



THE YASH BIRLA GROUP

2011-2012

25th Annual Report

Melstar Information Technologies Limited



A Software Services Company

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, Visit us at : 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

Auditors

M/s. Kanu Doshi Associates
Chartered Accountants
Mumbai

Bankers

Punjab & Sind Bank
HDFC Bank Limited

CHIEF EXECUTIVE OFFICER AND MANAGER

- Mr. Richard D'Souza

COMPANY SECRETARY

- Mrs. Dhara Mirani

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

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

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Pune - 411 048.
Tel. : +91 (20) 2683 6094
Fax : +91 (20) 2683 6392

Kolkata

301, Aahrini Action Area - 1,
New Town,
Kolkata - 700 156.
Tel. : 09903399853
Fax : (033) 40671033

Gurgaon

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

OVERSEAS SUBSIDIARY**Melstar Inc.**

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

Notice is hereby given that the Twenty-fifth Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on **Thursday the 30th August 2012 at 3.00 p.m. at M.C. Ghia Hall, 4th Floor, 18/20, K. Dubash Marg, Kalaghoda, MUMBAI 400 001 to transact the following business:-**

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 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. M. S. Adige, 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. P. V. R. Murthy who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
4. 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.
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.

Registered Office:

Melstar House,
G-4, MIDC Cross Road 'A',
Andheri (East), Mumbai - 400 093.
Mumbai 25th May 2012

**By Order of the Board of Directors
For Melstar Information Technologies Limited**

**(DHARA MIRANI)
COMPANY SECRETARY**

Notes:

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 THURSDAY THE 23.08.2012 to THURSDAY THE 30.08.2012(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 Company 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 company 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 subsidiary to any shareholder on demand.
10. Ministry of Corporate Affairs, New Delhi ("MCA") has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by companies vide its Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated

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April 29, 2011 that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s) to its shareholders. With a view to support the green initiative of the MCA, Annual Reports for Financial Year 2012 of your Company has been sent via Electronic Mode (E-mail) to the Members whose E-mail ID was made available to us by the Company's Registrar and Share Transfer Agents. We are sure that the Members would also like to support the green initiative of the MCA. We request members to register / update their e-mail address with their Depository Participant or the Company's Registrar and Share Transfer Agents, in case they have not already registered / updated the same.

Details of Directors seeking re-appointment are given below:

Item No.	2	3
Name of the director	Mr. M. S. Adige	Mr. P. V. R. Murthy
Date of Birth	07.11.1944	21.04.1951
Date of appointment	23.06.2009	22.04.2009
Qualification	B.Sc (ME)	C.A., MBA
Expertise in specific Functional areas	Has 43 years of cross functional experience in metal industry with exposure to various functional areas including techno-commercial areas of project management. He is a member of regional council of Confederation of Indian Industry (CII), All India Management Association, Bombay Management Association (BMA). Specialist in revival and turnaround of ailing units through re-engineering and reorganization.	Almost 32 years of experience in the finance sector. He has worked as part of the Top Management with various companies over a span of 16 years in the capacity of managing Director, Director, CEO, Advisor, prior to joining the Yash Birla Group (YBG). At YBG, he is looking after Financial Resource Management of all the group companies, Business restructuring, Disinvestments, Merger & Acquisitions, MIS, Management, Internal And Statutory audit, Integrated ERP systems across group companies, Corporate Governance, Investments, in new projects, expansion/diversification of the existing Group Companies etc."
List of other directorship	Birla Precision Technologies Limited Birla Cotsyn (India) Limited Nagpur Power & Industries Limited Artefact Projects Limited Birla Shloka Edutech Limited Birla Pacific Medspa Limited Facor Steels Limited Faiz Super Alloys Private Limited Ahg Metal Endustri Urunleri Ticarete Ve Sanayi, Istanbul, Turkey Birla Energy Infra Limited The Motwane Manufacturing Company Private Limited	Birla Power Solutions Limited. Birla Cotsyn (India) Limited. Birla Precision Technologies Limited. Zenith Birla (India) Limited. Birla Integrated Textile Park Limited. Birla Surya Limited. Birla Edutech Limited. Birla Research and Lifesciences Limited. Birla Pacific Medspa Limited. Birla Infrastructure Limited. Birla Urja Limited. Birla Energy Infra Limited. Birla Kerla Vaidyashala Pvt. Ltd. Birla Wellness & Healthcare Pvt. Limited. Ashok Birla Apollo Hospital Pvt. Limited. Birla Aircon Infrastructure Pvt. Limited. Abhiram Steels Pvt. Limited. Abhiram Hotels & Resorts Pvt. Limited. Vijay PuraanJay Minerals Pvt. Ltd. Birla Terrajoule Private Limited
Chairmanship/Membership of the committees of other Companies (includes only Audit Committee & Shareholders Grievance Committee)	Birla Precision Technologies Limited (Audit Committee Member) Birla Cotsyn (I) Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Pacific Medspa Limited (Audit Committee Member, Shareholder Grievance Committee Member)	Birla Power Solutions Ltd. (Audit Committee Member, Shareholders Grievance Committee Member) Birla Cotsyn (I) Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Precision Technologies Limited (Audit Committee Member, Shareholders Grievance Committee Member) Birla Pacifica Medspa Limited (Audit Committee Member)
Note	Mr. M. S. Adige being eligible, offers himself for appointment.	Mr. P. V. R. Murthy being eligible, offers himself for appointment.
No. of shares held	Nil	Nil

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(DHARA MIRANI)
COMPANY SECRETARY

Place: Mumbai, 25th May, 2012



DIRECTORS' REPORT

The Directors present hereunder the 25th 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, 2012. The financial results for the year are summarized as under:

1. FINANCIAL RESULTS

(Rs. in Lakhs)

	2011-12	2010-11
Net Sales / Income From Operations	5,287	2,485
Other Operating Income	57	37
Operating Profit / (Loss) before interest and Depreciation (PBITDA)	208	172
Finance costs	46	52
Depreciation	86	86
Operating Profit before tax	76	34
Other Income, net	107	97
Net Profit before tax and Exceptional Item	183	131
Exceptional Item	-	15
Net Profit before tax and after Exceptional Item	183	146
Provision for taxation	(37)	-
Net Profit after Tax	146	146
Deficit Brought Forward From Previous Year	(227)	(374)
Balance carried to Balance Sheet	(81)	(227)
Face value of Equity Shares (in Rupees)	10	10
EPS-Basic and Diluted (Before Exceptional Item) (in Rupees)	1.02	0.92
EPS-Basic and Diluted (After Exceptional Item) (in Rupees)	1.02	1.02
Book value per Share (in Rupees)	9.57	8.56

2. OPERATIONS

The total sales of the Company for the financial year ended on 31st March, 2012 was Rs. 5,287 Lakhs as against Rs. 2,485 Lakhs during the last financial year ended on 31st March, 2011 showing an increase of 113%. Similarly the net Profit before tax and Exceptional Item during the same periods were Rs. 183 Lakhs and Rs.131 Lakhs, showing a growth of 40%. This increase in sales and net Profit before tax and Exceptional Item 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. 5,353 Lakhs against Rs. 2,550 Lakhs during the preceding year, showing an increase of 110%. The Consolidated Group net Profit before tax and Exceptional Item during the year was Rs. 186 Lakhs as against Rs. 142 Lakhs in the previous year.

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

As on 31st March, 2012, the Company has only one wholly-owned foreign subsidiary, viz. Melstar Inc., in U.S.A.

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

Particulars	2011-12		2010-11	
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	US\$ 137,136	Rs. 66 Lakhs	US\$ 144,704	Rs. 65 Lakhs
Profit	US\$ 8,598	Rs. 3 Lakhs	US\$ 27,362	Rs. 12 Lakhs

The profit during the previous year was mainly on account of sundry balances written back of US\$ 21350 (equivalent to Rs. 10 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.

Melstar UK Limited, a wholly-owned subsidiary, located at U.K., stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk.

Melstar Limited, a wholly owned subsidiary located at U.K. stands dissolved on 19th May, 2010 as advised by G C D Harrison, Liquidator vide their letter dated 5th July, 2010.

Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of Melstar Singapore Pte Limited, a wholly owned subsidiary located at Singapore, has been Struck Off on 5th 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 08th 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 conditions are fulfilled. However, as required under the aforesaid approval, 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, 2012 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
- 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 25th May, 2012.

8. PUBLIC DEPOSITS

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



9. PARTICULARS OF EMPLOYEES

During the year under review, there was no employee covered under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

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. M. S. Adige and Mr. P. V. R. Murthy, Directors of the Company retire by rotation at the ensuing Annual General Meeting and are 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

Mr. P. V. R. Murthy
Director

Mr. M.S. Adige
Director

Mumbai, 25th May, 2012

ANNEXURE TO DIRECTORS' REPORT

I. 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 31st March, 2012

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 2% (4% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2011-12	2010-11
Total Foreign Exchange earnings*	113	94
Total Foreign Exchange outgo**	99	76

* Includes software services export sales by foreign branch.

** Includes expenses of foreign branches.