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Nineteenth Annual Report
2005-06

Our Vision

"To be respected as a Leader in Technology
- Unlocking Human Capital Potential in the
Student Community, Delivering Real
Business Benefits to Enterprises".



Our Quality Policy

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

Quality Objectives

To provide services and solutions consistently meeting or exceeding internal and external customer expectations.

To implement Quality Management Systems based on ISO 9001:2000 and to ensure continual improvement in the effectiveness of the quality system.

To strive for increasing the productivity of the resources

To strive to reduce efforts on reworks

To be guided by the spirit of continual improvement, team work and commitment, and achieve a high level of motivation of all personnel.

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SQL STAR INTERNATIONAL LIMITED

Regd. Office : SQL Star House, 13, Infocity,
Madhapur, Hyderabad -500 081.

[NOTICE]

Notice is hereby given that the Nineteenth Annual General Meeting of the members of **SQL STAR INTERNATIONAL LIMITED** will be held on Friday, the 18th August, 2006 Central Court, Lakdikapul, Hyderabad at 2:30 p.m to transact the following business:-

ORDINARY BUSINESS:

Adoption of Annual Accounts and Directors' Report for the financial year 2005-06.

1. To consider and adopt the Balance Sheet as at 31st March, 2006, the Profit & Loss Account for the fifteen months period ended on 31st March, 2006 along with the annexure and the reports of the Board of Directors and Auditors thereon.

Appointment of Director retiring by rotation

2. To appoint a director in place of Mr. Harsh Dalmia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Brij Kumar Tankha who retires by rotation and being eligible, offers himself for re-appointment.

Re-appointment of Auditors

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Maharaj N. R. Suresh & Co., Chartered Accountants, be and are hereby appointed as auditors of the Company for holding the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration as may be mutually decided between them and the Audit Committee and/or the Board of Directors of the Company along with traveling and out of pocket expense."

SPECIAL BUSINESS:

5. Issue of GDRs/FCCBs/QIP

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any of the Companies Act, 1956 as also provisions of any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the

Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India (SEBI) and all other appropriate and/or concerned authorities, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company ('Board') (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot Global depository Receipts (GDR's)/American Depository Receipts (ADR's)/ Foreign Currency Convertible Bonds (FCCB's) (hereinafter referred to as "Securities") Equity shares through the QIP route / Warrants and/or instruments convertible into Equity Shares optionally or otherwise for an aggregate sum of up to US \$ 10 Million or equivalent in Indian and/or any other currency (ies) (inclusive of such premium) as may be permitted by the Ministry of Finance/such other authorities directly to Indian/Foreign/Resident/Non-resident Investors (whether Institutions, Incorporate Bodies, Mutual Funds Trusts/Foreign Institutional Investors/Banks and/or individuals, or otherwise and whether or not such investors are member, promoters, directors of their relatives/associates, of the Company) through Public Issue(s), Private Placement(s), or QIP Route a combination thereof at such time or times in such tranche or tranches, at such price or prices at a discount or premium to market price or prices in such manner and on such terms and conditions as may be decided and deemed appropriate by the factors, wherever necessary in consultation with the Lead Managers, Underwriters, Advisors or through the subsidiaries, including by way of Initial Public Offer in Europe or US or any other countries, so as to enable the Company to get listed at any Stock Exchanges in India and/or Luxemburg/London/New York Stock Exchanges and/or of the Overseas Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors be and is hereby authorized to do all such acts, deeds and things as it may, in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of securities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/GOI/RBI or such other appropriate authorities may impose at the time of their approval and as agreed to by the Board.

RESOLVED FURTHER THAT without prejudice to the generality of the above, issue of securities in international offering may have all or any term or combination or terms in accordance with the international practice.

RESOLVED FURTHER THAT the Board is also entitled to enter into and execute all such arrangements/agreements with any Lead Managers/ Underwriters/ Guarantors/ Depository(ies)/ Custodians/ Advisors and all such agencies as may be involved in cash or otherwise including by way of payment or commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any or the like.

RESOLVED FURTHER THAT the Company and/or any agency or body authorized by the Company may issue Global Depository Receipts and/or other form of securities mentioned herein above representing the underlying Equity Shares issued by the Company in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets.

RESOLVED FURTHER THAT the Securities issued in international offering shall be deemed to have been made abroad in the markets and/or at the place of issue of the Securities in international markets and shall be governed by English or American law or any other law as may be decided by the Board as the case may be.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalize the mode and the terms of issue and allot such number of Equity Shares/Securities as may be required to be issued and allotted upon conversion of any Securities referred to in the paragraph(s) above as may be necessary in accordance with the terms of offering and all such shares to rank pari passu with the existing Equity Shares of the

Company in all respects, excepting such rights as to dividend as may be provided under the terms of issue and in the offer document.

RESOLVED FURTHER THAT subject to necessary approval, consent, permission, the Board be and is hereby authorized to convert the Global Depository Receipts/Foreign Currency Convertible Bonds into ADR/ADS and list of NASDAQ/NYSE or in any other overseas Stock Exchanges.

6. De-Listing from Delhi and Hyderabad Stock Exchange

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to provisions of the Section 61 and other applicable provisions of the Companies Act, 1956 and the Listing Agreement with Stock Exchange(s) and applicable provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, or any amendment or modification thereof, and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any competent authority while granting such approvals, permissions and sanctions, which may be agreed by the Board of the Directors of the Company or any Committee thereof or any person(s) authorized by the Board or Committee, consent of the members be and is hereby accorded to the Board to de-list the Equity Shares of the Company from the Stock Exchanges at Delhi and Hyderabad.

RESOLVED FURTHER THAT the Board be and is hereby authorized to seek voluntary de-listing and to settle all necessary questions, difficulties or doubts that may arise in regard to the aforesaid voluntary de-listing of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise till the completion of all the required formalities and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution.

RESOLVED FURTHER THAT Mr. B. M. Basu, General Manager (Finance), be and is hereby authorized to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further authorized to do all such acts, deeds or things as required to give effect to the aforesaid resolution."

By Order of the Board of Directors
For **SQL STAR INTERNATIONAL LTD**

Place: Hyderabad
Date : 24th June 2006

Sandhya K.
Company Secretary

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under items 5 to 6 set out above is annexed hereto.
2. 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.
3. The Register of Members and Transfer Books of the Company will remain closed from 31st July, 2006 to 5th August 2006, both days inclusive.
4. 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 am to 1.00 pm up to the date of the Annual General Meeting.
5. Members seeking any information with regard to accounts of the company are requested to send their queries to reach at least 10 days before the meeting, to enable the management to keep the information ready.
6. Members are requested to inform the Company's Registrars and Share Transfer Agents (RTA) viz., Karvy Computershare Pvt.Ltd, Unit: SQL Star International Limited, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500034, before 18th August, 2006 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, Registered Office: SQL Star House, 13, Infocity, Madhapur, Hyderabad - 500081 and requests for share transfer may be sent directly to Transfer Agents of the company.
7. As per Section 109 A of the Companies Act, 1956, nomination facility is available to individual shareholders. 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).
8. Members are requested to fill-up and submit the ECS Information Form to the Registrars & Transfer Agents at the address given herein above.
9. Members are requested to bring their copy of the Annual Report to the meeting.
10. Shareholders/Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed and signed, for admission to the meeting hall.

Annexure to Notice

Brief particulars of Directors proposed to be appointed/ re-appointed, as required to be furnished under the Listing Agreement, Corporate Governance code:

Name of Director	Mr. Brij Kumar Tankha	Mr. Harsh Dalmia
Date of Birth	February 07, 1943	March 17, 1978
Date of Appointment	January 01, 1991	May 12, 2005
Qualification	B.E. (BITS - Pilani), M.S. (Management Science in Finance and Marketing) (West Coast University), M.S. (Computer Science) (USC, USA)	Bachelor of Arts in Communication Studies from Bobson College of Boston, Massachusetts.
Expertise in specific functional areas	Over 30 years of experience in the IT Industry. Consultant to Xerox Corporation, USA (1.5 yrs), 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). Co-promoted SQL Star	Over 5 years of experience in spheres of financial planning, strategic opportunities, Mergers & Acquisition Advisory and Equity Placement Services and good understanding of the financial markets in India

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act 1956]

Item # 5:

For the purposes of raising funds for acquisition of companies for in-organic growth plans and other corporate requirements, the Company proposes to raise up to 10 million US\$ by way of an issue of Global Depository Receipts (GDRs) or FCCBs or through the QIP route.

Consent of the shareholders is sought for issuing Securities as stated in the resolution which result in issuance of further shares of the Company in accordance with the terms and nature of Securities to be issued by the Company. The Board, in consultation with its Lead Managers, Merchant Bankers and other Advisors, will finalize detailed terms of the issue including in relation to the pricing of the issue which will be fixed keeping in view the capital market conditions/practices and guidelines, if any, issued by the Securities and Exchange Board of India (SEBI). The proposed resolution is an enabling resolution to authorize the Board of Directors to mobilize adequate resources to meet the growing needs of the Company by way of issue of GDRs/ADRs/FCCBs and other Securities.

Under the proposed Special Resolution, consent of the shareholders is sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with Stock Exchange in India where the Company's securities are listed.

Section 81 of the Companies Act, 1956 and the listing Agreement provides, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in general meeting decide otherwise.

Since the Special Resolution proposed at item no. 4 may

result in issue of shares of the Company otherwise than to the members of the Company consent of the shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and the Listing Agreement.

The Board of Directors recommend passing of the Special Resolution at item no. 4 of the Notice.

None of the Directors of the company is in any way concerned or interested in the said resolution.

Item # 6:

The equity shares of the Company have been listed on Delhi Stock Exchange Association Limited, Hyderabad Stock Exchange Limited and Bombay Stock Exchange Limited. It has been observed that there has been virtually 'nil' trading of Company's shares at the regional stock exchanges (i.e., DSE & HSE). Neither any benefit is available to the members nor any purpose is being served by continuing the listing on these stock exchanges particularly when Company's shares are listed and traded regularly on the Bombay Stock Exchange Limited, which has nationwide and extensive trading terminals set-up for investors to have on-line dealings in Company's equity shares.

In view of the above, the Board of Directors has decided to de-list the Company's securities from DSE and HSE.

Though the Company has taken members' approval for de-listing company's securities from the DSE and HSE, at the last Annual General Meeting, it could not act upon it. Hence the Board of Directors proposes this resolution for the members' approval, as they found no justification for continuation of listing in DSE and HSE and further the de-listing of shares from these Stock Exchanges will help in reduction of costs in terms of listing fees and reduced compliances. However your Company's securities will continue to be listed at the Bombay Stock Exchange Limited.

None of the Directors of the company is in any way concerned or interested in the said resolution.

Company information



Board of Directors

Mr. N R Ganti, Chairman and
Managing Director
Mr. K Jayabharat Reddy, Director
Mr. Brij Kumar Tankha, Director
Mr. Jai Narain Khandelwal, Director
Mr. D Ravichander Babu, Director
Mr. Harsh Dalmia, Director
Ms. Indu Gupta, Director
(Nominee of IFCI Venture Capital
Funds Ltd)

Company Secretary

Ms. K Sandhya

Bankers

State Bank of India
Overseas Branch,
Jawahar Vyapar Bhawan,
1-Tolstoy Marg,
New Delhi - 110001.

Auditors

M/s. Maharaj N. R. Suresh & Co.
Chartered Accountants
9 (Old 5), II Lane, II Main Road,
Trustpuram,
Chennai - 600024.

Registered Office

SQL Star House
13, Infocity,
Madhapur
Hyderabad - 500081.
Tel: 040-23101600-603
Fax: 040-23101663

Overseas Office

USA

SQL Star International Inc.
7094 Miratech Drive,
Suite 200,
San Diego,
CA 92121
Tel: 01-858-2717555
Fax: 01-858-2717519

Singapore

International SQL Star Pte.Ltd
11 Collyer Quay
#12-02, The Arcade
Singapore 049317
Tel: +65-63244424
Fax: +65-63244425

U K

SQL Star International Limited
Pentax House
Southhill Avenue
South Harrow
Middlesex
HA2 ODU
Tel: +208-9384600
Fax: +208-9384675

Software Development Center Hyderabad

SQL Star House
13, Infocity,
Madhapur
Hyderabad - 500081.
Tel: 040-23101600-603
Fax: 040-23101663

Delhi

A-38B, Kailash Colony
New Delhi - 110048
Tel: 011-296234047, 29235847,
29235848, 29232898
Fax: 011-29234175

Education Centers

Mumbai

II Floor, Citi Point, Rajashri Sahu
Maharaj Road (Telli Gully), Andheri
(East), Mumbai - 400069
Tel: 022-26822343 / 2344
Fax: 022-26822336

Kolkata

2nd Floor, Kankaria Estate, 6, Little
Russel Street, Kolkatta - 700071
Tel: 033-22830289 / 0290
Fax: 033-22830429

Hyderabad

4, Motilal Nehru Nagar, 1st Floor,
Begumpet, Hyderabad - 500 016
Tel : 040-27763125 / 27766501 / 67516
Fax: 040-27761921

Chennai

3rd Floor, Dwaraka, 36,
Nungambakkam High Road,
Chennai - 600034
Tel : 044-4211 8332 /
28252067 / 2013
Fax : 044-4211 8331

Pune

2nd Floor, Mittal Court, A Wing, Rasta
Peth, Off : Ambedkar Road,
Pune - 411001
Tel : 020-56048401 / 8402 / 26129937
Fax : 020-26121104

New Delhi

IIIrd Floor, Andhra Association
Building, 24 & 25,
Lodhi Road,
New Delhi - 110003
Tel : 011- 24601539 / 2904 /
1598 / 1541
Fax: 011-24655875

Bhubaneswar

B-41, Sahid Nagar, Opp: R.D.Women's
College, Bhubaneswar - 751007
Tel : 0674-2546122 / 5844,
Fax: 0674-2546468

Bangalore

40/4, 3rd Floor, Above Mandovi
Motors, Lavelle Road,
Bangalore - 560001
Tel : 080-22277681 / 882 / 774
Fax :080-22277764



CMD's statement

The logo for Report Junction.com, featuring the word "Report" in a light grey font, a yellow diamond shape with a black arrow pointing upwards and to the right, and the word "junction.com" in a light green font. The entire logo is enclosed in a rounded rectangular frame with a light green border.

Dear Shareholders

Two of the biggest issues facing our industry in recent times have been the need for small business customers to work with solutions that result in efficient business processes leading to their growth, and the need to seek companies that provide such solutions cost effectively and optimally to customers in the Indian market.

At SQL Star, we are proud to have provided for both these eventualities in our reinvented business model.

For 19 years, our Company created the enviable reputation of a high-end quality IT educator, the business accounting for around 50% of our revenues. On the other hand, our software development business was fragmented, and lacked focus.

In July 2005, the Company's Board of Directors overhauled the management team, lines of activity and its business model, thereby enhancing its portfolio clarity and creating the foundation for sustainable growth.

"Our business goal is to create a platform wherein knowledge meets business"

On the 'Knowledge Harvesting' business model

The Company's business goal is to create a platform where knowledge meets business.

On the one hand, we will train and create a pool of 'market-ready' professionals who can be suitably deployed on internal projects through the Enterprise Solutions (ES) arm, while on the other, we will staff external industry requirements through our Strategic Resource Grouping (SRG) arm.

At SQL Star, this business model is as attractive on the upside as it is de-risked on the downside. While the ES segment will empower the Company to provide solutions to external customers, the SRG segment will provide trained resources to other Companies. The captive use of trained resources from within the Company's training business will enable it to mobilise competencies and minimise attrition.

At SQL Star, we believe that this model will not only help us optimise internal resources for responding to offshore projects, but also help us achieve an edge over our competitors in delivering a one-stop solution in knowledge training, enterprise solutions and resourcing.

On being the only IT educator to provide business relevant IT education

The sustainability of our business model cannot be over-emphasised.

After establishing itself as the leading offshore destination for IT and BPO services over the last decade, India is targeting to grow its offshore IT and BPO industries at higher than 25% per annum, with the objective to generate exports of \$60 billion by 2010.

Interestingly enough, this problem of manpower is likely to be more of suitability than of availability, as the industry hires specialist expatriates and fresher talent in its desperate attempt to plug the resource gap.

SQL Star is attractively placed in this scenario. The Company's integrated education model will strive to make students in the IT and non-IT fields (comprising 80% of students passing out of colleges) IT-ready in the shortest possible time, thus addressing a national priority on one hand a corporate opportunity on the other.

The SQL Star differentiator is going to be an extension beyond mere 'employability' (normal technology training) to 'understandability' (business insight) through

the following initiatives:

- Launch of a modified course curriculum dovetailed to real industry needs
- Integration of theoretical knowledge through 'live' projects
- Increase in the number of knowledge centre points
- Introduction of consultants as faculty

In view of this differentiated approach, the Company expects to enhance throughput through a wider dispersal of training centers and commensurate course fee - a volume and value play over the coming years.

On the domestic IT scenario

This brings us to our second business of IT outsourcing and consulting.

Over the last few years, one of the biggest and overlooked IT outsourcing opportunities, has been the business opportunity arising from within India. Even as most software service providers have focused on providing services outside the country, few companies have dared to look within. As a result, even as India is one of the fastest growing economies of the world, there is a vast room for enhancing the role of cutting-edge technology within Indian companies today.

Although the domestic consulting market is only 1-2 percent of the global market, it has attracted all the international giants like Accenture, IBM, Booz Allen,

Bain, KPMG and Forrester on account of its vast potential. As business technology consulting in India gravitates towards a larger number of higher value projects at one end, IT companies will need to service the growing needs of small and medium businesses at the other with cost-effective, timely and easy-to-maintain IT solutions. It is not only the banking and financial services (BFSI), telecommunications and manufacturing sectors, but also sectors such as pharmaceutical, auto ancillary, retail and infrastructure that will drive IT growth in India over the coming years.

As a result, while the IT outsourcing business directed at Indian companies is growing at 30% a year, the consulting IT market is growing at CAGR of 17.4% since 2004 and is expected to be around Rs. 1067.4 cr by 2009. Over the next five years, domestic spending on outsourced IT services is projected to more than double from Rs. 103 billion in 2004 to over Rs. 238 billion in 2009.

At SQL Star, we see another opportunity in this reality: While major software service providers have set up massive offshore development centres across cities and hired graduates in large numbers, most have paid scant attention to the development of intellectual property or specialisation in vertical industries. As a result, for most service providers, the typical business model is simply a cost-play based on labor arbitrage, which in our opinion is neither long-term nor sustainable.

At SQL Star, we believe that Indian firms wanting to ride the IT wave will need to look at what their customers are increasingly expecting from technology partners. Customers are putting a greater demand on technology