



# MELSTAR

An Application Management Company



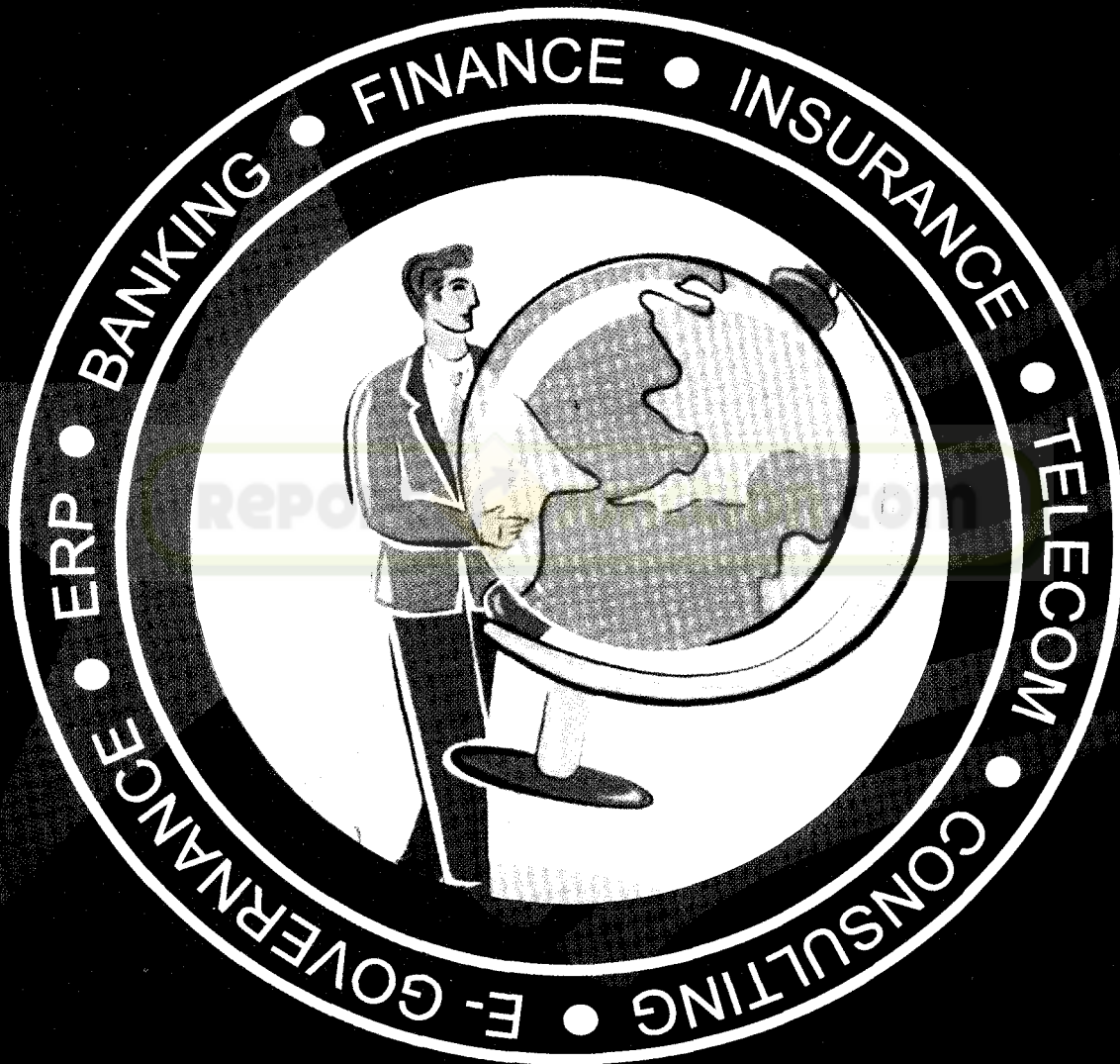
Melstar Information Technologies Limited  
2005-2006 | 19th Annual Report

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## Vision

*Create a World class I.T. Organization in terms of technology and people; providing outsourcing services in developing and supporting e-commerce solutions, software applications and business consulting".*

*Develop and deploy cutting-edge Products and Solutions catering to Financial Services and Technology Business."*



## Mission

*To offer highest value proposition to Global Customers in the area of Application Management Services / providing them with a unique sustainable Cost Reduction Model on long term basis."*



### Registered and Corporate Office

Melstar House, G-4, M.I.D.C. Cross Road 'A', Andheri (East), Mumbai- 400 093

Tel.: +91 (22) 2831 0505 Fax: +91 (22) 2831 0520

Email: info@melstar.com : Visit us at : [www.melstar.com](http://www.melstar.com)

Corporate Identity Number (CIN): L99999MH1986PLC040604

#### Board of Directors

- ★ S. M. Arora, Managing Director
- ★ Sattar Shaikh, Executive Director
- ★ Bharat Ramani
- ★ Suresh Bansal
- ★ Anthony Gale
- ★ M. R. Lal
- ★ Darius Pandole
- ★ Mrugesh Shah

#### Company Secretary

Dinesh Kalani

#### Auditors

Deloitte Haskins & Sells  
Chartered Accountants  
Mumbai

#### Bankers

Janakalyan Sahakari Bank Limited  
HDFC Bank Limited  
Citibank N.A.

#### Registrars & Share Transfer Agent

Intime Spectrum Registry Limited  
(Unit - Melstar Information Technologies Limited)  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg,  
Bhandup (West)  
Mumbai - 400 078  
Tel.: 2596 3838  
Fax: 2594 6969  
E-mail: isrl@intimespectrum.com

### Indian Offices

#### Bangalore

# 335, Connection Point,  
Mezzanine Floor, Airport Exit Road,  
Bangalore - 560 017  
Tel.: +91 (80) 522 5737  
Fax: +91 (80) 522 5792

#### Chennai

M.S. Guest House, 2<sup>nd</sup> Floor  
8, Maharaja Surya Rao Road  
Alwarpet, Chennai - 600 018  
Tel.: +91 (44) 5211 0323 / 24  
Telefax: +91 (44) 5211 0322

#### Hyderabad

4th Floor, Sravana Complex,  
Plot No. 8-2-269/19/S/2,  
Beside L.V.Prasad Eye Hospital Lane,  
Road No. 2, Banjara Hills,  
Hyderabad - 500 034  
Tel.: +91 (40) 2355 1392  
Fax: +91 (40) 2355 1391

#### Pune

403, Picasso Plaza, 4th. Floor,  
NIBM Chowk, Kondhwa Main Road,  
Pune - 411048.  
Tel.: +91 (20) 2683 6094  
Fax: +91 (20) 2683 6392

#### Kolkatta

CD 185, Sector - 1  
Gr. Floor,  
Salt Lake City,  
Kolkatta - 700 064  
Tel.: +91 (33) 2321 6047 / 48

#### Gurgaon

SCO 18-19,  
Sector 14,  
Gurgaon - 122 001  
Haryana

### Overseas Subsidiaries

#### Melstar Inc.

707 Alexander Road,  
Suite 208, Princeton,  
New Jersey  
Tel.: +1-609-514-0007  
Fax: +1-609-514-0010

#### Melstar UK Limited

Wilcox House,  
140-144 Borough High Street,  
London SE1 1LB  
Tel.: +44 (20) 7357 6005  
Fax: +44 (20) 7403 4246

#### Melstar Singapore Pte Limited

1, North Bridge Road,  
# 19-04/05, High Street Centre,  
Singapore 179094  
Tele/Fax: +65 6788 6131

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## Notice

Notice is hereby given that the Nineteenth Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on Wednesday, the 20<sup>th</sup> December 2006 at 10.30 a.m. at AIPMA House, A-52, Road No.1, MIDC, Marol, Andheri (E), Mumbai 400 093 to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr.A.C.Gale, who retires by rotation at this Meeting and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.Darius Pandole, who retires by rotation at this Meeting and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Suresh Bansal, who retires by rotation at this Meeting and, being eligible, offers himself for re-appointment.
5. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To authorise the Board of Directors to appoint Branch Auditors, in consultation with the Statutory Auditors of the Company, for the existing overseas branch offices in the US and UK to act until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

Resolved that pursuant to the provisions of Section 163 of the Companies Act, 1956, and in super session of resolution passed at the 13th Annual General Meeting of the company held on 25th August, 2000, approval of the Members of the Company be and is hereby accorded for the Company to keep and maintain the Register of Members, Index of Members and copies of Annual Returns, etc prepared under Section 159/160 of the Companies Act, 1956 at the Registered Office of the Company and/or at the office of the Company's Registrars and Share Transfer Agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 or at any other office of the Registrars and that the same shall be open for inspection by any member without fee or by any other person on payment of such fee as may be prescribed for such inspection during working hours in accordance with the provisions of said Section 163 of the Act.

8. To consider and if thought fit to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

RESOLVED THAT pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the approval of the Central Government, the Company hereby approves the appointment and terms of remuneration of Mr.Farooq Shaikh, brother of Mr.Sattar Shaikh, an Executive Director of the Company, to hold and continue to hold an office of profit under the Company as a "Senior Manager Business Development" or any other capacity / position, for a period of five years, with effect from 1.4.2006 or such other date as may be stipulated by the Central Government, whichever is later, on a consolidated salary upto Rs.10 Lacs (Rupees Ten Lacs only) per annum, including perquisites and benefits, the monetary value of which will be subject to a ceiling of 35% of the gross salary, with authority to the Board of Directors of the Company, to give annual increment not exceeding 35% of the last drawn gross salary, based on his performance.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to settle any question or difficulty that may arise with regard to the implementation of the above Resolution, obtaining regulatory approvals, etc with liberty to them to alter and vary the terms and conditions in such manner as may be agreed to between the Board of Directors and Mr.Farooq Shaikh, and to do all other acts, deeds and things as may be considered necessary and expedient in relation thereto.

Registered Office:

G-4, Melstar House  
MIDC, Cross Road "A",  
Andheri East  
Mumbai - 400 093.

By Order of the Board of Directors

Dinesh Kalani  
Company Secretary

Mumbai, October 31, 2006



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**Additional Information required under Clause 49 VI A of the Listing Agreement of Directors seeking re-appointment****Details****Item - 2**

**Mr. Anthony Clifford Gale**, aged 57 years, is a qualified UK Accountant with 38 years of extensive experience in Finance, Management Consulting, IT and Corporate Management.

He has worked as Managing Director of a telecom company and Group Finance Director for an international transport and trading group. He has held senior consulting positions with Ernst & Young and Accenture (previously known as Andersen's UK Consultancy Practice).

He co-founded Linkhand Group, UK in 1990, which was acquired by Melstar in December 2000 and was appointed as the CEO for Company's European Operations. During the last two years he has been CEO of LB Icon's UK operations, a business with sales of £50 million, till his departure earlier in 2006.

At present, he is on the Board of Linkhand Support Limited (WOS of Melstar Limited) and Commonsense Management Services Limited (UK companies) and is providing strategic and operations guidance to a number of small IT companies in UK.

He had last retired by rotation at the Annual General Meeting held on 31.7.2002 and was re-appointed as a director liable to retire by rotation.

Mr. Gale holds 1,018,898 Equity shares in the Company amounting to 7.13% of the paid up Equity Capital of the Company.

**Item 3**

**Mr. Darius Pandole**, aged 40 years, holds a Bachelor's Degree in Economics from Harvard University, Cambridge, MA, USA and also MBA from the University of Chicago, Graduate School of Business, Chicago IL, USA with specialization in Marketing and Finance. Since 1993, he has worked with several companies at the Board level and at senior positions. His areas of expertise are investment management, equity valuation, mergers and acquisition strategies, marketing and sales strategies, managing investment portfolios, etc. At present, he is the Managing Director of Gateway Fund Advisors Pvt. Ltd. He is also a director of Credibility Financial Services Pvt. Limited and JM Financial Asset Management Private Limited.

He had last retired by rotation at the Annual General Meeting held on 31.7.2002 and was re-appointed as a director liable to retire by rotation.

Mr. Pandole holds 48,000 Equity shares in the Company.

**Item - 4**

**Mr. Suresh Bansal**, aged 49 years, is a Commerce Graduate and has completed DBIM from Bombay University. He has over 24 years experience in export marketing of computers and software. He worked with ESSEN Computers Limited as General Manager (Exports) for over 9 years, before he ventured into IT business on his own along with other present promoters of the Company. Mr. Bansal had been the Chairman of the Company for almost 15 years. He still continues as a Non-Executive Director of the Company. He has also served Subsidiaries of the Company in UK and US. At present, he is an Executive Director of DTDC Courier

and Cargo Limited.

He is also on the Board of the following other companies:

1. Melstar Inc. (WOS of the Company in US)
2. DTDC Express Inc (New York)
3. DTDC Worldwide Express Limited
4. DCG Tech Pvt. Ltd

Mr. Bansal had last retired by rotation at the Annual General Meeting held on 31.7.2003 and was re-appointed as a director liable to retire by rotation.

Mr. Bansal holds 731,213 Equity shares in his name and his son holds 100,000 equity shares in the Company, which together amounted to 5.82% of the paid up Equity Capital of the company.

**NOTES:**

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 pertaining to the business contained in Items 7 and 8 above is annexed. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between the hours of 10.00 a.m. and 12 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS / HER STEAD AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. UNDER THE COMPANIES ACT 1956, VOTING IS BY A SHOW OF HANDS UNLESS A POLL IS DEMANDED BY A MEMBER OR MEMBERS PRESENT IN PERSON OR BY PROXY, HOLDING AT LEAST ONE TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTION OR BY THOSE HOLDING PAID-UP CAPITAL OF AT LEAST RS. 50,000/-. A PROXY SHALL NOT VOTE EXCEPT ON A POLL.
3. In order to be effective, the instrument appointing the proxy must be deposited at the registered office of the Company not later than 48 hours before the scheduled time of commencement of the meeting.
4. Members/Proxies are requested to bring to the Meeting the Attendance slip duly filled in along with their copy of this Annual Report.
5. The Register of Members of the Company shall remain closed from Monday, the 18<sup>th</sup> December 2006 to Wednesday, the 20<sup>th</sup> December 2006 (both days inclusive) for the purpose of the Annual General Meeting.
6. Consequent upon the introduction of Section 109A of the Companies Act, 1956, members are entitled to make nomination in respect of shares held by them, if not already done. Members desirous of making nominations are requested to send their requests in Form No. 2B (which will be made available on request) to the Company's Registrars and Share Transfer Agents in case the shares are held in physical form and to the Depository Participants in case the shares are held in electronic form.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries in writing to the Company Secretary at least seven days before the date of the meeting so that the



information required may be made available at the meeting.

8. Members holding shares in physical form are requested to notify / send the following to the Company's Registrars and Share Transfer Agents to facilitate better service:

- a) any change in their addresses ; and
- b) shares held in multiple accounts in identical names or joint accounts in the same order of names for consolidation of such shareholdings into one account.

9. Members are requested to note appointment of Intime Spectrum Registry Limited as Registrars and Share Transfer Agents of the Company. Their contact details are as follows:

Intime Spectrum Registry Limited  
(Unit - Melstar Information Technologies Limited)  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West), Mumbai - 400 078  
Tel.: 2596 3838 : Fax: 2594 6969  
E-mail: isrl@intimespectrum.com

10. The Investors are requested to note that unclaimed dividend for the financial year ended 31.3.2000 will be due for transfer in May 2007 to the Investor Education and Protection Fund established by the Central Government.

Members who have not yet received / encashed Dividend Warrants for the aforesaid year may approach the Registrars and Share Transfer Agents of the Company for revalidation/issue of duplicate dividend warrant quoting reference of their ledger folio numbers or DP ID and Client ID as the case may be and stating the reason for delay before the transfer to the Investor Education and Protection Fund. No claim shall lie against the Company or the fund afterwards.

#### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

The following explanatory statements set out all material facts relating to the Special Businesses mentioned under items No.7 and 8 of the accompanying Notice dated 31<sup>st</sup> October, 2006.

#### Item 7

##### **Maintaining Statutory Records at a place other than the Regd. Office**

The company pursuant to an approval of the members obtained on 25th August, 2000 has been maintaining the register of members, the index of members (hereinafter referred to as "Registers") and copies of all Annual Returns prepared under Section 159 of the Companies Act, 1956 together with copies of certificates and documents required to be annexed thereto with MCS Limited, its registrars and transfer agents.

The Directors deemed it expedient to appoint Intime Spectrum Registry Limited (ISRL) as Registrars and Share Transfer Agents of the Company in terms of an Agreement between the Company and ISRL dated October 31, 2006.

As such, it is likely that the records of the Company comprising the Register of Members, Index of members, Copies of Certificates / Annual Returns, etc are kept at the office of the said ISRL to facilitate rendering requisite services to the members. As required under the provisions of Section 163 of the Companies Act, 1956 members' approval is sought in pursuance of the Special

Resolution at item 7 of the Notice convening the meeting.

An advance copy of the proposed resolution is being sent to the Registrar of Companies, Maharashtra as required under the said section.

The Directors recommend the resolution as set out in Item 7 of the Notice for Members' favourable consideration.

None of the Directors of the Company is deemed to be interested in the Resolution except to the extent of their respective shareholding in the Company.

#### Item No.8

##### **Re-appointment of Mr.Farooq Shaikh, brother of Mr.Sattar Shaikh, as "Senior Manager - Business Development" with the Company on revised remuneration**

The expansion of the Company's operations in Pune required a senior executive for business development as well as marketing and sales promotions / operations.

Mr.Farooq Shaikh has been associated with the Company as a "Quality Consultant" since 2003. Based on his performance, Mr.Farooq Shaikh was promoted to the position of "Account Manager" and is shouldering the responsibility of operations and business development from Pune office of the Company since last two years. Having regard to his performance, his salary was also revised periodically in the past. It is proposed to revise his salary and re-designate him as "Senior Manager Business Development" for another period of five years w.e.f. 1.4.2006 on a Consolidated salary upto Rs.10 Lacs per annum, including perquisites and benefits, the monetary value of which will be subject to a ceiling of 35% of the gross salary. He will be further entitled to receive in future the reasonable increase based on the performance on a year on year basis over and above the Consolidated amount last drawn.

Mr.Farooq Shaikh holds a Bachelors Degree in Commerce from Bombay University and a Diploma in Office Information System. At present he is pursuing PGDBA. He has overall work experience of 14 years encompassing marketing, operations, software development and testing, production, designing, printing, advertising, customer relations, etc.

The Remuneration Committee of the Board at its meeting held on 31<sup>st</sup> October 2006 has considered and approved the aforesaid revised remuneration for his re-appointment.

The Directors recommend the resolution as set out in Item 8 of the Notice for Members' favourable consideration.

Except Mr.Sattar Shaikh, being the brother of Mr.Farooq Shaikh, none of the other directors may be deemed to be concerned or interested in this Resolution.

#### Registered Office:

G-4, Melstar House  
MIDC, Cross Road "A",  
Andheri East  
Mumbai - 400 093.

#### By Order of the Board of Directors

**Dinesh Kalani**  
Company Secretary

Mumbai, October 31, 2006

## Directors' Report

The Directors present hereunder the Nineteenth Annual Report on the Business and operations of the Company along with the Audited Statement of Accounts of the Company and of the Group for the year ended 31st March 2006. The financial results for the year are summarized as under:

### 1. FINANCIAL RESULTS

(Rupees in Lacs)

	2005-06	2004-05
Sales	1,755	2,551
Other income	67	110
Operating Profit before depreciation, interest and taxes	246	330
Less: Depreciation	156	209
Less: Interest	38	37
Operating Profit / (Loss) before unusual item	52	84
Less: Provision for/write off of doubtful debts/ advances	-	47
Less: Exceptional / Non-recurring item	-	285
Profit / (Loss) before Taxation	52	(247.71)
Provision for taxation	(11)	(0.17)
Provisions for earlier years	1	(0.45)
Profit / (Loss) after tax	42	(248.33)
Profit brought forward from earlier year	239	487
Adjustments as per sanctioned Scheme of Arrangement	122	-
*Balance carried to Balance sheet	159	239
*EPS before exceptional / non-recurring item (in Rs.)-Basic/ Diluted	0.30	0.26
*EPS after exceptional / non-recurring item (in Rs.) - Basic / Diluted	0.30	(1.74)
*Book value per Share (in Rs.)	11.22	28.41

\*2005-06 figures are after carrying out adjustments as of 1.4.2005 in terms of Scheme of Arrangement and hence may not be strictly comparable.

### 2. RESULTS OF OPERATIONS

#### (a) Revenues

The total sales of the Company and of the Group for the year under report were as under:

(Rupees in Lacs)

	2005-06	2004-05	2005-06	2004-05
	COMPANY	COMPANY	GROUP	GROUP
U.S	858	1,106	2,281	1,863
EUROPE	252	1,020	457	1,203
SINGAPORE	-	-	52	74
INDIA	645	425	645	425
<b>TOTAL</b>	<b>1,755</b>	<b>2,551</b>	<b>3,435</b>	<b>3,565</b>

The overall sales of the Company as well as the Group were lower at Rs.1,755 Lacs and Rs.3,435 Lacs respectively against Rs. 2,551 Lacs and Rs.3,565 Lacs during the preceding year. The reason for decline of the revenues of the Company was mainly due to completion of some major offshore contracts and overall group revenues were adversely affected because of limited opportunities to the subsidiaries after a major subsidiary in UK had initiated Company Voluntary Arrangement (CVA) during the previous financial year.

#### (b) Amalgamation

The Board of Directors of the Company at its meeting held on 28<sup>th</sup> March 2006 and the members of the Company at an Extraordinary General Meeting held on 27<sup>th</sup> July 2006 have approved reclassification of Share Capital and utilization of the Securities Premium Account. At the Court Convened Meeting held on 27<sup>th</sup> July 2006, the Members have approved a Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956 ("Scheme") for merger of Melstar Fashions Private Limited (MFPL), a group company under the control of the promoters of the Company. The "Appointed Date" for the Merger is 1<sup>st</sup> April 2005. The Hon'ble High Court, Bombay has approved the said Scheme vide its order dated 15<sup>th</sup> September 2006 and the said Scheme has become effective upon filing of the said Order with the Registrar of Companies, Maharashtra, Mumbai on 9<sup>th</sup> October, 2006.

In terms of the approved Scheme, every equity shareholder of erstwhile MFPL have been allotted one fully Paid up 5% Cumulative Redeemable Preference Share of Rs.10/- each for every 50 Equity Shares of Rs.10/- each held in erstwhile MFPL. To issue 5% Cumulative Redeemable Preference Shares, the Authorised Equity Share Capital of the Company has been reclassified by reducing Rs.5 Lacs consisting 50,000 Equity Shares of Rs.10 each, for creation of Preference Share Capital of Rs.5 Lacs consisting of 50,000 Preference Shares of Rs.10/- each.

The Company has also made provisions and adjustments with regard to diminution in the value of investments of the Company in the subsidiaries and also provided for inter-company debts and loans and advances in the light of their realizable value and also revalued certain fixed assets. The Company utilized the entire amount of Rs.682 Lacs in the Securities Premium Account, Rs.1,690 Lacs out of the General Reserves and Rs.614 Lacs from the Revaluation Reserve towards diminution in the value of its investments and also revalued certain other assets in line with their market / realizable values.

#### (c) Operations

The operations of the Company resulted in a net profit of Rs.42 Lacs during the year under report.

The performance of the subsidiaries was not encouraging during the year under report, except Melstar Inc, a wholly-owned subsidiary of the Company in US, which generated a marginal profit of Rs.48 Lacs. Consequently, the Group operations resulted into a loss of Rs.852 Lacs (against a loss of Rs.764 Lacs in the preceding year). The Subsidiaries also continued to face acute liquidity crisis during the year and cash flows remained





under severe pressure. The increase in Group loss was on account of depreciation and write off of unrealized Earn-out.

### 3. DIVIDEND

In view of overall losses suffered by the Group during the year, the Directors regret their inability to recommend any dividend to the equity shareholders of the Company for the year under report.

### 4. SUBSIDIARY COMPANIES

The Company has five wholly-owned foreign subsidiaries, viz, Melstar Limited (Under CVA at present), Melstar UK Limited, Melstar Singapore Pte Limited, Melstar Inc., and a step-down subsidiary- Linkhand Support Limited, which is a subsidiary of Melstar Limited. Out of these, Melstar Limited and Linkhand Support Limited did not undertake any business activities during the year under report.

In view of diminution in the value of equity investments made by the Company in the aforesaid subsidiaries and considering their realizable value, the Company has made provisions to the extent of Rs.2,088 Lacs. The Company has also made provisions to the extent of Rs.1,019 Lacs against overdue loans, advances and receivables from the aforesaid subsidiaries.

The important developments that have taken place during the year under report in various subsidiaries of the Company are dealt with hereunder;

#### (a) UK Subsidiaries:

##### (i) Melstar Limited & Linkhand Support Limited

As reported earlier, this wholly owned foreign subsidiary had sold its "solution business" to a third party for a consideration. However, due to non-achievement of full Earn-out as per the conditions linked to "earn-out" payment, the Administrator of the CVA recently agreed for a negotiated settlement as full and final payment to save litigation, time as well as cost on the Company and/or subsidiary. The negotiated amount has been received and being disbursed in terms of CVA.

Linkhand Support Limited, a step-down subsidiary of Melstar Limited, UK did not undertake any business activities during the year under report. However, the subsidiary incurred loss Rs.323 Lacs on account of depreciation in the value of Software Products having carrying value of Rs.726 Lacs as at 31.3.2006.

##### (ii) Melstar UK Limited

Melstar UK Limited is the only operative subsidiary of the Company in UK at present. However, its performance was not satisfactory during the year under report. It generated revenues of GBP 227,470 (Equivalent to Rs.182 Lacs) and incurred loss of GBP 7780 (equivalent to Rs.6.21 Lacs) during the year under report. The management is making best efforts to revive operations in UK through this subsidiary.

##### (b) US Subsidiary - Melstar Inc.

The operations of Melstar Inc improved marginally during the

year under report. It generated revenues of US\$ 3,226,101 (Equivalent to Rs.1,424 Lacs) and profit of US\$ 108,895 (Equivalent to Rs.48 Lacs) (previous year Revenues of US\$ 1,942,494 equivalent to Rs.845 Lacs and losses of US\$ 443,520 equivalent to Rs.193 Lacs).

##### (c) Singapore Subsidiary - Melstar Singapore Pte Ltd.

This subsidiary's performance during the year under report was not encouraging resulting into losses of SG\$ 77,205 (Equivalent to Rs.21 Lacs) as against nominal profit of SG\$ 31,705 (equivalent to Rs.8 Lacs) during the previous year. The dismal performance was mainly due to expiry of a few contracts the subsidiary had received during the previous financial year and non-receipt of any good contract during the year under report. Lack of market growth, limited business opportunities and continued cash flow problems also led to poor performance of the subsidiary. The management is working out all possible efforts to minimize the operational expenses.

##### (d) German Subsidiary - Melstar Deutschland GmbH

This subsidiary was de-registered in September 2005 after complying with local laws.

### 5. Financial Statements of Subsidiaries

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, vide its letter No.47/75/2006-CL-III dated 10.4.2006 copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same. Further, these documents will also be kept open for inspection by any member/investor at the Company's Registered Office and that of the subsidiaries concerned. However, as required under the aforesaid approval, a summarized statement of financial position of the subsidiaries has been appended to the Annual Report elsewhere. Also in terms of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements presented by the Company includes the financial information of the subsidiaries as well.

### 6. Future Prospects / Outlook

The Company expects to improve its revenues and profitability by maximum utilization of its infrastructure and resources with continued efforts at containing costs consistent with the need for growth. The Company has been concentrating more on the domestic business since the last financial year and it has started yielding results. With the expansion of Indian operations by many large global companies, the Company envisages more opportunities for small and medium sized companies. The Company has established business association with a few such companies. The Company expects more business from these clients during the current year, barring unforeseen events.

To improve the overall bottom-line and profitability across the group companies, emphasis on curtailing costs by winding up some of the non-operative subsidiaries and other operational expenses, maximizing use of existing offshore infrastructure facilities, expansion of client base, etc. are being given more

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attention.

## 7. DIRECTORS

In terms of article 154(1) of the Articles of Association of the Company, Mr. A.C.Gale, Mr. Darius Pandole and Mr. Suresh Bansal retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas and names of the Companies in which they hold the directorship and membership/chairmanship of committees of the Board, as well as their shareholding as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the Notice and Report on Corporate Governance forming part of the Annual Report. There has been no change among the Board members, except resignation of Mr.Suresh Bansal from the office of Non-executive Chairman and is continuing as Non-Executive Director. Since there is no regular Chairman at present one of the Independent Directors is chairing each meeting of the Board.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;

- b) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at March 31, 2006 and of the loss for the year ended on that date;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the directors have prepared the annual accounts on a 'going concern' basis.

## 9. PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public or the Shareholders during the year or earlier years.

## 10. EMPLOYEES

The overall strength of people resources engaged by the Company as on 31.3.2006 stood at 311 (previous year 324).

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees required to be set out in the Directors Report are given hereunder:

Sr. No.	Name	Designation	Gross Remuneration (Rs.)	Qualification	Exp. (Yrs.)	Date of Joining	Age (Yrs.)	Previous Employment-Designation
1	S.M. Arora	Managing Director	2,795,908	B.A., M.B.A.	47	24/1/1991	71	Melstar Industries Ltd. Director
2	Sattar Shaikh	Executive Director	2,960,915	B.Com.	26	1/8/1997	48	Melstar Industries Ltd. Director
3	Purushottam Gokhale	Vice President	2,798,977	B.Sc., MMS	24	9/12/2004	48	ITC Infotech Ltd. General Manager - Key Account Delivery

### Notes:

1. Nature of Employment is Contractual. The terms of the Managing Director and the Executive Director are governed by the Shareholders resolution.
2. Remuneration comprises basic salary, allowances and taxable value of perquisites.
3. Other Terms & Conditions are as applicable under the Rules of the Company.
4. Mr.Arora and Mr.Shaikh (being the promoter Directors), each of them together with their relatives hold more than 1% of the paid up capital of the Company.