NUAL REPORT 1998-99

BOSTON

STON EDUCATION AND SOFTWARE TECHNOLOGIES PRIVATE LIMITED

BOSTON To help individuals and organisations enhance their effectiveness through education and consultancy.

With an unwavering focus on Quality, we have set upon the task of being the Standard of Excellence in everything we do.

– *Mission statement* –

BOARD OF DIRECTORS	Arvind A Shah	*Chairman & Managing Director*
	Dipankar A Mukhopadhyay	*Whole-time Director*
	Bharti A Shah	*Whole-time Director*
	Apurva A Shah	*Whole-time Director*
	Pravin R Gandhi	*Director*
	Ravi K Sheth	*Director*
	Atul W Kamath	*Director*

COMPANY SECRETARY   K.K.Saraf

AUDITORS
M.G.Ved & Company
203, Maker Bhavan No. III
New Marine Lines,
Behind Aayakari Bhavan,
Mumbai 400 020.

BANKERS
The Saraswat Co-operative Bank Limited
Global Trust Bank Limited

REGD. & CORPORATE OFFICE
The Bostonian,
Sanghvi House,
18, Subhash Road
Vile Parle (East)
Mumbai – 400 057

CYBERKIDS OFFICE
20, Makharia House,
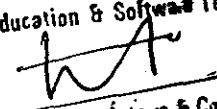Shradhanand Road,
Vile Parle (East)
Mumbai – 400 057

REGIONAL OFFICES
Maharaja Palace,
University Road,
Navrangpura,
Ahmedabad – 380 009

Lakshmi Complex,
320, C.M.H. Road,
Indiranagar,
Bangalore – 560 038

H-81, South Extension Part – I
New Delhi – 110 049

4, Usha Swapna, Prabhat Road,
Lane # 10
Pune – 411 001

Education and Software Technologies Private Limited

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A Message from the Chairman

June 25, 1999

Dear Shareholders,

1998-99 has been a year of great changes in your Company. In this year, your Management has undertaken a concerted effort in transiting from an environment of being a medium sized Private Company to one which will nurture all the elements required for successfully supporting a business several times its present size. I would like to share with you some of these changes we have made in the context of realising our vision of your Company's position as one of the leaders in computer education in the years to come.

During the year, your Company made substantive progress on many fronts. In particular, your Company

a) created sufficient depth of management required for stable growth through the induction of experienced senior executives with independent charge to head various Divisions;

b) created mechanisms for employee participation at all levels in setting common revenue & profitability objectives for the year culminating in an overall challenging, but realisable, business plan endorsed by all;

c) ensured financial discipline through a considerable strengthening of back office operations, communication of budgets right down to centre levels;

d) implemented an effective MIS system to monitor centre operations and facilitate quick responses to market changes;

e) appointed independent Directors, Internal Auditors and formed a Management Committee to assess divisional performances on a monthly basis, thereby ensuring basic standards of corporate governance;

f) considerably strengthened the Company's infrastructure by consolidating its various offices centrally, providing for sufficient space for conducting faculty training efficiently and under close supervision and by creating a well-staffed R&D headed by an Industry veteran and

g) bolstered its financial position through the induction of fresh capital required for meeting the Company's objectives.

Most of the above initiatives have, no doubt, resulted in a considerable increase in the Company's overheads, particularly in terms of manpower costs and lease rentals. In 1998-99, for example, personnel costs as a percentage of total revenue, increased to 28% from 23% a year earlier. However, whilst, these

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increases have depressed profits in the short term, the current level of overheads at Head Office level are unlikely to increase any further and are sufficient to support an annual growth rate of 60-70% in revenue terms at least for the next three years. Shareholders should, therefore, expect the profitability of the Company to substantially improve in line with enhanced business volumes.

Henceforth, as a regular practice for the Annual Report, our Divisional Heads will prepare their review of the year's results and discuss their plans for the following year. I will, therefore, restrict my comments to the overall direction the Company expects to take in the year 1999-2000.

As you are aware, the Company has three Divisions. The largest Division, Boston's Career Education, contributed nearly 93% to the Company's total revenue in 1998-99. This Division commands a first rate reputation in the quality of education it delivers and is widely respected by the Software Industry. This is well evidenced by placement offers its students receive upon graduation. The Division will, in 1999-2000, geographically expand its operation to cover North India, with a clear objective to gradually establish a solid, national presence by fiscal 2001. In setting this objective, your Management has deliberately refrained from adopting a short term strategy of rapidly expanding purely through the Franchisee model as has been done by several of our competitors. In such models, quality is often difficult, if not impossible, to maintain in instances where the Franchisees recruit their own faculty. Your Company, therefore, plans a judicious mix of "own" centres being in close proximity to franchisee centres, the latter also being, largely, manned by the Company's own faculty, in all major cities. Systematic growth, on this basis, should ensure a high quality of education seamlessly across all centres in the Country.

The second Division, Boston's Cyberkids, in a very short span, has been enormously successful in Mumbai and to a limited extent, in Ahmedabad. At 2.1% of total 1998-99 revenue, the Division is still small, but has the potential to grow exponentially. It is envisioned that the Division will be able to establish its presence in all the Metros, Class I & II cities by fiscal 2001. The number of centres, by then, should grow to over 170 centres, from 12 centres today. Backing this growth is a competent Research & Development team who are constantly designing curriculum with multi pronged objectives of unleashing creativity, enriching knowledge and sharpening the academic ability of children.

The third Division, Software Development, contributing only 4% of total revenue, is yet at its nascent stage and admittedly, needs to chart out a clear growth path for the future. Your Management has worked out a strategy and will implement it in the next year, with an objective of eventually securing at least 33% of its revenues from this Division. Suffice to say that your Management possesses the requisite expertise to build on software exports and that, such export led growth, will be based around a few, specific chosen technologies.
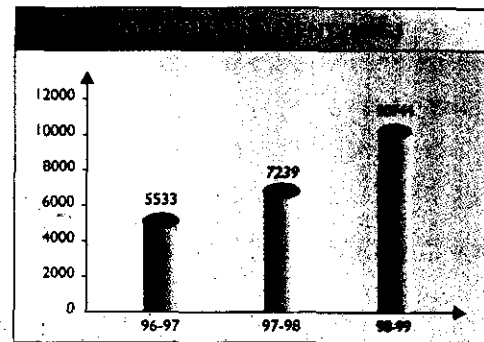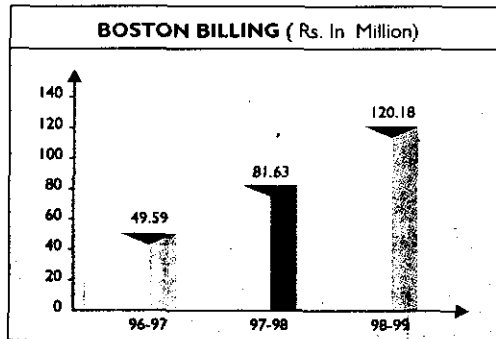
I do hope I have been able to clearly spell out the Company's strategy for the coming year. I wish you all the very best and look forward to communicating with you once again.

Dr. Arvind A Shah

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Management Discussions on Business

CAREER EDUCATION

BOSTON BILLING (Rs. In Million)

96-97	97-98	98-99
49.59	81.63	120.18

96-97	97-98	98-99
5533	7239	

Boston has been able to carve a distinctive image for itself in the training market. Boston's focus on quality and the experience of its management in the software industry has helped it create a significant brand value and recognition in the Training Industry. Boston started off in the 'high-end' specialised courses market but has made successful forays into the 'low-end' under-graduate market over the last few years.

In the year 1998-99, the Career Education Division achieved revenue growth of over 55% as against training industry average of 40%. Significant portion of the revenue i.e. almost 60% came through long term courses. The Division recorded brand revenue of Rs. 120 million with a base of over 10,700 students as against Rs. 81.6 million from about 7,200 students in the previous year. It continued to attract inquiries and enrolments at a growth rate of over 45%. The second half of the year, which normally the Division targets to enroll professionals for high - ended courses, recorded a growth of 300% in "Oracle" enrolments despite stiff competition from well-known high- end players. About one third of the enrolments came through word of mouth publicity evidencing a high level of consumer satisfaction. During the year, the Division added nine new centres to take the total count to 39.

Boston has had a conscious emphasis on the quality of training imparted. The Research and Development team forms the core of the Career Education Division, headed by a professional with over two decades of experience in the Software Industry. As a part of its continuous efforts of meeting the challenges of rapid technological changes, the Division, during the year 1998-99, added various new courses to its product range. Examples of such courses are: Power Builder 5, Visual FoxPro, Oracle 8, HTML, Visual C++5, Visual Basic 5, DBA and Visual J++ etc. The Division also introduced two new mid terms certificate courses on client - server and object-oriented technologies that received excellent response. Its unique Software Application Engineering (SAE) course continued to evoke excellent response from reputed software export companies as well as other large user companies.

Boston's new Corporate Office has been equipped with a faculty training centre geared to handle upto 80 trainer at a time. The R&D centre is equipped with the latest hardware, software and Internet capabilities, which help bring out quality training products using the latest technologies in the shortest possible time. Recently the Division has launched a new course i.e. Diploma in Design and Administration of Web site, branded as "Web.Com". It also plans to introduce new courses such as VB 6, VC 6 and Oracle 8i, during the current year.

In the latter part of the year 1998-99, steps have been initiated to reduce costs which were incurred on certain items such as rent and coursewares which accounted for almost 35% of the Division's total revenue, the impact of which will be felt in the current year.

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Going forward, the Career Education Division has chalked out plans for geographic expansion. After strengthening its position in the current geographies i.e. in Mumbai Region, the Division now plans to add greater focus on other cities. The targeted cities are Pune, Bangalore, Ahmedabad and Nagpur. Apart from opening centres in new geographies like Northern India (starting with Delhi as a hub) and Eastern India (with Calcutta as a hub), the Division has already opened a new centre specifically targeted to conduct specialised courses. The total number of centres, by the end of fiscal 2000, is slated to cross 65 i.e. increase of over 60%. During the current year the Division has entered into alliance with the reputed multinationals like Oracle Corporation and Sun Micro systems to offer certified courses. Plans are also in place to have an alliance with Microsoft for offering their certified courses.

The Division aims at becoming national by the end of fiscal 2001 by opening about 70 new Centres (in 2000 - 2001) in cities, which have remained uncovered. The student's base by the end of fiscal 2001 is expected to grow to over 20,000.

All the above future plans of the Division will ensure year to year revenue growth of 60 - 70% atleast for next two to three years.

CYBERKIDS

With an existing base of over 5000 students, Boston's Cyberkids is the market leader in the computer education market in Mumbai with eight centres, in Ahmedabad with three centres and one in Baroda. In a relatively short period of time, (the Division was launched in 1998), Boston's Cyberkids has generated tremendous word of mouth publicity and is a very widely accepted brand amongst most households, having children in the 4-14 age category, in these two cities. Indeed, in 1998-99, growth itself became a constraint, as the Division was besetted with lack of adequate infrastructural facilities and finances to open more centres and promote newer markets.

From the later half of 1998-99 onwards, with the infusion of fresh capital, the Division systematically re-organised itself in a manner that would allow for a rapid replication of its success in Mumbai to other cities. The Division moved into larger office premises, strengthened its Management Team and put in place operational processes for expanding multifold in 1999-2000.

By Fiscal 2000, the Division expects to operate over 40 centres. The Division is launching its own Bangalore centre in July 1999 which will become its launching pad for adding Franchisees in Karnataka and Andhra Pradesh. Closer to home, the Division will launch its operations in Pune which will, eventually, support atleast 6 centres. Initial forays will also be made into the north in cities such as Bhopal, Jaipur etc. For the smaller cities in India, the Division is developing a one-lab model which will limit the Franchisee investment to a manageable Rs 0.6 million versus an average investment of Rs 1.2-1.4 million currently. This model, the Division believes, will accelerate the pace of its expansion by encouraging numerous small entrepreneurs to run their own cyber schools. By March 2000, the Division expects to have an additional active enrolment of about 5,000 children.

Concurrent with this expansion, the Division has vastly strengthened its Research & Development team, recognising fully the need to constantly evolve newer curriculum to keep pace with the spate of educational tools being introduced in the market. In 1999-2000, the R&D team has been charged with the responsibility of

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