



# Knowledge Meets Business

Report  junction.com



**Twentieth Annual Report**  
**2006-07**

# CONTENTS

Twentieth Annual Report  
2006-07

Financial Highlights	01
Company Information	02
Chairman's Message	05
Directors' Report	08
Management Discussion & Analysis	13
Report on Corporate Governance	23

## Stand Alone Financials

Auditor's Report	34
Balance Sheet	37
Profit & Loss Account	38
Schedules	39
Cash Flow Statement	51
Balance Sheet Abstract	53
Report under Section-212	54

## Consolidated Financials

Auditor's Report	55
Balance Sheet	56
Profit & Loss Account	57
Schedules	58
Cash Flow Statement	71

## Subsidiaries' Financials

SQL Star International Inc., USA	73
International SQL Star Pte. Ltd., Singapore	79
SRP Consulting Pty. Ltd., Australia	91

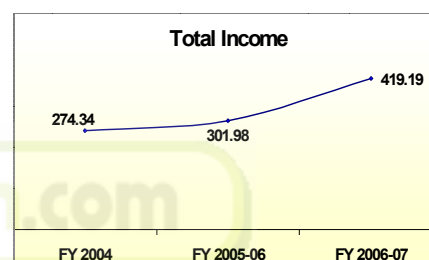
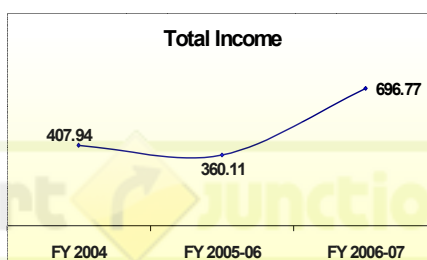


## Financial Highlights

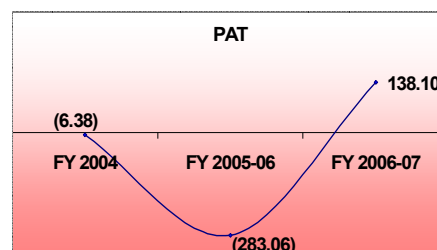
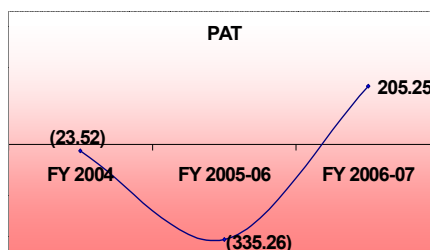
Rupees in Millions

	Consolidated			SQL Star, India (Stand Alone)		
	FY 2004 (12 Months)	FY 2005-06 (15 Months)	FY 2006-07 (12 Months)	FY 2004 (12 Months)	FY 2005-06 (15 Months)	FY 2006-07 (12 Months)
Sales from Operations	407.94	360.11	696.77	274.34	301.98	419.19
Other Income	12.49	15.05	10.68	12.49	15.05	10.68
<b>Total Income</b>	<b>420.43</b>	<b>375.16</b>	<b>707.45</b>	<b>286.82</b>	<b>317.03</b>	<b>429.86</b>
Expenditure	406.72	380.94	639.11	264.94	289.64	381.78
Interest	9.53	8.28	10.12	8.11	7.44	6.63
Depreciation	14.37	18.42	21.99	13.31	17.33	18.30
<b>Total Expenditure</b>	<b>430.61</b>	<b>407.64</b>	<b>671.22</b>	<b>286.35</b>	<b>314.41</b>	<b>406.71</b>
<b>Profit before Extra-ordinary items</b>	<b>(10.19)</b>	<b>(32.47)</b>	<b>36.23</b>	<b>0.47</b>	<b>2.62</b>	<b>23.15</b>
Extra-ordinary items	12.55	287.73	(150.09)	6.07	281.87	(95.68)
<b>Profit after Extra-ordinary</b>	<b>(22.74)</b>	<b>(320.20)</b>	<b>186.32</b>	<b>(5.60)</b>	<b>(279.25)</b>	<b>118.83</b>
Income Tax	0.78	15.05	(18.93)	0.78	3.81	(19.27)
<b>Profit after Tax</b>	<b>(23.52)</b>	<b>(335.26)</b>	<b>205.25</b>	<b>(6.38)</b>	<b>(283.06)</b>	<b>138.10</b>
<b>Earnings Per Share in Rs. (#)</b>						
- Basic	(1.68)	(18.02)	8.56	(0.41)	(15.71)	5.46
- Diluted	(1.68)	(11.39)	8.06	(0.41)	(9.93)	5.14
(# ) After Extra-ordinary items						

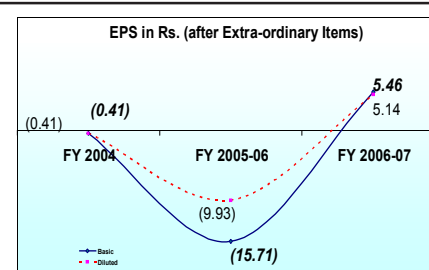
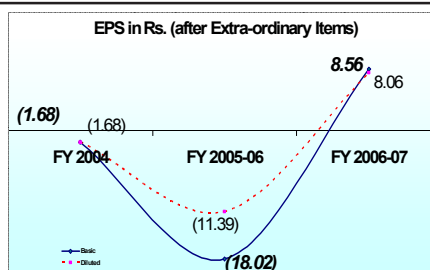
**Total Income**  
(Rs. in Millions)



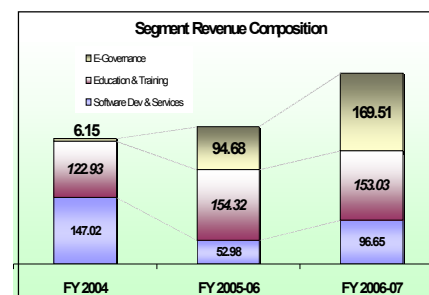
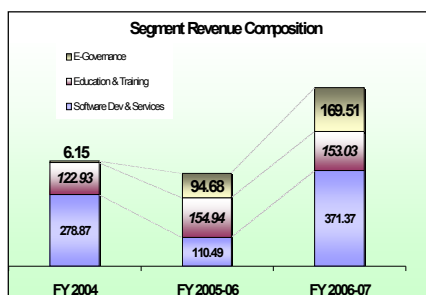
**Profit After Tax**  
(Rs. in Millions)



**Earning Per Share**  
(Amount in Rs.)



**Segment Revenue Composition \***  
(Rs. in Millions)



\* For the year ended March 31st 2007

## Company Information

### BOARD OF DIRECTORS

**Mr. N.R. Ganti,**  
Chairman & Managing Director

**Mr. K. Jayabharath Reddy,**  
Director

**Mr. Jai Narain Khandelwal,** Director

**Mr. D. Ravichander Babu,**  
Director

**Mr. C.P. Khandelwal,**  
Additional Director

### GM - FINANCE & ACCOUNTS

**Mr. K.V. Sai Prasad**

### COMPANY SECRETARY

**Mr. Korepu Mallesham**

### REGISTERED OFFICE

'Sanali Info Park', B-Block,  
4<sup>th</sup> Floor, 8-2-120/113,  
Road No. 2, Banjara Hills,  
Hyderabad – 500033  
Tel: +91-40-23101600 (30 Lines)  
Fax: +91-40-23101663

### BANKERS

ICICI Bank Ltd.  
Khairatabad Branch, 6-2-1012, TGV Mansion,  
Khairatabad, Hyderabad - 500 004.

### STATUTORY AUDITORS

Maharaj N.R. Suresh & Co.,  
Chartered Accountants  
9 (Old No.5), II Lane, II Main Road,  
Trustpuram, Chennai – 600024.

### INTERNAL AUDITORS

M. Bhaskara Rao & Co.,  
Chartered Accountants  
5-D, 5th Floor, Kautilya, 6-3-652,  
Somajiguda, Hyderabad-500 082

### LOCATIONS

#### DELHI

FB04, STP-NSIC, NSIC Bhavan  
Okhla Industrial Estate, New Delhi-110 020

#### RAJASTHAN

351, JSEL Building, JLN Marg,  
Malviya Nagar, Jaipur - 302018.

#### CHANDIGARH

83, Sector 11A,  
Chandigarh - 160011.

#### BHOPAL

B-15, Amrapali, Enclave, Charimali Extn,  
Chuna Bhatti Road, Bhopal-462 016

#### BANGALORE

40/4, 3<sup>rd</sup> Floor, Above Mandovi  
Motors, Lavelle Road,  
Bangalore – 560001

#### BHUBANESWAR

B-41, Sahid Nagar, Opp: R.D. Women's  
College, Bhubaneswar – 751007

#### CHENNAI

3<sup>rd</sup> Floor, Dwaraka, 36,  
Nungambakkam High Road,  
Chennai – 600034

#### HYDERABAD

4, Motilal Nehru Nagar, 1<sup>st</sup> Floor,  
Begumpet, Hyderabad – 500016

#### KOLKATA

2<sup>nd</sup> Floor, Kankaria Estate, 6, Little  
Russel Street, Kolkatta – 700071

#### MUMBAI

II Floor, Citi Point, Rajashri Sahu  
Maharaj Road (Telli Gully), Andheri  
(East), Mumbai – 400069

#### NEW DELHI

III Floor, Andhra Association Building,  
24 & 25, Lodhi Road,  
New Delhi – 110003

#### PUNE

2<sup>nd</sup> Floor, Mittal Court, A wing, Rasta Peth,  
Off: Ambedkar Road, Pune – 411001

### WHOLLY OWNED SUBSIADARIES

#### USA

SQL Star International Inc.,  
7094 Miratech Drive,  
Suite 200, San Diego, CA 92121

SQL Star International Inc.,  
One Ethel Road, Suite 102-B  
Edison, NJ 08817

#### SINGAPORE

International SQL Star Pte. Ltd  
100 Beach Road, # 13-01, Shaw Tower  
Singapore 189702

#### AUSTRALIA

SRP Consulting Pty Ltd  
8/ 83 George Street,  
Parramatta, NSW 2150

## Knowledge Centers & India Locations



## Corporate & Overseas Locations



---

### **Our Vision**

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

### **Quality Policy**

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

### **Quality Objectives**

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

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

To strive for increasing the productivity of the resources.

To strive to complete 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 personal.

---





## Chairman's Message

*Dear Shareholders,*

Fiscal 2006 -2007 has seen your Company achieve commendable growth in revenues and profits.

While the worldwide consolidated revenues grew by over 88 percent and crossed Rs 700 Mn, the domestic revenues grew by about 36 percent and reached nearly Rs 430 Mn.

Your Company was able to achieve this unprecedented growth because the Management of your Company had taken determined steps to become operationally efficient in India and strategically effective globally. If I may recall, in the previous report I had mentioned that "the Company's Board of Directors overhauled the Management Team, lines of activity and its business model, thereby enhancing its portfolio-clarity and creating a foundation for sustainable growth". These steps have yielded positive results.

Additionally, to improve operations efficiency, we disposed off the overhead laden premises at Madhapur near HITEC City, Hyderabad and moved to a more ergonomic and energy efficient premises situated at Sanali Info Park, Road No 2, Banjara Hills. With this change, we have been able to achieve better space utilization, more employee convenience, lower energy consumption and easier commute and communications for the Software Development Center as well as the Global Corporate Headquarters.

Your Company derived revenue from 3 broad streams i.e.

1. Knowledge Services
2. Enterprise Services and
3. eGovernance Services.

I would like to dwell on each of them in a little detail.

### 1. Knowledge Services - On A Trajectory of Growth

The Knowledge Services Division had traversed a level performance path over the last 2 years and has now risen on a relatively steep growth trajectory. It has recorded growth of nearly 25% over the results for the corresponding period of the previous year. We achieved this growth

- ⇒ **By broadening our offerings**, - by providing "business relevant IT education" as I had promised last year
- ⇒ **By strengthening our existing alliance** with ORACLE,
- ⇒ **By adding to our strategic alliances** – with global entities like Sun Microsystems, RedHat, and Indian educational institutions & IT Companies and
- ⇒ **By improving operational efficiency** at all the knowledge centers.

Our first differentiator is the courses that are offered to IT students and IT professionals. These courses are a blend of official curriculum from ORACLE, Sun Java or RedHat and industry-oriented curriculum that is designed by us.

Our second differentiator is that we design and deliver for corporate houses, courses with a performance-oriented curriculum as against merely learning-oriented ones. These courses are customized specifically to meet the needs of IT companies or organizations that use IT extensively for their business.

Students that have trained at our centers are now employed with global IT Companies as well as IT user organizations. And organizations that have sent their employees to our corporate courses have seen enhancement in their own overall performance. As a result, we have more individuals coming to our centers and more organizations engaging our corporate training services. We routinely train professionals from Companies such as WIPRO, Infosys, Genpact, Mastek, Capgemini, Satyam, Hutch and so on.

To complement the instructor-led training (ILT) strengths we also have a strong eLearning solutions team which helps create Web Based Training (WBT) material. As a result well established industry verticals like Banks, Insurance and Airlines form part of our growing client base. We are actively pursuing opportunities in India, USA and Europe.

## 2. Enterprise Services

It is a fact that we are well known in the high-end IT Training space, but we are equally renowned as a reliable enterprise-wide software services & solutions provider. I am glad to report that we are scoring one success after another in this segment and adding to the revenues and brand equity of your Company.

We did commendably well in Software Development and ERP Implementation, but it is Strategic Resourcing that has emerged as the growth-engine for us.

**Strategic Resourcing** is essentially Consulting & Technical Staffing – as the world knows it – but with a big value addition from us. We not only provide technical staff to our customer companies, but use our experience in Software Development and ERP implementation to obtain in-depth understanding of the customer's needs. Then we use our strengths in training on Technologies – ORACLE, LINUX, Microsoft, Java etc., – to groom our engineers to suit the specific needs of customers. This practice is a big success and our business is scaling up rapidly. This year's growth in revenues from Software Development & Services is a standing testimony of this success.

To continue, the Consulting & Technical Staffing segment is a highly competitive but rewarding one internationally. When handled well, this segment is a perennial revenue earner. The opportunity for high-end technical staffing is growing at a tremendous rate in the US markets. For us, this holds out the promise of being the biggest growth engine for the next fiscal year.

Our metrics-based management approach, combined with strong project management, enabled us to manage multiple, large-scale, and complex client implementations simultaneously throughout the year. We plan to use the lessons learnt from this success and combine them with our enviable strength in high-end IT Training. We shall develop a workforce in cutting-edge technologies and then deploy it in the high-end technology markets.

To this end, our projects in Software Development, Embedded Systems and ERP Implementation shall act as the real-life incubation units for the engineers that we groom for our consulting services.

## 3. eGovernance Services

eGovernance Services emerged as the third major revenue stream for 2006 – 07 and has clocked a growth of nearly 80% this year.

We are currently executing projects on a Build Own and Operate (BOO) basis for the Governments of Madhya Pradesh and Union Territory of Chandigarh. The benefits of these projects have been reaped by the farmers, traders and citizens at large. And so these projects have been commended by the Government of India through awards and citations. These projects have an inherent potential to scale-up over the next few years.

We have ongoing engagements with prestigious organizations like National Thermal Power Corporation, Delhi Development Authority, Jamia Millia Islamia University and National Horticultural Board. The learning from these projects is being prototyped for replication in similar locations of the country. Consequently, we are actively pursuing opportunities in several other states and the combined value is estimated conservatively at Rs 4000 Mn..

## 4. Overseas Subsidiaries

Our US Subsidiary, SQL Star International Inc., continues to grow as high value customers get added steadily. The acquisition of the assets of SolutionNet Inc. – which we had reported earlier – has contributed to the growth in revenues this year.



In May 2007 we acquired TalentFuse Inc., a pureplay Technical Staffing Services Company based in San Diego, California. This Company has become part of our US subsidiary and has created value for us in terms of direct high-end market reach and local presence. This 5 year old Company has reported strong and repetitive growth year on year and is a tier 1 vendor to several Fortune 500 Companies in the Telecommunications business. Therefore it gives us direct access to business opportunities that we could not reach earlier.

TalentFuse has under execution, quite a few contracts, and holds promise of being the main growth propellant for the next year. The promoter and middle management of this Company have committed to stay on with the Company and this adds to our optimism.

## 5. Growth Strategy and The Way Forward

We believe that for a Company of our size, there is tremendous opportunity for growth. And it can be fuelled by consistent performance in conventional markets and aggressive pursuit of opportunities in emerging markets.

Our growth strategy would be evolved around the following

- ⇒ Our ability to “manufacture” Industry-Ready IT professionals to fit specific industry segments
- ⇒ Our ability to prototype robust processes and replicate them across multiple locations and continents
- ⇒ Our strength in building curriculum for high-end training
- ⇒ Our strength in delivering content across the Internet
- ⇒ The experience that we have acquired in implementing the eGovernance projects
- ⇒ Our quick reflexes in process re-engineering and financial re-engineering

In India we see emerging opportunities in eGovernance projects in all States, Distance-Learning initiatives in Universities, eLearning initiatives in several industry verticals, and ERP implementation business in traditionally managed enterprises.

The latest initiative on our anvil is technology-enabled education. This has potential to cut across physical boundaries and expand our student client-base from the existing 12,000 per year to 100,000 per year in next two years. We are working towards offering a blend of Internet based on-line training to supplement classroom-based instructor-led training at the University level in India, to start with. Previews of this initiative have yielded a good response from the academicians, University administrators. I am confident that we will have very encouraging reports for you in this regard the next year.

Overseas, we see opportunities in Consulting Services, Embedded Systems Product Development and e-Learning Solutions. To enable us to pursue these opportunities with quick reflexes in the USA, we have announced the opening of software development and support centers in California and New Jersey.

While we aim for quantum growth in emerging markets, we remain committed to increasing our base of customers in the existing markets. We shall work diligently and continue to serve the needs and meet the expectations of all our existing customers.

Lastly but not the least, we shall continue to keep a watchful eye on the welfare of our employees who are our main assets. We shall ensure that their aspirations are nurtured and satisfied while aligning their services and capabilities with the goals of the Company.

It has been indeed a gratifying year for me personally and professionally, and I would like to thank the employees for their commendable performance and commitment, our Board of Directors for their guidance and support, our bankers for their continued co-operation and our clients and shareholders for their continued trust in us.



**N.R. Ganti**

Chairman & Managing Director  
 SQL Star International Limited

## Directors' Report

To the Members,

Your directors are pleased to place before the shareholders, the 20<sup>th</sup> Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March 2007.

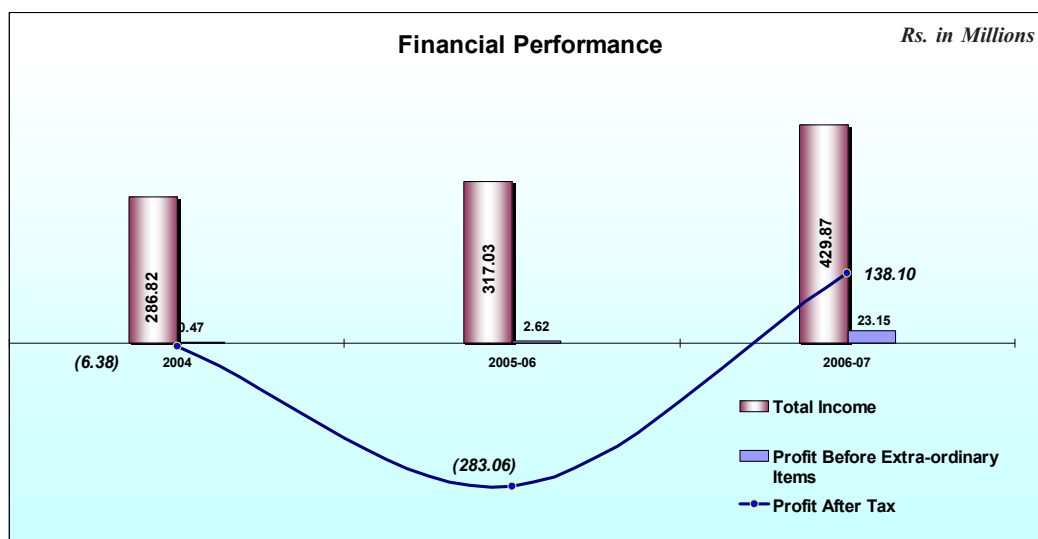
### Financial Results

*Rs. in Millions*

Particulars	2006-07 (12 Months)	2005-06 (15 Months)
Sales	419.19	301.98
Other Income	10.68	15.05
Total Income	429.87	317.03
Expenditure before Depreciation, Interest and Tax	381.78	289.64
Interest and Finance charges	6.63	7.44
Depreciation and Amortization	18.30	17.33
Profit before Prior Period/Extraordinary items	23.15	2.62
Prior Period Adjustments / Extraordinary items	(95.68)	(281.87)
Provision for Tax including Deferred Tax	(19.27)	(3.81)
Profit / (Loss) after Tax	138.10	(283.07)
Add: Tax for previous year (excess provided)	-	0.26
Add: Surplus brought forward	(282.30)	0.50
Balance carried to Balance sheet	(144.21)	(282.30)

### Business Performance

Total revenue increased to Rs. 429.87 Mn from Rs. 3,17.03 Mn in the previous year, at a growth rate of 35.59 %. The operating profit increased by 782.62 %, from Rs. 2.62 Mn to Rs. 23.15 Mn. The profit after tax increased to Rs.138.10 Mn from Rs. (283.07 Mn).



During the financial year 2006-07, your Company achieved strong business growth, and was successful in delivering high value to customers. Your Company through its subsidiaries in US, Singapore and Australia acquired the consulting business of SolutionNet Group - a US-based consulting and product group with an annual turnover of approximately US\$ 5 million in consulting. It has on-site consulting businesses spread over the US, Australia and Singapore. Your Company continuous to grow both organically and inorganically and shall continue the same future also.

As part of its growth strategy, your Company has during the year made a foray into the domestic SME market segment and has entered into contracts with fast growing companies in the field of pharmaceutical, biotechnology, infrastructure etc. for their entire Information Technology (IT) management and Enterprise Resource Planning (ERP) solutions

Your Company has joined hands with Thomson Prometric to offer a wide spectrum of tests for career oriented IT Professionals. Thomson Prometric is a part of the Thomson Corporation, one