

new Aptech

WELCOME TO THE NEW APTECH.

Report



Junction.com

New ownership.

New strategy.

New opportunities.

read on...

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

2005 has been a watershed year for me as it has been for most Indians. For the first time, the confidence of Indians is palpable, and the foreigners recognize the potential of India. Personally for me, it's a great feeling to see India's growth pan out just as I had envisaged in an article in The Economic Times in June 2002 "India on the threshold of a Structural and Secular Bull Market". With the stock markets in an unprecedented bull run, it has been as financially rewarding as it is intellectually rewarding.

Although the markets are down, its good to read on my Telerate screen that India grew 9.4% in the last quarter and 8.6% in the year ended March 2006, thus exceeding all expectations.

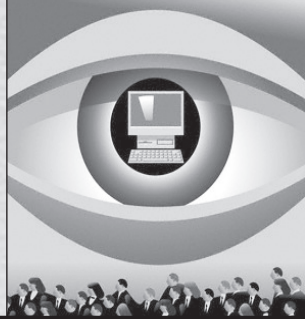
As you must be aware I, along with my partners, Mr. Damani and Mr. Koticha, have acquired the controlling stake in your Company. We, all three of us, have invested successfully in many a company, but never have we ventured before, to be responsible for the management of a company. When this opportunity offered itself before us, I knew that funds worldwide had earned billions of dollars by taking over management control of companies and I thought I should give it a try. The thought did cause butterflies in my stomach, but we love a challenge and here I am before you writing this statement. I do not know what will be the ultimate result of our endeavour, but I can assure you that we shall put our best foot forward. At the same time, we pray for the blessings of the Almighty for this challenge.

You may ask why Aptech?

The Opportunity

The education opportunity, which Aptech represents, is getting bigger and better. 'A Century of Skill Sets' is how Peter Drucker describes the opportunity. It's a USD 2 trillion opportunity. The addressable market for Aptech includes India, China and Rest of the World (ROW).

Take India and China, Aptech's two biggest markets, for instance. The demographics are clearly in favour. India and China, have the youngest (and the largest) population bases in the world. For any young country, education, both formal and specialised, is vital for their growth. Aptech today is a proxy for investment in the specialised



education opportunity in India and China. Besides, Aptech's presence in Rest of the World (ROW) is largely in emerging countries, which also offers immense opportunity.

Sustainable competitive advantage

To capitalize on the opportunity, one needs to have infrastructure, content and a brand that can be trusted. With the industry going through a rough patch post-2000, only the fittest have survived. Aptech is one of them. With there being two significant players, entry barriers are relatively high. Hence, I expect the competitive advantage of Aptech to sustain for a long period of time.

Scalability and Operating leverage

With the opportunity expanding and Aptech having sustainable competitive advantage, I believe Team Aptech will be able to scale its business in each of the markets. With renewed focus on the retail and institutional segment, the scalability will be sooner than later. As I look at it, with scalability, operating leverage (impact on profitability) will be high. Over the years, Aptech has invested in infrastructure creation in India, China and ROW. The investment phase is now being rewarded with an upturn in market. Increased scalability will therefore lead to sustainable increase in revenues and profits.

Price Value divergence

The price at which we invested in Aptech, in my opinion was compelling as it offered great value.

I believe, a fresh perspective can be introduced through strategic thinking and focus combined with the existing management capabilities at Aptech.

Having shared with you the rationale let me now share with you what value we bring to Aptech.

➤ Our philosophy has been that change is not necessary for the sake of change.

➤ We worked alongwith the current management team to bring about focus on RoE (exit low RoE business), streamlined and enhanced MIS aligned to financial statements, to make it more value added, enhanced scalability by recognizing the size and the

quality of the opportunity and then working towards tapping it.

➤ We emphasized the benefits of strict corporate governance and best practices. An indication of this is the decision to clean the balance sheet through restatement and provisioning of assets and liabilities.

➤ With strong investors, Aptech will never be short on capital for strategic initiatives having appropriate economic rationale.

➤ With strong ownership, competent management and good governance, Aptech will attract and retain the best talent in the industry.

I must admit that the last six months have been a tremendous learning experience for me, understanding the business of Aptech from within and interacting with the management team. The learning has been both about the business and people, though not yet complete.

The interactions with Team Aptech and our strategic inputs have already resulted in a strategic resurgence for Aptech. Aptech will now concentrate on its core competencies that can be leveraged to address high growth areas with higher ROI. We have also decided to exit businesses that are capital intensive and have low ROI, or have limited scalability. We will leverage Aptech's strengths to build profitable and scalable businesses, and aspire for leadership in the same.

To quote from the book, The Triumph of Goldman Sachs, 'Be greedy, but be long term greedy'. My conviction tells me that Aptech can perform successfully well, but with time. The success can be slow, but sure.

I want to conclude by requesting shareholders to be patient. I do not expect that things will change overnight, but all change will happen in due course.

I also take this opportunity to welcome my fellow board members and my fellow Team Aptech members and thank them for their support and contribution.

Sincerely yours,

Rakesh Jhunjhunwala

A new

STRATEGIC OVERVIEW

LOOKING AT DIFFERENT BUSINESSES, DIFFERENTLY



Over the last decade various 'Megatrends' have emerged, which now influence the path and

growth of businesses the world over. One, the driving force of this century is now shifting from industrial and capital power to a knowledge-driven society, leading to a 'Century of skill sets'. Two, Globalization, now all pervasive, has created several opportunities, and, challenges as well. Three, economic power is now shifting from the developed world to the emerging world, making them the growth engines of the world. In such a dynamic and challenging environment, specialised education has not only become a basic necessity but also a key driver of business.

Enter Aptech.

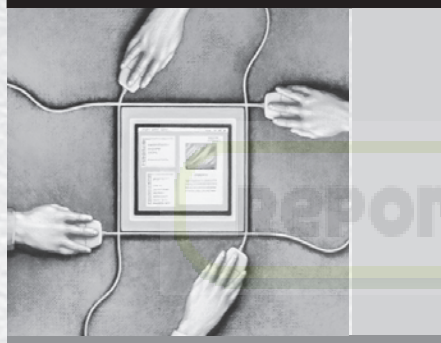
Aptech is well positioned to leverage the tailwinds of all the above 'Megatrends'. With presence in 36 countries through a network of 1404 centres, Aptech has become a key participant in the global education market. Aptech also has the strategic advantage of being the distinctive market leader in the two largest emerging markets, India and China. The opportunity, as we see it, is getting bigger and better. We believe that we are at a strategic inflection point and entering a new era.

While the Company already caters to various sections of the IT education industry, it intends to re-align the existing business with a different focus aimed towards the Retail and Institutional segments. These segments have different business models with different value chains and economics, and we intend to build our strategies around these.

At Aptech, we believe that this renewed focus will help us take higher share of the emerging specialised education opportunity and deliver superior ROI.

Aptech

GOING FULL STEAM TO CAPTURE THE SPECIALISED



EDUCATION OPPORTUNITY IN INDIA AND CHINA

The rise in the share of the service sector in India's GDP marks a

structural shift in the Indian economy. This has been aided by the IT/ITES sectors, which have contributed significantly to this growth momentum, by recording a CAGR of 32% over the last five years. To the extent, IT/ITES have become synonymous with India.

What IT/ITES is to India, manufacturing outsourcing is to China. But China is also now concentrating on the IT opportunity. China enjoys significant potential for growth in the development of the IT/ITES sector due to its advantage of quality infrastructure, low cost, Chinese predominance in hardware, a huge domestic IT market and a vast pool of technically skilled personnel churned out each year by the Chinese universities.

Supplementing this, India and China have the youngest and largest population base in the world. For the growth of such young economies and large populations, we believe, specialised education is imperative. Seizing this emerging opportunity, Aptech already has a strong presence in both these countries. Today, Aptech is a leader in both India and China. Aptech expects to exploit this first mover advantage and increase its presence both in India and China.

In India, Aptech has a strong network of 1006 centres across the country. In China, the Company has a Joint Venture with Beida Jadebird IT Co., an affiliate of Beijing University, and has opened 241 centres in 57 cities across the country in the last five years. The Company is also increasing its presence in rest of the world (ROW), and has opened five new centres in the past year, clearly indicating its intention of building on the lead.

INTRINSIC POTENTIAL TO CREATE SHAREHOLDER VALUE



Having been part of the global education space for a number of years, we believe that

there is a lot of potential for us to grow profitably. And in the process create shareholder value.

This is how.

Expanding the opportunity

From being just an IT education service provider, Aptech has expanded the external opportunity by addressing a larger 'learning solutions' market. With globalization and shift of power to the emerging markets, new markets are emerging. New opportunities require specialised education and training and, more importantly, they require them in large numbers. For instance, the IT/ITES, Retail, Hospitality and Telecom industries are going through tremendous expansion. Each requires specialised training thus expanding our scope.

Leveraging our reach and infrastructure

'Learning solutions' need both physical infrastructure and reach. Very few companies have both. The entry barriers, therefore, are relatively high. With tough years in the past, there aren't formidable players left. There is a clear duopoly like situation. Besides, addressing the specialized opportunity requires high investment, trust of the customer and ability to scale business. By leveraging this reach and infrastructure advantage, we can bring in high growth.

Growth

The specialised education opportunity has an interesting dimension. It requires consistency in quality of delivery and is required by customers in large numbers. On the one hand, it increases the competitive advantage, and on the other hand it also provides our business high scalability. Having invested in the infrastructure and having gone through tough times, the operating leverage from incremental business can be high.

Unleashing the intrinsic potential and creating profitable growth can lead to higher shareholder value creation over the long term. With new owners, we can assure you of focusing on economic profit such that in every business, our endeavour will be to generate ROI exceeding the cost of capital and thus create value.



APTECH AT A GLANCE

Who We Are

Aptech Limited is a leading provider of IT and specialised education globally. Aptech was the first IT education and training Company in Asia to receive the ISO 9001 quality certification for Education Support Services in 1993. Since its inception in 1986, Aptech has pioneered in providing quality education and training in the retail as well as the institutional segment and has till date trained over 4 million people across the globe.

Ownership

The year 2005 was a year of transformation for Aptech. In October, a new Board of Directors lead by the new promoters, Aptech Investments, took over the reins of Aptech. Mr. Jhunjhunwala, Mr. Damani and Mr. Koticha through their respective investment companies are partners in Aptech Investments.

Mr. Rakesh Jhunjhunwala, a prominent equity investor in the country, is now the Chairman, while Mr. Pramod Khera continues as the Managing Director.

Other members on the board are C.Y. Pal – Chairman, Cadbury (India) Ltd., Yash Mahajan – Vice Chairman and MD, Punjab Tractors Ltd. and Swaraj Mazda Ltd. and Group CEO, Swaraj Group, Asit Koticha – Managing Director, Ask Raymond James, Ramesh Damani – MD, Ramesh Damani Finance Pvt. Ltd., Vijay Aggarwal – MD, H & R Johnson (I) Ltd., Ashish Pant – Managing Director, Farallon Capital and Mr. Utpal Sheth – CEO, Rare Enterprises. The new Board represents a rich mix of professionals from the financial markets as well as the corporate world.



Services

Aptech's programs and courses are well-diversified and range from providing basic computer education to high-end technology training, certification, and testing services. Aptech also offers online assessments as well as screening, sourcing, training and placing candidates for the BPO segment. Aptech also addresses the need of new age careers like multimedia education and graphic designing. Corporate needs are addressed by providing learning solutions as well as complete training solutions.

Reach

Aptech has presence in 36 countries across the globe. Besides being the leader in learning solutions in India and China, Aptech has a strategic global presence in countries like Vietnam, Nigeria, Iran and Sudan. Its network is spread across 398 centres internationally while 1006 centres dominate the Indian market.

During 2005, Aptech continued to expand its footprint by successfully opening 24 centres within India and 5 centres internationally. These investments are expected to drive current and future growth and contribute to year-on-year improvement in profitability.

Internationally, retail presence is achieved through a network of training centres/franchising. Institutional requirements are addressed through strategic alliances while academics and content are catered through partnerships with the formal education sector and Student Exchange Programs through the IWP (India Window Programme).

Alliances

- Joint venture with Beida Jade Bird IT Co. Ltd, an affiliate of Beijing University to provide IT training in China.
- Tie-ups with leading educational institutions such as Edexcel International.
- Alliance with Southern Cross University, Australia.
- Alliance with Sikkim Manipal University.



Vision

"To be a Global Corporation and a World-Class organization". Aptech has embarked on a Business Excellence initiative and is investing in developing competencies to deliver superior quality with Total Customer Orientation.

Mission

"Empowerment through Technology". IT is an empowering technology, when rightly employed, leads to productivity improvements and prosperity at individual, organizational, societal, national and global level.

Corporate Achievement, 2005

- Featured among the top 50 'India's Biggest Newsmakers' in the prestigious Business Today – Cirrus Review of CEOs and Companies – 2005.
- Retained the number one position in IT training in China for the fourth consecutive year according to the CCID (China Center for Information Industry Development) Report. Its market share increased to approximately 19% in the year 2005.

Performance

The income from operations of Aptech increased by 20.42% to Rs. 154.34 crs for the year ended December 31, 2005. The EBIDTA of the Company increased by 39.28% to Rs 35.02 crs during the year. The EBIDTA margin expanded from 19.29% in 2004 to 22.69% in 2005. The ROCE increased from 23.86% in 2004 to 29.15% in 2005. The shares of Aptech Limited are listed on the National and Mumbai Stock Exchange. The market capitalization of the Company on December 31, 2005 was Rs. 522.39 crs.

RAKESH JHUNJHUNWALA*Chairman*

(Appointed with effect from
October 28, 2005)

UTPAL SHETH*Director*

(Appointed with effect from
October 28, 2005)

ASIT KOTICHA*Director*

(Appointed with effect from
October 28, 2005)

PRAMOD KHERA*Managing Director***C. Y. PAL***Director***RAMESH S. DAMANI***Director*

(Appointed with effect from
October 28, 2005)

YASH MAHAJAN*Director*

(Appointed with effect from
October 28, 2005)

VIJAY AGGARWAL*Director*

(Appointed with effect from
October 28, 2005)

ASHISH PANT*Director*

(Appointed with effect from
October 28, 2005)

KALPATHI S. SURESH*Chairman*

(Resigned with effect from
October 28, 2005)

K. S. AGHORAM*Vice-Chairman*

(Resigned with effect from
October 28, 2005)

K. S. GANESH*Director*

(Resigned with effect from
October 28, 2005)

D. V. NARASINGARAO*Director*

(Resigned with effect from
October 28, 2005)

R. NAGARAJAN*Director*

(Resigned with effect from
October 28, 2005)

N. SESHADRI KUMAR*Director*

(Resigned with effect from
October 28, 2005)

AUDITORS

M/s. Khimji Kunverji & Company, Mumbai

COMPANY SECRETARY

Sree Vidhya Raju

BANKERS

Union Bank of India
Corporation Bank

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