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2007-2008

ANNUAL REPORT

Business Philosophy

"To follow ethical and transparent business practices with all its customers, vendors and employees. Build long-term relationships based on mutual trust and benefits. Development of people and society in all countries where Melstar has its operations."



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."

SEI: CMM Level - III Assessed

ISO-9001 : 2000 Certified



Registered and Corporate Office

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

Tel.: +91 (22) 4056 6464 Fax: +91 (22) 2831 0520

Email: info@melstar.com : Visit us at : 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 | |
| ★ Mrugesh Shah | (upto 19.02.2008) |
| ★ Ashokumar Katial | (w.e.f. 31.10.2007) |
| ★ Richard D'Souza | (w.e.f. 30.04.2008) |

Auditors

Deloitte Haskins & Sells

Chartered Accountants

Mumbai

Bankers

Janakalyan Sahakari Bank Limited

HDFC Bank Limited

Registrar & 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) 2522 5737
Fax: +91 (80) 2522 5792

Chennai

Nakshatra Serviced Apartments,
2nd Floor,
8, Maharaja Surya Rao Road,
Alwarpet, Chennai - 600 018
Tel.: +91 (44) 4211 0322 / 24
Telefax: +91 (44) 4211 0323

Hyderabad

Sravana Complex, 4th Floor,
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 - 411 048.
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
Tel.: +91 (0124) 24080842 / 43 /44
Telefax: +91 /0124) 2408 0845

Overseas Subsidiaries

Melstar Inc.

707, Alexander Road,
Suite 208,
Princeton, New Jersey 08540
Tel: +1-609-514-0007
Fax: +1-609-514-0010

Melstar UK Limited

Melbury House
34 Southborough Road
Bickley Bromley
Kent BR1 2EB,
Tel: +44 1689 853504
Fax: +44 1689 862804

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 Twenty-First Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on Monday the 29th September 2008 at 10.00 a.m. at Hotel Tunga International, Central Road, M.I.D.C., Andheri (East), Mumbai 93 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008, 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., M.R. Lal 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. Anthony Gale, who retires by rotation at this meeting and, being eligible, offers himself for re-appointment.
4. 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.
5. 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.

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

6. As an Ordinary Resolution:

RESOLVED THAT Mr. Ashok kumar Katial who was appointed by the Board Of Directors pursuant to the provisions of Section 262 of the Companies Act, 1956 and article 139 of the articles of association of the Company as a Director to fill the casual vacancy caused by the resignation of Mr. Darius Pandole and who, in terms of section 262 was entitled to hold office until this annual general meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. As an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Richard D'souza who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation.

8. As a Special Resolution

RESOLVED THAT subject to such consents, permissions and approvals as may be required and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") and any statutory modifications or enactment thereof and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such requisite approvals, if any, consent of the Company be and is hereby accorded for the re-appointment of **Mr. S. M. Arora** as the Managing Director of the Company, for a period of three years with effect from 1st April, 2008 till 31st March, 2011, on the remuneration and perquisites and terms and conditions as set out in the agreement between the Company and **Mr. S. M. Arora**, laid before the meeting and initialled by the chairman for the purpose of identification.

RESOLVED FURTHER THAT subject to the limits prescribed from time to time in Section II of Part II of Schedule XIII of the Companies Act, 1956, the remuneration payable as aforesaid shall be paid to **Mr. S. M. Arora** as minimum remuneration, notwithstanding that in any financial year of the Company during the terms of his office as such, the Company may have made no profits or inadequate profits.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to review, revise, increase or enhance the remuneration, perquisites and benefits to be paid or provided to **Mr. S.M. Arora** (including the minimum remuneration) in accordance with the relevant provisions in the Companies Act, 1956 and / or the rules and regulations made there under and / or relaxation or revision in the Guidelines for Managerial Remuneration as may be made and / or announced by the Central Government from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary, desirable or appropriate to give effect to this resolution.

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9. As a Special Resolution

RESOLVED THAT subject to such consents, permissions and approvals as may be required and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") and any statutory modifications or enactment thereof and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such requisite approvals, if any, consent of the Company be and is hereby accorded for the re-appointment of **Mr. Sattar Shaikh** as the Executive Director of the Company, for a period of three years with effect from 1st April, 2008 till 31st March, 2011, on the remuneration and perquisites and terms and conditions as set out in the agreement between the Company and **Mr. Sattar Shaikh**, laid before the meeting and initialled by the chairman for the purpose of identification.

RESOLVED FURTHER THAT subject to the limits prescribed from time to time in Section II of Part II of Schedule XIII of the Companies Act, 1956, the remuneration payable as aforesaid shall be paid to **Mr. Sattar Shaikh** as minimum remuneration, notwithstanding that in any financial year of the Company during the terms of his office as such, the Company may have made no profits or inadequate profits.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to review, revise, increase or enhance the remuneration, perquisites and benefits to be paid or provided to **Mr. Sattar Shaikh** (including the minimum remuneration) in accordance with the relevant provisions in the Companies Act, 1956 and / or the rules and regulations made there under and / or relaxation or revision in the Guidelines for Managerial Remuneration as may be made and / or announced by the Central Government from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary, desirable or appropriate to give effect to this resolution.

Registered Office:
G-4, Melstar House
MIDC, Cross Road "A",
Andheri East
Mumbai - 400 093
Mumbai, July 3, 2008

By Order of the Board of Directors

VIJAY MODI
COMPANY SECRETARY

1. Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 in respect of item Nos. 6, 7, 8 and 9 being special business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday the 23rd September, 2008 to Monday the 29th September, 2008 (both days inclusive).
4. Members are requested to:
 - a) intimate any change in their addresses to the company's registrar and share transfer agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078,
 - b) quote client ID and DP ID numbers in respect of shares held in dematerialised form and ledger folio number in respect of shares held in physical form in all the correspondence.
5. Members / Proxies are requested to bring Annual Report and attendance slip duly filled in.
6. Corporate members are requested to send a duly certified copy of the board resolution authorising their representatives to attend and vote at the annual general meeting.
7. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
8. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the amendment to the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Intime Spectrum Registry Limited.
9. Members desirous of getting any information about the accounts and operations of the company are requested to address their queries to the Secretary of the Company at least ten days in advance of the meeting so that the information required can be made readily available at the meeting to the extent possible.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Details of directors seeking appointment/re-appointment at the forthcoming annual general meeting are given below:

Item no	3	4	6	7
Name of the director	Mr. M.R Lal	Mr. Anthony Gale	Mr. Ashokkumar Katial	Mr. Richard D'Souza
Date of Birth	19.2.1933	17.08.1949	10.01.1946	09.06.1947
Date of appointment	30.4.2001	21.12.2000	31.10.2007	30.04.2008
Qualification	Graduate in Law, F.C.S India	Qualified UK Accountant	B. Com, FCA CAIIB	1. B.Sc.(Hon). 2. M.B.A. (PGDBM), Jamshedpur 3. A.M.I.I. E 4. A.I.C.W.A 5. A.C.S-
Expertise in specific Functional areas	30 years Experience in Legal, secretarial, Finance, HRD, Administration, Corporate Communication	Nearly 40 years experience in Finance, Management Consulting, IT, Corporate Management	Over 20 years experience in Banking, Is a practicing Chartered Accountant since 1993 as a partner with M/s. Mohinder Arora & Co.	Over 37 years experience in various fields like Corporate Management at Various levels, BPO /KPO, Business strategies, Commercial & International Banking, Productivity Improvement/ Cost Management and Cost Control, Organisation Studies, Organisation Analysis & Design Financial Services & Control, Various IT Systems, Corporate Training & Development, Marketing Technology, Retail & Development.
List of other directorship	Melstar UK Limited	Linkhand Support Limited UK, Commonside Management Services Limited UK, Linkhand Limited UK, Zentronix Limited, UK, Tech Trek Technologies (UK) Limited UK, White Box Software Limited UK, Alsedo Development Team Limited UK, Data Direct Services Limited UK	Mind Force Consultancy Services Private Limited Computer Point Limited Maco Consultancy Private Limited	Aviators (India) Pvt. Ltd.
Chairmanship/Memb ership of the committees of other Companies	---	---	---	---

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Note	A Notice in writing has been received by the Company under section 257 of the Companies Act 1956, signifying his intention to propose his Candidature for appointment as a Director of the Company.	A Notice in writing has been received by the Company under section 257 of the Companies Act 1956, signifying his intention to propose his Candidature for appointment as a Director of the Company.
	Mr. Ashok Kumar Katial being eligible, offers himself for appointment.	Mr. D'Souza being eligible offers himself for appointment.
No. of Shares held	599	1018898
	2335	Nil

In order to avail benefit of their valuable and expert advice and guidance, the Board commends passing of the resolution as set out in item no. 6 and 7 of the accompanying notice. None of the Directors other than Mr. Mr. Ashok Kumar Katial and Richard D'Souza are deemed to be concerned or interested in these resolutions.

Item no. 8

Mr. S. M. Arora, aged 73, is a Management Graduate Manager. He had been associated with IBM World Trade Corporation as a Country Distributor, IDM Limited as Marketing and Manufacturing Services Manager, Prompt Computers (P) Limited and Sujata Data Products Limited as a Director.

His over 48 years experience encompassess all facets of management i.e. strategic planning and directions, establishing and maintaining business relations, focussing on the interests of all stakeholders, brand equity, productivity enhancement, etc.

Mr. Arora is one of the main Promoters having initiated and completed the take over of the Company in 1991. He has been the Managing Director of the Company since then and along with other promoters has contributed his best to the growth and development of the Company.

He is on the Board of the following other companies:

- (1) Melstar Limited (2) Melstar Inc (3) Melstar Singapore Pte Limited

Whereas by a resolution passed at a meeting of the Remuneration Committee of the Company held on 31st day January 2008, Mr.S.M.Arora has been re-appointed as Managing Director of the Company on the terms and conditions hereinafter appearing.

The appointment is subject to approval of members. The terms and conditions of his appointment are as under:

Mr.S.M.Arora : Managing Director

I. Period 3 (three) years i.e. 01.04.2008 to 31.03.2011

As Managing Director, Mr. S.M. Arora shall be responsible for the companies business affair as entrusted to him subject to the direction, supervision and control of the Board of Directors.

Details of remuneration :

Remuneration : Salary + perquisites and other allowances not exceeding Rs. 2,50,000/- per month.

All expenses, which may be incurred on house in accordance with the Managing Director's status, including but not limited to insurance, security charges, maintenance and repair of the house and the furniture, fixtures and furnishings therein, gas, electricity and water along with all amenities, facilities and utilities.

Club Fees : Fees of Corporate/Health Clubs (not exceeding 2 clubs).

Medical Reimbursement : Medical expenses incurred by the Managing Director for himself and his family shall be reimbursed by the Company, either directly or through Mediclaim Insurance.

Leave Travel Assistance : The Managing Director shall be eligible for Leave Travel assistance for self and family once in a year in accordance with the rules of the Company.



Valuation of perquisites : Perquisites mentioned in above shall be evaluated in accordance with the Income Tax Rules, 1961 wherever applicable, and in other cases at the actual cost to the Company.

Minimum Remuneration : Notwithstanding anything herein contained, where in any financial year, during the currency of the tenure of Mr. S.M. Arora, as Managing Director of the Company, if the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified above in accordance with Schedule XIII of the Companies Act, 1956 or any other law or enactment for the time being or from time to time in force.

- II. **Conveyance :** Free use of Company's car for the work of the Company along with driver, insurance, petrol, cost of repairs, overhauling, maintenance and garage rent.

Communication Facilities : The Company shall bear all expenses of the Communication facilities installed at the Managing Director's residence including but not limited to Telephones (land lines/mobiles), Faxes, Computers / Laptops, Internet Connection.

Entertainment, Travelling and other incidental expenses: The Company shall reimburse entertainment, travelling and other incidental expenses actually and properly incurred by the Managing Director for the business of the Company.

Other Benefits : The Managing Director shall be entitled to the other benefits, schemes, privileges and amenities such as housing loans and other loans at concessional rate of interest, credit cards, personal accident insurance of a reasonable insured value commensurate with the earnings of the Managing Director as may be granted from time to time to the Top Management of the Company, in accordance with the relevant schemes.

- III. **Leave:** The Managing Director shall be eligible for leave as per Rules of the Company and encashment of leave at the end of tenure.

The Company's contribution to the Provident Fund, Superannuation Fund (or other benefit permissible in lieu thereof) or annuity fund will be as per the rules of the Company and the same will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable in accordance with the gratuity Scheme of the Company provided that it does not exceed one half month's salary for each completed year of continuous service.

Note : for the purpose of perquisites stated above, family means the spouse, the dependent children and dependent parents of the appointee.

The perquisites indicated in Category-III shall not be included in computation of the ceiling on remuneration specified in Category-I of this section.

Disentitlements: The Managing Director shall not be entitled to sitting fees for attending Meetings of the Board of Directors of the Company or any Committee or Committees thereof.

The Managing Director shall not, as long as he continues to be Managing Director of the Company, be liable to retire by rotation.

Interest of Directors : Mr.S.M.Arora is concerned and interested in the above matter. No other director of the Company is concerned or interested in the above matter.

Additional General information

Additional Information as required in accordance with the provisions of Schedule XIII is given hereunder

- Nature of industry Software consultancy, development and related services
- Date of commercial production The Company was incorporated on 12th August 1986 as a private company and is in operation since then. However, the present activities were commenced in the year 1997.
- Financial performance based on given indicators - As per the audited financial results for the year ended 31-3-2008:

(Rs)

Revenues	16,77,55,596/-
Net Loss	1,34,79,032/-
Paid up Share capital	14,28,51,390/-
Net Worth	14,76,34,976/-

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d) Net foreign exchange earnings of the company during the past three years -

Year	Inflow Rs.	Outflow Rs.
2005/2006	5,35,77,297/-	1,97,96,840/-
2006/2007	2,60,39,262/-	2,19,52,913/-
2007/2008	2,23,86,958/-	2,14,28,171/-

e) Personal Information:

Mr. Arora, aged 73 years, is a Management Graduate (MBA). He has over 48 years of experience in the industry, encompassing all facets of management i.e. strategic planning and directions, establishing and maintaining business relations, focusing on the interests of all stakeholders, brand equity, productivity enhancement, etc.

f) Job profile and suitability:

Mr. Arora is the Managing Director of the Company since 1991. Considering his qualifications and expertise in overall management functions, he is competent to carry on the responsibilities presently entrusted to him by the Board of Directors.

g) Past remuneration drawn (F.Y. 2007-08):

Particulars	Rupees
Basic Salary	21,60,000/-
Contribution to PF	2,59,200/-
Other perks	8,36,804/-
Total	32,56,004/-

h) Remuneration Proposed - As stated herein before.

i) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

Taking into consideration the size of the Company, the profile of the appointee, the responsibility shouldered by him and the industry benchmarks, the proposed remuneration is reasonable and fairly competitive with the remuneration packages paid by other companies to similar senior level appointees.

j) Reason for loss or inadequacy of profits / steps taken or proposed to be taken for improvement:

The main reasons are decrease in sales due to extreme competition, pressure on margins and non-renewal of some major contracts having good margin and ultimately drop in profits of the company.

The Company is focusing on its core competencies and using sometimes-outsourced technology service providers to help improve productivity, develop new products, reduce business risks and manage the operations more effectively.

k) Expected increase in revenues and profits in measurable terms:

In the competitive environment, it is difficult to estimate revenues / profits in measurable terms. However, the management has framed strategies and developed execution plans to improve the overall bottom-line and profitability by checking losses across the group companies. Curtailing costs and other operational expenses, maximizing use of existing offshore infrastructure facilities, expansion of client base, etc will continue to receive aggressive attention and the management is confident of reasonable increase in revenues and profits during the coming years.

l) Disclosure on pecuniary relationships:

Mr. Arora does not have any other pecuniary relationship with the Company and its managerial personnel, directly or indirectly, except that he is one of the main Promoters and among the major shareholders of the Company and shall receive the remuneration as proposed above.

m) In the event of loss or inadequate profits, Mr. Arora shall be entitled to receive remuneration permissible under the provisions of Schedule XIII, Para (B), Sub-para 1 of Part II of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

n) Since Mr. Arora has attained the age of 73 years, approval for his re-appointment is sought by way of a Special Resolution as required under Schedule XIII of the Act.