



ANNUAL REPORT

2011 - 2012

SQL Star International Limited

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NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of **SQL STAR INTERNATIONAL LIMITED** will be held on Friday, the 28th day of December, 2012 at 10.25A.M. at The Central Court Hotel , Lakdi-ka-pool, Hyderabad - 500004 to transact the following business:

ORDINARY BUSINESS:

1. Adoption of Annual Accounts and Directors' Report for the financial year 2011-12

To consider and adopt the Balance Sheet as at 31st March 2012, the Profit & Loss Account for the year ended on 31st March 2012 along with the annexure and the reports of the Board of Directors and Auditors thereon.

2. Appointment of Director retiring by rotation

To appoint a director in place of Mr. C.P. Khandalwal and Mr. Mahesh Solanki who retires by rotation and being eligible, offers themselves for re-appointment.

3. Re-appointment of Auditors

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 and Co., Chartered Accountants, Chennai, FRN No. 001931S, 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 and remuneration payable for the audit and other service for the period 2012-13 be as under plus out of pocket expenses on actual basis:

- | | |
|---------------------------|---------------------------|
| 1. Statutory audit fee | Rs. 2,50,000/- |
| 2. Limited review | Rs. 12,500/- per quarter. |
| 3. Tax audit | Rs. 30,000/- |
| 4. Tax representation | Rs. 32,500/- |
| 5. Out of Pocket Expenses | Rs. Actual |

Certification of consolidated Financial Statements Rs 25,000/-.

TP Report & Certification are to be billed on mutually acceptable basis."

By Order of the Board
For SQL Star International Limited

Place : Mumbai
Date : 4th December, 2012

Sunil Gupta
Co-Chairman & Managing Director

NOTES:

- 1) The relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexured hereto.
- 2) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES 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 22-12-2012 to 28-12-2012 (both days inclusive) in connection with the Annual General Meeting.
- 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/Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed and signed, for admission to the meeting hall.
- 6) 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.
- 7) Members holding shares in physical form are requested to advise any change of address and all communication relating to shares immediately to the Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited (Unit: SQL Star International Limited). 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500081, Andhra Pradesh, India. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
- 8) Members / Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Copies of Annual Reports will not be provided at the Meeting.
- 9) As per Section 109A 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.

By Order of the Board
For SQL Star International Limited

Place : Mumbai
Date : 4th December, 2012

Sunil Gupta
Co-Chairman & Managing Director

Annexure to Notice

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

Name of Director	Mr. C P Khandelwal	Mr. Mahesh Solanki
Date of Birth	14.02.1959	06.08.1968
Date of Appointment	23.01.2007	27.01.2011
Qualification	Chartered Accountant	B.Com., M.Com., FCA, Diploma in Information Audit
Expertise in specific functional areas	Mr. C P Khandelwal has over two decades of experience in fund raising Equity & Debt, Financial / Corporate Restructuring, Mergers & Acquisitions and Merchant Banking. As a Corporate Financial Advisor, he advised his clients on Capital / Financial Restructuring, Valuations Business Models and Project Financing. Catering to a broad range of industry segments from entertainment to Manufacture, Power & Information Technology. Mr. C. P. Khandelwal has provided range of services from Merchant Banking, to Brokering in BSE (Capital), NSE (Capital and Futures & options), Depository Services (CDSL) and NCDEX.	More than 18 years of experience in dealing with various Financial matters, Audit, Consultancy, Financial / Corporate Restructuring, Mergers & Acquisitions and Merchant Banking, Information Systems Audit and Company Law.
Directorships held in Other Companies	<ol style="list-style-type: none"> 1. Super Star Exports Pvt. Ltd. 2. Systematix Capital Services Pvt. Ltd. 3. Systematix Fincorp (India) Ltd. 4. Systematix Shares & Stock (I) Ltd. 5. Systematix Commodities Services Pvt. Ltd. 6. Systematix Corporate Services Ltd. 7. Ceepeek Real Estate Ltd. 8. Rangsharda Properties Pvt. Ltd. 9. Shubhamangalam Real Estate Ltd. 10. Snehavardhini Real Estate Ltd. 11. Tek Point Properties Pvt. Ltd. 12. Funsign Real Estate Ltd. 13. Shivshakthi Real Estate Ltd. 14. Riteplaza Trading Company Pvt. Ltd. 15. Magicline Trading Company Pvt. Ltd. 16. Topcity Trading Company Pvt. Ltd. 17. Goldflag Exports Pvt. Ltd. 18. Goldlife Trading Company Pvt. Ltd. 19. Thirdwave Mercantile Company Pvt. Ltd. 20. Nikunj Mercantile Pvt. Ltd. 21. Systematix Finvest Ltd. 22. Siena Infotainment Pvt. Ltd. 23. Systematix Asset Management Company Pvt. Ltd. 24. Systematix Commodities Trading Pvt. Ltd. 25. Southern Wind Farms Limited 	<ol style="list-style-type: none"> 1. Gold Fin Capital Pvt. Ltd. 2. Systematix Corporate Services Ltd.
Committee position held in other Companies	Nil	2
No. of shares held in the Company	Nil	Nil

Our Vision

To be respected as a Leader in Information Technology and Knowledge Services by Unlocking Human Potential and Delivering value to Enterprises, Departments, undertakings and Communities.

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: 2008 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. C.P. Khandelwal,
Non-Executive Chairman
Mr. Sunil Gupta,
Co-Chairman & Managing Director
Mr. Jai Narain Khandelwal,
Director
Mr. Mahesh Solanki,
Director
Mr. Mohinesh Jagwani
Director

GM - FINANCE

Mr. K.V. Sai Prasad

REGISTERED OFFICE

601 & 602, No. 1-8-271, 272, 6th Floor,
Ashoka Bhoopal Chambers, Sardar Patel Road,
Secunderabad - 500003

BANKERS

Yes Bank Limited
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.

LOCATIONS

BANGALORE

406, Devatha Plaza, 4th Floor,
Residency Road,
Bangalore – 560025

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

PUNE

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

NEW DELHI

Aggarwal Cyber Plaza I, 201, 2nd floor,
Tower-A, Plot No. C 4,5,6,
Netaji Subhash Place,
Pitampura, Delhi - 110034.

BHOPAL

B-15, Amrapali, Enclave, Charimali Extn,
Chuna Bhatti Road,
Bhopal-462016

WHOLLY OWNED SUBSIADARIES

USA

SQL Star International Inc.
8820 Kenamar Drive,
Suite 506, San Diego, CA 92121

SINGAPORE *

International SQL Star Pte. Ltd
100 Beach Road, # 12-02, Shaw Tower
Singapore 189702

AUSTRALIA *

SQL Star International Pty Ltd
Level 7, Suite 7, Strathfield Plaza,
11, The Boulevarde, Strathfield,
NSW 2135

* under Liquidation process

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure to present the 25th Annual Report on the business and operations of the Company together with the Audited Financial Accounts for the year ended 31st March, 2012.

1. The financial highlights of the Company :

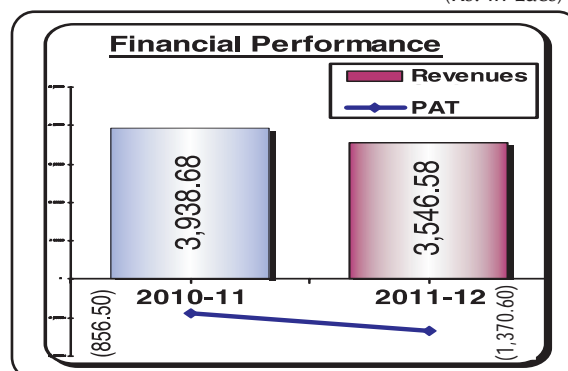
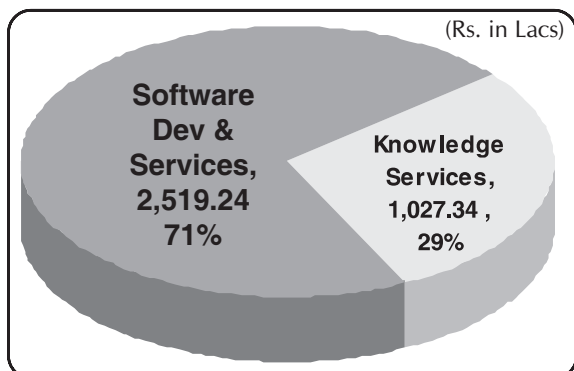
(Rupees in Lakhs)

Particulars	SQL Star Group Consolidated		SQL Star, India (Stand alone)	
	Financial Year		Financial Year	
	2011-12	2010-11	2011-12	2010-11
INCOME:				
- Sales/Income from Operations	3,546.58	3,938.68	1,513.19	1,778.16
Total	3,546.58	3,938.68	1,513.19	1,778.16
EXPENDITURE :				
- Staff Cost	2,898.71	3,004.99	1,026.33	1,112.79
- Other Expenditure	773.10	1,217.54	533.37	720.82
- Direct & Outsourcing	156.13	274.39	154.53	196.14
- Provisions	922.33	160.54	855.38	160.54
- Depreciation	295.84	215.75	257.79	190.75
Total	5,046.11	4,873.21	2,827.40	2,381.03
Profit/(Loss) from Operations before Other income, interest & exceptional items	(1,499.53)	(934.53)	(1,314.21)	(602.88)
- Other Income	156.33	86.91	158.71	71.16
Profit/(Loss) before Interest & exceptional items	(1,343.20)	(847.62)	(1,155.48)	(531.72)
- Interest	101.63	48.39	96.68	41.60
Profit/(Loss) After Interest, before exceptional items	(1,444.83)	(896.01)	(1,252.16)	(573.32)
- Exceptional Items	-	-	-	-
Profit/(Loss) from Ordinary Activities before tax	(1,444.83)	(896.01)	(1,252.16)	(573.32)
- Tax Expenses	(74.23)	(39.51)	(75.53)	(45.05)
Profit/(Loss) from Ordinary Activities after tax	(1,370.60)	(856.50)	(1,176.63)	(528.27)
- Extraordinary Items (net of Tax Expenses)	-	-	-	-
Net Profit/(Loss) for the period	(1,370.60)	(856.50)	(1,176.63)	(528.27)

2. BUSINESS PERFORMANCE

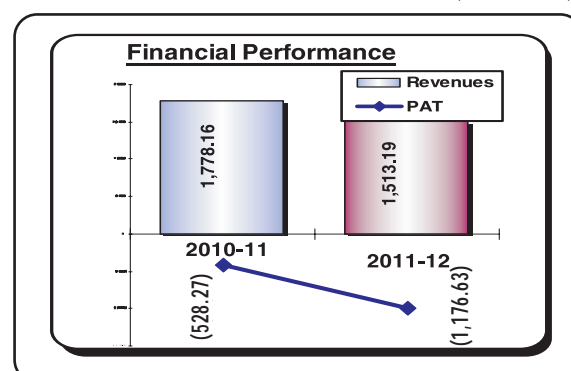
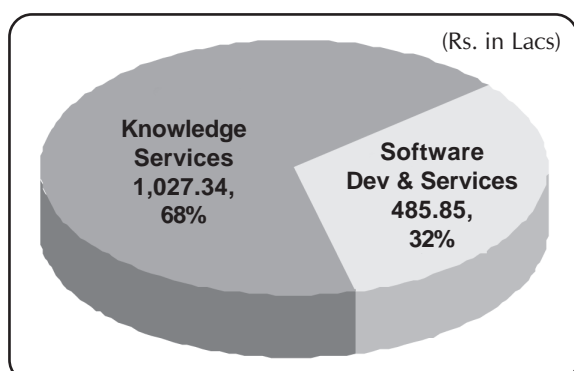
On a Consolidated basis, the Company reported total income of Rs. 3,546.58 Lacs in the FY 2011-12, as compared to Rs. 3,938.68 Lacs reported in the previous financial year, registering a decline of 11.06%. The loss after tax was Rs. 1370.60 Lacs in the FY 2011-12, as against Rs. 856.50 Lacs reported in the previous year.

(Rs. in Lacs)

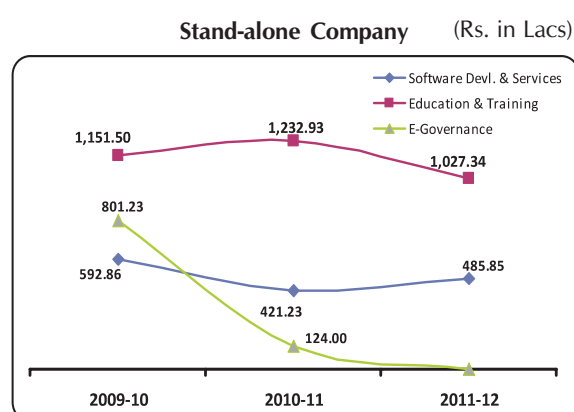
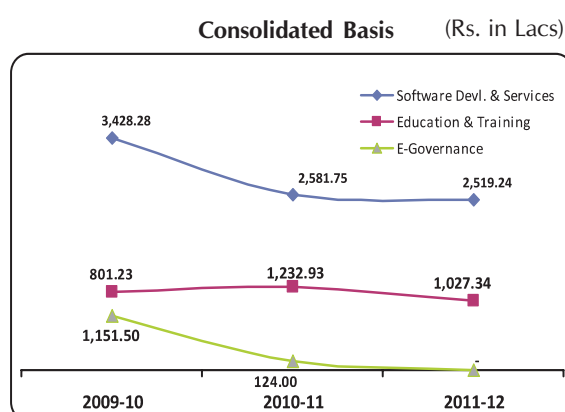


On a Standalone basis, the Company reported total income of Rs 1,513.19 Lacs in the FY 2011-12, as compared to Rs. 1,778.16 Lacs reported in the previous financial year, registering a decline of 17.51%. The loss after tax was Rs. 1176.63 Lacs in the FY 2011-12, as against Rs. 528.27 Lacs reported in the previous year.

(Rs. in Lacs)



Segment wise Revenues:-



2.1. Performance of SQL Star, India – Standalone Company

In the financial year 2011-12, the Global Economy faced fresh challenges with several of the major economies battling with issues of growth and solvency. The Indian economy witnessed a year of slower growth, high inflation and strong forex volatility, the situation exacerbated by slow pace of decision making by Government. In this environment, your Company focused on improving the return on capital employed and quality of balance sheet while re-engineering the Company's businesses for higher growth

During the financial year under evaluation the Company not delivered up to the mark in each of the segments that it operates in, and in every segment that it is focused on, despite the instability and turmoil in the macro situation that continues to endure. Revenues and earnings have not expanded as the Company leveraged a low order booked during the year. The Company also entered into few engagements in foreign markets, secured few orders from its existing small clients that enables off-shore capabilities in the Singapore. The global economic environment remains subdued although key economies such as the US are showing stability and some improvement, with a yet unresolved crisis in the Euro zone and signs of slower growth in many emerging economies.

In such business conditions, SQL Star has stayed focused on strengthening its order book, supporting its front-end team, furthering its track in the marketplace, and exploring areas for further efficiency enhancement as it enters the new financial year.

The Company is planning to invest in creating additional Marketing management team, augmenting its front-end sales organization, and expanding its delivery facilities. In line with its client and operating profile and to effectively meet future growth requirements, the Company has been enhancing its capabilities and organizational skill-base. The initiatives undertaken by the Company during the year under review should yield benefits in the future.

The main reason for the fall in the revenue of the stand-alone company was due to decline in revenues from the e-Governance vertical. As informed in our previous Annual Report, during the last fiscal, the Mandi Board had resorted to unilateral and un-lawful termination of the Service Contract for executing the Mandi Project and further, withheld dues to the Company from April' 08 onwards aggregating to Rs. 28.77 Cr (out of which Rs. 20.22 Cr pertains to billing raised on behalf of outsourcing partner). The Mandi Project was one of the major contributors to the revenues of the Company and the unilateral and un-lawful termination has severely impacted the Company financially and otherwise. The matter was referred for Arbitration proceedings. When the arbitration proceedings were in progress, the Mandi Board withdrew the arbitrator. In the meanwhile, the Company has filed a petition before the Honorable High Court of Madhya Pradesh, Jabalpur Bench seeking to appoint an arbitrator to complete the proceedings.

The Mandi Board has appointed Shri. Justice Arijit Pasayat (Retd.) as Arbitrator from their side. Considering the stature and the seniority of Shri. Pasayat, the Company has sent out a proposal to Shri. Pasayat, to accept as Sole Arbitrator to adjudicate on the subject issue, which was accepted.

Shri. Arijit Pasayat, the new Arbitrator being appointed to adjudicate on the on going issue between the Mandi Board and SQL Star, has convened the first meeting on 8th January, 2012 at New Delhi, to finalize the terms of my appointment as sole arbitrator, hearing schedules and other related issues. After hearing from both the parties, the new Arbitration has decided that the Arbitration proceedings will continue from the stage it was left by the previous Arbitrator. The Arbitration Proceedings are going on and Cross Examination of Claimant's have been done on 25th, 26th and 27th November 2011.

Further, the other e-Governance project viz., Sampark Project in the Union Territory of Chandigarh came to a logical conclusion as of Dec 31, 2010. The Department of Information Technology, Chandigarh is yet to complete the re-tendering proces.

2.2. Performance of Wholly Owned Subsidiaries

During the year under review, the Singapore Company reported an increase of around **4.07%** in its revenues, whereas the revenues of the USA subsidiary was down by around **34.55%**, mainly due to macro-economic conditions prevailing in the USA and also on account of no revenues from the Embedded Wireless and Software business unit, as it has been shelved by the Company.

(a) SQL Star International Inc., USA

During the year under review, SQL Star International Inc., USA, has generated **Rs. 451.52 Lakhs** in revenue and reported Loss before Interest, Depreciation and Tax of **Rs 0.34 Lakhs**, with loss after Tax of **Rs. 8.63 Lakhs**.

The Company has entered into Letter of Intent with a group of Investors for disposal of whole/part of its shareholding in its wholly owned subsidiary Company in the USA viz., SQL Star International Inc., and in its step-down subsidiary of the Company viz., Talent Fuse Inc.,

Provision for diminution in the value of investments in the Subsidiary Company is being recognised from time to time in the accounts and is provided in full.

(b) International SQL Star Pte. Ltd., Singapore

During the year under review, International SQL Star Pte Ltd., Singapore, has generated **Rs. 1,583.08 Lakhs** in revenue and reported Loss before Interest, Depreciation and Tax of **Rs. 151.93 Lakhs**, with Loss after Tax of **Rs. 187.86 Lakhs**.

Due to continuous cash losses, mounting of liabilities resulted from severe liquidity issues and exodus of key employees etc., the Board of Directors of M/s. International SQL Star Pte Ltd have decided to wound-up the affairs of the Company thru Creditors Voluntary Winding-up process. In this context, M/s. Chee Yoh Chuang and Abuthahir Abdul Gafoor of M/s. Stone Forest Corporate Advisory Pte Ltd., Singapore have been appointed as Official Liquidators for the purposes of such winding-up of the affairs of the Company.