

Three words  
that put Aptech's  
past, present and  
future in  
perspective.

## Evolve.

Aptech has been in transition. The biggest opportunity is unfolding ahead of us. There is more need to enhance human skills today than ever before. We evolved.

To introspect.

To expand the addressability of the opportunity.

To become a global learning solutions company from an Indian IT training company.

To see things differently.

And most importantly, to think big.

## Empower.

Evolved, Aptech is currently empowering in every direction.

Aligning priorities.

Investing in today for a much bigger, better and a more profitable tomorrow.

Building intellectual ammunition to create that difference.

Changing the qualitative paradigms in the marketplace.

And more importantly, creating a robust foundation for sustainable growth.

## Grow.

We are in business to grow. If we have successfully evolved and empowered, growth should follow. Growth not just in terms of numbers, but qualitative too. Growth not just in India, but internationally too. Growth not just from training but from other services too. Growth not just organic, but inorganic too. A holistic growth.

So that we deliver consistent shareholder value in times to come.

# Chairman's message

*Dear Shareholders and Partners,*



As I sit to pen my second statement to fellow shareholders, I cannot but dwell on the past year and the years to come. It is a matter of great personal satisfaction that the performance of the Indian economy has panned out to be one that has even exceeded the expectations of the eternal optimist on India - yours truly. I personally believe that this performance of the economy is only going to further accelerate. This has implications for every Indian and in every field of life whether economic, social or political. This economic growth has enhanced and opened manifold new opportunities for Aptech.

The biggest challenge facing societies is to provide employment as well as to find employable talent. Our conviction of the opportunity in skill development and education sector has also been vindicated. For instance, according to International Data Corporation (IDC), the Indian IT/ITES sector which is now Rs.198,000 crores (USD 48 billion) is on course to reach Rs.458,000 crores (USD 111 billion) by 2011. Indian IT sector has, hence, emerged as a large vertical for Aptech to train people for.

China as well as India's population in the working age group of 15-64 is expected to increase by 58 million and 198 million respectively over the next two decades. These additions to the workforce are significantly higher than most other populous economies in the world. US will add only 20 million and Europe's population in 15-64 age group will actually fall by 26 million. In fact, according to 'The Economist', 23% of the global workforce addition over the next five years will be from India. This opportunity of the need to enhance human skills is perhaps unparalleled in human history. This gives us the signal to enter new verticals of training and education like Aviation, Networking and Hardware, among others.

As I dwell upon the year gone by, I recall the butterflies in my stomach while contemplating the challenge of leading Aptech. It has been an enlightening and a humbling experience. So far, the journey has been a

fulfilling and profitable one. Aptech has been, and continues to be, in a transition, or shall I say in an evolution.

The controlling shareholder group has consciously chosen to be focused on strategic framework, corporate governance and efficient capital allocation rather than running the operations, which has been completely mandated to Mr. Pramod Khera, Mr. Krishnan and their team. Team Aptech has been empowered and appropriately incentivized towards focus, growth and RoI.

We have worked towards having a truly independent Board and making Aptech a Board managed Company to the extent that the strategic review of business and operations are done by a committee headed by an Independent Director.

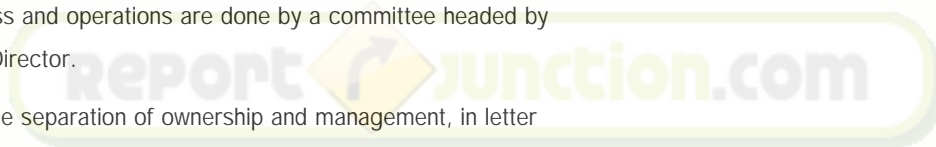
It is a case of true separation of ownership and management, in letter and in spirit, and in many dimensions.

## Evolve

During the past year and a half, Aptech has been in transition. Not just transition of ownership, but also transition of priorities, evolution of business model and strategic thrust, and building of the foundations for a scalable and sustainable organization. We have corrected the structural underinvestment in brands and people.

Over time, Aptech has evolved from a retail IT education Company into a Global Learning Solutions Company in many verticals. This initiative will enhance the addressable opportunity, balance business portfolio and enable wider and more intensive customer engagement.

In the continued evolution, Aptech has improved processes and systems towards implementing an ERP solution. A comprehensive new solution for interface with franchisees has been commissioned and will be implemented during the year. The effect of this initiative will be far reaching over time. Project management systems have been implemented for all non-retail engagement with corporates.



Initiative	Rationale
ACE-SSI network integration	Brand focus, network productivity, profitability
Internship + English language + Personality Development	Enhanced career focus, Employability
Corporate Training + ATTEST integration	Leverage business development, Solutions offering
Avalon acquisition	Non-IT offering, High growth sector
Synergetics acquisition	Differentiated offering, Ahead of the technology curve
Faculty certification + Invigilation	Improved teaching-learning-testing-certification process
Quality Control and Validation	Improved education quality, Enhanced acceptability

Key initiatives for the coming year include among others:

Launch of Networking / Hardware courses	Completes the offering matrix for the IT sector, High growth opportunity
Arena rollout in new geographies	Replicate Arena's success in new markets
Metro markets focus	Balanced roll-out all over India
Evolution to Global Learning Solutions	Leverage skill sets, brand, reach
Training Academy and Centre of Excellence	Deepen leadership, enhanced skill sets for the organization

## Empower

**RETAIL:** Aptech has enhanced its global market presence through new centres and new course structures. Greater enrollments, improved business mix due to career enrollments, increased PSBs (per student bookings), improved per hour yields and above all, greater placements are validations of Aptech's strategy and execution. It is also a reflection of improved business environment driven by favourable megatrends of economic growth and prosperity, demographics, literacy, technology and aspirations. Aptech will leverage its pedagogy, content, training methodology, network management and quality control skills to enhance its leadership in IT and Multimedia education across emerging countries. We have forayed into training for Aviation sector (cabin crew, ground staff, customer interface) and Hospitality (customer interface and customer service) vertical as we see potential for a differentiated offering to students aspiring for these fast-growing sectors. This initiative too will leverage the Aptech DNA skills mentioned above.

**NON-RETAIL:** Unlike Retail, the Aptech Non-Retail businesses are in the process of reaching critical mass. Our business model in respective businesses on Learning Services, Corporate Training and Testing, and Specialised Training has been validated. While these businesses have demonstrated their contribution margins, the bottom line impact will be visible once we scale each of them. So far, Aptech has been investing in these businesses. This year will be the defining year for these businesses to achieve scale and to start contributing to the bottom line from next year onwards. These businesses will not just de-risk Aptech but also provide new growth opportunities for Aptech. There is a large unmet need of corporate customers. Aptech is well-placed to service and leverage the Aptech DNA skills for the same. We aspire to be amongst the market leaders in each of these business segments.

**STRATEGIC:** After many years, Aptech will be a net zero debt Company this year. Apart from a high free cash flow business profile, Aptech has an intrinsically high RoI business model. The business model has been re-focused on value accretive businesses and away from value destroying businesses. The capital infusion and its operating accruals will now be available to tap strategic opportunities and real options. We hope Aptech will now be able to consider paying dividends from the current year. Business visibility has improved significantly in both the Retail and Non-Retail businesses with both reflecting increased order books. Seasonality and cyclical concerns have diminished with a more evolved and de-risked business model. Among other structural changes, attrition rates have fallen, business heads are focused on RoI and strong performance incentives are in place.

## Grow

For many years now, survival has been a way of life for Aptech. Now onwards, we hope Growth will be a way of life. It can be delayed, but not denied. The growth enablers are in place. Team Aptech is motivated, energized and empowered - for Growth; Growth that is sustainable, scalable and profitable. We are working towards much more than market share - towards customers' faith, towards shareholders' credibility, towards RoI, towards profit share, towards new frontiers and towards leadership!

"The great thing in the world is not so much where we stand, as in what direction we are moving." - Oliver Wendell Holmes (American Physician, Poet, Writer, Humourist and Professor at Harvard 1809-1894).

I hope that we have put Aptech on the right path. I am confident that the results of these efforts will be apparent in the times to come. The seeds have been sown; the fruits have to be reaped in time. Lest we forget, all we need now is God's grace.

I must end by thanking my fellow shareholders for their patience during the trying times, my fellow Board members for their invaluable advice and guidance, Pramod, his team and all Aptechites for their efforts and last but not the least, Aptech's customers for their continued support.

Warm regards,

Rakesh Jhunjhunwala



Think. Innovate. Grow.

## Retail - India

We are in a very interesting business. Uniqueness comes from the nature of business. Because we empower students through knowledge, our courses are career-oriented ranging from 6 months to 3 years. From a shareholder's perspective, this enhances the visibility of our business.

Given the dynamics of our business, we put a lot of thought to benefit from this uniqueness. We introspected and empowered ourselves with innovative ways to leverage our strength.

Several initiatives were launched during the year to ensure that not only do we grow our system wide bookings significantly, but also grow margins faster.

- Rather than just focusing on enrollments, we innovated and moved the focus on the quality of offerings for each enrollment. For instance, we shifted the focus to high value career courses. Not only do career courses

increase booking per enrollment, the margins are much higher for us.

- We strengthened our leadership and dominance in multimedia and animation courses with Arena Multimedia recording the highest ever bookings of over Rs.109 crores.
- We introduced internship in our career courses. The internship gives the student on-the-job training which makes the student better equipped in the job.
- We reduced the student attrition rates to ensure that more students end up doing the entire course. This increased the margins for us.

Aptech ended the year with system wide bookings growth of 97% for Retail - India as compared to last year. If the current trend is any indication of the future, we will not disappoint this year too. And to remind, what we book today we recognize over the duration of the course.

Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow.



Lead. Dominate. Grow.

Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow. Evolve. Empower. Grow.



## Retail - China

Think of an Indian Company or joint venture that dominates the Chinese market.

Aptech.

Beijing Aptech Beida Jade Bird Information Technology Co. Ltd. is perhaps the only Indian joint venture that has positioned itself in a leadership position in China with over 32% market share in 2006 according to the IDC (International Data Corporation) Report. Such is the understanding of the Chinese markets that the joint venture which was a leader in 2005 with a gap of 13 percentage points, consolidated and increased the lead significantly in 2006. The number two player is at around 8 percent, a gap of 24 percentage points.

What differentiates us in China is our approach. We looked at the China market distinct from India. We took time in understanding the needs of the Chinese consumer. It would have been easier to get our Indian courses and

offer it to China. We decided to take the road less traveled.

Besides our regular ACCP course, we offered two in-demand courses on networking (BENET) and testing (BTEST). These courses were created specifically for the China market. We have set up a distinct franchisee network for each of the courses and this strategy has proved to be extremely fruitful in the Chinese market. Our partner, Beida Jade Bird IT Co. Ltd. helped us in creating tailor-made solutions. The result has been dominance and leadership in the second fastest growing IT market in the world.

We are empowering the China opportunity further. For the first time, our joint venture is investing in building a strong consumer connect and brand through national TV advertising in China. We believe this will not just enhance the visibility and business, it will also increase our dominance.



Introspect. Reorganise. Grow.