



Software Development &  
Services

Education &  
Training



e- Governance





## CONTENTS

Company Information.....	2
Chairman's Message.....	3
Directors' Report .....	7
Management Discussion & Analysis.....	13
Report on Corporate Governance .....	23

### Stand Alone Financial Statements

Auditor's Report .....	35
Balance Sheet .....	38
Profit & Loss Account .....	39
Schedules .....	40
Cash Flow Statement .....	56
Balance Sheet Abstract .....	58
Report under Section-212 .....	59

### Consolidated Financial Statements

Auditor's Report .....	61
Balance Sheet .....	62
Profit & Loss Account .....	63
Schedules .....	64
Cash Flow Statement .....	81

### Subsidiaries' Financial Statements

SQL International Inc., USA .....	83
International SQL Star Pte. Ltd., Singapore .....	89
SQL Star International Pty. Ltd., Australia .....	101



## 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 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, IAS (Retd),**  
Director

**Mr. Jai Narain Khandelwal,**  
Director

### GM - FINANCE & ACCOUNTS

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

### REGISTERED OFFICE

"SQL Star House"

No. 8-2-293/174/A 25,

Road No. 14, Banjara Hills,

Hyderabad – 500034

Tel: +91-40-23101600 (30 Lines)

Fax: +91-40-23101663

### BANKERS

YES Bank Ltd.

Ground Floor, Mayank Towers,

6-3-1090/B/1 & 2, Raj Bhavan Road,

Somajiguda, 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

### PRACTICING COMPANY SECRETARY

R & A Associates

Company Secretaries

F.No. 101, Sapthagiri Residency,

Chikoti Gardens, Begumpet,

Hyderabad - 500 016.

### LOCATIONS

#### 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

#### BHOPAL

B-15, Amrapali, Enclave, Charimali Extn,

Chuna Bhatti Road,

Bhopal-462 016

#### CHANDIGARH

83, Sector 11A,

Chandigarh - 160011.

### WHOLLY OWNED SUBSIADARIES

#### USA

SQL Star International Inc.

7094 Miratech Drive,

Suite 200, San Diego, CA 92121

#### SINGAPORE

International SQL Star Pte. Ltd

100 Beach Road, # 13-01, Shaw Tower

Singapore 189702

#### AUSTRALIA

SQL Star International Pty Ltd

Level 7, Suite 7, Strathfield Plaza,

11, The Boulevarda, Strathfield,

NSW 2135



## Chairman's Message

*Dear Shareholders,*

It gives me immense pleasure to share with you the performance of the Company for the financial year 2008-09.

The year 2008-09 will possibly be known as a year in which principles of economics were challenged, longstanding beliefs were broken and business strategies were put to test. In the widespread slowdown globally, industries across wide spectrum in every country around the world were severely impacted. The largest, most successful and most profitable businesses that no longer exist bear testimony to this very fact.

While your Company is not immune to the severe economic challenges and uncertainty around the globe, I am happy to say that your Company has been able to weather through this rough phase by adopting some significant strategic steps and thus, emerged out of this as a strong and resilient Company. Many companies, similar in size to your Company and offering services similar in nature, have either closed its operations or struggling to sustain through this rough phase. Thus, we remain confident in our proven ability to perform well in a hostile business environment by maintaining our commitment in delivering value to our customers.

The year 2008-09 comprised of two radically different halves. In the first half of 2008-09, your Company reported moderate growth in revenues and the future prospects looked promising, however as the events did not unfold as anticipated owing to unprecedented economic crisis; the second half was extremely difficult, with the revenues and profitability dipping, as compared to the first half.

Global recession continues to affect the IT investments made by businesses. Keeping in view the macro-economic conditions and uncertainty on recovery of the US economy in the near term, the management has decided to take a conservative approach and hence, has provided for 100% impairment of goodwill and other intangible assets in its wholly owned subsidiary Company in US. As a consequent, the Management has made provision to the extent of Rs. 26.90 Cr towards diminution in the value of its investments made in the USA subsidiary.

Your Company offers a wide variety of services encompassing Software Development and Services viz., Technology Training, Consulting Services and Technology backed e-Governance services. We believe that our key competitive strengths and unique value propositions which include market focused expertise and capabilities, strong business model, deep understanding of our customers and their needs, and robust systems and processes, enable us to find traction in the marketplace even in challenging market conditions. Some of our compelling solutions especially in "Embedded Wireless and Software("EWS")" services have been built by us on substratum of engineering excellence, depth in technical capabilities and a keen understanding of the business processes.

Your Company operates in the following primary business segments:-

- ❖ Knowledge Services
- ❖ E-Governance
- ❖ Software Development & Services

## 22<sup>nd</sup> Annual Report 2008-09

Allow me to give you some insights into each of these business segments.

### 1 KNOWLEDGE SERVICES

From a macro perspective, it is readily apparent that the demand for education within India is and will be significant. Education and skill enhancement is the top priority on the agenda of both the government and the private sector. Education remains one of the powerful factors in providing individuals with the ability to improve their quality of life, increase earning power, and provide the basic foundation for future economic growth. While the spending on supplementary IT education has seen a slowdown with lower employment opportunities, the main driver for IT education going forward will be to meet the skill shortage that the IT industry is currently facing. Although investment in new technology and off-shoring has witnessed a slowdown, committed investments in IT will need skilled manpower to maintain and support existing infrastructure. Applied Learning and Online supplemental education can be a huge boost to improving skills and your Company is well positioned itself to play pivotal role in bridging the skill-set gap between the academia and industry and enabling the Students/Learner in being productive from the very start of his/her professional employment.



On-line learning is now the buzz in the era of internet and keeping in pace with the changing times, your Company has developed the Technology Enabled Learning Platform [www.thelearningport.com](http://www.thelearningport.com) to deliver blended Learning solutions which has been well accepted in the market. Using this platform, “blended” Learning Solutions (combining classroom study with e-learning programs to deliver rich education using web 2.0 tools) are being offered to Students/Learners and has become an integral component of current products/course offerings.



In the Enterprise Learning and Training Services space, your Company has bagged orders for providing technology training to Government Departments, Public Sector Undertakings, and Nationalized Banks. It is a matter of pride that we are strategic training partners to 4 of the top 5 IT Companies in India. In this context, I am happy to share with you that India's 2<sup>nd</sup> largest IT Company has recognized your Company as preferred Training Partner for its employees and associates. I am pleased to inform you that your Company has been recognised as the 'Most Promising Certified Training Partner for the year 2007-08' by Red Hat India in the 6<sup>th</sup> Annual “Red Hat Global Learning Services” meet at Kovalam, Kerala, India.

### 2 E-GOVERNANCE

Your Company is currently executing projects on a Build, Operate and Transfer basis with the Madhya Pradesh Agricultural Marketing Board (“EVKI Project”) and Department of Information Technology (Project e-Sampark), Chandigarh Administration, Union Territory of Chandigarh.

During the year 2003, your Company signed the Project Agreement (“EVKI Project”) with Madhya Pradesh Agricultural Marketing Board (“Mandi Board”) and successfully completed the 1st phase of rollout in the year 2005. Since then, your Company is providing necessary support relentlessly to various stakeholders of the Project viz., the Farmers, the Traders, the Mandi Board and the Government, thereby meeting the basic objectives of the EVKI Project.





Project e-Sampark was initiated to bring together the services of all the departments under a single umbrella and give the citizens of Chandigarh a multi-service, single window experience. In this connection, your Company had set-up and operating 10 Sampark Centers and 11 Jan-Sampark Centers across the Union Territory of Chandigarh. The acceptability from Citizens of Chandigarh is increasing day by day and in terms of number of transactions, it has increased from 1.90Lacs in the year 2004-2005 to 19Lacs in the year 2008-09.

During the period under review, the following additional services have been added into the e-Sampark operations:-

- ☐ Collection of school fee from 105 Govt Schools
- ☐ Data entry and acceptance of VAT/CST returns from Traders
- ☐ Internet payment Gateway feature
- ☐ Acceptance of LIC premiums

In March' 09, the Department of Information Technology, Chandigarh Administration have conducted a survey to get the feedback from the citizens on the functioning of these centers. It has been found from the survey report that majority of citizen have given excellent feedback on the performance of the centers.

### 3 SOFTWARE DEVELOPMENT & SERVICES

#### 3.1 Embedded Wireless and Software Services

The new service offerings in Embedded Wireless and Software ("EWS") business unit has enabled us to move up the value chain in Embedded Linux and Android platform eco-system and offer innovative solutions to the customers. Over the last twelve months, there has been a substantial swing in momentum in our target market segment in switching from proprietary mobile platforms to a more open and flexible mobile computing platform. Your Company plans to build on its strengths in this fast emerging technology space and continue to add high value and differentiated services, thereby capitalize on the numerous opportunities that are being created in these uncertain times.



#### 3.2 Strategic Resourcing

In order to sustain in times of economic recession, all efforts have been made to improve the operational efficiencies without effecting our customer satisfaction. We have brought down the operational costs by right-sizing the team structure, assigned multiple roles to the existing team, worked more closely with our clients to understand their pain areas and offered them cost effective solutions. We have replaced high cost under utilized consultants with resources who can be sourced at more aggressive costs and can be optimally utilized. We have also adopted many other costs saving measures due to which we have managed to retain our existing clients and slowly adding up to our existing business. We have also provided proper and timely replacement of consultants who left the organization. Your Company has taken this as an opportunity to increase its bottom line by hiring the new replacement resources at lower salary than the existing one. Hence, even in this economic slow down we managed to retain our existing clients and the profit margins and are slowly adding up to our existing business.

#### 3.3 Overseas Subsidiaries

**3.3.1 SQL Star International, Inc, USA (SQL Star, USA)** is primarily involved in providing IT consulting and execution of Embedded Wireless and Software projects. The EWS business unit is an increasingly important part of our strategy and our expected future results. The IT consulting businesses across USA, which is the major revenue driver of SQL Star, USA, has been severely affected, directly or indirectly, due to reduced spending on IT by corporate houses/large system integrators. SQL Star, USA has not been able to insulate itself entirely from adverse market conditions. However, it has not been as severely impacted as its competitors, due to the fact that the company's major focus is on non-IT and non-Financial Services verticals. The EWS business unit has forged a strategic partnership with Texas Instruments, a world leader in the wireless semiconductor industry; and acquired five marquee customers – Qualcomm, Motorola, Texas Instruments, Novatel Wireless, and Kyocera Wireless. The smartphones, mobile internet devices, netbooks, and consumer electronics industry is a large, growing and vibrant

## 22<sup>nd</sup> Annual Report 2008-09

market. This in turn creates numerous opportunities for SQL Star, USA to provide professional engineering and system integration services tailored for open mobile platform based device development. SQL Star, USA has taken quite a few initiatives in terms of rationalizing manpower cost and control over operating costs, so as to improve the profitability.

**3.3.2 International SQL Star Pte Ltd, Singapore (SQL Star, Singapore)** is primarily into IT consulting and execution of Software Projects. On the Software Projects side, SQL Star, Singapore has established itself as one of the credible player in Business Intelligence, Microsoft Sharepoint and .Net Technologies. SQL Star, Singapore has been recognized as Microsoft's most preferred Vendor on "Business Intelligence & Share Point" platforms . Due to global recession and consequent job cuts by clients, the revenues from consulting business have taken a dip from Nov' 08 onwards. However, we have gained good traction on the projects side and bagged a few orders; some of them are in the Government space. SQL Star, Singapore has taken quite a few initiatives in terms of rationalizing Manpower Cost and control over operating costs, so as to improve the profitability.

**3.3.3 SQL Star International Pty Ltd, Australia (SQL Star, Australia)** primarily provides IT Consulting Services In June' 08, Australian Immigration Department cancelled the visas for certain companies involved in the consulting business and this has negatively impacted the business of SQL Star, Australia, like other Staff augmentation Companies operating in Austrelia. However on making a representation during Oct' 08 to Australian Immigration Department about our product offerings, SQL Star, Australia was granted 10 visas and the pipeline is very healthy. It is proposed to completely integrate SQL Star, Singapore with SQL Star, Australia in terms of practices & deliveries.

### Way Forward

Your Company is not immune to the harsh economic realities that lie ahead in the year 2009-10 and with this foresight; your Company's complete focused efforts will be towards agility, innovation and operational excellence. Your Company has always adapted quickly to changing circumstances by its responsive and creative thinking. We have also put in place several initiatives to obtain significant cost efficiencies. We believe that these measures and continued focus on innovation will put us firmly on the road to getting back to posting decent growth in revenues and normalized profitability levels.

### Our Strategy

- ❖ Growing our current businesses organically remains a key priority
- ❖ Our goal is to build enduring relationships with both existing and new clients.
- ❖ Effectively integrate on-site and off-shore capabilities to deliver seamless, scalable and cost-effective services.
- ❖ Pursue alliances with leading technology providers, that complement our core competencies
- ❖ Thrust is to refocus our resources to generate increased returns from our more established products / service offerings.

### Acknowledgements to stakeholders

I take this opportunity to convey my sincere thanks to all shareholders, alliance partners, bankers and the employees of our Company for all the support and encouragement given us to so far and hope for their continued support going forward. Let me assure you that the future holds new promise for your Company.

Warms Regards,



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



## DIRECTORS' REPORT

*Dear Shareholders,*

Your Directors take pleasure to present the 22<sup>nd</sup> Annual Report on the business and operations of the Company together with the Audited Financial Accounts for the year ended 31<sup>st</sup> March 2009.

### 1. The financial highlights of the Company :-

(Rupees in Lakhs)

Particulars	SQL Star Group Consolidated		SQL Star, India (Stand alone)	
	Financial Year		Financial Year	
	2008-09	2007-08	2008-09	2007-08
<b>INCOME:</b>				
- Sales/Income from Operations	8,685.35	10,252.88	4,208.90	4,748.46
<b>Total</b>	<b>8,685.35</b>	<b>10,252.88</b>	<b>4,208.90</b>	<b>4,748.46</b>
<b>EXPENDITURE :</b>				
- Staff Cost	5,378.91	5,727.23	1,400.66	1,262.36
- Other Expenditure	1,401.75	1,456.74	969.78	866.4
- Direct & Outsourcing	1,649.31	2,131.75	1,649.31	2,131.75
- Depreciation & Amortization	423.08	307.82	217.42	139.09
<b>Total</b>	<b>8,853.05</b>	<b>9,623.54</b>	<b>4,237.17</b>	<b>4,399.59</b>
<b>Profit/(Loss) from Operations before Other income, interest &amp; exceptional items</b>	<b>(167.70)</b>	<b>629.34</b>	<b>(28.27)</b>	<b>348.86</b>
- Other Income	33.15	61.88	32.25	46.37
<b>Profit/(Loss) before interest &amp; exceptional items</b>	<b>(134.55)</b>	<b>691.22</b>	<b>3.98</b>	<b>395.23</b>
- Interest	175.90	153.01	125.51	111.1
<b>Profit/(Loss) before exceptional items and Tax</b>	<b>(310.44)</b>	<b>538.21</b>	<b>(121.53)</b>	<b>284.13</b>
- Exceptional Items	2,692.49	-	2,692.49	-
<b>Profit/(Loss) from Ordinary Activities before tax</b>	<b>(3,002.94)</b>	<b>538.21</b>	<b>(2,814.02)</b>	<b>284.13</b>
Tax Expenses	270.29	153.49	256.31	146.18
<b>Profit/(Loss) from Ordinary Activities after tax</b>	<b>(3,273.23)</b>	<b>384.72</b>	<b>(3,070.33)</b>	<b>137.95</b>

### 2. Business Performance

Your Company is a leading global Information Technology Company, primarily into IT Services & Consulting Services. The Company is involved in integrated operations of Knowledge Services, E-Governance, Software Development and Services. In each of the lines of businesses, the Company has built key strategic partnerships with industry leaders in these segments. The company enjoys elite partnerships with fortune 1000 companies such as ORACLE, Sun Microsystems, and RedHat etc. Our service delivery process puts a tremendous emphasis on quality. It is one of the first organizations to obtain the ISO 9001:2000 certifications in India.

The global economy is going through an unprecedented crisis and many industries are affected by it directly or indirectly. The Indian IT industry has also been affected by this crisis.

On a stand alone basis, the Parent Company reported total income of Rs.4,208.90 Lakhs as compared to Rs. 4,748.46 Lakhs reported in the previous financial year, registering a decline of 11%, which is primarily due to negative growth across all the business segments, in the backdrop of global recession and reduction in IT spending by Industries across wide spectrum. During the period under review, the Company reported Earnings before Interest, Deprecation, Tax and

## 22<sup>nd</sup> Annual Report 2008-09

exceptional items of Rs. 189.15 Lakhs, as compared to Rs. 487.95 Lakhs reported during the corresponding period of last year. The Company reported loss before tax and exceptional items of Rs.121.53 Lakhs as against profits of Rs. 284.13 Lakhs in the previous year.

Keeping in view the macro-economic conditions and uncertainty on recovery of US economy in the near term, the management has decided to take a conservative approach and hence, has provided for 100% impairment of goodwill and other intangible assets in its wholly owned subsidiary Company in US. As a consequent, the Management has made provision to the extent of Rs. 26.90 Cr towards diminution in the value of its investments made in the USA subsidiary, which was reported under the exceptional items in the financial statements. Consequently, the Company reported Net Loss after tax of Rs. 3,070.33 Lakhs as against the Net Profit after Tax of Rs. 137.95 Lakhs in the previous year.

For the financial year ended 31st March 2009, your Company consolidated total income stands at Rs. 8,685.35 Lakhs as compared to Rs. 10,252.88 Lakhs in the previous financial year, registering a decline of 15%, which is primarily due to the fact that Company's major chunk of revenues of wholly owned subsidiaries come from Staffing Operations and the staff augmentation companies across USA, Singapore and Australia were severely affected, directly or indirectly, due to reduced spending on IT by Corporate Houses/Large System Integrators; SQL Star has not been able to insulate itself entirely from adverse market conditions. During the period under review, the Company reported Net loss before tax and exceptional items of Rs. 310.45 Lakhs as against Net profit of Rs. 538.21 Lakhs during the same period of last year. Consequent to making provision of Rs. 26.90 Crores towards diminution in the value of investments in the USA subsidiary, the Company reported Net Loss after tax of Rs. 3,273.23 Lakhs as against the Net Profit after Tax of Rs. 384.72 Lakhs in the previous year.

### 3. Dividend

Due to the loss incurred during the year, the Board of Directors of your Company does not recommend any dividend for the Financial Year 2008-09.

### 4. Auditors

The Statutory Auditors, M/s. Maharaj N. R. Suresh & Co, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have confirmed their eligibility and willingness to be re-appointed as the Statutory Auditors for the financial year 2009-10.

Explanation to Auditors Report as required under section 217(3) of Companies Act 1956.

Qualification in Clause No. of the Auditors Report	Directors Reply
3 (iii)(d)	The qualification is self explanatory.
3 (ix)(a)	The Company is facing tremendous pressure on working capital, due to long pending receivables from Madhya Pradesh Agricultural Marketing Board. While, the Company is regularly following-ups with all concerned Department Officials, but all steps have been futile. Due to this reason, the undisputed statutory dues including Provident Fund, Income Tax, Service Tax have not been regularly deposited with the appropriate authorities and there have been delays in a number of cases. The Company is taking necessary steps to clear the outstanding dues at the earliest.