



Twinstar Software Exports Ltd.

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**8th Annual Report
2001-2002**

BOARD OF DIRECTORS

Shri. D.S.Mehta	Managing Director
Shri. Nirmal Jain	Director
Shri. G.S.Subbiah	Director
Shri. Saumya Chaudhuri	Nominee Director, IDBI
Shri. Yogesh Wadhwa	Director
Shri. K.S.Mehta	Director

AUDITORS

M/s. N. K. Jalan & Co.
Chartered Accountants
Mumbai

BANKERS

Bank of Baroda

SHARE TRANSFER AGENT

Dynamic Superways & Exports Ltd.
Rainbow Palace, I.C.Colony,
Cross Road No. 5, Borivali (West),
Mumbai - 400 103.

DEMAT TRANSFER AGENT

Sharepro Services
Satam Industrial Estate,
3rd Floor, Above Bank of Baroda,
Chakala, Andheri (E),
Mumbai : 400 099.

REGISTERED OFFICE

Plot No. EL-178,
TTC MIDC Indl. Area,
Mahape, Navi Mumbai - 400 701.

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NOTICE

NOTICE is hereby given that the 8th Annual General Meeting of **TWINSTAR SOFTWARE EXPORTS LIMITED** will be held on Saturday, the 21st day of December, 2002 at 9.00 a.m. at the Registered Office at Plot No. EL-178, TTC MIDC Indl. Area, Mahape, Navi Mumbai - 400 701, to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June, 2002 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G. S. Subbiah who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K. S. Mehta who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

For and on behalf of the Board

(D.S. MEHTA)
Managing Director

Place : Mumbai,
Date : 26th November, 2002.

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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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A form of proxy is attached to this notice. Any member appointing a proxy must do so by sending the duly executed instrument of proxy and deliver it to the Registered Office of the Company not less than 48 hours before the date and time of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17th December, 2002 to 21st December, 2002 (both days inclusive).
4. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
5. Members are requested to send their queries at least 7 days before the meeting to the Registered Office of the Company so that information required by the Members may be made available at the Meeting.

REPORT OF THE DIRECTORS**TO THE MEMBERS :**

The Directors present herewith their Eighth Annual Report and Audited Accounts for the year ended 30th June, 2002.

FINANCIAL RESULTS :

The table given here in below sets out salient features pertaining to the working of the Company during the year under review as compared to the previous year ended on 30.6. 2001.

(Rupees in Lacs)

Particulars	2001-2002	2000-2001
Sales and Services	359.51	577.23
Profit before interest and depreciation	44.49	335.02
Less: Financial Expenses	95.62	82.16
Less: Depreciation	187.06	138.62
Net Profit / (Loss) before Tax	(238.19)	114.24
Less: Provision for Tax	—	16.00
Net Profit / (Loss) after Tax	(238.19)	98.24
Add: Deferred tax	110.41	—
Add : Profit brought forward	557.14	747.39
Add : Excess provision written back	16.00	29.50
Less : Deferred Tax Liability	157.54	—
Less: Prior year adjustment – Sales Return	—	317.99
Balance of Profit carried to Balance Sheet	287.82	557.14

OPERATIONS AND OVERALL PERFORMANCES :

During the year the total income of the Company is Rs. 359.51 Lakhs against Rs. 577.23 Lakhs in the previous year. Due to non - availability of working facilities and continuing slow down in software industry has affected the operations of the Company during the year under review. However, the Board of Directors envisage a substantial growth in I.T. Enabled Services in the coming years.

TWINSTAR SOFTWARE INC. :

Twinstar Software Inc. is a 100% subsidiary's of the Company incorporated under the Laws of California State, USA. The main object of the subsidiary is to work as a marketing window for the Company. It is engaged in marketing the Company's products and services, which in turn will accelerate the Company's growth. Business activities of the subsidiary during the year under review have been sluggish as US economy is facing a slowdown.

Pursuant to the provisions of Section 212 of the Companies Act, 1956, financial statements of the subsidiary are annexed hereto.

ACCOUNTING STANDARDS :

The institute of Chartered Accountants of India has introduced various Accounting Standards in the year under review, to make the financial statements and disclosures in line with the international accounting practices and disclosures. Most of these "Accounting Standards" are of mandatory in nature and the Company has incorporated them in the accounts accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**Industry Structure and Development :**

The Company is engaged in I. T. Enabled Services viz. Medical Transcription at TTC MIDC Indl. Area, Mahape, in Navi Mumbai.

Twinstar Software Exports Ltd.

For the Company, the year 2001-2002 was not better than ever. On the operation side while total software industry is facing the problem due to competition as well as recession especially in USA. Your Company was also not an exception, hence the total sales and realisation was on decreasing trend.

The report contains expectations of the Company's business based on current environment. Many unforeseen and uncontrollable external factors could alter these expectations.

Industry Overlook :

The Information Technology sector is today the brightest diamond in the crown of corporate India. Although it has been growing at a scorching pace over the last decade, matched only by the U.S. yet it continues to be India's best bet for the next decade also.

USA is the biggest market for IT enabled services. A 24-hour work day with USA would allow US companies to stay in touch with their customers all the time. High labor costs in USA especially in the night preclude such a possibility. Other countries where labor costs are high tend to outsource non-core competency areas to cheaper labor markets.

Focus on IT enabled services would yield benefits including employment generation and valuable foreign exchange earnings.

The Indian Information Technology Industry has done surprisingly well with an overall growth of 29% inspite of the global slow down in the IT market. This growth has primarily come from large well established highly focussed software service companies which has created strong relationship with their clients. Another area of major growth has been outsourcing of large back office processing contracts and other IT Enabled services. The Company is expected to have major growth in next few years. The small indian IT companies which were primarily in the business of non focussed body shopping and did not have strong clients portfolios have suffered and are in process of restructuring and consolidation.

Opportunity and Threats :

TSEL is now well positioned to handle I. T Enabled Service viz. Medical Transcription and also development of other software solutions has been added to our focus area. TSEL is in processing of strengthening its Medical Transcriptionists and Business Development set up. Leveraging the TSEL relationship with large foreign company like Cbay Systems Inc. for obtaining Medical Transcription assignments is another large opportunity which is being exploited. This should result in major growth in the turnover for the Financial Year 2002-2003.

There is a major pressure on billing rates due to competition as well as recession especially in USA. The only way to protect is to handle accuracy of Medical Transcriptionist and other support services. TSEL has positioned itself accordingly.

Future Outlook :

The future prospects of the Company appear to be good as the demand is concerned and is expected to grow in next few years. There are number of opportunity in India for I. T Enabled Services. The Company is well prepared to face the challenges and also believes in the free flow of information and individual empowerment to its performance. The Company has learned to appreciate the needs of its customers and has made sustainable development as a condition of business growth.

However, the initial indications are that the Financial year 2002-2003 would be better year for software industry as far as demand is concerned and Company has decided to concentrate on improving the cash flow so as to achieve a balanced position by the end of year.

Operational and Financial Performance :

The summarised performance of TSEL was as under :

	(Rs. in Lakhs)	
	2001-2002	2000-2001
Sales	359.51	577.23
EBIDT	44.49	335.02

Human Resources and Industrial Relations :

Despite uncertainties prevailing during the year under review on account of sluggish market condition and non availability of working capital, the management was able to ensure high morale of the employees and medical transcriptionists.

Internal Control System :

The Company has very effective control system covering both accounting and administrative controls. The internal audit carries out audit tests and report on non - compliance / weaknesses if any, through internal audit reports. These report are reviewed by the Management Committee and subsequently by the Audit Committee of the Board.

DIVIDEND:

With a view to consolidating the financial position and in light of the impact of the recession resulting from slow down of the US economy, your Directors do not propose to declare any dividend for the year under review.

DEPOSITS :

The Company has not accepted any deposit from the public during the year under review and, as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORATE:

Mr. G. S. Subbiah and Mr. K.S. Mehta, Directors retire by rotation and being eligible offers themselves for reappointment. Your Directors recommend their re-appointment.

DIRECTORS' RESPONSIBILITIES STATEMENT :

Pursuant to section 217(2AA) of the Companies Act, 1956 your Directors confirm that :

- i) In preparation of annual accounts for the year ended 30th June, 2002 the Company has followed the applicable accounting standards with proper explanation relating to materials departures, if any ;
- ii) The Directors have selected such accounting policies and applied them consistently and made estimates prudently and reasonably so as to give a true and fair view of the state of affairs of the Company as on 30th June, 2002 and of the profit and loss of the Company for the year under review ;
- iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with applicable provisions of the Companies Act, 1956, for safeguarding the assets of the Company and preventing fraud and other irregularities ;
- iv) The annual accounts have been prepared on a going concern basis.

AUDITORS :

M/s. N. K. Jalan, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, if made, will be accordance with Section 224(1B) of the Companies Act, 1956. The Members are requested to appoint them and authorise the Board to fix their remuneration.

AUDITORS' REMARKS :

The observations made in the Auditors' Report and Notes to Accounts are self-explanatory and, therefore, do not call for any further comments or explanations.

INSURANCE :

All the Fixed Assets of the Company have been adequately insured.

Twinstar Software Exports Ltd.**CORPORATE GOVERNANCE :**

Pursuant to the amendment to the Listing Agreement your Company has set up an Audit Committee and Investor Grievance Committee. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreement of the Stock Exchanges, with which the Company is Listed are complied with.

A separate report on Corporate Governance is produced as part of the Annual Report along with the Auditor's Certificate on it's compliance.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

PERSONNEL :

The Board wishes to place on record its appreciation of all the employees of the Company for their sustained efforts and immense contribution to the performance during the year under review. A climate of harmonious industrial relations prevailed throughout the year.

INFORMATION UNDER SECTION 217 (2A) (PARTICULARS OF EMPLOYEES) :

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, only information and particulars of employees drawing remuneration @ Rs. 12.00 Lacs per annum if employed for the full year or @ Rs. 100,000 per month where employed for part of the year, is to be furnished. The Company has no employees drawing the above remuneration.

ACKNOWLEDGEMENTS :

Your Directors place on record their appreciation for the continued assistance and co-operation extended to the Company by Financial Institutions and Banks.

Your Directors also place on record their appreciation of the confidence reposed and continued support extended by the shareholders to the management.

For and on behalf of the Board

(D.S. Mehta)
Managing Director

(K.S. Mehta)
Director

Place: Mumbai

Dated: 26th November, 2002

ANNEXURE TO THE DIRECTORS' REPORT AS REQUIRED UNDER SECTION 217 (1) (e) :

In terms of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the report of the Board of Directors) Rules, 1988, the relevant information is given below :

(A) CONSERVATION OF ENERGY :

The Company's operations involve low energy consumption. Wherever possible energy conservation measures have been implemented and there are no major areas where further energy conservation measures can be taken. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

(B) TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R & D) :

Research and Development continues to be given high priority. The Company sends its technical personnel abroad enabling them to keep abreast of continuously changing technology. Further, the Company plans to expand its product range to meet emerging market needs. The Company also plans to develop methodologies and tools to further improve productivity in addition to carrying out R&D work in certain areas like off-shore/local software development and IT enabled services.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

		(Rupees in Lacs)	
		<u>Current Year</u>	<u>Previous Year</u>
1.	Foreign Exchange Earnings:	Nil	164.34
2.	Foreign Exchange Outgo:	Nil	2.85

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For and on behalf of the Board

(D.S. Mehta)
Managing Director

(K.S. Mehta)
Director

Place: Mumbai
Dated: 26th November, 2002

Twinstar Software Exports Ltd.**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To,
The Members of Twinstar Software Exports Ltd.

We have examined the compliance of conditions of Corporate Governance by Twinstar Software Exports Ltd. for the year ended 30th June, 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of our Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

N. K. Jalan & Co.
Chartered Accountants

Place : Mumbai
Date : 26th November, 2002

N. K. Jalan
(Proprietor)

REPORT ON CORPORATE GOVERNANCE**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

The Company aims at attainment of the highest levels of Corporate Governance with transparency and accountability in its actions and operations and to become good corporate citizen.

BOARD OF DIRECTORS :

The Board consists of Mr. D.S. Mehta, Managing Director and Mr. G.S. Subbiah, Non-Executive Promoter Director of the Company.

Mr. K.S. Mehta, Mr. Nirmal Jain and Mr. Yogesh Wadhwa are independent Non-Executive Director.

Mr. Saumya Chaudhuri, Non-Executive independent Nominee Director on behalf of IDBI.

During the year under review, 5 (Five) Board Meeting were held. The dates on which the the meetings were held were as follows :-

31st July, 2001, 31st October, 2001, 27th November, 2001, 31st January, 2002 and 30th April, 2002.

The composition of the Board of Directors and attendance of the Directors at the Board Meetings during the year and at the last Annual General Meeting and as also number of other directorships in Indian Public Limited Companies are as follows :-

Name of Director	No. of Board Meetings Held	No. of Board Meetings Attended	Last AGM Attended	No. of Directorship In other Public Company
Mr. D. S. Mehta	5	5	Yes	Nil
Mr. G. S. Subbiah	5	-	No	Nil
Mr. K.S. Mehta	5	2	No	Nil
Mr. Yogesh Wadhwa	5	4	No	1
Mr. Nirmal Jain	5	-	No	Nil
Mr. Saumya Chaudhuri	5	4	No	Nil

AUDIT COMMITTEE :

The Company has already constituted an Audit Committee comprises of 3 Independent non-executive Director.

Mr. Kailash Mehta	Chairman	Independent Director
Mr. Nirmal Jain		Independent Director
Mr. Yogesh Wadhwa		Independent Director

Terms of reference :

Apart from all the matters provided in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, the committee reviews reports of the internal Audit Department, meet Statutory auditors periodically and discusses their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters and reviews major accounting policies followed by the company.

The Committee meets every quarter when Board meets to finalise quarterly unaudited results. A meeting of the Audit Committee is also held to review the audited financial results of the Company before the said results are approved by the Board of Directors.

The Committee has met 5 times during the financial year ended 30th June, 2002.