

*With an eye
on the globe*

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**ANNUAL REPORT
2000 - 01**



**BOSTON EDUCATION AND SOFTWARE
TECHNOLOGIES LIMITED**



BOSTON IS THE MISSION

“We 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 Standard of Excellence in everything we do”

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BOARD OF DIRECTORS

Arvind A Shah	Chairman
Dipankar Mukhopadhyay	Managing Director
Ravi K Sheth	Director
Ashok N Shah	Director
Pravin R Gandhi	Director
Bipin R Shah	Director
Apurva A Shah	Director

MANAGEMENT TEAM

Dipankar Mukhopadhyay	Managing Director
K K Saraf	Director - Corporate Affairs & Company Secretary
J P Nag	Director - Technology
Vijay Joshi	Senior Vice President - Human Resources
Sangita Khan	Vice President - Business Operations
Sanjay Prabhu	Vice President - Operations & Systems
Eleazer Mathew	Vice President - Business Development
Sraboni Sengupta	National Promotions Manager

COMPANY SECRETARY

K K Saraf

AUDITORS

Deloitte Haskins & Sells
Mafatlal House, Backbay Reclamation Mumbai - 400 021

BANKERS

Global Trust Bank Limited

REGISTERED / CORPORATE OFFICE

The Bostonian, Sanghvi House, 18, Subhash Road,
Vile Parle (East), Mumbai - 400 057

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REGIONAL / AREA OFFICES

Ahmedabad
Bangalore
Chennai
Hyderabad
Kolkata
Mumbai
New Delhi
Pune

REGISTRAR & TRANSFER AGENTS

M/s Sharepro Services,
Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (E), Mumbai - 400 099.

Chairman's Message

Dear Shareholders,

I take great pleasure in communicating to you, our extended family, the fiscal results for the year 2000-01. In a period, generally characterized by a buoyant demand for IT services, Boston had beaten the industry growth rate, by clocking an increase in revenues by over 50%. This was made possible by expanding the Company's educational outlets across all the major cities in India from about 115 the previous year to 185 today. By constantly raising the bar of advanced technology courses, and honing our competitive advantage by setting new quality standards. Today Boston stands apart as a Quality Software Training Provider because it not only imparts quality education to its students, but continuously upgrades the skills and capabilities of its employees through on-going development programmes. Along with their sterling efforts, Boston has made a successful foray into marketing its Multimedia based CBT and thereby entering the vast market of products for the formal education sector. These, and other initiatives, have led to our strong growth rate.

On other fields, other global opportunities

In India, as you know, we are a significant player in the Low end, High end, & Professional segments. Besides pioneering the finishing school concept by its Software Application Engineering program, Boston had also innovated the concept of Cyberkid IT – Education for the next generation that's growing up – from 3 to 12 years. This edutainment concept has proved so popular with parents and children that it has now found acceptance in overseas markets.

Boston has opened two centres in Nepal and will shortly be opening centres in Middle East.

In Software we play hardball

We have successfully carried out software development projects including some prestigious projects; such as the one for the White House, U.S.A., other projects were for companies such as Economic Times, Identitech Inc., etc. to name just a few. We have also consolidated our position in U.S.A. by acquiring Infinity Software Inc., a Florida based company which gives us a tremendous advantage in tapping the Fortune 500 companies for offshore as well as onsite projects. This acquisition will be completed shortly.

The headlines highlight for slowdown

There is no denying the fact that IT capital spending has slowed to a trot in developed and developing countries. Profit warning and projection cuttings are the announcements of the day. But it's like a "Is the glass half full or half empty" story. A careful analysis of the slowdown in tech spends and the layoffs amongst software professionals reveal that the shakeout will leave only the best of breed standing, which is where we believe Boston has the advantage.

Specialised focus niche marketing, cost cutting

Boston's strategy is to compete where it functions best. For starters, it has recently launched two portals to provide a complete portfolio of products - "testvarsity.com" an IT skill testing portal and "eduunlimited.com" an online education portal. This is a testimonial of our strong R&D capabilities and constant monitoring of consumer behaviour & IT trends.

Specialised courses on Embedded technology and IT enabled services are to be launched soon

Boston intends to enter the areas of providing specialised software services in vertical like Banking, Finance and Insurance, Embedded software training and other specialised areas.

Obviously this thrust into growth areas will need a careful eye on the bottom-line. So we are re-engineering our business processes and rationalizing our cost structure.

By 'sticking to our knitting' and innovating according to emerging trends, we will reinforce our Value Offerings in Software Education & Software Development.

Differentiation will be our key value proposition in all the products & services we offer and our image as a High-end training provider will tide us through these turbulent times.

In sum, streamlining business processes, continuous innovation, systemizing operations and cost rationalization should eventually pay off for your Company and for you, our shareholder in the times ahead.

Dr. Arvind A Shah

Chairman

July 20, 2001



Management Discussions On Business

CAREER EDUCATION

The Past was exceptional

The IT world was on a high last year, US Companies across the board increased their spending on E-commerce ventures. Dot coms had an insatiable appetite for Java proficient professionals. Domestic demand boomed along with the global trend. Business under Career Education Division of Boston was not an exception, which grew by over 61% and continued to be the core contributor to Boston's revenue.

Its premium course, *Software Application Engineering Program (SAE)* continued to excel. The number of enrolments under this program registered a growth of over 80%. The response was so overwhelming that Boston had to introduce no-job guaranteed batches, which too reached its fullest capacity. This reflects the students and industry's confidence in the quality and the depth of the courses offered at Boston.

Building upon the faith shown by our Alliance Partners and the growth in demand for our courses, the division moved forward to establish itself nationally and set up its Own Centres in major cities like Chennai, Hyderabad, Lucknow and Kolkata. The total number of Training Centres (including Franchise Centres) went up to 122 from 79 at the beginning of the fiscal year. This year, Boston made its foray in the international arena in setting up Franchise Centre in Kathmandu, Nepal.

Current Scenario & Opportunities Ahead

The upward trajectory started to plateau by January 2001. The decline first began with clients cutting back on their IT budgets owing to an overall cost reduction drive in the face of impending recessionary conditions. Moreover, the Dotcom era came to an abrupt end and this reflected on the market for IT professionals and solutions. The situation was further precipitated with adverse news on the shrinking job market for IT professionals overseas which resulted in potential students doing a rethink on whether to pursue IT careers.

In response to the inevitable slowdown in the IT training industry, Boston began replacing long-term professional courses with short-term modular ones. The Company is also currently in the process of identifying newer areas, in the Education field. Boston would be launching advanced technology courses in line with its SAE program and aggressively pursue this as a competitive advantage in the near future. Besides, it will continue to expand its Franchise Centre Network through newer geographies particularly in Eastern and Northern India, and setting up centres overseas.

CYBERKIDS - Mould them young. Train them for life

Cyberkids successful expansion underlines the need for young student to be IT savvy at an early age. The initiatives that were undertaken two years back to expand the market Nationally and Internationally, for Boston's niche product i.e. Boston's Cyberkids, reached its near completion in the last fiscal year. Cyberkids grew nationally and the division signed up MOUs for setting up international centres in Kathmandu and the Middle East countries.

Boston believes that all kids can't just be classified as kids. Boston has bracketed them into various age groups keeping in mind their separate needs and wants. With this objective, Boston created new portfolio of products under the names "*Cybernursery*" and "*Webtweens*" to cater to the diverse needs of the kids belonging to different age groups. *Cybernursery* for lots from age 2½-4, fosters a sense of creativity in them while *Webtweens* for those between the age group 11-14, which also enhances their academic edge. Recently, with a view to take the brand to masses and boost revenue, the Franchise model has been re-structured in the current year.

Boston's Cyberkids has become a trademark of the Company and continues to be the favorite school among the children community.

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SOFTWARE DEVELOPMENT - *Global turbulence. Action, not reaction*

The global downturn in IT spending has naturally affected Boston's growth plans in software development. The Company has decided to adopt a cautious approach in expanding its presence in this business.

Boston have been building on the positive feedback on the small, but notable, projects like White House Project through University of North Carolina and Identitech in U.S.A. etc.

During the year, the Company signed an Acquisition Agreement for acquiring Infinity Software Inc., a Florida based Company in U.S.A., which gives the Company an in-touch capability to tap offshore, online needs of Fortune 500 Companies.

TECHNOLOGY - *Keeping pace maintaining the edge*

In today's world, R&D necessitates a hard-nosed, ear-to-the-ground approach.

Boston's R&D division is constantly keeping track of consumer behaviour and emerging IT trends so as to be able to continuously launch innovative courses in keeping with the times.

Keeping in tune with what the customer needs, the technology team launched new courses with Dot Net and C Sharp to offer the latest in technology.

In pursuance of the Company's objective to enter the non-IT education market, the technology team developed three titles of educational multi-media CDs under *Topper Series Brand*. These CDs, which will assist the students of Std. X for Maths and Science of Maharashtra Board and Maths of CBSE, aim to make learning interactive, easy understanding and bundle the concept of edutainment and also professing self learning. The team is currently in the process of adding more titles to these ranges of products.

One of the biggest beneficiaries of the Internet world is the field of education. Internet cuts through the boundaries and offers the highest level of interactivity and cost benefits. Keeping this in mind, last year, Boston's first portal "*testvarsity.com*" was launched which assist people to test their IT skills. The second portal, "*eduunlimited.com*" a distant e-learning portal, which surpasses the barriers of distance, was launched recently.

FINANCIALS

Share Capital

On April 11, 2000, the Company allotted 30,12,000 new Equity Shares of Rs. 10/- each to the shareholders of erstwhile Boston Education & Software Technologies Pvt. Ltd, pursuant to the merger scheme.

Similarly, the Company also allotted 9,000 Equity Warrants Series "A" and 91,500 Equity Warrants Series "B" to the holders of Equity Warrants of the erstwhile Boston Education & Software Technologies Pvt. Ltd, pursuant to the above scheme. Of these 15,600 Equity Warrants Series "B" were forfeited during the year as per the terms of the scheme since the holders ceased to be in the employment of the Company.

Fixed Assets

The gross block (including work-in-progress) increased by Rs. 639.36 lacs during the year. This mainly reflects the assets created in newly set up own training centres and purchase of hardware and software.

Investments

During the year, the Company signed an Acquisition Agreement for acquiring Infinity Software Inc. (Infinity), a Florida based Company in U.S.A, engaged in on-site consulting. A sum of US \$ 103,190 have already been remitted so far against the purchase consideration of US \$ 147,980 payable to the Promoter of Infinity.



Results of Operations

The Income from operations increased by 53% at Rs. 2395.77 lacs over the previous year. Education business continued to be the main contributor to the revenue, the software activity generated 2% of the total income. The Profit after tax moved up significantly by 191% at Rs. 270.32 lacs as compared to Rs. 92.78 lacs.

Other income mainly represents interest income on inter-corporate loans given by the Company and the sale of brochures, prospectus and other promotional materials relating to courses offered by the Company.

Personnel cost dropped to 24.39% of Income as against 27.86% in the previous year. Operating and other expenses dropped to 81.30% as against 87.48% after considering write-off / provisions of bad debts to the extent of Rs. 80.80 lacs as against Rs. 5.12 lacs in the previous year. The deferred revenue expenditure written-off by Rs. 21.85 lacs as against Rs. 3.99 lacs.

In view of the current industry scenario, with a view to conserve resources for the business, the Directors, as a matter of prudence, have decided to skip the dividend for the year 2000-01.

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Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty First Annual Report on the business together with the audited financial statements for the year ended March 31, 2001.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2000-2001	1999-2000
Income	2,459.93	1,622.14
Profit before Depreciation, Interest and Tax	459.97	227.26
Interest & Finance Charges	24.04	39.03
Depreciation	139.61	82.65
Profit before Tax	296.32	105.58
Provision for Tax	26.00	12.80
Profit after Tax	270.32	92.78
Add / (Less) : Prior period adjustments / Provision for tax for earlier years	(52.62)	(12.05)
Credit balance taken over on amalgamation	—	74.07
Surplus brought forward from the previous year	113.37	16.34
Profit available for appropriation	<u>331.07</u>	<u>171.14</u>
Appropriation		
Proposed Dividend	—	6.37
Corporate Dividend Tax	—	1.40
Transfer to General Reserve	—	50.00
Balance carried to Balance Sheet	<u>331.07</u>	<u>113.37</u>
	<u>331.07</u>	<u>171.14</u>

PERFORMANCE REVIEW

Business

The Company's education business performed exceedingly well. During the year, the Company embarked upon going National as well as International. The network of its training centres expanded to 185 as against 115 at the beginning of the year. The Company signed up for setting up Franchise Centres in Nepal and Gulf Countries. The Company's premium course "SAE" (Software Application Engineering) continued to evoke excellent response from Software Industry. In the later part of the year, the Company opened its IT skill testing site eduportal "testvarsity.com" and educational multi-media CDs. Both these have commenced contributing to the revenues during the current financial year. The Company also signed an Acquisition Agreement with M/s. Infinity Software Inc., a Florida, U.S.A, based Company engaged in on-site consulting business having a revenue base of US \$ 1.5 million for the year 2000. The Company also executed, though small, but significant projects including highly commended "White House Project" for University of North Carolina, U.S.A.



Revenue

Total income of the Company registered sharp jump to Rs. 2,459.93 lacs, 51.65% higher than last year. Education business continued to be major contributor, having 98% share in the total revenue.

Profits

Profits after tax substantially increased by over 191% to Rs. 270.32 lacs as against Rs. 92.77 lacs in the previous year. This has been possible due to significant improvement in operating margins on account of the Company attaining critical mass.

Dividend

With a view to conserve the resources by ploughing back the profits into the business, your Directors have decided to skip the dividend for the year 2000-01.

SHARE CAPITAL

Consequent upon issue of new Equity Shares to the shareholders of erstwhile Boston Education & Software Technologies Pvt. Ltd. (BESTPL), pursuant to the merger scheme, the Equity Share Capital of the Company increased to Rs. 466.80 lacs, on April 11, 2000. The Company had also issued, pursuant to the merger scheme, 9,000 new Equity Warrants of Series "A" and 91,500 of Series "B" to the employees of BESTPL entitling to the Equity Shares of the Company.

Members are aware that in the last year the Company had proposed a Public Issue. In view of the adverse conditions prevailing in the Capital Markets, the Directors have dropped the Public Issue proposal. Instead, plans are being worked out, to raise funds, to meet the working capital requirement and also to fund the new business activities. The exact modality, the nature of instruments and the quantum of funds to be raised, are being finalised, which will be subject to approval of the Members.

INDUSTRY / COMPANY OUTLOOK

Industry Scenario

Members are aware that recent US slow down has severely affected the Indian IT Industry. Further, closure of Dotcom Companies have rendered programmers particularly in Java Programming, surplus. This has resulted in almost drying up the demand for professional courses such as Java, E-commerce etc. Your Directors believe that this will result in big shake out in the IT Training Industry which will make surviving quality brands and training centres, the major gainers. Further, on U.S. coming out of recession coupled with Indian Software Companies efforts in European Countries may even create bigger opportunities.

Company Outlook

Company's revenue currently is under severe pressure, in view of the current down turn in the Industry. Company has initiated various strategic measures to counter the recessionary effect, subject to raising additional funds. Some of them are—

- Addition of new IT training segments, i.e. Embedded technologies,
- Foray into IT enabled services, which will be recession free,
- Substantially expanding the business of development and sale of Multi-media educational CDs,

The Company has also taken various steps to conserve its resources by substantially reducing its overheads and achieving higher efficiency at all levels.

RESEARCH AND DEVELOPMENT

The Company's technology team continuously is in the process of developing new products and delivery methods to support the education business. The Company could launch its two portals namely "testvarsity.com" and "eduunlimited.com" due to their aggressive efforts. Having already developed and launched three titles of educational multi-media CDs under the brand name *Topper's Series*, the team is currently in the process of adding a few more new titles to its range of products.

HUMAN RESOURCES

The Company gives paramount importance to its human capital. It has been its continuous endeavour to recruit, train,

Boston Education & Software Technologies Limited

and institute various motivational practices for its employees to enhance their skills and competencies. This helps achieving the organisational commitment and value to its customers. As a part of this process, an incentive plan has already been introduced to reward the best talents in the Company. Further, the Company, currently is in the process of finalising an innovative Employees Stock Option Scheme.

Particulars of the employees, required to be furnished pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed to this Report.

SUBSIDIARY COMPANY

The Company's Wholly Owned Subsidiary, Nexus Infotech Limited, incurred loss of Rs.10.93 lacs for the financial year ended March 31, 2001. This has been mainly due to lack of software projects. This Company has been exploring the opportunities to source projects for software development.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to the Subsidiary Company is enclosed.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

DIRECTORS

The Board, at its meeting held on September 22, 2000, appointed Mr. Bipin R Shah as an Additional Director of the Company. Mr. Bipin R Shah brings with him rich experience with Lever Group. He held the Directorships of various companies of repute including MNCs. He is currently the President of Indus Venture Management Limited. Mr. Bipin R Shah, will hold office of Director upto the date of the forthcoming Annual General Meeting and is eligible for re-appointment.

Dr. Arvind A Shah and Mr. Dipankar Mukhopadhyay retire from the Board of Directors by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended March 31, 2001 on a 'going concern' basis.

AUDITORS & AUDITORS' REPORT

The Auditors, M/s. Deloitte Haskins and Sells, retire at the forthcoming Annual General Meeting. They have consented to accept the office, if re-appointed.

With regard to Auditors comments, under para 2(f) of their Report, in connection with the excess remuneration paid to the Managing Director, the Directors would like to inform the Members that the Company has made representation to the Central Government for their approval.