rts Libar

STG

A name built on trust
A team poised for leadership
A company built to survive

Report Junction.com

ANNUAL REPORT 2001-02

CONTENTS

Board of Directors	3
Notice & Explanatory Statement	4-7
Directors' Report with Annexures	8-12
Corporate Governance Report & Auditors Certification thereon	13-15
Auditors' Report	16-17
Balance Sheet	18
Profit & Loss Account	19
Schedules Forming Part of Accounts	20-31
Balance Sheet Abstract	32
Cash Flow Statement & Reconciliation	33-34
Statement of Interest in Subsidiaries	35
Consolidated Financial Statements	36-46
Subsidiaries Financial Statements	47-64
Shareholders' Information	65-66

Registered Office
Software Technology
Group International Limited
175, Gautam Nagar,
New Delhi-110 049
Phone : (011) 6659790
Fax : (011) 6965949

Company Secretary & Compliance Officer

MR. RAJEEV SINGAL

Auditors of the Company
Jain Singhal and Associates,
Chartered Accountants,
E-189, Masjid Moth,
Greater Kailash-III,
New Delhi-110 048

Bankers of the Company
The Jammu & Kashmir Bank

G-40, Connaught Circus,
New Delhi-110001
Phone : 3310612, 3360652

HDFC Bank

C-5 Commercial Complex,
SDA, New Delhi-110 016
Phone : (011) 652 575051/52

Standard Chartered Grindlays Bank

M-1, South Extension-II,
New Delhi-110 049
Phone : (011) 625 5631/2671

BOARD OF DIRECTORS

SHRI YOGESH VAIDYA — *Chairman & Chief Executive Officer*

SHRI ASHOK MALHOTRA — *Wholetime Director*

DR. RAJAN SAXENA — *Director*

DR. S.M. PATHAK — *Director*

SHRI P.N. JAIN — *Director*

ReportJunction.com

committees in pursuance of corporate governance

Remuneration Committee	Investment Committee	Audit Committee	Shareholders/Investors Grievance Committee	Share Transfer Committee
Shri Yogesh Vaidya Dr. Rajan Saxena Dr S.M. Pathak	Shri Yogesh Vaidya Shri Ashok Malhotra Dr. Rajan Saxena	Dr Rajan Saxena Dr S.M. Pathak Shri P.N. Jain	Dr. S.M. Pathak Shri Ashok Malhotra Shri P.N. Jain	Shri Ashok Malhotra Shri P.N. Jain

NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the members of the Company will be held on Thursday, the 5th December, 2002 at 9.30 A.M. at Shah Auditorium, 2, Gujarat Samaj Marg, Civil Lines, Delhi-110054 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2002 and the Profit and Loss Account of the company for the period ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Yogesh Vaidya, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s Jain Singhal & Associates, Chartered Accountants, New Delhi, Company's retiring Auditors, being eligible and offering themselves for reappointment, be and are hereby reappointed as Auditors of the Company to hold the office until the conclusion of the next Annual General Meeting, on the remuneration to be fixed by the Board of Directors of the company along with permissible travelling and out of pocket expenses."

SPECIAL BUSINESS

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

4. *An Ordinary Resolution :*

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Dr. S.M. Pathak, appointed as Additional Director and who under Section 260 of the Act, shall holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom, the Company has received notice in writing from some members signifying their intention to propose the candidature of Dr. S.M. Pathak for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. *An Ordinary Resolution:*

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Shri P.N. Jain, appointed as Additional Director and who under Section 260 of the Act, shall holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom, the Company has received notices in writing from some members signifying their intention to propose the candidature of Shri P.N. Jain for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. *A Special Resolution:*

"RESOLVED THAT pursuant to Section 163 and other applicable provisions, if any of the Companies Act, 1956, approval of the members of the company be and is hereby accorded to keep and maintain the Register of Members, the Index of Members, copies of all Annual Returns etc. prepared Under Section 159 of the Act, 1956, together with the copies of the certificates and documents required to be annexed thereto Under Section 161 of the Act or any one or more of them, at the office of the company's Registrar and Share Transfer Agents namely M/s Karvy Consultants Limited, 105-108, Arunachal Building, Barakhamba Road, New Delhi-110001 or at any other office of the aforesaid RTA within Delhi."

"FURTHER RESOLVED THAT for the purpose of giving effect to the above Resolution, the Board of Directors of the company be and are hereby authorised to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto."

7. *A Special Resolution:*

"RESOLVED THAT in partial modification of the Special Resolution passed vide Item nos. 10 & 11 of the Notice, at the 8th Annual General Meeting, approval of shareholders be and is hereby accorded to implement Employees Stock Option Plan under the name & style of *STG ESOP 2002 2nd Phase* to be administered by the Compensation Committee directly to employees or through *"STG - ESOP Welfare Trust"* by creating new shares or acquiring the existing shares from open market or combination of both upto an overall limit of 5,00,000 shares of nominal par value and / or such other percentage of paid up capital as may be prescribed, which ever is less directly to employees or through aforesaid trust set up for the purpose, whether in India or abroad, of the Company or subsidiary(ies) thereof, under aforesaid scheme whether shareholders of the Company or not, at such price and other terms and conditions as the Board may in its absolute discretion think fit and in accordance with the guidelines issued by Securities and Exchange Board of India, wherever applicable or otherwise on value of shares to Employees from time to time subject to such amendment/modifications/alterations as considered necessary by Statutory Authorities and as approved by the Board of Directors, formulated by the Compensation Committee constituted in terms of latest guidelines of SEBI for administration and superintendence of the Stock Option(s) to the employees."

"FURTHER RESOLVED THAT for the purpose of giving effect to the implementation of aforesaid Employees Stock Option Plan, the Board be and is hereby further authorised inter alia to make and give effect to any modification, changes, variations, alterations or revisions in the aforesaid scheme from time to time or to suspend, withdraw or revive the same from time to time as it may in its absolute discretion decide and to do all such acts, deeds, matters and things, whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the scheme or with regard to issue / allotment / transfer / conversion / sale of any equity shares / options under the scheme as it may in its absolute discretion consider, necessary, expedient or proper in this connection."

"FURTHER RESOLVED THAT all other terms and conditions as approved at the aforesaid 8th Annual General Meeting be remained same."

8. *A Special Resolution :*

"RESOLVED THAT pursuant to Section 31 and all other relevant provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner and to the extent set out below :

After the existing Article 130(), the following new Article be inserted as Article 130(i) and read as follows:

130(i) EMPLOYEE STOCK OPTION SCHEME

The Company, if authorised by its Board of Directors and by a special resolution passed at a general meeting, could issue Stock Options or any other scheme for welfare of the employees from time to time including existing schemes, subject to the provisions of the Companies Act, 1956, the SEBI guidelines for the time being in force or any other applicable Act, Rules and Regulations with regard to issue of Employee Stock Options and on such terms and conditions as applicable."

By order of the Board
For Software Technology Group International Limited

Place : New Delhi
Date : 14th October, 2002

RAJEEV SINGAL
Company Secretary

NOTES

1. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under items from 4 to 8 as 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 be closed from 23rd December, 2002 to 26th December, 2002, 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, Sundays & holidays between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
5. Members seeking any information with regard to accounts or operations of the company are requested to send their queries so as 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 viz., Karvy Consultants Limited, Unit: Software Technology Group International Limited, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 about the changes, if any, in their registered addresses along with the PIN Code number and quoting their folio number. All correspondence relating to transfer of shares, may be sent directly to the aforesaid Transfer Agents of the Company.
7. As per amended provisions of the Companies Act, 1956, facility for making nomination is now available for shareholders in respect of shares held by them. Nomination forms can be obtained from Registrars of the company namely M/s Karvy Consultants Limited as above.
8. Members are requested to bring their copies of the Annual Report to the Meeting.
9. Shareholders/ Proxy Holders are requested to produce at the entrance, the attached Attendance Slip duly completed and signed as per Specimen Signature recorded with the Company for admission to the Meeting Hall.
10. Members who are holding shares in identical names in more than one folio, are kindly requested to write to the Company Secretary or Registrars including their Share Certificates to enable the company to consolidate their holdings.
11. Pursuant to provisions of Section 205A(5) of Companies Act, 1956 the amount of dividend remaining unclaimed for a period of 7 years from the date of payment, shall be transferred to the Investor Education & Protection Fund. The aforesaid dividend, once transferred to Investor Education & Protection Fund will not be refundable to any shareholder. Hence, shareholders who have not claimed their dividend are expected to claim the same from the company before it falls due for transfer to aforesaid Fund.
12. ADDITIONAL INFORMATION AS PER CLAUSE 49 OF THE LISTING AGREEMENT:

Brief Profile of Shri Yogesh Vaidya, Chairman & CEO, recommended for reappointment

Shri Yogesh Vaidya, aged 56 years, is a BE (Electronics) from BITS, Pilani and has over 35 years of executive experience in the IT Industry. He is the main promoter of the company. In 1975, he started the HCL Group with other professional executives. He relocated to California in 1989 to set up the international operations for HCL. During his tenure, as the Founder and CEO of HCL America, he was responsible for setting up joint ventures in Singapore, Hong Kong and Europe. Presently, he has no association with HCL group. His area of specialization are Information Technology, Strong organization building, Strategic Alliances, Mergers and Acquisitions, Marketing, Overseas Operations, Productivity etc. and is responsible for overall operations of the company under the superintendence and control of Board of Directors of the company.

Shri Vaidya is on the Board of Associated Indian Photos Private Limited, Next Generation Business Power Systems Limited, Crescent Software Solutions Private Limited, DNA Lab & Research (P) Limited, Y P Associates Private Limited, Vaidya Associates Private Limited, iWeb Univ Limited, Confluence Communication Limited, Next Generation Network and Services Limited, Next Generation Group Investments Limited and STG Inc., USA and also a member of Compensation Committee and Investment Committee of your company.

He has ably steered the company through a single minded focus of making it into a highly successful quality organisation providing business solutions through technology, training and consultation. Due to his proven track record, wide knowledge and extensive experience in knowledge based industry, his presence on Board has helped the company in understanding the needs of new products, latest developments and taking various business decisions at proper times.

By order of the Board
For Software Technology Group International Limited

Place : New Delhi
Date : 14th October, 2002

RAJEEV SINGAL
Company Secretary

EXPLANATORY STATEMENT

As required under Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to each of business item nos. 4 to 6 of the accompanying Notice dated 14th October, 2002.

ITEM No.4

The Board of Directors of your company at its meeting held on 25th April, 2002 has appointed Dr. S.M. Pathak as Additional Director pursuant to the provisions contained in the Articles of Association and Section 260 of the Companies Act, 1956.

Dr. Pathak, aged 72 years is M.S.C (Ag) with specialisation in Economics & Marketing and Ph.D. from Cornell University, USA with specialisation in Management Techniques, Production Economics, Marketing Research & Development. He has over 30 years experience which includes 22 years in banking industry in various capacity to the level of General Manager. Prior to that, he served central and state governments as [illegible] Economic Advisor for 8 years. He has also served as short-term consultant in Asian Development Bank, Manila and World Bank in the field of financial analysis and development credit covering various countries.

He will be holding office as Director only upto the date of this Annual General Meeting. As required under Section 257 of the Act, ibid, notices have been received from members signifying their intention to propose Dr. Pathak as a candidate for the office of Director. The Directors are of the opinion that Dr. Pathak's knowledge and vast experience in the industry particularly in banking industry will be of immense benefit to the company. The Board, therefore, recommends the acceptance of the Resolution set out in the Notice convening the Meeting.

As Dr. Pathak does not hold Directorship in any other company, therefore, he may be in a position to provide complete guidance in the policy formulation, strategy and financial matters etc. to the company at all times.

He is also Chairman of Shareholders' / Investors' Grievance Committee, Member of Audit Committee and Compensation Committee of your company.

None of the Directors other than Dr. S.M. Pathak is concerned or interested in the Resolution.

ITEM NO. 5

Shri P.N. Jain has been inducted on the Board as Additional Director effective from 25th April, 2002 at the Board Meeting held on the same date.

Shri Jain, aged 56 years is an Electronic Engineer with MBA and has over 30 years experience in Sales & Marketing. He has also worked with large companies like Bajaj, Blue Star, HCL, Escorts etc.

He will be holding office as Director only upto the date of this Annual General Meeting. As required under Section 257 of the Act, ibid, notices have been received from members signifying their intention to propose Shri Jain as a candidate for the office of Director. The Directors are of the opinion that Shri Jain's knowledge and vast experience in sales & marketing will be of immense benefit to the company. The Board, therefore, recommends the acceptance of the Resolution set out in the Notice convening the Meeting.

Shri P.N. Jain is also holding the Directorship in M/s [illegible] Power Systems Limited. Further, he is also a member of Audit Committee and Shareholders' / Investors' Grievance Committee of your company.

None of the Directors other than Shri P.N. Jain is concerned or interested in the Resolution.

ITEM NO.6

Under Section 163 of the Companies Act, 1956 certain documents which are normally required to be kept at the registered office of the company, may be kept at any other place if such other place has been approved by a special resolution passed by the company in general meeting. In order to serve the shareholders / investors more efficiently, your company has appointed / may further appoint / reappoint Registrar & Share Transfer Agent (hereinafter referred to as the RTA) registered with SEBI.

In view of the above, the approval of the members is sought in terms of Section 163 of the Companies Act, 1956 for keeping and maintaining Register of Members, Annual Returns and other books / certificates connected with / pertaining to it at the office of the company's Registrar and Share Transfer Agent namely M/s Karvy Consultants Limited, 105-108, Arunachal Building, Barakhamba Road, New Delhi- 110001 in place of Registered Office.

An advance copy of the proposed resolution is being sent to Registrar of Companies, Delhi & Haryana as required under the aforesaid Section.

The Board recommends the resolution for members' approval.

None of the Directors are in any way concerned or interested in the resolution.

ITEM NO.7

The members may recall that implementation of ESOP under first phase with the approval of the shareholders at their 8th Annual General Meeting held on 30th September, 2000 with necessary delegation to Board to implement the same by Compensation Committee directly to the employees or through "STG - ESOP Welfare Trust" with an overall limit of 9,00,000 equity shares or such other percentage of paid up capital as may be prescribed, whichever is less directly to employees or through "STG - ESOP Welfare Trust" set up for the purpose of implementing the Employees Stock Option Plan for existing and future employees, whether in India or abroad, of the Company or Subsidiary(ies) thereof.

The other salient features of new ESOP 2002 - IInd phase are as under:-

Compensation Committee

A compensation committee consisting of majority of independent directors namely Dr. S.M. Pathak, Dr. Rajan Saxena and promoter Director Shri Yogesh Vaidya has been constituted to govern and administer the 2nd stage of Plan directly to employees or through "STG - ESOP Welfare Trust".

www.reportjunction

Quantum

The aforesaid plan is likely to be implemented through allotment of new shares or acquiring the existing ones from open market or combination of both upto an overall limit of 9,00,000 equity shares of nominal par value or such other percentage as specified, whichever is lower. These shares shall be allotted / transferred / set aside / earmarked either directly to the employees or to the 'STG-ESOP Welfare Trust' from time to time as deemed necessary by the Company on recommendation of the Compensation Committee.

However, the maximum quantum of option per employee may not exceed 1% of the total paid up equity capital per year.

Eligibility

Permanent employees including non-promoter directors in employment of company and its subsidiaries either in India or abroad at the discretion of the Committee. However, an employee who is a promoter or belongs to the promoter group shall not be eligible to participate in the Plan. Further, a director who either himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares shall also not eligible to participate in the plan.

Vesting Period

The vesting period of an option shall not be less than a period of 12 months. Further, the vesting period of option may be decided by Compensation Committee for every individual eligible employee from time to time.

Pricing Formula

The Shares under the present scheme will be offered at a price to be decided by the Compensation Committee, based on pricing formula of discount upto 25% or such other percentage as may be thought proper and justified by Board in view of market conditions, etc. on the 6 month's average closing market price on the Stock Exchange, having highest trading volume, preceding the month in which options are granted. The discount on the average price, with modification, if any, shall be at sole discretion of the Board.

Exercise Process

Each employee shall exercise his vested options at any moment after the earliest applicable vesting date and exercise the same by sending a notice to the designated officer of the company. The Compensation Committee will inform the trustee of *STG ESOP Welfare Trust* requesting them to transfer the required number of shares to the grantee.

Appraisal Process

The option will be granted by the company to the eligible employees on the basis of his performance, position, responsibilities etc. Further, tenure of employee's services, his integrity and present and potential contribution to the success of the company will also be considered and noted by aforesaid committee while granting the options.

Administration of plan

The plan shall be administered by the Compensation Committee directly to the employees or through *'STG - ESOP Welfare Trust'*, who will transfer the new or existing shares through allotment or open market for and on behalf of eligible employees.

Payment

Payment of all shares / options purchased pursuant to exercise of an option shall be made in cash or by getting the same deducted from monthly salary in full or in installments as may be decided by the Committee.

Accounting Policies

The company shall comply with the disclosures and accounting policies prescribed by SEBI and other appropriate authorities while implementing ESOP.

Undertaking

The employee shall undertake not to sell, transfer or otherwise alienate the options and shall adhere to the SEBI Regulations on insider trading etc.

Further, the Board / Compensation Committee shall have the absolute authority to vary or modify the terms of plan in accordance with and subject to all applicable guidelines which may be prescribed by SEBI or otherwise.

Now in view of market conditions and non-exercise of options which may affect the earnings in future, the Board recommends that the ESOP 2002-IInd phase be implemented either by creating new shares or acquiring the existing ones from the market or combination of both under the over all limit directly to the employees or through *'STG - ESOP Welfare Trust'*.

Approval of shareholders is sought in terms of statutory norms, wherever applicable, to the aforesaid change in plan to implement the ESOP 2002-IInd phase.

The Directors recommend the adoption of resolution for approval of shareholders.

Directors of the company may be deemed to be interested in this resolution to the extent of options / equity shares, if granted or issued to them under the plan.

ITEM NO. 8

Employees Stock Options are universally considered an effective tool to attract and retain the best talent in the industry. With this objective, your company proposes the necessary amendment in Articles by inserting a new Article enabling it to grant stock options to employees from time to time as per SEBI guidelines and/or any other applicable provisions. Therefore, your approval is sought for insertion of new article in Articles of Association.

In case such options are made available to the Directors of the company, then such directors of the company shall be deemed to be interested in the resolution.

By order of the Board
For Software Technology Group International Limited

Place : New Delhi
Date : 14th October, 2002

RAJEEV SINGAL
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report of the Company together with the Audited Statements of Accounts for the year ended June 30, 2002.

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	Year Ended June 30, 2002 (15 months)	Year Ended March 31, 2001 (12 months)
Operating Income	3263.46	3821.99
Gross Profit after Interest but before Depreciation & Tax	(1128.31)	757.17
Less : Depreciation	300.23	224.41
Provision for Income Tax	(143.59)	81.13
Net Profit / (Loss) before Extra-Ordinary Items	(714.99)	465.66
Less : Extra Ordinary Items	661.20	156.46
Net Profit / (Loss) after Extra Ordinary Items	(1376.19)	309.20

REVIEW OF OPERATIONS

In line with the recession in the entire Information Technology Industry, the operations of your company were severely affected by steep global economic slowdown with sluggishness and recession in domestic economy, which was further compounded by unfortunate events of September and December, 2001. The overall operations of the company during the period under review resulted in a loss of Rs. 1376.19 Lacs against a profit of Rs.309.20 Lacs of previous year. Besides economic slowdown, the ultracompetitive market, increase in staff cost and administrative expenses, competition from unbranded players having the advantage of low cost of operation and extraordinary provisioning for writing off a sum of Rs.661.20 Lacs relating to unrealised sales of previous periods contributed to the losses. The aforesaid provisioning is essential for the good health of the financial system as well in compliance with requirements of full disclosure & prudent and conservative accounting policies.

In view of new initiatives taken by the company for franchise development and direct marketing during the year, your company extended the accounting / financial year by three months to close on 30th June, 2002.

Further, in view of the loss incurred during the year, your directors do not recommend any dividend on equity shares for the year ended 30th June, 2002.

FINANCE

It is gratifying to report that the Jammu & Kashmir Bank Limited has sanctioned necessary Working Capital facilities viz. Cash credit & Bank guarantee to the tune of Rs.450 Lacs and Rs. 885 Lacs respectively during the year under review, on the prime security of first charge on all the current assets of company including book debts and other collaterals etc. Operations of the company are likely to be benefited immensely with the aforesaid financial facility. However, the company's focus will be on to meet most of the requirements through internal cash generation, besides an active for reduction in the cost of borrowings in a significant manner.

COST CONTROL INITIATIVES

Your company continued to focus on cost reduction, procurement of materials at competitive prices, reinforcement of financial discipline and adequate control over overheads etc. It has merged its own operational centres and restructured the numbers to 5 from 11, which is likely to reduce the overheads and improve the margins. All these measures for cost control and efficiency enhancement are expected to lead to improvement and consolidation in all segments of the business.

NEW PROJECTS / PRODUCTS

On the software side your Company has been appointed by Infosys as a services partner for Finacle, its Core Banking solution. STG is delivering the training and implementation services to the rapidly growing family of Infosys' Finacle customers in India and worldwide. Finacle has been ranked among the top three fastest selling Retail Banking Solutions in the world (Retail Banking Systems survey, 2001-2002 by IBS Publishing). Your company's rich experience in training and services will equip Finacle customers so that they can serve their clients better.

In consonance with your company's strategy of allying with world leaders to provide high end quality education, STG has partnered with Red Hat as the only Red Hat training partner in the country to deliver Linux education. Red Hat is the market leader among those developing, deploying and managing solutions incorporating open source technologies. The alliance is a part of Red Hat's efforts to spread Linux education in the country and raise awareness of Linux at the desktop and enterprise level.

Your company is one of the pioneers in recognizing the immense potential of Biotechnology and has designed and developed a comprehensive training program to address the growing demand of this industry. It has launched its Advanced Diploma in Bioinformatics, which is the first professional course in Bioinformatics in the country. The course is specially structured to provide a window to new career avenues in the fields of therapeutic and environmental health care, diagnostic, pharma, agrotech, biotech industries and even software service companies which are into development of software for life science.

Your company has recognized the burgeoning needs of the ITES industry and launched its specialized module for the ITES industry. "Call Smart" is an interactive and comprehensive voice based course for the call center and Contact center industry. Targeted at graduates as well as undergraduates of any age group it offers comprehensive training and soft skills, English language and accent neutralization.

Your company introduced a program called "Dial a trainer", a unique doorstep-training program for beginners. It is the first initiative of its kind by any IT training organisation to impart basic computer knowledge. Dial a trainer program is tailored specifically for non-computer savvy individuals. The cost effective

Annual Reports Library

and conversion programs provides an opportunity to individuals to become computer literate at their home, office or factory and move with the times.

It has also entered into an exclusive partnership with Bangalore based Edurite technologies to introduce some of the art computer aided tuition software branded as 'Mind Power' for high school students. Edurite will do the content, design and has developed the learning software on CDs in accordance with CBSE, ICSE and state board curriculum. The classes are designed in such a way that computer aids would students in understanding the concepts in a fun-filled way. The aim of this is of quality of education is to sharpen the knowledge of the students and ensure that they excel in their examinations.

Your company has also entered into a strategic alliance with Students Recruitment Consortium of the Presidents' Network (PresNet) of USA, to help Indian students seeking admission to US Universities for undergraduate and postgraduate courses. Under this programme, a student needs to submit only one application for any of the 56 Universities that come under the Presidents' Network (PresNet). The student will have to pay one time processing fee with no additional cost for mailing postage, separate university fee, etc.

In spite of the IT slowdown, your company has kept up its efforts to expand its franchise network by offering a low equity cost model under the name "Foundation" for small entrepreneurs/investors. Requiring low investment and infrastructure these centers offer entry level IT awareness courses. This channel has enabled the company to penetrate into semi-urban towns where none of the other organized training centers are operational.

Despite operating in a tough market, we are pleased to inform you that once again your company is able to maintain its position in the market. Dataquest, a leading IT magazine, in its current survey reported STG as amongst the top three preferred IT training companies for providing Corporate training. Besides, STG has also been ranked among the top 3 companies whose post on students are most sought after by the IT industry for recruitment (DQ issue dated 15th May, 2002).

INFRASTRUCTURE

One of the main objects of company's initial public offer during the year 1999 was to set up of a modern, state-of-the-art offshore software development center. We are pleased to inform that the aforesaid center is fully operational and is equipped to have 75 software professionals to support the offshore development needs of international clients.

EMPLOYEES STOCK OPTION PLAN

The Employees Stock Option Plan (ESOP) was introduced and implemented in August, 1999 through "STG-ESOP Welfare Trust" to enable the employees of the company to participate in future growth and success of the company and 82,500 equity shares were allotted to it. Since some of these shares were transferred to eligible employees as per plan, the approval of shareholders was obtained by the company to implement the ESOP under that phase with an overall limit of 5,00,000 Equity Shares or such other percentage of paid up capital as may be prescribed, whichever is lower at the 8th Annual General Meeting held on 8th September, 2000. However, in view of the market conditions, the company plans to introduce fresh ESOP 2002-Third phase from the current year, which shall be administered within the statutory norms by the compensation committee comprising of majority of independent directors through "STG-ESOP Welfare Trust" who will implement the same either with new shares or acquiring the same from open market or with the combination of both.

UTILISATION OF IPO PROCEEDS

The utilisation of the IPO proceeds in full as projected in the offer document are as under:

(Rs. In lacs)

Particulars	Projected	Actual
Public Issue Expenses	175.00	221.57
New Training Facilities / Hardware & Software	857.50	1,088.13
Offshore Development Center, Setting up Corporate office and Others	704.50	368.94
Setting up Offshore Office / Subsidiary	399.00	333.49
Business Development Expenses for Establishing Franchise Network	65.00	188.87
Total	2201.00	2201.00

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a report on Corporate Governance along with auditors' certificate of its compliance is included as part of this annual report. Due to unavoidable circumstances, the company could not get the half yearly limited review and Dr Rajan Saxena, who has chaired all the audit committee meetings during the year under review, could not attend the 9th Annual General Meeting held on 28th September, 2002. However, Shri Yogesh Vaidya, Chairman & CEO of the company replied the queries of shareholders. Further, the company reconstituted the audit committee in terms of listing requirements on 25th April, 2002 i.e. within the financial year 2001-02, which closed on 30th June, 2002. The reconstituted audit committee reviewed the annual accounts for the year 2001-02 at its meeting held on 28th September, 2002 and recommended the same for the approval of Board of Directors.

CONSOLIDATED FINANCIAL STATEMENTS

As required under clause 32 of listing agreement with Stock Exchanges and new accounting standards, which came into force during the current year, the audited consolidated financial statements are being published and form part of this annual report.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis Report pursuant to clause 49 of the listing agreement is as under:

Industry Structure & Developments:

With the US economy slowdown and cut in IT spends by corporate houses, the software companies are under stress for about a year. This had led to decline in the demand for software professionals and in a cascading effect, software was no longer a coveted career option. Therefore, the business prospects of software education companies were affected. The current trend is perceived to be transitory and the impact of previous investments in the industry is being assessed from the point of view of competitive positioning. While in one end business prospects weakened, there was also over capacity in the industry which, led to a pricing war amongst

www.reportjunction

competition. Consequently, the industry players witnessed a sharp decline in profits and some have even posted huge losses.

Beginning of this year has evoked concrete statements on US economy recovering but it is difficult to predict the revival in the industry and a dim time is likely to continue for some more time. Therefore, the company anticipates a challenging period till the IT industry picks up. However the company is well positioned in the business to take any of these challenges.

Opportunities & Threats:

With the decline in market size due to cut in IT budgets globally, the competition in the segment has intensified and this has caused your company to look at other areas of growth like institutional training, Insitel, IT enabled services (ITES), Business process outsourcing (BPO) Segment, Strategic alliances with overseas partners, launching of new innovative courses etc. Furthermore, the Indian software industry has grown rapidly due to its ability to offer services at a much lower price as compared to its western counterparts due to availability of cheaper manpower. Many top IT services providers have now turned exploring the possibility of getting the work done in India and have started offshore development centres. With an annual growth rate of 25-30%, the BPO segment has become an integral part of ITES industry and as per NASSCOM figures, ITES segment, which is growing at a healthy rate of 40% annually, will generate over 11 Lacs jobs in India. To encash this opportunity, the company is likely to introduce various courses to fuel growing BPO segment.

Further, it has attempted to use the opportunity to consolidate and realign business strategies and target geographies so far achieved. It has also initiated steps to reposition itself as a Total Education Company instead of just being a computer training organisation.

Segment wise performance:

Segment wise revenue, results and capital employed are provided in notes on accounts forming part of the Annual Report.

Outlook & Future prospects:

The outlook in the long term is promising, yet the medium term outlook is not clearly visible. There appears to be early signs of recovery in global market, which however need to be confirmed over next few quarters. However, slowdown in US economy has prompted large corporate houses to cut costs and outsource low value adding tasks like transaction processing, payroll processing, call centers and the likes to offshore locations, where the costs are considerably lower. Indian IT companies due to their inherent strength as a low cost high quality service provider are closely capturing this segment, which is called Information Technology Enabled Services (ITES). Thus, there appears to be signs of recovery in global market ETC. Being one of the strongest brand in IT education industry is among the top three preferred IT training solutions for providing corporate training with a significant presence, is slowly changing the focus of its business and concentrating more on ITES, though the strong focus of its core business of IT Training. It recognised the immense potential of biotechnology and has become the first major IT training organisation to design and develop a comprehensive training program to address to the growing demand of genomics, pharma, agri and biotechnology industry. Further, education business is expected to show double digit growth in institutional training market is expected to show encouraging growth, while enrollment in individual students segment is also expected to rise. With a total strength of 300 franchises centers and 5 of its own training centers, your company is well equipped to exploit this opportunity.

Your company's relationship with Infosys is more than a year old and with the company's thrust for quality, efficiency and cost effectiveness, we are optimistic to get substantial business in future. We are pleased to inform you that recently, your company has also been short listed as implementation partner by one of the largest national banks for Oracle applications etc. Further negotiations are under way for offering solutions for outsourcing software consulting, which are likely to be materialised by this year.

Further, the company's focus and new business areas and strategic tie-ups is expected to improve its topline. The company plans to improve its performance includes:

- Focus on Information technology enabled services (ITES) through BPO segment.
- Launch of new lines of specialised programs in IT education to cater the needs of new verticals.
- Renewed focus on corporate / Institutional training market and offshore education.
- Increased thrust on software business and international operations through strategic tie-ups etc.
- Focus on enhancing profitability and cash flow positive business.
- Improvement in cost structure by observing economy in operations.
- Consolidation of operations by focusing on mid and large customers.
- Expanding the existing franchisee network.

With these steps and new projects launched during the year, your company is likely to emerge stronger in future.

Risks & Concerns:

The general economic slow down, reduction in billing rates, intense competition from small unorganised players in the industry, customer expectations, rising staff cost and other overheads, changes in government policies and erosion on border may affect the IT industry in general, which may in turn adversely affect the company's operations. An integrated approach to risk management will form an important element of company's overall business strategy.

Internal Control Systems and their adequacy:

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transactions are authorised, recorded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, review by Management and documented policies, guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

Human Resource Development:

Your company operates in a knowledge intensive industry and considers its employees to be one of the most valuable assets and have great emphasis on nurturing an organisational culture that creates job satisfaction and performance oriented environment. The staff of your company, at all levels, contributed significantly in pegging the overheads at the lowest possible levels, without compromising on the quality and efficiency of delivery, which is set as a norm, is highly appreciated. Various employee benefit schemes including implementation of Employee Stock Option Plan have been initiated by the company for their benefit.

There has been no material development in the area of human resources and industrial relations remain good during the year. However, due to market conditions, the total employee strength has come down to 256 against 410 in previous year.