

Chairman's Speech

Good Morning, Ladies and Gentlemen.

Welcome to the 14th Annual General Meeting of NIIT Technologies Limited.

The Year 2005-06 was a period of hectic activity for the company and I am happy to share with you some of the key highlights of the year. Steady growth marked the performance of NIIT Technologies during the year, setting the company on the path of higher efficiencies, productivity, global competitiveness and momentum.

In its second year of operations as an independent entity, NIIT Technologies managed to distinguish itself in the market through a strong verticalization strategy, innovative product and services portfolio, a robust inorganic growth plan and strong people's orientation.

FINANCIALS

These moves had a direct bearing on the company's growth, revenue and bottomline and enabled it to make headway in its chosen markets. NIIT Technologies and its subsidiaries posted a consolidated income of Rs 6,141 million for the financial year ended March 31, 2006. Revenues reflected a steady 12 per cent growth-rising from Rs 5,432 million in 2004-05 to Rs 6,075 million in FY 2005-06.

During this year, the company consolidated its position in existing geographies, while enhancing penetration in newer emerging markets.

NIIT Technologies, which has traditionally enjoyed a first-mover advantage in the European Geo, continued to gain the maximum revenues from this region. While Europe accounted for around 43 per cent of the company's revenue during the year, the Americas increased their revenue share to 39 per cent, growing at around 23 per cent in 2005-06. Asia and Australia accounted for the remainder of the revenues of NIIT Technologies.

You will be pleased to learn that your company not only improved its geographic reach and coverage, it also extended its existing engagements with key clients and added new ones to its customer roster.

CUSTOMER CONTRIBUTIONS

Deepening relationships with its larger, premier clients resulted in repeat business coming the way of NIIT Technologies during 2005-06 and helped step up its growth rate. Repeat business, in fact, accounted for 86 per cent of the company's revenues in that year. The company experienced enhanced revenue concentration at the top end, with the leading five customers accounting for almost 43 per cent of its revenues during the year. Besides building on its existing engagements, which includes multi-million deals from select customers, NIIT Technologies further expanded its customer base with the addition of over 20 new global majors.

The repeat business and influx of new customers enabled NIIT Technologies to build up its fresh order book to US\$ 122 million during the year.

The BPO business of NIIT Technologies also picked up steam, notching up a growth of 22 per cent and revenues of Rs. 414 million during the year. The company, a specialist in value added services in the non-voice space, has an employee base of 801.

STRONG VERTICAL FOCUS

Recognizing the effectiveness of its "focus and differentiate" strategy, NIIT Technologies-including both the IT services and BPO businesses-continued to concentrate on verticals such as Banking, Finance and Insurance (BFSI), Travel and Transportation, Manufacturing and Retail. Together, these segments accounted for around 75 per cent of the company's revenues in 2005-06.

BFSI, traditionally the key revenue contributor for NIIT Technologies, continued to lead the way during the year and accounted for one-third of the company's revenue in 2005-06. Globally dispersed customers in this domain generated business worth around Rs. 2000 million, a growth of 19 per cent over the previous year. Besides the marquee clients, NIIT Technologies also added some fresh customers to its Insurance line up.

Travel and Transportation, the other key vertical for NIIT Technologies, grew at a healthy 25 per cent, accounting for over one-fourth of company's revenues in 2005-06. A revenue of Rs. 1550 million from Travel and Transportation, ensured that NIIT Technologies ranked among the top three global players in this industry segment.

The company strengthened its manufacturing practice by focusing on IT solutions centered around the SAP enterprise platform. NIIT Technologies also beefed up its presence in the Retail segment and together with Manufacturing, generated around 16 per cent of its company's revenues for the year.

In an effort to tap emerging business opportunities in old and new markets and expand its range of service offerings to customers,

Chairman's Speech (Contd.)

NIIT Technologies proactively forayed the high potential, rapid-growth global managed services marketplace in February 2006. Being hailed as the next wave of offshoring, the managed services segment is expected to contribute significantly to the NIIT Technologies top and bottom line in the future. During the year, the company also strengthened and refined its key practices including Application Development and Maintenance, Enterprise Solutions, including Package Implementation, Geographical Information Systems and BPO.

TAKING THE INORGANIC GROWTH ROUTE

Besides exploring fresh geographies, adding new services and taking the inorganic route to growth, NIIT Technologies also added mergers and acquisitions to its strategic agenda during the year.

In order to reach a critical size and achieve the right positioning within select realms, the company put in place a well-defined inorganic program. It drew out a blueprint for strengthening its domain expertise and market access and set the ball rolling for some key acquisitions. In May 2006, NIIT Technologies announced the acquisition of the controlling stake in ROOM Solutions, a UK based Commercial Insurance player. The move not only enabled NIIT Technologies to strengthen its presence in the UK market, it also helped it enhance its skill sets within the commercial insurance arena.

As part of its growth and expansion initiatives, NIIT Technologies scaled its physical infrastructure-including its existing offshore development capacity dispersed across Gurgaon, Bangalore, Delhi and Mumbai-by almost 63 percent during 2005-06. Plans for a full-fledged, centralised campus in Greater Noida, were also unveiled.

At the end of the financial year, NIIT Technologies' IT services and BPO manpower numbers stood at 3543, up from 3002 in the previous year. Committed to creating a healthy and happy workplace, the company focused its energies on building a work-life balance and enhancing the satisfaction levels of its internal customers-the employees.

In order to strengthen its HR processes, NIIT Technologies implemented the People CMM framework, getting assessed at level 5, the highest level of maturity, during the year. The pursuit of quality remained high on its list of priorities in 2005-06, leading to the achievement of the BS15000 certification for its process capabilities in Thailand. With this, NIIT Technologies became the first company in the Asean region to bag this accreditation. The company's ODC in Kolkata also became BS7799 compliant, marking a significant milestone in its journey towards completely securing its environment. NIIT SmartServe, the BPO business of NIIT Technologies also made strides on the quality front, gaining the COPC 2000 CSP Standard Release 3.4 and the BS 7799 Information Security certifications.

AWARDS AND RECOGNITIONS

NIIT Technologies was recognised for its performance on various fronts, bagging numerous awards and accolades during 2005-06. NSS, for instance, was nominated for the best automated call centre award by IQPC, UK. NIIT Technologies' GIS division, ESRI India shone within its market by winning the ESRI Distributor of the year award (2004-05), for the second consecutive year.

FUTURE PLANS

Going forward, the company is looking at positioning itself among the top players within its focused verticals. It will continue to build infrastructure and invest in people's initiatives to rank among the best places to work. By evolving a strong risk management framework and policies, NIIT Technologies will ensure that it is ready to confront any challenges and threats that come its way. As it moves ahead, the Company will continue to deploy benchmarked practices followed worldwide to strengthen internal controls.

In conclusion, I'd like to say that your company has gone from strength-to-strength over the past two years and faces a promising future. I'd like to express my gratitude to all the NIITians-the backbone and soul of NIIT Technologies-for their unstinting effort in taking the company towards its valued goals.

Last but not the least, I'd like to thank all of you, our investors and other stakeholders, for spurring us to perform better and reposing their faith in the company.

Rajendra S Pawar
Chairman

Place : New Delhi
Date : August 17, 2006