



THE YASH BIRLA GROUP



Birla Shloka Edutech Limited

2010-2011

19TH ANNUAL REPORT

BOARD OF DIRECTORS:

- | | |
|------------------------------|-------------------|
| 1. Mr. Yashovardhan Birla | Chairman |
| 2. Mr. Nidigallu Srikrishna | Managing Director |
| 3. Mr. Mohandas Shenoy Adige | Director |
| 4. Mr. Vijay Agarwal | Director |
| 5. Mr. Anoj Menon | Director |
| 6. Mr. Tushar Dey | Director |

**COMPANY SECRETARY &
COMPLIANCE OFFICER:**

Mr. Vijay Mishra

AUDITORS:

M/s. LKM & Co.
Chartered Accountants
Mumbai

BANKERS:

The Catholic Syrian Bank Ltd

REGISTERED OFFICE:

Industry House
159, Churchgate Reclamation
Mumbai-400 020
Ph- 022-22026340

HEAD OFFICE

Melstar House,
G-4, M.I.D.C., Cross Road 'A'
Andheri (East), Mumbai - 400 093
Ph- 022-33067777

SHARE REGISTRAR AND TRANSFER AGENT:

M/s. Bigshare Services Private Limited

E-2/3 Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (E), Mumbai-400 072
Tel: 022-40430200
Fax: 022-28475207

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NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of Birla Shloka Edutech Limited will be held on Thursday, 22nd September, 2011 at 3.00 pm at Maharashtra Chamber of Commerce, Oricon House, 6th floor, 12, K. Dubhash Marg, Fort, Mumbai 400 001 to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Mohandas Shenoy Adige who retires by rotation at this meeting and being eligible offers himself for re-appointment.
3. To appoint auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

"RESOLVED THAT M/s LKM. and Co., Chartered Accountants, Mumbai (Firm Registration No.126823W) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors".

**By order of the Board of Director
Birla Shloka Edutech Limited**

Date : 09/08/2011
Place : Mumbai

**Vijay Mishra
VP (Finance) & Company Secretary**

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company at its registered office, not less than 48 hours before the meeting.
2. The register of Members and Share Transfer Books will remain closed from 19th September, 2011 to 22nd September, 2011 (both days inclusive).
3. Members holding shares in physical form are requested to notify immediately any change in their address with pin code to the Company's Share transfer Agents M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai -400 072 and in case their shares are held in Demat, this information should be passed on directly to their respective Depository Participants (DPs) and not to the Company.
4. Members, who hold shares in dematerialized form, are requested to write their client ID Numbers and those who hold shares in physical form are requested to write their folio number in the Attendance slip for attending the meeting.
5. Members are requested to write to the Company at least seven days in advance before the date of meeting in case they need any information as regards to the Audited Accounts for the financial year ended on 31st March 2011, to enable us to keep the information ready.
6. Members/Proxies are requested to bring the Annual report and attendance slip duly filled in.

**By order of the Board of Director
Birla Shloka Edutech Limited**

Date : 09/08/2011
Place : Mumbai

**Vijay Mishra
VP (Finance) & Company Secretary**



DIRECTORS' REPORT

To
The Members,

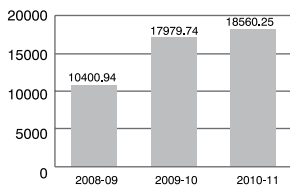
Your Directors are pleased to present the Nineteenth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

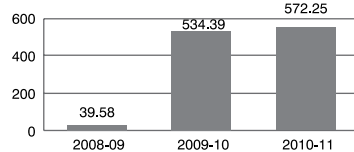
(Amount in Lakhs)

Particulars	As on 31.03.2011	As on 31.03.2010
	Rupees	Rupees
Total Income	19,222.14	18,014.21
Total Expenditure	17,990.24	17,237.17
Interest & Financial Charges	63.44	32.16
Profit/(Loss) before Tax and Depreciation	1168.5	744.88
Less: Depreciation	596.20	210.49
Profit/(Loss) Before Tax	572.25	534.39
Less: Provision for Taxation	—	—
Current MAT	118.14	90.82
Less: MAT Credit Entitlement	—	(90.82)
Deferred Tax	(15.82)	33.36
Earlier year Tax Expenses	14.44	—
Profit/(Loss) After Tax	455.50	501.03
Add:- Balance brought forward from last Year	565.26	64.23
Add:- Transfer from Amalgamation Reserve Account	—	—
Balance Carried to Balance Sheet	1020.76	565.26
Earnings Per Share	2.60	6.96

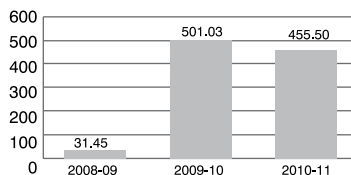
Turnover (in Rs.Lacs)



Operating Profit (in Rs.Lacs)



PAT (in Rs.Lacs)



**DIVIDEND**

In order to preserve funds for future activities, your Directors do not recommend any dividend for the financial year ended 31st March 2011.

SUBSIDIARY COMPANY:

The Company has one wholly-owned foreign subsidiary, viz., Birla Shloka Edutech Ltd. FZE.

The important developments that have taken place during the year under report in the subsidiary of the Company are dealt with hereunder:

Particulars	2010-2011	2010-2011	2009-2010	2009-2010
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	723750AED	89,22,245	N.A	N.A
Profit	9055AED	1,11,629	N.A	N.A

FINANCIAL STATEMENT OF SUBSIDIARY:

In terms of General Circular issued by the Central Government under Section 212(8) of the Companies Act, 1956 vide Circular No. 5/12/2007-CL-III dated 08th February, 2011, it was decided to grant general exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Report of the Board Of Directors and the Report of the Auditors of the Subsidiary Companies to the Balance Sheet of the Company provided certain condition are fulfilled. However, as required under the aforesaid circular, a summarized statement of financial position of the subsidiary has been appended to the Annual Report elsewhere. In terms of Accounting Standards 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements includes the financial information of the Subsidiary.

PERFORMANCE REVIEW:

During the year under review the total income of the Company increased by Rs.1207.93 Lakhs in 2010-11 and the profit after tax decreased by Rs.45.53 Lakhs over the previous year. The Company's reserves and surplus stand at Rs.7644.57 Lakhs as at March 31, 2011.

GLOBAL DEPOSITORY RECEIPTS ISSUE OF THE COMPANY:

The Company has allotted 2,79,785 Global Depository Receipts on 6th August 2010 representing 69,94,625, underlying Equity Shares of Rs. 10/- each (offering at Rs.65.25 each) at an offer price of USD 35.74 per Global Depository Receipt aggregating to USD 9.99 million equivalent to Rs. 46.12 Crores.

The funds raised through GDR have been utilized towards the Company's long term working capital and to finance future projects, acquisitions and other corporate purposes.

LISTING OF SHARES WITH THE NATIONAL STOCK EXCHANGE:

The Board of Directors of your Company has proposed to get the shares of the Company listed with the National Stock Exchange of India. NSE is the largest exchange in the country in terms of trading and with its unprecedented reach will be beneficial to the shareholders in terms of liquidity and marketability of its shares. The Board has made the application to Exchange and is awaiting their approval.

BUSINESS REVIEW & FUTURE PROSPECTS:

The Company has a curriculum based educational software program viz., 'XL@school' as per the syllabus prescribed by different Educational Boards that is designed to impart academic knowledge through electronic media. To cope up with the increased business opportunities, your Company has made considerable investment in research and development areas, ongoing quality enhancement program and infrastructure facilities, etc. The Company has planned to expand its business in Information and Communication Technology (ICT) solution for various government schools segment.

The governments are keen to explore the Public Private Partnership (PPP) model for setting up of Schools which the private partner will design, build, finance and manage. The company sees enormous potential in this space for future growth as more and more states are likely to devise and implement similar schemes for Senior Secondary Education and probably in primary education too.

The Company is aggressively participating in tenders of various state government projects and vigorously pursuing such initiatives across the country.



The company has been awarded one such project by Adivasi Development Department of Government of Maharashtra, Nasik, for implementation of ICT project in 552 tribal Schools in Maharashtra, the project has to be completed in BOOT (Build Own Operate Transfer) Model in three years, the company has successfully implemented first phase of the said project, the total revenue expected from the said project is Approx. 29.5 Cr. In Three years.

PARTICULARS OF EMPLOYEES:

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name and particulars of the employees required to be set out in the Directors Report are given in the Annexure appended to this report.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from the Public or the Shareholders during the year under review.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year under review;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

DIRECTORS:

In terms of Article 129 and Section 256 of the Companies Act, 1956, Mr. Mohandas Shenoy Adige retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. A brief resume of Mr. Mohandas Shenoy Adige, nature of his expertise in specific functional areas, and names of Companies in which he holds directorship and the membership/Chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the Report on Corporate Governance forming part of the Annual Report.

AUDITORS & AUDITORS REPORT:

M/s LKM & Co., Chartered Accountants, Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a letter from M/s. LKM. & Co., Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The Auditors in the annexure to the audit report have made an observation with respect to a Service Tax overdue amount of Rs. 22.11 Lakhs (net) and CST payable is Rs. 6.96 Lakhs. However the Company has paid the said amount on 2nd June 2011.

The Auditors in the annexure to the audit report have made an observation with respect to appointment of Internal Auditor, in this regard the company has taken necessary steps and appointed M/s Gopal K Garg & Co. Chartered Accountants as internal auditor of the company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis Report are appended to this report.

CORPORATE GOVERNANCE REPORT:

A report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchange is attached as a separate annexure and forms part of this report.



Corporate Governance compliance certificate obtained from the Auditors of the company is also attached to this report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Although the Company is not engaged in manufacturing activities, the Company makes every effort to conserve energy as far as possible in its offices, facilities etc. Energy conservation is always given focus from the point of view of cost control and also a social responsibility. Strict control and monitoring of usage, good upkeep and turning off of equipments, results in optimum usage of electrical power. To enhance its capability and customer services, the Company continues to make significant investments in research and development. The Company will continue to invest in the latest technologies to suit the business needs in the market place. Training employees in the latest and relevant technologies would continue to remain a focus area.

Foreign exchange earnings & outgo:

Particulars	2010-2011	2009-2010
Total foreign Exchange earnings	8,94,100	NIL
Total Foreign Exchange outgo	15,668	NIL

ACKNOWLEDGEMENTS:

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from the shareholders, bankers, regulatory bodies and other business constituents of the Company during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 20th May, 2011

Yashovardhan Birla
Chairman

ANNEXURE TO DIRECTORS REPORT

PARTICULARS OF EMPLOYEES:

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name and particulars of the employees required to be set out in the Directors Report are given as hereunder:

Name	Designation	Gross Remuneration (Amount in Rs.)	Qualification	Experience	Date of joining	Age	Previous employment
Mr. Nidigallu Srikrishna	Managing Director	30,11,860/-	B.E (Engg), SMBIT Institute of Technology, Bangalore University	16 yrs	July 3, 2008	44 yrs	M/s. Enmasse Consultancies Private Limited



MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

(i) Industry Structure and development

Your directors are glad to inform you that major developments have been made by the Company in software development. The educational software developed by the Company has been installed in schools to provide knowledge through electronic media. The new strengths of the Company are in e-commerce/e-business, digital content development, R&D services, telecom software and IT enabled services.

(ii) Opportunities and Threats

With many developments in the economy and severe competition amongst the companies, the prime opportunity lies in meeting customer's expectations in terms of high quality, prompt response in time, services & performance and the same opportunities were regularly grabbed by your Company.

The need for ICT solution in government school is growing and opportunities are available in this space. Retail opportunities are available by way of sale of software contents to the end customer directly.

The threats faced by the software sector are global downturn with which small players more severely hit.

(iii) Segment-wise or Product-wise Performance

Almost 99% of the total revenue is from software segment hence segment reporting as per AS17 is not applicable.

(iv) Outlook

The Education sector is one of the most promising sector creating tremendous opportunities. Being a country having 50% of its population less than 25 yrs old, the Company sees bright prospects in the coming year. The Company sees tremendous growth opportunities in the following areas:

➤ Supply of ICT solution to government and private schools.

We see numerous opportunities under the ever increasing scope of Information and Communication Technology (ICT) of Government of India. The ICT is being used from School Education to University Education. The government is increasingly focusing at the Public Private Partnership (PPP) model to set up more number of Centers of Excellence and Skill Based Vocational Training Centers which will enhance the employability potential of students.

The government of India, with the aim of improving Computer Literacy in Public Schools is increasingly opting for Public Private Partnerships to source IT Infrastructure and training under Sarva Shiksha Abhiyaan (SSA) Programme.

Institutions have varying requirements and the private sector may be able to offer innovative solutions that will provide quality services and value for money.

➤ K – 12 Curriculum Development

The company has developed a research based K-12 curriculum which is based on the National Curriculum Framework 2005 and draws on the best practices of national and international boards and therefore merges seamlessly with the prevalent boards of education that currently exist in the country, namely CBSE, ICSE, IB and IGCSE. The curriculum will bring back creativity and the joy of learning to our schools and drives the students take up the onus of learning and learn to be independent learners.

The curriculum focuses on conceptual understanding rather than "covering of content". Along with the curriculum, a number of support functions are provided to existing schools and new schools across the length and breadth of the country in the form of detailed lesson plans, resources, teaching aids and teacher training and teacher support to ensure that the curriculum is implemented effectively, be it a private school in a tier 1 city or a government school in rural India.

Most of the schools follow the conventional teaching methodology and curriculum where the classroom is more teacher centric classroom than a student centric one.

The Company sees an opportunity to help transform these schools by offering the K-12 curriculum in these schools.

➤ Shloka Schools:

The Company seeks to extend its foray in education through Shloka preschools and K-12 schools. Shloka School aims to be a 'Center for Excellence'. Its mission would be to provide affordable quality education that ensures children are 'healthy, safe, engaged, supported & challenged'.



It will have a well-researched, specially designed curriculum with student centric approach where the student joyfully seeks knowledge.

It will be an experiential & outcome based dynamic curriculum which is developmentally appropriate. It will cater to all Indian national level and state level boards. Institutional design planning of Shloka schools will ensure excellence in learning environment. Institution designs will be environment friendly and in sync with the curriculum. Shloka schools will strive towards sensitizing children to Society Economy & Environment. We are already in talks with potential partners for setting up these schools.

➤ **Interactive multimedia learning and education system.**

The company has a well developed library of syllabus based interactive multimedia learning content for CBSE & Maharashtra State Board. The company has initiated the process of enhancing the features of the existing content and also develop the syllabus based interactive multimedia content for other state and central boards to expand the footprints in the segment of Multimedia Content for learning across the country

➤ **Vocational education through Spoken English Language training business.**

Your Company is planning to enter the field of vocational education through Spoken English Language training business.

India's private sector education and training market is estimated to be worth US\$40bn, with a potential 16% five year CAGR. Of this, the adult market for ELT (aged 20+) is estimated to be worth around US\$450m. It is estimated that at least 3.8m people paying an average fees of \$120.

Demand for English-Language training									
Age	Total (m)	Urban (m)	Rural (m)	Urban tutoring (%)	Rural tutoring (%)	Total (m)	Average fee (Rs.)	Market (Rsm)	Market (US \$m)
20-24	105	31	73	2.0	0.5	0.99	5,000	4,969	124
25-29	94	28	66	4.0	1.0	1.79	5,000	8,936	223
30-34	83	25	58	2.0	0.5	0.79	5,000	3,943	99
English training market								17,847	446

Source: CLSA Asia-Pacific Markets, United Nations Population database

Vocational training market in India is accounted for US\$1,365m and English training represents one-third of this figure. Demand for English skills at a corporate level is driven by service sector in particular (eg. growth of call centres, ITes companies). English language ability therefore commands a premium in such sectors, particularly in MNCs.

➤ **Setting up and managing Teacher Training Institutes**

In the coming years India is expected to face a huge demand for schools and teachers to educate its rapidly increasing school population. The curriculum in most of the existing Teacher Training Institutes does not equip teachers with the requisite skills to prepare students for tomorrow.

We are committed to setting up state of the art Teacher Training Institutes across the country that will attract the country's leading talent and prepare a cadre of highly skilled teachers who can ensure that each child learns in our classrooms. The infrastructure of the teacher training institute will mirror the kind of experiential learning environment that is advocated for the child. The teacher training school will house state of the art science laboratories, math and social science laboratories, art and performing art studios and sports grounds.

➤ **Development of Teaching Solutions and Learning Aids for Early Year Schooling**

The company intends to set up development centre to create learning solutions for the young learners about the space, environment & relationships around them. The program will aid children to explore & nurture relationships they share within the spectrum of this space/ environment, empowering them to take ownership of the environment and relationships around them while contributing positively towards it.

This unique solution together with the learning aids and collaterals developed by the company intends to provide unique teaching methodology and aids for Pre Schools. The company intends to have strategic tie ups with leading providers of collaterals like storybooks, music CDs, Story CDs, games and manipulative games, theme kits, toys, interactive games etc., to augment the solutions developed by the company.



➤ **Public Private Partnership (PPP) model for setting up of Schools**

The State Governments are taking initiatives with a goal to establish Senior Secondary Schools under "Design, Build, Finance, Manage, Operate and Transfer (DBFMOT)" to make education within reach of more people, in areas where no schools exist. The governments are keen to explore the Public Private Partnership (PPP) model for implementing this initiative wherein the Government envisages that the private partner will design, build, finance and manage these schools for tenure of around 30 years. The government supports the initiative by providing Land and certain Capital Assistance to the private partner

The company sees enormous potential in this space for future growth as more and more states are likely to devise and implement similar schemes for Senior Secondary Education and probably in primary education too.

➤ **Supply of software as per customer specifications and requirements.**

The company is engaged in the business of providing customized software based on the specifications and requirements of its customers. The company sees more prospects and growth in this segment and therefore, is enhancing its capabilities and offer more products and services in this segment.

(v) Risk and concerns

1. The major risks which prevail in the industry are high fluctuations in the prices of software programmes and hardware components. The Company faces risks due to competition in the Indian market. Your Company is taking due care to overcome risks in the industry by adopting new technology and latest know how in development of the software programmes.
2. Our Business involves installation of a large number of Computer Systems and other electronic equipments across various geographies. Such electronic equipments are prone to hardware/software malfunction, virus attacks, hacking and technological obsolescence. If any such events occur, we run the risk of disruption of our operations.

(vi) Internal control system and their adequacy.

The Company has set up adequate internal control systems to safeguard the assets of the Company and to conduct checks on the maintenance of accounting records. A continuous process of checking is introduced in the Company. The Company has an independent appraisal system to examine and evaluate the adequacy and effectiveness of Internal control Systems.

(vii) Financial Performance with respect to Operational Performance.

The Company has achieved a turnover of Rs.18560.25 Lakhs during the year 2010-11. To get an overall view on financial performance, please refer the Financial Results as given above.

(viii) Material development in Human Resources/ Industrial Relations front, including Number of people employed.

The working environment of the Company was cordial during the year. The Company has taken steps to provide training to all the levels of employees of the Company in various departments. The workforce of the Company including workers, staffs and executive were 62 during the year under review.

(ix) Cautionary Statement

Some of the statement contained within this report may be forward looking in nature and may involve risks and uncertainties. Actual result and outcomes in future may vary materially from those discussed herein. Factors that may cause such variance include, but are not limited to management of growth, market acceptance of Company's product and services, risk associated with new product version, dependence on third party relationship and the activities of competitors.