21st Annual Report 2007-08

OBSOLESCENCE
PROOFED

SQLSTAR ®

KNOWLEDGE TO KEEP YOU IN BUSINESS

CONTENTS

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 personnel.

Offices in India and Overseas

Company Information

BOARD OF DIRECTORS

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

Mr. C. P. Khandelwal,
Director

Mr. K. Jayabharath Reddy,
Director

Mr. Jai Narain Khandelwal,
Director

GM - FINANCE & ACCOUNTS
Mr. K. V. Sai Prasad

COMPANY SECRETARY
Mrs. Parul Dua

REGISTERED OFFICE
'Sanali Info Park', B-Block,
4th 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

CHANDIGARH
83, Sector 11A,
Chandigarh - 160011.

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

BANGALORE
40/4, 3rd Floor, Above Mandovi
Motors, Lavelle Road,
Bangalore – 560001

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

CHENNAI
3rd Floor, Dwaraka, 36,
Nungambakkam High Road,
Chennai – 600034

HYDERABAD
4, Motilal Nehru Nagar, 1st Floor,
Begumpet, Hyderabad – 500016

KOLKATA
2nd 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
2nd 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
SQL Star International Pty Ltd
8/ 83 George Street,
Parramatta, NSW 2150

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Chairman's Message

Dear Shareholders,

It gives me great pleasure to share with you the progress that your Company has made during the last year, in terms of business, strategy and plans.

With great sense of pride and joy, I would like to announce that your Company's consolidated revenues crossed Rs. 100 Cr and revenues from Indian operations crossed Rs. 50 Cr during the last year. It was indeed, was an eventful and gratifying year.

Your Company's growth has been rising steadily over the last few years with ever increasing revenue base. In the process, we are creating an agile and flexible organization that is able to deliver based on new and innovative business models while scaling your global capabilities and footprint to take advantage of the strong demand of your service globally.

For the coming year, we have set for ourselves aggressive growth targets for ourselves and will determinedly act towards achieving these targets.

In the previous year, the Company's Board of Directors had overhauled the Management Team, its lines of activity and its business model, thereby enhancing its portfolio clarity and creating a foundation for sustainable growth. I am glad to report that this has yielded good results.

There are number of challenges. Some are expected, some unexpected, as we progress along the road to growth. We commit overselves to overcoming these challenges and achieving rapid growth, in our endeavor to provide value to all our stakeholders.

Last year, our revenues came from 3 broad streams.

1. Knowledge Services
2. Enterprise Services, and
3. e-Governance Services

Now, I give you a few details on each of them.

1. Knowledge Services

The Knowledge Services Division whose mainstay has been high-end IT Education continues to grow linearly with revenues touching all-time-high revenue of Rs. 17.50 Crore during the previous fiscal.

We achieved this growth by offering courses that are a blend of official ORACLE/SUN/REDHAT curricula customized and curricula from SQL Star. We have also offered courses for Corporate Executives by developing a performance-

oriented curriculum as opposed to merely learning-oriented one. This has also been a noteworthy success. In the Corporate Learning space, we opened major accounts with some of the IT Majors, Large System Integrators and Corporate Houses last fiscal.

Workforce Development Alliances with SUN, Oracle and Red Hat continue to feature as an integral part of the profile of the Knowledge Services Division. We are continuously honing competencies and refining our expertise to improve the width and depth of our service offerings.

While historical operating results have been strong, the real opportunity lies in the future, the real opportunity ahead lies in capitalizing on the anticipated continuous high demand for "technology education" based on the following macro level trends within the global economy and specifically, India.

- Reduced Barriers to Entry
- Technology as a Global Language
- Cost Savings
- Next Generation Technology
- Global Demand for Employees
- India's Infrastructure and Technology Driven Social Revolution

In this direction, your Company has developed Web based Learning Portal "www.*thelearningport.com*" and launched it formally in the 1st week of March, 2008. The content-rich portal offers learning in a blend of Instructor-led training, self paced learning, and collaborative exercise, making it pervasive to all.

The 4 user categories of the portal are:-

- *Students*
  - Regular Students
  - Students under the Education for Employment Initiative
- *Colleges*
- *Corporate Houses*
- *Government Departments*

Your Company realize the importance in implementing a business growth effort centered in leveraging its current strengths and resources in coordination with aggressively implementing the following expanded, enhanced, and upgraded marketing strategies.

Education for Employment (EfE) Initiative

For years, one of the stated objectives of our enterprise is to contribute towards the improvement of the employability of the student population in IT sector. However, in the current year it has been given additional thrust for the obvious reasons. E-for-E initiative is a concrete step in this direction. The strategy of the E-for-E initiative is to extend our services backwards, into the college campuses to provide comprehensive supplemental courses (based on industry inputs) including live projects so that the students become readily employable the day they graduate. Our endeavor would be to impart such education at affordable prices so that large number of students can derive benefit from it.

This is an initiative that we have conceived to address the growing shortfall in employable graduates in the IT industry. This is in response to appeals from industry to the academia to focus efforts on improving suitability of the candidates to fill the jobs that are getting created rapidly in the Indian IT Industry. Considering that over 200,000 students graduate in Computer Science and IT from Indian Universities, and that the industry needs just as many every year, but only 25% of them get employment immediately upon graduation, it is evident that the problem is more of quality than of quantity.
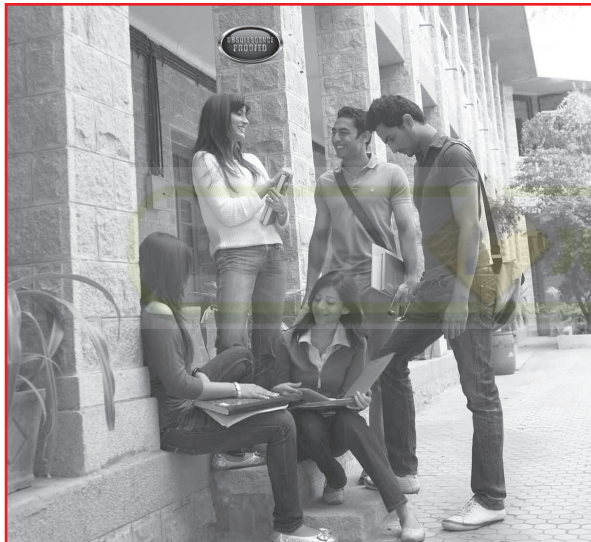
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For want of better alternative, a vast majority of companies have developed a recruitment philosophy to hire for general ability and attitude rather than specialized domain and technical skills. They rely on their own training and development departments to impart the skills required. **With the rise in inflation, dropping of margins and increase in competition globally, the budget for these activities are now under strain.** This is where there is scope for our enterprise to step in and fill the gap swiftly. Using our credibility and standing as trainers to employees of global leaders in IT, we are going early into the campuses and offering industry-readiness courses so that the students reach employability standards by the day they graduate. To complete the circle, we are showcasing these students' performance profiles to the employers, so that they have a realistic assessment of the students much before the campus interviews. Employers are in a position to pick and choose the right candidates and thus, vastly reducing the need for post recruitment training or retrenchment.

This initiative has taken off successfully, and employers recruiting the products of our short term certification programs, expressing their satisfaction on the yield. Long term programs are being successfully launched. Employers are accepting this model as an excellent solution to meet their fresher recruiting needs with a high yield and in a cost effective manner. Students seeing this as a never-before means of actually coming up to the Industry's standards.

Broadening our offerings:

The latest offerings in our portfolio are online self-paced courses and projects online. We are entered into strategic alliance with Skillsoft, who are world leaders in development and delivery of self-paced online learning content. Their courses are held in premium globally and till date, were available only to the Corporates. This strategic alliance allows us to offer these courses to individuals and that too at affordable prices in India. For projects online, we are building in-house, the framework for giving students a complete SDLC (Software Development Life Cycle) experience. We have incorporated the use of web 2.0 utilities and tools, which is the contemporary requirement in the IT industry today.

Proprietary E-Learning Content Development:

Significantly expand both development of e-learning content and the ability for the content to be accessed/utilized through the Internet. This is an important aspect of SQL Star's business strategy moving forward. Deliverability of educational material via the Internet reduces excessive overhead, improves teacher/professor efficiencies, and also allows for the Company to reach markets that are too difficult to enter due to geographical stumbling blocks and barriers.

When appropriate, specific content may be secured through a strategic business acquisition, to further diversify SQL Stat's educational offerings within specific technological fields or with companion type material (e.g., accounting, finance, sales management, etc.)
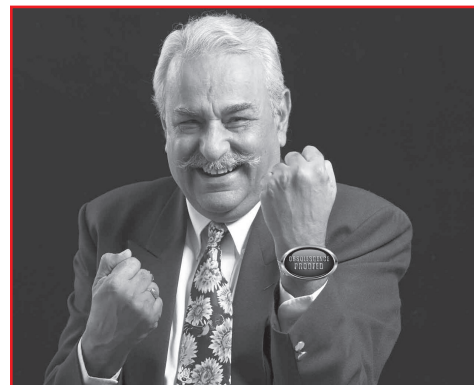
Satellite Site Expansion:

Approximately 20 satellite centers on the Pan India, will be established to expand the geographical reach of the Company. The satellite centers will be built-out/established in existing facilities by joint venturing with colleges, private employers, and other groups and located in technology centers and hubs. The satellite sites will be based on more of a "Virtual" classroom concept (i.e., V-SAT based training) that facilitates interaction with top industry professionals, corporate partners, and leading colleges.

2. Enterprise Services

This Division comprises of a host of self-sustaining business units covering Strategic Resourcing, Embedded Solutions, Software Development, ERP Implementation, and Technology Managed Services. It has been moving from success to success, adding to the revenues as well as to brand equity. This division clocked revenues of Rs. 67.28 Cr during the last year.

While we are very well known in the IT Training space for the last two decades, we are also consolidating our reputation as a successful provider of Embedded Solutions and Strategic Resourcing solutions.

Embedded Solutions

In the Embedded Systems space, we are executing prestigious and sensitive projects in the USA as well as in India. The end users for those projects are Government agencies and World's largest Telecom Majors. This speaks of the credibility that we have established in these markets. These successful projects are cornerstone for repeated orders which will have sustainable revenue streams at better margins. These successes have led our customers to repose confidence in us and consider giving us their business in other technology areas. Our clients have signed an agreement with us as exclusive partners for maintenance of their Embedded Linux eco-systems.

We have also launched our own-patented product EMBINUX, which is being reviewed by Telecom majors in the USA for embedding into mobile handsets by various manufacturers. Using the indigenous Software Product Engineering and Quality Assurance Service (SPEQS) practice, we provided best quality solutions/services and in-time delivery. SPEQS is a unique suite of Outsourced Engineering Services, leveraging the Global Delivery Model, which helps product companies gain significant cost leverage without compromising quality. For the EMBINUX Product, your Company was awarded the "Special Jury Award" in the best product category by "HYSEA (Hyderabad Software Exporters Association) Awards in Hyderabad.

Strategic Resourcing

This division's business model is to straddle the entire supply chain from Education to Consulting, thereby making a Win-Win proposition for us and the Client. With this approach and using the Integrated Learning and Resourcing (ILR) solution, your Company has placed High-end Business Process Management (BPM) Consultants with IT Majors and Large System Integrators. This solution is being well received by the Industry and we are beginning to see a significant increase in traction with other Companies.

3. e-Governance

Your Company is currently executing projects on a Build Own and Operate 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. The e-Governance business unit has continued to be a major revenue earner and has yielded revenue of Rs. 20.91Cr during the last year. Through the Citizen Services Center project at Chandigarh, your Company has, during

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the last year, introduced many new services/activities, winning the confidence of Citizens as well as the Department of Information Technology, Chandigarh yet again.

Overseas Subsidiaries

Our US Subsidiary, SQL Star International Inc., continues to grow as high value customers, both in consulting practice as well as in Embedded Solutions practice, get added steadily. The acquisition of Talent Fuse Inc., - which we reported earlier – has been successfully integrated with our US Subsidiary and has created value in terms of direct high-end market reach and presence.

Our operations in Singapore and Australia region have been consistently growing. During the last year new practices like Business Intelligence (BI) Implementation and Support, Microsoft Sharepoint etc., have been established and bagged some major orders. All our efforts are being laid to further consolidate our operations in these regions.

Growth Strategy and Way Forward

In spite of IT slow down and continued recessionary conditions in the USA, your Company is optimistic and anticipates a good year ahead in 2008-09 with the following actions:-

- Increasing the Total Addressable Market (TAM)
- Major thrust on E-f-E program
- Increased product offerings in all segments
- Content development in-house - move away from royalty model
- Reduce the delivery cost through use of Technology
- Delivering Human Capital Development Solutions
- Drive growth through Integrated Learning and Resourcing solutions
- Sharp focus on Embedded Solutions

Concluding Note

As I have been emphasizing, all of SQL Star's businesses are in the sweet spot of strong growth. We have the game-plan and strategy to leverage the opportunities and realize our true growth potential. Our vision, dedication, determination and unflinching commitment will ensure that our businesses are run on a sustainable basis that all our stakeholders win. This will help SQL Star to deliver sustainable and profitable growth in 2008-09 and beyond.

On the basis of the current trends, the year's ahead looks to be highly encouraging and I am quite optimistic about our performance in the coming years.

I thank all shareholders, alliance partners, bankers and employees of our Company for all the support and encouragement given to us so far and hope for their continued support. Let me assure you that our hunger for growth is far from satiated, our ambitions far from fulfilled and Vision far from achieved. Everyone at SQL Star is charged to give her/his best.

Yours Sincerely,

N.R. Ganti
Chairman & Managing Director
SQL Star International Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure to present the 21st Annual Report on the business and operations of the Company together with the Audited Financial Accounts for the year ended 31st March 2008.

The financial highlights of the Company during the last year are as follows:

(Rupees in Lakhs)

Particulars	SQL Star Group Consolidated		SQL Star, India (Stand alone)	
	Financial Year		Financial Year	
	2007-08	2006-07	2007-08	2006-07
Income from Training & Software Services	10,568.27	6,939.08	5,063.85	4,191.88
Other Income	61.87	135.40	46.37	106.77
Total Income	**10,630.14**	**7,074.48**	**5,110.22**	**4,298.65**
Expenditure before Depreciation, interest	9,631.10	6,391.16	4,575.90	3,817.76
Interest and finance charges	153.01	101.19	111.10	66.33
Depreciation and amortization	307.82	219.89	139.09	183.04
Profit before prior period/Extraordinary items	**538.21**	**362.24**	**284.13**	**231.52**
Prior Period Adjustments/Extraordinary items	-	(1,500.93)	-	(956.76)
Provision for tax including deferred tax	153.49	(189.30)	146.18	(192.68)
Profit / (Loss) after Tax	**384.72**	**2,052.47**	**137.95**	**1,380.96**
Add: Surplus brought forward	(2,342.63)	(4,395.10)	(1,442.06)	(2,823.02)
Balance carried to balance sheet	**(1,957.91)**	**(2,342.63)**	**(1,304.11)**	**(1,442.06)**
Earning Per Share (in Rs.)				
Before Extraordinary Items	1.77	2.99	0.63	1.19
Basic	1.70	2.79	0.61	1.11
Diluted				
After Extraordinary Items				
Basic	1.77	11.13	0.63	7.49
Diluted	1.70	10.37	0.61	6.98

Business Performance

For the financial year ended March 31, 2008, your Company's consolidated total income is Rs. 10,568.27 lakhs as compared to Rs. 6,939.08 lakhs in the previous financial year, registering a growth of 52%. The Profit before Tax is Rs. 538.21 Lakhs as against Rs. 362.24 Lakhs in the previous year, registering a 49 % increase.

On a stand alone basis, the Indian Company reported total income of Rs. 5,110.22 lakhs as compared to Rs. 4,298.65 lakhs in the previous financial year, registering a growth of 21%. The Profit before Tax is Rs. 284.13 Lakhs as against Rs. 231.52 Lakhs in the previous year, registering a 23 % increase.

Growth in all business segments has contributed to these results. Profits have grown largely due to higher margins.