

SIXTEENTH ANNUAL REPORT

2002

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SQL STAR INTERNATIONAL LIMITED

Our Vision

“We shall provide value to our global clients through innovative IT solutions of high-quality by rapidly deploying leading-edge technologies.”

“We would deliver consistently high-quality IT education in, and using, emerging technologies to individuals and Corporates, to attain leadership status.”

Our Quality Policy

We, at SQL Star, shall constantly strive to achieve total customer satisfaction by providing services on time and consistently meeting customer expectations.



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Notice

Notice is hereby given that the **16th Annual General Meeting** of the members of SQL STAR INTERNATIONAL LIMITED will be held on Wednesday, the 25th June, 2003 at 9.30 a.m. at Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A – 81, Chittaranjan Park, New Delhi – 110 019 to transact the following business:

ORDINARY BUSINESS:

Adoption of Directors' Report and Annual Accounts

- To consider and adopt the Balance Sheet as at 31st December 2002, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.

Appointment of Directors retiring by rotation

- To appoint a director in place of Mr. Satish Kumar Arora, who retires by rotation and being eligible, offers himself for reappointment.
- To appoint a director in place of Mr. Pradeep Gupta, who retires by rotation and being eligible, offers himself for reappointment.

Appointment of Auditors

- To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

SPECIAL BUSINESS:

Appointment of Mr. Brij Kumar Tankha as Managing Director

- To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the appointment of Mr. Brij Kumar Tankha as Managing Director for a period of six months with effect from 01.10.2002 and that he shall be paid existing remuneration of the outgoing Managing Director by way of salary and perquisites etc. subject to limits, if any, specified in Schedule XIII of the Companies Act, 1956 as per terms approved by the shareholders of the company in their Annual General Meeting held on 30th March, 2000."

Appointment of Mr. Brij Kumar Tankha as Director - Special Projects

- To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT subject to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the appointment of Mr. Brij Kumar Tankha, presently Managing Director to be designated as Director – Special Projects for period of one year with effect from 01.04.2003 and on the existing remuneration paid to him as Managing Director by way of salary and perquisites etc. subject to limits, if any, specified in Schedule XIII of the Companies Act, 1956."

Appointment of Dr. Ashok Kumar Agarwal as Director and Advisor to the company

- To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Dr. Ashok Kumar Agarwal, who had been Managing Director of the Company till September 30, 2002, co-opted as Additional Director with effect from October 1, 2002 under Section 260 of the Companies Act, 1956, by the Board of Directors vide their resolution by circulation dated

September 6, 2002 and holds office upto the conclusion of this Annual General Meeting but being eligible, offers himself for reappointment and in respect of whom the company had received notice in writing from a member proposing his candidature be and is hereby re-appointed as director of the company."

"RESOLVED FURTHER THAT subject to the compliance of provisions of Section 314 and other applicable statutory approval(s), if any, of the Companies Act, 1956, Dr. Ashok Kumar Agarwal, Director be and is hereby appointed as advisor to the company on a monthly remuneration of Rs.25,000/- for a period of one year with effect from October 1, 2002."

By order of Board of Directors
For SQL STAR INTERNATIONAL LIMITED

Place : New Delhi
Date : April 29, 2003

B. K. TANKHA
MANAGING DIRECTOR

NOTES :

- The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under items 5, 6 and 7 set out above is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
- The Register of Members and Transfer Books of the Company will remain closed from Monday the 16th June, 2003 to Wednesday the 25th June, 2003, both days inclusive.
- All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the registered office of the company on all working days except Saturdays between 10:00 a.m. to 1:00 p.m. upto the date of the Annual General Meeting.
- Members seeking any information with regard to accounts of the company, are requested to send their queries so as to reach at least 10 days before the meeting, to enable the management to keep the information ready.
- Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Karvy Consultants Limited, Unit : SQL Star International Limited, "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034, before 15th June, 2003 the changes, if any, in their registered addresses along with the Pin Code number quoting their folio number/ DP ID – Client ID. All correspondence relating to shares may be addressed to the Company Secretary, Corporate Office, A – 38 B, Kailash Colony, New Delhi – 110 048 and requests for share transfer may be sent directly to Transfer Agents of the Company.
- As per Section 109 A of the Companies Act, 1956, nomination facility is available to individual shareholder. Shareholders, in particular those holding shares in single name are requested to avail the facility of nomination by furnishing to the Registrars and Transfer Agents (RTA) of the company, the particulars of their nomination in the form enclosed at the end of this report. (RTA address is given in Note 6).
- Members are requested to fill-up and submit the ECS Information Form to the RTA/their DP as the case may be.
- Members are requested to bring their copy of the Annual Report to the Meeting.
- Shareholders/ Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed and signed, for admission to the meeting hall.


INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement, the particulars of Directors proposed to be appointed/ re-appointed are given below:

1. **Name** : **Mr. Pradeep Gupta**
Age : 48 years
Qualification : B. Tech. (IIT, Delhi), M.B.A.(IIM, Calcutta)
Expertise : Mr. Pradeep Gupta has over 26 years of experience in Information Technology industry. He is the Managing Director of Cyber Media India Ltd (CMIL) for the past 21 years. CMIL publishes several magazines including "Data Quest" and "PC Quest" and communications magazine "Voice & Data", which are leading computer magazines of India. He is also a Director of IDC (India) Ltd., which is an affiliate of IDC (USA) for conducting market research in Information Technology.
Member of the committee : Investor Grievance Committee
Director of the Company since : 31.12.1992
Other Directorships : Cyber Media (India) Limited
Cyber Multimedia (India) Ltd.
IDC (India) Limited
Cyber Astro Ltd.
Cyber India Online Limited
Learning Universe Pvt. Ltd.
Global Groupware Solutions Pvt. Ltd.
Cyber Expo Limited
Captech Online Pvt. Ltd.
Banyan Netfacts Pvt. Ltd.
Cyber Astro Inc.
Cyber Holdings Limited
Cyber Media Foundation Limited
Kaleidoscope Entertainment Pvt. Ltd.
2. **Name** : **Mr. Satish Kumar Arora**
Age : 65 years
Qualification : B. A. (Delhi Univ.), M.Tech. (IIT Bombay)
Expertise : M.Sc. (Loughborough Univ.) U.K., Fellow British Institute of Management
Mr. Satish Arora has over 35 years of experience in Information Technology. He has 18 years of experience working with Shell Group of companies in Information Technology at senior positions. He is the founder of SQL Star International and Information & Computing Services in U.K., (15 yrs till date) and currently Managing Director of these organizations in U.K.
Member of the committee : None
Director of the Company since : 24.03.1992
Other Directorships : SQL Star International Limited, U.K.
Information & Computing Services Ltd., U. K.
Eposit Plc., U.K.
Cybersys Technologies Ltd. India
Ebiz Systems Ltd., India
Richfield Fertiliser Ltd,
IndiRichfield Fertiliser Ltd, U.K.
3. **Name** : **Mr. Brij Kumar Tankha**
Age : 60 years
Qualification : B.E. (BITS - Pilani), M.S. (Management Science in Finance and Marketing) (West Coast University), M.S. (Computer Science) (USC, USA)
Expertise : Mr. Brij K Tankha has over 30 years of experience in the IT Industry. Some of the other previous responsibilities was Consultant to Xerox Corporation, USA (1.5 yrs), the Planning Commission of India (3.5 yrs), Project Advisor to State Trading Corporation (1.5 yrs), Director (M&P) and Finance Head in the Operations Flood programme in India (10 yrs). He co-promoted SQL Star International Ltd and developed it into a competent organisation in software exports (10 yrs till date).
Member of the committee : Audit Committee, Investor Grievance Committee
Director of the Company since : 01.01.1991
Other Directorships : SQL Star International Inc., USA
International SQL Star Pte Ltd., Singapore
4. **Name** : **Dr. Ashok Kumar Agarwal**
Age : 59 years
Qualification : BE-Mechanical (BITS Pilani), M.S., Ph.D in Operations Research (University of Minnesota, USA)
Expertise : Dr. Ashok Agarwal has over 30 years of experience in IT industry. He founded SQL Star International as a promoter Director and was Managing Director of the company till September 2002. Prior to his current assignment, he had been with Bell Labs ; Visiting Faculty at North Eastern University, Boston, Ford Fellow at MIT and University of Minnesota, Professor of Management Information Systems at IIM, Calcutta during 1969 to 1986. He has extensive experience in Software Product Development Methodologies and has been responsible for the growth of SQL Star into a mature integrated educational and software services company.
Member of the committee : None
Director of the Company since : 01.04.1993
Other Directorships : Era Software Systems Pvt. Ltd.
ACS Technologies Limited
Cyber Media (India) Limited
SQL Star International Inc.,USA
International SQL Star Pte Ltd.,Singapore
Reliance Cellulose Products Ltd.



Annexure to the Notice

EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act 1956, the following Explanatory Statement sets out material facts relating to the business under item 5, 6 and 7 of the accompanying Notice dated 29th April 2003.

ITEM 5:

Mr. Brij Kumar Tankha was appointed as Whole-time Director of the company w.e.f. 1.1.2001 for a further period of 5 years in the Annual General Meeting of shareholders held on June 27, 2001. In view of Dr. Ashok Kumar Agarwal's decision to step down as the Managing Director of the company and taking into account Mr. Tankha's vast experience of IT industry and valuable services rendered by him to the company as its Whole-time Director resulting in phenomenal growth of the company including maiden IPO of the company in June - 1999, the Board has appointed, subject to approval of the shareholders, Mr. Brij Kumar Tankha as Managing Director for a period of six months with effect from 01.10.2002 on the existing terms, conditions & remuneration of outgoing Managing Director. The remuneration to the outgoing Managing Director was briefly as under:

1. Salary per month of Rs. 63,000/- & HRA @ 40% of the salary with usual benefits of Medical, LTC, Personal Accidental Insurance & Perks etc.
2. Commission, 1% of the Net Profits with a ceiling of Rs. 12.00 Lacs.
3. Performance Linked Variable Bonus with a maximum limit of Rs. 12.00 Lacs.

Subject to overall limits prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956.

The above remuneration was approved by the shareholders of the company in their Annual General Meeting held on 30th March, 2000.

Mr. Brij Kumar Tankha may be deemed to be interested in the proposed resolution to the extent of his remuneration as Managing Director. No other Director of the Company has any interest or concern in the proposed resolution.

The resolution set out in the accompanying notice together with the explanation should be treated as an extract under Section 302 of the Companies Act, 1956.

The Directors recommend the proposed resolution for approval of the shareholders.

ITEM 6:

Mr. Brij Kumar Tankha, Managing Director, while accepting the assignment, had expressed his desire to limit his operational responsibilities due to personal reasons. However, he was open to accept any assignments that the Board might decide. The Board of Directors in their meeting held on March 27, 2003 have decided that Mr. Tankha should continue as Managing Director for some more time to lend continuity of his services and appointed him subject to approval of the shareholders as Director - Special Projects, (DSP) for a period of one year with effect from 01.04.2003. He will be responsible for negotiating major IT projects with the State and Central Governments, the implementation of which will be handled by appropriate groups in the company. He will also be responsible for negotiating with Banks and Financial Institutions for mobilising resources for the company. Other terms and conditions of his appointment will remain unchanged. He would be paid a remuneration package as set out below with effect from 1.4.2003 subject to limits, if any, prescribed in the Companies Act, 1956, and approval by the shareholders of the company in the Annual General Meeting:

Salary per month	: Rs. 63,000/-
House Rent Allowance	: @ 40% of Salary
Commission	: 1% of the net profit of the company as computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to a maximum of Rs. 12 lacs per year payable annually.
Performance linked variable bonus	: Subject to the approval of the Board of Directors on the basis of board's assessment of the performance payable after the adoption of the annual accounts by the shareholders (subject to a maximum of Rs. 12 Lacs).

Medical Reimbursement	: For self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
Leave Travel Concession	: For self and family once in a year in accordance with the rules of the Company.
Personal Accidental Insurance	: Of an amount, the annual premium of which does not exceed Rs. 15,000/-.
Club Fees	: Fees, subject to maximum of two clubs will be allowed. This will not include admission and life membership fees.

In addition, he will be eligible for the following perquisites:

- (a) Company's contribution towards Provident Fund as per rules of the Company but not exceeding 12% of the salary as laid down under the Income-Tax Rules, 1962.
- (b) Company's contribution towards Superannuation Fund as per rules of the Company
- (c) Gratuity - Not exceeding half month's salary for each completed year of service.
- (d) Earned/Privilege Leave - As per rules of the Company. Leave accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.
- (e) Free use of Company's Car with driver for the business of the Company.
- (f) Free telephone facility at residence at Company's cost.

Provided further that in the event of inadequacy of profits in any financial year Mr. Brij Kumar Tankha, Director - Special Projects, the remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

Mr. Brij Kumar Tankha may be deemed to be interested in the proposed resolution to the extent of his remuneration as Managing Director. No other Director of the Company has any interest or concern in the proposed resolution.

The resolution set out in the accompanying notice together with the explanation should be treated as an extract under Section 302 of the Companies Act, 1956.

The Directors recommend the proposed resolution for approval of the shareholders.

ITEM 7:

Dr. Ashok Kumar Agarwal stepped down as the Managing Director of the company to cease his operational responsibilities with effect from October 1, 2002. With a view to have the benefit of his vast IT industry experience and running the company as Managing Director, the Board of Directors co-opted him as Additional Director under Section 260 of the Companies Act, 1956, vide resolution by circulation dated September 6, 2002. Dr. Ashok Kumar Agarwal holds office only upto the conclusion of this Annual General Meeting but being eligible, offers himself for reappointment. The company has also received a notice in writing from a member proposing his candidature for directorship.

The Board has further appointed Dr. Ashok Kumar Agarwal as the Advisor to the Company to focus on future directions, strategies and help in exploiting potential opportunities from time to time for the benefit of the company. His tenure would be for a period of one year with effect from October 1, 2002 at a consolidated remuneration of Rs. 25,000/- per month subject to compliance of provisions of Section 314 of the Companies Act, 1956, other applicable statutory approval(s) from Central Government, if any, and approval by the shareholders of the company in their next Annual General Meeting.

The directors recommend the proposed resolution for approval of the Shareholders.

None of the directors of the company other than Dr. Ashok Kumar Agarwal, shall be deemed concerned or interested in this resolution.

**By order of Board of Directors
For SQL STAR INTERNATIONAL LIMITED**

New Delhi
April 29, 2003

**B.K. TANKHA
MANAGING DIRECTOR**



Company Information

Board of Directors

Dr. Ramaswamy P. Aiyar
Chairman

Mr. Brij Kumar Tankha
Managing Director

Dr. Ashok Kumar Agarwal
Director

Mr. Satish Kumar Arora
Director

Dr. Kishore B. V. Buddhiraju
Director

Mr. Pradeep Gupta
Director

Mr. Yogesh Jain
Director

Mr. Dinesh Sharma
Director
(Nominee of IFCI Venture Capital Funds Ltd.)

Company Secretary

Mr. Amitabh

Bankers

State Bank of India
Overseas Branch, Vijaya Building,
Barakhamba Road, New Delhi - 110 001.

Auditors

M/s. Arora Aggarwal & Associates
Chartered Accountants
75/3, Link Road, Lajpat Nagar - III,
Near Moolchand Hospital, New Delhi - 110 024.

Registered Office

3rd Floor, Andhra Association Building,
24 - 25, Institutional Area, Lodhi Road, New Delhi - 110 003.
Ph: 011 - 24601539, 24602904; Fax: 011 - 24601597

Corporate Office

New Delhi

A - 38 B, Kailash Colony,
New Delhi - 110 048.
Ph: 011 - 26224047, 26225847; Fax: 011 - 26224175
E-mail: corpdcl@sqlstarintl.com

Hyderabad

SQL House
13 Infocity, Madhapur
Hyderabad - 500 033, A. P.
Ph: 040 - 23101600; Fax: 040 - 23101608
E-mail: corp@sqlstarintl.com

Overseas Offices

USA

SQL Star International Inc.,
1265 El Camino Real, Suite 206, Santa Clara, CA 95050
Ph: +01 408 241 8985, Fax: +01 408 241 8986, E-mail: pradeeps@sqlstarintl.com

950, Herndon Parkway, Suite 110, Herndon, V A 20170
Ph: +01 703 481 6931, Fax: +01 703 481 6932, E-mail: deepakg@sqlstarintl.com

Singapore

International SQL Star Pte. Ltd.
08-53, Anson Centre, 51 Anson Road, Singapore - 079904
Ph: +065 2270052, Fax: +065 2271730, E-mail: sanjaygupta@sqlstarintl.com

Software Development Centres

Hyderabad

SQL House, 13 Infocity, Madhapur, Hyderabad - 500 033, A.P.
Ph: 040 - 23101600, Fax: 040 - 23101608, E-mail: corp@sqlstarintl.com

New Delhi

A - 38 B, Kailash Colony, New Delhi - 110 048.
Ph: 011 - 26224047, 26225847. Fax: 011 - 26224173, E-mail: corp@sqlstarintl.com

Education Centres

Bangalore

40/4, 3rd Floor, Above Mandovi Motors, Lavelle Road, Behind Bowring Institute,
Bangalore - 560 001.
Ph: 080 - 2277681/2277882, Fax: 080 - 2277764, E-mail: bmbir@sqlstarintl.com

Bhubaneswar

B-41, Sahid Nagar, Opp. Women's College, Bhubaneswar - 751 007.
Ph: 0674 - 2513922/2545844, Fax: 0674 - 2546468, E-mail: sqibbsr@sqlstarintl.com

Chennai

Dwaraka, 36, 3rd Floor, Nungambakkam High Road, Chennai - 600 034.
Ph: 044 - 28252136/28252067/28252013, Fax: 044 - 28252209
E-mail: bmchn@sqlstarintl.com

Hyderabad

4, Motilal Nehru Nagar, 1st Floor, Begumpet, Hyderabad - 500 016.
Ph: 040 - 27763125/27766501/27767516, Fax: 040 - 27761921
E-mail: sqltrng@sqlstarintl.com

Kolkata

2nd Floor, Kankaria Estate, 6, Little Russel Street, Kolkata - 700 071.
Ph: 033 - 22830289/22830290, Fax: 033 - 22830429, E-mail: bmcl@sqlstarintl.com

Mumbai

4th Floor, Kohli Villa, 130 SV Road, Adjacent to Shopper's Stop, Andheri (W),
Mumbai - 400 058.
Ph: 022 - 26239320/26239324/26962571, Fax: 022 - 26239326
E-mail: bmbmb@sqlstarintl.com

New Delhi

3rd Floor, Andhra Association Building, 24 - 25, Lodhi Road, New Delhi - 110 003.
Ph: 011 - 24601539/24602904/24601598, Fax: 011 - 24601597,
E-mail: sqlldr@sqlstarintl.com

Pune

2nd Floor, Mittal Court, A Wing, Rasta Peth, Off Ambedkar Road, Pune - 411 001.
Ph: 020 - 4001316/4001317/6129937, Fax: 020 - 6121104
E-mail: bmpune@sqlstarintl.com



Chairman's Message

Dear Friends,

It is my pleasure to present your Company's Sixteenth Annual Report, highlighting its activities and performance in the year 2002.

From the breathtaking ride of the dotcoms and a booming training market, we woke up to the cold realization of the real new economy: the economy marked by a boom gone bust, worldwide recession, shrinking IT budgets, business climate filled with fear and apprehension. After the disastrous year 2001 for the entire industry, we had entered 2002 with some optimism as normalcy to some extent would return.

Despite the continuation of gloomy trends in 2002, it has been a year where the IT industry has consolidated its position. It seems to be maturing like any other industry, which was a healthy sign. The pricing pressures look to be easing, though marginally and the business was coming to terms with the changed situation. At the same time, clients are now seeking to extract more value from their reduced IT expenditures. India is fast becoming an outsourcing hub. In the last two years, we have seen more and more large MNCs setting up their own offshore development centers in India. Continued pressure to cut cost will further drive outsourcing. e-Learning which has made strides globally is expected to also catch up in India. Overall the mood is one of cautious optimism.

In spite of the general gloomy trends in 2002, there were some silver linings. We have revamped our team in the US with a focus on driving offshore revenues and look forward to increased business in this sector in the coming days. In India, we have bagged orders from some prestigious clients. Our Learning Services revenue levels have been maintained. There have been significant breakthroughs in e-Learning in India, Singapore and in the US.

We have gone for an organization restructuring. The process of restructuring was a part of passing the mantle of leadership to a new, younger and vibrant team.

Your company has recorded a turnover of Rs. 33.86 crores in the year, as against the previous year's turnover of Rs. 47.36 crores. The net profit is Rs. 0.03 crores in comparison to the previous year's Rs. 0.28 crores.

We believe that no factor can be a deterrent to progress and so we need to look forward and move on. I take this opportunity to thank all our shareholders, business partners, financial institutions and employees for their continued support.

With best wishes

Ramaswamy P. Aiyar
Chairman





Directors' Report

To the members of SQL Star International Limited

Your directors have pleasure in presenting the 16th Annual Report of the company, together with the Audited Balance Sheet, Profit & Loss Account, Cash Flow Statement for the year ended December 31, 2002.

FINANCIAL RESULTS

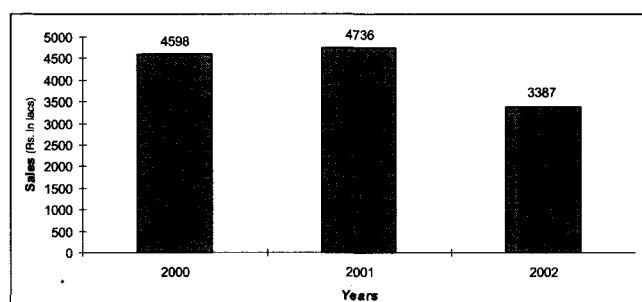
(Rs. in lakhs)

PARTICULARS	Year ended 31.12.2002	Year ended 31.12.2001
Total income	3386.80	4736.25
Profit before interest, depreciation & tax	296.08	406.73
Finance charges	121.02	124.76
Depreciation	162.29	181.58
Income Tax	2.28	70.42
Profit after tax	10.49	29.97
Tax for earlier year	7.09	1.47
Profit and Loss balance brought forward	723.24	875.63
Total Profit available for appropriation	726.64	904.13
Proposed Dividend & Dividend tax/ Dividend Tax Reverse		-12.26
Provision for one time Deferred Tax Liability		193.15
Profit & Loss balance carried over to Balance Sheet	726.64	723.24

FINANCIAL PERFORMANCE

The total income of your company decreased to Rs.33.87 crores during the current year from Rs 47.36 crores in the previous year, the Net Profit after tax has also been similarly affected and is Rs.0.03 crores in comparison to the previous year's Rs.0.28 crores. The break-up of income between software and education division was 58% and 42% as against 65% and 35% respectively in the previous year. The profit margins have been low due to declining billing rates. All efforts have been made to consolidate the cost structure of the company.

The company's year-wise Sales are as shown in the chart given below.



DIVIDEND

Directors regret their inability to recommend any dividend for the year ended December 31, 2002, due to inadequacy of profits and liquidity crunch faced by the company.

OPERATIONS

Performance

2002 was an extremely challenging year for the Indian IT sector. Margins came under increased pressures for most companies and large installed capacities went unutilised. The inevitable shake out was the resultant outcome. The bigger names in the Indian IT firmament rode the storm because of their deep pockets, the smaller ones simply ceased to exist unless they focused on specific market niches. There were several mergers among the mid-tier companies as they sought to consolidate and offer a broad portfolio of services to their clients without attendant investments.

Your company was no exception to the problems of 2002. The company faced significant pressures both on the revenue as well as the profitability front. In the Software division, 2002 was a year of consolidation and revamping as your company redefined its portfolio of services to remain a relevant player in the global market. The impact of these changes was several promising breakthroughs towards the end of 2002 which hold out significant business potential in 2003. The company has grown in SE Asia as well as achieved breakthroughs in the Middle East - a hitherto unexplored market.

The training division did very well despite the downturn. While most training companies were struggling to fill capacities, your company's training division continued to grow in revenues and profitability and continued to be the No.1 training company on revenue realization for 2002 in the IDC industry survey. The e-Learning business group picked up lucrative contracts in US, SE Asia and India resulting in a reasonable order book position going to 2003.

FUTURE PLANS

Your company has already put into motion several plans which should augur well for 2003.

Software Services:

In the area of Software services, your company has already moved to reduce its dependence on the recessionary US economy. A large breakthrough with a business house in Kuwait is the first step in creating a presence in the Middle East market. Thus Oracle Applications implementation project has been successfully completed and the same will now be done for the other group companies. Your company also had significant breakthroughs in Domestic Market in SE Asia in 2002 including new clients like Visa International, ABN AMRO etc. In the US, your company has attempted to consolidate its presence in key accounts as a single point services provider. The breadth of services provided has been expanded from the core technology expertise of Oracle and Microsoft. The focus has been to build a strong platform on technology-enabled business process improvement at the front-end with a back-end geared towards delivery of these services.

Education Division:

Your company is exploring various options to increase its market share of the authorised instructor-led training market. Discussions with a couple of Principals are under way. We are now repositioning ourselves as a Learning Solutions Company - a strategy that has helped give



our e-Learning initiative significant momentum. Company is poised to assume a leadership role as an end-to-end e-Learning solutions provider. We expect the Education division to be a major cash earner for 2003.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212 of the Companies Act, 1956 is annexed to the Annual Accounts of the company together with the Annual Accounts of the wholly owned subsidiaries (WOS) of the Company, International SQL Star Pte. Ltd., Singapore and SQL Star International Inc., USA.

- **International SQL Star Pte. Ltd., Singapore** reported a profit of S\$2531 in the financial year ended 31st December 2002 as compared to a profit of S\$ 21,739 in the previous year. The economic recession in the South Asia Pacific region continued due to the general economic recession in the rest of the world. The Company has refocused its marketing efforts. The Education business has made significant inroads during the year. e-Learning business also bagged its first orders during the year. We continue our strong relationship with Hewlett Packard and Oracle Corporation.
- **SQL Star International Inc., U.S.A.** reported a loss of US\$ 245,679 for the financial year ended 31st December 2002 (as compared to a loss of US\$ 527,651 in the previous year). The loss has been the result of an overall market slow down resulting in pressure on operating margins. Another contributory factor has been the reluctance of our current customers to experiment with taking work offshore. One of the positive changes of the slow down of the economy is that on account of cost cutting the US market has started looking to off shore software development. Our current clients have also validated the offshore model and are now involved in discussions to set up dedicated offshore teams. The Company is continuing to sustain its marketing efforts by strengthening and restructuring its marketing and technical resources. The accounts have been reviewed by an Independent Auditor.
- **SQL Star International Ltd., U.K. :** The company has received R.B.I. Approval for acquisition of SQL Star International Ltd. U.K., which is a wholly owned subsidiary company of Information & Computing Services Ltd., U.K. (I&CS) by capitalisation of software exports of GB Pound 2,25,000 made to I&CS. The process of acquisition is currently under progress.

MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET

Pursuant to provisions of Section 217 (1)(d) of the Companies Act, 1956, there has been no material change and commitment affecting the financial position of the company, which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are given in Annexure "A" to this report.

PARTICULARS OF EMPLOYEES

The information required to be furnished under Section 217 (2A) of the Companies' Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975 as amended is given in Annexure "B" to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in Annexure "C" which forms part of this report.

CORPORATE GOVERNANCE

Policies of your company and steps taken by the Board of Directors for good corporate governance of the company conforms to the procedural guidelines of corporate governance prescribed by the Securities and Exchange Board of India. All the conditions of Corporate Governance as required under clause 49 of the Listing Agreement with Stock Exchanges have been complied and verified by the auditors. A certificate from the Statutory Auditors of the Company in this respect has been obtained and is enclosed as Annexure "D" to this report.

As required under Clause 49 of the Listing Agreement, separate reports of Management Discussion & Analysis and Corporate Governance are provided in the Annual Report.

QUALITY INITIATIVES

Your company has implemented and sustained its beliefs in Quality management and philosophy. The software division has been one of the few companies which was awarded the ISO 9001:2000 certification, for both of its development centers at Delhi and Hyderabad. Education division has also received certification of ISO 9001 for its Hyderabad and Delhi centers. During the year your e-Learning division achieved ISO 9001 certification

Your company has set up a task force to achieve CMM Level 5 certification.

EMPLOYEES STOCK OPTION PLAN (ESOP)

The company has created an Employees Welfare Trust ("Trust") called "SQL ESOP Trust" to implement the Employees Stock Option Plan and allotted 4 lakh Equity shares to the Trust on 4th December 1998.

The Trust holds the shares for and on behalf of the eligible employees and to offer the same to the eligible employees, subject to the terms and conditions of the Employees Stock Option Scheme. The company has appointed an Advisory Committee to identify eligible employees for issue of equity shares.





During the year under review, a total of 170,420 shares were allotted to employees of the company.

FIXED DEPOSITS

The company has not accepted any fixed deposit, therefore the provisions of Section 58A of the Companies Act, 1956, and rules made thereunder are not applicable to the Company.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company the following Directors retire by rotation in the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment:

- i. Mr. S.K. Arora
- ii. Mr. Pradeep Gupta

The Board has recommended their reappointment.

Dr. Ashok Kumar Agarwal, Director was the Managing Director of the company till September 30, 2002. Being eligible, Dr. Ashok Kumar Agarwal offers himself for reappointment. The Board has recommended his reappointment.

AUDITORS

The Auditors M/s. Arora Aggarwal & Associates, Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

STOCK EXCHANGES

During the year the Company allotted 31,20,000 equity shares of Rs.10/- each for cash at par. Stock Exchanges of Mumbai, Delhi and Hyderabad have granted permission of their trading on the Exchanges. The Annual Listing fees for all these Stock Exchanges have been paid. The Company's Shares are under "Compulsory Demat Trading" category with effect from August 28, 2000.

ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the dedicated and sincere services rendered by the staff and officers of the company. Your directors also place on record their appreciation with gratitude for the timely guidance and financial help provided to the Company by Venture Capital Partner IFCI Venture Capital Funds Ltd..

Your Directors also thank the Bankers, Financial Institutions, Business Institutions, Clients and Shareholders for their continued and timely support.

For and on behalf of the Board of Directors

Place: New Delhi
Date: April 29, 2003

Chairman

Annexures to the Directors' Report

Annexure - A

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. Energy Conservation

The particulars as described under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company.

B. Technology Absorption, Adaptation and Innovation

The company's business demands constant absorption and adaptation of changing technologies to stay competitive in the rapidly changing world. The software development centres are constantly absorbing, adapting and deploying new technologies. Continuous efforts are put towards migration of professionals to the new technology.

C. Foreign Exchange Earnings and Outgo

	(Rs. in lakhs)	
	2002	2001
Earning by way of Professional & Service Charges	1724.78	2752.13
Expenditure in Foreign Exchange	1591.29	2052.51

D. Research & Development

In this world of rapidly changing and advancing technologies, your company has laid strong emphasis on research and development and used it as a driver to move up the value chain. Further continuing our focus on the internet technologies, the setting up of competency centres, are expected to give substantial benefits to the company in the future.

For and on behalf of the Board

Place : New Delhi
Dated : April 29, 2003

Chairman