employed persons from 53 (previous year 35) different nationalities in its workforce. Non-Indian nationals aggregated 6.5 % (previous year 3.5%) of the total workforce as on March 31, 2006.

Continuous interaction with universities and other educational institutions remains a central plank of the Company's strategy to attract the best scientific and engineering talent and engage in cutting-edge research and development in partnership with universities. The Company also entered into a 5-year Research and Development collaboration with Stanford University in January 2006, one of the leading academic institutions in the US, for research in the critical area of data privacy, in addition to various other research initiatives being undertaken in partnership with institutes such as IIT Mumbai, University of York (UK), University of Aalborg (Denmark), as well as University of Illinois, University of Wisconsin, Georgia Institute of Technology and University of California in the USA.

### Cautionary Statement

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

## **Corporate Governance Report for the year 2005-06**

(as required under Clause 49 of the Listing Agreements entered into with Stock Exchanges)

The Company's shares were listed on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on August 25, 2004. Accordingly, the Corporate Governance Report for the year 2005-06, which has been prepared pursuant to the provisions of Clause 49 of the Listing Agreement contains details relating to previous years only for the period commencing from August 25, 2004.

### **I. Company's Philosophy on Corporate Governance**

The Company believes that good corporate governance practices should be enshrined in all activities of the Company. This would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximising value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly global software company, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the Tata Group.

As a part of the Tata Group, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company's corporate governance philosophy has been further strengthened through the Tata Code of Conduct, the Tata Business Excellence Model, the Tata Code of Conduct for Prevention of Insider Trading, as also the Code of Corporate Disclosure Practices. The Company has in place an Information Security Policy that ensures proper utilization of IT resources.

The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, and with the adoption this year, of a Code of Conduct for Non-Executive Directors and the implementation of a Whistle Blower Policy the Company has moved further in its pursuit of excellence in corporate governance.

### **II. Board of Directors**

- i) The Company has a Non-Executive Chairman and the number of Independent Directors at 66.67% is more than one-third of the total number of Directors. The number of Non-Executive Directors (NEDs) at 83.33% is more than 50% of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.
- ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as at March 31, 2006 have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name	Category	No. of Board Meetings during the year 2005-06		Whether attended last AGM held on July 19, 2005	No. of Directorships in other public companies		No. of Committee positions held in other public companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr. R.N. Tata (Chairman)	Non-Independent, Non-Executive	8	7	No	11	2	-	-
Mr. S. Ramadorai (CEO & Managing Director)	Non-Independent, Executive	8	7	Yes	2	8	1	2
Mr. Aman Mehta	Independent, Non- Executive	8	7	Yes	-	3	1	3
Mr. Naresh Chandra	Independent, Non- Executive	8	6	Yes	-	6	2	5
Mr. V. Thyagarajan*	Independent, Non- Executive	5 #	5	N.A. Appointed after the AGM.	-	2	-	-
Prof. Clayton M. Christensen**	Independent, Non- Executive	2 #	1	N.A. Appointed after the AGM.	-	-	-	-

\* Appointed as an Additional Director on September 5, 2005

\*\* Appointed as an Additional Director on January 12, 2006

# Details provided from the date of appointment

- iv) Eight Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows :

April 19, 2005, July 15, 2005, August 12, 2005, September 5, 2005, October 11, 2005, December 8, 2005, January 12, 2006 and March 23, 2006.

- v) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.
- vi) Necessary information as mentioned in Annexure 1A to clause 49 of the Listing Agreements has been placed before the Board for their consideration.

### III. Audit Committee

- i) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. Mr. V. Thyagarajan was appointed a Member of the Audit Committee on September 5, 2005 and Mr. R.N. Tata stepped down from the Audit Committee on December 27, 2005.
- ii) The terms of reference of the Audit Committee are broadly as under :
- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.

- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
  - Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
  - Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
    - any changes in accounting policies and practices;
    - major accounting entries based on exercise of judgment by management;
    - qualifications in draft audit report;
    - significant adjustments arising out of audit;
    - the going concern assumption;
    - compliance with accounting standards;
    - compliance with stock exchange and legal requirements concerning financial statements;
    - any related party transactions as per Accounting Standard 18.
  - Reviewing the company's financial and risk management policies.
  - Disclosure of contingent liabilities.
  - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors of any significant findings and follow-up thereon.
  - 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.
  - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - Reviewing compliances as regards the Company's Whistle Blower Policy
- iii) In its meetings, the Audit Committee considered audit reports covering operational, financial, and other business areas and also the quarterly results of the Company. The Audit Committee meetings are usually held at the Corporate Office of the Company and are usually attended by the Managing Director, Chief Financial Officer, Vice President – Finance, representatives of the Statutory Auditors and representatives of the Internal Auditors. The Operations Heads are invited to the meetings, as required. The Company Secretary acts as Secretary of the Audit Committee.
- iv) The previous Annual General Meeting of the Company was held on July 19, 2005 and it was attended by Mr. Aman Mehta, the Chairman of the Audit Committee.

- v) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below :

Name	Category	No. of Meetings during the year 2005-06	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-Executive	5	5
Mr. R.N. Tata *	Non- Independent, Non-Executive	3 <sup>#</sup>	3
Mr. Naresh Chandra	Independent, Non-Executive	5	5
Mr. V. Thyagarajan *	Independent, Non-Executive	3 <sup>##</sup>	2

\* Mr. V. Thyagarajan was appointed a Member of the Audit Committee at the Board Meeting held on September 5, 2005 and Mr. R.N. Tata stepped down as a Member of the Audit Committee on December 27, 2005

# Details provided upto the date of resignation

## Details provided from the date of appointment

- vi) Five Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows : April 19, 2005, September 5, 2005, October 11, 2005, January 12, 2006 and March 7, 2006.

The necessary quorum was present at all the meetings.

#### IV. Remuneration Committee

- i) The Company constituted a Remuneration Committee of Directors on August 19, 2004.
- ii) The broad terms of reference of the Remuneration Committee are as under :
- To approve the Annual Remuneration Plan of the Company.
  - To approve the remuneration and commission / incentive remuneration payable to the Managing Director for each financial year.
  - To approve the remuneration and Annual Performance Bonus payable to the Chief Financial Officer and the Executive Vice Presidents of the Company for each financial year.
  - Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

Mr. S. Padmanabhan, Executive Vice President and Head – Global HR, functions as Secretary of the Remuneration Committee.

- iii) The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below :

Name	Category	No. of Meetings during the year 2005-06	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-Executive	1	1
Mr. R.N. Tata	Non- Independent, Non-Executive	1	1
Mr. Naresh Chandra	Independent, Non-Executive	1	1

- iv) A meeting of the Remuneration Committee was held on April 19, 2005.

- v) The Chairman of the Remuneration Committee was present at the last Annual General Meeting of the Company held on July 19, 2005.
- vi) The Company does not have any Employee Stock Option Scheme. The ESOP Scheme established by the erstwhile Tata Infotech Limited (TIL) was terminated prior to the Effective Date of the amalgamation of TIL with the Company.
- vii) Remuneration Policy :

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and EVA based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and are effective April 1, each year. The Remuneration Committee decides on the commission payable to the Managing Director out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956, based on the performance of the Company as well as that of the Managing Director.

The Company pays Sitting Fee of Rs.10,000 per meeting to its Non-Executive Directors (NEDs) for attending meetings of the Board and of the Audit Committee and of Rs.5,000 per meeting for attending meetings of other Committees of the Board. The shareholders have at the last Annual General Meeting of the Company approved of payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. The said commission will be decided each year by the Board of Directors and distributed amongst the NEDs based on their attendance and contribution at Board and certain Committee meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

- viii) Details of Remuneration for the year ended March 31, 2006

- a) Non-Executive Directors :

<b>Name</b>	<b>Commission (Rs. Lakhs)</b>	<b>Sitting Fees (Rs. Lakhs)</b>
Mr. R.N. Tata	49.10	1.05
Mr. Aman Mehta	47.95	1.35
Mr. Naresh Chandra	40.80	1.25
Mr. V. Thyagarajan	17.20	0.70
Prof. Clayton M. Christensen	4.95	0.10

- b) Chief Executive Officer & Managing Director :

<b>Name</b>	<b>Salary (Rs. Lakhs)</b>	<b>Benefits, Perquisites &amp; Allowances (Rs. Lakhs)</b>	<b>Commission (Rs. Lakhs)</b>	<b>ESPS</b>	<b>Stock Options</b>
Mr. S. Ramadorai	80.00	39.00	125.00	Nil	Nil

The above figures do not include provisions for encashable leave and gratuity and premiums paid for the Group Health Insurance as separate actuarial valuations / premiums paid are not available for the Managing Director.



c) Payment of benefits, perquisites and allowances to the CEO & M.D. is subject to the approval of the shareholders.

d) Period of contract of MD & CEO : 5 years from August 9, 2004.

The contract may be terminated by either party giving the other party six months' notice or the Company paying six month's salary in lieu thereof.

There is no separate provision for payment of Severance Fees.

During the year, there was a revision, subject to the approval of the shareholders, in the terms of remuneration of the Managing Director, details of which have been provided in the Explanatory Statement to the Notice.

ix) Details of Shares of the Company held by the Directors as on March 31, 2006 are as below :

Name	No. of Shares
Mr. R.N. Tata	3,80,814
Mr. S. Ramadorai	49,780

The Company has not issued any convertible debentures.

#### V. Shareholders / Investors Grievance Committee

i) A Shareholders / Investors Grievance Committee of Directors was constituted on August 19, 2004 to specifically look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend / notices / annual reports, etc.

ii) One meeting of the Shareholders / Investors Grievances Committee was held during the year on March 7, 2006.

iii) The composition of the Shareholders / Investors Grievance Committee and the details of meetings attended by its members are given below :

Name	Category	Number of Meetings during the year 2005-06	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-executive	1	1
Mr. S. Ramadorai, CEO & Managing Director	Non-Independent, Executive	1	1

iv) The Company has always valued its customer relationships. This philosophy has been extended to investor relationship and an Investor Relations Department (IRD) was set up in June 2004, prior to the Company's Initial Public Offer of shares. The IRD focuses on servicing the needs of investors, analysts, brokers and the general public.

v) Name, designation and address of :

Compliance Officer : Mr. S.H. Rajadhyaksha  
Company Secretary  
Tata Consultancy Services Ltd.  
10<sup>th</sup> Floor, Air India Building,  
Nariman Point,  
Mumbai 400 021  
Tel : 022 6750 9285  
Fax : 022 6630 3672

vi) Details of complaints received and redressed :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
17	3,604	3,619	2

## VI. Other Committees

i) Ethics and Compliance Committee :

In terms of the Company's Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (Insider Trading Code) to be followed by directors, officers and other employees, a committee was constituted on August 19, 2004 called Ethics and Compliance Committee. The Committee also considers matters relating to the Company's Code of Conduct (CoC).

One meeting of the Ethics and Compliance Committee was held during the year 2005-06 on March 7, 2006. Monthly reports are sent to the Members of the Committee on matters relating to the Insider Trading Code and the CoC.

The composition of the Ethics and Compliance Committee and details of the meetings attended by its members are given below :

Name	Category	Number of Meetings during the year 2005-06	
		Held	Attended
Mr. Naresh Chandra, Chairman	Independent, Non-Executive	1	1
Mr. S. Ramadorai CEO & Managing Director	Non-Independent, Executive	1	1

The Board has appointed the Chief Financial Officer, Mr. S. Mahalingam, as the Compliance Officer to ensure compliance and effective implementation of the Insider Trading Code.

ii) Committee of Directors for Bank Accounts :

A Committee of Directors for Bank Accounts was constituted on October 12, 2004 to approve of the opening and closing of bank accounts of the Company and to authorise persons to operate the bank accounts of the Company. The Committee comprises Mr. Aman Mehta, (Independent, Non-Executive Director) and Mr. S. Ramadorai, CEO & Managing Director (Non-independent, Executive Director).

## VII. General Body Meetings

### i) General Meetings :

#### (a) Annual General Meeting

The tenth Annual General Meeting of the Company was held on July 19, 2005 at 3.30 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.

#### (b) Court Convened Meeting of Shareholders

A Court convened meeting of the shareholders of the Company was held on October 18, 2005 at 11.00 a.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, in terms of the Order dated August 26, 2005 of the Hon'ble High Court of Judicature at Bombay, for obtaining the requisite approval of the shareholders for amalgamation of Tata Infotech Limited with the Company.

### ii) Postal Ballot :

No Postal Ballot was conducted during the year.

### iii) Special Resolutions :

At the last Annual General Meeting of the Company held on July 19, 2005, Special Resolutions were passed for (a) amendment to Articles of Association of the Company (b) place of keeping and inspection of the Registers and Annual Returns of the Company and (c) payment of commission to the non-whole-time Directors of the Company. All the resolutions were passed with the requisite majority.

In addition to the above, three special resolutions relating to the issue of shares under the Company's Employee Share Purchase Scheme – 2004 (ESPS) as contained in a Notice to the Shareholders dated August 23, 2004 were passed under a Postal Ballot in the year 2004. The results of the Postal Ballot were announced by the Managing Director of the Company at the Registered Office of the Company on September 28, 2004 and advertised in the newspapers.

## VIII. Disclosures

- i) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the period from August 25, 2004 to March 31, 2006 : Nil.
- iii) The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with clause 7 of Annexure I D to clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.
- iv) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to clause 49 of the Listing Agreement with the Stock Exchanges :
  - (a) The Company has set up a Remuneration Committee. Please see the para on Remuneration Committee for details.

(b) A half-yearly declaration of financial performance including a summary of the significant events in the six-month period was sent to every shareholder.

(c) The statutory financial statements of the Company are unqualified.

v) Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### **IX. Means of Communication**

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include, The Financial Express, Lok Satta, Business Standard, Business Line, Hindustan Times and Sandesh. The results are also displayed on the Company's web site [www.tcs.com](http://www.tcs.com). Half-yearly results have been sent to the shareholders along with a message from the Managing Director on the Company's performance during the half-year. Press releases made by the Company from time to time are also displayed on the website. Presentations made to the Institutional investors and analysts after the declaration of the quarterly, half-yearly and annual results are displayed on the Company's website. A Management Discussion and Analysis statement is a part of the Company's Annual Report.

### **X. General Shareholder information**

i) Annual General Meeting :

Date	: June 29, 2006
Time	: 3.30 p.m.
Venue	: Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.

ii) Financial Calendar :

Year ending	: March 31
AGM in	: June
Dividend Payment	: The Final Dividend, if declared, shall be paid / credited on or after June 30, 2006.

iii) Date of Book Closure : Tuesday, June 20, 2006 to Thursday, June 29, 2006

iv) Listing on Stock Exchanges : National Stock Exchange of India Limited  
Bombay Stock Exchange Limited

v) Stock Codes / Symbol :

National Stock Exchange of India Limited	: TCS
Bombay Stock Exchange Limited	: 532540

vi) Market Price Data :

High, Low (based on the closing prices) and number of shares traded during each month in the last financial year on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited :

Month	National Stock Exchange of India Limited			Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
APR - 05	1,457.00	1,093.30	23729223	1,456.00	1,091.00	9162786
MAY - 05	1,342.90	1,105.35	17859904	1,343.95	1,105.10	6011098
JUN - 05	1,365.00	1,260.20	16080543	1,359.00	1,260.00	5110940
JUL - 05	1,479.00	1,215.05	14356516	1,370.00	1,219.10	4278707
AUG - 05	1,415.35	1,242.65	14679810	1,416.00	1,240.60	4218988
SEP - 05	1,638.00	1,351.00	14298713	1,492.00	1,377.00	4354534
OCT - 05	1,504.90	1,355.00	16514217	1,505.00	1,351.00	5456074
NOV - 05	1,552.50	1,388.40	11478610	1,552.00	1,388.35	3415004
DEC - 05	1,753.00	1,518.75	11735755	1,750.85	1,516.20	3433357
JAN - 06	1,749.90	1,602.10	9174507	1,749.00	1,603.00	2589069
FEB - 06	1,704.00	1,605.00	8178955	1,700.00	1,607.00	1844645
MAR - 06	2,010.00	1,687.25	11786266	2,005.00	1,682.10	5191253

vii) Performance of share price of the Company in comparison to the BSE Sensex

**TCS Share Price and Sensex Movement**



viii) Registrar and Transfer Agents :

Name & Address : TSR Darashaw Limited (TSRDL)  
(formerly Tata Share Registry Limited)  
Army & Navy Building,  
148, M.G. Road, Fort,  
Mumbai 400 001

Phone Number : 91 22 6656 8484

Fax Number : 91 22 6656 8494

Email : csg-unit@tsrdarashaw.com

Website : www.tsrdarashaw.com

ix) Places for Acceptance of documents :

Documents will be accepted at : TSR Darashaw Limited  
(formerly Tata Share Registry Limited)  
Army & Navy Building,  
148, M.G. Road, Fort,  
Mumbai 400 001

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches / agencies of TSRDL :

a) Branches of TSRDL :

TSR Darashaw Limited  
503, Barton Centre, 5<sup>th</sup> Floor,  
84, Mahatma Gandhi Road,  
Bangalore 560 001  
Tel : 080 2532 0321  
Fax : 080 2558 0019  
E-mail : tsrlbang@tsrdarashaw.com

TSR Darashaw Limited  
Bungalow No.1, 'E' Road  
Northern Town, Bistupur  
Jamshedpur 831 001  
Tel : 0657 2426616  
Fax : 0657 2426937  
Email : tsrljsr@tsrdarashaw.com

TSR Darashaw Limited  
Tata Centre, 1<sup>st</sup> floor,  
43, Jawaharlal Nehru Road,  
Kolkata 700 071  
Tel : 033 2288 3087  
Fax : 033 2288 3062  
E-mail : tsrlcal@tsrdarashaw.com

TSR Darashaw Limited  
2/42, Sant Vihar,  
Ansari Road, Darya Ganj  
New Delhi 110 002  
Tel : 011 2327 1805  
Fax : 011 2327 1802  
E-mail : tsrlidel@tsrdarashaw.com

b) Agent of TSRDL :

Shah Consultancy Services Limited  
Sumatinath Complex, 2<sup>nd</sup> Dhal,  
Pritam Nagar, Ellisbridge, Ashram Road,  
Ahmedabad 380 006  
Telefax : 079 2657 6038  
E-mail : shahconsultancy@hotmail.com

x) Share Transfer System :

99.95 % of the shares of the Company are in the electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards, transfer of shares held in physical form, the transfer documents can be lodged with TSRDL at any of the above mentioned addresses.

Transfer of shares in physical form are normally processed within 10-12 days from the date of receipt if the documents are complete in all respects. The Directors, the Chief Financial Officer and the Company Secretary are severally empowered to approve transfers.

xi) Shareholding (as on March 31, 2006) :

a. Distribution of shareholding as on March 31, 2006 :

No. of shares	Holding	% to Capital	No. of accounts	% to total accounts
1 - 1000	16,407,170	3.35	589,907	99.64
1001 - 5000	3,104,201	0.64	1,604	0.27
5001 - 10000	1,095,725	0.22	155	0.03
10001 - 20000	1,279,630	0.26	92	0.01
20001 - 30000	1,030,386	0.21	42	0.01
30001 - 40000	1,318,257	0.27	38	0.01
40001 - 50000	1,135,222	0.23	25	0.00
50001 - 100000	3,420,668	0.70	46	0.01
100001 - above	460,513,990	94.12	112	0.02
<b>GRAND TOTAL</b>	<b>489,305,249</b>	<b>100.00</b>	<b>592,021</b>	<b>100.00</b>

b. Categories of shareholders as on March 31, 2006 :

Category	No. of shares	Percentage
Promoters Holdings	389,242,225	79.55
Person acting in concert & Tata Group Companies	20,239,196	4.14
Mutual Funds	6,259,582	1.28
Banks, Financial Institutions & Others	2,601,541	0.53
Life Insurance Corporation of India	7,239,325	1.48
Foreign Institutional Investors	35,486,226	7.25
Corporate Bodies	3,522,053	0.72
Indian Public	23,504,322	4.80
NRIs / OCBs / Foreign Nationals	1,011,522	0.21
Others	199,257	0.04
<b>Total</b>	<b>489,305,249</b>	<b>100.00</b>

xii) Dematerialisation of shares and liquidity :

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity shares of the Company representing 99.95 % of the Company's share capital are dematerialised as on March 31, 2006.

The Company's shares are regularly traded on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE467B01029.

xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity :

As on March 31, 2006, the Company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments.

xiv) For shareholders of erstwhile Tata Infotech Limited (TIL)

Pursuant to Sections 205A and 205C of the Companies Act, 1956, all unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as principal amount of debentures and deposits as at March 31, 2006 remaining unpaid or unclaimed for a period of 7 years from the date they became due for payment, have been transferred by the erstwhile TIL to the Investor Education & Protection Fund (IEPF) established by the Central Government. Shareholders / debentureholders / depositors are hereby informed that the Company is statutorily required to transfer to the IEPF all unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as principal amount of debentures and deposits remaining unpaid / unclaimed for a period of seven years from the date they became due for payment and once such amounts are transferred to the IEPF, no claim of the shareholder / debentureholder / depositor shall lie against the Company or the IEPF. For the information of the shareholders of the erstwhile TIL it is hereby notified that the dividend declared on September 1, 1999 by the erstwhile TIL in respect of the financial year 1998-99 will be due for transfer to the IEPF during 2006-07. Shareholders of the erstwhile TIL who have not yet encashed their dividend warrants are requested to do so immediately.

xv) Plant Locations :

In view of the nature of the Company's business viz. Information Technology (IT) Services and IT Enabled Services, the Company operates from various offices in India and abroad and does not have any manufacturing plant except that pursuant to the merger of Tata Infotech Limited with the Company, the Company has a manufacturing facility at 17-B, Tivim Industrial Estate, Karaswada, Mapusa - Bardez, Goa.

xvi) Address for correspondence :

Tata Consultancy Services Limited  
11<sup>th</sup> Floor, Air India Building,  
Nariman Point,  
Mumbai 400 021  
Tel : 022 6750 9999  
Fax : 022 6750 9344  
Email : investor.relations@tcs.com  
Website : www.tcs.com



## Compliance Certificate

TO THE MEMBERS OF  
TATA CONSULTANCY SERVICES LIMITED

We have examined the compliance of conditions of corporate governance by **Tata Consultancy Services Limited**, for the year ended on March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

We state that 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 **S. B. BILLIMORIA & CO.**  
*Chartered Accountants*

**N. VENKATRAM**  
*Partner*  
*Membership No. : 71387*

*Mumbai, April 17, 2006*

## Auditors' Report

TO THE MEMBERS OF  
TATA CONSULTANCY SERVICES LIMITED

1. We have audited the attached Balance Sheet of **TATA CONSULTANCY SERVICES LIMITED** ("the Company") as at March 31, 2006, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) on the basis of written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
    - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. B. BILLIMORIA & CO.**  
*Chartered Accountants*

**N. VENKATRAM**  
*Partner*

*Membership No. : 71387*

Mumbai, April 17, 2006

## **Annexure to the Auditors' Report**

(Referred to in paragraph 3 of 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) As explained to us, physical verification of fixed assets was conducted by the Management. The differences observed on physical verification, which were not material, are under reconciliation.
- (ii) (a) The Company has conducted physical verification of 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 the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (a), (b), (c) and (d) of clause 4 (iii) are not applicable to the Company.
  - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (e), (f) and (g) of clause 4 (iii) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing major weakness in such internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - (b) Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year. Therefore, the provisions of clause 4 (vi) of the Order are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state

insurance, income tax, wealth tax, sales tax, customs duty, excise duty, service tax, cess and other material statutory dues applicable to it.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, customs duty, excise duty and cess were in arrears, as at March 31, 2006 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of dues of income tax, sales tax and service tax which have not been deposited on account of any dispute are given below:

<b>Particulars</b>	<b>Period to which the amount relates</b>	<b>Forum where the dispute is pending</b>	<b>Amount (Rs. in crores)</b>
Income Tax	2002 – 03	Commissioner of Income Tax (Appeals)	0.52
Sales Tax	2000 - 02	Commissioner of Sales Tax	0.03
	2002 – 03	Assistant Commissioner Commercial Taxes	1.18
	2002 - 03	Assistant Commissioner (Appeals)	0.06
Andhra Pradesh Value Added Tax	2005 – 06	Appellate Deputy Commissioner	0.78
Uttar Pradesh Sales Tax	2001-02	Tribunal	0.12
	2002–2003, 2004-2005	Joint Commissioner (Appeals)	0.18
Haryana Sales Tax	1999 – 2000	Joint Excise and Taxation Commissioner (Appeals)	2.31

- (x) The Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor’s Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not *prima-facie* prejudicial to the interest of the Company.

- (xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvi) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xvii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xviii) During the year covered by our audit report, the Company has not raised any money by way of public issue.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

Clauses 4(xiii) and 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For **S. B. BILLIMORIA & CO.**  
*Chartered Accountants*

**N. VENKATRAM**  
*Partner*  
Membership No. : 71387

*Mumbai, April 17, 2006*

## Balance Sheet as at March 31, 2006

	Schedule	As at March 31, 2006 Rs. in crores (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 2)
<b>SOURCES OF FUNDS:</b>			
1	SHAREHOLDERS' FUND		
	(a) Share Capital	48.93	48.01
	(b) Reserves and Surplus	5560.40	3273.04
2	LOAN FUNDS		
	(a) Secured Loans	26.52	111.01
	(b) Unsecured Loans	8.98	9.73
		35.50	120.74
3	DEFERRED TAX LIABILITY (NET)	38.88	64.32
4	TOTAL FUNDS EMPLOYED	<u>5683.71</u>	<u>3506.11</u>
<b>APPLICATION OF FUNDS:</b>			
5	FIXED ASSETS		
	(a) Gross Block	1695.13	1041.09
	(b) Less :- Accumulated Depreciation	525.35	132.93
	(c) Net Block	1169.78	908.16
	(d) Capital Work-in-Progress	280.00	120.28
		1449.78	1028.44
6	INVESTMENTS	1963.52	1404.42
7	CURRENT ASSETS, LOANS AND ADVANCES		
	(a) Interest accrued on Investment	0.33	-
	(b) Inventories	22.94	-
	(c) Unbilled Revenues	353.91	130.09
	(d) Sundry Debtors	2326.63	1468.05
	(e) Cash and Bank Balances	171.17	120.74
	(f) Loans and Advances	1107.87	596.23
		3982.85	2315.11
8	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities	1171.90	714.28
	(b) Provisions	540.54	527.58
		1712.44	1241.86
9	NET CURRENT ASSETS [ (7) less (8) ]	2270.41	1073.25
10	TOTAL ASSETS (NET)	<u>5683.71</u>	<u>3506.11</u>
11	NOTES TO ACCOUNTS	R	

As per our report attached  
For **S.B. BILLIMORIA & CO.**  
Chartered Accountants

**N. Venkatram**  
Partner

**S. Mahalingam**  
Chief Financial Officer

**S.H. Rajadhyaksha**  
Company Secretary

Mumbai, April 17, 2006

For and on behalf of the Board

**Ratan N. Tata**  
Chairman

**S. Ramadorai**  
CEO and Managing Director

**Naresh Chandra**  
Director

**Aman Mehta**  
Director

**Venkatraman Thyagarajan**  
Director

Mumbai, April 17, 2006

## Profit and Loss Account for the year ended March 31, 2006

	Schedule	2006 Rs. in crores (Refer note 1)	2005 Rs. in crores (Refer notes 1 and 2)
<b>INCOME:</b>			
1	Information technology and consultancy services N	<b>10673.22</b>	7794.41
2	Sale of equipment and software licences	<b>541.64</b>	233.18
3	Other income O	<b>67.95</b>	95.22
		<b>11282.81</b>	<b>8122.81</b>
<b>EXPENDITURE</b>			
4	Employee costs P	<b>4000.60</b>	1763.83
5	Operation and other expenses Q	<b>3945.99</b>	3804.71
		<b>7946.59</b>	<b>5568.54</b>
<b>PROFIT BEFORE ADDITIONAL PERFORMANCE INCENTIVE, INTEREST, DEPRECIATION, TAXES AND EXCEPTIONAL ITEMS</b>		<b>3336.22</b>	2554.27
6	Additional Performance Incentive	-	102.00
7	Interest	<b>4.49</b>	10.40
8	Depreciation F	<b>257.38</b>	133.22
<b>PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS</b>		<b>3074.35</b>	2308.65
9	PROVISION FOR TAXES		
	(a) Current tax	<b>(322.41)</b>	(241.00)
	(b) Deferred tax	<b>(14.82)</b>	(39.76)
	(c) Fringe benefit tax	<b>(20.25)</b>	-
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>		<b>2716.87</b>	2027.89
10	Tax on transfer of overseas branches	-	(9.82)
11	Charge on account of Employee Stock Purchase Scheme	-	(186.65)
<b>NET PROFIT FOR THE YEAR</b>		<b>2716.87</b>	1831.42
12	Balance brought forward from previous year	<b>1005.47</b>	0.64
13	Amounts transferred on amalgamation of companies (see note 3, page 93)	<b>136.16</b>	-
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>3858.50</b>	1832.06
14	<b>APPROPRIATIONS</b>		
	(a) Interim dividend	<b>432.10</b>	312.07
	(b) Interim dividend - Tata Infotech Limited	<b>8.27</b>	-
	(c) Proposed final dividend	<b>220.19</b>	240.06
	(d) Tax on dividend	<b>92.64</b>	74.46
	(e) General Reserve	<b>272.00</b>	200.00
	(f) Balance carried to Balance Sheet	<b>2833.30</b>	1005.47
		<b>3858.50</b>	1832.06
15	<b>Earnings per share - Basic and Diluted (Rs.)</b>		
	- excluding exceptional items	<b>55.53</b>	43.10
	- including exceptional items	<b>55.53</b>	38.93
	Weighted average number of shares	<b>489,305,249</b>	470,461,111
16	NOTES TO ACCOUNTS R		

As per our report attached to the Balance Sheet  
For **S.B. BILLIMORIA & CO.**  
Chartered Accountants

For and on behalf of the Board

**Ratan N. Tata**  
Chairman

**S. Ramadorai**  
CEO and Managing Director

**Aman Mehta**  
Director

**S. Mahalingam**  
Chief Financial Officer

**Naresh Chandra**  
Director

**Venkatraman Thyagarajan**  
Director

**S.H. Rajadhyaksha**  
Company Secretary

Mumbai, April 17, 2006

Mumbai, April 17, 2006

## Statement of Cash Flows for the year ended March 31, 2006

Particulars	2006	2005
	Rs. in crores (Refer note 1)	Rs. in crores (Refer notes 1 and 2)
<b>1 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxes and exceptional items	3074.35	2308.65
Adjustments for:		
Depreciation	257.38	133.22
Provision for doubtful advances	3.37	2.69
Provision for doubtful debts	12.14	30.47
Diminution in value of long-term investments	-	6.27
Interest expense	4.49	10.40
(Profit)/Loss on sale of fixed assets (net)	(1.56)	1.39
Unrealised exchange gain	(0.05)	(16.19)
Exchange difference on translation of foreign currency cash and cash equivalents	2.25	-
Dividend income	(20.00)	(14.53)
Interest income	(22.16)	(8.58)
Profit on redemption of mutual funds	(1.84)	(0.13)
<b>Operating Profit before working capital changes</b>	<b>3308.37</b>	<b>2453.66</b>
Unbilled revenues	(204.23)	128.05
Sundry debtors	(705.49)	(532.33)
Inventory	10.28	-
Loans and Advances	(31.33)	78.34
Current Liabilities and Provisions	369.75	53.35
<b>Cash generated from operations</b>	<b>2747.35</b>	<b>2181.07</b>
Income taxes paid	(402.93)	(202.08)
<b>Net cash provided by operating activities</b>	<b>2344.42</b>	<b>1978.99</b>
<b>2 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(606.50)	(337.21)
Proceeds from sale of fixed assets	9.40	2.92
Purchase of trade investments	(345.58)	(50.89)
Purchase of other investments (net of mutual funds dividend reinvested)	(192.09)	(349.84)
Proceeds from sale/transfer of investments	3.92	161.00
Dividends received from subsidiaries	4.50	4.26
Dividends received from other investments	0.45	6.51
Interest received	21.95	8.38
Loans given to subsidiaries (net)	(376.02)	(12.42)
Inter Corporate Deposits (net)	15.00	-
Consideration for transfer of TCS Division (net of cash acquired of Rs 63.26 crores)	-	(2236.74)
	(1464.97)	(2804.03)
<b>Exceptional item :</b>		
Tax on transfer of overseas branches	-	(9.82)
<b>Net cash used in investing activities</b>	<b>(1464.97)</b>	<b>(2813.85)</b>
<b>3 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of equity shares (net of issue expenses)	-	1882.49
Borrowings repaid (net)	(85.48)	(561.89)
Dividend, including dividend tax	(792.31)	(357.13)
Interest paid	(4.51)	(10.12)
<b>Net cash (used in) / provided by financing activities</b>	<b>(882.30)</b>	<b>953.35</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2.85)</b>	<b>118.49</b>
Cash and cash equivalents at beginning of the year	120.74	2.25
Add: Adjustments as on April 1, 2005 consequent to Amalgamation of companies	55.53	-
Exchange difference on translation of foreign currency cash and cash equivalents	(2.25)	-
<b>Cash and cash equivalents at end of the year</b>	<b>171.17</b>	<b>120.74</b>

Notes:

- Cash and Cash equivalents as on March 31, 2006 includes equity share application money of Rs 0.10 crore (March 31, 2005 Rs 4.30 crores) and restricted cash of Rs 1.93 crores (March 31, 2005 Rs 0.75 crore).
- Loans to TCS Iberoamerica of Rs. 19.14 crores and interest thereon of Rs. 0.69 crore have been converted into equity during the year ended March 31, 2006
- 91,90,440 equity shares of Re. 1 each, allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (see note 3, page 93)

As per our report attached to the Balance Sheet

For **S.B. BILLIMORIA & CO.**

Chartered Accountants

**N. Venkatram**

Partner

**S. Mahalingam**

Chief Financial Officer

**S.H. Rajadhyaksha**

Company Secretary

Mumbai, April 17, 2006

For and on behalf of the Board

**Ratan N. Tata**

Chairman

**S. Ramadorai**

CEO and Managing Director

**Naresh Chandra**

Director

**Aman Mehta**

Director

**Venkatraman Thyagarajan**

Director

Mumbai, April 17, 2006



## Schedules forming Part of the Balance Sheet

	<b>As at March 31, 2006</b>	As at March 31, 2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
60,00,00,000 equity shares of Re.1 each	<u><b>60.00</b></u>	<u>60.00</u>
(March 31, 2005 : 60,00,00,000 equity shares of Re.1 each)		
<b>Issued, Subscribed and Paid up</b>		
48,93,05,249 equity shares of Re.1 each	<u><b>48.93</b></u>	<u>48.01</u>
March 31, 2005 : 48,01,14,809 equity shares of Re.1 each)		

**Notes:**

- (1) Equity Shares of Rs.10 each have been sub-divided into ten equity shares of Re. 1 each pursuant to the resolution passed by the shareholders at the Annual General Meeting on May 5, 2004.
- (2) The Authorised Share Capital was increased from 40,00,00,000 to 60,00,00,000 equity shares of Re.1 each pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- (3) The Company allotted 9,11,00,009 equity shares as fully paid up bonus shares by capitalisation of profits transferred from General Reserve, pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- (4) On August 19, 2004, the Company issued 2,27,75,000 equity shares of Re. 1 each under an Initial Public Offer.
- (5) During the year ended March 31,2005 , the Company issued 18,39,780 equity shares of Re.1 each under an Employee Stock Purchase Scheme.
- (6) 91,90,440 equity shares of Re. 1 each, have been allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant the Scheme of Amalgamation (see note 3, page 93)
- (7) 38,92,42,225 equity shares are held by Tata Sons Limited, the holding company.

## Schedules forming Part of the Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'B'</b>		
<b>RESERVES AND SURPLUS</b>		
(a) Securities Premium Account		
(i) Opening balance	<b>2066.68</b>	-
(ii) Premium on issue of equity shares	-	2120.25
(iii) Share issue expenses	-	(53.57)
	<b>2066.68</b>	2066.68
(b) General Reserve		
(i) Opening balance	<b>200.89</b>	10.00
(ii) Bonus shares issued	-	(9.11)
(iii) Add: Transferred/adjusted on Amalgamation (see note 3, page 93)	<b>198.59</b>	-
(iv) Transferred from Profit and Loss account	<b>272.00</b>	200.00
	<b>671.48</b>	200.89
(c) Balance in Profit and Loss Account	<b>2833.30</b>	1005.47
(d) Foreign currency translation reserve	<b>(6.64)</b>	-
(e) Loss on cash flow hedges	<b>(4.42)</b>	-
	<b>5560.40</b>	3273.04

## Note:

Premium on issue of equity shares represents premium of Rs. 849 and Rs. 1,014.55 per share on issue of 2,27,75,000 equity shares under an Initial Public Offer and 18,39,780 equity shares under Employee Stock Purchase Scheme, respectively.

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'C'</b>		
<b>LOANS - SECURED</b>		
<u>From Banks</u>		
(i) Shipment Loans	-	66.01
(ii) Overdrafts	<b>26.52</b>	45.00
	<b>26.52</b>	111.01

## Note:

Bank overdrafts are secured against domestic book debts.

## Schedules forming Part of the Balance Sheet

	<b>As at March 31, 2006</b>	As at March 31, 2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'D'</b>		
<b>LOANS - UNSECURED</b>		
From others	<b>8.98</b>	9.73
(includes Rs. 0.96 crore repayable within one year; as on March 31, 2005 Rs. 0.78 crore)		
	<u><b>8.98</b></u>	<u>9.73</u>
<hr/>		
	<b>As at March 31, 2006</b>	As at March 31, 2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'E'</b>		
<b>DEFERRED TAX LIABILITY (Net)</b>		
(a) Deferred Tax Liabilities		
(i) Foreign branch profit tax	<b>67.24</b>	62.76
(ii) Others	<b>0.10</b>	0.08
	<u><b>67.34</b></u>	<u>62.84</u>
(b) Less: Deferred Tax Assets		
(i) Difference in depreciation for accounting and tax purposes	<b>2.67</b>	(6.31)
(ii) Retirement Benefits	<b>8.02</b>	2.65
(iii) Provision for Doubtful Debts	<b>11.08</b>	0.51
(iv) Others	<b>6.69</b>	1.67
	<u><b>28.46</b></u>	<u>(1.48)</u>
	<u><b>38.88</b></u>	<u>64.32</u>

Note:

Rs.23.58 crores in respect of foreign branch profit tax was assumed on acquisition of the TCS Division.

## Schedules forming Part of the Balance Sheet

Description	Rs. in crores									
	Gross Block as at April 1, 2005	Additions	Deletions/ Adjustments	Gross Block as at March 31, 2006	Accumulated Depreciation as at April 1, 2005	Depreciation	Deletions/ Adjustments	Accumulated Depreciation as at March 31, 2006	Net book value as at March 31, 2005	Net book value as at March 31, 2006
<b>(a) TANGIBLE FIXED ASSETS</b>										
FREEHOLD LANDS	209.60	-	-	209.60	-	-	-	-	209.60	209.60
LEASEHOLD LANDS	33.62	17.15	(0.24)	50.53	(0.67)	(2.26)	(0.27)	(3.20)	47.33	32.95
FREEHOLD BUILDINGS	401.59	123.78	(2.82)	522.55	(23.97)	(24.78)	(8.17)	(56.92)	465.63	377.62
LEASEHOLD BUILDINGS	10.75	-	(0.97)	9.78	(0.97)	(0.97)	-	(1.94)	7.84	9.78
LEASEHOLD IMPROVEMENTS	17.72	60.76	(1.17)	77.31	(2.02)	(17.45)	(6.75)	(26.22)	51.09	15.70
PLANT AND MACHINERY	-	7.79	(0.39)	7.40	-	(0.84)	(5.46)	(6.30)	1.10	-
COMPUTER EQUIPMENT	170.35	260.89	(21.88)	409.36	(59.36)	(138.10)	(66.55)	(264.01)	145.35	110.99
MOTOR CARS	39.11	17.93	(4.73)	52.31	(8.33)	(10.20)	(0.33)	(18.86)	33.45	30.78
OFFICE EQUIPMENT	72.15	91.26	(2.37)	161.04	(16.47)	(13.30)	(15.23)	(45.00)	116.04	55.68
ELECTRICAL INSTALLATIONS	69.39	40.56	(1.99)	107.96	(13.29)	(11.17)	(7.16)	(31.62)	76.34	56.10
FURNITURE AND FIXTURES	16.81	60.24	(2.47)	74.58	(7.85)	(37.46)	(14.42)	(59.73)	14.85	8.96
<b>(b) INTANGIBLE ASSETS</b>										
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	-	12.71	-	12.71	-	(0.85)	(10.70)	(11.55)	1.16	-
<b>Total</b>	<b>1041.09</b>	<b>693.07</b>	<b>(39.03)</b>	<b>1695.13</b>	<b>(132.93)</b>	<b>(257.38)</b>	<b>(135.04)</b>	<b>(525.35)</b>	<b>1169.78</b>	<b>908.16</b>
Previous year	226.50	820.14	(5.55)	1041.09	(0.95)	(133.22)	1.24	(132.93)	908.16	225.55
Capital Work-in-Progress includes Capital Advances of Rs.67.32 Crore.(March 31,2005 Rs. 33.78 crore)									<b>280.00</b>	120.28
<b>Grand Total</b>									<b>1449.78</b>	<b>1028.44</b>

Notes:

- (1) Additions include fixed asset of Rs.255.96 crores transferred on the amalgamation of Tata Infotech Limited and TCS BTS, AFSL and ASDC ( erstwhile subsidiaries of the Company), with the Company, (see note 3, page 93).
- (2) Deletions/Adjustments include Rs.165.26 crores being the amount of Accumulated Depreciation on amalgamation of Tata Infotech Limited, TCS BTS, AFSL and ASDC.
- (3) Freehold buildings include Rs.2.67 crores (March 31, 2005 Rs.2.67 crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.
- (4) Legal formalities relating to registration of certain assets, transferred on amalgamation, are pending completion.

## Schedules forming Part of the Balance Sheet

				As at March 31, 2006	As at March 31, 2005
				Rs. in crores	Rs. in crores
				(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'G'</b>					
<b>INVESTMENTS</b>					
In Numbers	Currency	Face Value Per share	Description		
<b>TRADE INVESTMENTS (at cost)</b>					
<b>(i) Subsidiary Companies</b>					
<b>(a) Fully Paid Equity Shares (Quoted)</b>					
77,44,961	INR	10	CMC Limited	<b>379.89</b>	379.89
<b>(b) Fully paid Equity Shares (Unquoted)</b>					
65,00,00,000	Peso	1	TCS Iberoamerica S.A. ( 59,45,76,155 shares subscribed during the year)	<b>132.49</b>	5.15
15,75,300	INR	10	AP Online Limited	-	-
1,300	Euro	325	Tata Consultancy Services, Belgium S.A.	<b>1.06</b>	1.06
400	NLG	1000	Tata Consultancy Services, Netherlands B.V.	<b>15.73</b>	15.73
1,000	SEK	100	Tata Consultancy Services, Sverige AB	<b>18.89</b>	18.89
-	Euro	-	Tata Consultancy Services, Deutschland GmbH	<b>1.29</b>	1.29
7,500	FER	100	Tata Consultancy Services, France S.A.	<b>0.66</b>	0.66
20,000	USD	10	Tata America International Corporation	<b>452.92</b>	452.92
75,82,820	SGD	1	Tata Consultancy Services, Asia Pacific Pte Limited (14,57,820 shares subscribed during the year)	<b>18.69</b>	14.77
-	-	-	Airline Financial Support Services (India) Limited (Shares cancelled on amalgamation)	-	30.39
-	-	-	Aviation Software Development Consultancy India Limited (Shares cancelled on amalgamation)	-	27.50
-	-	-	TCS Business Transformation Solutions Limited (Shares cancelled on amalgamation)	-	27.02
10,48,500	INR	10	WTI Advanced Technology Limited	<b>38.52</b>	38.52
10,00,000	AUD	1	TCS - FNS Pty. Ltd, Australia (10,00,000 shares subscribed during the year)	<b>3.38</b>	-
7,60,001	GBP	1	Diligenta Ltd,UK (760,001 shares subscribed during the year)	<b>199.89</b>	-
1,000	USD	0.25	Exegenix Canada Inc. (1,000 shares transferred during the year on amalgamation)	-	-
1	EUR	100000	Tata Infotech, Deutschland GmbH (1 share transferred during the year on amalgamation)	<b>0.43</b>	-
55,001	SGD	1	Tata Infotech ( Singapore ) Pte. Ltd (55,001 shares transferred during the year on amalgamation)	<b>0.15</b>	-
25,500	INR	10	C-Edge Technologies Limited (25,500 shares subscribed during the year)	<b>0.03</b>	-
<b>(c) Fully paid Preference Shares (Unquoted)</b>					
40,00,000	GBP	1	Diligenta Ltd,UK (40,00,000 shares subscribed during the year)	<b>30.86</b>	-
1,99,960	USD	6.25	Exegenix Canada Inc. (1,99,960 shares transferred during the year on amalgamation)	<b>6.02</b>	-

## Schedules forming Part of the Balance Sheet

				As at March 31, 2006	As at March 31, 2005
				Rs. in crores	Rs. in crores
				(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'G' (Contd.)</b>					
In Numbers	Currency	Face Value Per share	Description		
<b>(ii) Others</b>					
<b>(a) Fully Paid Equity Shares (Unquoted)</b>					
250	ZAR	1	Conscripti (Pty) Ltd.	8.71	8.71
4,63,865	USD	0.001	Yodlee, Inc.	-	-
-		-	Philippine Dealing System Holdings Corporation (5,00,000 shares transferred during the year to Tata Consultancy Services, Asia Pacific Pte Limited, a wholly owned subsidiary).	-	3.92
8,80,000	INR	100	Sitel India Limited (8,80,000 shares transferred during the year on amalgamation)	10.70	-
<b>(b) Fully Paid Preference Shares (Unquoted)</b>					
59,78,000	USD	0.0001	eAF Pte Ltd.	6.27	6.27
35,00,000	INR	10	* Rallis India Limited 7.5 % Cumulative redeemable preference shares (35,00,000 shares transferred during the year on amalgamation)	3.50	-
50,00,000	INR	10	* Tata AutoComp Systems Limited 7% Cumulative redeemable preference shares (50,00,000 shares transferred during the year on amalgamation)	5.00	-
<b>(c) Bonds and Debentures (Quoted)</b>					
15	INR	1000000	* 10 % Housing Urban Development Corporation Limited Bonds ( 2014 ) (15 bonds transferred during the year on amalgamation)	1.75	-
180	INR	100000	* 8% IDBI Bonds ( 2013 ) (180 bonds transferred during the year on amalgamation)	1.93	-
10	INR	100000	* 8% IDBI Bonds ( 2018 ) (10 bonds transferred during the year on amalgamation)	0.11	-
5	INR	500000	* 10 % Housing Urban Development Corporation Limited Bonds ( 2012 ) (5 bonds transferred during the year on amalgamation)	0.28	-
79,300	INR	100	* 6.75% tax free US 64 bonds ( 2008 ) (79,300 bonds transferred during the year on amalgamation)	0.79	-
<b>(d) Bonds and Debentures (Unquoted)</b>					
2	INR	500000	* 14.75 % Non Convertible Debentures in Tata Motors Limited ( 2008 ) (2 bonds transferred during the year on amalgamation)	0.12	-
12	INR	500000	* 12.15% Steel Authority of India Limited Bonds ( 2007 ) (12 bonds transferred during the year on amalgamation)	0.62	-

## Schedules forming Part of the Balance Sheet

**As at March 31, 2006**      As at March 31, 2005  
**Rs. in crores**                      Rs. in crores

(Refer note 1)      (Refer notes 1 and 2)

### SCHEDULE 'G' (Contd.)

Numbers of units	Currency	Face Value Per Units	Description		
<b>(iii) Investment in Mutual Funds (Unquoted)</b>					
<b>(a) Liquid Dividend Plan (including dividend reinvested)</b>					
-	INR	10	Standard Chartered Mutual Funds - GCCD Cash Fund - Daily Dividend Plan C	-	51.01
-	INR	1000	Tata Mutual Fund - TLSD Tata Liquid Super High Investment Fund	-	95.43
-	INR	10	Alliance Cash Manager - IP Daily Dividend	-	20.23
3,50,05,863.900	INR	10	Prudential ICICI - Liquid Plan Super Institutional Daily Dividend	<b>35.00</b>	30.42
5,49,08,191.823	INR	10	Birla Cash Plus - Institutional premium - Daily Dividend Reinvestment	<b>55.01</b>	25.43
1,00,00,808.263	INR	10	Principal Cash Management Fund	<b>10.00</b>	30.48
-	INR	10	JM High Liquid Super Plan - Daily Dividend	-	10.00
-	INR	10	Kotak Floater Long Term - Weekly Dividend	-	10.00
3,99,164.298	INR	1000	Tata Liquidity Management Fund-Daily dividend reinvestment	<b>40.00</b>	-
1,40,00,319.570	INR	10	G66 - Standard Chartered Liquidity Manager-Daily dividend reinvestment	<b>14.00</b>	-
3,00,129.575	INR	1000	G70 - Standard Chartered Liquidity Manager Plus-Daily dividend reinvestment	<b>30.02</b>	-
1,54,98,646.692	INR	10	UTI Money Market Daily Dividend Option	<b>27.01</b>	-
8,63,009.008	INR	10	DSP ML Liquidity Fund Inst-Daily Dividend reinvestment	<b>86.32</b>	-
1,82,56,627.120	INR	10	LICMF Liquid Fund - dividend Plan	<b>20.00</b>	-
<b>(b) Growth Fund - Liquid</b>					
2,49,99,999.998	INR	10	Tata Fixed Horizon Series - 1 Plan A (371 days) - Growth	<b>25.00</b>	25.00
2,50,00,000.000	INR	10	Prudential ICICI - 1 Year Plus - Growth Direct	<b>25.00</b>	25.00
2,50,00,000.000	INR	10	Birla Fixed Term Plan Series C - Growth	<b>25.00</b>	25.00
1,00,00,000.000	INR	10	Principal Deposit Plan - Growth	<b>10.00</b>	10.00
1,00,01,201.330	INR	10	Kotak FMP Series I - Growth	<b>10.00</b>	10.00
1,00,00,000.000	INR	10	ABN AMRO Fixed Term Plan - Series 2-13 month plan-Growth	<b>10.00</b>	-
1,00,00,000.000	INR	10	UTI - Fixed Term Income Fund Series I - Plan 18 - Quarterly-4	<b>10.00</b>	-
2,50,00,000.000	INR	10	Birla Fixed Term Plan-Series H(13 months)-Growth	<b>25.00</b>	-
1,00,00,000.000	INR	10	Standard Chartered Fixed Maturity - 2nd Plan-Growth	<b>10.00</b>	-
3,00,00,000.000	INR	10	Tata Fixed Horizon Fund - Series 3 - Scheme C (13 months)-Growth	<b>30.00</b>	-
1,00,00,000.000	INR	10	Tata Fixed Horizon Fund - Series 3 - Scheme D (13 months)-Growth	<b>10.00</b>	-
1,00,00,000.000	INR	10	Tata Fixed Maturity Fund-Series 5 - Scheme A-Dividend(375days)	<b>10.00</b>	-
1,00,00,000.000	INR	10	Chola Fixed Maturity Plan-Series 3 (Quarterly Plan-I)	<b>10.00</b>	-
1,00,00,000.000	INR	10	Principal PNB Fixed Maturity Plan - 385 days - Series I	<b>10.00</b>	-

**Schedules forming Part of the Balance Sheet**

				<b>As at March 31, 2006</b>	As at March 31, 2005
				<b>Rs. in crores</b>	Rs. in crores
				(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'G' (Contd.)</b>					
Numbers of units	Currency	Face Value Per Units	Description		
2,50,00,000.000	INR	10	JM Fixed Maturity Fund-Series II-Yearly plan-YSA-Growth	<b>25.00</b>	-
2,00,00,000.000	INR	10	Kotak FMP Series-23-Dividend payout	<b>20.00</b>	-
1,50,00,000.000	INR	1000	DSP Merrill Lynch Fixed Term Plan Series1C-Dividend (90 days)	<b>15.00</b>	-
1,00,00,000.000	INR	10	HSBC Fixed Term Series IV	<b>10.00</b>	-
50,00,000.000	INR	10	Deutsche Fixed Term Fund-Series 2-Growth Option	<b>5.00</b>	-
62,52,439.248	INR	10	Prudential ICICI FMP - S 25 - Yly Plan - Dec 05 - Dividend	<b>6.25</b>	-
50,00,000.000	INR	10	Tata Fixed Horizon Series 1 - Plan A (371 days)- Growth	<b>5.00</b>	-
<b>(c) Growth Fund - Floater</b>					
-	INR	10	JM Floater Fund	-	10.00
99,67,704.637	INR	10	Kotak Floater-Long term-Weekly dividend reinvestment	<b>10.00</b>	-
				<b>1974.29</b>	1410.69
Less: Provision for diminution in value of investments				<b>(10.77)</b>	(6.27)
				<b>1963.52</b>	1404.42

\* Pending transfer in the name of the Company

Notes :

(1) Market value of quoted investment	<b>416.10</b>	481.54
Book value of quoted investment	<b>379.89</b>	379.89
Book value of unquoted investments (net of provision)	<b>1,583.63</b>	1,024.53
(2) Investments, other than in mutual funds are long-term.		
(3) During the previous year, the Company acquired an additional equity interest in WTI Advanced Technology Limited ("WTI"). Consequently, WTI became a subsidiary company.		



## Schedules forming Part of the Balance Sheet

### SCHEDULE 'G' (Contd.)

Name	No of Units	Face Value Rs. in crores	Purchase Cost Rs. in crores
(4) Current investments bought and sold during the year			
Tata Liquid Super High Investment - IP Daily Dividend	36,13,641.560	361.36	402.74
Tata Liquidity Management Fund - Daily Dividend	99,974.554	10.00	10.02
Tata Floating Rate Short Term Inst Plan - Daily Dividend	4,02,94,704.788	40.29	40.34
Tata Short Term Bond Fund - Dividend	3,74,58,838.471	37.46	40.79
Tata Dynamic Bond Fund Option B- Dividend	98,30,166.141	9.83	10.12
Grindlays Cash Fund - Super Inst Plan	4,50,42,86,199.265	4,504.29	4,504.29
Standard Chartered Liquidity Manager - Daily Dividend	5,20,04,571.085	52.00	52.01
Grindlays Floating Rate ST - Super Inst Plan C - Daily Dividend	5,11,83,075.218	51.18	51.18
Grindlays Cash Fund - Super Inst Plan C- Weekly Dividend	2,00,64,277.303	20.06	20.06
Grindlays Cash Fund - Super Inst Plan C- Daily Dividend	2,00,71,276.868	20.07	20.07
Alliance Cash Manager - IP Daily Dividend	9,54,17,832.305	95.42	95.42
Prudential ICICI - Liquid Plan super institutional Daily Dividend	85,68,654.460	8.57	8.88
Prudential ICICI Sweep Cash Option - Daily Dividend	1,00,18,979.086	10.02	10.02
Prudential ICICI Floating Rate Plan C - Daily Dividend	2,06,14,087.650	20.61	20.62
Prudential ICICI Institutional Short Term Plan - Dr - Fortnightly	93,24,726.063	9.32	10.20
Prudential ICICI Long Term Plan - Dividend	1,03,36,589.352	10.34	10.87
Birla Cash Plus - Institutional Premium Plan Dividend - Reinvestment	12,53,15,795.679	125.32	125.56
Birla Gilt Plus - Regular - Quarterly Dividend - Reinvestment	90,04,769.564	9.00	10.00
Birla Bond Plus -Institutional Fortnightly Dividend - Reinvestment	96,61,097.564	9.66	10.12
JM Floater Fund	1,01,65,714.111	10.17	10.24
UTI Liquid Cash Plan Institutional - Daily Income Option	48,71,334.816	487.13	494.77
UTI - Floating Rate Fund - Short Term Plan	2,19,12,465.712	21.91	22.07
UTI - Money Market Fund - Daily Dividend Option	7,42,55,878.718	74.26	129.39
SBI - Magnum Institutional Income - Saving - Dividend	1,00,42,975.348	10.04	10.08
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	1,00,48,705.718	10.05	10.05
LICMF Liquid Fund - Dividend Plan	44,09,35,366.517	440.94	481.97
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option	3,00,11,173.728	30.01	30.02
ABN AMRO Flexi Debt Fund - Regular - Daily Dividend	1,00,41,580.350	10.04	10.04
Principal Cash Management Fund	1,98,51,208.969	19.85	19.85
Principal Floating Rate Fund SMP	2,00,99,285.202	20.10	20.10
Principal Income Fund - Short Term Plan	93,49,124.792	9.35	10.22
JM High Liq-Super IP - Daily Dividend	4,03,13,205.696	40.31	40.38
JM Short Term Fund - Institutional Plan	99,66,995.125	9.97	10.22
Kotak Floater Long Term - Weekly Dividend	1,01,87,665.114	10.19	10.20
Kotak Liquid ( Institutional Premium ) - Daily Dividend	2,45,48,443.726	24.55	30.02
Kotak Bond ( Short Term ) Monthly Dividend	2,02,44,398.588	20.24	20.39
HDFC Cash Management Fund - Saving Plus Plan Dividend	5,64,74,990.273	56.47	60.07
HDFC Cash Management Fund - Saving Plus Plan Weekly Dividend	6,05,80,602.442	60.58	60.69
DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend	15,26,494.701	152.65	152.68
DSP Merrill Lynch Floating Rate Fund - Daily Dividend	4,01,15,256.187	40.12	40.20
HSBC Cash Fund - Institutional Plus - Daily Dividend	5,60,43,382.751	56.04	56.07
HSBC Floating Rate Fund - Short Term - Institutional	2,17,80,262.966	21.78	21.81
HSBC Floating Rate Fund - Long Term - Institutional	1,00,02,896.346	10.00	10.04
HSBC Income Fund - Short Term - Institutional Dividend	2,84,68,730.787	28.47	30.56
Tata Liquid SHIP	86,421.532	8.64	9.63

## Schedules forming Part of the Balance Sheet

## SCHEDULE 'G' (Contd.)

Name	No of Units	Face Value Rs. in crores	Purchase Cost Rs. in crores
Franklin Templeton Treasury	8,444.830	0.84	1.05
Kotak Liquid Institutional Plan	10,51,572.137	1.05	1.05
HDFC Cash Management Saving Plan	9,91,346.114	0.99	1.05
Prudential ICICI Liquid Plan	8,88,802.831	0.89	1.05
DSP Merrill Floating Rate Fund	15,38,683.188	1.54	1.54
HDFC Floating Rate Long Term Plan	4,97,261.039	0.50	0.50
Prudential ICICI Floating Rate	10,08,917.813	1.01	1.01
Birla Cash Plus Inst Plan	9,28,631.586	0.93	1.01
Templeton Floating Rate Income Fund Long Term Plan	4,85,965.322	0.49	0.50
Birla Floating Rate Long Term Plan Monthly Div Reinv	14,87,905.455	1.49	1.55
Kotak Liquid (Inst Premium) - Daily Dividend reinvestment	92,16,601.924	9.22	11.27
Birla Cash Plus-IP - Daily Dividend reinvestment	55,55,280.161	5.56	6.00
Deutsche Insta Cash Plus Fund - Daily Dividend reinvestment	1,29,77,442.942	12.98	13.00
LIC Liquid Fund - Daily Dividend reinvestment	2,49,25,367.258	24.93	27.25
Principal Cash Management Fund - Liquid Option - Inst Plan - Daily Dividend reinvestment	40,02,448.790	4.00	4.00
Prudential ICICI Inst Liquid Plan-Super Inst-Daily Dividend reinvestment	62,52,439.248	6.25	6.25
Prudential ICICI Liquid Institutional Plus-Daily Dividend reinvestment	29,53,562.233	2.95	3.50
Tata Floating Rate Fund-Short term-I P-Daily Dividend reinvestment	1,47,68,904.470	14.77	14.78
Tata Liquid Super High Investment Fund-Daily Dividend reinvestment	1,57,991.737	15.80	17.61
UTI Liquid Fund-Cash Plan(Institution)Daily Dividend reinvestment	39,840.878	3.98	4.05
DSP Merrill Lynch Floating Rate Fund-Weekly Dividend reinvestment	46,92,110.944	4.69	4.71
Birla Cash Plus-Institutional Premium plan-Weekly Dividend reinvestment	1,00,70,861.134	10.07	10.10
Deutsche Floating Rate Fund-Weekly Dividend reinvestment	78,64,955.089	7.86	8.09
Principal Floating Rate Fund-SMP-Institutional Plan-Weekly dividend reinvestment	1,76,68,130.790	17.67	17.67
Principal Income Fund-Short Term Plan-Institutional Plan-Weekly dividend reinvestment	47,06,428.104	4.71	5.15
Prudential ICICI Liquid - Inst Plus-Weekly Dividend reinvestment	42,69,590.638	4.27	5.06
Tata Liquid Super High Invt Fund-Weekly Dividend reinvestment	2,85,156.284	28.52	32.28
Templeton Floating Rate Income Fund-Short term-Weekly Dividend reinvestment	25,12,325.144	2.51	2.52
Kotak Liquid (Inst Premium)-Weekly Dividend reinvestment	1,13,03,078.451	11.30	11.35
Birla Bond Plus-Instl Plan- Fortnightly Dividend reinvestment	58,56,737.569	5.86	6.13
Prudential ICICI Floating Rate Fund-Plan C-Fortnightly Dividend reinvestment	72,26,665.761	7.23	7.23
Prudential ICICI Short term Bond Fund-Inst Plan-Fortnightly Dividend reinvestment	61,05,263.046	6.11	6.67
Tata Short Term Fund - Fortnightly Dividend reinvestment	2,20,22,756.407	22.02	24.00
Templeton Floating Rate Income Fund-Long term-Dividend reinvestment	42,88,356.425	4.29	4.40
Birla Fixed Maturity Plan-Quarterly Series 2-Dividend payout	99,92,106.236	9.99	10.00
Kotak FMP Series XII-Dividend Payout	60,00,000.000	6.00	6.00
Principal Deposit Fund-FMP-91 Days - Dividend	40,00,000.000	4.00	4.00
Tata Dynamic Bond Fund-Option B-Income-Quarterly Dividend Reinvestment	29,55,563.575	2.96	3.07
HDFC Fixed Investment Plan - June2004(2) Growth	17,00,000.000	1.70	1.70
HDFC Fixed Investment Plan - March 2004(1)Growth	50,00,000.000	5.00	5.00
HDFC Floating Rate Income Fund-Short Term-Growth	13,81,626.579	1.38	1.45
Tata Liquid Super High Invt Fund-Appreciation	83,973.619	8.40	10.02
Templeton Floating Rate Income Fund-Short term-Growth	44,33,292.251	4.43	5.00
Deutsche Fixed Term Fund-Series 2-Growth Option	50,00,000.000	0.50	0.50
HDFC Cash Management Fund - Savings Plus Plan Dividend Reinvestment	2,55,453.389	0.26	0.26
Tata Liquid High Investment Fund - Weekly Dividend Reinvestment Option	2,257.865	0.23	0.25
Birla Cash Plus Institutional Growth Mutual Fund	52,88,471.980	5.29	9.75

## Schedules forming Part of the Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'H'</b>		
<b>INVENTORIES</b>		
Stores and spares	2.01	-
Raw materials, sub-assemblies and components	8.79	-
Goods-in-transit	8.00	-
Finished goods	2.87	-
Work-in-progress	1.27	-
	<u>22.94</u>	<u>-</u>

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'I'</b>		
<b>SUNDRY DEBTORS</b>		
(a) Over six months (unsecured)		
(i) Considered good	145.30	51.74
(ii) Considered doubtful	58.37	28.70
(b) Others (unsecured)		
(i) Considered good	2181.33	1416.31
(ii) Considered doubtful	0.26	1.77
	<u>2385.26</u>	<u>1498.52</u>
Less: Provision for doubtful debts	<u>(58.63)</u>	<u>(30.47)</u>
	<u>2326.63</u>	<u>1468.05</u>
Due from companies under same management		
Tata Infotech Limited	-	0.50
Tata Teleservices Limited	67.79	26.62
Tata Elxsi Limited	1.00	-
Tata SKY Ltd	14.61	-
Tata Internet Services Pvt.Limited	0.05	-
Tata AIG General Insurance Co Ltd	1.67	-
Tata Teleservices (Maharashtra) Limited	0.49	-

## Schedules forming Part of the Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'J'</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Cash on hand	4.68	5.29
(b) Remittances in transit	6.46	3.38
(c) Bank Balances		
(i) with Scheduled Banks		
(1) In current accounts	32.91	43.22
(including cheques on hand of Rs. 3.64 crores and Equity share application monies of Rs. 0.10 crore, March 31,2005 Rs. 10.33 crores and Rs. 4.29 crores respectively)		
(2) deposit accounts	0.56	0.08
(including Rs. 0.08 crore under lien to Customs Authority, March 31,2005 : Rs. 0.08 crore)		
(ii) with Foreign Banks - in current accounts		
ABN AMRO Bank Berhad, Malaysia	0.04	0.09
Bank of America N.A, Australia	0.85	3.42
Credit Suisse, Switzerland	0.83	1.05
Nordea Bank, Denmark	4.42	0.67
HSBC Bank plc, UK	34.02	16.34
K & H Bank, Hungary	2.05	1.29
Bank of America N.A, Canada	0.24	1.11
ABN AMRO Bank, Taiwan	0.04	0.11
Standard Chartered Bank, Singapore	0.44	2.02
Merita Bank, Finland	0.24	1.82
HSBC Bank plc, Ireland	0.63	2.02
Nedbank, South Africa	63.00	29.53
La Caixa Bank, Spain	0.94	-
ASB Bank, New Zealand	0.14	0.15
Bank of America N.A, USA	7.47	5.70
Nordea Bank, Finland	1.83	2.94
Bank of America, Taiwan	0.12	0.41
Bank Sinopac,Taiwan	-	0.10
Standard Chartered Bank, Bahrain	0.28	-
Standard Chartered Bank, South Africa	5.38	-
Bank of America, Hongkong	0.11	-
Citibank NV,Israel	0.25	-
Standard Chartered Bank,Dubai	0.98	-
Bank of America, Amsterdam	0.09	-
Bank of America, London	0.05	-
Standard Chartered Bank, Botswana	1.75	-
National City Bank, Ohio	0.08	-
Bank of America, Sydney	0.03	-
Bank of America, Singapore	0.26	-
	<b>171.17</b>	<b>120.74</b>

## Schedules forming Part of the Balance Sheet

	<b>As at March 31, 2006</b> <b>Rs. in crores</b>	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'J' (Contd.)</b>		
d) <u>Maximum balance outstanding - Foreign Banks</u>		
ABN AMRO Bank Berhad, Malaysia	<b>0.28</b>	1.58
Bank of America N.A, Australia	<b>15.04</b>	14.99
Credit Suisse, Switzerland	<b>1.00</b>	2.12
Nordea Bank, Denmark	<b>7.49</b>	9.31
HSBC Bank plc, UK	<b>110.75</b>	116.14
K & H Bank, Hungary	<b>12.76</b>	16.46
Bank of America N.A, Canada	<b>16.98</b>	6.35
ABN AMRO Bank, Taiwan	<b>0.77</b>	1.37
Standard Chartered Bank, Singapore	<b>4.08</b>	6.03
Merita Bank, Finland	<b>3.56</b>	5.24
HSBC Bank plc, Ireland	<b>11.70</b>	10.93
Nedbank, South Africa	<b>70.19</b>	36.24
La Caixa Bank, Spain	<b>0.98</b>	1.30
ASB Bank, New Zealand	<b>6.32</b>	2.82
Bank of America N.A, USA	<b>199.24</b>	129.80
Nordea Bank, Finland	<b>6.05</b>	4.10
Bank of America, Taiwan	<b>2.38</b>	4.03
Bank Sinopac, Taiwan	<b>2.32</b>	0.10
Standard Chartered Bank, Bahrain	<b>0.89</b>	-
Standard Chartered Bank, South Africa	<b>7.83</b>	-
Bank of America, Hongkong	<b>0.75</b>	-
Citibank NV, Israel	<b>0.25</b>	-
Standard Chartered Bank, Dubai	<b>1.36</b>	-
Bank of America, Amsterdam	<b>0.57</b>	-
Bank of America, London	<b>3.78</b>	-
Bank of America, USA	<b>17.33</b>	-
Standard Chartered Bank, Botswana	<b>2.10</b>	-
National City Bank, Ohio	<b>0.10</b>	-
Bank of America, Sydney	<b>2.64</b>	-
Bank of America, Singapore	<b>1.68</b>	-

## Schedules forming Part of the Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'K'</b>		
<b>LOANS AND ADVANCES (Unsecured)</b>		
(a) Considered good		
(i) Employee loans	<b>92.98</b>	144.50
(ii) Loans to Director / Officer (Maximum balance during the year Rs. 0.12 crore, previous year Rs. 0.12 crore)	<b>0.08</b>	0.12
(iii) Loans to Subsidiary Companies	<b>367.88</b>	17.64
(iv) Advances recoverable in cash or kind or for value to be received	<b>547.59</b>	415.06
(v) Advance tax (including refunds receivable)	<b>99.34</b>	18.91
	<b>1107.87</b>	596.23
(b) Considered doubtful		
(i) Employee loans	<b>2.18</b>	0.06
(ii) Advances recoverable in cash or kind or for value to be received	<b>4.54</b>	2.63
	<b>6.72</b>	2.69
Less: Provision for doubtful advances	<b>(6.72)</b>	(2.69)
	<b>1107.87</b>	596.23
Notes :		
(1) Loans and advances in the nature of loans to subsidiary companies :		
TCS Iberoamerica SA	-	16.62
Tata Consultancy Services De Espana, SA	-	1.02
Tata Consultancy Services Sverige AB	<b>20.08</b>	-
TCS FNS Pty. Limited	<b>115.32</b>	-
Diligenta Limited	<b>232.48</b>	-
(2) Advances recoverable in cash or kind or for value to be received includes fair values of foreign exchange forward contracts	<b>15.42</b>	16.19
(3) Notional amount of outstanding foreign exchange forward contracts	<b>694.89</b>	2066.38
(4) Advance recoverable in cash or kind or for value to be received include balances with Customs and Excise Authorities	<b>0.44</b>	-
(5) Advance recoverable in cash or kind or for value to be received include Intercompany deposits.	<b>8.00</b>	-

## Schedules forming Part of the Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'L'</b>		
<b>CURRENT LIABILITIES</b>		
(a) Sundry Creditors	<b>737.09</b>	445.68
(b) Subsidiary companies	<b>66.51</b>	98.80
(c) Advances from customers	<b>61.61</b>	44.22
(d) Advance billing and deferred revenues	<b>197.74</b>	75.97
(e) Equity Share Application Monies Refundable	<b>0.10</b>	4.30
(f) Investor Education and Protection Fund - Unpaid Dividend	<b>1.81</b>	0.67
(g) Other Liabilities	<b>106.58</b>	44.16
(h) Interest accrued but not due	<b>0.46</b>	0.48
	<b>1171.90</b>	714.28

Note:

There were no amounts due to small scale undertakings which are identified based on information available with the Company as at March 31, 2006 (March 31, 2005: Rs. Nil).

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'M'</b>		
<b>PROVISIONS</b>		
(a) Current income taxes	<b>107.73</b>	99.68
(b) Fringe benefit tax	<b>1.06</b>	-
(c) Contingencies	<b>44.29</b>	49.45
(d) Employee retirement benefits	<b>136.08</b>	104.72
(e) Proposed dividend	<b>220.19</b>	240.06
(f) Tax on dividend	<b>30.88</b>	33.67
(g) Provision for warranties	<b>0.31</b>	-
	<b>540.54</b>	527.58

**Schedules forming Part of the Profit and Loss Account**

	<b>2006</b>	2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)

**SCHEDULE 'N'**

**INFORMATION TECHNOLOGY AND CONSULTANCY SERVICES**

(a) Services Rendered	<b>10677.75</b>	7817.93
(b) Other revenues	<b>11.11</b>	-
(c) Exchange Loss	<b>(15.64)</b>	(23.52)
	<b><u>10673.22</u></b>	<u>7794.41</u>

	<b>2006</b>	2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)

**SCHEDULE 'O'**

**OTHER INCOME**

(a) Interest (includes Rs.Nil from a foreign subsidiary, March 31,2005 : Rs.0.35 crore) (Tax deducted at source Rs.0.56 crore, March 31, 2005 : Rs.0.56 crore)	<b>22.16</b>	8.58
(b) Dividend from subsidiaries (trade investments)	<b>4.50</b>	4.26
(c) Dividends from other long-term investments (trade investments)	-	6.51
(d) Dividends from other long-term investments (non trade investments)	<b>0.45</b>	-
(e) Dividends from mutual funds (other investments)	<b>15.05</b>	3.76
(f) Profit on redemption of mutual fund investments	<b>1.84</b>	0.13
(g) Rent	<b>3.27</b>	3.46
(h) Profit on sale of fixed assets (net)	<b>1.56</b>	-
(i) Exchange gain ( net )	-	35.40
(j) Miscellaneous income	<b>19.12</b>	33.12
	<b><u>67.95</u></b>	<u>95.22</u>

	<b>2006</b>	2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)

**SCHEDULE 'P'**

**EMPLOYEE COSTS**

(a) Salaries and Incentives	<b>3581.55</b>	1460.26
(b) Contributions to -		
(i) Provident Fund	<b>102.77</b>	82.55
(ii) Superannuation Scheme	<b>21.27</b>	60.55
(iii) Employees State Insurance Scheme	-	0.07
(iv) Gratuity	<b>29.16</b>	45.36
(iv) Social security and other benefit plans (overseas employees)	<b>117.49</b>	-
(c) Staff welfare expenses	<b>148.36</b>	115.04
	<b><u>4000.60</u></b>	<u>1763.83</u>



## Schedules forming Part of the Profit and Loss Account

	2006	2005
	Rs. in crores	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 2)
<b>SCHEDULE 'Q'</b>		
<b>OPERATION AND OTHER EXPENSES</b>		
(a) Overseas business expenses	1516.19	2327.59
(b) Services rendered by business associates and others	633.63	421.15
(c) Software and hardware costs	405.76	218.76
(d) Product expenses	195.45	151.00
(e) Material costs	156.19	-
(f) Communication expenses	163.14	115.63
(g) Travel expenses	134.13	78.89
(h) Rent	133.18	80.85
(i) Legal and professional fees	81.97	68.01
(j) Repairs and maintenance	71.13	50.80
(k) Electricity expenses	66.85	44.59
(l) Bad debts	5.65	1.19
(m) Provision for doubtful debts	12.14	30.47
(n) Provision for doubtful advances	3.37	2.69
(o) Advances written-off	0.10	-
(p) Recruitment and training expenses	62.67	32.50
(q) Diminution in value of long-term investments	-	6.27
(r) Commission and brokerage	11.67	8.29
(s) Motor car expenses	17.78	27.27
(t) Printing and stationery	21.13	12.21
(u) Insurance	24.49	15.11
(v) Rates and taxes	14.39	11.12
(w) Entertainment	6.97	5.18
(x) Loss on sale of fixed assets (net)	-	1.39
(y) Exchange loss (net)	53.50	-
(z) Other expenses	154.51	93.75
	<b>3945.99</b>	<b>3804.71</b>
Notes :		
(1) Overseas business expenses include:		
Travel expenses	211.03	151.91
Employee Allowances	1113.36	2101.69
(2) Repairs and maintenance includes:		
Buildings	28.46	17.21
Office and computer equipment	42.67	28.67
(3) Material Costs		
(a) Raw Materials, sub-assemblies and component consumed	33.83	-
(b) Transferred on Amalgamation (refer note 3 , page 93)	3.07	-
(c) Purchases of Finished Goods for resale	123.43	-
(d) Less: Closing Stock:		
Finished Goods	2.87	-
Work in Progress	1.27	-
	<b>(4.14)</b>	-
	<b>156.19</b>	-
(4) Other expenses includes :		
Stores and spare parts consumed	1.17	-

**SCHEDULE 'R' - NOTES TO ACCOUNTS**

## 1. Significant accounting policies

a) Basis of Preparation

The financial statements are prepared under the historical cost convention and the requirements of the Companies Act, 1956.

Comparative figures do not include the figures of the erstwhile Tata Infotech Limited (herein referred to as 'TIL'), Airline Financial Support Services (India) Limited (herein referred to as 'AFSL'), TCS Business Transformation Solutions Limited (herein referred to as 'TCS BTS') and Aviation Software Development Consultancy India Limited (herein referred to as 'ASDC'), which were amalgamated with Tata Consultancy Services Limited (herein referred to as 'the Company') effective April 1, 2005. Consequently, the comparative figures are not comparable with the figures for the year ended and as at March 31, 2006.

b) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of fixed assets.

c) Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are included in the cost of such assets.

Fixed assets exclude computers and other assets individually costing Rs.50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

d) Depreciation

Depreciation other than freehold land and capital work-in-progress is charged so as to write-off the cost of assets, on the following basis:

Leasehold Land and Buildings	Straight line	Lease period
Freehold Buildings	Written down value	5%
Leasehold Improvements	Straight line	Lease period
Plant and Machinery	Straight line	33.33%
Computer Equipment	Straight line	50%
Motor Cars	Written down value	25.89%
Office Equipment	Written down value	13.91%
Electrical Installations	Written down value	13.91%
Furniture and Fixtures	Straight line	100%
Intellectual Property / Distribution Rights	Straight line	24 – 36 months

e) Leases

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rents under operating leases are recognised in the Profit and Loss account on a straight-line basis.

f) Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

g) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

h) Retirement Benefits

Contributions to Provident and Superannuation Funds and overseas social security plans are recognised as expense when incurred.

Liability for gratuity and encashable leave are actuarially determined at the balance sheet date.

i) Revenue Recognition

Revenues from contracts priced on a time and materials basis are recognised when services are rendered and related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from the sale of equipment are recognised upon delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis.

j) Research and Development

Research and Development expenditure is recognised in the profit and loss account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation rates set out in paragraph 1(d).

k) Taxation

Current income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise these assets. All other deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

l) Foreign Currency Transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

Premium or discount on forward exchange contracts are amortised and recognised in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account.

Exchange differences, other than on foreign currency loans to acquire fixed assets from countries outside India are recognised in the profit and loss account.

m) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

n) Employee Stock Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

o) Inventory

Raw materials, sub assemblies and components are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis. Purchased goods in transit are carried at cost. Work in progress is carried at lower of cost or net realisable value. Stores and spare parts are carried at cost, less provision for obsolescence. Finished goods produced or purchased by the Company are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

2. Transfer of the TCS Division of Tata Sons Limited ("the TCS Division")

a) In accordance with the terms of the Scheme of Arrangement as sanctioned by the High Court of Judicature at Bombay, the TCS Division has been transferred ("the Transfer") to and vested in the Company as a going concern with effect from April 1, 2004, which is the Appointed Date under the Scheme. The Scheme was effective on August 9, 2004 upon the execution of the underwriting agreement for the Initial Public Offer. Accordingly, the assets and liabilities of TCS Division as at August 9, 2004 have been transferred to the Company for a cash consideration of Rs.2300 crores.

b) From the Appointed Date up to the date on which the Scheme is effective, Tata Sons Limited held the TCS Division in trust for and on account of the Company. Accordingly, the results for the year ended March 31, 2005 include the results of the erstwhile TCS Division for the period April 1, 2004 to August 9, 2004.

3. Amalgamation of Companies

a) Airline Financial Support Services ( India ) Limited , Aviation Software Development Consultancy India Limited and TCS Business Transformation Solutions Limited – wholly owned subsidiaries of Tata Consultancy Services Limited have been amalgamated with the Company with effect from April 1,2005 in terms of the Scheme of Amalgamation ( Scheme ) sanctioned by the High Court of Judicature at Bombay, High Court of Judicature at Madras and the High Court of Karnataka, Bangalore vide their orders dated December 9, 2005, January 25, 2006 and January 13, 2006 respectively. The Scheme came into effect on February 1, 2006 and pursuant thereto all assets and debts, outstanding, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, have been transferred to and vested in the Company retrospectively with effect from April 1, 2005.

As all the subsidiaries amalgamated as aforesaid were wholly owned by the Company, no shares were exchanged to effect the amalgamation.

b) In accordance with the Scheme of Amalgamation ("Scheme") of the erstwhile Tata Infotech Limited ("TIL") with the Company as sanctioned by the Honourable High Court of Judicature at Bombay vide its Order dated January 27, 2006, the undertaking of TIL being all its assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from April 1, 2005 (the appointed date). The Scheme came into effect on February 1, 2006.

Pursuant to the Scheme coming into effect, every shareholder of TIL holding fully paid up equity shares was allotted one Equity Share of Re. 1 each in the Company, credited as fully paid up, for every two Equity Shares of Rs. 10 each fully paid up held in the capital of TIL.

- c) The amalgamations stated above have been accounted for under the “pooling of interests” method as prescribed by Accounting Standard (AS-14) issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves as at April 1, 2005 have been taken over at their book values. As stipulated in the Schemes of Amalgamation, all reserves of the Transferor Companies have been transferred to the General Reserves account except for balance lying in the Profit and Loss Account as on March 31, 2005, which has been credited to the Profit and Loss Account of the Company.

The difference between the amounts recorded as Share Capital issued and the amount of Share Capital of the Transferor Company has been adjusted in the General Reserve.

Accordingly, the amalgamations have resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values:

(Rs. in crores)

	<b>TIL</b>	<b>AFSL</b>	<b>TCS BTS</b>	<b>ASDC</b>	<b>Total</b>
Fixed Assets (Net)	50.45	16.29	12.62	0.71	80.07
Investments	66.50	7.13	-	-	73.63
Deferred tax asset	15.39	1.15	-	-	16.54
Current Assets ( Net )	157.17	16.84	20.67	32.19	226.87
Less: Loans	0.17	-	0.07	-	0.24
<b>Total Net Assets acquired on amalgamation</b>	<b>289.34</b>	<b>41.41</b>	<b>33.22</b>	<b>32.90</b>	<b>396.87</b>
Consideration for Amalgamation:					
Issue of shares (91,90,440 Equity Shares of the Company in the ratio of 1 Equity Share of the Company for every 2 Equity Shares of TIL)	0.92	-	-	-	0.92
Less: Adjustment for cancellation of Company's investments in Subsidiaries	-	30.39	27.02	27.50	84.91
	<b>288.42</b>	<b>11.02</b>	<b>6.20</b>	<b>5.40</b>	<b>311.04</b>
Less : Transfer of Capital Reserve in books of subsidiaries to General Reserve under the Scheme	-	0.01	-	-	0.01
Transfer of balances of Profit and Loss Account of amalgamated companies to the Profit and Loss Account of the Company.	54.00	32.37	20.89	28.90	136.16
Add : Deferred tax impact of US Federal and State tax losses carried forward	(23.72)	-	-	-	(23.72)
<b>Balance transferred to General Reserve as at April 1, 2005</b>	<b>258.14</b>	<b>(21.36)</b>	<b>(14.69)</b>	<b>(23.50)</b>	<b>198.59</b>

4. Consequent to the amalgamation of the erstwhile Tata Infotech Limited, effective April 1, 2005 its wholly owned subsidiaries Exegenix Canada Inc., Tata Infotech Deutschland GmbH, Tata Infotech (Singapore) Pte Limited and its Joint venture with Sitel India Limited are now wholly owned subsidiaries and Joint Venture of the Company.
5. On May 9, 2005, the Company, through its wholly owned subsidiary Tata Consultancy Services Sverige AB, acquired the entire third-party equity interest in Sweden based Swedish Indian IT Resources AB, for a consideration of Rs. 21.50 crores (SEK 38.65 Million).
6. On October 17, 2005, the Company, through its wholly owned subsidiary TCS FNS Pty Limited, acquired the entire third-party equity interest in Sydney based Financial Network Services (Holdings) Pty Ltd. (FNS), a core banking services provider, for a consideration of Rs. 110.27 crores (AU\$ 32.58 Million).
7. On November 7, 2005, the Company, through its wholly owned subsidiary TCS Iberoamerica S.A., acquired the entire third-party equity interest in Chile based Comicro S.A., a BPO service provider for a consideration of Rs. 103.84 crores (US\$ 22.93 Million).

The share purchase agreement provides for additional consideration, contingent upon certain conditions being met, including achieving specified earning levels in the acquired business in future years. The additional contingent consideration payable to the seller is subject to maximum amount of Rs. 270.68 crores (US\$ 60.10 Million). The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is paid or becomes payable.

8. In March 2006, the Company, through its subsidiary Diligenta Limited ( "Diligenta" ) acquired, on a going concern basis certain businesses of Pearl Group Services Limited ( "Pearl" ) for a consideration of Rs. 426.20 crores (GBP 55 Million). The acquisition included specified insurance contracts and claim administration business and assets including goodwill and knowhow. The transfer of contracts and employees will be effective from April 1, 2006.

Pearl has an equity holding of 24 percent in Diligenta. Under the shareholders agreement , the Company has a call option to purchase all the shares held by Pearl at fixed price of Rs. 234.33 crores ( GBP 30.24 million ) at the end of 4th year and Pearl has a put option to sell the shares to the Company at the same price at the end of the 5<sup>th</sup> year.

9. On January 19, 2006, the Company subscribed to 51% share capital of C-Edge Technologies Limited, a company formed to provide Information Technology Related and Information Technology Enabled Services and Solutions.
10. Unbilled revenue as at March 31, 2006 amounting to Rs. 353.91 crores (*Previous year : Rs. 130.09 crores*) primarily comprises of the revenue recognized in relation to efforts incurred on turnkey contracts priced on a fixed time, fixed price basis.
11. Provision for Contingencies

(Rs. in crores)

	<b>Provident Fund</b>	<b>Other Claims</b>	<b>Total</b>
Balance as on April 1, 2005	35.44	14.01	49.45
Provision made during the year	8.85	-	8.85
Provision written back during the year	-	(14.01)	(14.01)
Balance as at March 31, 2006	44.29	-	44.29

a) Provident Fund

On November 24, 1998 the Regional Provident Commissioner of Mumbai (RPFC) issued an order stating that the erstwhile TCS Division was rendering "expert services" in accordance with a notification issued by Central Government of India under the Provident Funds Act, 1952 (the PF Act), in which the RPFC sought to cover the erstwhile TCS Division under the PF Act and claimed administrative charges. The erstwhile TCS Division filed a legal case against the order in the High Court of Judicature at Bombay.

Pending resolution of the matter, a provision of Rs.44.29 crores (*Previous year: Rs. 35.44 crores*) has been made based on the management's estimate of the claim for administrative charges. Interest and penalty, if any, has not been determined.

The management intends to continue legal action against the claim and to defend its position and believes, based on legal advice, that the probability of the RPFC prevailing is low.

b) Others

Includes claims made for reimbursement of cost of investment made in an overseas entity. These have been written back in the current year.

12. Obligations towards non-cancellable lease

<b>Lease Obligation</b>	(Rs. in crores)	
	<b>2006</b>	2005
Due not later than one year	<b>68.71</b>	48.02
Due later than one year but not later than five years	<b>141.74</b>	120.88
Later than five years	<b>11.28</b>	44.74
<b>Total</b>	<b>221.73</b>	213.64

Rental expenses of Rs.47.96 crores (*Previous year: Rs.25.23 crores*) in respect of obligation under operating leases have been recognized in the profit and loss account.

13. Research and development expenditure aggregating Rs. 30.16 crores (*Previous Year: Rs.21.29 crores*) was incurred during the year.

14. During the year ended March 31, 2005, under the EVA based incentive scheme ("EVA Scheme") followed by the erstwhile TCS Division, employees were eligible for incentive based on TCS Division's performance in the immediately preceding year. During the year ended March 31, 2005, the Company had revised the EVA Scheme, under which employees were eligible for incentive based on the Company's performance in that year. Consequently liability for additional performance incentive of Rs.102 crores was recognised in the year ended March 31, 2005.

15. In accordance with the Employee Stock Option Scheme of the Employees' Share Participation Trust ("Trust") of erstwhile Tata Infotech Limited, the Trust had granted 3,72,950 options in earlier years out of the shares held by the Trust. Out of these options granted, the vesting period for 1,18,116 options had not lapsed as of January 2006.

Subsequent to the approval of the shareholders of the amalgamation of TIL with the Company, the Trustees of the Trust at their meeting held on January 17, 2006, dissolved the Trust in terms of the Trust Deed in view of the imminent amalgamation. The dissolution of the Trust resulted in the unvested options for 1,18,116 shares becoming fully exercisable by the employees. Further, disbursements of the residual assets in the Trust, comprising 1,20,626 shares held by the Trust and cash amounting to Rs. 10.17 crores with the Trust, were made to certain employees of TIL in January 2006 and Rs. 1.24 crores was paid to the Company's Employee Welfare Trust.



Based on independent legal opinion, the Company is of the view that the SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 do not apply to the accelerated vesting and distribution made in the course of the dissolution of the Trust in January 2006.

16. Sale of Equipment is net of excise duty Rs. 5.51 crores (*Previous year: Rs. Nil*).

17. Segment Reporting

The Company has identified geographic segments as its primary segment and industry segments as its secondary segment.

Geographic segments of the Company are Americas, Europe, India and Others.

Secondary segments of the Company are Banking, Financial Services and Insurance (BFSI), which are considered as single segment, Manufacturing, Retail and Distribution, Telecom and Others. Others comprise Transportation, Life Sciences and Healthcare, Energy and Utilities, s-Governance and sale of products.

Revenue and expense directly attributable to segments are reported under each reportable segment. Expenses incurred in India on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets have not been allocated between segments as these are used interchangeably between segments.

(Rs. in crores)

Particulars	Geographic Segment				Total
	Americas	Europe	India	Others	
Revenue	<b>6840.36</b> 5047.82	<b>2613.69</b> 2057.42	<b>1141.74</b> 582.25	<b>619.07</b> 340.10	<b>11214.86</b> 8027.59
Identified operating Expenses	<b>3921.33</b> 2890.20	<b>1357.74</b> 1108.88	<b>704.59</b> 386.00	<b>353.20</b> 187.76	<b>6336.86</b> 4572.84
Allocated expenses	<b>785.14</b> 508.30	<b>288.12</b> 232.98	<b>140.13</b> 128.55	<b>72.28</b> 39.54	<b>1285.67</b> 909.37
Segment result	<b>2133.89</b> 1649.32	<b>967.83</b> 715.56	<b>297.02</b> 67.70	<b>193.59</b> 112.80	<b>3592.33</b> 2545.38
Unallocable expenses (net)					<b>585.93</b> 331.95
Operating income					<b>3006.40</b> 2213.43
Other income					<b>67.95</b> 95.22
Profit before taxes					<b>3074.35</b> 2308.65
Tax expense					<b>357.48</b> 280.76
Exceptional items					- 196.47
Net profit					<b>2716.87</b> 1831.42

(Rs. in crores)

Particulars	Geographic Segment				Total
	Americas	Europe	India	Others	
Segment Assets	<b>1164.01</b>	<b>994.59</b>	<b>609.45</b>	<b>325.42</b>	<b>3093.47</b>
	878.53	621.71	212.40	153.93	1866.57
Unallocable assets					<b>4302.68</b>
					2881.40
Total Assets					<b>7396.15</b>
					4747.97
Segment Liabilities	<b>597.16</b>	<b>384.38</b>	<b>243.07</b>	<b>119.55</b>	<b>1344.16</b>
	473.83	243.50	91.54	49.99	858.86
Unallocable liabilities					<b>442.66</b>
					568.06
Total Liabilities					<b>1786.82</b>
					1426.92

**Business Segment**

The following business segments individually contribute 10 percent or more of the Company's revenues and segment assets:

	Revenues for the year ended March 31, 2006 (Rs. in crores)	Segment Assets as at March 31, 2006 (Rs. in crores)
Banking, Financial Services and Insurance	<b>4556.99</b> 3119.48	<b>996.90</b> 675.63
Manufacturing	<b>1532.11</b> 1463.23	<b>276.47</b> 238.69
Retail and Distribution	<b>698.14</b> 512.73	<b>131.16</b> 90.86
Telecom	<b>1789.62</b> 1281.49	<b>520.09</b> 229.93

## 18. Related Party Disclosures

### A Related Parties and their Relationship

#### I. **Holding Company**

- Tata Sons Limited

#### II. (A) **Subsidiaries (Direct Holding)**

- CMC Limited
- AP Online Limited
- Tata America International Corporation
- TCS Iberoamerica S.A.
- Tata Consultancy Services Belgium S.A.
- Tata Consultancy Services Deutschland GmbH
- Tata Consultancy Services Netherlands B.V.
- Tata Consultancy Services Sverige AB
- Tata Consultancy Services France S.A.
- Tata Consultancy Services Asia Pacific Pte Limited
- WTI Advanced Technology Limited
- Tata Infotech Deutschland GmbH \*
- Tata Infotech Singapore (Pte) Limited \*
- Exigenix Canada Inc. \*
- Diligenta Limited (w.e.f. 12.08.2005)
- TCS FNS Pty Limited (w.e.f 17.10.2005)
- C-Edge Technologies Limited (w.e.f. 19.01.2006)
- Airline Financials Support Services (India) Limited (Previous Year)\*\*
- Aviation Software Development Consultancy India Ltd (Previous Year)\*\*
- TCS Business Transformation Solutions Limited (Previous Year)\*\*

#### II (B) **Subsidiaries (Indirect Holding)**

- CMC Americas Inc.
- Tata Information Technology (Shanghai) Company Limited
- TCS Solution Center S.A., Uruguay
- TCS Argentina S.A.
- TCS Brazil S/C Limitada
- Tata Consultancy Services de Mexico S.A. De C.V.
- TCS Inversions Chile Limitada
- Tata Consultancy Services de Espana S.A.
- Tata Consultancy Services do Brasil S.A.
- Tata Consultancy Services Chile S.A.
- Tata Consultancy Services Chile Limitada (w.e.f. 18.10.2005)
- Tata Consultancy Services Portugal Unipessoal Limitada (w.e.f. 04.07.2005)
- Comicrom S.A.. (w.e.f. 07.11.2005)

- Syscrom S.A. (w.e.f. 07.11.2005)
- Pentacrom S.A. (w.e.f. 07.11.2005)
- Pentacrom Servicios S.A. (w.e.f. 07.11.2005)
- Custodia de Documentos Intres Limitada (w.e.f. 07.11.2005)
- Sisteco S.A. (w.e.f. 07.11.2005)
- TCS Italia SRL
- Tata Consultancy Services Japan Limited
- Tata Consultancy Services Malaysia SDN BHD
- Tata Consultancy Services Luxembourg S.A. (w.e.f. 28.10.2005)
- Swedish Indian I T Resources A.B. (w.e.f. 09.05.2005)
- Financial Network Services (Holdings) Pty Limited (w.e.f. 19.10.2005)
- Financial Network Services Pty Limited (w.e.f. 19.10.2005)
- Financial Network Services (Facilities Management) Pty Limited (w.e.f. 19.10.2005)
- Financial Network Services Europe (Plc) (w.e.f. 19.10.2005)
- PT Financial Network Services (w.e.f. 19.10.2005)
- Chong Wan Investments Limited (w.e.f. 19.10.2005)
- Financial Network Services (Africa) Pty Ltd. (w.e.f. 19.10.2005)
- Financial Network Services Chile Limitada (w.e.f. 19.10.2005 and dissolved on 08.02.2006)
- Financial Network Services (H.K.) Limited (w.e.f. 19.10.2005)
- Financial Network Services Malaysia Sdn Bhd (w.e.f. 19.10.2005)

**III. Fellow Subsidiaries**

- Tata AIG General Insurance Company Limited
- Tata AIG Life Insurance Company Limited
- TCE Consulting Engineers Limited
- E2E Serwiz Solutions Limited
- Tata Sky Limited (Formerly Space TV Limited)
- THDC Limited (Formerly Tata Housing Development Company Limited)
- Tata Teleservices Limited
- Tata Teleservices (Maharashtra) Limited
- Tata Internet Services Limited
- Tata Limited
- Tata Infotech Limited (Previous Year)\*\*

**IV. Associate**

- Conscripti (Pty) Limited
- Exegenix Research Inc.\*

**V. Joint Ventures**

- Intelenet Global Services Limited (Previous Year)
- Sitel India Limited \*

## VI. Key Management Personnel

- Mr. S. Ramadorai (Chief Executive Officer and Managing Director)
- Mr. S. Mahalingam (Chief Financial Officer)

\* Consequent to the amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer note 3, page 93).

\*\* Amalgamated with the Company with effect from April 1, 2005 (Refer note 3, page 93).

## B. Transactions with Related Parties

For the year ended March 31, 2006

(Rs in crores)

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Associate/Joint Venture	Key Management Personnel	Total
Issue of Bonus Shares (Previous Year: 819,90,005) shares of face value of Re. 1 each	- 8.20	- -	- -	- -	- -	- 8.20
Issue of Shares under Employee Stock Purchase Scheme	- -	- 9.14	- -	- -	- 8.56	- 17.70
Issue of Shares pursuant to Amalgamation of Tata Infotech Limited	0.68 -	- -	- -	- -	- -	0.68 -
Purchase of fixed assets	0.01 -	35.03 27.20	0.56 0.87	0.03 0.13	- -	35.63 28.20
Loan and advances	- 0.04	375.13 12.65	- 0.67	- 10.00	- -	375.13 23.36
Inter Corporate Deposit	- -	- -	20.00 -	- -	- -	20.00 -
Purchase of Investment	- -	371.99 3.92	- -	10.70 -	- -	382.69 3.92
Consideration for transfer of TCS Division	- 2300.00	- -	- -	- -	- -	- 2300.00
Revenues	0.28 -	5914.37 4655.44	162.91 73.81	54.36 31.56	- -	6131.92 4760.81
Interest Income	- -	0.73 0.35	0.17 -	- -	- -	0.90 0.35
Dividend Income	- -	4.50 4.26	- -	- 6.51	- -	4.50 10.77

**TATA CONSULTANCY SERVICES LIMITED**

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(Rs in crores)

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Associate/ Joint Venture	Key Management Personnel	Total
Rent Income	-	0.30	0.61	-	-	0.91
	-	0.21	1.30	-	-	1.51
Other Income	-	-	-	-	-	-
	-	0.12	-	-	-	0.12
Purchase of Goods, Services, and Facilities	1.04	342.83	31.53	17.47	-	392.87
	3.96	235.99	38.23	7.54	-	285.72
Brand Equity Contribution	27.99	-	-	-	-	27.99
	18.53	-	-	-	-	18.53
Bad Debts written off	-	2.27	-	-	-	2.27
	-	0.04	-	-	-	0.04
Provision for doubtful debts/ advances	-	1.01	0.48	0.07	-	1.56
	-	3.12	1.74	0.21	-	5.07
Remuneration	-	-	-	-	3.17	3.17
	-	-	-	-	1.36	1.36
Dividend Paid	542.32	-	-	-	0.13	542.45
	255.60	-	-	-	0.05	255.65
Guarantees	-	13.39	-	-	-	13.39
	-	47.67	-	-	-	47.67

**C. Balances with Related Parties**

(Rs in crores)

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Associate/ Joint Venture	Key Management Personnel	Total
Debtors, Loans and Advances	0.35	1412.06	76.78	15.66	-	1504.85
	1.10	748.39	26.19	12.55	0.04	788.27
Creditors, Advances from Customers	28.00	244.90	10.25	6.83	-	289.98
	18.53	169.70	3.30	3.38	-	194.91

D. Disclosure of Material Transactions with Related Parties

	<u>2006</u>	<u>2005</u>
		(Rs in crores)
<u>Purchase of Fixed Assets</u>		
CMC Ltd	<b>34.34</b>	27.13
<u>Revenues</u>		
Tata America International Corporation	<b>5469.46</b>	4334.43
<u>Purchase of Goods, services and Facilities</u>		
CMC Limited	<b>180.06</b>	65.18
Tata America International Corporation	<b>89.23</b>	60.53
CMC Americas Inc	<b>43.67</b>	26.57
<u>Debtors Loans and Advances</u>		
Tata America International Corporation	<b>733.79</b>	555.70
Diligenta Limited	<b>276.49</b>	-
<u>Sundry Creditors, Advances from Customers</u>		
Tata America International Corporation	<b>112.48</b>	69.23
CMC Ltd	<b>80.67</b>	35.76
<u>Purchase of Investments</u>		
Diligenta Limited	<b>230.75</b>	-
TCS Iberoamerica S.A.	<b>127.34</b>	-
<u>Loans Given During the Year</u>		
Diligenta Limited	<b>232.83</b>	-
TCS FNS Pty Limited	<b>122.71</b>	-
<u>Inter-corporate Deposit</u>		
Tata Teleservices Limited	<b>20.00</b>	-
<u>Bad Debts Written Off</u>		
TCS Iberoamerica S.A.	<b>2.27</b>	-
<u>Guarantees Given during the Year</u>		
Tata Consultancy Services Asia Pacific Pte Limited	<b>8.92</b>	5.91
TCS Iberoamerica S.A.	<b>4.47</b>	-

19. The Company's share (40%) in the assets, liabilities, income and expenses of its joint venture with Sitel India limited is as follows:-

	(Rs in crores)	
	<u>2006</u>	<u>2005</u>
Fixed assets	<b>10.78</b>	-
Current Assets	<b>16.70</b>	-
Current liabilities	<b>9.36</b>	-
Secured loans	<b>2.57</b>	-
Total Income	<b>34.16</b>	-
Total expenses	<b>31.74</b>	-
Profit before tax	<b>2.42</b>	-
Taxes	<b>0.43</b>	-
Profit after tax	<b>1.99</b>	-

20. Managerial Remuneration

	(Rs in crores)	
	<u>2006</u>	<u>2005</u>
1. Managing Director		
(a) Salaries (including Company contribution to Provident and Superannuation funds)	<b>0.80</b>	0.22
(b) Commission	<b>1.25</b>	0.65
(c) Estimated value of perquisites and allowances	<b>0.39</b>	0.08
	<b>2.44</b>	0.95 #
2. Non Whole-time Directors		
(a) Commission	<b>1.60</b>	1.00
(b) Sitting fees	<b>0.05</b>	0.02
	<b>1.65</b>	1.02
<b>Total Remuneration</b>	<b>4.09</b>	1.97

# for the period from August 9, 2004 to March 31, 2005.

Note:

The above figures do not include provisions for encashable leave and gratuity and premiums paid for the Group Health Insurance as separate actuarial valuations are not available for the Managing Director.



3. Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956.

Profit before taxes and exceptional items	<b>3074.35</b>	2308.65
<i>Add:</i>		
(a) Managerial Remuneration	<b>4.09</b>	1.97
(b) Provision for bad and doubtful debts and advances	<b>15.51</b>	33.16
(c) Provision for diminution in value of long-term investments	<b>-</b>	6.27
	<b>19.60</b>	41.40
<i>Less:</i>		
(a) Profit on redemption of mutual funds	<b>1.84</b>	0.13
(b) Capital profits on sale of fixed assets	<b>1.28</b>	-
	<b>3.12</b>	0.13
Net Profit as per Section 309 (5) of the Companies Act, 1956	<b>3090.83</b>	2349.92
<i>Commission:</i>		
(a) Managing Director	<b>1.25</b>	0.65
(b) Non Whole - time Directors	<b>1.60</b>	1.00

Note:

The remuneration payable to the managing director is subject to approval of the shareholders.

21. Auditors' remuneration

	<b>2006</b>	(Rs in crores) 2005
For services as Auditors, including quarterly audits	<b>1.20</b>	0.90
For Tax Audit	<b>0.25</b>	0.15
For Other services	<b>0.11</b>	0.07
Reimbursement of out-of-pocket expenses	<b>0.13</b>	0.05
For service tax	<b>0.16</b>	0.11

The remuneration disclosed above excludes fees of Rs. 1.10 crores (*Previous Year: Rs.0.60 crores*) for professional services rendered by a firm of accountants in which the partners of the firm of statutory auditors are partners.

22. Effective July 1, 2005 the payments to employees deputed to the United States of America was revised to include overseas allowances. As a result, employee costs have increased and overseas business expenditure has decreased in the year ended March 31, 2006, as compared to the corresponding periods presented.

23. Current tax is net of the effect write back of provisions and refunds received in certain overseas jurisdictions related to earlier years, of Rs.38.03 crores.

24. Contingent Liabilities

	<b>As at March 31, 2006</b>	(Rs in crores) As at March 31, 2005
Claims against the Company not acknowledged as debt (See note below)	<b>292.85</b>	104.71
Guarantees given by the Company on behalf of subsidiaries	<b>42.21</b>	47.67

*Claims against the Company not acknowledged as debt includes:*

- a) Rs. 79.15 crores (*Previous Year: Rs. 72.04 crores*) in respect of claims made by lessors for properties leased under tenancy agreements. These claims are being contested in the courts by the Company. The management does not expect these claims to succeed. An amount of Rs. 10.17 crores (*Previous year: Rs. 9.34 crores*) has been accrued under other liabilities.
- b) Rs. 197.91 crores (EUR 36.68 million) (*Previous Year: Rs. Nil*) in respect of a claim for compensation made by an overseas party. No provision has been made in these financial statements as management considers the probability of the claim succeeding to be remote.

25. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 516.58 crores (*Previous Year: Rs. 255.38 crores*).

The Company has undertaken to provide continued financial support to its subsidiaries, TCS Iberoamerica S.A. and AP Online Limited.

26. Income In Foreign Currency

	<b>2006</b>	(Rs in crores) 2005
a) F O B value of exports	<b>24.60</b>	-
b) Consultancy Services (including exchange loss)	<b>10076.45</b>	7471.88
c) Sale of Equipment and Software Licences	<b>23.99</b>	5.09
d) Interest income	<b>0.72</b>	0.52
e) Dividend	-	6.51
f) Other Income	<b>1.32</b>	1.25

27. Expenditure In Foreign Currency  
(subject to deduction of tax where applicable)

	2006	2005
		(Rs in crores)
		2005
(a) Royalty	0.36	0.36
(b) Professional Fees	54.06	43.47
(c) Interest	2.70	8.33
(d) Business Associate Expenses	441.73	263.35
(e) Communication Expenses	78.85	53.41
(f) Foreign Taxes	192.10	230.17
(g) Overseas Business Expenses	1302.97	2185.27
(h) Overseas Employee Costs	1788.62	-
(i) Travelling and Conveyance	39.97	24.92
(j) Software Expenses	180.75	96.48
(k) Others	345.46	173.32

28. Value of Imports calculated on C.I.F. basis

	2006	2005
		(Rs in crores)
		2005
Raw materials, sub-assemblies and components	17.88	-
Finished goods*	76.76	-
Capital goods	122.02	50.28
Stores and spare parts	1.64	-

\* Includes value of units capitalized for internal use.

29. Licensed and installed capacities and production  
(Installed capacity certified by the management and accepted by the auditors without verification, this being a technical matter.)

	Installed Capacity (units)	Actual Production (units)
Document Processing Systems	2000	1033
Automated Teller Systems	N.A	619

N.A Not Applicable

Licensed capacity for document processing systems and Automated Teller Systems is not applicable.

30. Information in regard to finished goods

Particulars	Transferred on Amalgamation		Purchase		Turnover		Closing Stock	
	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)
Mini / micro processors based systems	39	1.78	1524	123.43	1551	132.89	12	2.25
Document processing systems	-	-	-	-	-	-	-	-
Automated teller systems	189	1.29	-	-	1095	22.82	127	0.62
Others (including software license)	-	-	-	-	619	25.38	-	-
	-	-	-	-	-	360.55	-	-
	-	-	-	-	-	-	-	-
		<b>3.07</b>		<b>123.43</b>		<b>541.64</b>		<b>2.87</b>
	-	-	-	-	-	-	-	-

31. Value of imported and indigenous raw materials, sub-assemblies and components, stores and spare parts consumed:

	Raw materials, sub-assemblies and components		Stores and Spare Parts	
	(Rs. in crores)	%	(Rs. in crores)	%
Imported	27.19	80.38	-	-
	-	-	-	-
Indigenous	6.64	19.62	1.17	100
	-	-	-	-
<b>Total</b>	<b>33.83</b>	<b>100</b>	<b>1.17</b>	<b>100</b>
	-	-	-	-

Note:

Consumption figures shown above are after adjusting excess and shortages ascertained on physical count, unserviceable items, etc.

### 32. Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends declared and paid to non-resident shareholders for the year 2004-2005 and interim dividends for the year 2005-2006, are as under :

	Number of Non Resident Shareholders	Number of Ordinary Shares Held	Gross Amount of dividend (Rs. in crores)	
			2006	2005
Interim dividend declared in October 2004	5,520	2,33,11,899	-	6.99
Interim dividend declared in January 2005	5,408	2,86,11,609	-	10.01
Final dividend for 2004-2005 declared in April 2005	5,304	3,11,45,199	15.57	-
Interim dividend declared in August 2005	5,314	3,25,87,707	9.78	-
Interim dividend declared in October 2005	5,143	3,34,88,630	10.05	-
Interim dividend declared in January 2006	5,150	3,76,02,178	11.29	-

### 33. Disclosure required by Clause 32 of the Listing Agreement

Amount of loans and advances in nature of loans outstanding from subsidiaries for the year ended March 31, 2006.

Subsidiary Company	Outstanding as at March 31, 2006 (Rs. in crores)	Maximum amount outstanding during the year (Rs. in crores)	Investment in shares of the Company (No. of shares)
(i) Tata Consultancy Services Sverige AB	<b>20.08</b> -	<b>20.67</b> -	<b>1,000</b> -
(ii) TCS FNS Pty Ltd	<b>115.32</b> -	<b>123.12</b> -	<b>10,00,000</b> -
(iii) Diligenta Ltd.(Include 4,000,000 fully paid preference shares)	<b>232.48</b> -	<b>232.83</b> -	<b>47,60,001</b> -
(iv) TCS Iberoamerica .S.A	- <i>16.62</i>	<b>19.52</b> <i>16.62</i>	<b>65,00,00,000</b> -
(v) Tata Consultancy Services De Espana S.A.	- <i>1.02</i>	<b>1.02</b> <i>1.17</i>	- -

34. Previous year's figures have been recast/restated wherever necessary.

35. *Previous year's figures are in italics.*

## Balance Sheet Abstract and Company's General Business Profile

### I) Registration Details

Registration No.	84781	State Code	11
Balance Sheet Date	31st March, 2006		

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

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

Note:

9190440 equity shares of Re. 1 each were allotted to shareholders of Tata Infotech Limited on Amalgamation with the Company effective April 1, 2005

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

	Total Liabilities	Total Assets
	56837100	56837100
<b>Sources of Funds</b>	Paid-up Capital	Reserves and Surplus
	489305	55603956
	Secured Loans	Unsecured Loans
	265183	89787
	Other Liabilities	
	388869	
<b>Application of Funds</b>	Net Fixed Assets	Investment
	14497774	19635294
	Net Current Assets	Misc. Expenditure
	22704032	0

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

Income	Total Expenditure
112828177	82084601
Exceptional Items	Profit/(Loss) Before Tax
0	30743576
Profit/(Loss) After Tax	Earnings per Share in Rs. (Weighted Average)
27168712	55.53
Dividend Rate %	
1350%#	

# including interim dividend of 900% paid during the year and excludes interim dividend of Rs. 4.50 per equity share of Rs. 10 each paid by the erstwhile Tata Infotech Limited during the year.

### V) Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	85249009
Product Description	Computer Software

## Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF  
TATA CONSULTANCY SERVICES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **TATA CONSULTANCY SERVICES LIMITED** ('the Company'), and its subsidiaries (collectively referred as 'the TCS Group') as at March 31, 2006 and the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries and a joint venture, whose financial statements reflect total assets of Rs. 2153.91 crores as at March 31, 2006, total revenues of Rs. 6699.55 crores and net cash inflows amounting to Rs. 58.10 crores for the year ended on that date. These financial statements and other financial information has been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. The financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 800.97 crores as at March 31, 2006, total revenues of Rs. 250.76 crores and net cash inflow amounting to Rs. 72.67 crores for the year ended on that date have not been audited.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standards (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
6. Subject to the matter referred to in paragraph 4 above, based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the TCS Group as at March 31, 2006;
  - (ii) in the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - (iii) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. B. BILLIMORIA & CO.**  
*Chartered Accountants*

**N VENKATRAM**  
*Partner*  
Membership No. 71387

Mumbai, April 17, 2006

**Consolidated Balance Sheet as at March 31, 2006**

	Schedule	As at March 31, 2006 Rs. in crores (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SOURCES OF FUNDS:</b>			
1	SHAREHOLDERS' FUNDS		
	(a) Share Capital	A	48.01
	(b) Reserves and Surplus	B	3429.53
			<u>3477.54</u>
2	MINORITY INTEREST		89.74
3	LOAN FUNDS		
	(a) Secured Loans	C	127.80
	(b) Unsecured Loans	D	75.21
			<u>203.01</u>
4	DEFERRED TAX LIABILITY (NET)	E	66.00
5	TOTAL FUNDS EMPLOYED		<u>3836.29</u>
<b>APPLICATION OF FUNDS:</b>			
6	FIXED ASSETS	F	
	(a) Gross Block		1170.65
	(b) Less :- Accumulated Depreciation		155.93
	(c) Net Block		<u>1014.72</u>
	(d) Capital work-in-progress		124.05
			<u>1138.77</u>
7	GOODWILL ( ON CONSOLIDATION )		478.89
8	INVESTMENTS	G	421.54
9	CURRENT ASSETS, LOANS AND ADVANCES		
	(a) Interest Accrued on Investments		-
	(b) Inventories	H	32.00
	(c) Unbilled Revenues		219.84
	(d) Sundry Debtors	I	2060.55
	(e) Cash and Bank Balances	J	274.69
	(f) Loans and Advances	K	663.55
			<u>3250.63</u>
10	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities	L	905.19
	(b) Provisions	M	548.35
			<u>1453.54</u>
11	NET CURRENT ASSETS [ (9) less (10) ]		1797.09
12	TOTAL ASSETS (NET)		<u>3836.29</u>
13	NOTES TO ACCOUNTS	R	

As per our report attached  
For **S.B. BILLIMORIA & CO.**  
Chartered Accountants

**N. Venkatram**  
Partner

Mumbai, April 17, 2006

**S. Mahalingam**  
Chief Financial Officer

**S.H. Rajadhyaksha**  
Company Secretary

For and on behalf of the Board

**Ratan N. Tata**  
Chairman

**S. Ramadorai**  
CEO and Managing Director

**Naresh Chandra**  
Director

**Aman Mehta**  
Director

**Venkatraman Thyagarajan**  
Director

Mumbai, April 17, 2006



## Consolidated Profit and Loss Account for the year ended March 31, 2006

	Schedule	2006 Rs. in crores	2005 Rs. in crores
		(Refer note 1)	(Refer notes 1 and 3)
<b>INCOME:</b>			
1	Information technology and consultancy services	12396.84	9094.64
2	Sale of equipment and software licences	855.31	653.83
3	Other income	<u>134.08</u>	<u>96.13</u>
		<b>13386.23</b>	<b>9844.60</b>
<b>EXPENDITURE</b>			
4	Employee costs	4720.24	2282.83
5	Operation and Other expenses	<u>4867.80</u>	<u>4651.81</u>
		<b>9588.04</b>	<b>6934.64</b>
	<b>PROFIT BEFORE ADDITIONAL PERFORMANCE INCENTIVE, INTEREST, DEPRECIATION, TAXES AND EXCEPTIONAL ITEMS</b>	<b>3798.19</b>	2909.96
6	Additional Performance Incentive	-	102.00
7	Interest	9.14	15.45
8	Depreciation	<u>282.43</u>	<u>158.82</u>
	<b>PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS</b>	<b>3506.62</b>	2633.69
9	PROVISION FOR TAXES		
	(a) Current tax	(479.99)	(358.57)
	(b) Deferred tax	(7.26)	(38.42)
	(c) Fringe benefit tax	<u>(22.32)</u>	<u>-</u>
	<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>	<b>2997.05</b>	2236.70
10	Tax on transfer of overseas subsidiaries and branches	-	(65.02)
11	Charge on account of Employee Stock Purchase Scheme	-	(186.65)
	<b>PROFIT FOR THE YEAR BEFORE MINORITY INTEREST AND SHARE OF PROFIT OF ASSOCIATE</b>	<b>2997.05</b>	1985.03
12	Minority interest	(29.84)	(9.12)
13	Share of profit of associate	<u>(0.47)</u>	<u>0.99</u>
	<b>NET PROFIT FOR THE YEAR</b>	<b>2966.74</b>	1976.90
14	Balance brought forward from previous year	1146.96	0.64
15	Amalgamation of companies		
	(a) Amounts transferred on amalgamation of companies (Refer note 4, page 131)	136.16	-
	(b) Adjustment for profits considered in prior periods	<u>(26.89)</u>	<u>-</u>
	<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>	<b>4222.97</b>	1977.54
16	<b>APPROPRIATIONS</b>		
	(a) Interim dividend	432.10	312.07
	(b) Interim dividend - Tata Infotech Limited	8.27	-
	(c) Proposed final dividend	220.19	240.06
	(d) Tax on dividend	93.70	75.42
	(e) General Reserve	278.10	202.67
	(f) Capital Redemption Reserve	0.04	0.36
	(g) Balance carried to balance sheet	<u>3190.57</u>	<u>1146.96</u>
		<b>4222.97</b>	<b>1977.54</b>
17	<b>Earnings per share - Basic and diluted (Rs.)</b>		
	- excluding exceptional items	60.63	47.37
	- including exceptional items	60.63	42.02
	Weighted average number of shares	<b>48,93,05,249</b>	47,04,61,111
18	NOTES TO ACCOUNTS	R	

As per our report attached to the Balance Sheet  
For **S.B. BILLIMORIA & CO.**  
Chartered Accountants

For and on behalf of the Board

**N. Venkatram**  
Partner

**Ratan N. Tata**  
Chairman

**S. Ramadorai**  
CEO and Managing Director

**Aman Mehta**  
Director

**S. Mahalingam**  
Chief Financial Officer

**Naresh Chandra**  
Director

**Venkatraman Thyagarajan**  
Director

**S.H. Rajadhyaksha**  
Company Secretary

Mumbai, April 17, 2006

Mumbai, April 17, 2006

## Statement of Consolidated Cash Flows for the year ended March 31, 2006

	2006 Rs. in crores	2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>1 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax and exceptional items	3506.62	2633.69
Adjustment for:		
Depreciation	282.43	158.82
Provision for doubtful debts and advances	33.94	65.29
Provision for diminution in value of investment	-	6.30
Interest expense	9.14	15.45
(Profit) / Loss on sale of fixed assets (net)	(26.23)	0.14
Exchange difference on cash and cash equivalents	2.25	(16.19)
Dividend income	(18.14)	(4.25)
Interest income	(24.65)	(10.71)
Profit on sale of investments	(2.03)	(0.70)
<b>Operating profit before working capital changes</b>	<b>3763.33</b>	<b>2847.84</b>
Inventories	(9.08)	(13.52)
Unbilled revenues	(243.06)	240.47
Sundry debtors	(967.79)	(252.16)
Loans and advances	(95.28)	74.90
Current liabilities and provisions	632.93	(446.68)
<b>Cash generated from operations</b>	<b>3081.05</b>	<b>2450.85</b>
Taxes paid	(596.85)	(358.93)
<b>Net cash provided by operating activities</b>	<b>2484.20</b>	<b>2091.92</b>
<b>2 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(658.65)	(367.76)
Proceeds from sale of fixed assets	35.91	4.65
Purchase of trade investments	-	(3.92)
Purchase (net of mutual funds dividend reinvested) of other investments (net)	(211.88)	(356.42)
Sale of interest in joint venture (net of cash of Rs.4.51 crores)	-	156.49
Inter-corporate deposits (net)	15.00	-
Dividend received	18.14	0.46
Dividends received from associate	-	6.51
Interest received	25.60	9.23
Consideration for transfer of the TCS Division and its subsidiaries and associate (net of cash acquired of Rs. 152.25 crores)	-	(2147.75)
Acquisition of subsidiaries and purchase of business	(658.06)	(45.10)
Shares repurchased by a subsidiary	-	(0.36)
	<b>(1433.94)</b>	<b>(2743.97)</b>
<b>Exceptional item :</b>		
Tax on transfer of overseas subsidiaries and branches	-	(65.02)
<b>Net cash used in investing activities</b>	<b>(1433.94)</b>	<b>(2808.99)</b>
<b>3 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of equity shares (net of issue expenses)	-	1882.49
Borrowings repaid (net)	(112.01)	(542.13)
Dividend including dividend tax paid	(792.28)	(358.12)
Interest paid	(9.13)	(17.15)
Dividend paid to minority shareholder of a subsidiary	(3.33)	(4.07)
Proceeds from issue of shares by subsidiary	-	2.23
<b>Net cash (used in) / provided by financing activities</b>	<b>(916.75)</b>	<b>963.25</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>133.51</b>	<b>246.18</b>
Cash and cash equivalents at the beginning of the period	274.69	27.77
Add: Adjustment as on April 1, 2005 consequent to Amalgamation of Tata Infotech Limited and its subsidiaries (Refer note 4, page 131)	18.16	-
Exchange difference on translation of foreign currency cash and cash equivalents	6.02	0.74
<b>Cash and cash equivalents at the end of the year</b>	<b>432.38</b>	<b>274.69</b>

Notes:

- (1) Cash and Cash equivalents as on March 31,2006 includes equity share application money of Rs 0.10 crore (March 31,2005 Rs 4.30 crores) and restricted cash of Rs 1.93 crores (March 31,2005 Rs 4.81 crores).
- (2) 91,90,440 equity shares of Re. 1 each, allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (Refer note 4, page 131)

As per our report attached to the Balance Sheet  
For **S.B. BILLIMORIA & CO.**  
Chartered Accountants

**N. Venkatram**  
Partner

**S. Mahalingam**  
Chief Financial Officer

**S.H. Rajadhyaksha**  
Company Secretary

Mumbai, April 17, 2006

For and on behalf of the Board

**Ratan N. Tata**  
Chairman

**S. Ramadorai**  
CEO and Managing Director

**Naresh Chandra**  
Director

**Aman Mehta**  
Director

**Venkatraman Thyagarajan**  
Director

Mumbai, April 17, 2006

## Schedules forming part of the Consolidated Balance Sheet

	<b>As at March 31, 2006</b> <b>Rs. in crores</b>	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
60,00,00,000 equity shares of Re.1 each (March 31,2005 : 60,00,00,000 equity shares of Re.1 each)	<u><b>60.00</b></u>	<u>60.00</u>
<b>Issued, Subscribed and Paid up</b>		
48,93,05,249 equity shares of Re.1 each (March 31,2005 : 48,01,14,809 equity shares of Re.1 each)	<u><b>48.93</b></u>	<u>48.01</u>

Notes:

- (1) Equity Shares of Rs.10 each have been sub-divided into ten equity shares of Re. 1 each pursuant to the resolution passed by the shareholders at the Annual General Meeting on May 5, 2004.
- (2) The Authorised Share Capital was increased from 40,00,00,000 to 60,00,00,000 equity shares of Re.1 each pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- (3) The Company allotted 9,11,00,009 equity shares as fully paid up bonus shares by capitalisation of profits transferred from General Reserve, pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- (4) On August 19, 2004, the Company issued 2,27,75,000 equity shares of Re. 1 each under an Initial Public Offer.
- (5) During the year ended March 31,2005 , the Company issued 18,39,780 equity shares of Re.1 each under an Employee Share Purchase Scheme.
- (6) 91,90,440 equity shares of Rs. 1 each, allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant the Scheme of Amalgamation (Refer note 4, page 131)
- (7) 38,92,42,225 equity shares are held by Tata Sons Limited, the holding company.

**Schedules forming part of the Consolidated Balance Sheet**

	<b>As at March 31, 2006</b> <b>Rs. in crores</b>	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'B'</b>		
<b>RESERVES AND SURPLUS</b>		
(a) Capital reserve (on consolidation)	<b>14.07</b>	13.63
(b) Capital redemption reserve	<b>0.40</b>	0.36
(c) Securities Premium Account		
(i) Premium on issue of equity shares	<b>2066.68</b>	2120.25
(ii) Share issue expenses	-	(53.57)
	<b>2066.68</b>	2066.68
(d) General Reserve		
(i) Opening Balance	<b>203.56</b>	10.00
(ii) Bonus shares issued	-	(9.11)
(iii) Transferred on Amalgamation	<b>198.59</b>	-
(iv) Adjustment on Amalgamation	<b>1.27</b>	-
(v) Transferred from profit and loss account	<b>278.10</b>	202.67
	<b>681.52</b>	203.56
(e) Foreign currency translation reserve	<b>1.06</b>	(1.66)
(f) Balance in profit and loss account	<b>3190.57</b>	1146.96
(g) Loss on cash flow hedges	<b>(4.42)</b>	-
	<b>5949.88</b>	3429.53

Note:

Premium on issue of equity shares represents premium of Rs. 849 and Rs. 1014.55 per share on issue of 2,27,75,000 equity shares under an Initial Public Offer and 18,39,780 equity shares under Employee Share Purchase Scheme, respectively.

	<b>As at March 31, 2006</b> <b>Rs. in crores</b>	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'C'</b>		
<b>LOANS - SECURED</b>		
<u>From Banks</u>		
(i) Shipment Loans	<b>42.54</b>	66.01
(ii) Overdrafts	<b>38.59</b>	61.72
<u>From Others</u>		
(i) Obligations under finance lease	<b>4.94</b>	0.07
	<b>86.07</b>	127.80

Notes:

- (1) Shipment loans were secured by pari-passu hypothecation of foreign book debts.
- (2) Bank overdrafts are secured by domestic book debts, hypothecation of inventories and other current assets.
- (3) Obligations under finance lease are secured against fixed assets obtained under finance lease agreement.

## Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'D'</b>		
<b>LOANS - UNSECURED</b>		
<u>From Banks</u>		
(i) Short-term loans from banks	4.53	35.00
<u>From Others</u>		
(i) Commercial Papers	5.00	30.00
(ii) From Others	21.09	10.21
	<b>30.62</b>	<b>75.21</b>

Note:

Loans repayable within one year Rs. 20.92 crores  
(March 31, 2005 Rs. 65.78 crores)

	As at March 31, 2006 Rs. in crores	As at March 31, 2005 Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'E'</b>		
<b>DEFERRED TAX LIABILITY (Net)</b>		
(a) Deferred Tax Liabilities		
(i) Foreign branch profit tax	67.23	62.76
(ii) Difference in depreciation for accounting and tax purposes	3.48	15.72
(iii) Others	2.72	2.31
	<b>73.43</b>	<b>80.79</b>
(b) Less: Deferred Tax Assets		
(i) Retirement Benefits	11.10	3.70
(ii) Provision for Doubtful Debts	19.32	4.95
(iii) Others	9.94	6.14
	<b>40.36</b>	<b>14.79</b>
	<b>33.07</b>	<b>66.00</b>

Note:

Rs.23.58 crores in respect of foreign branch profit tax was assumed on acquisition of the TCS Division.

## Schedules forming part of the Consolidated Balance Sheet

Description	Gross Block as at April 1, 2005	Additions #	Deletions/ Adjustments	Exchange Difference	Gross Block as at March 31, 2006	Accumulated Depreciation as at April 1, 2005	Depreciation for the period	Deletions/ Adjustments @	Exchange Difference	Accumulated Depreciation as at March 31, 2006	Net book value as at March 31, 2006	Net book value as at March 31, 2005
<b>SCHEDULE 'F'</b>												
<b>FIXED ASSETS</b>												
<b>(a) TANGIBLE FIXED ASSETS</b>												
FREEHOLD LANDS	209.77	-	(0.12)	-	209.65	-	-	-	-	-	209.65	209.77
LEASEHOLD LANDS	47.72	8.24	(0.24)	-	55.72	(0.88)	(2.33)	(0.13)	-	(3.34)	52.38	46.84
FREEHOLD BUILDINGS	431.48	121.15	(4.30)	-	548.33	(24.67)	(25.31)	(8.14)	-	(58.12)	490.21	406.81
LEASEHOLD BUILDINGS	19.75	3.22	(4.53)	0.08	18.52	(3.10)	(2.77)	0.64	(0.03)	(5.26)	13.26	16.65
LEASEHOLD IMPROVEMENTS	18.11	63.03	(1.18)	(0.01)	79.95	(2.18)	(17.72)	(7.77)	-	(27.67)	52.28	15.93
PLANT AND MACHINERY	-	7.79	(0.39)	-	7.40	-	(0.84)	(5.46)	-	(6.30)	1.10	-
COMPUTER EQUIPMENT	210.07	291.53	(22.35)	0.25	479.50	(72.05)	(150.81)	(70.51)	(0.11)	(293.48)	186.02	138.02
MOTOR CARS	40.56	18.60	(4.95)	(0.01)	54.20	(8.69)	(10.53)	(0.50)	(0.02)	(19.74)	34.46	31.87
OFFICE EQUIPMENT	87.53	95.52	(1.81)	0.06	181.30	(20.12)	(16.50)	(16.20)	(0.04)	(52.86)	128.44	67.41
ELECTRICAL INSTALLATIONS	72.48	119.86	(2.02)	0.02	190.34	(13.93)	(13.72)	(81.70)	(0.01)	(109.36)	80.98	58.55
FURNITURE AND FIXTURES	33.18	83.64	(3.62)	0.22	113.42	(10.31)	(41.04)	(22.81)	(0.06)	(74.22)	39.20	22.87
<b>(b) INTANGIBLE ASSETS</b>												
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	-	12.71	-	-	12.71	-	(0.86)	(10.70)	-	(11.56)	1.15	-
<b>Total</b>	1170.65	825.29	(45.51)	0.61	1951.04	(155.93)	(282.43)	(223.28)	(0.27)	(661.91)	1289.13	1014.72
Previous year	281.99	952.86	(63.70)	(0.50)	1170.65	(0.95)	(158.82)	3.24	0.60	(155.93)	1014.72	-
Capital Work-in-Progress (including Capital Advance Rs. 67.32 crores (March 31, 2005 Rs. 34.51 crores))											708.96	124.05
<b>Grand Total</b>											1998.09	1138.77

## Notes:

- (1) Freehold buildings include Rs.2.67 Crores (March 31, 2005 Rs.2.67 Crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.
- (2) Net book value of computer equipment of Rs. 5.39 crores (March 31, 2005 Rs. 0.07 crores) is under finance lease.
- (3) Net book value of motor cars of Rs. 0.06 crores (March 31, 2005 Rs. NIL crores) is under finance lease.
- (4) # Includes fixed assets of Rs. 341.12 crores on amalgamation of Tata Infotech Limited, subsidiaries and joint venture consolidated consequent to the amalgamation of Tata Infotech Limited and acquisition of subsidiaries during the year.
- (5) @ Includes cumulative depreciation of Rs. 262.77 crores on amalgamation of Tata Infotech Limited, subsidiaries and joint venture consolidated consequent to the amalgamation of Tata Infotech Limited and acquisition of subsidiaries during the year.
- (6) Legal formalities relating to registration of certain assets, transferred on amalgamation, are pending completion.

## Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2006 Rs. in crores (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'G'</b>		
<b>LONG-TERM INVESTMENTS (at cost)</b>		
<b>(a) Fully Paid Equity Shares (Quoted)</b>		
Niku Corporation	-	2.18
Corp Banca S.A.	4.77	-
<b>(b) Fully Paid Equity Shares (Unquoted)</b>		
<b>(i) Associates</b>		
Conscripti (Pty) Limited (20% voting interest)	3.60	2.55
Exegenix Research Inc.(49.9% voting interest)	-	-
<b>(ii) Other</b>		
Philippine Dealing System Holdings Corporation	4.02	3.92
<b>(c) Fully Paid Preference Shares (Unquoted)</b>		
eAF Pte Ltd.	6.27	6.27
Rallis India Limited	3.50	-
Tata AutoComp Systems Limited	5.00	-
Exegenix Research Inc.	0.77	-
<b>OTHER INVESTMENTS (at cost)</b>		
(a) Investment in Bonds	5.59	-
(b) Investment in Mutual Funds (Unquoted)	676.46	412.92
(c) Investment in Debt Instruments	0.94	-
	<b>710.92</b>	427.84
Less: Provision for diminution in value of investments	(6.30)	(6.30)
	<b>704.62</b>	421.54
Notes:		
Market value of quoted investment	4.77	0.79
Book value of quoted investment	4.77	2.18
Book value of unquoted investments (net of provisions)	699.85	419.36
<b>Particulars of investment in associate company</b>		
	<b>As at March 31, 2006</b>	<b>As at March 31, 2005</b>
	<b>Rs. in crores</b>	<b>Rs. in crores</b>
Name of associate company	<b>Conscripti (Pty) Ltd</b>	Conscripti (Pty) Ltd
% of Voting interest	<b>20%</b>	20%
Cost of acquisition	<b>8.71</b>	8.71
Dividends received	<b>(6.51)</b>	(6.51)
	<b>2.20</b>	2.20
Share of post acquisition reserves and surplus *	<b>1.40</b>	0.35
Carrying value	<b>3.60</b>	2.55
* includes exchange translation gain / (loss) of Rs 0.13 crores (March 31, 2005 Rs (0.01) crores)		
	<b>As at March 31, 2006</b>	
	<b>Rs. in crores</b>	
Name of associate company	<b>Exegenix Research Inc.</b>	
% of Voting interest	<b>49.90%</b>	
Cost of acquisition	-	
Dividends received	-	
	-	
Share of post acquisition reserves and surplus *	-	
Carrying value	-	
* includes exchange translation loss of Rs (0.05) crores and share of loss of Rs. (1.04) crores		

**Schedules forming part of the Consolidated Balance Sheet**

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'H'</b>		
<b>INVENTORIES</b>		
(a) Stores and spares	10.71	4.00
(b) Raw Materials, sub- assemblies and components	8.79	-
(c) Goods in transit	8.00	-
(d) Finished Goods	51.56	27.91
(e) Work-in-progress	1.58	0.09
	<u>80.64</u>	<u>32.00</u>

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'I'</b>		
<b>SUNDRY DEBTORS</b>		
(a) Over six months (Unsecured)		
(i) Considered good	209.93	150.90
(ii) Considered doubtful	101.35	57.81
(b) Others (Unsecured)		
(i) Considered good	3041.67	1908.07
(ii) Considered doubtful	4.92	1.77
	<u>3357.87</u>	<u>2118.55</u>
Less: Provision for doubtful debts	<u>(106.27)</u>	<u>(59.58)</u>
	3251.60	2058.97
(c) Future finance lease receivables	4.54	5.32
Less: Unearned finance income	<u>(3.01)</u>	<u>(3.74)</u>
	1.53	1.58
	<u>3253.13</u>	<u>2060.55</u>

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'J'</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Cash in hand	8.19	5.92
(b) Remittances in transit	8.86	6.09
(c) Bank Balances		
(i) with Scheduled Banks		
(1) In current account [including cheques on hand of Rs. 6.11 crores (March 31, 2005 Rs. 15.37 crores)]	48.66	83.89
(2) In cash credit account	8.94	3.84
(3) In deposit account	26.40	38.54
(ii) with foreign banks		
(1) In current account	276.76	131.24
(2) In deposit account	54.57	5.17
	<u>432.38</u>	<u>274.69</u>



## Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2006 Rs. in crores (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'K'</b>		
<b>LOANS AND ADVANCES (Unsecured)</b>		
(a) Considered good		
(i) Employee loans	93.66	146.26
(ii) Loans to Directors / Officers	0.08	0.12
(iii) Advances recoverable in cash or kind or for value to be received	708.94	472.16
(iv) Advance tax (including refunds receivable)	125.57	45.01
	<b>928.25</b>	663.55
(b) Considered doubtful		
(i) Employee loans	2.18	0.08
(ii) Advances recoverable in cash or kind or for value to be received	4.57	2.66
	<b>6.75</b>	2.74
Less: Provision for doubtful advances	<b>(6.75)</b>	(2.74)
	<b>928.25</b>	663.55

Notes :

(1) Advances recoverable in cash or kind or for value to be received includes fair values of foreign exchange forward contracts	15.42	16.19
(2) Notional amount of outstanding foreign exchange forward contracts	694.89	2066.38
(3) Advance recoverable in cash or kind or for value to be received include balances with Customs and Excise Authorities	0.44	-
(4) Advance recoverable in cash or kind or for value to be received include Inter-corporate deposits	8.00	-

	As at March 31, 2006 Rs. in crores (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'L'</b>		
<b>CURRENT LIABILITIES</b>		
(a) Sundry Creditors	1023.41	662.62
(b) Advances from customers	183.06	74.92
(c) Advance billings and deferred revenues	357.66	94.01
(d) Equity share application monies refundable	0.10	4.30
(e) Investor Education and Protection Fund - Unpaid dividends	1.91	0.75
(f) Other liabilities	159.83	68.11
(g) Interest accrued but not due	0.50	0.48
	<b>1726.47</b>	905.19

### Schedules forming part of the Consolidated Balance Sheet

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'M'</b>		
<b>PROVISIONS</b>		
(a) Current income taxes	120.67	106.31
(b) Fringe benefit tax	3.18	-
(c) Contingencies	44.29	49.45
(d) Employee retirement benefits	151.05	117.91
(e) Proposed Dividend	220.19	240.06
(f) Tax on Dividend	31.94	34.62
(g) Provision for Warranties	0.31	-
	<u>571.63</u>	<u>548.35</u>

### Schedules forming part of the Consolidated Profit and Loss Account

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'N'</b>		
<b>INFORMATION TECHNOLOGY AND CONSULTANCY SERVICES</b>		
(a) Services rendered	12299.17	9009.81
(b) Other revenues [includes finance lease income of Rs. 1.01 crores (March 31, 2005 Rs. 0.15 crores)]	109.51	110.36
(c) Exchange loss	(11.84)	(25.53)
	<u>12396.84</u>	<u>9094.64</u>

	<b>As at March 31, 2006</b> <b>Rs. in crores</b> (Refer note 1)	As at March 31, 2005 Rs. in crores (Refer notes 1 and 3)
<b>SCHEDULE 'O'</b>		
<b>OTHER INCOME</b>		
(a) Interest [Tax deducted at source Rs. 0.74 crores (March 31, 2005 Rs. 0.99 crores)]	24.65	10.71
(b) Dividend Income	18.14	4.25
(c) Profit on sale of fixed assets (net)	26.23	-
(d) Profit on Sale of Investments	-	0.57
(e) Profit on redemption of mutual funds	3.29	0.13
(f) Rent	3.35	3.82
(g) Exchange gain (net)	15.48	33.61
(h) Miscellaneous income	42.94	43.04
	<u>134.08</u>	<u>96.13</u>
Note : Dividend Income includes :		
Dividend from long-term investments	0.45	0.24
Dividend from other investments	17.70	4.01

## Schedules forming part of the Consolidated Profit and Loss Account

	<b>As at March 31, 2006</b>	As at March 31, 2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'P'</b>		
<b>EMPLOYEE COSTS</b>		
(a) Salaries and Incentives	<b>4222.39</b>	1934.30
(b) Contribution to -		
(i) Provident Fund	<b>112.27</b>	93.29
(ii) Superannuation Scheme	<b>22.71</b>	62.99
(iii) Employees State Insurance Scheme	<b>0.15</b>	8.24
(iv) Gratuity	<b>32.21</b>	47.32
(v) Social security and other benefit plans (overseas employees)	<b>123.80</b>	-
(c) Staff welfare expenses	<b>206.71</b>	136.69
	<b>4720.24</b>	2282.83

	<b>As at March 31, 2006</b>	As at March 31, 2005
	<b>Rs. in crores</b>	Rs. in crores
	(Refer note 1)	(Refer notes 1 and 3)
<b>SCHEDULE 'Q'</b>		
<b>OPERATION AND OTHER EXPENSES</b>		
(a) Overseas business expenses	<b>1623.90</b>	2425.56
(b) Services rendered by business associates and others	<b>666.22</b>	443.32
(c) Software and hardware costs	<b>366.08</b>	214.56
(d) Product expenses	<b>519.02</b>	512.70
(e) Material costs	<b>157.57</b>	-
(f) Communication expenses	<b>192.35</b>	144.55
(g) Travel expenses	<b>228.00</b>	149.45
(h) Rent	<b>189.03</b>	126.08
(i) Legal and professional fees	<b>122.33</b>	91.19
(j) Repairs and maintenance	<b>83.42</b>	61.65
(k) Electricity expenses	<b>75.99</b>	52.93
(l) Bad debts and Advances written off	<b>20.13</b>	7.14
(m) Provision for doubtful debts	<b>30.57</b>	62.55
(n) Provision for doubtful advances	<b>3.37</b>	2.74
(o) Recruitment and training expenses	<b>78.96</b>	42.39
(p) Diminution in value of long-term investments	<b>-</b>	6.30
(q) Commission and brokerage	<b>15.28</b>	18.03
(r) Motor car expenses	<b>20.53</b>	29.06
(s) Printing and stationery	<b>27.13</b>	18.98
(t) Insurance	<b>47.47</b>	39.56
(u) Rates and taxes	<b>21.50</b>	18.97
(v) Entertainment	<b>8.21</b>	6.23
(w) Exchange Loss	<b>72.04</b>	-
(x) Loss on Sale of Investments	<b>1.26</b>	-
(y) Loss on sale of fixed assets (net)	<b>-</b>	0.14
(z) Other expenses	<b>297.44</b>	177.73
	<b>4867.80</b>	4651.81

**SCHEDULE 'R' - NOTES TO ACCOUNTS**

1. Significant accounting policies

a) Basis of Preparation

The consolidated financial statements of Tata Consultancy Services Limited, its subsidiaries, associates and joint ventures ("the Group") are prepared under the historical cost convention and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.

Comparative figures do not include the figures of the erstwhile Tata Infotech Limited (herein referred to as 'TIL') and its subsidiaries, associates and joint ventures which is amalgamated with Tata Consultancy Services Limited (herein referred to as 'the Company') effective April 1, 2005 and the newly acquired subsidiaries namely, Comicro S.A., Financial Network Services (Holdings) Pty Limited and Swedish Indian IT Resources AB. Consequently, the comparative figures are not comparable with the figures for the year ended and as at March 31, 2006.

b) Principles of consolidation

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- ii. Interest in a jointly controlled entity is reported using proportionate consolidation.
- iii. The consolidated financial statements include the share of profit / loss of the associate company, which has been accounted as per the 'Equity method' as per which the share of profit of the associate company has been added to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- iv. The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates, on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment, is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- v. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

c) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of fixed assets.

d) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are included in the cost of such assets.

Fixed assets exclude computers and other assets individually costing Rs.50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

e) Depreciation

Depreciation other than on freehold land and capital work-in-progress, is charged so as to write-off the cost of the assets on the following basis:

Leasehold Land and Buildings	Straight-Line	Lease period
Freehold Buildings	Written down value	5%
Leasehold Improvements	Straight-Line	Lease period
Plant and Machinery	Straight line	33.33%
Computer Equipment	Straight-Line	16% - 50%
Motor Cars	Written down value	25% - 40%
Office Equipment	Straight-Line	4% - 35%
Office Equipment	Written down value	13.91%
Electrical Installations	Written down value	13% - 15%
Furniture and Fixtures	Written down value	15% - 100%
Intellectual Property / Distribution Rights	Straight-Line	24 - 36 months

f) Leases

Assets given under finance lease are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vests with the lessor, are recognised as operating lease. Lease rentals under operating lease are recognised in the profit and loss account on a straight-line basis.

g) Impairment

At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

h) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

i) Retirement benefits

Contributions to Provident and Superannuation Funds and Overseas Social Security Plans are recognised as expense when incurred.

Liability for gratuity and encashable leave are actuarially determined at the balance sheet date.

j) Revenue recognition

Revenues from contracts priced on a time and materials basis are recognised when services are rendered and related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from the sale of equipment are recognised upon delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis.

k) Research and Development

Research and Development expenditure is recognised in the profit and loss account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation rates set out in paragraph 1(e).

l) Taxation

Current income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise these assets. All other deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction and enterprise.

m) Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

Premium or discount on forward exchange contracts are amortised and recognised in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account.

For the purpose of consolidation, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such change is disclosed under Foreign exchange translation reserve.

n) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

o) Inventory

- i. Stores and spares are stated at cost, less provision for obsolescence. Cost is determined on weighted average basis.
- ii. Raw materials, sub-assemblies and components are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis.
- iii. Purchased goods in transit are carried at cost.
- iv. Finished goods produced or purchased are stated at the lower of cost and net realisable value. Cost is determined under specific identification method and includes direct material and labour costs and a proportion of manufacturing overheads.

- v. Work-in-progress is carried at lower of cost or net realisable value. Work-in-progress comprises cost of infrastructural facilities in the process of installation at customers' sites. These are valued at cost paid or payable to sub-contractors.

p) Employee Stock Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

2. a) Particulars of subsidiaries, associates and joint ventures.

Name of the Company	Country of Incorporation	Percentage of voting power as at March 31, 2006	Percentage of voting power as at March 31, 2005
<b>Subsidiaries (held directly)</b>			
AP Online Limited	India	89.00	89.00
C-Edge Technologies Limited (w.e.f. 19.01.2006)	India	51.00	-
CMC Limited	India	51.12	51.12
Diligenta Limited (w.e.f. 23.08.2005)	UK	76.00	-
Exegenix Canada Inc.*	Canada	100.00	-
Tata America International Corporation	USA	100.00	100.00
Tata Consultancy Services Asia Pacific Pte Limited	Singapore	100.00	100.00
Tata Consultancy Services Belgium S.A.	Belgium	100.00	100.00
Tata Consultancy Services Deutschland GmbH	Germany	100.00	100.00
Tata Consultancy Services France S.A.	France	100.00	100.00
Tata Consultancy Services Netherlands B.V.	Netherlands	100.00	100.00
Tata Consultancy Services Sverige AB	Sweden	100.00	100.00
Tata Infotech (Singapore) Pte. Limited *	Singapore	100.00	-
Tata Infotech Deutschland GmbH *	Germany	100.00	-
TCS FNS Pty. Limited (w.e.f 17.10.2005)	Australia	100.00	-
TCS Iberoamerica S.A.	Uruguay	100.00	100.00
WTI Advanced Technology Limited	India	100.00	96.31
Airline Financial Support Services (India) Limited **	India	-	100.00
Aviation Software Development Consultancy India Limited **	India	-	100.00
TCS Business Transformation Solutions Limited **	India	-	100.00
<b>Subsidiaries (held indirectly)</b>			
CMC Americas Inc.	USA	100.00	100.00
Swedish Indian IT Resources AB (w.e.f. 09.05.2005)	Sweden	100.00	-
Tata Information Technology (Shanghai) Company Limited	China	100.00	100.00
Tata Consultancy Services Solution Center S.A.	Uruguay	100.00	100.00



<b>Name of the Company</b>	<b>Country of Incorporation</b>	<b>Percentage of voting power as at March 31, 2006</b>	<b>Percentage of voting power as at March 31, 2005</b>
TCS Argentina S.A.	Argentina	99.00	99.00
TCS Brazil S/C Limitada	Brazil	99.99	99.99
Tata Consultancy Services de Mexico S.A. De. C.V.	Mexico	99.00	99.00
TCS Inversiones Chile Limitada	Chile	99.99	99.99
Tata Consultancy Services de Espana S.A.	Spain	99.00	99.00
Tata Consultancy Services Do Brasil S.A.	Brazil	51.00	51.00
Tata Consultancy Services Chile S.A.	Chile	100.00	51.00
TCS Italia SRL	Italy	100.00	100.00
Tata Consultancy Services Japan Limited	Japan	100.00	100.00
Tata Consultancy Services Malaysia SDN. BHD.	Malaysia	100.00	100.00
Tata Consultancy Services Luxembourg S.A (w.e.f. 28.10.2005)	Capellen (G.D. de Luxembourg)	99.00	-
Tata Consultancy Services Portugal Unipessoal Limitada (w.e.f. 04.07.2005)	Portugal	100.00	-
Tata Consultancy Services Chile Limitada (w.e.f. 18.10.2005)	Chile	99.00	-
Comicrom S.A. (w.e.f. 07.11.2005)	Chile	100.00	-
Sisteco S.A. (w.e.f. 07.11.2005)	Chile	100.00	-
Syscrom S.A. (w.e.f. 07.11.2005)	Chile	100.00	-
Pentacrom S.A. (w.e.f. 07.11.2005)	Chile	100.00	-
Pentacrom Servicios S.A. (w.e.f. 07.11.2005)	Chile	100.00	-
Custodia De Documentos Intres Limitada (w.e.f. 07.11.2005)	Chile	100.00	-
Financial Network Services (Holdings) Pty Limited (w.e.f. 19.10.2005)	Australia	100.00	-
Financial Network Services Pty Limited (w.e.f. 19.10.2005)	Australia	100.00	-
Financial Network Services (Facilities Management) Pty Limited (w.e.f. 19.10.2005)	Australia	100.00	-
Financial Network Services (Europe) plc (w.e.f. 19.10.2005)	UK	100.00	-
Financial Network Services Malaysia Sdn Bhd (MYR) (w.e.f. 19.10.2005)	Malaysia	100.00	-
PT Financial Network Services (w.e.f. 19.10.2005)	Indonesia	100.00	-
Chong Wan Investments Limited (w.e.f. 19.10.2005)	Hong Kong	100.00	-

<b>Name of the Company</b>	<b>Country of Incorporation</b>	<b>Percentage of voting power as at March 31, 2006</b>	<b>Percentage of voting power as at March 31, 2005</b>
Financial Network Services (Africa) Pty Ltd (w.e.f. 19.10.2005)	South Africa	100.00	-
Financial Network Services Chile Limitada (w.e.f. 19.10.2005 and dissolved on 08.02.2006)	Chile	100.00	-
Financial Network Services (H.K.) Limited (w.e.f. 19.10.2005)	Hong Kong	100.00	-
<b>Associates</b>			
Conscripti (Pty) Ltd.	South Africa	20.00	-
Exegenix Research Inc. *	Canada	49.90	-
<b>Joint Venture</b>			
Intelenet Global Services Limited	India	-	50.00
SITEL India Limited *	India	40.00	-

\* Consequent to the amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer note 4, page 131).

\*\* Amalgamated with the company with effect from April 1, 2005 (Refer note 4, page 131)

- b) The significant contribution of the subsidiaries acquired during the year is as under:

(Rs.in crores)

<b>Name of Subsidiary</b>	<b>Revenue (post acquisition)</b>	<b>Net Profit/(Loss) (post acquisition)</b>	<b>Net Assets</b>
C-Edge Technologies Limited	-	(0.51)	(0.53)
Comicrom S.A. and its subsidiaries	65.62	8.94	8.92
Diligenta Limited	49.05	(0.15)	(0.29)
Exegenix Canada Inc.	4.32	(0.32)	(5.35)
Tata Infotech (Singapore) Pte. Limited	1.51	0.38	1.10
Tata Infotech Deutschland GmbH	0.01	(0.01)	0.08
TCS FNS Pty Ltd and its subsidiaries	26.46	(14.27)	(14.46)

3. Transfer of the TCS Division of Tata Sons Limited ("the TCS Division")

- a) In accordance with the terms of the Scheme of Arrangement as sanctioned by the High Court of Judicature at Bombay, the TCS Division has been transferred ("the Transfer") to and vested in the Company as a going concern with effect from April 1, 2004, which is the Appointed Date under the Scheme. The Scheme was effective on August 9, 2004 upon the execution of the underwriting agreement for the Initial Public Offer. Accordingly, the assets and liabilities of TCS Division as at August 9, 2004 have been transferred to the Company for a cash consideration of Rs. 2300 crores.
- b) From the Appointed Date up to the date on which the Scheme is effective, Tata Sons Limited held the TCS Division in trust for and on account of the Company. Accordingly, the results for the year ended March 31, 2005 include the results of the erstwhile TCS Division for the period April 1, 2004 to August 9, 2004.

#### 4. Amalgamation of Companies

- a) Airline Financial Support Services (India) Limited, Aviation Software Development Consultancy India Limited and TCS Business Transformation Solutions Limited – wholly owned subsidiaries of Tata Consultancy Services Limited have been amalgamated with the Company with effect from April 1, 2005 in terms of the Scheme of Amalgamation (Scheme) sanctioned by the High Court of Judicature at Bombay, High Court of Judicature at Madras and the High Court of Karnataka, Bangalore, vide their Orders dated December 9, 2005, January 25, 2006 and January 13, 2006 respectively. The Scheme came into effect on February 1, 2006 and pursuant thereto all assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, have been transferred to and vested in the Company retrospectively with effect from April 1, 2005.

As all the subsidiaries amalgamated as aforesaid were wholly owned by the Company, no shares were exchanged to effect the amalgamation.

- b) In accordance with the Scheme of Amalgamation (“Scheme”) of the erstwhile Tata Infotech Limited (“TIL”) with the Company as sanctioned by the Honourable High Court of Judicature at Bombay vide its Order dated January 27, 2006, the undertaking of TIL being all its assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from April 1, 2005 (the appointed date). The Scheme came into effect on February 1, 2006.

Pursuant to the Scheme coming into effect, every shareholder of TIL holding fully paid up equity shares was allotted one Equity Share of Re. 1 each in the Company, credited as fully paid up for every two Equity Shares of Rs. 10 each fully paid up held in the capital of TIL.

- c) The amalgamations stated above have been accounted for under the “pooling of interests” method as prescribed by Accounting Standard (AS-14) issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves as at April 1, 2005 have been taken over at their book values. As stipulated in the Schemes of Amalgamation, all reserves of the Transferor Companies have been transferred to the General Reserve account except for balances lying in the Profit and Loss Account as on March 31, 2005, which have been credited to the Profit and Loss Account of the Company.

The difference between the amounts recorded as Share Capital issued and the amount of Share Capital of the Transferor Company has been adjusted in the General Reserve.

Accordingly, the amalgamations have resulted in transfer of assets, liabilities and reserves in accordance with the terms of the Scheme at the following summarized values:

(Rs. in Crores)

	<b>TIL</b>	<b>AFSL</b>	<b>TCS BTS</b>	<b>ASDC</b>	<b>Total</b>
Fixed Assets (Net)	50.45	16.29	12.62	0.71	80.07
Investments	66.50	7.13	-	-	73.63
Deferred tax asset	15.39	1.15	-	-	16.54
Current Assets ( Net )	157.17	16.84	20.67	32.19	226.87
Less: Loans	0.17	-	0.07	-	0.24
Total Net Assets acquired on amalgamation	289.34	41.41	33.22	32.90	396.87
Consideration for Amalgamation: Issue of shares (91,90,440	0.92	-	-	-	0.92
Equity Shares of the Company in the ratio of 1 Equity Share of the Company for every 2 Equity Shares of TIL)					
Less: Adjustment for cancellation of Company's investments in Subsidiaries	-	30.39	27.02	27.50	84.91
	288.42	11.02	6.20	5.40	311.04
Less : Transfer of Capital Reserve in books of subsidiaries to General Reserve under the Scheme	-	0.01	-	-	0.01
Transfer of balances of Profit and Loss Account of amalgamated companies to the Profit and Loss Account of the Company	54.00	32.37	20.89	28.90	136.16
Add : Deferred tax impact of US Federal and State tax losses carried forward	(23.72)	-	-	-	(23.72)
<b>Balance transferred to General Reserve as at April 1, 2005</b>	<b>258.14</b>	<b>(21.36)</b>	<b>(14.69)</b>	<b>(23.50)</b>	<b>198.59</b>

- Consequent to the amalgamation of the erstwhile Tata Infotech Limited, effective April 1, 2005 its wholly owned subsidiaries Exegenix Canada Inc., Tata Infotech Deutschland GmbH, Tata Infotech (Singapore) Pte Limited and its Joint venture with Sitel India Limited are now wholly owned subsidiaries and Joint Venture of the Company.
- On May 9, 2005, the Company, through its wholly owned subsidiary Tata Consultancy Services Sverige AB, acquired the entire third-party equity interest in Sweden based Swedish Indian IT Resources AB, for a consideration of Rs. 21.50 crores (SEK 38.65 Million).
- On October 17, 2005, the Company, through its wholly owned subsidiary TCS FNS Pty Limited, acquired the entire third-party equity interest in Sydney based Financial Network Services (Holdings) Pty Limited (FNS), a core banking services provider, for a consideration of Rs. 110.27 crores (AU\$ 32.58 Million).
- On November 7, 2005, the Company, through its wholly owned subsidiary TCS Iberoamerica S.A. acquired the entire third-party equity interest in Chile based Comicro S.A., a BPO service provider for a consideration of Rs. 103.84 crores (US\$ 22.93 Million).

The share purchase agreement provides for additional consideration, contingent upon certain conditions being met, including achieving specified earning levels in the acquired business in future years. The additional contingent consideration payable to the seller is subject to maximum amount of Rs. 270.68 crores (US\$ 60.10 Million). The contingent consideration would be recorded, as and when the contingency is resolved and the consideration is paid or becomes payable.

9. In March 2006, the Company, through its subsidiary Diligenta Limited (“Diligenta”) acquired, on a going concern basis certain businesses of Pearl Group Services Limited (“Pearl”) for a consideration of Rs. 426.20 crores (GBP 55 Million). The acquisition included specified insurance contracts and claim administration business and assets including goodwill and knowhow. The transfer of contracts and employees will be effective from April 1, 2006.

Pearl has an equity holding of 24 percent in Diligenta. Under the shareholders agreement, the Company has a call option to purchase all the shares held by Pearl at fixed price of Rs. 234.33 crores (GBP 30.24 million) at the end of 4<sup>th</sup> year and Pearl has a put option to sell the shares to the Company at the same price at the end of the 5<sup>th</sup> year.

10. On January 19, 2006, the Company subscribed to 51 percent of the share capital of C-Edge Technologies Limited, a company formed to provide to provide Information Technology Related and Information Technology Enabled Services and Solutions.
11. Unbilled revenue as at March 31, 2006 amounting to Rs. 480.05 crores (*Previous year: Rs. 219.84 crores*) primarily comprises of the revenue recognised in relation to efforts incurred on turnkey contracts priced on a fixed time, fixed price basis.
12. Provision for contingencies

(Rs. in crores)

	<b>Provident Fund</b>	<b>Other Claims</b>	<b>Total</b>
Balance at April 1, 2005	35.44	14.01	49.45
Provision made during the period	8.85	-	8.85
Provision written back during the period	-	(14.01)	(14.01)
Balance at March 31, 2006	44.29	-	44.29

a) Provident Fund

On November 24, 1998 the Regional Provident Commissioner of Mumbai (RPFC) issued an order stating that erstwhile TCS Division was rendering “expert services” in accordance with a notification issued by Central Government of India under the Provident Funds Act, 1952 (the PF Act), in which the RPFC sought to cover the erstwhile TCS Division under the PF Act and claimed administrative charges. The erstwhile TCS Division filed a legal case against the order in the High Court of Bombay.

Pending resolution of the matter, a provision of Rs.44.29 crores (*Previous Year: Rs 35.44 crores*) has been made based on the management’s estimate of the claim for administrative charges. Interest and penalty, if any, have not been determined.

The management intends to continue legal action against the claim and to defend its position and believes, based on counsel’s advice, that the probability of the RPFC prevailing is low.

b) Others

Includes claims made for reimbursement of cost of investment made in an overseas entity. These have been written back in the current year.

13. Finance Lease

a) Assets given under finance lease

<b>Particulars</b>	<b>As at March 31, 2006 (Rs. in crores)</b>	As at March 31, 2005 (Rs. in crores)
a. Total gross investment	<b>4.54</b>	5.32
b. Present value of Minimum Lease Payments receivable	<b>1.53</b>	1.58
c. Total gross investment for the period	<b>4.54</b>	5.32
· Not later than one year	<b>0.78</b>	0.78
· Later than one year but not later than five years	<b>3.11</b>	3.89
· Later than five years	<b>0.65</b>	0.65
d. Present value of Minimum Lease Payments receivable	<b>1.53</b>	1.58
· Not later than one year	<b>0.07</b>	0.04
· Later than one year but not later than five years	<b>0.96</b>	1.01
· Later than five years	<b>0.50</b>	0.53
e. Unearned Finance Income	<b>3.01</b>	3.74

b) Assets acquired under finance lease

Particulars	<b>As at March 31, 2006 (Rs. in crores)</b>	As at March 31, 2005 (Rs. in crores)
Minimum Lease payments:		
Less than one year	<b>0.51</b>	0.05
One to five years	<b>3.63</b>	0.02
	<b>4.14</b>	0.07
Present Value of minimum lease payments		
Less than one year	<b>0.51</b>	0.05
One to five years	<b>3.62</b>	0.02
	<b>4.13</b>	0.07

The finance lease arrangement is renewable at the option of the lessee.

14. Obligation under non-cancellable operating lease:

<b>Particulars</b>	<b>As at March 31, 2006 (Rs. in crores)</b>	As at March 31, 2005 (Rs. in crores)
Not later than one year	<b>96.20</b>	67.43
Later than one year but not later than five years	<b>189.49</b>	161.49
Later than five years	<b>13.03</b>	48.39
<b>Total</b>	<b>298.72</b>	277.31

The total charge to the Profit and Loss Account for the year ended March 31, 2006 is Rs. 78.53 crores (Previous Year: Rs. 55.69 crores).

15. Research and development expenditure aggregating Rs. 41.88 crores (*Previous Year: Rs. 31.99 crores*) was incurred during the year.
16. During the year ended March 31, 2005, under the EVA based incentive scheme ("EVA Scheme") followed by the erstwhile TCS Division, employees were eligible for incentive based on TCS Division's performance in the immediately preceding year. During the year ended March 31, 2005, the Company had revised the EVA Scheme, under which employees were eligible for incentive based on the Company's performance in that year. Consequently liability for additional performance incentive of Rs.102 crores was recognised in the year ended March 31, 2005.
17. In accordance with the Employee Stock Option Scheme of the Employees' Share Participation Trust ("Trust") of erstwhile Tata Infotech Limited, the Trust had granted 3,72,950 options in earlier years out of the shares held by the Trust. Out of these options granted, the vesting period for 1,18,116 options had not lapsed as of January 2006.

Subsequent to the approval of the shareholders of the amalgamation of TIL with the Company, the Trustees of the Trust at their meeting held on January 17, 2006, dissolved the Trust in terms of the Trust deed in view of the imminent amalgamation. The dissolution of the Trust resulted in the unvested options for 1,18,116 shares becoming fully exercisable by the employees. Further, disbursements of the residual assets in the Trust, comprising 1,20,626 shares held by the Trust and cash amounting to Rs. 10.17 crores with the Trust, were made to certain employees of TIL in January 2006 and Rs. 1.24 crores was paid to the Company's Employee Welfare Trust.

Based on independent legal opinion, the Company, is of the view that the SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 do not apply to the accelerated vesting and distribution made in the course of the dissolution of the Trust in January 2006.

#### 18. Segment Reporting

The Company has identified geographic segments as its primary segment and industry segments as its secondary segment.

Geographic segments of the Company are Americas, Europe, India and Others.

Secondary segments of the Company are Banking, Financial Services and Insurance (BFSI), which are considered as single segment, Manufacturing, Retail and Distribution, Telecom and Others. Others include segments such as Transportation, Life Sciences and Healthcare, Energy and Utilities, s-Governance and sale of products, etc.

Revenue and expense directly attributable to segments are reported under each reportable segment. Expenses incurred in India on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets have not been allocated between segments as these are used interchangeably between segments.

(Rs. in crores)

**Year ended March 31, 2006**

Particulars	Geographic Segment				Total
	Americas	Europe	India	Others	
Revenue	<b>7826.69</b>	<b>2969.11</b>	<b>1656.78</b>	<b>799.57</b>	<b>13252.15</b>
	5771.41	2250.17	1187.57	539.32	9748.47
Identified operating expenses	<b>4228.81</b>	<b>1660.95</b>	<b>1151.62</b>	<b>455.62</b>	<b>7497.00</b>
	3180.62	1238.06	952.61	295.89	5667.18
Allocated expenses	<b>1037.53</b>	<b>292.24</b>	<b>141.77</b>	<b>142.09</b>	<b>1613.63</b>
	606.76	266.44	133.99	78.77	1085.96
Segment result	<b>2560.35</b>	<b>1015.92</b>	<b>363.39</b>	<b>201.86</b>	<b>4141.52</b>
	1984.03	745.67	100.97	164.66	2995.33
Unallocable expenses					<b>768.98</b>
					457.77
Operating income					<b>3372.54</b>
					2537.56
Other income					<b>134.08</b>
					96.13
Profit before taxes and exceptional items					<b>3506.62</b>
					2633.69
Tax expense					<b>509.57</b>
					396.99
Exceptional items					-
					251.67
Net Profit before Minority Interest and share of profit of associate					<b>2997.05</b>
					1985.03
Minority Interest					<b>(29.84)</b>
					(9.12)
Share of profit of associate					<b>(0.47)</b>
					0.99
Net profit					<b>2966.74</b>
					1976.90
Segment Assets	<b>2207.71</b>	<b>1352.96</b>	<b>1189.71</b>	<b>541.08</b>	<b>5291.46</b>
	1432.03	706.81	798.59	213.32	3150.75
Unallocable assets					<b>3319.93</b>
					2139.08
Total Assets					<b>8611.39</b>
					5289.83
Segment Liabilities	<b>775.21</b>	<b>553.14</b>	<b>326.20</b>	<b>167.58</b>	<b>1822.13</b>
	474.74	257.66	164.32	63.48	960.20
Unallocable Liabilities					<b>625.73</b>
					762.35
Total Liabilities					<b>2447.86</b>
					1722.55



Industry Segment	(Rs. in crores)	
	Revenues	Segment Assets
BFSI	5077.72	1222.72
	3396.11	801.01
Manufacturing	2038.30	459.67
	1656.36	339.46
Retail and Distribution	662.58	203.83
	563.85	117.79
Telecom	1960.76	626.54
	1424.30	330.47

## 19. Related Party Disclosures

### A. Related Parties and their Relationship

#### I. **Holding Company**

- Tata Sons Limited

#### II. **Fellow Subsidiaries**

- Tata AIG General Insurance Company Limited
- Tata AIG Life Insurance Company Limited
- TCE Consulting Engineers Limited
- E2E Serviz Solutions Limited
- Tata Sky Limited (Formerly Space TV Limited)
- THDC Limited (Formerly Tata Housing Development Company Limited)
- Tata Teleservices Limited
- Tata Teleservices (Maharashtra) Limited
- Tata Internet Services Limited
- Tata Limited
- Tata Infotech Limited (Previous Year)\*\*

#### III. **Associates**

- Conscripti (Pty) Limited
- Exegenix Research Inc.\*

#### IV. **Joint Ventures**

- Intelenet Global Services Limited (Previous Year)
- Sitel India Limited \*

#### V. **Key Management Personnel**

- Mr. S. Ramadorai (Chief Executive Officer and Managing Director)
- Mr. S. Mahalingam (Chief Financial Officer)

\* Consequent to the amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer Note 4, page 131).

\*\* Amalgamated with the Company with effect from April 1, 2005 (Refer Note 4, page 131).

**TATA CONSULTANCY SERVICES LIMITED**

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 B. Transactions with related parties

Particulars	(Rs in crores)				
	Holding Company	Fellow Subsidiaries	Associate / Joint Venture	Key Management Personnel	Total
Issue of Bonus Shares NIL (Previous Year: 8,19,90,005) shares of face value of Re. 1 each	-	-	-	-	-
	8.20	-	-	-	8.20
Issue of Shares under Employee Stock Purchase Scheme	-	-	-	-	-
	-	-	-	8.56	8.56
Issue of Shares to Holding Co. for erstwhile Tata Infotech Limited	<b>0.68</b>	-	-	-	<b>0.68</b>
	-	-	-	-	-
Purchase of fixed Assets	<b>0.01</b>	<b>0.56</b>	<b>0.03</b>	-	<b>0.60</b>
	-	0.87	0.13	-	1.00
Loan and advances	-	-	-	-	-
	0.04	0.67	-	-	0.71
Inter-corporate deposits	-	<b>20.00</b>	-	-	<b>20.00</b>
	-	-	-	-	-
Purchase of Investment	-	-	<b>10.70</b>	-	<b>10.70</b>
	-	-	-	-	-
Consideration for transfer of TCS Division	2300.00	-	-	-	2300.00
Revenues	<b>0.28</b>	<b>166.37</b>	<b>54.00</b>	-	<b>220.65</b>
	-	95.48	31.56	-	127.04
Interest Income	-	<b>0.17</b>	-	-	<b>0.17</b>
	-	-	-	-	-
Dividend Income	-	-	-	-	-
	-	-	6.51	-	6.51
Rent Income	-	<b>0.61</b>	-	-	<b>0.61</b>
	-	1.30	-	-	1.30
Other Income	-	-	<b>1.94</b>	-	<b>1.94</b>
	-	-	-	-	-
Purchase of Goods, Services, and Facilities	<b>1.77</b>	<b>31.82</b>	<b>17.47</b>	-	<b>51.06</b>
	4.23	38.65	5.16	-	48.04
Brand Equity Contribution	<b>27.99</b>	-	-	-	<b>27.99</b>
	18.53	-	-	-	18.53
Provision for doubtful debts / advances	-	<b>0.48</b>	<b>0.07</b>	-	<b>0.55</b>
	-	1.75	0.17	-	1.92
Dividend Paid	<b>542.32</b>	-	-	<b>0.13</b>	<b>542.45</b>
	255.60	-	-	0.05	255.65
Remuneration	-	-	-	<b>3.17</b>	<b>3.17</b>
	-	-	-	1.36	1.36

C. Balances with related parties

Particulars	(Rs. in crores)				
	Holding Company	Fellow Subsidiaries	Associate / Joint Venture	Key Management Personnel	Total
Debtors, Loans and Advances	<b>0.35</b>	<b>77.65</b>	<b>15.54</b>	-	<b>93.54</b>
	1.10	10.65	12.19	0.04	23.98
Creditors, Advances from Customers	<b>30.14</b>	<b>10.41</b>	<b>8.31</b>	-	<b>48.86</b>
	18.53	3.30	2.33	-	24.16

D. Disclosure of Material Transactions with Related Parties

	<b>2006</b> (Rs in crores)	2005 (Rs in crores)
<u>Revenues</u>		
Tata Teleservices Limited	<b>134.96</b>	71.68
Conscripti (Pty) Limited	<b>53.32</b>	31.56
Tata Sky Limited (Formerly Space TV Limited)	<b>24.61</b>	0.43
<u>Purchase of Goods, Services and Facilities</u>		
Conscripti (Pty) Limited	<b>11.74</b>	5.16
Tata Teleservices Limited	<b>10.30</b>	3.63
Tata Teleservices (Maharashtra) Limited	<b>9.82</b>	1.94
Tata AIG General Insurance Company Limited	<b>7.36</b>	7.01
Exegenix Research Inc	<b>5.74</b>	-
<u>Purchase of Investment</u>		
Sitel India Limited	<b>10.70</b>	-
<u>Inter-corporate Deposit</u>		
Tata Teleservices Limited	<b>20.00</b>	-
<u>Debtors, Loans and Advances</u>		
Tata Teleservices Limited	<b>68.17</b>	25.10
Conscripti (Pty) Limited	<b>15.36</b>	12.19
<u>Creditors, Advances from Customers</u>		
Conscripti (Pty) Limited	<b>6.82</b>	2.33
Tata Teleservices Limited	<b>5.26</b>	0.63

20. The Company's share (40%) in the assets, liabilities, income and expenses of its joint venture with Sitel India Limited is as follows:-

	<u>2006</u> (Rs in crores)
<b>Assets</b>	
Net Block (including capital work-in-progress)	<b>10.78</b>
Sundry Debtors	<b>6.07</b>
Cash and Bank Balances	<b>7.23</b>
Loans and Advances	<b>3.40</b>
<b>Liabilities</b>	
Reserves & Surplus	<b>6.75</b>
Secured Loans	<b>2.57</b>
Current Liabilities	<b>8.77</b>
Provisions	<b>0.59</b>
<b>Income</b>	
Consultancy Services	<b>30.74</b>
Other Income	<b>3.33</b>
<b>Expenses</b>	
Employee costs	<b>15.70</b>
Operation and Other expenses	<b>13.76</b>
Interest expense	<b>0.03</b>
Depreciation	<b>2.17</b>
Provision for taxes	<b>0.43</b>
<b>Contingent Liabilities</b>	<b>0.18</b>
<b>Capital Commitments</b>	-

21. Effective July 1, 2005 the payments to employees of the Company deputed to the United States of America was revised to include overseas allowances. As a result, employee costs have increased and overseas business expenditure has decreased in the year ended March 31, 2006, as compared to the corresponding periods presented.

22. Current tax is net of the effect of write back of provisions and refunds received in certain overseas jurisdictions relating to earlier years, of Rs. 38.03 crores.

23. Contingent Liabilities

<b>Particulars</b>	<b>As at March 31, 2006 (Rs. in crores)</b>	As at March 31, 2005 (Rs. in crores)
Claims against the Company not acknowledged as debts (See note below)	<b>304.40</b>	119.99
Guarantees given by the Company on behalf of subsidiaries	<b>42.21</b>	47.67
Unexpired Letters of Credit	<b>43.54</b>	62.26

Notes:

Claims against the Company not acknowledged as debt includes mainly the following:

- a) Rs.79.15 crores (*Previous Year: Rs. 72.04 crores*) in respect of claims made by lessors for properties leased under tenancy agreements. These claims are being contested in the courts by the Company. The management does not expect these claims to succeed. An amount of Rs.10.17 crores (*Previous year: Rs. 9.34 crores*) has been accrued under other liabilities.
- b) Rs 197.91 crores (EUR 36.68 million) (*Previous Year: Rs. Nil*) in respect of a claim for compensation made by an overseas party. No provision has been made in these financial statements as management considers the probability of the claim succeeding to be remote.

24. Commitments

Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.524.87 crores (*Previous Year: Rs. 259.23 crores*).

25. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the Groups financial statements.

26. Previous year's figures have been recast / restated wherever necessary.

27. *Previous year's figures are in italics.*

## Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies

Rs. in crores

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit Before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1.	AP Online Limited	INR	1.00	1.77	(3.80)	1.14	3.17	-	1.77	(1.41)	0.01	(1.42)	-	India
2.	C-Edge Technologies Limited	INR	1.00	0.05	(0.53)	0.05	0.53	-	-	(0.53)	-	(0.53)	-	India
3.	CMC Limited	INR	1.00	15.15	195.57	686.55	475.83	-	857.76	60.11	16.00	44.11	7.58	India
4.	Diligenta Limited	GBP	77.49	38.74	193.95	514.97	282.28	-	48.82	0.32	0.10	0.22	-	U.K.
5.	Exegenix Canada Inc.	CAD	38.36	7.42	(6.00)	3.26	1.84	0.76	1.76	0.55	-	0.55	-	Canada
6.	Tata America International Corporation	USD	44.62	0.89	570.82	1,323.10	751.39	-	6,185.99	291.78	109.74	182.04	-	U.S.A.
7.	Tata Consultancy Services Asia Pacific Pte Ltd.	USD	44.62	19.63	17.93	123.85	86.29	4.02	143.15	12.49	2.14	10.35	-	Singapore
8.	Tata Consultancy Services Belgium SA.	EUR	53.97	1.00	6.36	53.57	46.21	-	51.21	6.86	2.46	4.40	-	Belgium
9.	Tata Consultancy Services Deutschland GmbH	EUR	53.97	0.41	10.72	152.88	141.75	-	191.64	12.23	4.65	7.58	-	Germany
10.	Tata Consultancy Services France SA.	EUR	53.97	0.49	(0.03)	0.51	0.05	-	-	(0.10)	-	(0.10)	-	France
11.	Tata Consultancy Services Netherlands BV.	EUR	53.97	0.98	28.84	163.45	133.63	-	193.07	13.10	4.15	8.95	-	Netherlands
12.	Tata Consultancy Services Sverige AB.	SEK	5.73	0.06	18.36	71.40	52.98	-	117.72	7.30	2.36	4.94	-	Sweden
13.	Tata Infotech (Singapore) Pte. Limited	USD	44.62	0.15	1.11	2.72	1.46	-	1.50	0.49	0.12	0.37	-	Singapore
14.	Tata Infotech Deutschland GmbH	EUR	53.97	0.54	(0.03)	0.52	0.01	-	0.01	(0.01)	-	(0.01)	-	Germany
15.	TCS FNS Pty. Limited	AUD	31.80	3.18	0.06	126.58	123.34	-	0.17	0.06	-	0.06	-	Australia
16.	TCS Iberoamerica SA.	USD	44.62	30.62	124.92	155.85	0.31	-	3.48	1.78	-	1.78	-	Uruguay
17.	WTI Advanced Technology Limited	INR	1.00	1.05	45.72	47.37	0.60	30.28	13.32	5.10	0.54	4.56	-	India
18.	CMC Americas Inc.	USD	44.62	7.14	2.09	37.66	28.43	-	130.03	5.95	1.47	4.48	-	U.S.A.
19.	Swedish Indian IT Resources AB	SEK	5.73	0.06	0.33	0.54	0.15	-	(0.25)	(3.50)	-	(3.50)	-	Sweden
20.	Tata Information Technology (Shanghai) Company Limited	CNY	5.57	9.21	0.05	16.11	6.85	-	29.95	0.19	-	0.19	-	China
21.	TCS Solution Center S.A.	USD	44.62	0.92	7.74	16.14	7.48	-	56.18	7.69	-	7.69	-	Uruguay
22.	TCS Argentina S.A.	USD	44.62	1.89	(2.47)	0.76	1.34	-	2.07	(0.37)	-	(0.37)	-	Argentina
23.	TCS Brazil S/C Limitada	USD	44.62	5.57	2.95	8.97	0.45	-	-	(0.09)	-	(0.09)	-	Brazil
24.	Tata Consultancy Services de Mexico S.A. De. C.V.	USD	44.62	1.03	4.41	15.41	9.97	-	23.21	7.16	2.78	4.38	-	Mexico
25.	TCS Inversiones Chile Limitada	USD	44.62	102.63	14.58	117.92	0.71	-	0.02	(0.87)	(0.04)	(0.83)	-	Chile
26.	Tata Consultancy Services de Espana S.A.	USD	44.62	0.08	(2.01)	3.62	5.55	-	21.76	(1.75)	-	(1.75)	-	Spain
27.	Tata Consultancy Services Do Brasil S.A.	USD	44.62	6.65	9.84	77.23	60.74	-	98.75	10.14	(0.99)	11.13	-	Brazil
28.	Tata Consultancy Services Chile S.A.	USD	44.62	1.10	4.87	15.78	9.81	-	28.13	5.11	0.98	4.13	-	Chile
29.	TCS Italia SRL	EUR	53.97	0.54	0.97	36.20	34.69	-	51.71	2.51	1.45	1.06	-	Italy
30.	Tata Consultancy Services Japan Limited	JPY	0.38	2.28	7.47	39.79	30.04	-	118.39	3.78	1.65	2.13	-	Japan
31.	Tata Consultancy Services Malaysia Sdn. Bhd.	MYR	12.12	2.42	0.42	6.59	3.75	-	6.43	0.09	-	0.09	-	Malaysia

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit Before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
32.	Tata Consultancy Services Luxembourg S.A	EUR	53.97	8.10	0.19	13.37	5.08	-	12.44	0.48	0.29	0.19	-	Luxembourg
33.	Tata Consultancy Services Portugal Unipessoal Limitada	USD	44.62	0.03	(1.09)	1.21	2.27	-	0.91	(1.09)	-	(1.09)	-	Portugal
34.	Tata Consultancy Services Chile Limitada	USD	44.62	101.64	0.52	117.51	15.35	-	-	(0.40)	(0.36)	(0.04)	-	Chile
35.	Comicro S.A.	CLP	0.08	17.45	18.36	56.82	21.01	9.94	45.28	5.72	1.31	4.41	-	Chile
36.	Sisteco S.A.	CLP	0.08	0.27	2.86	6.95	3.82	-	3.97	0.35	0.05	0.30	-	Chile
37.	Syscrom S.A.	CLP	0.08	0.58	7.26	11.40	3.56	7.31	10.33	6.17	1.14	5.03	-	Chile
38.	Pentacrom S.A.	CLP	0.08	0.35	0.79	4.72	3.58	-	4.92	0.64	0.11	0.53	-	Chile
39.	Pentacrom Servicios S.A.	CLP	0.08	0.01	0.86	2.20	1.33	-	6.10	0.32	0.06	0.26	-	Chile
40.	Custodia De Documentos Intres Limitada	CLP	0.08	0.03	3.06	3.18	0.09	-	0.72	0.56	0.09	0.47	-	Chile
41.	Financial Network Services (Holdings) Pty Limited @	AUD	31.80	44.30	(23.44)	21.14	0.28	-	-	(2.11)	-	(2.11)	-	Australia
42.	Financial Network Services Pty Limited @	AUD	31.80	0.01	(36.32)	48.05	84.36	-	27.20	(12.64)	0.10	(12.74)	-	Australia
43.	Financial Network Services (Facilities Management) Pty Limited @	AUD	31.80	0.01	0.43	0.46	0.02	-	-	-	-	-	-	Australia
44.	Financial Network Services (Europe) plc @	GBP	77.49	0.96	(2.14)	(0.75)	0.43	-	2.64	0.16	-	0.16	-	U.K.
45.	Financial Network Services Malaysia Sdn Bhd @	MYR	12.12	0.05	(0.01)	0.05	0.01	-	0.04	0.01	-	0.01	-	Malaysia
46.	PT Financial Network Services @	USD	44.62	0.38	(1.98)	0.59	2.19	-	2.72	0.17	-	0.17	-	Indonesia
47.	Chong Wan Investments Limited @	AUD	31.80	0.31	(1.50)	(1.19)	-	-	0.01	(0.01)	-	(0.01)	-	Hong Kong
48.	Financial Network Services (Africa) Pty Ltd @	ZAR	7.19	0.01	-	0.01	-	-	-	-	-	-	-	South Africa
49.	Financial Network Services Chile Limitada * @	CLP	0.08	-	-	-	-	-	-	-	-	-	-	Chile
50.	Financial Network Services (H.K.) Limited @	HKD	5.75	0.01	(0.03)	(0.01)	0.01	-	0.29	-	-	-	-	Hong Kong

Notes:

- As required under para vi of the Approval letter dated April 17, 2006, issued by the Ministry of Company Affairs, Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on 31.03.2006.
- Airline Financial Support Services (India) Limited, Aviation Software Development Consultancy India Limited and TCS Business Transformation Solutions Limited, wholly owned subsidiaries have been amalgamated with Tata Consultancy Services Limited w.e.f. April 1, 2005.
- \* Deregistered on February 8, 2006.
- @ The financial year of these companies ends on June 30. However, the results given are as of March 31, 2006.

## US GAAP ACCOUNTS

The Company has also prepared its financial statements for the year ended March 31, 2006 in accordance with the requirements of US GAAP. The US GAAP financial statements, along with the related discussion of the financials, have been uploaded on the Company's website ([www.tcs.com](http://www.tcs.com)). In case any member desires to have a copy of the above financial statements, he / she may request the Company for a soft copy by sending an email at [investor.relations@tcs.com](mailto:investor.relations@tcs.com) and for a hard copy by a letter addressed to the Registrar and Share Transfer Agents at the following address :

TSR Darashaw Limited  
(formerly Tata Share Registry Limited)  
Unit : Tata Consultancy Services Limited  
Army & Navy Building,  
148, M. G. Road, Fort, Mumbai 400 001.  
Tel : 91 22 6656 8484  
Fax : 91 22 6656 8494  
E-mail : [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)

Upon receiving the request, the said documents will either be emailed or sent by way of a hard copy as requested.

Copies of the financial statements will also be available at the venue of the Annual General Meeting for shareholders who desire a copy of the same.