

change is the
only constant



We know only two things about the future: it cannot be known, and it will be different from what exists now and from what we now expect.

-Peter Drucker

SSI is a global provider of
consulting and software services.

Till recently, SSI also provided IT
training solutions. In April 2003,
the training division was separated
and integrated with Aptech Ltd.

Milestones

Jan 1991

Started IT training business

Dec 1994

Initial Public Offering

May 1999

Started IT services business

Jan 2000

Joint-venture with Nasdaq

Feb 2000

\$100 mn GDS, listing on LSE

Dec 2000

Acquired AlbionOrion Company LLC

Feb 2003

Acquired controlling stake in Aptech Ltd

Apr 2003

Merged training business with Aptech



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Board of Directors:

Kalpathi S. Suresh - Chairman and CEO
Kalpathi S. Aghoram - Vice Chairman and Managing Director
Kalpathi S. Ganesh - Non-Executive Director
D.V. Narasingarao - Non-Executive Director
R. Manoharan - Non-Executive Director
N.S. Kumar - Non-Executive Director
R. Nagarajan - Non-Executive Director
T.N.C. Varahan - Non-Executive Director

Company Secretary:

S.S. Gopalakrishnan

Auditors:

CNGSN & ASSOCIATES
Chartered Accountants
"Agastyar Manor",
New No.20 (Old No.13), Raja Street,
T. Nagar, Chennai 600 017.
India

Registered Office:

34 (Old No.54), Thirumalai Road,
T. Nagar, Chennai 600 017.
India

Bankers:

Union Bank of India
96, G.N. Chetty Road,
T. Nagar, Chennai 600 017.
India

Union Bank of India
Industrial Finance Branch
12, "Riaz Garden",
Kodambakkam High Road,
Nungambakkam, Chennai 600 034.
India

The State Bank of Mauritius Ltd.,
"Prince Arcade"
22-A, Cathedral Road,
Chennai 600 086.
India

Share Transfer Agent:

Data Software Research Company Pvt. Ltd.,
"Sree Sovereign Complex",
No.8 (Old No.22), 4th Cross Street,
Trustpuram, Kodambakkam,
Chennai 600 024.
India



Letter to Shareholders

There were three significant initiatives at SSI in 2002-03.

One, we acquired controlling stake in Aptech Ltd, one of India's top IT training company, and merged our own training business with it. This has created a market leader that is better placed than either individual entity to take advantage of current opportunities. During the nineties and early 2000, IT training companies had built up large capacities in response to increased student and market demand for training. When the boom ended, this large capacity became a liability - training companies suffered from pricing pressure and quality issues as too few students enrolled in too many training centers. Post merger, the SSI-Aptech combine has reduced overheads, rationalized capacity, and used the freed-up capital to enhance training programs and develop new business initiatives in both IT and non-IT areas. The results have been encouraging. Operating efficiencies and margins have increased, customer satisfaction levels have risen, and new business areas have become operational.

Second, we restructured our IT services business. Over the past year, the IT services market has consolidated in favor of larger sized vendors as overseas customers increased their commitment to India through multi-year, multi-million dollar contracts. As a result, customers now seek reassurance on size and stability of the vendor in addition to expertise and track record. We responded to the changed market by narrowing focus to a few core areas and exiting areas where we were not competitive. This tighter focus enabled SSI to win business on the basis of high domain expertise in those areas. In addition, we sought to augment size and range of skills, and in December 2003, we entered into an agreement with the Bangalore based Scandent Group to merge the IT services businesses of SSI and Scandent. The proposed new entity will be a mid-sized IT services company with significant strengths and global reach, and will be well positioned to take advantage of current and emerging market opportunities.

Third, we took board, shareholder, and statutory approvals to adjust the diminution in the value of some past investments against our securities premium. This move will lighten our balance sheet and enable us to better reflect our operational strengths in our financial reporting.

As a result of these initiatives, we have achieved a smooth separation of our training and IT services businesses. In each of them, we are now better placed than before to take advantage of current market opportunities and to deliver better value to our customers, employees, and shareholders.

2002-03 was clearly a year of significant change at SSI. We continue to evolve and adapt to new challenges in line with a dynamic, maturing and opportunity-filled environments.

Change, after all, seems to be the only constant.

Kalpathi S. Suresh
Chairman and CEO

Notice for the Twelfth Annual General Meeting

NOTICE is hereby given that the Twelfth Annual General Meeting of the Company will be held on Monday, March 29, 2004 at 10.25 A.M. at "Kamaraj Arangam", No.492 (Old No.574-A), Anna Salai, Teynampet, Chennai – 600 006, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at September 30, 2003, the Profit & Loss Account for the period ended September 30, 2003, the Reports of the Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri N.S. Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R. Nagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

By Order of the Board
For SSI LIMITED

Chennai
December 31, 2003

S.S. Gopalakrishnan
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH 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 the Share Transfer Books of the Company will remain closed from March 23, 2004 to March 29, 2004 (both days inclusive).
3. The dividend of 10% (Tax free) as recommended by the Board if sanctioned at the Meeting will be payable to those Members whose names appear on the Company's Register of Members on March 23, 2004.
4. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed Dividend for the financial year ended June 30, 1995 and thereafter which remain unclaimed for a period of seven years has been transferred to the Investor Education and Protection Fund constituted by the Central Government and thereafter no claim shall lie in respect thereof.
5. Member/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
6. Members are requested to quote their Registered Folio Number on all correspondence with the Company and notify the Company immediately of change, if any, in their Registered Address and/or of the mandates, if the shares are held in physical form.
7. Members who hold shares in dematerialized form, are requested to notify the Depository Participants immediately of change, if any, in their Registered Address and/or of the mandates.
8. Members who are holding Shares in more than one folio are requested to intimate to the Company the details of all their folio numbers for consolidation into a single folio.



Directors' Report

Your Directors are pleased to present their report on the business and operations of your Company for the period ended September 30, 2003.

Financial Results

	(Rs in lakhs)	
	July 2002 to September 2003 (15 months)	July 2001 to June 2002 (12 months)
Gross Revenue	18,044.86	28,504.92
Total Expenditure	11,377.46	20,488.65
Operating Profit (PBITD)	6,667.40	8,016.27
Interest	1,502.96	479.46
Depreciation	3,971.09	6,398.17
Profit Before Tax (PBT)	1,193.35	1,138.64
Provision for Tax	101.05	341.10
Profit After Tax (PAT)	1,092.30	797.54
Provision for tax for the previous year no longer required and written back	(34.45)	(177.42)
Net profit / (loss) after extraordinary and non recurring items	1,126.75	974.96
Appropriations		
Proposed Dividend %	10	20
Total Dividend	134.68	269.36*
Tax on distributed profits	17.25	
Transfer to General Reserve	-	97.50

* Subject to deduction of Tax at Source

Results of Operations

During the period under review, the education business was de-merged and subsequently merged with Aptech Limited. Software development and services business contributed Rs 11,758.17 lakhs to the total revenue of Rs 16,562.32 lakhs. The training (upto March 2003) and software services contributed 29% and 71% respectively to revenue for the period under review as against 46% and 54% in the year 2002.

The software services segment witnessed consolidation in its engagements with several existing clients. The domain expertise in financial services and government services has contributed significantly to the revenue during the year.

Dividend

Your Directors are pleased to recommend a 10% dividend (tax free) for the current period. The total amount of dividend is Rs 134.68 lakhs as against Rs 269.36 lakhs for the previous year. After the approval by the shareholders at the ensuing Annual General Meeting, the dividend will be paid in line with the applicable regulations.

Business

The year under review was a time of change and consolidation for the IT training business and the IT services business, both at the industry level and at the Company level. In February 2003, your Company acquired a controlling stake in Aptech Ltd, one of India's top IT training company, and subsequently separated and merged its own IT training business with Aptech. Not only did this create a new market leader in IT training, it also enabled your Company to put its training business on a strong footing in terms of enhanced product offering and improved delivery efficiencies.

In the IT services business, the market has consolidated in favor of larger sized vendors as overseas customers increased their commitment to India through multi-year, multi-million dollar contracts. As a result, customers now seek reassurance on size and stability of the vendor in addition to expertise and track record. We responded to the changed market by narrowing focus to a few core areas and exiting areas where we were not competitive. This tighter focus enabled SSI to win business on the basis of high domain expertise in those areas. In addition, we sought to augment size and range of skills, and in December 2003, we entered into an agreement with the Bangalore based Scandent Group to merge the IT services businesses of SSI and Scandent. The proposed new entity will be a mid-sized IT services company with significant strengths and global reach, and will be well positioned to take advantage of current and emerging market opportunities.

Development centers in India

The Company has initiated the process of selling both the development centers in order to make the Company along with its overseas subsidiaries, substantially debt free. However, the Company will continue to operate out of its KRM Centre facility which can house about 800 employees on a lease basis.

Subsidiaries

During the period under review, the Company has decided to consolidate its subsidiaries. The Company has sold two of its subsidiaries, namely Inndsoft Systekh Ltd., Chennai and Agenda Netmarketing Ltd., Chennai.

Corporate Governance

SSI has been aligning its management policies with the best practices prevalent worldwide. Your company was among the first companies in Financial Year 1999 to voluntarily disclose its level of conformance with the recommendations made by the Shri. Kumar Mangalam Birla Committee on corporate governance. A detailed report on corporate governance has been included separately in the Annual Report.

Responsibility statement of Board of Directors

The directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under section 217 (2AA) of the Companies Act, 1956, in respect of financial statements is annexed to this report.

Certificate of Auditor on compliance with Corporate Governance

A certificate from the Auditor of the company on compliance with corporate governance guidelines as stipulated in Clause 49 of the listing agreements with the stock exchanges is annexed to this report.

Capital Market Developments

As per the mandate of the Securities and Exchange Board of India (SEBI), the shares of SSI can be traded only in dematerialized form. Accordingly, about 99% of the Company's shares are electronically held. The GDS issued by your Company have been listed in the London Stock Exchange.



Employee Equity Option Plan (EEOP)

The Shareholders of your Company approved the proposal of the Company to issue ADR/GDR linked stock options to the Company's employees under a new Employee Equity Option Plan (EEOP).

The new EEOP will operate in addition to the existing Employee Stock Option Scheme (ESOS) and seeks to encourage ownership of the company's equity by the employees and reward performance. The existing compensation committee consisting of independent directors will administer the EEOP.

The EEOP and the ESOS allow for the issue of up to 3% of the aggregate of the number of issued equity shares of the company in any one year and not exceeding 10% of the aggregate of the number of issued Equity Shares at any point of time.

The details of the Employee Equity Option Plan (EEOP 2001) is given below:

(a)	Options granted during the period (GDS-Linked Stock Options)	Nil
	Number of Options in force at the beginning of the period (1 Equity Share represents 10 GDSs)	6,22,210
(b)	The pricing formula: Fair Market Value (or) such price as the Board/ EEOP Compensation Committee may in special cases determine in accordance with the regulations and guidelines permitted by SEBI or other relevant authority from time to time, if any, subject to a floor price of the par value of the share	
(c)	Options vested and in force	2,72,172
(d)	Options exercised	Nil
(e)	The total number of shares arising as a result of exercise of option	Nil
(f)	Options lapsed	1,68,590
(g)	Variation of terms of options	Nil
(h)	Money realized by exercise of options	Nil
(i)	Total number of options in force	4,53,620
(j)	Employee wise details of options granted to	Not Applicable
	(i) Senior managerial personnel	
	(ii) any other employee who receives a grant in any one year of option amount to 5% or more of option granted during that year	
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	Rs 8.37

The details of the Employee Stock Option Scheme (ESOS 2000) is given below:

(a)	Options granted during the period	Nil
	Number of Options in force at the beginning of the period	38,590
(b)	The pricing formula: Fair Market Value (or) such price as the Board/ EEOP Compensation Committee may in special cases determine in accordance with the regulations and guidelines permitted by SEBI or other relevant authority from time to time, if any, subject to a floor price of the par value of the share	
(c)	Options vested and in force	14,748
(d)	Options exercised	Nil
(e)	The total number of shares arising as a result of exercise of option	Nil
(f)	Options lapsed	14,010
(g)	Variation of terms of options	Nil
(h)	Money realized by exercise of options	Nil
(i)	Total number of options in force	24,580
(j)	Employee wise details of options granted to	Not Applicable
	(i) senior managerial personnel	
	(ii) any other employee who receives a grant in any one year of option amount to 5% or more of option granted during that year	
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	Rs 8.37

Employees Stock Option Scheme:**The details of the Employee Stock Option Scheme - 1999 (Plan - 1999) is given below:**

(a)	Options granted during the period	Nil
	Number of Options in force at the beginning of the period	76,400
(b)	The pricing formula: Average of the weekly high and low on the National Stock Exchange for 26 weeks immediately preceding the week in which the options are granted or the market price on the grant date, whichever is lower.	
(c)	Options vested and in force	46,100
(d)	Options exercised	Nil
(e)	The total number of shares arising as a result of exercise of option	Nil
(f)	Options lapsed	30,300