

# ANNUAL REPORT

1998-99



Software Technology Parks of India

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# ***Annual Report*** ***1998-1999***

The Governing Council,

Software Technology Parks of India (STPI)

is pleased to present the

**Annual Report**

on the activities of the Society

during the financial year 1998-99

## **THE GOVERNING COUNCIL**

### **Chairman**

**PV JAYAKRISHNAN**

*Secretary, Government of India, Ministry of Information Technology*

### **Members**

**DR. AK CHAKRAVARTI**

*Adviser (IT), Ministry of Information Technology*

**JS MAINI**

*Jt. Secy. & Fin. Adviser, Ministry of Information Technology*

**MRS. PM SINGH**

*Jt. Secretary (Incharge Societies Divn.), Ministry of Information Technology*

**AK MISHRA**

*Director (SU), Department of Telecommunication*

**JK BATRA**

*Commissioner (Sys.) Central Board of Excise & Customs, Ministry of Finance*

**AJEER VIDYA**

*Jt. Secretary, Ministry of Commerce*

**KAMLESH DEKA**

*Director, Directorate of Co-ordination, Police Wireless, Ministry of Home Affairs*

**KP JAIN**

*Joint Director, Intelligence Bureau*

**BD JETHRA**

*Adviser, Planning Commission*

**DEWANG MEHTA**

*Executive Director, National Association of Software & Service Companies*

**SUBIR HARI SINGH**

*Director General, Software Technology Parks of India*

### **Member Secretary**

**VB TANEJA**

*Director, Software Technology Parks of India-HQ*

## **THE GENERAL BODY**

### **Chairman**

**PV JAYAKRISHNAN**

*Secretary, Government of India, Ministry of Information Technology*

### **Members**

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**SUBIR HARI SINGH**

*Director General, Software Technology Parks of India*

### **Member Secretary**

**VB TANEJA**

*Director, Software Technology Parks of India-HQ*

## MANAGEMENT

The Hon'ble Minister-in-charge of the Ministry of Information Technology (erstwhile DoE) is the **"Visitor"** of the Society.

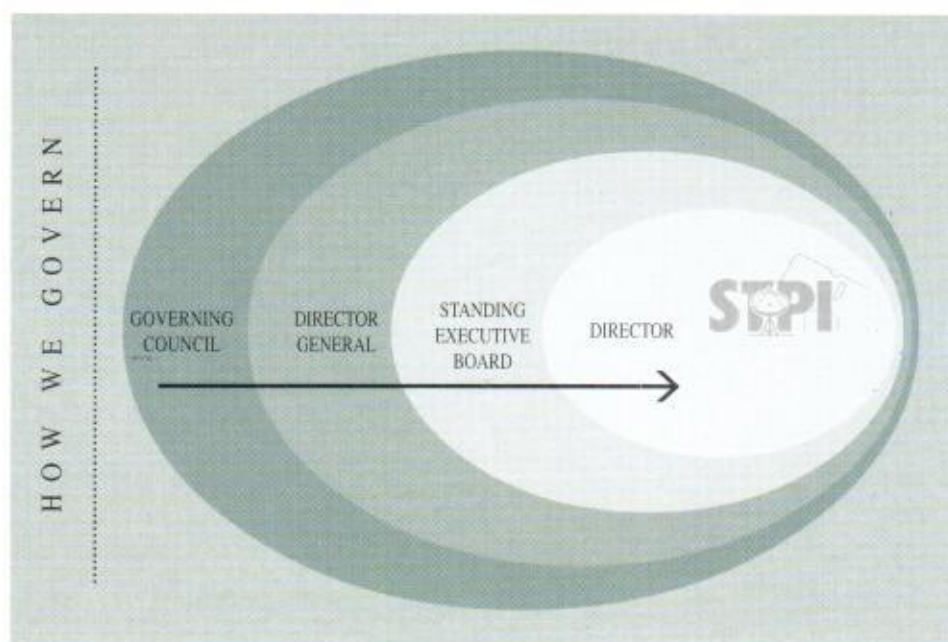
The **Governing Council** (GC) directs and oversees the operational activities of the Society. The Secretary to the Government of India, Ministry of Information Technology, is the **"Chairman"** of the Governing Council. The members of the Governing Council are representatives from Ministry of Commerce, Department of Telecommunication, Ministry of Finance, Ministry of Home Affairs, Ministry of Information Technology as-well-as representatives of IT Industry Association etc.

STPI Centres have local management committee known as the **"Standing Executive Board"** (SEB) which have been set-up to manage the functions at local level. SEBs have been set-up for STPIs at Bangalore, Bhubaneswar, Gandhinagar, Hyderabad, Noida, Pune and Thiruvananthapuram. These operate under delegated powers of GC with STPI Director as the Chairman and members from the State Government, Local Customs, Department of Telecommunications, User Industry and other Local Authorities. SEB are being set-up for the other centres which have been newly established.

The **Director/Incharge** of the STP centre manages the day-to-day activities. Certain powers are delegated to the Director for smooth running of the centre.

Recently the Department of Electronics has been changed to Ministry of Information Technology with the merger of Electronics & Computers Software Export Promotion Council (ESC) and National Informatic Centre (NIC) with it. In view of this change, necessary amendments are to be made in the Memorandum of Associations and Rules and Regulations of the STPI Society.

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## AUDITOR'S

In accordance with the decision of the GC, Comptroller & Auditor General of India (C&AGI) has appointed branch auditors for STPI centres as-well-as the statutory auditors for STPI. The list of auditors are as follows:

NAME OF CENTRE	AUDITOR	CAPACITY
New Delhi (HQ), Noida, Mohali and Jaipur	<b>M/s Kumar Sharma &amp; Co.</b> <b>Chartered Accountants</b> <i>302-303, Munish Plaza, 20, Ansari Road, Darya Ganj, New Delhi - 110002</i>	Statutory
Bangalore, Hyderabad and Chennai	<b>M/s Phillipos &amp; Co.</b> <b>Chartered Accountants</b> <i>3,B.A.Chelvaroya Mudaliar Road Fraser Town, Bangalore- 560005</i>	Branch
Bhubaneswar	<b>M/s Patro &amp; Co.</b> <b>Chartered Accountants</b> <i>3rd Floor, Janpath Tower, Ashok Nagar, Bhubaneswar-751009</i>	Branch
Pune, Navi Mumbai & Gandhinagar	<b>M/s PG Bhagwat &amp; Associates</b> <b>Chartered Accountants</b> <i>F/3, Panchadri Co-operative Housing Society Ltd., Ashok Path, Erandwana Pune - 411004</i>	Branch
Thriuvananthapuram	<b>M/s Sasi Vijayan &amp; Rajan</b> <b>Chartered Accountants</b> <i>S.S. Kovil Road, Thampanoor, Thiruvananthapuram - 695001</i>	Branch

## ABOUT INFORMATION TECHNOLOGY

Information Technology (IT) is emerging as dominant industry in the global economy. It offers a variety of services, products and technologies which acts as drivers to enhance performance and productivity and in turn helps to improve the GNP of Nations. As an industry, IT perhaps is the largest, fastest growing and the most profitable industry in the world today and India is well placed to exploit the competitive advantage it enjoys in the same.

In the Indian context, the potential leverage of IT is enormous, especially in the Software sector. Government identified this as an area of focus and announced a policy in 1986 making "Software Exports, Software Development and Training" as a major thrust area. Government further identified some of the factors impeding the growth of the software industry and formulated "**Software Technology Park**" (STP) scheme with a view to boost software exports from the country. To meet this objective, a suitable framework was formulated covering aspects like simplifications/rationalisation of procedures, providing single-point-contact services to the industry, providing basic amenities needed for export operations within a very short gestation period and share captive infrastructural facilities like computing resources and data communication services in a cost effective manner. The frame work was designed to help software export industry in general and Small & Medium Enterprises (SMEs) in particular enabling them to remain competitive in the global market. Government of India on May 22, 1998 also constituted a "National Task Force on Information Technology and Software Development" to recommend steps to remove bottlenecks in the path of rapid development of information technology. Software Technology Parks of India (STPI) was set-up to implement the STP Scheme and to promote software exports by providing infrastructural facilities including High Speed Data Communication (HSDC) links.



## **SOFTWARE TECHNOLOGY PARKS OF INDIA (STPI)**

Software Technology Parks of India was established and registered as a Society under the Societies Registration Act 1860, under the Department of Electronics (now Ministry of Information Technology), Government of India on 5th June 1991 with an objective to implement STP scheme, set-up and manage infrastructural facilities and provide other services like technology assessment and professional training.

STPI has set-up 15 centres in the last nine years.

STPI centres act as 'single-window' in providing services to the software exporters. Some of the STP centres provide incubating infrastructure to Small & Medium Enterprises (SMEs), enabling them to commence operations without any delay. The centres are equipped with basic facilities like back-up power, EPABX, security, training aids, library, photocopier, fax etc., with a built-up space of over 2,00,000 Sqft all over India.

Due to the weak capital market for the India software industry, lending institutions including banks, are reluctant in taking risks especially for new entrepreneurs. In these circumstances, the incubation centres give an indirect short-term shelter to SMEs to establish themselves in the market by reducing the investment required for a start-up.

STPI is working closely with the respective State Governments/local authorities for creation of more space, equipped with state-of-the-art infrastructure facilities, for development of the software industry and increasing exports.



## SOFTWARE TECHNOLOGY PARK (STP) SCHEME

Software Technology Park (STP) is a 100% export oriented scheme for the development and export of IT Software and Services using communication links or physical media and including export of professional services. This scheme is unique in its nature as it focuses on one product/sector i.e. IT software & services. The scheme integrates the concept of 100% Export Oriented Units (EOUs) and Export Processing Zones (EPZs) of the Government of India and the concept of Science Parks/Technology Parks as operating elsewhere in the World.

The unique feature of STP scheme is the provisioning of Single-Point Contact Services for the member units enabling them to conduct export operation at a pace commensurate with international practices. The STPI also acts as a resource centres for the member computer software exporting units by offering general infrastructural facilities like ready to use built-up space, centralised computing and High Speed Data Communication (HSDC) facilities.

### Highlights

- Approval under single window clearance mechanism.
- 100% foreign equity permitted
- Imports in the STP units are completely duty free.
- Custom Bonding period shall be 5 Years, but may be extended to 10 Years in case of products requiring significant capital investment and infrastructure.
- Exemption of local taxes for domestic purchases.
- The Sales in the domestic market are permissible upto 50% of the exports.
- Exemption from corporate income tax in a block of 10 years.
- The export obligation on net foreign exchange should be US \$ 0.25m or 5 times the CIF value of the goods imported, whichever is more, to be fulfilled over a period of 5 years.



## HIGH SPEED DATA COMMUNICATION FACILITY

The most important contribution of STPI to the Software exporting sector is that of providing High-Speed Data Communication (HSDC) services. STPI has designed and developed state-of-the-art HSDC Network called SoftNET, which is available to software exporters at internationally competitive prices.

HSDC links are provided through Earth Stations at the following Places:

PLACE	YEAR OF INSTALLATION
Bangalore	1992
Hyderabad	1993
Thiruvananthapuram	1994
Noida	1995
Bhubaneswar	1996
Gandhinagar	1997
Mohali	1998
Jaipur	1998
Navi Mumbai	1998
Mysore	1999
Coimbatore	1999
Manipal	1999

Local access to International Gateways at STPI centres is provided through Point-to-Point and Point-to-Multipoint microwave radios for the local loop which has overcome the last mile problem and enabled STPI to maintain an up time of nearly 99.9%. The terrestrial cables (fiber/copper) are also used wherever feasible. These communication facilities are the backbone of the success in the development of offshore software activities.

STPI provides the following HSDC services through this network:

- International Private Leased Circuits (IPLCs) in the bandwidth of 64Kbps to 2Mbps.
- Shared Internet Services which include:
  - E-mail
  - Remote Computing
  - File Transfer
  - Data base Access
  - World Wide Web (WWW)
- International Video Conferencing service (SoftCONF).
- Web/Home pages-hosting, authoring & maintenance.

## PARTNERS IN PROGRESS

STPI operates through practically all International Telecom Administrations for worldwide connectivity and is radiating around 53 Mbps and is operating with about 57 carriers from its earth stations for various destinations.

Name of International Service Provider	Total No(s). of Carriers
AT&T	20
Austria	1
British Telecom (BT)	4
German Telecom	2
German Telecom (Bosch Telecom)	2
GESpacenet Germany	1
PTT Netherland	2
Seoul	1
Sprint MCI World com	15
Singapore Telecom (Singtel)	4
Swiss Telecom	2
Telecom Malaysia	1
Telstra	1
Teleglobe Canada	1
<b>TOTAL</b>	<b>57</b>

**Total Bandwidth radiating from STPI Gateway : 53 MBPS**



## PERFORMANCE

### STP UNITS

STP Scheme, which is a 100% export oriented scheme, has attracted many entrepreneurs in the area of export of IT software & services. Out of a total of 1196 units approved till March 1999, 352 units were approved during the year 1998-99. Around 814 units have commenced operations out of which 613 units are exporting at present. The remaining units are in various stages of establishment.

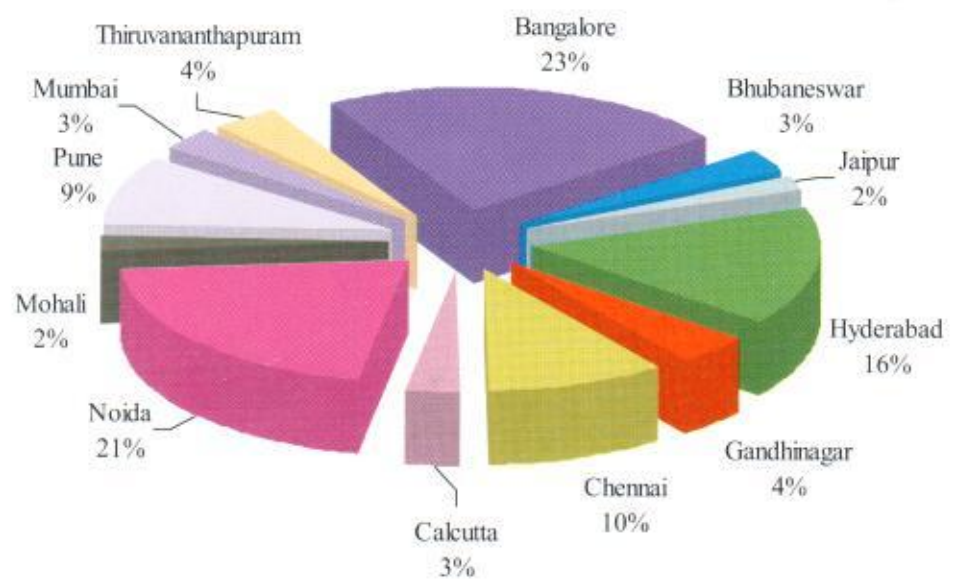
STPI acts as a resource centre for its members by offering general infrastructural facilities like ready to use built-up space, back-up power, EPABX, security, training aids, photocopier, fax and high speed data communication facilities. SMEs are especially benefited by these facilities as it enables them to commence their operations without any gestation period and avoids immediate capital investment in creation of captive facilities.

The growth in the number of STP units approved during the last 9 years is as under:



## INDUSTRY CONCENTRATION

SPTI Locations	No. of units Approved
Bangalore	276
Noida	249
Hyderabad	192
Chennai	122
Pune	102
Thiruvananthapuram	50
Gandhinagar	49
Navi Mumbai	40
Calcutta	36
Bhubaneswar	36
Jaipur	24
Mohali	20
<b>Total</b>	<b>1196</b>

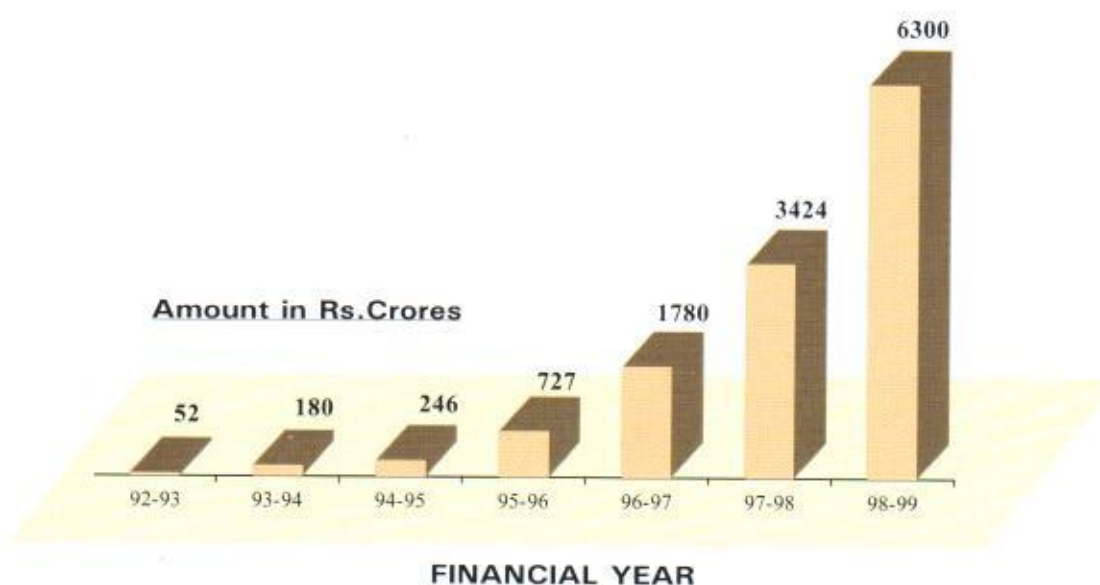


## EXPORTS

Member units of STPI have exported software worth of Rs. 6300 Crores during the year 1998-99, which is about 84% higher than the previous year. The exports figure of Rs. 6300 crores from STP units represents approximately 60% of the national software exports.

The Software Exports by STP units has grown about 400 times from Rs. 17 crores in 1991-92 to Rs. 6300 crores in 1998-99. The Cumulative Annual Growth Rate (CAGR) of software exports under STP scheme over the past 5 years in respect of STP units export contribution has been about 125%.

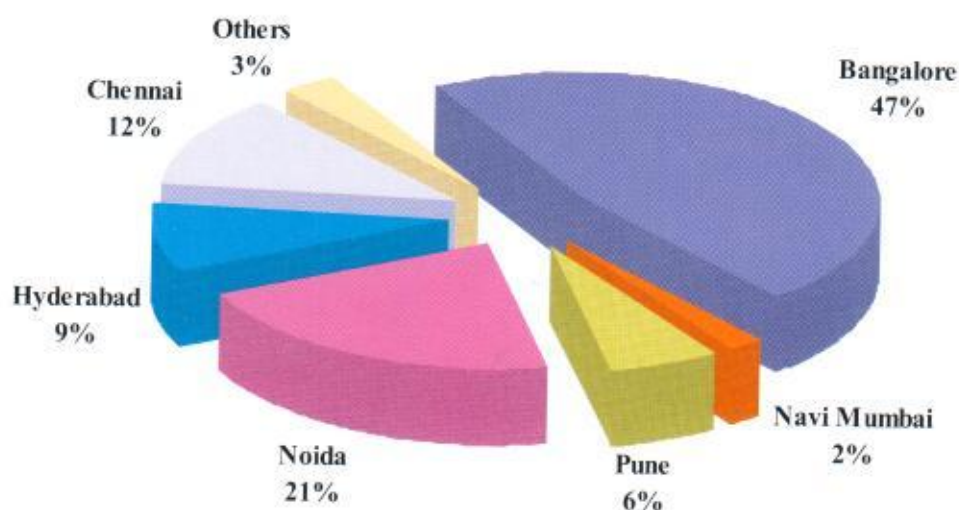
The Year-wise exports made by the STP units during the past is as under:



## LOCATION WISE EXPORT REVENUE

Amt. in Rs. Crores

STPI Locations	Export Revenue of units operating under STP scheme	Export Revenue of Software units availing STPI services	Total Exports
Bangalore	1972.7	915.3	2888.1
Chennai	737.9	9.5	747.5
Noida	705.6	640.6	1346.3
Hyderabad	561.2	12.2	573.5
Pune	381.2	-	381.2
Navi Mumbai	147.5	-	147.5
Calcutta	96.1	-	96.1
Bhubaneswar	53.2	-	53.2
Thiruvananthapuram	44.0	-	44.03
Gandhinagar	13.3	-	13.2
Mohali	5.3	-	5.3
Jaipur	3.6	-	3.6
<b>Total</b>	<b>4722.2</b>	<b>1577.7</b>	<b>6300.0</b>



NB: Others contain - Calcutta, Bhubaneswar, Thiruvananthapuram, Gandhinagar, Mohali & Jaipur

## NATIONAL SOFTWARE EXPORT & STP UNITS EXPORT PERFORMANCE

The percentage growth of Exports by STP units to the National Software growth has risen from around 8% in 1992-93 to about 58% in 1998-99.

Year	National Export	STP units Exports	%age share
1992-93	675	52	7.7
1993-94	1020	117	11.4
1994-95	1535	246	16.0
1995-96	2520	727	28.8
1996-97	3900	1780	45.6
1997-98	6400	3424	53.5
1998-99	10940	6300	57.5

COMPETITIVE EDGE  
NATIONAL SOFTWARE EXPORTS vs STP UNITS EXPORTS

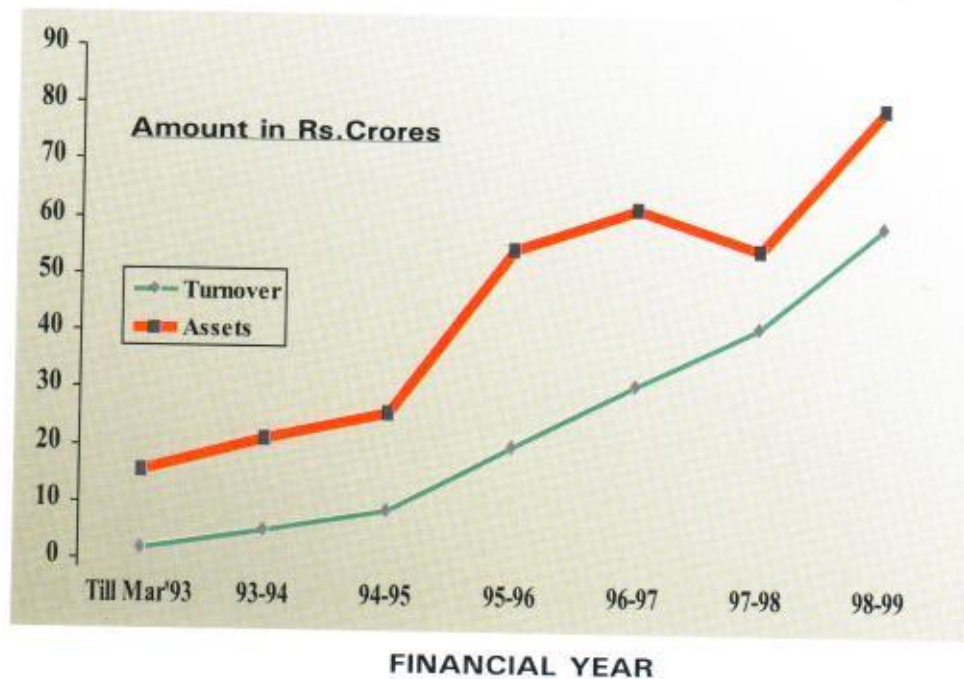


## STPI FINANCIAL DATA

The First Annual Report was prepared for the Period September 1991 to March 1993 covering a period of 19 months. Thereafter the Financial Year Accounting (April to March) was followed by the STPI.

The Gross turnover of the Society increases from Rs.0.77 crores for the year 1992-93 to Rs.54.86 crores for the Year 1998-99, an increase of about 71 times. In the corresponding period, the gross assets of the society have increased from Rs.14.23 crores to Rs.78.82 crores.

There has been a steady growth of the Society in terms of Turnover as well as Gross assets. During the year 1997-98 certain assets of the Satcom Division were transferred to VSNL and as such there was a fall in the total gross assets of the society.



## TRADE PROMOTION ACTIVITIES

STPI has participated in various international & national exhibitions/conferences to create awareness about STP scheme and infrastructure available.



## Y2K COMPLIANCE

1. Y2K compliance has been an issue world over for the computing community and its dependents.
2. STPI has taken a pro-active approach to the Y2K problem to ensure that its services are provided without any hinderance or disruption or deterioration during the Y2K transition.
3. STPI has successfully performed the internal Y2K tests on its equipment and processes. A third party audit was done by a team of professionals from CMC, Hyderabad and Y2K cell of Ministry of Information Technology, who have certified STPI as Y2K ready.
4. During the Y2K transition, all STP centres will provide *Help Desk* facility round the clock.

## **FUTURE PLANS**

1. Recognising the fact that bulk of software exports would be emanating from SMEs, STPI plans to establish incubating infrastructure under critical infrastructure balance (CIB) scheme of Ministry of Commerce in select locations.
2. IT enabled services are being given prime focus by the government and accordingly STPI is focussing on secondary cities for the growth of this industry including establishment of state of the art wide band communication infrastructure. North-east region of the country has been considered for such initiative.
3. In order to provide market intelligence including match making, STPI plans have its presence in select locations abroad. Keeping in view our large exports to US, a centre has been set-up in the Silicon Valley area.
4. STPI plans to promote entrepreneur development, consultancy, export promotion activities, specialised training programmes in upcoming areas and software quality assurance.
5. STPI plans to obtain ISO 9002 certification for all the STPI Centres.

## **STATEMENT OF ACCOUNTS**

The audited statement of accounts for the financial year 1998-99 is placed at Annexure-I.

## **ACKNOWLEDGMENTS**

The Council gratefully acknowledges the co-operation received from various Ministries and Departments of the Government of India, Reserve bank of India, State Governments, Indian Missions abroad, Videsh Sanchar Nigam Limited, Intelsat, our Bankers, Member STPI Units, Software Industry Associations, International Service provider and the Statutory Auditors. The Council also acknowledges the untiring efforts of the staff of the STPI in its successful working

- sd -

New Delhi  
Dated: December 16, 1999

(PV JAYAKRISHNAN)  
Chairman, GC, STPI  
and the Secretary, Ministry of Information Technology  
Government of India

## **Statement of Accounts**

**1998-99**

**KUMAR SHARMA & CO.**  
**CHARTERED ACCOUNTANTS**

302-303 MUNISH PLAZA,  
20 ANSARI ROAD  
DARYAGANJ, NEW DELHI - 110002

TEL NO. 3275810-3271611  
FAX NO. 3255483

The Governing Council  
Software Technology Parks of India  
6 C.G.O. Complex  
Lodhi Road,  
New Delhi 110 003

#### **AUDITOR'S REPORT**

We have audited the attached Balance Sheet of Software Technology Parks of India, as on March 31, 1999 and the Income and Expenditure Account for the year ended on that date, annexed thereto in which are incorporated the accounts of six centres audited by Branch Auditors. We report that:

Subject to our comments on specific matters on the accounts of the Society annexed hereto we state that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit.
- (b) The report on the accounts of centres not audited by us have been received and properly dealt with.
- (c) The Balance sheet and the Income and Expenditure account dealt with by the report are in agreement with the books of accounts.
- (d) In our opinion and to the best of our information and according to explanations given to us, the said Balance Sheet and Income & Expenditure account read together with schedules annexed and read with accounting policies and notes on accounts.

give a true & fair view in case of Balance sheet of the state of affairs as on March 31, 1999 and in case of Income and Expenditure account of the Surplus for the year ended on that date.

*Dated : December 7, 1999*  
*Place : New Delhi*

*FOR KUMAR SHARMA & CO.*  
*CHARTERED ACCOUNTANTS*

- sd -

*(ANIL KUMAR JAIN)*  
*PARTNER*

AUDITORS' COMMENTS ON THE ACCOUNTS OF SOFTWARE TECHNOLOGY PARKS OF INDIA, 6  
C.G.O. COMPLEX, LODHI ROAD, NEW DELHI FOR THE YEAR ENDED 31.03.1999 AS REFERRED TO  
IN THE AUDITORS' REPORT DATED 07.12.1999

- 1 (a) It is the policy of STPI not to charge depreciation on its fixed asset. On this basis, assets are stated at full in the Balance sheet and no depletion in the value of assets on account of their use, affluxion or obsolescence through technology and market changes is recognized in income statement.
- (b) It is also the policy of the STPI to charge the following expenditure to revenue account in the year of their incurrence:
  - (i) Software expenses
  - (ii) Civil Work/Wooden Partitioning on rented premises
  - (iii) Erection of Temporary structures
  - (iv) Cost of Radio mast installed at customer's site
  - (v) Purchase of Consumable stores.

On this basis, above expenses of deferred/capital nature are written off in the very first year of incurrence rather than spreading to their useful period of life.

The above two Accounting policies are not consistent with the basic principles of accounting of matching the revenue with the expenses incurred. The effect of above policy on accounts has not been ascertained.

2. The Society's accounting policy on Asset Replacement Fund as referred in para No.1.(d) in Notes on accounts in Schedule-B annexed is not in line with the Governing Council's decision of 28.11.94 with regard to rates, effective date of implementation and set off of loss on sale/disposal of fixed assets from the fund. It has resulted in distortion of General Surplus of the Society as stated in the Balance Sheet as at 31st March, 1999. Further it resulted in over/under payment of performance incentive to staff from the very first day of the implementation of the incentive scheme. The amount of over/under payment not worked out by the Society.
3. Recommendations of Directors Committee appointed by the Committee constituted vide Governing Council's decision of 26.9.96 with regard to payment of Performance Incentive to employees not properly implemented. Due to different interpretations of the scheme in current & earlier years, we are unable to comment on the Performance Incentive amounting to Rs.2.275 millions and prior period expenses relating to incentive amounting to Rs.2.492 millions charged in the accounts during the year.

4. The Society has an elaborate procedure for purchase and incurring of other expenses. However its implementation needs further improvement.
5. The Fixed Assets register at two centres has not been properly maintained and are subject to reconciliation with financial books. The effect of reconciliation on accounts cannot be ascertained.
6. The society has credited to the Income & Expenditure Account prior period income amounting to Rs.14,108,905 and debited prior period expenses and adjustment of earlier year amounting to Rs. 5,512,553 and Rs.11,616,000 respectively. Consequently the operating Surplus of the year is lower by Rs.3,019,648.
7. Balances of sundry debtors, advances and deposits receivable, sundry creditors, advances/deposits payables are subject to confirmation. The impact on the accounts consequently arising from confirmation and reconciliation cannot be ascertained.
8. The impact on the accounts, if any, consequent upon reconciliation with VSNL with erstwhile SATCOM division at Noida and ERNET India at Bangalore cannot be ascertained in respect of their claim of Rs.7.5 millions and Rs.3.8 millions respectively as stated in Para No.2.(a) & (b) of Notes on accounts in Schedule-B.
9. The effect on the Surplus and Current liabilities of the Society due to charging of expenditure amounting to Rs.3.072 millions to the local bodies account as referred in Para No.6. of notes on accounts in Schedule-B cannot be ascertained.
10. Immovable properties except for land at Noida and Hyderabad are still to be registered in the name of the Society.

*Dated: December 7, 1999*

*Place: New Delhi*

*For Kumar Sharma & Co.*

*Chartered Accountants*

*- sd -*

**(ANIL KUMAR JAIN)**

*Partner*

**BALANCE SHEET - SOFTWARE TECHNOLOGY PARKS OF INDIA, NEW DELHI AS ON 31-3-1999**

Particulars	Schedule Annexed	This Year Amount in Rs.	Previous Year Amount in Rs.
<b>A SOURCE OF FUNDS</b>			
<b>Grand in Aids</b>		572,485,430.00	522,485,430.00
Unsecured loan from			
- Andhra Pradesh Govt.	8,000,000.00		
- Kerala Govt.	29,390,599.43		
- Noida Authority	24,000,000.00		
- Electronics Corporation of Punjab	7,000,000.00		
- Chandigarh Administration	2,500,000.00		
- CIDCO Navi Mumbai	15,000,000.00	85,890,599.43	69,141,508.43
<b>Reserves &amp; Surplus</b>			
Capital Reserve		25,016,000.00	-
<b>Reserve</b>			
Assets Replacement Fund		410,724,254.90	300,703,363.52
<b>Surplus</b>			
Balance at credit as per Income & Expenditure Account		120,806,720.32	70,617,205.85
<b>TOTAL</b>		<b>1,214,923,004.65</b>	<b>962,947,507.80</b>
<b>B. APPLICATION OF FUNDS</b>			
Fixed Assets	"A"	788,187,836.82	535,851,846.55
Deferred Revenue Expenditure		777,900.00	-
<b>Current Assets, Loans &amp; Advances</b>			
<i>Current Assets</i>			
- Cash in Hand		105,033.67	110,721.01
<i>Balance with Schedule Banks</i>			
- In Saving Accounts		63,045,486.99	31,945,820.23
- In Fixed Deposits & Margin Money A/cs.		337,392,233.00	360,235,587.95
<i>Interest Accrued but not due</i>		21,553,575.00	36,824,849.31
<i>Cheques in Hand</i>		14,000.00	41,750.00
<i>Stamps in Hand</i>		11,257.00	860.00
<i>Sundry Debtors</i>	93,366,475.59		164,963,744.95
Less: Provision for Bad Debts	(9,595,491.64)	83,770,983.95	(2,069,266.00)
General Standby Store/STPI Books	2,741,116.97		2,781,570.63
Less: Provision for w/off General standby Stores	(125,133.00)	2,615,983.97	-
<i>Loans &amp; Advances</i>			
- Advance Recoverable in Cash or Kind or Value to be received		116,337,010.29	15,615,180.44
Tax Deducted at Source		52,911.00	157,895.00
<b>TOTAL - I</b>		<b>624,898,474.87</b>	<b>610,608,713.52</b>
<b>Less: Current Liabilities</b>			
<i>Sundry Creditors</i>		82,169,991.11	101,784,413.56
<i>Advance/Deposits</i>		67,564,869.14	38,691,338.46
<i>Outstanding Liabilities</i>		45,908,846.79	39,737,300.25
<i>Project Advance</i>		3,297,500.00	3,300,000.00
<b>TOTAL II</b>		<b>198,941,207.04</b>	<b>183,513,052.27</b>
<b>NET CURRENT ASSETS (I-II)</b>		<b>425,957,267.83</b>	<b>427,095,661.25</b>
<b>TOTAL</b>		<b>1,214,923,004.65</b>	<b>962,947,507.80</b>
NOTES FORMING PART OF ACCOUNTS	"B"		

As per our report of even date annexed  
for Kumar Sharma & Co.  
Chartered Accountants

- sd -

(Subir Hari Singh)

Director General/STPI

New Delhi Dated: December 7, 1999

- sd -

(V.B. Taneja)

Director/STPI

- sd -

(Anil Kumar Jain)

Partner

# INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31.3.1999

Particulars	Schedule Annexed	This Year Amount in Rs.	Previous Year Amount in Rs.
<b>I. INCOME</b>			
Charges Received		478,322,555.88	340,230,447.69
Income from Training & Seminar		8,847,207.00	6,438,591.00
Interest Earned		41,088,124.09	39,328,620.82
Misc. Income		6,027,049.20	2,172,812.32
Prior Period Income	"C"	14,108,904.51	721,048.00
Sundry Credit Balances written Back		184,813.00	-
Profit on Sale of Assets		-	11,459,140.00
<b>TOTAL</b>		<b>548,578,653.68</b>	<b>400,350,659.83</b>
<b>II. EXPENDITURE</b>			
Advertisement & Publicity		2,415,073.00	1,063,665.00
Audit Fees		120,750.00	84,000.00
Business Promotion Expenses		1,428,759.50	-
Bank Charges		147,660.00	-
Communication Cost		15,391,019.36	8,720,988.51
Consumable Store		5,561,576.05	-
Computer Operating Expenses		446,851.00	4,987,635.55
Data Link Charges		215,933,455.60	135,739,651.72
Gardening & Maintenance		325,866.00	-
Insurance		2,143,253.60	1,213,055.10
Interest on Loan		2,644,031.00	3,576,986.00
Newspapers, Books & Periodicals		413,987.55	668,339.00
Other Expenses		7,882,782.20	6,546,221.09
Printing & Stationery		2,822,626.30	2,573,123.65
Professional Charges		1,230,463.00	423,639.00
Prior Period Expenses	"D"	5,512,552.87	5,896,753.35
Adjustment for earlier years		11,616,000.00	-
Provision for Doubtful Debts		8,294,245.21	703,503.00
Recruitment Expenses		371,546.25	-
Rent, Rates & Taxes		14,679,188.75	13,317,990.35
Repair & Maintenance		14,079,443.62	7,189,191.59
Salaries, Wages & Amenities		34,201,706.88	24,827,190.75
Service Charges		2,279,438.00	-
Security Hire Charges		3,484,621.73	2,184,849.60
Travelling & Conveyance		9,444,438.19	8,197,098.50
Training & Seminar		9,562,938.10	4,726,151.90
Vehicle Running & Hire Charges		5,394,532.52	3,447,364.50
Water & Electricity Charges		8,616,416.10	10,983,351.00
<b>TOTAL</b>		<b>386,445,222.38</b>	<b>247,070,749.16</b>
Net surplus for the year (I-II)		162,133,431.30	153,279,910.67
Surplus available for appropriation		162,133,431.30	153,279,910.67
Transferred to Assets Replacement Fund		111,943,916.83	114,957,869.21
		50,189,514.47	38,322,041.46
Add: Surplus brought forward from Last year		70,617,205.85	32,295,164.39
Balance carried to Balance Sheet		120,806,720.32	70,617,205.85
NOTES FORMING PART OF ACCOUNTS	"B"		

As per our report of even date annexed  
for Kumar Sharma & Co.  
Chartered Accountants

- sd -

(Subir Hari Singh)

Director General/STPI

New Delhi Dated: December 7, 1999

- sd -

(V.B. Taneja)

Director/STPI

- sd -

(Anil Kumar Jain)

Partner

**SCHEDULE : "A"**

**FIXED ASSETS**

Particulars	This Year	Previous Year
Land	4,211,721.00	4,211,721.00
Building	16,060,512.22	12,396,889.72
Building work in progress	46,063.00	11,616,000.00
Computer & Peripherals	76,244,903.80	61,225,760.80
Electrical Equipments/Installation	53,673,436.71	41,478,293.91
Furniture & Fixture	21,473,490.00	21,793,714.19
Fire Fighting Equipment	903,859.21	1,072,214.11
Other Fixed Assets	1,215,782.34	3,841,934.34
Office Equipment	18,341,712.68	12,764,101.78
High Speed Data Communication Equipment	559,030,559.71	353,913,955.55
Vehicles	162,866.15	162,866.15
Capital work in progress	36,822,930.00	10,858,899.00
Pre-operative Expense	-	515,496.00
<b>Total</b>	<b>788,187,836.82</b>	<b>535,851,846.55</b>

*As per our report of even date annexed  
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Chartered Accountants*

- sd -

(Subir Hari Singh)

Director General/STPI

New Delhi Dated: December 7, 1999

- sd -

(V.B. Taneja)

Director/STPI

- sd -

(Anil Kumar Jain)

Partner

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 1999****1 Accounting Policies**

- (a) The accounts are prepared on the Historical cost Convention Method and expenses and income are accounted on accrual basis except for interest on loan to staff, insurance claim and penalty from members.
- (b) The "Charges Received Account" includes charges for ready to use space, other infrastructure services like data communication, photocopying, fax telephone, canteen facilities etc. and other certification work provided to member units of STPs.
- (c) The under mentioned expenditure is charged to revenue in the year of incurrence:
- Software expenses.
  - Civil work/wooden partitioning on rented premises.
  - Erection of temporary structures.
  - Cost of Radio Mast installed at Customer's site
  - Purchase of consumable stores.
- (d) The society being a non profit making institution, the depreciation has not been provided in the accounts on Fixed assets including leasehold. Asset Replacement Fund (ARF) is created on Straight Line Method up to the cost of assets, in order to replace the assets on future date as under:

Assets	Rates p.a
Building	10%
Computer peripherals	15%
Electrical Installation	15%
Fire Fighting Equipment's	15%
Furniture & Fixtures	10%
Office Equipment's	15%
Other Fixed Assets	15%
Vehicles	20%
Earth Station	20%

Full ARF is provided in the year of purchase. No ARF is provided in the year of disposal. Loss on sale/disposal of asset is set off against the ARF. The profit on sale is credited to Capital Reserve Account.

- (e) Grant-in-aid of capital nature are disclosed as liabilities in the Balance Sheet.
- (f) The prior period expenses and prior period income less than Rs. 5000/- are directly debited/credited to the respective head of accounts.

**2. Contingent liabilities exists for:**

- (a) An amount for Rs.7.5 millions demanded as per statement of account of VSNL for erstwhile Satcom division which was merge with STPI.
  - (b) The demand of Rs. 3.8 millions received from ERNET India towards Hub management charges at Bangalore centre. The claim is under review.
  - (c) The additional rent of Rs. 0.63 million demanded by Gujarat Industrial Development Corporation (GIDC) at Gandhinagar for the unoccupied space which is under dispute.
  - (d) The amount payable towards lease rent for earth station of STPI-Thiruvananthapuram at Technopark is under dispute. In the absence of any agreement the liability can not be ascertained.
3. (a) During the year Capital Grant in aid amounting to Rs. 50 millions has been received.
- (b) During the year High Speed Data Communication facility were made operational at Mohali and Jaipur.
- (c) Fixed Deposit Receipt of Rs. 39,970,244/- are under lien with Banks against LC's and bank guarantee issued in favour of Society.
- (d) The estimated amount of contracts remaining to be executed on capital account and not provided for amounts to Rs. 18.74 millions.
- (e) Miscellaneous income includes an amount of Rs. 3,781,260/- towards foreign exchange fluctuations.
- (f) The fixed assets valuing Rs. 182,457,250/- are bonded with the custom department.
4. The immovable properties excepting land at Noida and Hyderabad are yet to be registered in the name of society.
5. Reconciliation of ET&T accounts with Gandhinagar unit and erstwhile Satcom account with VSNL are pending reconciliation.
6. The Trivendrum centre has received Rs. 10.803 millions from local bodies for setting up STPI centres in their areas. An amount of Rs. 3.072 millions spent towards the various expenses of capital and revenue nature has been charged to the local bodies concerned. Confirmation is being sought from the concerned departments for the treatment of the same.
7. No provision for the Income Tax has been made since the Society has been exempted by the Income Tax Deptt. U/s 11 of the Income Tax Act, 1961, as such its income is non taxable.
8. Loss on sale of assets at Noida amounting to Rs.1,923,025/- has been adjusted in Assets Replacement Fund account.
9. Previous year figures have been regrouped / reclassified wherever necessary.

- sd -

(Subir Hari Singh)  
Director General/STPI

New Delhi Dated: December 7, 1999

- sd -

(V.B. Taneja)  
Director/STPI

*As per our report of even date annexed  
for Kumar Sharma & Co.  
Chartered Accountants*

- sd -

(Anil Kumar Jain)  
Partner

## SCHEDULE: "C"

## PRIOR PERIOD INCOME

*Particulars*

Charges Received	3,376,484.50	516,596.00
Income from Training & Seminar	892,400.00	-
Interest Earned	2,091,430.00	4,767.00
Misc. Income	71,886.00	199,685.00
Sundry Credit Balances written Bank	7,676,704.01	-
<b>Total</b>	<b>14,108,904.51</b>	<b>721,048.00</b>

*As per our report of even date annexed  
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Chartered Accountants*

- sd -

*(Subir Hari Singh)*

*Director General/STPI*

*New Delhi Dated: December 7, 1999*

- sd -

*(V.B. Taneja)*

*Director/STPI*

- sd -

*(Anil Kumar Jain)*

*Partner*

**SCHEDULE: "D"**

**PRIOR PERIOD EXPENDITURE**

<i>Particulars</i>	<b>This Year</b>	<b>Previous Year</b>
Bank Charges	(33,019.00)	-
Communication Cost	53,755.00	9,582.00
Consumable Store	3,818.00	-
Data Link Charges	3,591.00	5,541,476.85
Security Hire Charges	21,011.00	-
Insurance	563.00	-
Other Expenses	830,185.08	36,127.50
Printing & Stationery	-	15,235.00
Professional Charges	85,750.00	-
Rent, Rates & Taxes	(13,575.00)	21,344.00
Repair & Maintenance	921,316.33	124,358.00
Salaries, Wages & Amenities	2,792,018.41	121,510.00
Travelling & Conveyance	21,925.00	5,781.00
Vehicle Running & Hire Charges	4,325.00	-
Water & Electricity Charges	299,700.00	21,339.00
Deferred Revenue Expenditure	521,189.05	-
<b>Total</b>	<b>5,512,552.87</b>	<b>5,896,753.35</b>

*As per our report of even date annexed  
for Kumar Sharma & Co.  
Chartered Accountants*

- sd -

*(Subir Hari Singh)*

*Director General/STPI*

*New Delhi Dated: December 7, 1999*

- sd -

*(V.B. Taneja)*

*Director/STPI*

- sd -

*(Anil Kumar Jain)*

*Partner*

## STPI'S COMMENTS TO THE OBSERVATIONS MADE BY THE STATUTORY AUDITOR'S

Point wise comments to the observations made by the Auditors on STPI accounts for the year 1998-99.

Point No.1 (a)	Auditors observation	It is the policy of STPI not to charge depreciation on its fixed assets. On this basis, assets are stated at full in the Balance Sheet and no depletion in the value of assets on account of their use, effluxion or obsolescence through technology and market changes is recognised in come statement.
	STPI's Comments	The observations is explanatory in nature.
Point No.1 (b)	Auditors observations	It is also the policy of the STPI to charge the following expenditure to revenue account in the year of their incurrence:  <ol style="list-style-type: none"> <li>1. Software expenses</li> <li>2. Civil work/Wooden Partitioning on rented premises</li> <li>3. Erection of temporary structures</li> <li>4. Cost of Radio mast installed at customer's site</li> <li>5. Purchase of consumable stores</li> </ol> <p>On this basis, above expenses of deferred/capital nature are written off in the very first year of incurrence rather than spreading to their useful period of life.</p>
	STPI's Comments	The observations is explanatory in nature.
Point No.1	Auditor's Observations	The above two accounting policies 1(a) & 1(b) are not consistent with the basic principles of accounting of matching the revenue with the expenses incurred. The effect of above policy on accounts has not been ascertained.
	STPI's Comments	This practice is in line with the requirements of STPI and has been followed consistently.
Point 2	Auditor's Observations	The Society's accounting policy on Asset Replacement Fund as referred in Para No.1(d) in Notes on accounts in Schedule-B annexed is not in line with the Governing Council's decision of 28.11.94 with regard to rates, effective date of implementation and set off of loss on sale/disposal of fixed assets from the fund. It has resulted in distortion of General Surplus of the Society as stated in the Balance Sheet as at 31st March, 1999. Further, it

		resulted in over/under payment of performance incentive to staff from the very first day of the implementation of the incentive scheme. The amount of over/under payment not worked out by the Society.
	STPI's Comments	The idea of creating ARF was to ensure that funds are available to replace the assets as and when they are phased out. The computation of ARF is effective from the date of acquisition.
Point 3.	Auditor's Observations	Recommendations of Directors Committee appointed by the Committee constituted vide Governing Council's decision of 26.09.96 with regard to payment of performance incentive to employees not properly implemented. Due to different interpretations of the scheme in current & earlier years, we are unable to comment on the Performance Incentive amounting to Rs.2.275 millions and prior period expenses relating to incentive amounting to Rs.2.492 millions charged in the account during the year.
	STPI's Comments	Detailed facts of the case are being put up to the competent authority for a decision.
Point 4.	Auditor's Observations	The Society has an elaborate procedure for purchase and incurring of other expenses. However its implementation needs further improvement.
	STPI's Comments	Noted for compliance.
Point 5.	Auditor's Observations	The Fixed Assets register at two centres has not been properly maintained and are subject to reconciliation with financial books. The effect of reconciliation on accounts cannot be ascertained.
	STPI's Comments	Noted for compliance.
Point 6.	Auditor's Observations	The Society has credited to the Income & Expenditure Account prior period income amounting to Rs.14,108,905 and debited prior period expenses and adjustment of earlier year amounting to Rs.5,512,553 and Rs.11,616,000 respectively. Consequently the operating Surplus of the year is lower by Rs.3,019,648.
	STPI's Comments	The observation is explanatory in nature.

Point 7	Auditor's Observations	Balances of sundry debtors, advances and deposits receivable, sundry creditors, advances/deposits payable are subject to confirmation. The impact on the accounts consequently arising from confirmation and reconciliation cannot be ascertained.
	STPI's Comments	Noted for compliance.
Point 8	Auditor's Observations	The impact on the accounts, if any, consequent upon reconciliation with VSNL with erstwhile SATCOM division at Noida and ERNET India at Bangalore cannot be ascertained in respect of their claim of Rs.7.5 millions and Rs.3.8 millions respectively as stated in Para No.2(a) & (b) of Notes on accounts in Schedule-B.
	STPI's Comments	Observation is explanatory in nature.
Point 9.	Auditor's Observations	The effect on the Surplus and Current liabilities of the Society due to charging of expenditure amounting to Rs.3.072 millions to the local bodies account as referred in Para No.6 of notes on accounts in Schedule-B cannot be ascertained.
	STPI's Comments	Observation is explanatory in nature.
Point 10.	Auditors Observations	Immovable properties except for land at Noida and Hyderabad are still to be registered in the name of the Society.
	STPI's Comments	Noted for compliance.

## Contact numbers :

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