

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 **17th Annual General Meeting** of the members of SQLSTAR INTERNATIONAL LIMITED will be held on Thursday, the 27th May, 2004 at 10.30 a.m. at Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A-81, Chitranjan 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 2003, 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 Dr. Kishore B. V. Buddhiraju, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a director in place of Mr. Yogesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a director in place of Mr. Brij Kumar Tankha, who retires by rotation and being eligible, offers himself for re-appointment.

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 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 Whole-time Director to be designated as Director—Special Projects for a period of one year with effect from 01.04.2004, on the remuneration package payable to him by way of salary and perquisites etc. subject to limits, if any, specified in Section—II of Part—II of Schedule XIII of the Companies Act, 1956."

Appointment of Dr. Ashok Kumar Agarwal as Advisor of the company:

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

"RESOLVED THAT subject to the compliance of the provisions of Section 314 and other applicable provision(s), if any, of the Companies Act, 1956 and such statutory approvals as required, 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, 2003."

"RESOLVED FURTHER THAT the Company Secretary and/ or General Manager—Finance be and are hereby severally authorised to file an application on behalf of the company with an appropriate authority for sanction and to do all such acts, deeds, matters and things as are necessary, proper or desirable to give effect to the above resolution."

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

Place : New Delhi
Date : April 26, 2004

Arun Phasu
Company Secretary

NOTES :

- The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under items 6 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 17th May 2004 to Thursday the 27th May 2004, 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 May 2004 the changes, if any, in their registered addresses along with the Pin Code number quoting their folio number/ DP ID—Client ID and requests for share transfer may be sent directly to them. All other correspondences relating to shares may be addressed either to The Company Secretary, Corporate Office, A-38 B, Kailash Colony, New Delhi-110 048 or directly to Registrars & Transfer Agents.
- 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 Registrars & Transfer Agents at the address given herein above.
- 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** : **Dr. Kishore B.V. Buddhiraju**
Age : 64 years
Qualification : Ph. D. In Operations Research (Wharton School, USA)
Expertise : Dr. Kishore B V Buddhiraju has over 30 years of experience in Computer Software development. He was earlier Professor of MIS and Operations Research at IIM Calcutta (6 yrs). He is currently Managing Director of SEEC Asia Technologies (P) Ltd., a subsidiary of SEEC Inc. USA., which is involved in software product development.
Member of the committee : Audit Committee
Remuneration Committee
Director of the Company since : 09.11.1989
Other Directorships : Era Software Systems Pvt. Ltd.
Era Electronics India Pvt. Ltd.
Small Industries Development Bank of India
ACS Technologies Limited
SEEC Technologies Asia Pvt. Ltd.
2. **Name** : **Mr. Yogesh Jain**
Age : 51 years
Qualification : C.A., C.S.
Expertise : He is a qualified Chartered Accountant and Company Secretary with more than 20 years of experience in dealing with various financial activities, taxation planning, having valuable contacts in industry and understanding of the financial markets in India, Stock Broking.
Member of the committee : None
Director of the Company since : 25.03.2002
Other Directorships : Arihant Automobiles Pvt. Ltd.
Anand Enterprises Pvt. Ltd.
B K Floriculture Pvt. Ltd.
Garima Enterprises Pvt. Ltd.
Gautam Credits Pvt. Ltd.
Gautam Properties (Delhi) Pvt. Ltd.
Gautam Leasing Pvt. Ltd.
Gautam Motors Pvt. Ltd.
Gautam Automobiles Pvt. Ltd.
Garima Shares Pvt. Ltd.
Garima Capital Pvt. Ltd.
Manu Estate Pvt. Ltd.
Mayur Investors & Consultants Pvt. Ltd.
Mayur Roadlines Pvt. Ltd.
Mohit Properties Pvt. Ltd.
Madhur Builders Pvt. Ltd.
N U Automobiles Pvt. Ltd.
New United Workshop Pvt. Ltd.
Rishabh Traders Pvt. Ltd.
Ridhima Properties Pvt. Ltd.
Rahul Properties Pvt. Ltd.
Rishabh Services Pvt. Ltd.
Rishabh Motors Pvt. Ltd.
Gautam Auto Pvt. Ltd.
Garima Showbiz Pvt. Ltd.
Arihant Motors
Gautam Auto
Gautam Motors
Gautam Automobiles
New United Service Station
Mukesh Jain & Co.
3. **Name** : **Mr. Brij Kumar Tankha**
Age : 61 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 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 : 60 years
Qualification : BE-Mechanical (BITS Pilani), M.S., Ph.D in Operations Research (University of Minnesota, USA)
Expertise : He 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 Northeastern 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 : 09.11.1989
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 items 6 and 7 of the accompanying Notice dated 26th April 2004.

ITEM 6:

The Board noted that the present term of Mr. Brij Kumar Tankha, Director—Special Projects, was expiring on 31st March, 2004. Keeping in view the vast experience of Mr. Tankha, his association with the company since its inception and his push in the e-Governance projects in North India and Rajasthan, the Board of Directors in their meeting held on March 31, 2004 have decided to extend his term as Director—Special Projects, (DSP) for a further period of one year with effect from 1st April 2004. 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. Other terms and conditions of his appointment will remain unchanged. He will also be responsible for negotiating with Banks and Financial Institutions for mobilising resources for the company. He would be paid a remuneration package as set out below with effect from 1.4.2004 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:

- 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.
- Company's contribution towards Superannuation Fund as per rules of the Company

- Gratuity—Not exceeding half month's salary for each completed year of service.
- 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.
- Free use of Company's Car with driver for the business of the Company.
- 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 Director - Special Projects. 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 is one of the directors of the company. He held the position of Managing Director of the company from 1993 to 2002. Dr. Agarwal is a highly qualified professional with a Doctorate in Operations Research and has vast experience of IT Industry in India and abroad of over 30 years to his credit. The Board of Directors in their meeting held on 28th October 2003 had decided to utilise his expertise as advisor to the company for focusing on future directions, strategy, critical success factors and help in generating potential opportunities from time to time for the benefit and development of the company. Brief resume of Dr. Agarwal is as below:

Dr. Ashok K Agarwal did M.S. and Ph.D. in Operations Research from University of Minnesota and Mechanical Engineering from BITS Pilani. He 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 Northeastern 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.

The directors recommend the resolution for approval of the Shareholders.

None of the directors of the company other than Dr. Ashok Kumar Agarwal, is in any way concerned or interested in this resolution.

By order of Board of Directors
For SQL STAR INTERNATIONAL LIMITED

New Delhi
April 26, 2004

Arun Phasu
Company Secretary



Company Information

Board of Directors

Dr. Ramaswamy P. Aiyar
Chairman

Mr. Brij Kumar Tankha
Director - Special Projects

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. Arun Phasu

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, 26222898; 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

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 - 500 081, 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, 26222898. 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: bmbblr@sqlstarintl.com

Bhubaneswar

B-41, Sahid Nagar, Opp. Women's College, Bhubaneswar - 751 007.
Ph: 0674 - 2513922/2545844, Fax: 0674 - 2546468, E-mail: sqlbbsr@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: bmmmb@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 presenting to you, your Company's Seventeenth Annual Report, highlighting the activities and performance in the year 2003.

After over two years of worldwide recession, we could see some promising trends starting from the middle of the year 2003. The IT industry, one of the worst affected during the recession, started turning around fast. Companies in the US restarted their IT initiatives but quite cautiously. With a view to further cut down on costs and improve profitability, greater thrust was seen being laid on offshoring. Though it has now become an issue of hot political debate in the US in the light of the forthcoming US presidential election, "offshoring" seems to be an irreversible trend in the time to come.

With the US economy opening up, we have revamped our sales and marketing team in the US to tap the growing opportunity. Our operation in the Asia Pacific region has been consistently growing and all out efforts are being laid to further consolidate our operations in this area. In the domestic scenario, looking at the huge potential in the government sector, we are focusing more on the e-governance projects. The "E-Agricultural Marketing" project on a Build-Own-Operate (BOO) basis from the Madhya Pradesh Agricultural Marketing Board is a major breakthrough in this direction. Our initiative in e-governance projects delivery is expected to yield encouraging results as more and more of such projects are being taken up by the Central government and various state governments. Despite all ups and downs in the market conditions, our learning services continued to be popular and have remained a profitable operation. With a tie up with COGNOS, the world leaders in Business Intelligence and Performance Planning Software Solutions, we have now become the first Authorized Trainers of Cognos in India. We are already providing training on their products. e-Learning holds out immense promise and we are now aiming at significantly increasing our presence in the US market.

Your company has recorded a turnover of Rs. 32.69 crores in the year, as against the previous year's turnover of Rs. 33.87 crores. The net profit after tax is Rs. 0.20 crores in comparison to the previous year's Rs. 0.10 crores.

On the basis of the current trends, the year ahead looks to be highly encouraging and we are quite optimistic about our performance in this period. 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 17th Annual Report of the company, together with the Audited Balance Sheet, Profit & Loss Account, Cash Flow Statement for the year ended December 31, 2003.

FINANCIAL RESULTS

PARTICULARS	(Rs. in lakhs)	
	Year ended 31.12.2003	Year ended 31.12.2002
Total income	3268.57	3386.80
Profit before interest, depreciation & tax	279.97	296.08
Finance charges	97.40	121.02
Depreciation	161.30	162.29
Income Tax	0.75	2.28
Profit after tax	20.52	10.49
Tax for earlier year	-1.99	7.09
Profit and Loss balance brought forward	726.64	723.24
Total Profit available for appropriation	749.15	726.64
Appropriation from Profit & Loss Account	672.87	
Profit & Loss balance carried over to Balance Sheet	76.28	726.64

FINANCIAL PERFORMANCE

The total income of your company was Rs.32.69 crores during the current year as compared to Rs 33.87 crores in the previous year, the Net Profit after tax has marginally improved and is Rs.20.52 lacs in comparison to the previous year's Rs.10.49 lacs. The break-up of income between software and education division was 55% and 45% as against 58% and 42% respectively in the previous year. The profit margins have been low due to declining billing rates. The company has been making all out efforts to consolidate the cost structure of the company.

DIVIDEND

Directors regret their inability to recommend any dividend for the year ended December 31, 2003, due to inadequacy of profits and liquidity crunch faced by the company.

OPERATIONS

Performance

Year 2003 was the year of rebound for the IT sector world wide and for India in particular. After the world-wide recession in the IT sector in the previous 2 years, there seemed to be an imminent danger of year 2003 going the same way with events like the Iraq war pushing back any recovery. Fortunately, it did not. IT spending in the US started to increase from middle of year 2003 and a trend that was started in the recessionary years of meeting IT objectives within sharply pruned budgets through offshoring, now became a flood. The increase in IT spending only resulted in a greater thrust towards offshoring, as companies saw this as a way to improving profitability. India became the leading offshore hub despite stiff competition

from countries like China, Ireland and Philippines. The use of English in business communication, the large technical talent pool, the improved infrastructure and the already impressive track record were contributory factors to this. By the end of 2003, offshoring had become a political hot potato in the US. The loss of IT and other jobs to lower-cost locations like India had become a political issue that could impact the US presidential election slated for 2004.

For your company, 2003 was a year that posed several challenges. As mentioned in our last Annual Report, the strategy going into 2003 was to reduce our dependence on the then sluggish US economy. Accordingly your company set up a Special Projects Division (SPD) to tap the huge potential in the Government sector in India. E-Governance is now the name of the game and your company is gearing itself to tap the huge potential in this segment. The mandate for the SPD was to create world-class processes that would enable us to take over the operations of some of the largest Government projects in e-Governance – a sort of domestic Business Process Outsourcing. Your company got a significant breakthrough in the State of Madhya Pradesh for implementing a solution and then managing the operations for the "Mandis" in the State in a Build-Own-Operate (BOO) model. By the end of the year, your company was in the shortlist for several such projects. Each of these projects would potentially generate revenues of the order of several crores over the life of the contract.

Your company also made impressive progress in the Asia Pacific markets where market coverage was extended to Malaysia and Thailand. New customers like Pfizer and repeat orders from existing customers like HP ensured that the Singapore office grew nearly 50% over 2002.

With the US economy opening up in the second half of 2003, your company revamped its sales and marketing there to cash in on the opportunities that were opening up. By the end of 2003, your company had built a significant pipeline of prospects in the US, some of which resulted in business in Q3 and Q4 of 2003 and the rest held out the possibility of significant revenues in 2004.

The training division continued to be a pillar of strength for the company in 2003. Overall revenues and operating profits grew by 3% and 20% respectively over 2002. The training Division became an authorized Cognos training partner in India, an alliance that enabled your company to be a player in the high end training market in segments like data warehousing, business intelligence etc.

FUTURE PLANS

Software Services:

Your company believes that the trend towards offshoring has come to stay and has accordingly re-defined its business strategy. At the same time, your company appreciates and understands the impact of the presence of large US and Indian companies in this space and the increased competition. Traditional segment like 'Application Maintenance' work is offering reduced margins due to the declining bill rates on the one hand and the increasing manpower costs in India on the other. Your company believes the bulk of the revenues for the next couple of years will still flow from work that has been traditionally outsourced. But at the same time, to ensure adequate operating margins, the company needs to identify niche segments that offer some amount of entry barrier and enable your company to get better bill rates and margins. Accordingly, the company has been focusing, in its global markets, on technology niches like data warehousing and business intelligence and mobile computing and on the two verticals of Supply Chain and Insurance. The company has added one insurance customer and one



Supply Chain customer in Q4 and has several prospects that will finalise in the first quarter of 2004. The management believes that this focused approach in its global markets is going to lead to the creation of a significant order book over 2004.

In the domestic software market, your company will continue to consolidate its position in the e-Governance area where Government is the major end-user. As mentioned earlier, the company is focusing on creating a complete methodology that can be replicated over different projects executed under the BOO model. Your company looks forward to significant increases in domestic software revenues in 2004 over 2003.

Education Division:

While the education division has been performing satisfactorily for several years now, your company management is fully seized of the need to (1). Create a business model for this division that will lead to rapid scaling and (2). Reduce the dependence on Instructor-led training on Oracle. Your company is looking at several options to achieve this without significant capital investments. The alliance with Oracle continued to be robust and your company was among the first to launch the next generation Oracle courses in the middle of 2003. In addition the company is looking to set up franchisees in overseas markets with a view to increasing distribution reach. Your company is looking to partnerships similar to the one with Cognos, through which training services that offer higher margins can be offered using the current infrastructure. e-Learning services continues to be a major focus area for the division and e-Learning revenues in 2004 are expected to be at least 10% of the overall revenues of the education group as compared to 6% in 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, SQL Star International Inc., USA and SQL Star International Ltd. U.K.

- **International SQL Star Pte. Ltd., Singapore** reported a profit of S\$ 12,530 the financial year ended 31st December 2003 as compared to a profit of S\$ 2531 in the previous year. With economic recession in the South Asia Pacific region nearly over and the marketing efforts started during the year 2002, the company was able to reach a turnover of Sing\$ 1.08 million (Sing\$ 0.73 million last year), an increase of 48%. However, the profit margins remained under pressure due to significant drop in operating margins for "Onsite" consultancy. The Consulting & Education Services are poised for robust growth in the coming year, supported by enhanced business expected from our old business associates, Hewlett Packard and Oracle Corporation.
- **SQL Star International Inc., U.S.A.** reported a loss of US\$ 976,736 for the financial year ended 31st December 2003 (as compared to a loss of US\$ 2,13,756 in the previous year). The loss has been due to normal write-off/ provision of Bad and Doubtful debts, write-off of Legal Expenses on expiry of three years and normal business loss. The business loss has been the result of declining trends in the onsite Professional Support Services (PSS) activities leading to erosion of our contribution base and resulting in significant pressure on operating margins. Your company took steps to cut down overheads in the US, maintaining a bare minimum team to service the market. With the US economy opening up from the second half of year 2003, the IT

spending in the US started to increase and a trend that was started in the recessionary years of meeting IT objectives within sharply pruned budgets through offshoring now became a key business strategy. Your company revamped its sales and marketing there to cash in on the opportunities that were opening up and this has enabled your company to build a significant pipeline of prospects in the US by the end of 2003. The accounts of your company have been reviewed by an Independent Auditor.

- **SQL Star International Ltd., U.K. :** The company has completed the formalities for acquisition of SQL Star International Ltd. U.K., which was a wholly owned subsidiary company of Information & Computing Services Ltd., U.K. (I&CS) by capitalisation of software exports of UK Pound 2,25,000 made to I&CS. There was no business transaction in the WOS company during the year and due to complete erosion of investments held on account of a software package and certain normal administrative expenses, there was a loss of UKP 36,229 during the year. (Capitalisation of UKP 72,631/- was done on October 28, 2003 resulting in equity participation to the extent 32% and therefore the pro-rata loss comes to UKP 2,065/-). The management of the company has initiated activities to augment business and efforts are on to make this acquisition a viable investment.

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

As none of the employees, employed during full or part of the last financial year received a remuneration of Rs.24 lacs p.a. or Rs.2.00 lacs p.m., therefore no information is furnished in terms of the provisions under Section 217 (2A) of the Companies' Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in Annexure "B" 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 with and verified by a Company Secretary in Whole-time practice. The certificate to this effect is enclosed as Annexure "C" to this report.

As required under Clause 49 of the Listing Agreement, reports of Management Discussion & Analysis and Corporate Governance have been given separately in the Annual Report.

QUALITY INITIATIVES

For authoritatively proclaiming its beliefs in Quality management and philosophy, your company obtained the coveted ISO 9001:2000 certification for the Learning Services by STQC Certification Services, the premier international quality certification agency. The scope of the certification covers Design, Development and Delivery of IT Education Services and also Design, Development and Implementation of Customised e-Learning Solutions. Our Software Development facilities in Hyderabad and Delhi are already ISO 9001:2000 certified by STQC.

On the path of excellence, after ISO, your company is now aiming for another milestone - CMM Level 5. Several training programs for employees across functions have been conducted in the recent past in SQL House, making them well acquainted with the concepts, processes and procedures of Capability Maturity Model (CMM).

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 the review, no 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. Dr. Kishore B. V. Buddhiraju
- ii. Mr. Yogesh Jain
- iii. Mr. Brij Kumar Tankha

The Board has recommended their re-appointment.

The term of Mr. Brij Kumar Tankha, Director - Special Projects expired on March 31, 2004 as Whole-time Director of the company. The Board in its meeting held on January 29, 2004 had extended the term of Mr. Brij Kumar Tankha, as Whole-time Director of the company designated as Director - Special Projects for a further period of one year i.e. till March 31, 2005. Necessary approval of the shareholders would be obtained at the ensuing Annual General Meeting of the company.

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 re-appointment.

STOCK EXCHANGES

During the year no fresh equity shares were allotted. Shares of the company (Face Value Rs.10/-) are listed on the Stock Exchanges of Mumbai, Delhi and Hyderabad. The Annual Listing fees of the said 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 26, 2004

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 prescribed 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 made on updating the professionals to the new technology.

C. Foreign Exchange Earnings and Outgo

(Rs. in lakhs)

	2003	2002
Earning by way of Professional & Service Charges	1424.45	1724.78
Expenditure in Foreign Exchange	1437.89	1591.29

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 competency centres, are expected to give substantial benefits to the company in the future.

Annexure – B

Directors' Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of SQL Star International Limited having its registered office at 3rd Floor, Andhra Association Building, 24 – 25 Institutional Area, Lodhi Road, New Delhi – 110 003, do hereby confirm –

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgements 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 and loss of the company for that period;
- that the directors had 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;
- that the directors had prepared the annual accounts on a going concern basis.

