

2010-2011 | 24<sup>th</sup> ANNUAL REPORT  
Melstar Information Technologies Limited



THE YASH BIRLA GROUP



MELSTAR

## 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 : 2008 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](mailto:info@melstar.com), Visit us at : [www.melstar.com](http://www.melstar.com)  
Corporate Identity Number (CIN): L99999MH1986PLC040604

**BOARD OF DIRECTORS**

- Mr. Yashovardhan Birla Chairman
- Mr. P V R Murthy Director
- Mr. Anoj Menon Independent Director
- Mr. Rajesh Shah Independent Director
- Mr. M. S. Adige Independent Director
- Mr. S. M. Arora Managing Director upto 30.06.2010

**Auditors****M/s. Kanu Doshi Associates**

Chartered Accountants  
Mumbai

**Bankers**

Punjab & Sind Bank  
HDFC Bank Limited  
Citibank N.A.

**CHIEF EXECUTIVE OFFICER AND MANAGER**

- Mr. Richard D'Souza

**COMPANY SECRETARY**

- Mr. Vijay Modi

**Registrar & Share Transfer Agent**

Link Intime India Private 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: [mumbai@linkintime.co.in](mailto:mumbai@linkintime.co.in)

**BRANCH OFFICE LOCATIONS****Bangalore**

# 335, Connection Point,  
Mezzanine Floor, Airport Exit Road,  
Bangalore - 560 017  
Tel.: +91 (80) 2522 5737

**Chennai**

Nakshatra Service 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, 3rd 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  
Telefax : +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

**Kolkata**

8/8, Chinar Park,  
New Town Rajarhat Road,  
Kolkata - 700157.  
Tel.: +91 (33) 2321 6047 / 48

**Gurgaon**

SCO 18-19, Sector 14,  
Gurgaon - 122 001  
Haryana  
Tel.: +91 (0124) 4080 842 / 43 / 44  
Telefax : +91 (0124) 4080 845

**OVERSEAS SUBSIDIARIES****Melstar Inc.**

33, Wood Avenue South,  
Suite 600,  
Iselin, New Jersey 08830  
Tel. : 732-744-3399  
Fax : 732-744-3400

**Melstar UK Limited**

Melbury House  
34 South borough Road  
Bickley Bromley  
Kent BR 1 2EB  
Tel. : +44 1689 853504  
Fax : +44 1689 862804

**Melstar Singapore Pte Limited**

1, North Bridge Road,  
# 19-04/05, High Street Centre  
Singapore 179 094  
Tele/Fax : +65 6788 6131

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## NOTICE

Notice is hereby given that the Twenty-fourth Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on **Friday the 12<sup>th</sup> August 2011 at 3.30 p.m. at M. C. Ghia Hall, 2nd Floor, 18/20, K. Dubhash Marg, Kalaghoda, Mumbai - 400 001** to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and the Profit and 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. Rajesh Shah, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint M/s Kanu Doshi Associates, Chartered Accountant as Statutory Auditors of the Company to hold the office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.
4. 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.

Registered Office:

Melstar House, G-4, MIDC Cross Road 'A',  
Andheri (East),  
Mumbai - 400 093.  
Mumbai 19<sup>th</sup> May 2011

**By Order of the Board of Directors**

**(VIJAY MODI)**  
**COMPANY SECRETARY**

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will be closed from FRIDAY THE 05.08.2011 to FRIDAY THE 12.08.2011 (both days inclusive)
3. **Members are requested to:**
  - a) intimate any change in their addresses to the Company's Registrar and Share Transfer Agents, Link Intime India Private 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.
4. Members / Proxies are requested to bring Annual Report and attendance slip duly filled in.
5. Corporate members are requested to send a duly certified copy of the board resolution authorising their representative to attend and vote at the annual general meeting.
6. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
7. 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 Link Intime India Private Limited.
8. 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.
9. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to shareholders of the holding Company seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by any shareholders at the registered office of the holding Company. The holding Company will furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

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

Item No.	2
Name of the director	Mr. Rajesh Shah
Date of Birth	10.01.1953
Date of appointment	23.06.2009
Qualification	C.A
Expertise in specific Functional areas	Senior Partner with M/s. A. J. Shah & Co. (Taxation) & (Audit), Chartered Accountants, since 1979.
List of other directorship	Birla Power Solutions Limited Birla Machining & Toolings Limited (Formerly Dagger Forst Tools Limited) Birla Pacific Medspa Limited Mehta & Padamsey Surveyours (Bombay) Pvt. Ltd.
Chairmanship/Membership of the committees of other Companies	Birla Pacific Medspa Limited (Chairman of Audit Committee) Birla Machining & Toolings Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Power Solutions Limited (Audit Committee Member)
Note	Mr. Rajesh Shah being eligible, offers himself for appointment.
No. of shares held	Nil

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(VIJAY MODI)  
COMPANY SECRETARY

Place: Mumbai, 19th May, 2011



## DIRECTORS' REPORT

The Directors present hereunder the 24<sup>th</sup> 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 31<sup>st</sup> March, 2011. The financial results for the year are summarized as under:

### 1. FINANCIAL RESULTS

Rupees in Lakhs

	2010-11	2009-10
Net Sales / Income From Operations	2,485	1,949
Other Operating Income	37	18
Operating Profit / (Loss) before interest and Depreciation (PBIDTA)	170	(261)
Interest	49	50
Depreciation	86	93
Operating Profit / (Loss) before tax	34	(403)
Other Income, net	97	72
Net Profit / (Loss) before tax and Exceptional Item	131	(331)
Exceptional Item	15	-
Net Profit / (Loss) before tax and after Exceptional Item	146	(331)
Income tax Earlier Years (Net)	-	33
Net Profit / (Loss) after Tax	146	(298)
Deficit Brought Forward From Previous Year	(374)	(75)
Balance carried to Balance Sheet	(227)	(374)
Face value of Equity Shares (in Rupees)	10	10
EPS-Basic and Diluted (Before Exceptional Item) (in Rupees)	0.92	(2.09)
EPS-Basic and Diluted (After Exceptional Item) (in Rupees)	1.02	(2.09)
Book value per Share (in Rupees)	8.56	7.54

### 2. OPERATIONS

The total sales of the Company for the financial year ended on 31<sup>st</sup> March, 2011 were Rs. 2,485 Lakhs as against Rs. 1,949 Lakhs during the last financial year ended on 31<sup>st</sup> March, 2010 showing an increase of 28%. Similarly the net Profit /Loss after tax during the same periods were Profit Rs. 146 Lakhs and Loss Rs. 298 Lakhs, showing a growth of 149%. This increase in sales and net profit after tax is due to aggressive marketing and cost cutting measures taken wherever felt necessary and the Company has taken further steps to improve profitability for the current year.

The Consolidated Group sales stood at Rs. 2,550 Lakhs against Rs. 2,039 Lakhs during the preceding year, showing an increase of 25%. The Consolidated Group net Profit after tax during the year was Rs. 286 Lakhs as against Rs. 294 Lakhs in the previous year and includes Exceptional Items of Income of Rs. 145 Lakhs (Previous Year Rs. 530 Lakhs).

### 3. DIVIDEND

In view of the carried forward losses the Directors regret their inability to recommend any dividend to the Equity Shareholders of the Company for the year under review.

### 4. SUBSIDIARY COMPANIES

The Company has four wholly-owned foreign subsidiaries, viz. Melstar Inc., Melstar UK Limited (dissolved on 26<sup>th</sup> April, 2011), Melstar Limited (dissolved on 19<sup>th</sup> May, 2010), Melstar Singapore Pte. Limited (Struck Off as on 05<sup>th</sup> October, 2010)

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

**(a) US Subsidiary – Melstar Inc.**

The operations of Melstar Inc. on standalone basis for the year under review are as under :

Particulars	2010-11		2009-10	
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	US\$ 144,704	Rs. 65 Lakhs	US\$ 2,65,052	Rs. 127 Lakhs
Profit	US\$ 27,362	Rs. 12 Lakhs	US\$ 2,35,827	Rs. 106 Lakhs

The profit during the previous year was mainly on account of recognition of net Deferred Tax Assets of US\$ 176,082 (equivalent to Rs. 70 Lakhs).

In view of the slowdown in the IT Industry of USA, no new projects were procured. However, the Company has delivered the existing projects successfully. The Company is looking for new projects with better margins during the current financial year.

**(b) UK Subsidiaries:****(i) Melstar Limited**

As indicated in last year's report, Melstar Limited stands dissolved on 19<sup>th</sup> May, 2010 as advised by G C D Harrison, Liquidator vide their letter dated 5<sup>th</sup> July, 2010.

**(ii) Melstar UK Limited**

Melstar UK Limited stands dissolved on 26<sup>th</sup> April, 2011 as indicated in the Companies House, UK website [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk).

**(c) Singapore Subsidiary – Melstar Singapore Pte Limited**

Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of the Company has been Struck Off on 5<sup>th</sup> October, 2010 by the said Regulatory Authority.

**5. FINANCIAL STATEMENTS OF SUBSIDIARIES**

In terms of General Circular issued by the Central Government under Section 212(8) of the Companies Act, 1956 vide Circular No. 5/12/2007-CL-III dated 08<sup>th</sup> February, 2011. It was decided to grant general exemption from attaching 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 to the Balance Sheet of the Company provided certain condition are fulfilled. However, as required under the aforesaid circular, a summarized statement of financial position of the subsidiaries has been appended to the Annual Report elsewhere. In terms of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements includes the financial information of all the Subsidiaries.

**6. FUTURE PROSPECTS / OUTLOOK**

Your Company is continuously working on strengthening the business. Your Company has been successfully executing major orders from prestigious customers and it has been enjoying the confidence of all customers across the country with repeat orders. Your Company has embarked on improving margins in all products by reducing the variable cost and rationalizing the fixed costs. The results of these initiatives are expected to yield in improving the overall profitability of the Company further during the current year. The Company expects to implement certain new business practice lines in the current financial year.

**7. 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:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- 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, 2011 and of the profit for the year ended on that date;
- 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.

The above statements have been noted by the Audit Committee at its meeting held on 19<sup>th</sup> May, 2011.

#### **8. PUBLIC DEPOSITS**

The Company has not accepted any deposits from the Public or the Shareholders during the year under review.

#### **9. EMPLOYEES**

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 are set out in the Annexure appended to this report.

#### **10. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the Annexure appended to this report.

#### **11. CORPORATE GOVERNANCE**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges, and also a Management Discussion and Analysis Report are appended hereto and forms integral part of the Annual Report.

#### **12. DIRECTORS**

Pursuant to article 154 of the Articles of Association of your Company and Section 256 of the Companies Act, 1956, Mr. Rajesh Shah retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

#### **13. AUDITORS**

M/s. Kanu Doshi Associates, Chartered Accountants the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness for reappointment. The Directors commend their reappointment by the Members at the forthcoming AGM.

#### **14. ACKNOWLEDGEMENTS**

The Board wishes to express their deep appreciation for the assistance and co-operation received from various Regulatory and Government authorities, Stock Exchanges, Banks, Customers, Vendors, Business Associates and Shareholders of the Company during the year under review. The Board also places on record its deep appreciation for the committed and unstinted efforts with which all the employees have performed their duties and responsibilities during the year under review.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**(YASHOVARDHAN BIRLA)**  
**CHAIRMAN**

Mumbai, 19<sup>th</sup> May, 2011

## ANNEXURE TO DIRECTORS' REPORT

### I. Particulars of employees

Information as per Section 217(2A) of the Companies Act, 1956 read with companies (particulars of employees) Rules, 1975 and forms part of the Directors Report for the year ended 31<sup>st</sup> March, 2011.

Sr No	Name	Designation	Age	Qualification	Exp (yrs)	Gross Remuneration (Rs.)	Date of Joining	Last employment
1	Richard D'Souza	Chief Executive Officer	64	B.Sc. (HONOURS) MBA (XLRI), A.M.I.I.E, A.I.C.W.A, A.C.S.	39	38,34,890	01.04.09	Aviators (India) Pvt. Ltd.
2	S. M. Arora	Managing Director	75	B.A., M.B.A.	52	823,594	24.01.91	Melstar Industries Ltd.

1 – Throughout the year.

2 – For part of the year.

#### Notes:

- The Gross remuneration shown above is subject to tax and comprises of salary, allowances, monetary value of perquisites as per Income-tax rules and Company's contribution to provident fund and superannuation fund.
- In addition to the above remuneration, employees are entitled to gratuity, medical benefits, etc. in accordance with the Company's rules.
- The nature of employment in all cases is contractual.
- None of the employees mentioned above is relative of any Director of the Company.

### II. Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011

#### A. Conservation of Energy

The operations of the Company involve low energy consumption. Energy conservation measures have been taken wherever feasible. The Company has installed Power Factor correctors at the internal supply level to achieve high-energy efficiency. Efforts to conserve and optimize the use of energy through improved operational methods and other means is a continuous process.

#### B. Disclosure of particulars with respect to absorption of Technology, Research and Development (R&D)

No technology has been imported. Indigenous Technology available has been used for product development/component identifications or offering services and is continuously being upgraded to improve overall performance.

#### C. Foreign Exchange earnings & outgo

The share of the revenues from exports constituted 4% (7% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2010-11	2009-10
Total Foreign Exchange earnings*	94	134
Total Foreign Exchange outgo**	76	158

\* Includes software export sales by foreign branch.

\*\* Includes expenses of foreign branches.