Blue Star Infotech Limited

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ANNUAL REPORT 2001-02

BLUE STAR INFOTECH

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Board of Directors

Suneel M Advani, Chairman
Ashok M Advani, Vice-Chairman
Parmod K Bhalla, Managing Director
Suresh N Talwar, Director
Prakash G Hebalkar, Director
Sanjay N Vaswani, Director

Management Council

Parmod K Bhalla, Managing Director

K Raghunathan, Vice President- Technology

Bharat P Shah, Vice President - Strategic Initiatives

Rajiv Mittal, Vice President - Delivery Operations

Hemant Kamat, G.M. - Finance & Accounts

Harish Govind, G.M. – Human Resources

Sudhir Gera, G.M. - Marketing

Development Centers

SEEPZ
Andheri (East)
Mumbai - 400 096.

Vidyadeep, 128 / 1,
Ulsoor Road,
Bangalore - 560 042.

Lot 271, Jalan Dua,
Off Jalan Chan Sow Lin
55200, Kuala Lumpur.

Standing from L to R: Sanjay N Vaswani, Suresh N Talwar, Ashok M Advani, Prakash G Hebalkar Sitting from L to R: Suneel M Advani, Parmod K Bhalla

Company Secretary

Sivaram Nair

Bankers

ABN-AMRO Bank
Central Bank of India
The Hongkong & Shanghai Banking Corporation Limited

Auditors

Deloitte Haskins & Sells

Registrar & Share Transfer Agents

Intime Spectrum Registry Pvt. Ltd.
260, Shanti Industrial Estate
Sarojini Naidu Road, Mulund (W)
Mumbai 400 080
Telephone - 91-22-5923837
Fax - 91-22-5672693

Registered Office & Corporate Head Quarters

Dr. Annie Besaent Road
Prabhadevi, Mumbai-400025
Tel: 91-22-4901870,
Fax: 91-22-4901353
www.bsil.com

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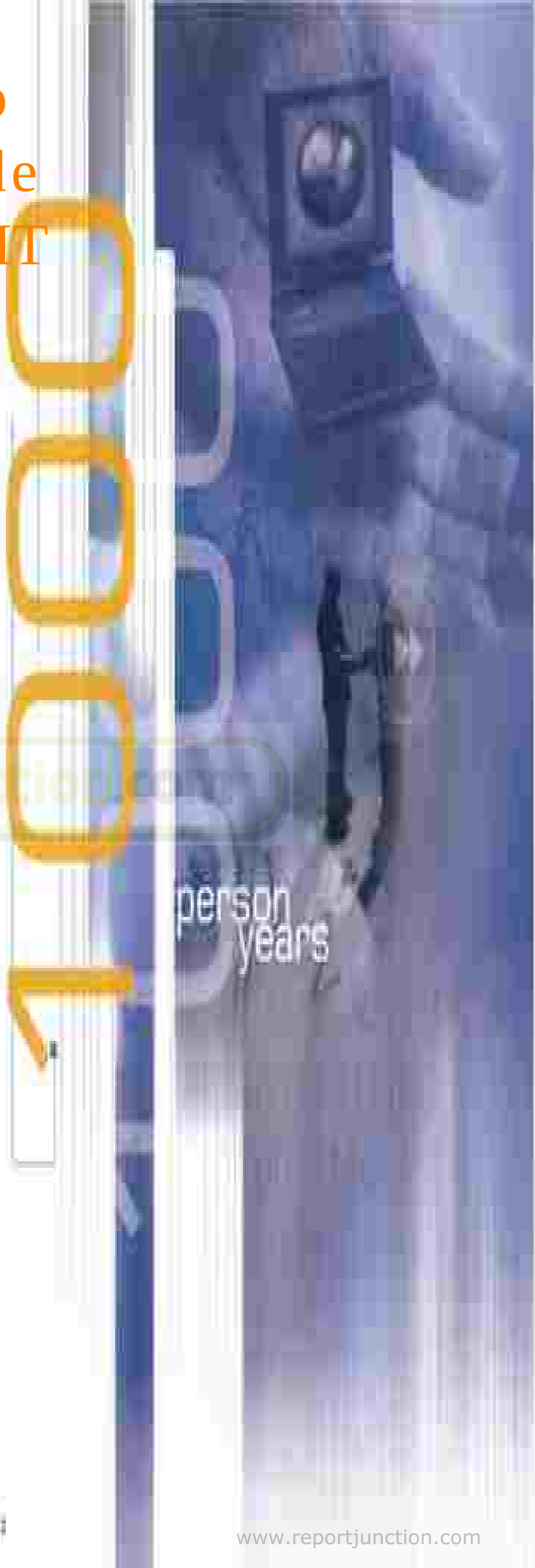
We provide support to the people who provide support to millions of IT users the world over

Take Hewlett-Packard, for instance. The company is a leading, global technology solutions provider. Following its recent merger with Compaq, it serves more than one billion customers across 162 countries, with an employee base of 150,000.

HP enjoys a market leadership across a number of products: fault-tolerant servers, UNIX servers, Linux servers, Windows servers, storage solutions, management software, imaging and printing equipment as well as personal computers

Blue Star Infotech (BSI) has been working with HP since 1983. More recently, in 1998, BSI set up an Extended Office for this international giant at its development center in Bangalore to provide support for HP's internal business applications. The Extended Office is connected
to HP's global network through a 2MB data link and a 64 KB voice link and provides a robust 24X7 trans-geographic to support to HP's global users across 165 locations.

In addition, Blue Star Infotech works closely with HP's Enterprise Systems Division in various areas including Product Development, R&D and n-tier application development, as well as for deploying solutions for HP customers worldwide. More recently, Blue Star Infotech has extended this partnership to HP's new entity in India, the high profile HP Labs, whose mandate is to bridge the digital divide within under-developed geographies around the world.



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We design, develop and test the quality of Internationally successful products that help professionals strengthen their business.

One of our US-based clients is a successful software product company that empowers project-driven and resource-constrained organizations to manage their three most important resources - people, time and money - with speed and competence. It is a leading provider of enterprise service automation software applications.

This company's flagship product is a web-based project, resource and budget management suite. It enables customers to strengthen their performance through:

- A real-time, project-based financial management system that evaluates and re-prioritises projects, resources and budgets.
- An early detection of deviations from established schedules and budgets.
- The co-ordination of global resources to achieve a common objective
- The application of identical controls for external contractors and employees, resulting in standardized solutions.
- The creation of a seamless development environment, independent of the constraints of time, geography and organizational boundaries.

BSI is proud to state that it has played a responsible partner's role in the success of this client's products.

Since 1996, Blue Star Infotech's engineers have supported the client's suite of products. As a result, BSI has emerged as a trusted partner in the design, development and testing of the client's new product releases.

Thanks to this growing partnership, BSI has strengthened its own and its client's ability to compete in the future.

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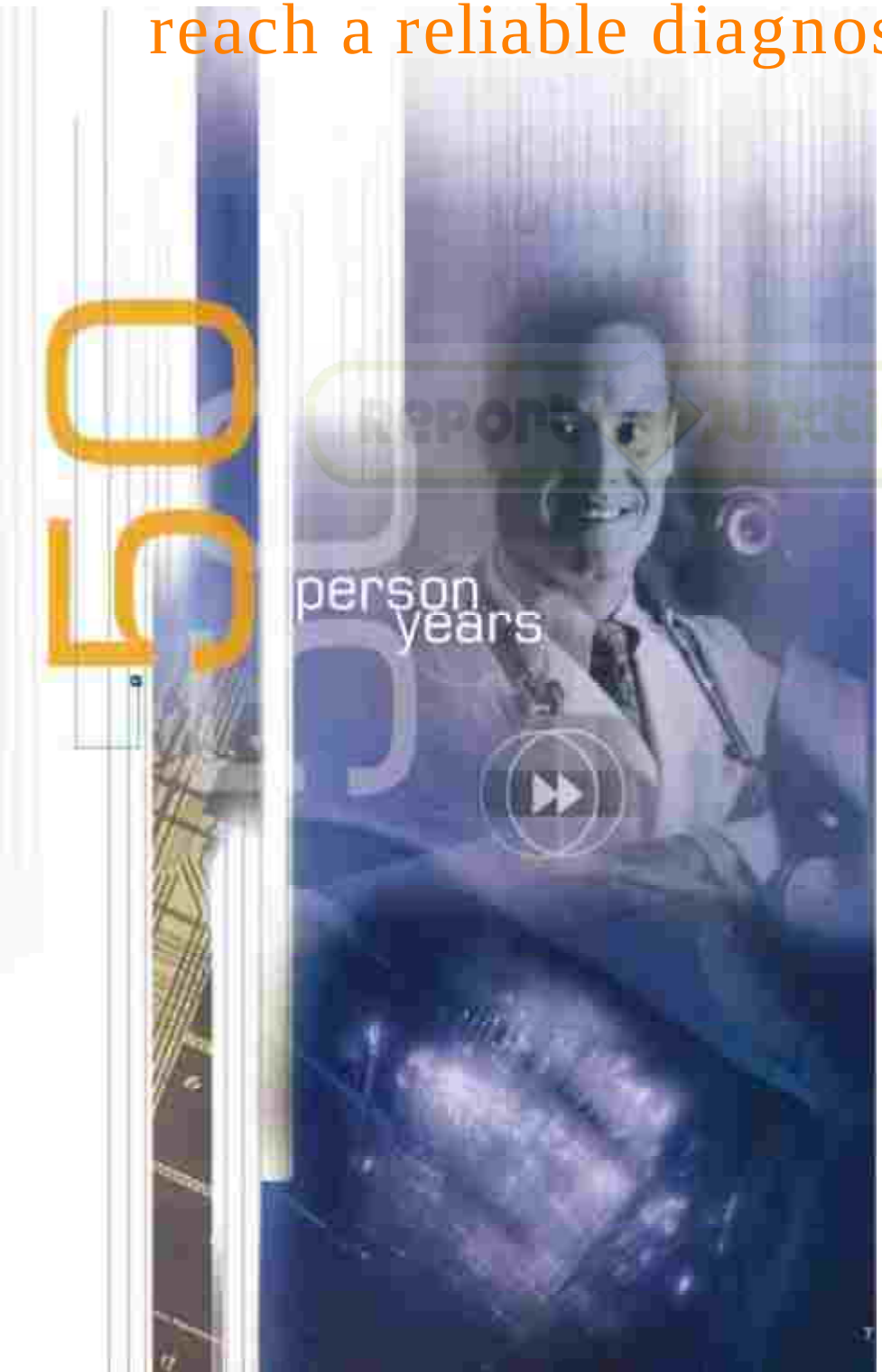
When a doctor uses ultrasound medical equipment, he has to be very sure. BSI strengthens the confidence of these professionals to reach a reliable diagnosis.



One of BSI's customers is a $ 68 billion electronic giant that makes computers, semiconductors, consumer, power and industrial products, among other items.

It is one of the leading suppliers of Medical Equipment. Its products include MRI Systems, CT-Scan, Ultrasound machines, X-Ray machines and other related medical equipment.

BSI enjoys a long relationship with this customer. For instance, it was associated with the development of measurement software for the customer's Ultrasound Diagnostic systems. Today, BSI's dedicated team supports its ongoing software update requirements.

Thanks to this ongoing relationship, BSI has strengthened its reputation as an emerging R&D services provider for hi-tech product-based companies in general and imaging technology customers in particular.

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We are quietly pleased about being asked by an IT products company to maintain its e-solutions environment and legacy applications.

We have a five-year multi-million Application Outsourcing contract, wherein their application development and maintenance requirements have been outsourced to us. This client is a multi-billion dollar specialty catalog and online retailer and direct marketer of branded personal computers, computer software, accessories, peripheral and networking products to commercial, education, government and consumer customers.

Over the years, the company has aggressively leveraged the intelligent use of IT to put products where customers require them, minimised the inventories of various products and enabled consumers to buy directly off the Internet. When it began to look worldwide for vendors who would maintain its suite of business applications across UK, France, Germany and Netherlands, it received a number of prospective applications.

Eventually, they settled on Blue Star Infotech. Blue Star Infotech was selected to maintain and enhance the organisation's operations on the HP 3000 platform and e-business solutions on the Microsoft platform. Thanks to the quality of solutions, Blue Star Infotech also emerged as the preferred partner for their business process reengineering consultancy services requirements too. Blue Star Infotech has set-up a dedicated Software Competency Centre (SCC), staffed with a full fledged team of skilled resources, at its development center in Bangalore, India. The SCC has dedicated infrastructure and resources and a large pool of professionals with varied skills at a low cost. Based upon a strong foundation of standardized, integrated and tested software development processes, the SCC is committed and equipped to deliver highly reliable, timely and world-class quality software products and services.

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A banking transaction must be quick, accurate and dependable. BSI's services help the largest retail bank in Malaysia achieve this.

The Arab-Malaysian Banking Group is one of Malaysia's most reputable retail banking groups. It is referred to as an anchor bank in Malaysia.

It offers an extensive range of banking and financial services (investment banking, commercial banking, retail financing, leasing, stock broking, insurance, asset/fund management, futures and options trading as well as offshore banking).

Information technology lies at the heart of this banking group. It empowers customers to transact on the internet, shift large amounts with ease and reduce the transaction time at the click of the mouse.

BSI developed a debtor-default tracking application for the Arab Malaysian Banking Group. It has also built a generic product framework called Recotrack.

BSI has gathered a vast experience in servicing the demanding requirements of this bank. In turn, this has strengthened its competence to address growth emerging out of one of the biggest industry verticals in the world.

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Through the creation of a customized product, BSI facilitates an electronic interaction between members of a company within a location or across geographies.

An organisation's effectiveness comes from its ability to disseminate knowledge and co-ordinate the various insights, information and competencies lying disparately across its people into a systematic framework. Resulting in quicker and informed decision-making.

BSI has developed Ozone, a comprehensive Business Portal framework. This product facilitates communication and information sharing. Ozone is useful because it empowers employees to carry out office transactions in a structured and organized manner from local (over the Intranet) and remote (over the Internet) locations.

More specifically, Ozone addresses:

- Intranet in a box and provides the 'feel' of a virtual office,
- Access over the intranet for local users and over the internet for remote users,
- A fast and secure access to well-organized data,
- Sophisticated customization to create items and design user-specific screens.
- The use of J2EE technology to enable the use and customization of components.
- Platform and browser independence.
- Workflow management for business processes and extensive document management.

Ozone has marked the beginning of BSI's endeavor to develop and launch IT products over the long-term.

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Blue Star Infotech is a respected Information Technology company based in India.

Blue Star Infotech Limited (BSIL), a respected Information Technology services company headquartered in India, was created by spinning off the International Software Division of Blue Star Limited. The International Software Division was started in 1983. BSI is listed on the National and Bombay stock exchanges. The company's market capitalization stood at Rs 2 billion on 8 May 2002.

Blue Star Limited (parent), a 58-year old company, is India's leading provider of air-conditioning and refrigeration products, systems and services. The company also represents reputed global manufacturers of professional electronic equipment in India. The $160 million company enjoys technical alliances with world leaders like HP, York International, Heatcraft, Juniper Networks, Kolpak, Tenney (all US companies), Thermal Engineering Systems, Thales security ,International Controlled Atmosphere (UK companies), Neles Automation (Finland), Hitachi Medical Corporation and JEOL (Japan), Krautkraemer (Germany) and Climatrol (Italy).

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BSI employs in excess of 450 professionals globally and provides software design and development services to clients worldwide from its offshore development bases in Mumbai and Bangalore in India. The company's global operations are spread from Silicon Valley, Dallas and New Jersey in USA, to Toronto, London, Helsinki, and Kuala Lumpur. The company has also appointed a network of business partners to represent its interests across the rest of Europe and Japan. BSI leverages the strength of existing relationships that its parent enjoys with the companies listed above and offers IT services to them.

Earlier, the focus of BSI was strategically divided across three lines of business - Global Research & Development (GRD), Business Applications Practice (BAP) and C onsulting Services Practice (CSP). Recently this has been strategically expanded to include Banking, Financial Services, Securities and Insurance (BFSI) and Systems Integration Practice (SIP). The company is also an implementation partner for BaaN, SAP and Navision ERP packages. Its other alliances include SUN, VCOM and MICROSOFT. BSI's employees possess an extensive experience in IT consulting and software engineering. The company has a successful track record of over 200 completed IT projects in the last 15 years, of which 150 projects have been executed in its development centers in India. BSI is a quality-driven organization. The company's Mumbai operations have been assessed at SEI CMM Level IV. The entire company has been certified as per ISO 9000.

In 2001-2, the company reported consolidated revenues of Rs 641 million and a net profit of Rs 127 million, a growth of 17 per cent and 63 per cent respectively over the previous year.

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'BSI's prime objective is to reach a people base of 1000 by 2004.'

Dear Shareholders

It gives me great pleasure to tell you that your company has emerged stronger than ever from the serious problems faced by the industry during the financial year 2001-02.

This is immediately reflected in our financials:

- Turnover increased from Rs 548 million in 2000-1 to Rs 641 million in 2001-2 on a consolidated base, a rise of 17 per cent.
- Profit after tax increased from Rs 78 million in 2000-1 to Rs 127 million in 2001-2, a rise of 63 per cent.

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Investing for the future

I would like to inform shareholders that this improvement in performance is continuing into the new year. It is the reflection of a number of strategic moves that your Company has been making over the last six months. As a result, the bottom line that I carry with me is that BSI has substantially strengthened its ability to respond positively to the continuing challenges that the industry faces currently.

Review

Permit me to do a quick review :

During the first quarter of 2001-02, the dot-com boom burned out and the IT slowdown deepened. Gloomy media reports and lower profit forecasts from companies and analysts discouraged prospective overseas customers from making fresh investments. Outsourcing declined and customers demanded lower rates. Against this background, the company recognized that the project and revenue inflows of its Global Research and Development (GRD) line of business would be impacted and initiated proactive measures with speed.

In the second quarter, as the slowdown intensified, some customers reduced the size of our teams working on their projects. However, amidst the gloom, your company foresaw that even as smaller customers would reduce the size of their projects, the larger clients could step up the proportion of their outsourced core functions with a view to reduce costs further, if properly motivated.

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