



**Twinstar Software
Exports Ltd.**

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**9th Annual Report
2002-2003**

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 Wadhvana	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.

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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 9th Annual General Meeting of **TWINSTAR SOFTWARE EXPORTS LIMITED** will be held on Tuesday, the 30th day of December, 2003 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, 2003 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. Yogesh Wadhwa, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Nirmal Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from the existing Rs. 16,50,00,000/- (Rupees Sixteen Crores Fifty Lacs only) consisting of 1,65,00,000 (One Crore Sixty Five Lacs) Equity Shares of Rs. 10/- each to Rs. 21,50,00,000/- (Rupees Twenty One Crores Fifty Lacs only) by creation of additional 50,00,000 (Fifty Lacs) Convertible Preference Shares of Rs. 10/- each aggregating to Rs. 5,00,00,000/- (Rupees Five Crores only) and that Clause V of the Memorandum of Association and Article 4 of the Articles of Association be altered accordingly."

6. To consider and if thought fit, to pass with or without modification/s, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the approvals, consents, permissions and sanctions as may be necessary, from the appropriate authorities or bodies, and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions and subject to such terms, conditions and alterations which the Board of Directors of the Company (hereinafter referred to as the 'Board'), be and is hereby authorised to accept, if it thinks fit in the interest of the Company, the Board be and is hereby authorised to issue, offer and allot Convertible Preference Shares of Rs. 10/- each of an aggregate value of upto Rs. 5,00,00,000 (Rupees Five Crores only), inclusive of such premium if any, as may be determined by the Board, in one or more private offerings including private placement, in Indian markets to Indian/foreign investors (whether institutions/banks and/or incorporated bodies (including companies) and/or any other body corporate and/or trusts and/or mutual funds and/or local bodies and/or any combination thereof) and whether or not such investors are Members of the Company, on such terms and conditions and in such manner as may be decided by the Board in its absolute discretion".

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the Board be and is hereby authorised to determine as to when the said Convertible Preference Shares are to be issued, the type or types of the Convertible Preference Shares to be issued, the types and classes of investors to whom the Convertible Preference Shares are to be offered, the number and value of the Convertible Preference Shares to be issued in each tranche, the terms or combination of terms, subject to which the Preference Shares are to be issued, including but not limited to terms relating to dividend, premium on redemption or premature or early redemption at the option of the Company and/or the investor, terms for accumulation of dividends and all such terms as are provided in offerings of like nature".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable, and pay any fees and commission and incur expenses in relation thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of the Preference Shares and utilisation of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or any other Officer or Officers of the Company to give effect to the aforesaid Resolutions".

For and on behalf of the Board

(D.S. MEHTA)
Managing Director

Date: 24th November, 2003

Place : Mumbai,

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 29th December, 2003 to 30th December, 2003 (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.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 5:**

The existing authorised share capital of the Company is Rs. 16,50,00,000/- (Rupees Sixteen Crores Fifty Lacs only) consisting of 1,65,00,000 (One Crore Sixty Five Lacs) Equity Shares of Rs 10/- (Rupees Ten only) each. It is necessary to raise the Authorised Share Capital of the Company from the existing Rs. 16,50,00,000/- (Rupees Sixteen Crores Fifty Lacs only) to Rs 21,50,00,000 (Rupees Twenty One Crores Fifty Lakhs only) each by creation of additional 50,00,000 (Fifty Lacs) Convertible Preference Shares of Rs. 10/- each aggregating to Rs. 5,00,00,000 (Rupees Five Crores Only).

Approval of the members is mandatory for increase in the Authorised Share Capital. Alteration of the relevant clauses of the Memorandum and Articles of Association is consequential.

Approval of the members is being sought through this resolution for the proposed increase in the Authorised Share Capital of the Company.

None of the directors are interested in the Resolution.

ITEM NO. 6:

With a view to augmenting the Company's resources for its ongoing business, it is proposed to raise an amount of upto Rs. 5,00,00,000 (Rupees Five Crores Only) (inclusive of premium, if any) through an issue of Convertible Preference Shares. Detailed terms and conditions including the issue price, premium, etc. will be determined by the Board in consultation with the Lead Managers/Advisors/Consultants and depending on the then prevailing market conditions. The proposed issue of securities as aforesaid, will if required is subject to the approval of the Government of India, Reserve Bank of India and other relevant authorities. In terms of the proposed Resolution, the Board is being empowered to issue and allot Convertible Preference Shares on a private placement basis to foreign/Indian investors who may not be the members of the Company. Consent of the members at General Meeting would, therefore, be necessary, pursuant to Section 81 of the Companies Act, 1956, and the listing agreement with the Bombay Stock Exchange.

The Board of Directors recommends the Resolutions for the approval of the members.

None of the Directors of the Company are in any way, concerned or interested in the said Resolutions.

For and on behalf of the Board

(D.S. MEHTA)
Managing Director

Place : Mumbai,
Date: 24th November, 2003

Registered Office:
Plot No. EL - 178,
TTC MIDC Indl. Area,
Electronic Zone, Mahape,
Navi Mumbai: 400 701.

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

The Directors present herewith their Nineth Annual Report and Audited Accounts for the year ended 30th June, 2003.

FINANCIAL RESULTS:

The table given here in below sets out salient features pertaining to the working of the Company during the year under review.

(Rupees in Lacs)

Particulars	2002-03	2001-02
Sales and Services	102.49	359.51
Profit/(Loss) before interest and depreciation	(109.46)	44.49
Less: Financial Expenses	118.51	95.62
Less: Depreciation	187.06	187.06
Net Profit/ (Loss) before Tax	(415.04)	(238.19)
Less: Provision for Tax	—	—
Net Profit/ (Loss) after Tax	(415.04)	(238.19)
Add : Deferred tax	20.64	110.41
Add: Profit brought forward	287.82	557.14
Add: Excess provision written back	—	16.00
Less : Deferred Tax Liability	13.88	157.54
Balance carried to Balance Sheet	(120.46)	287.82

OPERATIONS AND OVERALL PERFORMANCES :

During the year the total income of the Company is Rs. 102.49 Lakhs against Rs. 359.51 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.

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 provisons 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 internationals accounting practices and disclosures. Most of these "Accounting Standards" are 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 i.e Back-office processing outsource at TTC MIDC Indl. Area, Mahape, in Navi Mumbai.

For the Company, the year 2002-2003 was not better than ever. On the operation side while total software industry is facing the problem due to competition as well as recession expecially 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 going to be in demand in long term. Industry dynamics are changing. USA have been a big market as they are looking at cost cutting for their day to day operations which would yield further business to India. Therefore focus on IT enabled services would yield benefits including employment generations and foreign exchange earnings.

Opportunity and Threats:

TSEL is now positioned to undertake a new line of activity i.e. Business Process Outsourcing with its large infrastructure at Navi Mumbai. The presence in international market and relationship with large corporate houses in the world would bring good opportunity especially today when 'outsourcing' is becoming a good solution for large corporate houses in world market.

The falling dollar rates and overseas labour union resistance may pose threat to profitability.

Future Outlook:

The future prospect of the company is bright despite losses. The Company is in process of re-structuring and consolidation. Also it is looking for working capital tieups and business partners. Once the agenda is achieved there would not be any look back for the Company.

Operational and Financial Performance:

The summarised performance of TSEL was as under :

	(Rs. in Lakhs)	
	2002-2003	2001-2002
Sales	102.49	359.51
EBIDT	(109.46)	44.49

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.

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 reports are reviewed by the Management Committee and subsequently by the Audit Committee of the Board.

DIVIDEND:

With a view to consolidating the financial position, your Directors do not recommend 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. Yogesh Wadhwa and Mr. Nirmal Jain, Directors retire by rotation and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

DIRECTORS' RESPONSIBILITIES STATEMENT:

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

- In preparation of annual accounts for the year ended 30th June, 2003 the Company has followed the applicable accounting standards with proper explanation relating to materials departures, if any;
- 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, 2003 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 & Co., Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer them 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.

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):

No employee is drawing the remuneration exceeding the specified limit prescribed u/s. 217 (2A) of the Companies Act, 1956 (Particulars of Employees) Rules, 1975.

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 members to the management.

For and on behalf of the Board

Place: Mumbai

Dated: 24th November, 2003

(D.S. Mehta)
Managing Director

(K.S. Mehta)
Director

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 optimize 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 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 local software development and IT enabled services.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

		(Rs. in Lakhs)
	Current Year	Previous Year
1. Foreign Exchange Earnings:	Rs. 32.49 Lakhs	Nil
2. Foreign Exchange Outgo:	Rs. 0.89 Lakhs	Nil

For and on behalf of the Board

Place: Mumbai

Dated: 24th November, 2003

(D.S. Mehta)
Managing Director

(K.S. Mehta)
Director

AUDITOR'S CERTIFICATE

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, 2003, 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.

For N. K. JALAN & CO.
Chartered Accountants

Place: Mumbai
Date: 24th November, 2003

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 meetings were held were as follows:-

31st July, 2002, 31st October, 2002, 26th November, 2002, 31st January, 2003 and 30th April, 2003.

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, as also number of other directorships in Indian Public Limited Companies are as follows :-

Name of the Director	Category	Financial Year 2002-2003 Attendance At		As on 30 th June 2003		
		Board Meetings	Last AGM	No. of other Directorships	Committee Positions	
					No. of Memberships	Chairman
Mr. D. S. Mehta	Managing Director	5	Present	Nil	-	1
Mr. G. S. Subbiah	Non-Executive Director	-	Absent	Nil	-	-
Mr. K.S. Mehta	Independent Non-Executive Director	5	Absent	Nil	1	1
Mr. Yogesh Wadhwa	Independent Non-Executive Director	3	Absent	1	1	-
Mr. Nirmal Jain	Independent Non-Executive Director	-	Absent	Nil	2	-
Mr. Saumya Chaudhuri	Nominee Director	2	Absent	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	Member	Independent Director
Mr. Yogesh Wadhwa	Member	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