



**Twinstar Software
Exports Ltd.**



**10th Annual Report
2003-2004**

BOARD OF DIRECTORS

Mr. D. S. Mehta	Managing Director
Mr. Nirmal Jain	Director
Mr. G. S. Subbiah	Director
Mr. Jagdish Prasad Parish	Nominee Director, IDBI
Mr. Yogesh Wadhwa	Director
Mr. K. S. Mehta	Director

AUDITORS

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

BANKERS

Bank of Baroda

SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt. Ltd.
Unit No. 1, Luthra Ind. Premises,
Andheri - Kurla Road,
Safed Pool, Andheri (E),
Mumbai-400 072.
Tel.: 28515606, Fax : 28512885

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 10th Annual General Meeting of **TWINSTAR SOFTWARE EXPORTS LIMITED** will be held on Monday, the 27th day of December, 2004 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, 2004 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.

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 subject to the approval of the Central Government pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modifications(s) or re-enactment thereof, for the time being in force), consent of the members be and is hereby accorded for reappointment of Mr. D. S. Mehta as the Managing Director of the Company for a further period of five years w.e.f. 21st September, 2004 on the following terms and remuneration and perquisites and that the Board of Director within the overall limits specified in schedule XIII to the said Act:

Details of remuneration:-

SALARY: Rs. 35,000/- (Rupees Thirty Five Thousand Only) per month with authority to the Board to sanction such annual increases as they deem fit not exceeding 20% of the salary before such increase

PERQUISITES: The perquisites shall be restricted to an amount equal to the annual salary or Rs. 4,20,000/- per annum whichever is less. The perquisites are classified into following three categories A, B & C as follows:

Category 'A':

- a) **Housing-I:** The expenditure to the company on unfurnished accommodation for the Managing Director will be subject to the ceiling of 60% of salary over and above, 10% payable by the Managing Director. The expenditure incurred by the Company on gas, electricity, water and furniture shall be valued as per the Income-Tax Rules, 1962 subject to a ceiling of 10 per cent of salary of the Managing Director.
- b) **Housing - II:** In case the accommodation is owned by the Company, ten percent of the salary of Managing Director shall be deducted by the Company;
- c) **Housing - III:** In case no accommodation is provided by the company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling mentioned in Housing I above.
- d) **Medical Reimbursement:** Expenses incurred for the Managing Director for self and his family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years or as applicable under Income-tax Act, 1961. The reimbursement of expenses incurred in hospitalizations will be as per guidelines of the Central Government.
- e) **Leave Travel Concession:** For the Managing Director and his family once in a year incurred in accordance with the rules specified by the Company.
- f) **Club Fees:** Fees for clubs subject to a maximum of two clubs. This does not include admission and life membership fees.
- g) **Personal Accident Insurance:** Premium not to exceed Rs. 4000/- per annum.

Category 'B':

- i) **Provident Fund & Superannuation fund or Annuity Fund:**
The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund in respect of the salary paid to the Managing Director shall be in accordance with the rules and regulations of the Company. Such contributions will not be included in computation of the ceiling on perquisites to the extent, singly or put together, are not taxable under the income-tax Act, 1961.
- ii) **Gratuity:** Gratuity at the rate not exceeding half a month's salary for each completed year of service
- iii) **Leave Encashment:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category 'C':

Provision for car for use on Company's business and telephone at residence, provided that personal long distance calls on the telephone and use of car for private purpose shall be billed by the Company to the Managing Director. The provisions for car and telephone will not be considered as perquisites.

The Managing Director shall be entitled to one month leave. On full pay and allowance for every eleven months of service.

RESOLVED FURTHER THAT if during the currency of tenure of the Managing Director, the Company has no profit or its profits are inadequate in any financial year, the Managing Director shall be entitled to aforesaid remuneration as minimum remuneration subject to the limit specified in Part II of the said Schedule XIII of the Companies Act, 1956

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

For and on behalf of the Board

(D.S. MEHTA)
Managing Director

(K. S. MEHTA)
Director

Date: 29th November, 2004

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 explanatory statement as required under section 173(2) of the Companies Act, 1956, in respect of the Special Business set out above is annexed hereto.
4. **Re-appointment of Directors:**
At the ensuing Annual General Meeting Mr. G.S. Subbiah and Mr. K.S. Mehta will retire by rotation and being eligible, offer themselves for re-appointment.
Pursuant to clause 49 of the Listing Agreement relating to code of Corporate Governance, the particulars of aforesaid Directors are given below:
Mr. G.S. Subbiah, aged 63 years, has a Masters Degree in Engineering. He is not holding directorship/membership of committee in any other Company. He is not a member of any committee of the Company. Mr. K.S. Mehta, aged 52 years, has done his B. Com.
He is not holding directorship/membership of committee in any other Company. He is also a member of Investor Grievance Committee of the Company.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 20th December, 2004 to 27th December, 2004 (both days inclusive).
6. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
7. 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 AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

The Directors of the Company passed resolution on 30th October, 2004 and re-appointed Mr. D. S. Mehta as Managing Director of the Company on the terms and conditions and remuneration subject to the consent of shareholders of the company in their General meeting and subject to the approval of Central Government under the provisions of section 268, 269, 309, 310 read with Schedule XIII of the companies Act, 1956 w.e.f. 21st September, 2004.

Information as required under the Revised Schedule XIII of the Companies Act, 1956:

Mr. D. S. Mehta is a Chartered Accountant, has more than 10 years of experience in Software Industries. The Company has under his leadership implemented several projects. Mr. D. S. Mehta has been holding position of Managing Director and managing day to day business affairs of the Company subject to the superintendence, control and direction of the Board of Directors of the Company since last 10 years.

The Board of Directors considering that passing of the proposed special resolution is considered to be in the best and overall interest of the Company considering the fact Mr. D. S. Mehta has contributed immense efforts in reviving the business and restructuring the financial structure of the company in the most challenging times faced by it in recent years.

The Board of Directors commends passing of Resolution.

None of the Director except Mr. D. S. Mehta is concerned or interested in the said resolution.

For and on behalf of the Board

(D.S. MEHTA)
Managing Director

(K. S. MEHTA)
Director

Date: 29th November, 2004

Place : Mumbai

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

The Directors present herewith their **Tenth Annual Report** and Audited Accounts for the year ended 30th June, 2004.

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	2003-04	2002-03
Sales and Services	121.28	102.49
Profit/(Loss) before interest and depreciation	4.27	(109.46)
Less: Financial Expenses	143.95	118.51
Less: Depreciation	186.66	187.06
Net Profit/ (Loss) before Tax	(326.35)	(415.04)
Net Profit/ (Loss) after Tax	(326.35)	(415.04)
Add : Deferred tax	40.37	20.64
Add: Profit / (Loss) brought forward	(120.46)	287.82
Less : Deferred Tax Liability	—	13.88
Balance carried to Balance Sheet	(406.44)	(120.46)

OPERATIONS AND OVERALL PERFORMANCES:

During the year the total income of the Company is Rs.121.28 Lakhs against Rs. 102.49 Lakhs in the previous year. The Company has been undergoing working financial crunch for last three years and non availability of working capital funds has affected the current business.

TWINSTAR SOFTWARE INC.:

Twinstar Software Inc. is a 100% subsidiary 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 due to the shortage of working capital.

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 the 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 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.

For the Company, the year 2003-2004 has been better than the previous year though the Company could not increase sizeable business but it has worked well for the coming years. The basic reason for slow growth is non availability of working capital funds.

Industry Outlook:

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 has now undertaken 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 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. The Company is also looking for working capital tie ups and business partners. Once the agenda is achieved there would not be any look back for the Company.

Operational and Financial Performance:

The summarized performance of TSEL was as under:

		(Rs. in Lakhs)
	2003-2004	2002-2003
Sales	121.28	102.49
EBIDT	4.27	(109.47)

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 reports are review 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. 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.

During the year under review, IDBI had withdrawn the nominations of Mr. Saumya Chaudhuri as Nominee Director on the Board of the Company and has appointed Mr. Jagdish Prasad Parish as its Nominee Director on the Board of the Company with effect from 08th June, 2004.

The current tenure of appointment of Mr. D. S. Mehta, managing Director has expire on 20th September, 2004 and the Board subject to Members and Central Government approval has re-appointed him as Managing Director for a further term of 5 years w. e. f. 21st September, 2004.

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, 2004 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, 2004 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 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

(D.S. Mehta)
Managing Director

(K.S. Mehta)
Director

Dated: 29th November, 2004
Place: Mumbai

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. 15.20 Lakhs	Rs. 32.49 Lakhs
2. Foreign Exchange Outgo:	Rs. 3.09 Lakhs	Rs. 0.89 Lakhs

For and on behalf of the Board

Dated: 29th November, 2004

Place: Mumbai

(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, 2004, 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

Date: 29th November, 2004

Place: Mumbai

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. Jagdish Prasad Parish, 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:-

31stJuly, 2003, 30thOctober, 2003, 24thNovember, 2003, 31stJanuary, 2004 and 30thApril, 2004.

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	As at 30th June 2004			Financial Year 2003-2004 Attendance At	
		No. of other Director Ships	Committee Positions		Board Meeting	Last AGM
			No. of Membership	Chairman		
Mr. D. S. Mehta	Managing Director	—	—	—	5	Yes
Mr. G. S. Subbiah	Non-Executive Director	—	—	—	—	No
Mr. K.S. Mehta	Independent Non-Executive Director	—	1	1	5	No
Mr. Yogesh Wadhwa	Independent Non-Executive Director	1	1	—	2	No
Mr. Nirmal Jain	Independent Non-Executive Director	—	1	—	—	No
Mr. Saumya Chaudhuri	Nominee Director	—	—	—	4	N.A.

AUDIT COMMITTEE:

The Company has already constituted an Audit Committee comprises of 3 Independent non-executive Director. The Committee has met 5 times during the financial year ended 30th June, 2004, 31st July, 2003, 30th October, 2003, 24th November, 2003, 31st January 2004, and 30th April, 2004. The composition, name of members and attendance of the committee meetings by the members is given below.

Name	Designation	Status	No. of Meeting attended
Mr. K. S. Mehta	Chairman	Independent Director	5
Mr. Nirmal Jain	Member	Independent Director	—
Mr. Yogesh Wadhwa	Member	Independent Director	5

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.

INVESTORS GRIEVANCE COMMITTEE:

The Company has constituted the committee comprising of Mr. K.S. Mehta and Mr. Nirmal Jain, Non-Executive Directors and Mr. D.S. Mehta, Managing Director.

The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures to improve the level of investor services.

The Committee has been formed to approve the matter relating to transfer of shares, issue of duplicate share certificate, review and redressal of investors' grievances and other allied matters.

The Committee meets fortnightly for the approval of the share transfers/issue of duplicate shares/replacements etc.

The total numbers of complaints received and replied to the satisfaction of the shareholders during the year are as follows:-

<u>Description</u>	<u>Received</u>	<u>Replied</u>
Consumer Forum	Nil	Nil
Stock Exchanges	Nil	Nil
SEBI Complaints	3	3
Legal Notice	Nil	Nil
Miscellaneous	2	2

REMUNERATION POLICY:

The Company's remuneration policy aims at attracting high calibre talent by taking into account the talent market, national and international remuneration trends and the competitive requirements of each of its business. The remuneration of employees largely consists of salary and perquisites. The components of the total remuneration vary for different cadres, and are governed by industry pattern, qualification and experience of the employee, responsibilities and individual performance.

Remuneration to Director:

The remuneration of director in all cases is decided by the Board subject to necessary approval of shareholders and other applicable approvals, if any save and except Mr. D.S. Mehta, Managing Director, no other Director is drawing remuneration.

During the year, Mr. D. S. Mehta, Managing Director has been paid aggregate remuneration of Rs. 420,000/- by way of Salary and Remuneration.

All the Directors except Managing Director are in receipt of sitting fees of Rs. 1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

GENERAL BODY MEETING:

The last three Annual General Meetings of the Company were held as under:

<u>Financial Year</u>	<u>Date</u>	<u>Time</u>	<u>Location</u>
2002-2003	30.12.2003	09.00 a.m.	Registered Office: Plot No. EL-178, Mahape, Navi Mumbai
2001-2002	21.12.2002	09.00 a.m.	Registered Office: Plot No. EL-178, Mahape, Navi Mumbai
2000-2001	29.12.2001	09.00 a.m.	Days Inn, Sector-19, Vashi, Navi Mumbai

DISCLOSURES:

- Their are no materially significant transactions during the year with the related parties viz. promoters, directors or the management, their subsidiaries or relatives etc. that may have a conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets for non-compliance by the Company.