23rd ANNUAL REPORT 2009-2010

THE YASH BIRLA GROUP

MELSTAR

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

MELSTAR

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
- Mr. S. M. Arora — Managing Director upto 30.06.2010

Auditors

Deloitte Haskins & Sells
Chartered Accountants
Mumbai

Bankers

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

CHIEF EXECUTIVE OFFICER

- 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

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, 4th, Floor
Plot No. 8-2-269/19/S/2
Beside L.V. Prasad Eye Hospital Lane,
Road No. 2, Banjara Hills,
Hyderabad - 500 034
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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
CD 185, Sector - 1,
Gr. Floor,
Salt Lake City,
Kolkata - 700 064
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-third Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on Friday, the 24th September, 2010 at 3.00 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 31st March 2010 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. P V R Murthy, 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. Anoj Menon, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.

   To consider and if thought fit, to pass with or without modification(s), the following resolutions:

4. As an Ordinary Resolution:

   RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, **M/s. Kanu Doshi Associates**, Chartered Accountants,(Registration no.104746W) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company in place of **M/s. Deloitte Haskins & Sells**, Chartered Accountants, the retiring Auditors of the Company, who have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting.

   RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Statutory Auditors, plus reimbursement of out of pocket expenses.

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.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

Alteration of Articles of Association to appoint Mr. Yashovardhan Birla as a permanent Director

6. As a Special Resolution:

   RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered by inserting the following Article 154A after existing article 154.

   154A Mr. Yashovardhan Birla's appointment as a Director, shall not be subject to retirement by rotation.

7 As a Special Resolution:

   RESOLVED THAT as per the recommendation of the Remuneration Committee and pursuant to the provisions of Sections 198, 269, 387 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 subject to such other approvals as may be necessary from regulatory authorities Cenral Government etc. and any statutory modifications or enactment thereof and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded for the appointment of Mr. Richard D'Souza as Manager of the Company for a period of three years with effect from May 5, 2010 to May 4, 2013 on the remuneration and perquisites and terms and conditions as set out in the Agreement entered into between the Company and Mr. Richard D'Souza.

   RESOLVED FURTHER THAT subject to the limits prescribed from time to time in Section I of Part II of Schedule XIII of the Companies Act, 1956 and the conditions prescribed therein, the remuneration payable as aforesaid shall be paid to MR. RICHARD D'SOUZA as minimum remuneration, notwithstanding that in any financial year of the Company during the term of his office as such, the Company may have made no profits or inadequate profits.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to review, revise, increase or enhance the remuneration, perquisites and benefits to be paid or provided to Mr. Richard D'Souza (including the minimum remuneration) in accordance with the relevant provisions in the Companies Act, 1956 and/or the rules and regulations made thereunder and/ or relaxation or revision in the Guidelines for Managerial Remuneration as may be made and/ or announced by the Central Government from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution.

By Order of the Board of Directors
FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

VIJAY MODI
COMPANY SECRETARY

Registered Office:
G-4, Melstar House
MIDC, Cross Road "A",
Andheri (East)
Mumbai - 400 093

Mumbai, 9th August, 2010

1. Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 in respect of item No. 4, 6 and 7 being special business is annexed hereto.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 17th September, 2010 to 24th September, 2010 (both days inclusive).
4. **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.
5. Members / Proxies are requested to bring Annual Report and attendance slip duly filled in.
6. 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.
7. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
8. 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.
9. 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.
10. The Company will make available the financial statement of its Subsidiary Companies upon request by any member interested in obtaining the same.

EXPLANATORY STATEMENT
PURSUANT TO SECTION 173(2) OF THE COMAPANIES ACT, 1956

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

Item No.	**2**	**3**
Name of the director	**Mr. P V R Murthy**	**Mr. Anoj Menon**
Date of Birth	21.04.1951	03.02.1973
Date of appointment	22.04.2009	22.04.2009
Qualification	C.A, MBA	B.Com, LL.B, Solicitor
Expertise in specific Functional areas	Almost 30 years of experience in the finance sector. He has worked as a 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.	Presently, as a partner with Leading firm M/s. Desai & Diwanji, Advocates & Solicitors. He has more than twelve years experience in all matters related to the Corporate Laws.
List of other directorship	Birla Power Solutions Ltd., Birla Cotsyn (India) Ltd., Birla Precision Technologies Ltd., Zenith Birla (India) Ltd., Birla Pacific Medspa Ltd. Birla Wellness And Healthcare Pvt. Ltd., Birla Kerala Vaidyashala Pvt. Ltd., Ashok Birla Apollo Hospital Pvt. Ltd., Birla Edutech Ltd., Birla Surya Ltd., Birla Infrastructure Ltd., Birla Urja Ltd., Birla Energy Infra Ltd.,	Birla Shloka Edutech Ltd. Birla Pacific Medspa Ltd.
Chairmanship/Membership of the committees of other Companies	Birla Cotsyn (India) Limited Birla Precision Technologies Ltd. Birla Power Solutions Ltd.	Harvard Business School (I) Research Centre.
Note	Mr. P V R Murthy being eligible, offers himself for re-appointment.	Mr. Anoj Menon being eligible, offers himself for appointment.
No. of shares held	Nil	Nil

Item No. 4

M/s. Deloitte Haskins & Sells,, Chartered Accountants, Mumbai, the present auditors who retire at this Annual General Meeting have informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company at the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of M/s. Kanu Doshi Associates., Chartered Accountants, as the Statutory Auditors of the Company in place of M/s. Deloitte Haskins & Sells,, Chartered Accountants, the retiring Auditors of the Company, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Kanu Doshi Associates Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

The member’s approval is being sought for the appointment of M/s. Kanu Doshi Associates., Chartered Accountants, as the Statutory Auditors of the Company and to authorize the Board of Directors to determine the remuneration payable to the Statutory Auditors.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the resolution as mentioned in Item no.4 of the notice.

Item No. 6

Mr. Yashovardhan Birla is Chairman of Yash Birla Group. The Group has presence in diverse sectors such as steel pipes, Auto components, Power Generators, pumps, engines, healthcare, life sciences, cotton/synthetic yarns, textiles, education etc. The group is foraying into new sectors such as power (conventional and non conventional energy sources).

Your Directors consider that the vision and guidance of Mr. Birla are continuously required by the Company.

Hence, it is proposed to make his office of Director as permanent.

As per Section 255 of the Companies Act, 1956, not less than two-thirds of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Directors by rotation. Remaining one third Directors may be appointed as provided in indicated in Article no. 154.

Accordingly, it is proposed to amend the Articles of association by inserting a new article 154A after existing article 154.

Your Board of Directors, therefore, recommends the resolutions at item no. 6 as special resolution for the approval of the shareholders.

None of the Directors except Mr. Yashovardhan Birla is, in any way, concerned or interested in the said resolutions.

Item No. 7

Mr. Richard D'Souza, aged 63 years is a B.Sc. (HONOURS) MBA (XLRI), A.M.I.I.E, A.I.C.W.A, A.C.S. He has around 40 years of experience in Industry including 7 years as an Independent Management Consultant and he has worked in both multinational corporations as well as Indian Companies.

His 40 years experience encompasses all facets of management i.e. Strategic Planning and Direction, Top Management Positions, Organization Analysis, Business Process Engineering, Marketing of IT Product and Services Distribution, Major Accounts Management, Brand Building and Brand Equity.

He is on the Board of the following other companies:

1. Melstar Inc.
2. Melstar UK Limited
3. Melstar Singapore Pte Limited

Whereas by a resolution passed at a meeting of the Remuneration Committee of the Company held on 5th day May 2010, Mr. Richard D'Souza has been appointed as Manager of the Company as per the provisions of section 269 and 387 of the Companies Act, 1956 on the terms and conditions hereinafter appearing.

Mr. Richard D'Souza : Manager

Period 3 (three) years i.e. 05.05.2010 to 04.05.2013

As Manager, Mr. Richard D'Souza shall be responsible for the company's business affair as entrusted to him subject to the direction, supervision and control of the Board of Directors.

Details of remuneration: Remuneration not exceeding

I.

	05.05.2010 to 04.05.2011	**05.05.2011 to 04.05.2012**	**05.05.2012 to 04.05.2013**
Salary	30,00,000	33,00,000	36,00,000
Perks and Incentive	6,40,000	8,04,000	9,68,000
	36,40,000	**41,04,000**	**45,68,000**
P.F. at 12%	3,60,000	3,96,000	4,32,000
	40,00,000	**45,00,000**	**50,00,000**

Perquisite includes insurance, security charges, maintenance and repair of the house and the furniture, fixtures and furnishings therein, gas, electricity and water along with all amenities, facilities and utilities, Club Fees: Fees of Corporate/Health Clubs (not exceeding 2 clubs), Medical Reimbursement: Medical expenses incurred by the Manager for himself and his family shall be reimbursed by the Company, either directly or through Mediclaim Insurance, Leave Travel Assistance: The Manager shall be eligible for Leave Travel assistance for self and family once in a year in accordance with the rules of the Company.

Valuation of perquisites: Perquisites mentioned in above shall be evaluated in accordance with the Income Tax Rules, 1961 wherever applicable, and in other cases at the actual cost to the Company.

Minimum Remuneration: Notwithstanding anything herein contained, where in any financial year, during the currency of the tenure of Mr. Richard D'Souza, as Manager of the Company, if the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified above in excess of the ceiling prescribed under Schedule XIII of the Companies Act, 1956 or any other law or enactment for the time being or from time to time in force.

II. **Conveyance**: Free use of Company's car for the work of the Company along with driver, insurance, petrol, cost of repairs, overhauling, maintenance and garage rent.

Communication Facilities: The Company shall bear all expenses of the Communication facilities installed at the Manager's residence including but not limited to Telephones (landlines/mobiles), Faxes, Computers/Laptops, Internet Connection.

III. **Leave**: The Manager shall be eligible for leave as per Rules of the Company and encashment of leave at the end of tenure.

The Company's contribution to the Provident Fund, Superannuation Fund (or other benefit permissible in lieu thereof) or annuity fund will be as per the rules of the Company and the same will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable in accordance with the gratuity Scheme of the Company provided that it does not exceed one half month's salary for each completed year of continuous service.

Note: For the purpose of perquisites stated above, family means the spouse, the dependent children and dependent parents of the appointee.

The perquisites indicated in **Category-III** shall not be included in computation of the ceiling on remuneration specified in **Category-I** of this section.

Interest: Mr. Richard D'Souza is concerned and interested in the above matter. No other director of the Company is concerned or interested in the above matter.

Additional General Information

Additional Information as required in accordance with the provisions of Schedule XIII is given hereunder –

a) Nature of industry – Software consultancy, development and related services

b) Date of commercial production – The Company was incorporated on 12th August 1986 as a private company and is in operation since then. However, the present activities were commenced in the year 1997.

c) Financial performance of last 5 years based on given indicators - As per the audited financial results for the year ended 31-03-2010:

(Rs.)

	2009-10	2008-09	2007-08	2006-07	2005-06
Revenues	20,39,28,749	19,26,01,371	16,89,21,007	19,15,61,870	18,21,29,329
Net (Loss)/ Profit after Tax	(2,98,11,806)	(1,13,13,840)	(1,34,79,032)	14,27,472	41,43,369
Paid up Share capital	14,28,31,390	14,28,31,390	14,28,51,390	14,28,51,390	14,28,31,390
Net Worth	10,77,08,221	13,75,99,579	14,76,34,976	16,13,71,410	16,02,41,761

d) Net foreign exchange earnings of the company during the past five years -

Year	Inflow Rs.	Outflow Rs.
2005-06	5,35,77,297	1,97,96,840
2006-07	2,60,39,262	2,19,52,913
2007-08	2,23,86,958	2,14,28,171
2008-09	1,63,55,588	1,62,90,533
2009-10	1,34,43,383	1,58,08,226

e) Personal Information:

Mr. Richard D'Souza, aged 63 years is a B.Sc. (HONOURS) MBA (XLRI), A.M.I.I.E, A.I.C.W.A, A.C.S. He has over 30+ years of experience in Corporate/Industry executive and 7 years as an Independent Management Consultant.

His 40 years experience encompasses all facets of management i.e. Strategic Planning and Direction, Top Management Positions, Organization Analysis, Business Process Engineering, Marketing of IT Product and Services Distribution, Major Accounts Management, Brand Building and Brand Equity.

f) Job profile and suitability:

Mr. Richard D'Souza was a Director of the Company from 30.04.2008 to 12.02.2009 and appointed as Chief Executive Officer with effect from 01.04.2009.

Mr. Richard D'Souza is responsible for the overall conduct and management of business and affairs of the Company. This includes development of domestic and international business providing strategic direction to business units of the Company. Review of software services being rendered and prevailing competition, enhancement of efficiencies and rationalization of the cost. This coupled with his strong resourcement management capability and knowledge of software industry makes him fully suitable for the position.

Considering his professionals qualifications and expertise in overall management functions, he is competent to carry on the responsibilities presently entrusted to him by the Board of Directors.

g) Past remuneration drawn by Mr. Richard D'Souza as Chief Executive Officer (01.04.2009 to 31.03.2010):

Particulars	**Rupees**
Basic Salary	19,80,000
Company's contribution to PF/FPF	237,600
Other perks	11,94,000
Total	**34,11,600**

h) Remuneration Proposed – As indicated above in **I.**

(i) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

Taking into consideration the size of the Company, the profile of the appointee, the responsibility shouldered by him and the industry benchmarks, the proposed remuneration is reasonable and fairly competitive with the remuneration packages paid by other companies to similar senior level appointees.

The minimum remuneration proposed as above has been approved by the Remuneration Committee and Board of Directors in their meeting held on 5th May, 2010.

j) Reason for loss or inadequacy of profits / steps taken or proposed to be taken for improvement:

The main reasons are decrease in sales due to extreme competition, pressure on margins and non-renewal of some major contracts having good margin and ultimately drop in profits of the company.

The Company is focusing on its core competencies and using sometimes-outsourced technology service providers to help improve productivity, develop new products, reduce business risks and manage the operations more effectively.

k) Expected increase in revenues and profits in measurable terms:

In the competitive environment, it is difficult to estimate revenues /profits in measurable terms. However, the management has framed strategies and developed execution plans to improve the overall bottom-line and profitability by checking losses across the group companies. Curtailing costs and other operational expenses, maximizing use of existing offshore infrastructure facilities, expansion of client base, etc will continue to receive aggressive attention and the management is confident of reasonable increase in revenues and profits during the coming years.

l) Disclosure on pecuniary relationships:

Mr. Richard D'Souza does not have any other pecuniary relationship with the Company and its managerial personnel, directly or indirectly.

m) In the event of loss or inadequate profits, Mr. Richard D'Souza shall be entitled to receive remuneration as indicated in the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

n) The approval for his appointment as Manager is sought by way of a Special Resolution as required under Schedule XIII to the Act.

The terms of appointment of Mr. Richard D'Souza, as set forth in this notice, may be treated as the abstract under Section 302 of the Companies Act, 1956.

The Directors recommend the resolution as set out in Item No. 7 of the Notice for Members' favorable consideration.

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(VIJAY MODI)
COMPANY SECRETARY

Place: Mumbai, 9th August, 2010

DIRECTORS' REPORT

The Directors present hereunder the 23rd 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, 2010. The financial results for the year are summarized as under:

1. FINANCIAL RESULTS

	(Rupees in Lakhs)	
	2009-10	2008-09
Sales	**1,949**	1,824
Other income	**90**	102
Operating Profit/(Loss) before depreciation, interest and taxes	**(125)**	26
Less: Depreciation	**93**	96
Less: Interest	**50**	29
Operating Loss before unusual item	**(268)**	(99)
Less: Provision for/write off of doubtful debts/advances, fixed assets	**60**	16
Loss before Taxation	**(328)**	(115)
Provision for taxation including FBT	**(0.50)**	(6)
Income tax earlier years (net)- Income	**31**	8
Loss after tax	**(298)**	(113)
Profit brought forward from earlier year	**(76)**	37
Amount transferred to capital redemption reserve	**--**	(0.20)
Balance carried to Balance sheet	**(374)**	(76)
EPS – Basic and Diluted (in Rupees)	**(2.09)**	(0.79)
Book value per Share (in Rupees)	**7.54**	9.63

2. OPERATIONS

The total sales on standalone basis and consolidated for the year under review were as under:

The sales of the Company stood at Rs. 1,949 Lakhs against Rs. 1,824 Lakhs and the Consolidated stood at Rs. 2,039 Lakhs against Rs. 2,868 Lakhs during the preceding year. The domestic business improved by 12% compared to previous year.

The operations of the Company during year under report resulted in a net loss of Rs. 298 Lakhs compared to the net loss of Rs. 113 Lakhs in the previous year.

Due to overall global meltdown, the IT industry in particular has been adversely affected and hence your Consolidated Company sales has declined compared to previous year.

In spite of recessionary condition in the Information Technology Industry, the business improved marginally.

3. DIVIDEND

In view of the current financial position 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, Melstar Limited (dissolved on 19th May, 2010), and Melstar Singapore Pte. Limited.

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

MELSTAR INC.

In view of severe downturn in the IT industry in the US, Melstar Inc. could not expand operations during the year under report because of cash flow constraints. It is expected that the performance of the subsidiary would improve during the current financial year. The operating profit during the year was mainly on account of recognition of net Deferred Tax Assets of US$ 1,76,082 (equivalent to Rs. 79 Lakhs).

In view of severe downturn in the IT industry in UK and Singapore also, the performance of the UK and Singapore Subsidiary suffered adversely during the year under review.

UK SUBSIDIARIES:

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

(ii) Melstar UK Limited

The operations of Melstar UK Limited for the year under review are as under. The profit in the subsidiary is mainly on account of excess provision for expenses written back aggregating to GBP 14,664 (equivalent to Rs. 10 Lakhs).

SINGAPORE SUBSIDIARY - MELSTAR SINGAPORE PTE LIMITED

The Company made an application to the Accounting and Corporate Regulatory Authority to strike its name from the Register pursuant to Section 344 of the Singapore Companies Act and all relevant documents have been filed with the Registrar and the company is awaiting final certificate to that effect from the said Authority.

5. FINANCIAL STATEMENTS OF SUBSIDIARIES

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, vide its letter No. 47/125/2010-CL-III dated 25th March, 2010 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 have not been attached to the Balance Sheet of the Company. 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

The I.T. is coming out of the downturn and in India the industry's strength is growing. This presents a good overall opportunity for your company since the bulk of our business is in the domestic market.

The Company expects that as and when the US market also improves, we will build newer relationships in the USA.

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:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;

b) 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, 2010 and of the loss for the year ended on that date;

c) 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 09.08.2010.

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

The Board of Directors in their meeting held on 5th May, 2010 has appointed Mr. Richard D'Souza, present Chief Executive Officer as Manager pursuant to Section 269 of the Companies Act, 1956.

Mr. S. M. Arora has resigned from the office of the Managing Director of the Company with effect from 30.06.2010. The Board records its appreciation for the valuable contribution made by him during his tenure as a Managing Director of the Company.

Pursuant to Article 154 of the Articles of Association of your Company and Section 256 of the Companies Act, 1956, Mr. P V R Murthy and Mr. Anoj Menon retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

13. AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from **M/s. Deloitte Haskins & Sells** Chartered Accountants, expressing their unwillingness to be re-appointed as Auditors.

Based on the recommendation of the Audit Committee, the Board of Directors proposes the appointment of **M/s. Kanu Doshi Associates** Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Kanu Doshi Associates, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if appointed and have further confirmed that said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

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, 9th August, 2010

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 31st March, 2010.

Sr No	Name	Designation	Age	Qualification	Exp (yrs)	Gross Remune ration (Rs.)	Date of Joining	Last employment
1	S.M. Arora	Managing Director	74	B.A, M.B.A.	51	45,69,012	24.01.91	Melstar Industries Ltd.
2	Richard D'Souza	Chief Executive Officer	63	B.Sc. (HONOURS) MBA (XLRI), A.M.I.I.E, A.I.C.W.A, A.C.S.	38	34,11,600	01.04.09	Aviators (India) Pvt. Ltd.
3	Sattar Shaikh Upto 24.04.09	Executive Director	51	B.Com	30	*16,20,347	01.08.97	Melstar Industries Limited

1 & 2 – Throughout the year

3 – * For part of the year; it also includes gratuity and encashment of unutilised earned leave

Notes:

1. 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.
2. In addition to the above remuneration, employees are entitled to gratuity, medical benefits, etc. in accordance with the Company's rules.
3. The nature of employment in all cases is contractual.
4. 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 31st March, 2010

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 7% (9% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2009-10	2008-09
Total Foreign Exchange earnings*	**134**	164
Total Foreign Exchange outgo**	**158**	163

* Includes software export sales by foreign branch.

** Includes expenses of foreign branches.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Forward Looking Statements: This report contains forward-looking statements, which may be identified by their use of words like 'expects', 'will' or other words of similar meaning. Forward-looking statements are based on certain assumptions and expectations of future events and the Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend or revise the forward-looking statements or any loss to the investors in the shares of the Company making investments relying on such forward-looking statements.

Domestic IT- ITeS Market : Domestic IT-ITeS market will revive in 2010 to grow at 15%, after a moderate growth of 5.4% in 2009. The year-end India Domestic Information and Communication Technology (ICT) Market Top 10 Predictions 2010 report by leading ICT market intelligence firm International Data Corporation (IDC) India suggests that important structural changes, brought about by the impact of economic slowdown will accelerate a 'order'.

This new phase of market growth and development, termed as 'Growth Phase 2.0' is evolving along trends that are quite different from the earlier phase, Growth Phase 1.0 (2003-08), during which the domestic market witnessed unprecedented growth, almost tripling the market size from Rs. 34,000 crore in 2003 to Rs. 99,564 in 2008, a CAGR of 24.0%.

According to IDC the four major trends in 2010 are:

- Transformation of the consumer IT space: the metamorphosis of 'Consumer 1.0' to 'Consumer 2.0'.
- 'Consumer 1.0' to 'Consumer 2.0' 'Consolidation' and 'Leveraging' of IT and telecommunications infrastructure built in Growth Phase 1.0 to realise greater business efficiencies and launch innovative product/solution offerings for their end-customers development of new business models in Growth Phase 2.0 by both large and mid-size business enterprises.
- Increased adoption and acceptance of 'game changing' technologies such as x-as-a-Service (where 'x' could stand for Software, Infrastructure or Platform) delivered through the Cloud and Green Tech and 3G/BWA telecommunications networks.
- Government intervention in providing economic stimulus to lagging end-use sectors, most notably through the launch of large scale public infrastructure projects to unlock hitherto untapped market potential.

Small and Medium Businesss Markets: Even as the global economy struggles to recover from an unprecedented economic crisis, India is one of the few countries that are expected to record a healthy growth of 7% for fiscal 2009-10. A significant proportion of all Indian businesses fall under the small and medium enterprise segment. So, a broad-based, sustainable growth in the Indian economy can emerge only if the country's SMB enterprises record a healthy growth. Unfortunately, these are also the businesses that have faced the brunt of the current economic crisis. Within this 'Catch 22' situation lies a great opportunity for SMB enterprises - scale up to become world class players and market leaders in their respective industries. IDC India research analyses the adoption of ICT solutions by Indian SMBs as they attempt to improve productivity, adopt best practices and bring innovative products to market.

The challenges that Indian SMBs face are manifold. They start with the broad theme of lack of information and go on to larger issues like funding, marketing skills, talent management and so on. Unless these challenges are identified and addressed adequately, these SMBs will remain just bit players and will never be able to realise their full potential and promise. While each one of the above-mentioned issues is worth a full term course at the best of management schools, IDC India research and consulting studies attempt to dissect the most critical ones, prioritize them and then map them with the market concepts, resources, and management and IT tools that afford the best opportunities for SMB managements to increase their reach and visibility, value to customer.

IDC research studies how SMBs are trying to understand the benefits of ICT solutions and implement those that afford the most relevance to help them achieve their business goals faster, and at the least possible cost.

Business Issues: The biggest issue for Chief Information Officers is the proportion of IT spending and resources dedicated to maintenance activities, rather than adding new value to the organization. This situation is compounded by the 'silo' approach taken to IT resource allocation and deployment within organizations, which in turn leads to underutilization of IT resources and inhibits the IT department's ability to remain agile in its response to ever-changing business dynamics.

Technology Issues: Virtualization encompasses networks, storage, applications, desktop, and data centers. By combining these technologies organizations can realize significant benefits, and transform their IT infrastructure from a static to a dynamic resource that can help enable the business to meet its strategic goals.

Market Issues: The IT virtualization product market is expanding rapidly in both reach and range. Storage virtualization is reaching maturity, with standards agreed and leaders identified. However, the server virtualization market is still in a state of flux.

Risks and Concerns: Risk management is an essential component of the responsibilities of the management of a company. It has to ensure that the risks which might encounter while conducting its business activities are easily identified and managed with appropriate skills effectively to minimize / eliminate the adverse impact. The concerns that the Company could encounter are -

a) Government policies and restrictive measures;
b) Business process risks;
c) Inadequacy of resources - people, support services, working capital and above all timely availability;
d) Dependence on a selected few clients, changes in the market conditions, price situation, credit period, etc.

Mitigation: A preliminary analysis of the Company's risk profile is already in place. A comprehensive assessment / framework of the risk profile and risk response and measures to prevent and combat various types of risks to which the Company might get exposed in the process of execution of assignments / contracts as also in its future endeavors for growth to ensure optimum use of resources at its command consistent with the internal control systems and procedures as also in conformity with the regulatory requirements to withstand any adverse impact of factors and events outside its control, is in the process of setting for effective monitoring.

The Company has also an effective internal audit function independent of external auditors, which regularly reviews effectiveness of the Company's policies. The Audit Committee of the Board periodically reviews implementation of internal control systems and procedures so as to strengthen the control process and to keep the Company's business insulated from internal and external risks and to check the impact of consequential damage and financial loss, if any.

Internal Control Systems and their Adequacy: As a part of its commitment to healthy Governance, the Company has adopted requisite internal controls, systems and procedures for all its departments. Review of such systems and procedures is undertaken periodically and is commensurate with the Company's size of business and statutory requirements. As in the previous years, during this year too, the Internal Auditors carried out quarterly reviews of different aspects of internal controls. All such reports were presented to Audit Committee for its review and necessary action was taken to strengthen the controls and procedures where deemed expedient. A comprehensive Manual clearly defining each aspect of control covering all significant areas of the Company's operation such as accounting and finance, procurement, employee engagement, delivery of services, etc is already in place and is monitored at regular intervals. Safeguarding of assets and their protection against unauthorized use are also part of the manual.

Discussion on Financial Performance with respect to Operational performance: The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and the applicable Accounting Standards as well as the Generally Accepted Accounting Principles (GAAP) in India. The salient aspects of the financial performance of the Company and its subsidiaries have been dealt with at some length in the Directors' Report.

The Consolidated Statements of Accounts of the Company covering all the subsidiaries duly audited {except Melstar Limited has made an application for voluntary liquidation with the Companies House, UK and confirmation is awaited and Linkhand Support Limited, a step down subsidiary at UK was dissolved during the year and the approval for the same has been received from Companies House, UK} are appended elsewhere in the Annual Report.

An Analysis of financial performance for the year ended 31st March 2010 is given hereinafter:

Sr. No.	Particulars	As on 31.03.2010 Rs. in Lakhs	As on 31.03.2009 Rs. in Lakhs
1	Share Capital	1,428	1,428
2	Reserves & Surplus	22	23
3	Secured Loans	329	112
4	Unsecured Loans	15	56
5	Fixed Assets	1,235	1,334
6	Investments	--	13
7	Debtors	Rs. 372 Lakhs representing 70 days revenue for the year	Rs. 240 Lakhs representing 48 days revenue for the year
8	Cash and Bank Balances	59	68
9	Other Current Assets	0.37	0.02
10	Loans & Advances	228	279
11	Current Liabilities	416	342
12	Provisions	56	48
13	Profit and Loss Account (Dr. Bal)	374	75
14	Impact of Foreign Exchange Fluctuations	Loss of Rs. 1.69 Lakhs	Gain of Rs. 0.84 Lakhs
15	Depreciation	93	96

Human Resources: People are the company's key resource and the Company has to and does treat people as an important asset by establishing a structured program for paying competitive remuneration and performance related incentives and career advancement under a structured performance appraisal system. The Company has in place a conducive work environment that encourages innovation, meritocracy and motivates the employees to give their best performance. Development and training of employees to inculcate culture of excellence is an integral part of the Company's HR policy, besides close interaction, guidance, communication and involvement by superiors.

The employees' strength of the Company as on 31.03.2010 was 471.

The Company continues to evaluate the skills of its employees at various levels of hierarchy and hires appropriate resources with varying skills depending on the projects in hand / pipeline and specific requirements of its clients. A team of qualified professionals exists for resource development and imparting requisite quality training to the employees. In order to encourage the employees to get trained in latest technologies and skills, the Company had in place a Programme called "Certification Fee Reimbursement Programme".

Quality: Melstar's proactive approach, combined with its commitment to building world-class capabilities is reflected in the SEI CMM Level III assessment and ISO 9001: 2008 certification. All technical employees of the Company have to undergo quality certification tests at regular intervals to ensure that the requisite quality standards are maintained. Clearing the quality tests has been made mandatory for continued employment and promotions. At the same time, the quality control team regularly continues due diligence exercises on all developmental activities by conducting periodical Internal Audits. To increase the awareness and implementation of the quality work, an award called "Quality Champion" is already in place and motivates the employees to follow quality standards.

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(RICHARD D'SOUZA)
CHIEF EXECUTIVE OFFICER & MANAGER

Mumbai,
9th August, 2010

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The Company considers Corporate Governance as an important process for conducting and managing its business activities in a transparent and visible manner in the interest of all its stake holders, besides keeping important segments of the society adequately informed. Melstar Information Technologies Limited (MITL) adopted good corporate practices all through its existence and oriented its actions in consonance with them. It has been the endeavour of MITL to give fair and equitable treatment to all its stakeholders including employees, customers and shareholders as also to comply with applicable rules and regulations.

Board of Directors

The Company has combination of Executive and Non-Executive Directors. The Board comprises of an Executive Director, two Promoter and Non-Executive Directors and three Non-Executive and Independent Directors.

The Board, the Audit Committee and Investor Grievance and Share Transfer Committee were re-constituted for the minimum number of Independent Directors/Members w.e.f. 23rd June, 2009. A Non-Executive Director has been appointed as the Chairman of the Investors Grievance Committee on 23rd June, 2009.

The Composition of the Directors of the Company is as under.

Name	Designation	Category	No. of Directorships in other Companies		Committee Memberships (Excl. MITL)	Committee Chairmanships (excluding memberships given in column 5)
1	2	3	4		5	6
			Other Listed Company	Unlisted Limited, Pvt. Ltd. and Foreign subsidiary Cos.		
Mr. Yashovardhan Birla w.e.f 22.04.09	Chairman	Promoter and Non-Executive Chairman	6	11	1	2
Mr. P V R Murthy w.e.f 22.04.09	Director	Promoter and Non-Executive Director	4	9	4	1
Mr. Anoj Arvind Menon w.e.f 22.04.09	Director	Non-Executive and Independent Director	1	-	1	-
Mr. Rajesh Shah w.e.f 23.06.09	Director	Non-Executive and Independent Director	2	1	5	1
Mr. M. S. Adige w.e.f 23.06.09	Director	Non-Executive and Independent Director	5	3	4	1
Mr. Surinder Mohan Arora Upto 30.06.10	Managing Director	Executive Director	-	4	-	-
Mr. Bharat Ramani Upto 22.04.09	Director	Promoter and Non-Executive Director	-	3	-	-
Mr. Suresh Bansal Upto 22.04.09	Director	Promoter and Non-Executive Director	-	11	-	-
Mr. Anthony Gale Upto 22.04.09	Director	Non-Executive Director	-	8	-	-
Mr. A. K. Katial Upto 22.04.09	Director	Non-Executive and Independent Director	-	3	2	-
Mr. Sattar Shaikh Upto 24.04.09	Executive Director	Promoter and Executive Director	-	4	-	-

Board Meetings

In conformity with the provisions of the Act as well as the Company's Articles, the Board met at regular intervals to review the quarterly / annual results and to transact other business. When considered expedient additional meetings were convened and held. The Agenda for the Board meetings, containing relevant matters as requisite, are distributed in advance to all the Board members.

The Board met six times during the year ended 31st March, 2010 viz. on 22nd April 2009, 30th June 2009, 29th July 2009, 17th August 2009, 30th October 2009 and 25th January 2010. The following table gives the attendance record of the Directors at the Board and Annual General Meeting.

Details of Board meetings are as under.

Sr. No	Name	No. of Board Meetings held	No. of Meetings Attended	Attendance at the last AGM held on 18.09.2009
1	Mr. Yashovardhan Birla	6	6	No
2	Mr. P V R Murthy	6	6	Yes
3	Mr. Anoj Menon	6	6	Yes
4	Mr. Rajesh Shah	6	5	Yes
5	Mr. M. S. Adige	6	5	Yes
6	Mr. S. M. Arora (upto 30.06.2010)	6	6	Yes
7	Mr. A. K. Katial (upto 22.04.2009)	6	1	No
8	Mr. S. Shaikh Executive Director (upto 24.04.2009)	6	1	No
9	Mr. Bharat Ramani (upto 22.04.2009)	6	-	No
10	Mr. Suresh Bansal (upto 22.04.2009)	6	-	No
11	Mr. Anthony Gale (upto 22.04.2009)	6	-	No

Notes:

1. None of the directors is related to any other director.
2. None of the directors received any loans or advances from the Company during the year.
3. None of the Directors holds Directorship in more than **15** Public Limited Companies, nor membership in more than **10** committees, nor chairmanship in more than **5** committees across all companies in which he is/was a Director. Since Remuneration Committee is non-mandatory, membership in Remuneration Committee has not been considered for this purpose.

   Brief resume of the Directors proposed to be appointed, nature of their expertise in specific functional areas and names of the Companies in which they hold the directorship and membership/chairmanship of committees of the Board, as well as their shareholding as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the Notice forming part of the Annual Report.

   Apart from receiving sitting fee, the Independent Directors do not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management, its subsidiaries and associates, which may affect independence of the director.

COMMITTEES OF THE BOARD

(a) AUDIT COMMITTEE

Broad Terms of Reference:

The terms of reference of the Audit Committee include overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements reflect a true and fair position and that adequate and credible information is disclosed as also recommending to the Board appointment / reappointment and/or removal of external and internal auditors and fixing their remuneration. The Audit Committee undertakes review of internal control systems, policies and practices, reports of the Company's internal and statutory auditors, quarterly and annual financial statements, financial and risk management policies, related party transactions, compliance with accounting standards and stock exchange requirements concerning financial statements, significant adjustments arising out of audit, disclosure of contingent liabilities, Directors' Responsibility Statement, reviewing financial statements of subsidiaries, Management Discussion and Analysis, findings of any internal investigation and follow up thereon, etc. for recommendation to the Board. The Role and Responsibilities of each Committee are well defined and the role of Audit Committee has been revised as per the subsequent amendments to the Code. The Committee generally meet on the day of the Board meeting, except when otherwise considered expedient.

Meetings and attendance during the year:

During the year under report, five meetings of the Committee were held, viz. on 22nd April 2009, 30th June 2009, 29th July 2009, 30th October 2009 and 25th January 2010.

The composition of the Audit Committee for the year ended 31st March, 2010 and the attendance at the meetings is as under:

	Name	Title	Status	No. of Meetings held during the year	No. of Meetings Attended
1	Mr. A. K. Katial Upto 22.04.2009	Member	Independent and Non-Executive Director	5	1
2	Mr. P V R Murthy From 22.04.2009	Member	Promoter and Non-Executive Director	5	4
3	Mr. Rajesh Shah From 23.06.2009	Chairman	Independent and Non-Executive Director	5	4
4	Mr. M. S. Adige From 23.06.2009	Member	Independent and Non-Executive Director	5	4

At its meetings, the Audit Committee reviewed the quarterly and annual financial results before the Board took the same on record. The Committee also reviewed Internal Audit Reports, Internal Control Systems and Procedures and conducted other businesses as requisite and made recommendations to the Board where improvements were deemed necessary to strengthen the same. As a measure of good corporate governance, representatives of Statutory Auditors were regularly invited to the meetings of the Audit Committee and made significant contribution to its deliberations. The minutes of the meetings of the Audit committee are regularly placed before the Board. The Company Secretary acts as the Secretary to the Committee.

(b) Investor Grievance and Share Transfer Committee

Broad Terms of Reference

To examine and redress the complaints and grievances of shareholders of the Company, so as to direct and advise the Registrar & Transfer Agent (RTA) to ensure prompt redressal of complaints and grievances of the shareholders on any issue relating to the share transfer activity, to authorise issue of duplicate share certificates, to recommend to the Board appointment / removal of the Registrars and Share Transfer Agents and/or in the remuneration payable to them, etc.

The Composition of the Committee for the year ended 31.03.2010 is as under:

	Name	Title	Status
1	Mr. Anoj Menon	Chairman	Independent and Non-Executive Director
2.	P V R Murthy	Member	Promoter and Non-Executive Director

During the year under report the Committee met five times, i.e. on 24th April 2009, 14th August 2009, 21st December 2009, 12th February 2010 and 19th February, 2010.

The Company Secretary acts as the Compliance Officer and has been regularly interacting with the Share Transfer Agents to ensure that the complaints/grievances of the investors are attended to without undue delay and where deemed expedient, the complaints are referred to the Chairman of the Committee or discussed at its meetings. In general, all complaints are attended to within seven days from the date of receipt.

The Company has a dedicated e-mail ID, vmodi@melstar.com attended by the Secretarial Department to enable the investors to communicate with the Company.

The said RTA of the Company during the financial year under report received 1 complaint from the member and the same had been satisfactorily dealt with during the said period.

During the year, the Registrar had registered 20 transfers comprising 503452 shares and processed 32 requests for dematerialization of 4,94,725 shares. There were no valid requests pending for share transfers at the end of the year.

(c) Remuneration Committee (Non-mandatory)

Broad Terms of Reference

To review and determine the policies of the Company relating to remuneration packages for Executive Directors and relatives of directors.

The Remuneration committee of the Board is constituted to formulate and recommend to the Board from time to time, a compensation structure for Executive Member of the Board and relatives of Directors.

Remuneration Policy / Criteria with details of Remuneration

The Remuneration policy of the Company for its Executive Director(s) is guided mainly by the following factors:

i. Responsibilities shouldered;
ii. Company / individual performance during the year;
iii. Practices prevailing in comparable organizations, i.e. competitive structure; and
iv. Transparent, fair and simple to administer as well as fully legal and tax compliant.

The Company continues to pay minimum fixed remuneration to its Executive Directors for the last few years due to inadequacy of profits as computed per the provisions of Schedule XIII to the Companies Act, 1956.

The remuneration paid to the Executive Director of the Company for the year ended 31st March, 2010 is as under:

a) Executive Directors

Name	Designation	Sitting Fee (Rs.)	Salary (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund and others	Total (Rs.)
Mr. S. M. Arora	Managing Director	Nil	37,35,042	5,38,770	2,95,200	45,69,012
Mr. Sattar Shaikh Upto 24.4.2009	Executive Director	Nil	8,14,667	36,000	19,680	8,70,347

Note: In addition to the aforesaid remuneration, the Company during the current year has paid notice pay to an Executive Director Rs. 750,000, in terms of service agreement with the said Director.

The Resolutions passed by the shareholders of the Company approving their terms are deemed as binding. The terms of their appointment were renewed for a period of three years with effect from 01.04.2008.

b) Non-Executive Directors

A fee of Rs. 10,000/- is being paid to Non-executive Directors for attending each meeting of the Board and the members of the Audit Committee are being paid a fee of Rs. 10,000/- for attending each Audit Committee Meeting. The details of remuneration paid to the Non-Executive Directors towards sitting fee are as under:

	Name	Designation	Rupees
1	Mr. Yashovardhan Birla	Promoter and Non-Executive Chairman	Rs. 60,000
2	Mr. P V R Murthy	Promoter and Non-Executive Director	Rs.100,000
3	Mr. Anoj Menon	Non-Executive and Independent Director	Rs. 60,000
4	Mr. Rajesh Shah	Non-Executive and Independent Director	Rs. 90,000
5	Mr. M. S. Adige	Non-Executive and Independent Director	Rs. 90,000
6	Mr. Ashok Kumar Katial Upto 22.04.09	Independent Non-Executive Director	Rs. 30,000

ANNUAL AND EXTRA-ORDINARY GENERAL MEETINGS

The Annual and Extra-ordinary General Meetings of the Company held during the previous three years were as under:

Financial Year	Date	Time	Location	Special Resolutions transacted
AGM: 2006-07	26.09.2007	10.30 a.m.	AIPMA House, A-52, Road No.1, MIDC, Marol, Andheri (E), Mumbai – 400 093	None
AGM: 2007-08	29.09.2008	10.00 a.m.	Hotel Tunga International, Central Road, M.I.D.C., Andheri (E), Mumbai – 400 093.	Re-appointments of Mr. S. M. Arora as the Managing Director and Mr. Sattar Shaikh as Executive Director for a period of three years w.e.f. 01.04.2008.
AGM: 2008-09	18.09.2009	3.00 p.m.	M. C. Ghia Hall, 2nd Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	1. Increase in Authorized Share Capital of the Company from Rs. 20.00 crores to Rs. 55.00 crores. 2. Alteration of Memorandum of Association by substituting Clause V. 3. Alteration of Articles of Association by substitution of Article 4. 4. Further issuance of securities.

DISCLOSURES ON RELATED PARTY TRANSACTIONS

No materially significant related party transactions were entered by the Company with its promoters or directors, which could be deemed to be potentially conflicting with the interests of the Company. There were some transactions with the Company's wholly-owned foreign subsidiaries and with other related parties in the ordinary course of business of the Company. The register of contracts contains details of transaction in which directors are interested and the same is placed before the meeting of the Board. The details of such transactions are disclosed in the Notes to Accounts. (Please Refer Note No. 8 of Schedule 17 of the financial statements).

SUBSIDIARY COMPANIES

The minutes of all the subsidiaries are placed before the Board of Directors of the Company and the same were reviewed.

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

There was no reported case of levy of any penalties, or imposition of strictures on the Company by the Stock Exchanges or SEBI on any matter related to the capital markets during the last three years.

RISK MANAGEMENT

A risk management policy is in place, wherein key risks are categorised and assessed in terms of probability and its likely impact on the Company's business which are evaluated and report of the same are placed before the Board for review.

MEANS OF COMMUNICATION

The Company regularly publishes its quarterly, half-yearly and annual results in due time in National and Regional Daily newspapers (Business Standard and Dainik Sagar) in compliance with requirements. These are also filed electronically with Corporate Filing & Dissemination System web site and displayed on Company's website www.melstar.com. No presentation was made to analyst during the financial year under report.

The Management Discussion and Analysis Report appended elsewhere and forms integral part of the Annual Report.

OTHERS

A firm of Chartered Accountants periodically carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit reports confirm that the total issued and paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

General Shareholder Information

Annual General Meeting

Day, date and time of Annual general meeting	Friday	24.09.2010	3.00 p.m.	M. C. Ghia Hall, 2nd Floor, 18/20, K. Dubhash Marg, Kalaghoda, Mumbai - 400 001
Dates of book closure	From Friday, 17.09.2010 to Friday 24.09.2010 (both days inclusive)			

Special Resolutions : Proposed one special resolution at the above- mentioned Annual General Meeting.

Financial Calendar:

1) First Quarter Results: On or before 14th August
2) Second Quarter / Half yearly Results: On or before 15th November
3) Third Quarter results: On or before 15th February.
4) Fourth Quarter / Audited Annual Results: On or before 15th May / 31st May.

Stock Exchanges on which Company's shares are listed:

Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Code: 532307**	The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 **Code: MELSTAR**

The Company has been regular in paying the Listing Fees to the Stock Exchanges. Listing Fees for the year **2010-11** have also been paid.

Registrar and Share Transfer Agent: The complete address of Registrar and Share Transfer Agent for communication is as follows:

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai – 400 078. Telephone : 2596 3838
Fax : 2594 6969 E-mail : mumbai@linkintime.co.in

Share Transfer System

The Shares lodged for transfers and dematerialization are processed by the Registrar and Share Transfer Agent on a weekly basis and generally registered and returned within a period of two weeks from the date of receipt, if the documents are complete in all respects.

The Company has been obtaining half yearly certificates from a Company Secretary in Practice within 30 days from the close of the relevant period with regard to compliance of share transfer formalities as per the requirement of clause 47(c) of the Listing Agreement of the stock exchanges, where the securities of the company are listed.

Market price data:

High / Low during each month and performance in comparison to BSE Sensex / BSE IT Index during the financial year ended 31.03.2010:

National Stock Exchange of India Limited				Bombay Stock Exchange Limited				
Month	**High**	**Low**	**No. of shares Traded**	**High**	**Low**	**No. of shares traded**	**BSE Index**	**BSE IT Index**
Apr -09	15.00	11.00	26,43,276	15.30	10.63	18,78,911	11,403.25	2,663.35
May-09	15.90	10.30	1,21,806	15.99	10.51	1,23,801	14,625.25	2,997.55
Jun-09	15.80	12.05	88,844	16.00	12.00	1,43,875	14,493.84	3,287.20
Jul -09	13.00	10.05	73,361	12.95	10.05	1,56,447	15,670.31	3,962.12
Aug-09	15.40	10.50	1,49,950	15.18	10.15	2,37,458	15,666.64	4,172.52
Sep-09	13.50	11.65	46,155	14.80	11.85	1,40,458	17,126.84	4,570.91
Oct-09	12.45	10.55	40,735	12.50	10.70	89,094	15,896.28	4,425.52
Nov-09	11.60	9.85	34,380	11.70	10.00	83,379	16,926.22	4,757.27
Dec-09	12.15	10.75	52,731	12.00	10.55	1,11,096	17,464.81	5,186.35
Jan-10	15.00	11.05	1,50,109	14.78	11.00	2,75,673	16,357.96	4,977.71
Feb-10	12.35	10.85	57,167	12.20	10.91	1,04,475	16,429.55	5,173.99
Mar-10	12.60	10.50	67,027	12.38	10.35	1,20,524	17,527.77	5,237.50

DISTRIBUTION OF SHAREHOLDING AS AT 31st March, 2010

Shareholding of Nominal value of Rs.	No. of Share holders	% of Total	Shares	% of Total
1 - 500	9,302	81.9054	16,13,058	11.2934
501 - 1,000	1,116	9.8265	9,57,487	6.7036
1,001 - 2,000	486	4.2793	7,70,189	5.3923
2,001- 3,000	167	1.4705	4,35,222	3.0471
3,001- 4,000	69	0.6076	2,49,813	1.7490
4,001- 5,000	59	0.5195	2,79,704	1.9583
5,001- 10,000	90	0.7925	6,58,792	4.6124
10,001 and above	68	0.5987	93,18,874	65.2439
Total	**11,357**	**100.0000**	**1,42,83,139**	**100.0000**

Shareholding Pattern as at 31.03.2010

	Category	No. of shares	% of holding
A	**Promoters' holding**		
1.	Bodies Corporate pursuant to open offer purchase	70,83,542	49.59
B	**Non-Promoters holding**		
1.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Gov. Institutions	1,00,000	0.70
2.	Private Corporate Bodies	8,93,081	6.25
3.	Indian Public / HUFs/ Employees	56,99,234	39.89
4.	NRIs	2,98,962	2.11
5.	Foreign Individuals	208,320	1.46
	TOTAL	**1,42,83,139**	**100.00**

Dematerialization of Shares and Liquidity : All shares of the Company are under compulsory dematerialization for delivery on sale / purchase. As at 31.03.2010, the number of shares of the Company in demat form stood at 1,40,09,693 shares representing 98.08% of shares issued by the Company. Considering the advantages of trading in demat form, members are encouraged to consider dematerialisation of their shareholding so as to avoid inconvenience in future.

Demat ISIN Number allotted to company's shares by NSDL and CDSL is: **INE817A01019.**

Declaration on Compliance with the Code of Conduct

It is hereby confirmed that all the Directors and Senior Management Personnel (i.e. one level below the executive directors, including all functional heads) of the Company have received, read and understood for compliance with the Code of Conduct framed by the Company and confirmations for the year ended **31.03.2010** have been obtained from the Directors and Senior Management Personnel of the Company.

The Code of conduct for Directors and Senior Managers as adopted by the Board has been posted on the web site of the Company (www.melstar.com).

Address of registered office, subsidiary offices and other Indian offices for correspondence: Please refer to the first page of the Annual Report.

Outstanding GDRs / ADRs, etc. : The Company has not issued any GDRs or ADRs or any other convertible instruments.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

The Company has implemented the following non-mandatory requirements recommended under Clause 49 of the Listing Agreement:

1. **Tenure of Independent Directors**

   No specific tenure has been specified for the Independent Directors.

2. **Training of Board Members**

   The Company has not laid down any Training mechanism for its Directors. However, the Directors on Board are senior professionals of high standing and experience in Corporate sector / industry in which the Company operates. They are being kept informed of the business model, growth factors and the risk profile of the Company.

3. **Mechanism for evaluating Non-Executive Board Members**

   The Company has not laid down any mechanism for evaluation of contributions of Independent Non-executive Directors.

4. **Whistle Blower Policy**

   The company has not laid down a Whistle Blower Policy. However, employees can bring to the notice of the management their concerns on any issues. A "Suggestion Box" is also available in the Company in which employees can deposit in writing their concerns and suggestions even without disclosing their name.

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

RICHARD D'SOUZA
CHIEF EXECUTIVE OFFICER & MANAGER

Mumbai,
9th August, 2010

9th August, 2010

The Board of Directors
MELSTAR INFORMATION TECHNOLOGIES LIMITED
Melstar House,
G-4, MIDC Cross Road 'A',
Andheri (East), Mumbai – 400 093.

Dear Sirs,

Sub: Declaration on Compliance with the Code of Conduct

It is hereby confirmed that all the Directors and Senior Management Personnel (i.e. one level below the Executive Directors including all functional heads) of the Company have received, read and understood for compliance with the Code of Conduct framed by the Company and confirmations for the year ended 31.03.2010 have been obtained from the Directors and Senior Management Personnel of the Company.

For MELSTAR INFORMATION TECHNOLOGIES LIMITED

RICHARD D'SOUZA
CHIEF EXECUTIVE OFFICER & MANAGER

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF MELSTAR INFORMATION TECHNOLOGIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Melstar Information Technologies Limited, for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the 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 the financial statements of the Company.

In our opinion and to the best of the 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 Clause 49 of the Listing Agreement except the following:

1. The number of Independent Directors on the Board of Directors of the Company for the period from 1st April 2009 to 22nd June 2009 was lower than one-third of the total strength of the Board, being the minimum required under sub clause I (A) (ii) of Clause 49 of the Listing Agreement. The Board of Directors has been reconstituted on 23rd June, 2009 and the said requirement has since been complied with.
2. The number of members of the Audit Committee of the Company for the period from 1st April 2009 to 22nd June 2009, was less than three, being the minimum required under sub clause II (A) (i) of Clause 49 of the Listing Agreement. The Audit Committee has been reconstituted on 23rd June, 2009 and the said requirement has since been complied with.
3. The Chairman of the Investors Grievance Committee was not a Non-Executive Director for the period from 1st April 2009 to 22nd June 2009, as required under sub clause 4 (G) (iii) of Clause 49 of the Listing Agreement. A Non-Executive Director has been appointed as Chairman of the Investors Grievance Committee on 23rd June, 2009 and the said requirement has since been complied with.

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

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No 117366W)

R.A. Banga
Partner
Membership No. 37915

Mumbai, dated: 9th August, 2010

Auditors' Report to the Members of Melstar Information Technologies Limited

1. We have audited the attached Balance Sheet of Melstar Information Technologies Limited ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto, in which are incorporated the Returns from the USA and UK branches audited by other auditors. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the USA and UK branches audited by other auditors;

   (iii) the reports on the accounts of the USA and UK branches audited by other auditors have been forwarded to us and have been dealt with by us in preparing this report;

   (iv) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited Branch Returns;

   (v) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

      (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)

R. A. Banga
Partner
(Membership No.37915)

Mumbai, dated: 9th August , 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of Auditors' Report of even date to the members of MELSTAR INFORMATION TECHNOLOGIES LIMITED.)

i) Having regard to the nature of the Company's business, clauses (xiii) and (xiv) of CARO are not applicable.

ii) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company.

iii) a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

iv) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4 (iii) (b), (c), (d), (f) and (g) of the Order are not applicable to the Company.

v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased and sold and services rendered are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us and having regard to the comment in clause (v) above.

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.

viii) In our opinion, the internal audit function carried out during the year, by a firm of Chartered Accountants appointed by the management has been commensurate with the size of the Company and nature of its business.

ix) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act,1956 for any of the products of the Company and hence clause 4(viii) of the Order is not applicable to the Company.

x) a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Excise duty, Custom duty, Income-tax, Sales-tax, Wealth Tax, Service Tax, Cess and any other material statutory dues as applicable to the Company have generally been regularly deposited with the appropriate authorities during the year except for tax deducted at source (Pay As You Earn--in respect of UK Branch). The arrears of Pay as You Earn dues as at the last day of the financial year, outstanding for a period of more than six months from the date they became payable, are UKP 12,222 (Equivalent to Rs.831,724/-).

b) There are no dues of sales tax/income tax/custom duty/wealth tax/service tax/excise duty/cess, which have not been deposited with the appropriate authorities on account of any dispute.

xi) The accumulated losses of the Company at the year end are not in excess of fifty percent of its net worth. *The Company has incurred cash losses during the current year and in the immediately preceding financial year.*

xii) In our opinion and according to the information and explanations given to us , the Company has not defaulted in the repayment of dues to a financial institution or banks or to debenture holders.

xiii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities.

xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

xvii) The Company has not made preferential allotment of shares to parties and companies, covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

xviii) The Company has not issued any debentures during the year.

xix) The Company has not raised funds by way of public issue during the year.

xx) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No 117366W)

R. A. Banga
Partner
Membership No. 37915

Mumbai, dated: 9th August, 2010

Balance Sheet as at March 31, 2010

		Schedule No.	Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital		1	142,831,390		142,831,390
Reserves and Surplus		2	2,234,739		2,314,291
				145,066,129	145,145,681
Loan Funds					
Secured Loans		3	32,873,909		11,210,937
Unsecured Loans		4	1,491,174		5,603,395
				34,365,083	16,814,332
	TOTAL			179,431,212	161,960,013
APPLICATION OF FUNDS					
Fixed Assets		5			
Gross Block			192,286,625		223,923,988
Less : Accumulated Depreciation and Amortisation			68,827,301		90,523,383
Net Block				123,459,324	133,400,605
Investments		6		-	1,250,000
Current Assets, Loans and Advances					
Sundry Debtors		7	37,155,495		24,004,303
Cash and Bank		8	5,895,549		6,821,752
Other Current Assets		9	37,357		2,330
Loans and Advances		10	22,816,545		27,946,838
			65,904,946		58,775,223
Less : Current Liabilities and Provisions					
Current Liabilities		11	41,634,650		34,179,426
Provisions		12	5,656,316		4,832,491
			47,290,966		39,011,917
Net Current Assets				18,613,980	19,763,306
Profit and Loss Account				37,357,908	7,546,102
	TOTAL			179,431,212	161,960,013
Significant Accounting Policies and Notes to Accounts		17			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

Profit and Loss Account for the year ended 31st March, 2010

	Schedule No.	Rupees	Rupees	Previous Year Rupees
INCOME				
Sales			**194,909,517**	182,380,149
Other Income	**13**		**9,019,232**	10,221,222
			203,928,749	192,601,371
EXPENDITURE				
Sofware Development expenses			**18,853,817**	22,734,221
Employees Cost	**14**		**162,220,022**	139,966,529
Operating and Other expenses	**15**		**41,479,733**	28,968,908
Interest Expenses	**16**		**4,958,204**	2,885,479
Depreciation and Amortisation			**9,286,909**	9,567,808
			236,798,685	204,122,945
Loss before tax			**(32,869,936)**	(11,521,574)
Provision for Taxation				
Income Tax				
- Current tax			**(49,968)**	-
- Current Tax of Earlier Years written back			**3,108,098**	795,607
Fringe Benefit Tax			**-**	(587,873)
Net Loss after tax			**(29,811,806)**	(11,313,840)
(Deficit) / Surplus Brought Forward From Previous Year			**(7,546,102)**	3,787,738
Less: Amount transferred to Capital Redemption Reserve			**-**	(20,000)
Balance carried to Balance Sheet			**(37,357,908)**	(7,546,102)
Earnings Per Share (Refer note no.7 of schedule 17)				
-Basic and Diluted			**(2.09)**	(0.79)
Face value of Equity Shares (in Rs.)			**10.00**	10.00
Significant Accounting policies and notes to accounts	**17**			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

		Rupees	2009-10 Rupees	Rupees	2008-09 Rupees
A	**Cash flow from operating activities**				
	Loss before tax		**(32,869,936)**		(11,521,574)
	Adjustments for :				
	Depreciation and amortisation	**9,286,909**		9,567,808	
	Provision for diminution in the value of long term investments	**1,250,000**		-	
	Fixed Assets/ Intangible Assets written off	**2,334,632**		1,504,471	
	Loss on Sale of Fixed Assets (Net)	**591,202**		957,670	
	Interest on Income Tax refund	**(2,746,333)**		(3,823,490)	
	Interest expense	**4,958,204**		2,885,479	
	Interest on Bank Fixed Deposits	**(52,055)**		(24,196)	
	Exchange Difference (Net)	**604,948**		(718,029)	
			16,227,507		10,349,713
	Operating (loss)/ profit before working capital changes		**(16,642,429)**		(1,171,861)
	Adjustments for :				
	Trade and other receivables	**(12,149,574)**		2,755,758	
	Trade payables	**8,450,710**	**(3,698,864)**	(5,113,060)	(2,357,302)
	Cash (used in)/ generated from operations		**(20,341,293)**		(3,529,163)
	Income Tax Received (Net)		**6,833,818**		7,296,356
	Fringe Benefit Tax paid		**-**		(662,554)
	Net cash (used in)/ generated from operating activities		**(13,507,475)**		3,104,639
B	**Cash flow from investing activities**				
	Interest received on Bank Fixed Deposits	**17,028**		100,259	
	Additions to fixed assets	**(2,712,877)**		(1,053,190)	
	Proceeds from sale of fixed assets	**435,869**		398,633	
	Interest on Income Tax refund	**2,746,333**		3,823,490	
	Repayment of loans/advances by subsidiaries (net)	**166,760**		1,557,897	
	Net cash generated from investing activities		**653,113**		4,827,089
C	**Cash flow from financing activities**				
	Proceeds from borrowings	**29,662,972**		4,184,407	
	Repayment of borrowings	**(8,000,000)**		(11,261,525)	
	Inter Corporate Deposit received	**10,000,000**		4,000,000	
	Repayment of Inter Corporate Deposit	**(14,000,000)**		-	
	Interest paid	**(5,129,865)**		(2,683,608)	
	Redemption of 5% Cumulative Preference Shares	**-**		(20,000)	
	Unpaid dividend (transferred to Investor Education and Protection Fund)	**-**		(199,670)	
	Net cash generated from / (used in) financing activities		**12,533,107**		(5,980,396)
	Net (decrease)/ Increase in cash and cash equivalents		**(321,255)**		1,951,332
	Opening balance of cash and cash equivalents		**6,244,921**		4,293,589
	Closing balance of cash and cash equivalents		**5,923,666**		6,244,921

Notes :

1 Cash and cash equivalents include cash and bank balances in current accounts and deposit accounts (Refer schedule 8 of the Balance Sheet)

Cash and Cash equivalents include :

	31st March 2010 Rs	31st March 2009 Rs
Cash and Bank Balances	5,895,549	6,821,752
Unrealised loss/(gain) on foreign currency cash and		
cash equivalents	28,117	(576,831)
Total cash and cash equivalents	**5,923,666**	**6,244,921**

2 Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

Schedules forming part of Balance Sheet as at March 31, 2010

	Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 1: SHARE CAPITAL			
Authorised:			
549,50,000 (31st March, 2009: 19,950,000) Equity Shares of Rs.10/- each		**549,500,000**	199,500,000
50,000 (31st March, 2009: 50,000) Preference Shares of Rs.10/- each		**500,000**	500,000
TOTAL		**550,000,000**	200,000,000
Issued, subscribed and paid up :			
Equity:			
14,283,139 (31st March, 2009: 14,283,139) Equity Shares of Rs.10/- each, fully paid up		**142,831,390**	142,831,390
Notes:			
Of the above:			
(a) 6,310,850 (31st March, 2009: 6,310,850) Equity Shares of Rs.10/- each, fully paid had been allotted as bonus shares by capitalisation of free reserves.			
(b) 5,000 (31st March, 2009: 5,000) Equity Shares of Rs.10/- each, fully paid had been allotted to the shareholders of the erstwhile Melstar Industries Limited, consequent to a scheme of amalgamation, without payment received in cash.			
(c) 1,675,449 (31st March, 2009: 1,675,449) Equity Shares of Rs.10/- each, fully paid had been allotted to the shareholders of Linkhand Limited without payment received in cash in accordance with the agreement for acquisition.			
(d) 456,990 (31st March, 2009: 456,990) Equity Shares of Rs.10/- each, fully paid had been allotted to the erstwhile shareholders of Global Systems Development Inc. without payment received in cash in accordance with the share purchase agreement.			
TOTAL		**142,831,390**	142,831,390
SCHEDULE 2 : RESERVES AND SURPLUS			
1. Capital Reserve			
As per last Balance Sheet		**173,542**	173,542
2. Capital Redemption Reserve			
Balance at the commencement of the year	**20,000**		-
Add: Amount transferred from Profit and Loss Account	**-**		20,000
		20,000	20,000
3. Foreign Currency Translation Reserve			
Balance at the commencement of the year	**2,120,749**		822,306
Less: (Debited)/ Credited during the year	**(79,552)**		1,298,443
		2,041,197	2,120,749
TOTAL		**2,234,739**	2,314,291

	Rupees	**As at 31.03.2010 Rupees**	As at 31.03.2009 Rupees
SCHEDULE 3 : SECURED LOANS			
From Banks :			
a. Term Loans		**2,451,782**	8,000,000
b. Overdraft Facility		**30,422,127**	3,210,937
TOTAL		**32,873,909**	11,210,937
Note :			
Term loans and overdraft facility from a bank are secured by registered mortgage of office premises situated at Andheri(Mumbai) and are further secured by all existing and future, current and fixed assets of the Company.			
SCHEDULE 4 : UNSECURED LOANS			
Other Loans and Advances			
- From Subsidiary Company		**1,491,174**	1,603,395
Short Term Loans and Advances (Inter -Corporate)		**-**	4,000,000
TOTAL		**1,491,174**	5,603,395

SCHEDULE 5:

FIXED ASSETS

(RUPEES)

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1/4/2009	Additions	Adjustments/ Deductions	As at 31/03/2010	Upto 1/4/2009	For the year	Adjustments/ Deductions	As at 31/03/2010	As at 31/03/2010	As at 31/03/2009
LEASEHOLD LAND	304,995	-	-	304,995	40,072*	3,974	-	44,046	260,949	264,923
BUILDINGS (INCLUDING IMPROVEMENTS TO LEASEHOLD PREMISES) **	153,029,237	-	889,986	152,139,251	38,939,734	5,743,547	770,018	43,913,263	108,225,988	114,089,503
PLANT AND MACHINERY AND EQUIPMENT	31,375,286	2,698,802	17,436,110	16,637,978	26,404,141	963,593	17,069,917	10,297,817	6,340,161	4,971,145
FURNITURE AND FIXTURE	30,541,096	5,368	11,409,255	19,137,209	20,962,599	1,647,639	10,314,329	12,295,909	6,841,300	9,578,497
VEHICLES	3,906,728	-	1,273,646	2,633,082	1,786,835	257,105	346,085	1,697,855	935,227	2,119,893
INTANGIBLE ASSETS:										
-SOFTWARE UTILITIES	4,766,646	8,707	3,341,243	1,434,110	2,390,002	671,051	2,482,642	578,411	855,699	2,376,644
TOTAL	**223,923,988**	**2,712,877**	**34,350,240**	**192,286,625**	**90,523,383**	**9,286,909**	**30,982,991**	**68,827,301**	**123,459,324**	**133,400,605**
PREVIOUS YEAR	**231,053,091**	**1,053,190**	**8,182,293**	**223,923,988**	**86,277,095**	**9,567,808**	**5,321,520**	**90,523,383**	**133,400,605**	**-**

* Amount Written off in respect of Leasehold land for the period of lease which has expired.

** Building was revalued on 1st April, 2005 with reference to the fair market value; amount added on revaluation was Rs.76,558,113; the revalued amount substituted for historical cost on 1st April, 2005 was Rs. 126,130,511.

Note:
Adjustments/ deductions include obsolete fixed assets discarded/ intangible assets written off during the year. (Cost Rs.27,889,869 accumulated depreciation and amortisation Rs.25,555,236)
(Previous year Cost Rs.3,716,416 and deprecicaiton and amortisation Rs 2,211,945)

	Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 6: INVESTMENTS (FULLY PAID)			
Long term (At cost/ carrying amount unless otherwise stated)			
Trade Investments - Unquoted			
In shares of subsidiary companies			
i) 45,940 (45,940) shares (common stock) of US$ 25/- each of Melstar Inc. (USA)		**64,648,453**	64,648,453
Less: Provision for diminution		**(64,648,453)**	(64,648,453)
		-	-
ii) 150,000 (150,000) shares of Sterling Pound 1/- each of Melstar UK Limited (UK)		**9,790,695**	9,790,695
Less: Provision for diminution		**(9,790,695)**	(9,790,695)
		-	-
iii) 958,992 (958,992) shares of Sterling Pound 1/- each of Melstar Limited (UK)		**94,245,891**	94,245,891
Less: Provision for diminution		**(94,245,891)**	(94,245,891)
		-	-
iv)) 1,700,000 (1,700,000) shares of SGD 1/- each of Melstar Singapore Pte Ltd		**45,989,728**	45,989,728
Less: Provision for diminution		**(45,989,728)**	(45,989,728)
		-	-
Others			
125,000 (125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd		**1,250,000**	1,250,000
Less: Provision for diminution		**(1,250,000)**	-
		-	1,250,000
TOTAL		**-**	1,250,000
Note:			
Aggregate of Unquoted Investments			
Cost/ carrying amount		**-**	1,250,000
SCHEDULE 7 : SUNDRY DEBTORS			
(Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered Good	**445,434**		-
Considered Doubtful	**43,677,091**		43,574,145
		44,122,525	43,574,145
Other Debts		**36,710,061**	24,004,303
		80,832,586	67,578,448
Less :- Provision		**43,677,091**	43,574,145
TOTAL		**37,155,495**	24,004,303
Note: Includes debts due from a subsidiary company Rs.1,089,874 (previous year Rs.Nil)			

	Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 8 : CASH AND BANK			
1. Cash on Hand		**7,250**	38,697
2. Bank Balances			
a) with Scheduled Banks			
i) in Current Accounts	**4,863,034**		497,464
ii) in Deposit Accounts (Margin deposit under lien)	**350,000**		350,000
		5,213,034	847,464
b) with others in Current Account			
i) PNC Bank (New Jersey) (Maximum balance during the year Rs. 6,373,482 (Previous year Rs.7,126,340))	**22,560**		5,469,064
ii) PNC Bank (New Jersey) (Maximum balance during the year Rs.6,507,056 (Previous year Rs.Nil))	**76,841**		-
iii) Barclays Bank (London) (Maximum balance during the year Rs.648,852 (Previous year Rs.550,894))	**575,864**		466,527
		675,265	5,935,591
TOTAL		**5,895,549**	6,821,752
SCHEDULE 9 : OTHER CURRENT ASSETS			
Interest Accrued on Bank Fixed Deposit		**37,357**	2,330
TOTAL		**37,357**	2,330
SCHEDULE 10 : LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
1. Loans and Advances to Subsidiaries			
Considered Good	**-**		166,760
Considered Doubtful (Refer note no.2 of schedule 17)	**114,306,058**		114,153,589
		114,306,058	114,320,349
2. Advances recoverable in cash or kind or for value to be received			
Considered Good	**4,863,888**		4,214,119
Considered Doubtful	**1,083,609**		200,114
		5,947,497	4,414,233
3. Unbilled Services (Subsequently Billed)		**5,076,478**	6,914,092
4. Advance Payment of Income Tax		**12,852,431**	16,628,119
5. Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)		**23,748**	23,748
		138,206,212	142,300,541
Less :- Provision		**115,389,667**	114,353,703
TOTAL		**22,816,545**	27,946,838
SCHEDULE 11 : CURRENT LIABILITIES			
Sundry Creditors -			
i) Total outstanding dues of Micro Enterprises and Small Enterprises (Refer note no.14 of schedule 17)		**-**	-
ii) Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises		**31,410,498**	26,630,500
Other Liabilities		**10,193,942**	7,347,055
Interest Accrued but not due on Loans		**30,210**	201,871
TOTAL		**41,634,650**	34,179,426
SCHEDULE 12 : PROVISIONS			
For Gratuity (Refer note no. 12 [ii] of schedule 17)		**3,457,314**	3,226,239
For Compensated absences		**2,199,002**	1,606,252
TOTAL		**5,656,316**	4,832,491

Schedules forming part of Profit and Loss Account for the year ended March 31, 2010.

		Rupees	Previous Year Rupees
Schedule 13: OTHER INCOME			
Exchange Difference (Net)		**-**	83,991
Sundry Credit Balances Written Back		**-**	62,032
Excess Provision of Earlier Years Written Back		**547,132**	758,019
Miscellaneous Income		**1,263,712**	392,559
Rent		**4,410,000**	5,076,935
Interest on Bank Fixed Deposits (Tax deducted at Source Rs.Nil (Previous year Rs.3,681))		**52,055**	24,196
Interest on Income Tax Refunds (Net)		**2,746,333**	3,823,490
	TOTAL	**9,019,232**	10,221,222
Schedule 14: EMPLOYEES COST			
a) Salaries, Wages and Bonus		**152,452,577**	132,710,763
b) Contribution to Provident and Other funds		**6,028,068**	5,352,535
c) Gratuity		**1,447,117**	718,575
d) Compensated Absences		**1,727,586**	719,237
e) Staff Welfare		**564,674**	465,419
	TOTAL	**162,220,022**	139,966,529
Schedule 15: OPERATING AND OTHER EXPENSES			
Electricity		**2,968,545**	2,925,454
Rent		**3,327,217**	2,823,780
Rates and Taxes		**3,096,546**	442,136
Insurance		**559,239**	532,968
Repairs and Maintenance			
- Plant and Machinery		**533,503**	920,611
- Building		**642,018**	199,500
Travelling and Conveyance		**2,932,579**	2,665,727
Communication Expenses		**2,168,908**	1,867,983
Advertising and Sales promotion expenses		**1,016,273**	838,845
Commission on sales		**249,705**	-
Legal and Professional fees		**8,988,028**	4,161,426
Recruitment Expenses		**2,344,920**	2,804,090
Loss on Sale of Fixed Assets (Net)		**591,202**	957,670
Provision for Doubtful Debts and Advances (Net)		**1,326,641**	79,964
Provision for Diminution in the value of long term investment		**1,250,000**	-
Irrecoverable Debts/ Advances written off		**1,130,089**	2,765
Exchange Difference (Net)		**169,307**	-
Fixed Assets/ Intangible Assets written off		**2,334,632**	1,504,471
Directors Sitting Fees		**430,000**	310,000
Miscellaneous Expenses		**5,420,381**	5,931,518
	TOTAL	**41,479,733**	28,968,908
Note : (Miscellaneous Expenses includes Auditor's Remuneration, Bank Charges, Security Expenses, Vehicle Expenses, Computer Software Expenses, etc.)			
Schedule 16 : INTEREST EXPENSES			
On Fixed Loans		**698,147**	1,997,056
Others		**4,260,057**	888,423
	TOTAL	**4,958,204**	2,885,479

Schedule 17: Significant Accounting policies and Notes to Accounts

A. Significant Accounting Policies:

a) Basis of preparation of financial statements :

The accompanying financial statements have been prepared under the historical cost convention (except for certain fixed assets which have been revalued), in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956 and the applicable accounting standards.

b) Use of estimates :

The preparation of financial statements in conformity with the generally accepted accounting principles requires, estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

c) Fixed Assets :

Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation, amortization and impairment losses, if any.

d) Intangible Assets:

Intangible assets are recognised, only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

e) Investments:

Long Term Investments are stated at cost, which include cost of acquisition and related expenses. Provision is made to recognise a decline, other than temporary, in the value of investments. Current investments are stated at cost or fair value whichever is lower.

f) Depreciation and Amortisation:

Depreciation in respect of assets acquired upto March 31, 1995 is provided for on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. In respect of assets acquired after 31st March, 1995 depreciation is provided for on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on revalued fixed assets is provided on Straight Line Method over the residual life of the asset and charged to the Profit and Loss account.

Leasehold land is written off over the lease period.

Intangible Assets– Computer Software are amortised over a period of five years based on the technical evaluation of their useful economic life.

g) Inventories:

Software Finished Goods (Traded) :

Software Finished Goods (Traded) are valued at cost or net realisable value, whichever is lower.

h) Foreign Currency Transactions/Translation:

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected. Exchange differences arising on settlement of all transactions are recognised in the profit and loss account.

Monetary items denominated in foreign currency are reported using the exchange rates prevailing at the date of balance sheet and the resulting net exchange difference is recognised in the profit and loss account.

Foreign Branches:

The translation of financial statements of Foreign Branches is done as under in accordance with Accounting Standard (AS) 11 (Revised) on 'The Effect of Changes in Foreign Exchange Rates', considering its foreign branches as non-integral foreign operations:

i. All the items of income and expenses during the year are translated at an average rate.

ii. All the monetary and non-monetary assets and liabilities are translated at closing rate.

iii. The resulting exchange difference is accumulated in 'foreign currency translation reserve' until the disposal of the net investment in the said non-integral foreign operations.

i) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

j) Employee benefits :

a) Post Employment Benefits and Other Long Term Benefits.

i) Defined Contribution Scheme

Company's contribution for the year paid/payable to defined contribution retirement benefit schemes are charged to Profit and Loss Account.

ii) Defined Benefit and Other Long Term Benefit Schemes

Company's liabilities towards defined benefit schemes and other long term benefits viz. gratuity and compensated absences expected to occur after twelve months, are determined using the Projected Unit Credit Method. Actuarial valuations under the Projected Unit Credit Method are carried out at the balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss account in the period of occurrence of such gains and losses. Past service cost is recognised immediately to the extent benefits are vested, otherwise it is amortised on straight-line basis over the remaining average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

b) Short-term employee benefits

Short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised undiscounted during the period employee renders services. Such benefits include bonus/ ex-gratia.

k) Revenue recognition:

Revenues from software consultancy services are recognised on specified terms of contract in case of contract on time basis and in case of fixed price contract, revenue is recognized using percentage of completion method of accounting. Unbilled services included in loans and advances represents amount recognized based on services performed in advance of billing in accordance with contract terms.
Amount received in advance of services performed are recorded as unearned income.
Revenues outside India include value added tax wherever applicable.
Revenues in India exclude service tax charged.
Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.
Dividend Income is recognised in the statement of Profit and Loss, when right to receive payment is established.
Interest income is recognized on time proportion basis.

l) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each balance sheet date the Company reassesses unrecognised deferred tax assets, to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

m) Fringe Benefit Tax:

Fringe Benefit Tax was recognized in accordance with the relevant provisions of the Income Tax Act, 1961 and the Guidance note on Fringe Benefit Tax issued by the Institute of Chartered Accountants of India (ICAI).

n) Operating Leases:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

o) Impairment of assets:

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

p) Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the Notes to Accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

B. Notes to Accounts

1 Contingent Liabilities in respect of :-

Rupees

Particulars	**As at 31.03.2010**	**As at 31.03.2009**
ESIC demand disputed and pending decisions before higher authorities. Amount paid there against and included under “Loans and advances” Schedule 10 (Rs.35,000) Previous year (Rs.35,000)	135,627	135,627
Other claims against Company not acknowledged as debt and pending before the Courts in Mumbai. The Company expects that the matter will be resolved in Company’s favour and no liability is expected.	695,982	91,286

2. The Company, considering the erosion/substantial erosion in the net worth of its wholly-owned subsidiaries (including the wholly-owned subsidiary located at UK, in respect of which the Company Voluntary Arrangement (CVA) was completed during the previous year and which stands dissolved subsequent to the year-end), has made provision for diminution in the value of investments in the said subsidiaries aggregating to Rs. 214,674,767 (Previous year Rs.214,674,767) and for doubtful loans/advances and debts due from such subsidiaries aggregating to Rs. 131,699,446 (Previous year Rs.130,457,103). The Company is seeking approvals from the Reserve Bank of India (RBI) for writing off these amounts from the books of account. The Company would make the necessary adjustments as and when approvals from the RBI is received. Such adjustments would have no impact on the Profit and Loss Account.

3. The components of Deferred Tax liabilities and assets as at March 31, 2010 is as under:

Rupees

Particulars	**As at 31.03.2010**	**As at 31.03.2009**
Deferred tax liability (A)	-	483,666
Arising on account of timing difference on:		
Depreciation	-	483,666
Deferred tax asset (B)*	-	483,666
Provision for Gratuity	-	483,666
Provision for Doubtful Debts	-	-
Total	**Nil**	**Nil**

* Considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized.

4. Managerial Remuneration under Section 198 of the Companies Act, 1956:

(Minimum remuneration) Rupees

Particulars	Current Year	Previous Year
Salary and allowances	2,624,000	4,920,000
Contribution to Provident Fund	314,880	590,400
Perquisites in cash or in kind	574,770	1,079,413
Sitting Fees	430,000	310,000
Gratuity and Compensated Absences paid / payable	1,925,709	-
Total	**5,869,359**	**6,899,813**

Notes:

1) Remuneration for the current year is the minimum managerial remuneration payable to the directors in accordance with Schedule XIII of the Companies Act, 1956 and is in accordance with the shareholders resolution.

2) The above amount does not include remuneration paid by a foreign subsidiary company to one of the non executive director of the Company Rs. 1,450,087 (previous year Rs. 8,511,911).

3) In addition to the aforesaid remuneration, the Company during the current year has paid notice pay to an Executive Director Rs. 750,000, in terms of service agreement with the said Director.

5. Payments to Auditors:

Rupees

Sr No	Particulars	Current Year *	Previous Year *
a.	As Auditors	1,000,000	900,000
b.	As Advisors or any other capacity in respect of :		
i.	Taxation matters	-	-
ii.	In any other manner, certification work, etc.	100,000	50,000
c.	Reimbursement of expenses	7,520	4,057
d.	To Branch Auditors	25,000	25,000
	Total	**1,132,520**	**979,057**

*Excludes Service Tax

6. Additional information pursuant to the provisions of paragraphs 3 and 4D of part II of schedule VI to the Companies Act, 1956. (To the extent applicable.)

A. DETAILS OF INVENTORY AND TURNOVER

	Opening Stock		Sales		Closing Stock	
Product	**Qty. (Nos)**	**Value (Rs.)**	**Qty. (Nos)**	**Value (Rs.)**	**Qty. (Nos)**	**Value (Rs.)**
Software						
a) Trading	6	--	--	--	--*	--
	(12)	(--)	(6)	(1,730,769)	(6)	(--)
b) Services	--	--	--	194,909,517	--	--
	(--)	(--)	(--)	(180,649,380)	(--)	(--)
Total	**6**	**--**	**--**	194,909,517	**--**	**--**
	(12)	**(--)**	**(6)**	(182,380,149)	**(6)**	**(--)**

* The Company discarded the software licenses held for trading and has no stock thereof as at the year end.

Notes:

1. Previous year figures are given in brackets.
2. The company is engaged in providing software services. The production procurement and sale of such software cannot be expressed in any generic unit. Hence it is not possible to give all the quantitative details as required under paragraphs 3 and 4D of Part II of Schedule VI of the Companies Act, 1956.

B. EXPENDITURE IN FOREIGN CURRENCY

Rupees

Particulars	Current Year	Previous Year
Software Development Charges	9,120,259	14,825,297
Other Expenses	6,687,967	1,465,236

Note: Expenses of Foreign branches Rs.15,061,523 (Previous year Rs.16,231,623) have been included in the appropriate heads above.

C. EARNINGS IN FOREIGN CURRENCY

Rupees

Particulars	Current Year	Previous Year
FOB Value of Exports	13,443,383	16,355,588

The above includes:

Software Exports Rs.4,292,254 (Previous year Rs.Nil) and Sales by foreign Branch Rs.9,151,129 (Previous year Rs.16,355,588)

7. Earnings per share is calculated as follows:

	Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
a.	Net Loss after tax attributable to equity shareholders (Rupees)	(29,811,806)	(11,313,840)
b.	Weighted average number of equity shares considered for calculation of Basic and Diluted Earnings Per Share (Nos.)	14,283,139	14,283,139
c.	Nominal value of equity share (Rupees)	10	10
d.	Basic and Diluted Earnings per share (Rupees)	(2.09)	(0.79)

8. Related parties disclosures

1) Names of related parties and description of relationship:

i.	Subsidiaries	Melstar Inc. Melstar Limited Melstar UK Limited Melstar Singapore Pte. Limited
ii.	Key Management Personnel with whom the transactions have taken place during the year	Mr. Yashovardhan Birla (Chairman) Mr. P. V. R. Murthy (Non-Executive Director) Mr. Surinder Mohan Arora (Managing Director) Mr. Richard D'Souza (Chief Executive Officer) Mr. Sattar Shaikh (Executive Director)(Up to 24th April,2009) Mr. Bharat Ramani (Non-Executive Director) (Up to 22nd April, 2009)
iii.	Enterprises Over which Key Management Personnel and / or their relatives have significant influence with whom the transactions have taken place during the year	Birla Shloka Edutech Limited Birla Edutech Limited Shearson Investment & Trading Company Private Limited Birla Viking Travels Private Limited Zenith Birla India Limited Birla Kerala Vaidhshala Private Limited Birla Global Corporate Limited
iv.	Relatives of Key Management Personnel with whom the transactions have taken place during the year	Mr. Farooq Shaikh (Up to 24th April,2009)

2) Transactions with related parties:

Rupees

	Particulars	Subsidiary Companies	Key Management Personnel	Enterprises Over which Key Management Personnel and / or their relatives have significant influence	Relatives of Key Management Personnel	Total
a)	**Loans and advances**					
	Balance as at 1st April	114,320,349	Nil	Nil	Nil	114,320,349
		(115,878,246)	(Nil)	(Nil)	(Nil)	(115,878,246)
	Given / Adjusted during the year	135,360	Nil	50,940	Nil	186,300
		(3,988,366)	(Nil)	(Nil)	(Nil)	(3,988,366)
	Repaid / Adjusted during the year	149,651	Nil	Nil	Nil	149,651
		(5,546,263)	(Nil)	(Nil)	(Nil)	(5,546,263)
	Balance as at March 31 **(Includes Rs. 114,306,058)** (Previous year Rs.114,153,589) provision made towards doubtful loans and advances to subsidiary companies)	114,306,058	Nil	50,940	Nil	114,356,998
		(114,320,349)	(Nil)	(Nil)	(Nil)	(114,320,349)
b)	**Investments**					
	Balance as at March 31 (includes Rs.214,674,767 (Previous year Rs. 214,674,767) provided towards diminution)	214,674,767	Nil	Nil	Nil	214,674,767
		(214,674,767)	(Nil)	(Nil)	(Nil)	(214,674,767)
c)	**Sundry Debtors**					
	Balance as at March 31 (includes Rs 1,089,874 (Previous year Rs. Nil) provided towards doubtful debts)	1,089,874	Nil	36,000	Nil	1,125,874
		(Nil)	(Nil)	(207,500)	(Nil)	(16,511,014)
d)	**Unsecured Loans**					
	Balance as at April1	1,603,395	Nil	4,000,000	Nil	5,603,395
		(1,739,912)	(Nil)	(Nil)	(Nil)	(1,739,912)
	Received during the year	Nil	Nil	10,000,000	Nil	10,000,000
		(Nil)	(Nil)	(4,000,000)	(Nil)	(4,000,000)
	Repaid/ adjusted during The Year	112,221	Nil	14,000,000	Nil	14,112,221
		(136,517)	(Nil)	(Nil)	(Nil)	(136,517)
	Balance as at March 31	1,491,174	Nil	Nil	Nil	1,491,174
		(1,603,395)	(Nil)	(4,000,000)	(Nil)	(5,603,395)
e)	**Sundry Creditors**					
	Balance as at March 31	Nil	460,610	4,616,980	Nil	5,077,590
		(Nil)	(385,400)	(49,732)	(83,856)	(518,988)
f)	**Income**					
	Sale of services	3,765,625	Nil	1,274,125	Nil	5,039,750
		(Nil)	(Nil)	(Nil)	(Nil)	(Nil)
	Rent		Nil	3,750,000	Nil	3,750,000
		(Nil)	(Nil)	(Nil)	(Nil)	(Nil)

g)	**Expenditure**					
	Remuneration	Nil	*97,60,959	Nil	57,763	*9,818,722
		(Nil)	(6,589,813)	(Nil)	(965,802)	(7,555,615)
	Interest	Nil	Nil	469,387	Nil	469,387
		(Nil)	(Nil)	(201,871)	(Nil)	(201,871)
	Other expenses	Nil	Nil	2,208,579	Nil	2,208,579
		(Nil)	(Nil)	(Nil)	(Nil)	(Nil)
h)	**Sale of Vehicle**	Nil	300,000	Nil	Nil	300,000
		(Nil)	(Nil)	(Nil)	(Nil)	(Nil)

Notes:

1. Related party relationship is as identified by the Company and relied upon by the auditors.
2. Previous year figures are given in brackets.

* Includes notice pay paid to an Executive Director Rs. 750,000, in terms of service agreement with the said Director.

Out of the above items transactions in excess of 10% of the total related party transactions are as under:

Rupees

	Transactions	For the year ended 31-03-2010	For the year ended 31-03-2009
a)	**Loans and advances given**		
	Subsidiaries:		
	Melstar Inc	**135,360***	3,988,366
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Birla Shloka Edutech Limited	**12,234**	Nil
	Birla Edutech Limited	**12,234**	Nil
	Birla Global Corporate Limited	**26,472**	Nil
b)	**Loans and advances repaid**		
	Subsidiaries:		
	Melstar Inc	**149,651***	5,546,263
c)	**Unsecured Loan**		
	Subsidiaries:		
	Melstar UK Ltd.		
	Loans repaid/ adjusted during the year	**Nil**	136,517
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Shearson Investment & Trading Company Private Limited		
	Loans received during the year	**10,000,000**	4,000,000
	Loans repaid/ adjusted during the year	**14,000,000**	Nil
d)	**Income**		
	Subsidiaries:		
	Sale of services		
	Melstar Inc	**3,765,625**	Nil
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Sale of Services		
	Zenith Birla India Limited	**1,213,625**	Nil
	Rent		
	Birla Shloka Edutech Limited	**1,500,000**	Nil
	Birla Edutech Limited	**2,250,000**	Nil

e)	**Key Management Personnel** (Remuneration)		
	- Mr. S.M.Arora	**4,569,012**	3,294,912
	- Mr. Sattar Shaikh	****1,620,347**	3,294,901
	- Mr. Richard D'Souza	**3,411,600**	Nil
		9,600,959	6,589,813
f)	**Relatives of Key Management Personnel** (Remuneration)		
	- Mr. Farooq Shaikh	**57,763**	965,802
g)	**Interest**		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Shearson Investment & Trading Company Private Limited	**469,387**	201,871
h)	**Other Expenses**		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Birla Global Corporate Limited	**2,061,980**	Nil
i)	**Sale of Vehicle**		
	Key Management Personnel		
	Mr. Sattar Shaikh	**300,000**	Nil

* Relates to exchange difference.

** Includes notice pay paid Rs. 750,000, in terms of service agreement with the said Director.

9. Details of loans and advances in the nature of loans as per the requirements of clause 32 of the Listing Agreement with Stock Exchanges:

Rupees

Name of the company	Amount outstanding as at March 31, 2010	Amount outstanding as at March 31, 2009	Maximum amount outstanding during the year	Maximum amount outstanding during the previous year
Wholly owned subsidiaries				
Melstar Inc	46,542,519*#	46,542,519*#	46,542,519	46,542,519
Melstar Inc	152,469*#	166,760*	302,119	3,637,563
Melstar Inc	4,340,000**#	4,340,000**#	4,340,000	4,340,000
Melstar Ltd.	54,510,067*#	54,510,067*#	54,510,067	54,510,067
Melstar Singapore Pte Ltd.	8,761,003*#	8,761,003*#	8,761,003	8,761,003
Total	**114,306,058**	**114,320,349**		

* Repayable on demand and interest free.

** Interest bearing loan @7% p.a. upto March 31,2005, interest free thereafter and repayable by March 31, 2007 as per revised repayment schedule, as approved by the Board of Directors and intimated to Reserve Bank of India as per Foreign Exchange Management Act, 1999 (FEMA).

Amounts outstanding as at March 31, 2010 stand fully provided for towards doubtful recoveries.

Note:

There are no investments by the loanees in the shares of the parent company and /or subsidiary companies.

10. The Company has presented the data relating to its segments based on its consolidated financial statements, which are presented in the same annual report. Accordingly in terms of provisions of Accounting Standard (AS) 17 on 'Segment Reporting', no disclosures related to segments are presented in its stand-alone financial statements.

11. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as follows:

Amount receivable in foreign currency on account of the following

Particulars	Amount in Rupees	Amount in Foreign Currency	Foreign Currency
Export of goods*	15,247,443	203,256	GBP
	(15,247,443)	(203,256)	
	11,934,288	249,845	USD
	(11,480,631)	(238,940)	
TOTAL	27,181,731		
	(26,728,074)		
Loans and Advances**	28,520,136	350,974	GBP
	(28,520,136)	(350,974)	
	34,672,961	798,689	USD
	(34,687,252)	(798,689)	
	8,761,003	334,262	SGD
	(8,761,003)	(334,262)	
TOTAL	71,954,100		
	(71,968,391)		

Amount payable in foreign currency on account of the following

Particulars	Amount in Rupees	Amount in Foreign Currency CHF
Import of services	139,040	3,220
	(144,473)	(3,220)
TOTAL	139,040	3,220
	(144,473)	(3,220)

* Of these, Rs.26,044,748 (previous year Rs. 26,044,748) has been provided towards doubtful recoveries.

** Fully provided towards doubtful recoveries (previous year Rs.71,801,631).

Note: Figures in Brackets indicate previous year figures.

12. **Post Employment Benefit Plans**

(i) Defined contribution plans

The Company makes contributions towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The Provident Fund plan is operated by Regional Provident Fund Commissioner. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

The Company recognised Rs. 5,355,331 (Previous year Rs. 4,761,437) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(ii) Defined benefit plan

The Company has defined benefit plan for qualifying employees in respect of Gratuity benefits. The scheme provides for payment to vested employees as under:

On Normal retirement/early retirement/withdrawal/resignation:

As per the provisions of Payment of Gratuity Act, 1972 with vesting period of 5 years of service.

On death in service:

As per the provisions of Payment of Gratuity Act, 1972 without any vesting period.

The most recent actuarial valuation of the present value of defined benefit obligation for gratuity was carried out at March 31, 2010 by an actuary. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Rupees

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2010	As on 31.03.2009
I)	**Reconciliation in present value of obligations (PVO) – defined benefit obligation :**		
	Current Service Cost	1,022,738	1,125,576
	Interest Cost	250,034	291,501
	Actuarial (gain)/losses	(475,655)	(698,502)
	Benefits paid	(1,216,042)	(21,036)
	Past service cost	650,000	-
	PVO at the beginning of the year	3,226,239	2,528,700
	PVO at end of the year	3,457,314	3,226,239
II)	**Change in fair value of plan assets :**		
	Expected return on plan assets	-	-
	Actuarial gain/(losses)	-	-
	Contributions by the employer	-	-
	Benefits paid	-	-
	Fair value of plan assets at beginning of the year	-	-
	Fair value of plan assets at end of the year	-	-
III)	**Reconciliation of PVO and fair value of plan assets:**		
	PVO at end of year	3,457,314	3,226,239
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,457,314)	(3,226,239)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,457,314)	(3,226,239)
IV)	**Net cost for the year ended March 31, 2010 :**		
	Current Service cost	1,022,738	1,125,576
	Interest cost	250,034	291,501
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(475,655)	(698,502)
	Past service cost	650,000	-
	Net cost	1,447,117	718,575
V)	**Category of assets as at March 31, 2010 :**	-	-
VI)	**Actual return on the plan assets**	-	-
VII)	**Assumption used in accounting for the gratuity plan:**		
	Discount rate (%)	7.50	7.75
	Salary escalation rate (%)	6.00	5.00
	Expected rate of return on plan assets	N.A.	N.A.

13. The Company achieved higher turnover during the current year, compared to the previous year. Though the Company has incurred loss for the year, the net worth continues to be positive. The Company continues its efforts for rationalization of resources to achieve maximum operational efficiencies and is further considering various business strategies/ avenues of growth in revenues. On that basis, the Company expects increase in its business operations, turnover and operational efficiencies in the subsequent period resulting in better margins and profitability.

14. Disclosures relating to amounts payable as at the year end together with interest paid / payable to Micro, Small and Medium Enterprises have been made in the accounts, as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent of information available with the Company determined on the basis of intimation received from suppliers regarding their status and the required disclosure are given below:

Particulars		**For the year ended 31st March, 2010 Rs.**	**For the year ended 31st March, 2009 Rs.**
A	Principal amount remaining unpaid as on 31st March 2010	-	-
B	Interest due thereon as on 31st March 2010	-	-
C	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
D	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act,2006	-	-
E	Interest accrued and remaining unpaid as at 31st March 2010	-	-
F	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

15. Previous year's figures have been regrouped wherever necessary, to correspond with the figures of the current year. Amounts and other disclosures for the preceding year are included as integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year. Figures have been rounded off to the nearest rupee

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 11-40604 State Code 11

Balance Sheet Date 31 (Date) 03 (Month) 2010 (Year)

II Capital raised during the year at Face Value (Amount in Rs.Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
179431	179431

Sources of Funds

Paid-up Capital	Reserves & Surplus
142831	2235
Secured Loans	**Unsecured Loans**
32874	1491

Application of Funds

Net Fixed Assets	Investments
123459	NIL
Net Current Assets	**Misc. Expenditure**
18614	NIL
Accumulated Losses	
37358	

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	Total Expenditure
203929	236799

+	-	Profit/Loss Before Tax	+	-	Profit/Loss After Tax
	-	32870		-	29812

Earnings Per Share in Rs.
(Refer note no.8 above)

	+	-		Final Dividend rate %
BASIC		-	2.09	00
DILUTED		-	2.09	

V Generic Names of Three Principal Products/Services of company (as per monetary terms)

Item Code No. (ITC Code)	8524.2301
Product Description	COMPUTER SOFTWARE
Item Code No. (ITC Code)	NIL
Product Description	NIL
Item Code No. (ITC Code)	NIL
Product Description	NIL

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES.

Name of subsidiary company	Financial year ended on	Date of becoming subsidiary	Currency	Paid up Capital	Holding Company's interest in the subsidiary as of March 31, 2010 %	For current financial year of the subsidiary		For previous financial years since it became a subsidiary	
						Aggregate profits / (losses) not dealt with in the Holding Company's accounts	Aggregate profits / (losses) dealt with in the Holding Company's accounts	Aggregate profits / (losses) not dealt with in the Holding Company's accounts	Aggregate profits / (losses) dealt with in the Holding Company's accounts
Melstar Inc	March 31, 2010	31.12.1992	US$	1,148,500	100%	235,827	Nil	(2,008,209)	Nil
			INR	51,820,320		10,640,515	Nil	(90,610,390)	Nil
Melstar UK Limited	March 31, 2010	08.10.1999	GBP	150,000	100%	14,634	Nil	(290,862)	Nil
			INR	10,207,500		995,843	Nil	(19,793,159)	Nil
Melstar Limited (Dissolved with effect from 19th May 2010)	March 31, 2010	02.01.2001	GBP	958,992	100%	1,340,606	Nil	(2,351,610)	Nil
			INR	65,259,406		91,228,238	Nil	(160,027,061)	Nil
Melstar Singapore Pte Limited (Refer Note No.2 below)	March 31, 2010	16.03.2001	SG$	1,700,000	100%	30,462	Nil	(2,064,710)	Nil
			INR	54,935,500		984,379	Nil	(66,721,104)	Nil

Notes:

1. Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate : (a) 1 US$ = Rs. 45.12

   (b) 1GBP = Rs. 68.05 and (c) 1 SG$ = Rs. 32.315

2. In respect of a subsidiary located at Singapore, the company has made an application to the Accounting and Corporate Regulatory Authority to strike its name from the Register pursuant to Section 344 of the Singapore Companies Act and relevant documents have been filed with the Registrar and awaiting final certificate to that effect from the said Authority

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF MELSTAR INFORMATION TECHNOLOGIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **MELSTAR INFORMATION TECHNOLOGIES LIMITED** ("the Company"), and its subsidiaries, (the Company and its subsidiaries constitute "the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 2,228,362 as at 31st March, 2010, total revenues of Rs. 72,431,856 (including exceptional items of Rs.52,965,496) and net cash outflows amounting to Rs. 4,117,766 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
4. Attention is invited to Note No. 10 and 11 of Schedule 18 regarding the losses suffered by the Parent Company and a wholly owned subsidiary located at U.S.A, which has negative net worth as at the year-end, and the management expectations for the future growth in their business operations as explained in the said note, which is dependent upon increase in turnover and availability of continued finance.
5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and the aforesaid subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
   (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

R. A. Banga
Partner
(Membership No.37915)

Mumbai, dated: 9th August, 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Schedule No.	**Rupees**	**As at 31.03.2010 Rupees**	As at 31.03.2009 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	**142,831,390**		142,831,390
Reserves and Surplus	2	**84,080,950**		86,627,039
			226,912,340	229,458,429
Loan funds				
Secured Loans	3	**32,873,909**		15,483,102
Unsecured Loans	4	**676,800**		11,891,767
			33,550,709	27,374,869
TOTAL			**260,463,049**	256,833,298
APPLICATION OF FUNDS				
Fixed Assets	5			
Gross Block			**192,286,625**	223,923,988
Less : Accumulated Depreciation,Amortisation and Impairment			**68,827,301**	90,523,383
Net Block			**123,459,324**	133,400,605
Investments	6		**-**	1,250,000
Current assets, Loans and Advances				
Sundry Debtors	7	**38,759,782**		26,335,146
Cash and Bank	8	**6,519,624**		11,563,593
Other Current Assets	9	**37,357**		2,330
Loans and Advances	10	**22,816,545**		27,836,096
		68,133,308		65,737,165
Less : Current liabilities and provisions				
Current Liabilities	11	**55,541,823**		98,164,931
Provisions	12	**5,656,316**		4,832,491
		61,198,139		102,997,422
Net current assets			**6,935,169**	(37,260,257)
Profit and Loss Account	13		**130,068,556**	159,442,950
TOTAL			**260,463,049**	256,833,298
Significant Accounting Policies and Notes to accounts	18			

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2010

	Schedule No.	**Rupees**	Previous Year Rupees
INCOME			
Sales		**203,878,653**	286,822,951
Other income	14	**15,750,831**	12,171,874
		219,629,484	298,994,825
EXPENDITURE			
Sofware Development Expenses		**26,369,564**	111,259,467
Employees Cost	15	**163,576,686**	148,022,277
Operating and Other Expenses	16	**42,031,074**	35,783,090
Interest Expenses	17	**5,014,483**	3,702,176
Depreciation and Amortisation		**9,286,909**	9,364,337
		246,278,716	308,131,347
Loss Before Exceptional Items and Tax		**(26,649,232)**	(9,136,522)
Exceptional Items (Refer note no.8 (a) of schedule 18)		**52,965,496**	5,021,853
Profit/(Loss) Before Tax		**26,316,264**	(4,114,669)
Provision for Taxation			
Income Tax			
- Current Tax		**(49,968)**	(670,452)
- Deferred tax		**-**	(14,687,179)
- Current tax of earlier years written back		**3,108,098**	795,607
Fringe Benefit Tax		**-**	(587,873)
Net Profit/ (Loss) After Tax		**29,374,394**	(19,264,566)
Deficit brought forward from previous year		**(318,626,056)**	(299,341,490)
Less: Amount transferred to Capital Redemption Reserve		**-**	(20,000)
Balance carried to Balance Sheet		**(289,251,662)**	(318,626,056)
Earnings Per Share (Refer note no.5 of schedule 18)			
- Basic and Diluted		**2.06**	(1.35)
Face value of Equity Shares (in Rs.)		**10.00**	10.00
Significant Accounting Policies and Notes to Accounts	18		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

		Rupees	2009-10 Rupees	Rupees	2008-09 Rupees
A	**Cash flow from operating activities**				
	Profit /(Loss) before tax		**26,316,264**		(4,114,669)
	Adjustments for :				
	Depreciation and amortisation	**9,286,909**		9,364,337	
	Provision for diminution in the value of long term investment	**1,250,000**		-	
	Loss on Sale of Fixed Assets (Net)	**591,202**		957,670	
	Fixed Assets/ Intangible Assets written off	**2,334,632**		1,504,471	
	Liabilities written back (Including exceptional items) (Refer Note no.8 (a) of Schedule 18)	**(56,434,112)**		(5,021,853)	
	Exchange Difference (Net)	**1,119,091**		674,270	
	Interest on Income Tax refund	**(2,746,333)**		(3,823,490)	
	Interest on Bank Fixed deposits	**(52,055)**		(24,196)	
	Interest Expense	**5,014,483**	**(39,636,183)**	3,702,176	7,333,385
	Operating Profit before working capital changes		**(13,319,919)**		3,218,716
	Adjustments for :				
	Trade and other Receivables	**(10,084,329)**		19,010,072	
	Trade and other Payables	**(317,629)**	**(10,401,958)**	(23,546,030)	(4,535,958)
	Cash (used in)/ generated from operations		**(23,721,877)**		(1,317,242)
	Income Tax Refund (Net)		**6,833,818**		6,625,904
	Fringe Benefit Tax paid		**-**		(662,554)
	Net cash (used in)/ generated from operating activities		**(16,888,059)**		4,646,108
B	**Cash flow from investing activities**				
	Interest received on Bank Fixed Deposits	**17,028**		100,259	
	Additions to fixed assets	**(2,712,877)**		(1,053,190)	
	Proceeds from sale of fixed assets	**435,869**		398,633	
	Interest on Income Tax refund	**2,746,333**		3,823,490	
	Net cash generated from investing activities		**486,353**		3,269,192
C	**Cash flow from financing activities**				
	Proceeds from borrowings	**29,662,972**		4,751,088	
	Repayment of borrowings	**(8,000,000)**		(12,768,109)	
	Inter Corporate Deposit received	**10,000,000**		4,000,000	
	Repayment of Inter Corporate Deposit	**(14,000,000)**		-	
	Interest paid	**(5,186,144)**		(3,500,305)	
	Redemption of 5% Cumulative Preference Shares	**-**		(20,000)	
	Unpaid dividend (transferred to Investor Education and Protection Fund)	**-**		(199,670)	
	Net cash generated from / (used in) financing activities		**12,476,828**		(7,736,996)
	Net (decrease)/ Increase in cash and cash equivalents		**(3,924,878)**		178,304
	Opening balance of cash and cash equivalents		**10,512,648**		10,334,344
	Closing balance of cash and cash equivalents		**6,587,770**		10,512,648

Notes :

1 Cash and cash equivalents include cash and bank balances in current account and deposit accounts (refer schedule 8 of the Balance Sheet)

Cash and Cash equivalents include :

	31st March 2010 Rs	31st March 2009 Rs
Cash and Bank Balances	6,519,624	11,563,593
Unrealised loss/ (gain) on foreign currency		
cash and cash equivalents	68,146	(1,050,945)
Total cash and cash equivalents	**6,587,770**	**10,512,648**

2 Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. A. Banga
Partner

Mumbai, Dated : August 09, 2010

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2010

	Rupees	**As at 31.03.2010 Rupees**	As at 31.03.2009 Rupees
SCHEDULE 1: SHARE CAPITAL			
Authorised:			
549,50,000 (31st March, 2009: 19,950,000) Equity Shares of Rs.10/- each		**549,500,000**	199,500,000
50,000 (31st March, 2009: 50,000) Preference Shares of Rs.10/- each		**500,000**	500,000
TOTAL		**550,000,000**	200,000,000
Issued,subscribed and paid up :			
Equity:			
14,283,139 (31st March, 2009: 14,283,139) Equity Shares of Rs.10/- each, fully paid up		**142,831,390**	142,831,390
Notes:			
Of the above:			
(a) 6,310,850 (31st March, 2009: 6,310,850) Equity Shares of Rs.10/- each, fully paid had been allotted as bonus shares by capitalisation of free reserves.			
(b) 5,000 (31st March, 2009: 5,000) Equity Shares of Rs.10/- each, fully paid had been allotted to the shareholders of the erstwhile Melstar Industries Limited, consequent to a scheme of amalgamation, without payment received in cash.			
(c) 1,675,449 (31st March, 2009: 1,675,449) Equity Shares of Rs.10/- each, fully paid had been allotted to the shareholders of Linkhand Limited without payment received in cash in accordance with the agreement for acquisition.			
(d) 456,990 (31st March, 2009: 456,990) Equity Shares of Rs.10/- each, fully paid had been allotted to the erstwhile shareholders of Global Systems Development Inc. without payment received in cash in accordance with the share purchase agreement.			
TOTAL		**142,831,390**	142,831,390
SCHEDULE 2 : RESERVES AND SURPLUS			
1. Capital Reserve			
Balance as per last Balance Sheet		**173,542**	173,542
2. Securities Premium Account			
Balance as per last Balance Sheet		**67,470,974**	67,470,974
3. Capital Redemption Reserve			
Balance at the commencement of the year	**20,000**		-
Add: Amount transferred from Profit and Loss Account	**-**		20,000
		20,000	20,000
4. General Reserve			
Balance at the commencement of the year	**159,183,106**		159,183,106
Less: Debit balance in Profit and Loss account, deducted as per contra	**(159,183,106)**		(159,183,106)
		-	-
5. Foreign Currency Translation Reserve			
Balance at the commencement of the year	**18,962,523**		17,656,637
Add : Credited during the year	**1,178,686**		6,327,739
Less: Credited to Profit and Loss Account	**(3,724,775)**		(5,021,853)
(Refer Note no.8 (a)(ii) & 8(b) of Schedule 18)		**16,416,434**	18,962,523
TOTAL		**84,080,950**	86,627,039

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2010

	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 3 : SECURED LOANS		
From Banks :		
a. Term Loans	**2,451,782**	8,000,000
b. Overdraft facility	**30,422,127**	3,210,937
c. Cash credit (repayable in foreign currency)	**-**	4,272,165
TOTAL	**32,873,909**	15,483,102
Note :		
Term loan and overdraft facility from a bank are secured by registered mortgage of office premises situated at Andheri(Mumbai) and are further secured by all existing and future, current and fixed assets of the Company.		
SCHEDULE 4 : UNSECURED LOANS		
Short term Loans and Advances		
- From Directors (overseas subsidiary companies)	**-**	7,127,179
- Inter-Corporate	**-**	4,000,000
- From Others	**676,800**	764,588
TOTAL	**676,800**	11,891,767

SCHEDULE 5:

GROUP CONSOLIDATED FIXED ASSETS AS AT 31 ST MARCH'2010

(Rupees)

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				IMPAIRMENT LOSS			NET BLOCK	
Description	**As at 1/4/2009**	**Additions**	**Adjustments/ Deductions**	**As at 31/03/2010**	**Upto 1/4/2009**	**For the year**	**Adjustments/ Deductions**	**As at 31/03/2010**	**Upto 1/4/2009**	**Adjustments/ Deductions**	**As at 31/03/2010**	**As at 31/03/2010**	**As at 31/03/2009**
LEASEHOLD LAND	304,995	-	-	304,995	40,072	3,974	-	44,046 *	-	-	-	260,949	264,923
BUILDINGS (INCLUDING IMPROVEMENTS TO LEASEHOLD PREMISES) **	153,029,237	-	889,986	152,139,251	38,939,734	5,743,547	770,018	43,913,263	-	-	-	108,225,988	114,089,503
PLANT AND MACHINERY AND EQUIPMENT	31,375,286	2,698,802	17,436,110	16,637,978	26,404,141	963,593	17,069,917	10,297,817	-	-	-	6,340,161	4,971,145
FURNITURE AND FIXTURE	30,541,096	5,368	11,409,255	19,137,209	20,962,599	1,647,639	10,314,329	12,295,909	-	-	-	6,841,300	9,578,497
VEHICLES	3,906,728	-	1,273,646	2,633,082	1,786,835	257,105	346,085	1,697,855	-	-	-	935,227	2,119,893
INTANGIBLE ASSETS:													
-SOFTWARE UTILITIES	4,766,646	8,707	3,341,243	1,434,110	2,390,002	671,051	2,482,642	578,411	-	-	-	855,699	2,376,644
TOTAL	**223,923,988**	**2,712,877**	**34,350,240**	**192,286,625**	**90,523,383**	**9,286,909**	**30,982,991**	**68,827,301**	**-**	**-**	**-**	**123,459,324**	**133,400,605**
PREVIOUS YEAR	**424,685,462**	**1,053,190**	**201,814,664**	**223,923,988**	**239,866,188**	**9,364,337**	**158,707,142**	**90,523,383**	**40,246,742**	**40,246,742**	**-**	**133,400,605**	

* Amount Written off in respect of Leasehold land for the period of lease which has expired.

** Building of the Parent Company was revalued on 1st April, 2005 with reference to the fair market value; amount added on revaluation was Rs.76,558,113; the revalued amount substituted for historical cost on 1st April, 2005 was Rs. 126,130,511.

Notes:

a) Fixed assets written off in the previous year on dissolution of a subsidiary company located at UK (Cost Rs Nil accumulated depreciation and amortisation Rs.Nil and accumulated impairment Rs Nil)

(Previous Year Cost Rs 184,040,527, accumulated depreciation and amortisation Rs.14,37,93,785 and accumulated impairment Rs 40,246,742)

B) Adjustments/ deductions include obsolete fixed assets/ intangible assets discarded during the year. (Cost Rs.27,889,869 accumulated depreciation and amortisation Rs.25,555,236)

(Previous year Cost Rs.13,308,252 accumulated depreciation and amortisation Rs.11,803,781)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2010

	Rupees	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 6: INVESTMENTS			
Long term (At cost/ Carrying amount unless otherwise stated)			
Trade Investment- Unquoted			
125,000 (125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd		**1,250,000**	1,250,000
Less: Provision for diminution		**(1,250,000)**	-
TOTAL		**-**	1,250,000
Note:			
Aggregate of unquoted investments			
Cost/ carrying amount		**-**	1,250,000
SCHEDULE 7 : SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Considered Good	**445,434**		-
Considered Doubtful	**26,283,703**		27,613,707
		26,729,137	27,613,707
Other debts		**38,314,348**	26,335,146
		65,043,485	53,948,853
Less :- Provision		**26,283,703**	27,613,707
TOTAL		**38,759,782**	26,335,146
SCHEDULE 8 : CASH AND BANK			
1. Cash on hand		**7,250**	38,697
2. Bank balances			
a) with Scheduled Banks			
i) in current accounts	**4,863,034**		497,464
ii) in deposit accounts (Margin deposit under lien)	**350,000**		350,000
		5,213,034	847,464
b) With others in current account		**1,299,340**	10,677,432
TOTAL		**6,519,624**	11,563,593
SCHEDULE 9 : OTHER CURRENT ASSETS			
Interest accrued on Bank Fixed Deposit		**37,357**	2,330
TOTAL		**37,357**	2,330
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)			
1. Advances recoverable in cash or kind or for value to be received			
Considered good	**4,863,888**		4,270,137
Considered doubtful	**1,083,609**		200,114
		5,947,497	4,470,251
2. Unbilled services (subsequently billed)		**5,076,478**	6,914,092
3. Advance payment of Income tax		**12,852,431**	16,628,119
4. Advance payment of Fringe Benefit Tax (Net of provision for taxation)		**23,748**	23,748
		23,900,154	28,036,210
Less : Provision		**1,083,609**	200,114
TOTAL		**22,816,545**	27,836,096

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2010

	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors -		
i) Total outstanding dues of Micro Enterprises and Small Enterprises (Refer Note no.14 of Schedule 18)	**-**	-
ii) Total outstanding dues to Creditors other than Micro Enterprises and Small Enterprises	**37,843,975**	50,382,198
Other Liabilities	**17,667,638**	47,580,862
Interest accrued but not due on loans	**30,210**	201,871
TOTAL	**55,541,823**	98,164,931
SCHEDULE 12 : PROVISIONS		
For Gratuity (Refer Note no.13 (ii) of Schedule 18)	**3,457,314**	3,226,239
For Compensated absences	**2,199,002**	1,606,252
TOTAL	**5,656,316**	4,832,491
SCHEDULE 13 : PROFIT AND LOSS ACCOUNT		
Balance as per Profit and Loss Account	**289,251,662**	318,626,056
Less : Deducted as per contra from General Reserve to the extent of balance there in	**159,183,106**	159,183,106
Balance in Profit and Loss Account	**130,068,556**	159,442,950

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Rupees	Previous Year Rupees
Schedule 14: OTHER INCOME		
Exchange Difference (Net)	-	83,992
Sundry credit balances written back	7,230,685	1,572,037
Excess provision of earlier years written back	-	1,198,665
Miscellaneous income	1,311,758	392,559
Rent	4,410,000	5,076,935
Interest on Bank Fixed Deposits, etc. (Tax deducted at source Rs. Nil (Previous year Rs.3,681))	52,055	24,196
Interest on Income Tax Refunds (Net)	2,746,333	3,823,490
TOTAL	**15,750,831**	12,171,874
Schedule 15: EMPLOYEE COST		
a) Salaries, Wages and Bonus	153,749,826	140,101,447
b) Contribution to Provident and Other funds	6,028,068	5,352,535
c) Gratuity	1,447,117	718,575
d) Compensated Absences	1,727,586	1,332,289
e) Staff Welfare	624,089	517,431
TOTAL	**163,576,686**	148,022,277
Schedule 16: OPERATING AND OTHER EXPENSES		
Electricity	2,968,545	2,925,454
Rent	3,406,055	3,639,418
Rates and taxes	3,337,816	490,136
Insurance	1,112,307	2,334,396
Repairs and maintenance		
- Plant and machinery	533,503	920,611
- Building	642,018	199,500
Travelling and Conveyance	2,946,440	3,504,494
Communication expenses	2,228,771	2,132,003
Advertising and Sales promotion expenses	1,016,273	1,522,965
Commission on sales	249,705	-
Legal and professional Fees	9,624,641	4,946,513
Recruitment Expenses	2,352,800	2,832,472
Provision for doubtful debts and advances (Net)	13,616	79,964
Provision for Diminution in the value of long term investment	1,250,000	-
Loss on Sale of Fixed Assets (Net)	591,202	957,670
Irrecoverable Debts/Advances written off	1,130,089	222,871
Exchange Difference (Net)	169,307	-
Fixed Assets/ Intangible Assets written off	2,334,632	1,504,471
Directors Sitting Fees	430,000	310,000
Miscellaneous expenses	5,693,354	7,260,152
TOTAL	**42,031,074**	35,783,090
Note :		
(Miscellaneous expenses includes Auditor's Remuneration, Bank Charges, Security Expenses, Vehicle Expenses, computer Software Expenses, etc.)		
Schedule 17 : INTEREST EXPENSES		
On fixed loans	698,147	1,997,056
Others	4,316,336	1,705,120
TOTAL	**5,014,483**	3,702,176

Schedule 18: Significant Accounting Policies and Notes forming part of the consolidated financial statements

A. **SIGNIFICANT ACCOUNTING POLICIES**:

a) **Basis of preparation of Financial Statements**:

i) The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent company, namely March 31, 2010.

ii) The consolidated financial statements have been prepared under the historical cost convention (except for certain fixed assets of the Parent Company which have been revalued), in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956 and the applicable accounting standards, except for the financial statements of certain subsidiaries not prepared on going concern basis.(Refer note no. B- 8 and 9 below).

iii) The preparation of financial statements in conformity with the generally accepted accounting principles require, estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialized.

b) **Principles of consolidation**:

i) The consolidated financial statements relate to Melstar Information Technologies Limited (MITL, the Parent Company) and its subsidiary companies have been prepared in accordance with the Accounting Standard (AS) 21 'Consolidated Financial Statements', and have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra- group balances, intra – group transactions and the unrealized gains and/ or losses.

ii) The consolidated financial statements have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

iii) The excess of cost to the Parent Company of its investments in the subsidiaries, over the Parent Company's share of equity in subsidiaries, is recognized in the financial statements as goodwill on consolidation and carried forward in the accounts.

iv) Minority interest is presented separately from the liabilities or assets and the equity of the Parent shareholders in the consolidated Balance Sheet. Minority interest in the income or loss of the Company is separately presented.

v) The difference between the proceeds from sale/disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as on the date of sale /disposal is recognised in the consolidated statement of profit and loss account as the profit or loss on disposal of investment in subsidiary.

c) **Fixed Assets:**

Fixed assets are stated at cost of acquisition or construction or at revalued amounts less accumulated depreciation, amortisation and impairment losses, if any.

d) **Intangible Assets:**

Intangible assets are recognised, only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortization and impairment losses, if any.

e) **Investments**:

Long Term Investments are stated at cost, which includes cost of acquisition and related expenses. Provision is made to recognise a decline, other than temporary, in the value of such investments. Current investments are stated at cost or fair value, whichever is lower.

f) **Depreciation and Amortisation** :

Depreciation in respect of assets acquired upto March 31, 1995 is provided for on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. In respect of assets acquired after 31st March, 1995 depreciation is provided for on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on revalued fixed assets is provided on Straight Line Method over the residual life of the asset and charged to the Profit and Loss account.

Leasehold land is written off over the lease period.

Intangible Assets – Computer softwares are amortised over a period of five years based on the technical evaluation of their useful economic life.

g) **Inventories**:

Software Finished Goods (Traded) :

Software Finished Goods (Traded) are valued at cost or net realisable value, whichever is lower.

h) **Foreign Currency Transactions**:

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected. Exchange differences arising on settlement of all transactions are recognised in the profit and loss account.

Monetary items denominated in foreign currency are reported using the exchange rates prevailing at the date of balance sheet and the resulting net exchange difference is recognised in the profit and loss account.

i) **Foreign Branches and Foreign Subsidiaries:**

In case of Foreign Branches and Foreign Subsidiaries, the local accounts are maintained in local functional currency. The translation of financial statements of Foreign Branches and Foreign Subsidiaries is done as under in accordance with Accounting Standard (AS) 11 (Revised) on "The Effect of Changes in Foreign Exchange Rates", considering the foreign branches and foreign subsidiaries as non-integral foreign operations:

i. All item of income and expenses during the year are translated at an average rate.

ii. Monetary and non-monetary assets and liabilities are translated at closing rate.

iii. The resulting exchange difference is accounted in 'foreign currency translation reserve' until the disposal of the net investment in the said non integral foreign operations. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses.

j) **Employee Benefits**:

a) Post Employment Benefits and Other Long Term Benefits.

i) Defined Contribution Scheme

Company's contribution for the year paid/payable to defined contribution retirement benefit schemes are charged to Profit and Loss Account.

ii) Defined Benefit and Other Long Term Benefit Schemes

Company's liabilities towards defined benefit schemes and other long term benefits viz.gratuity and compensated absences expected to occur after twelve months, are determined using the Projected Unit Credit Method. Actuarial valuations under the Projected Unit Credit Method are carried out at the balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss account in the period of occurrence of such gains and losses. Past service cost is recognised immediately to the extent benefits are vested, otherwise it is amortised on straight-line basis over the remaining average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

b) Short-term employee benefits

Short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised undiscounted during the period employee renders services. Such benefits include bonus/ ex-gratia.

k) **Revenue recognition**:

Revenues from software consultancy services are recognised on specified terms of contract in case of contract on time basis and in case of fixed price contract, revenue is recognized using percentage of completion method of accounting. Unbilled services included in loans and advances represents amount recognized based on services performed in advance of billing in accordance with contract terms.
Amount received in advance of services performed are recorded as unearned income.
Revenues outside India include value added tax wherever applicable.
Revenues in India exclude service tax charged.
Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.
Dividend Income is recognised in the statement of Profit and Loss, when right to receive payment is established.
Interest income is recognized on time proportion basis.

l) **Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each balance sheet date the Company reassesses unrecognized deferred tax asset, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

m) **Fringe Benefit Tax:**

Fringe Benefit Tax was recognized in accordance with the relevant provisions of the Income Tax Act, 1961 and the Guidance note on Fringe Benefit Tax issued by the Institute of Chartered Accountants of India (ICAI).

n) **Operating Leases**:

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

o) **Segmental reporting**:

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting:

i. The Company has identified geographical segments as primary segment, having regard to the organizational structure, location of customers, internal financial reporting systems and differing risks and returns.

ii. The segments are Asia-Pacific, U.S.A. and others.

iii. Unallocated assets represent Fixed and other assets, which are not identifiable to any of the reportable segments as the same are used interchangeably between segments.

p) **Impairment of assets:**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

q) **Borrowing Costs:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

r) **Provisions, Contingent Liabilities and Contingent Assets**:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the Notes to Accounts. Contingent assets are neither recognised nor disclosed in the financial statements.

B. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The subsidiaries (which along with MITL, the Parent Company , constitute The Group) considered in the presentation of these consolidated financial statements are :

Name of subsidiary	Country of incorporation	Proportion of Ownership Interest
Melstar Inc (MI)	U.S.A.	100%
Melstar Ltd.(ML)	U.K.	100%
Melstar U.K. Ltd.(MUK)	U.K.	100%
Melstar Singapore Pte Ltd (MSPL)	Singapore	100%

The consolidated financial statements have been prepared on the basis of audited financial statement of the Parent Company and all the four subsidiaries.

Significant Accounting Policies and Notes to consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understand the consolidated position of the Group. Recognising this purpose, the Company has disclosed only such policies and Notes from the individual financial statements, which fairly present the needed disclosures.

2. Contingent Liabilities in respect of :-

Rupees

	As at 31.03.2010	As at 31.03.2009
ESIC demand disputed and pending decisions before higher authorities. Amount paid there against and included under "Loans and advances" Schedule 10 (Rs.35,000) Previous year (Rs.35,000)	135,627	135,627
Other claims against Company not acknowledged as debt and pending before the Courts in Mumbai. The Company expects that the matter will be resolved in Company's favour and no liability is expected.	695,982	91,286

3. The components of Deferred Tax liabilities and assets as at March 31, 2010 are as under :

Parent Company (India)

Rupees

Particulars	**As at 31.03.2010**	**As at 31.03.2009**
Deferred tax liability (A)	-	(483,666)
Arising on account of timing difference on:		
Depreciation	-	(483,666)
Deferred tax asset (B)*	-	483,666
Provision for Gratuity	-	483,666
Total	**Nil**	**Nil**

*Considered to the extent that there are compensating timing differences, reversal of which will result in sufficient income against which this can be realized.

4. Segment Reporting:

Rupees

Particulars	**Asia-Pacific**	**USA**	**Others**	**Total**
Segment Revenues				
Total Revenue	184,264,783 (167,521,252)	2,3850,288 (122,308,395)	1,035,431 (240,557)	209,150,502 (290,070,204)
Segment Result Before Exceptional Items	-13,167,448 (-7,775,073)	-3,161,489 (3,904,069)	357,171 (-786,337)	-15,971,766 (-4,657,341)
Exceptional Items allocated to segment	- (-)	- (-)	45,231,665 (5,021,853)	45,231,665 (5,021,853)
Segment Result after Exceptional Items	-13,167,448 (-7,775,073)	-3,161,489 (3,904,069)	45,588,836 (4,235,516)	29,259,899 (364,512)
Un-allocable Income	- (-)	- (-)	- (-)	10,478,983 (8,924,621)
Un-allocable Expenses	- (-)	- (-)	- (-)	16,141,965 (9,701,626)
Interest Expenses	- (-)	- (-)	- (-)	5,014,483 (3,702,176)
Exceptional Items Unallocable to Segment	- (-)	- (-)	- (-)	7,733,830 (-)
Provision for Tax				
- Current Tax	-	-	-	-49,968 (-670,452)
- Deferred Tax	- (-)	- (-)	- (-)	- (-14,687,179)
Fringe Benefit Tax	- (-)	- (-)	- (-)	- (-587,873)
Income Tax Earlier years (Net)	- (-)	- (-)	- (-)	3,108,098 (795,607)

Particulars	Asia-Pacific	USA	Others	Total
Net Profit/(Loss) after tax	- (-)	- (-)	- (-)	29,374,394 (-19,264,566)
Other Information				
Segment Assets	119,330,090 (107,910,506)	4,216,050 (16,578,425)	597,673 (757,683)	124,143,813 (125,246,614)
Unallocated assets				67,448,819 (75,141,156)
Total Assets	119,330,090 (107,910,506)	4,216,050 (16,578,425)	597,673 (757,683)	191,592,632 (200,387,770)
Segment Liabilities	36,552,116 (34,117,960)	6,160,347 (17,158,634)	12,259,488 (63,120,173)	54,971,951 (114,396,767)
Unallocated liabilities				39,776,897 (15,975,524)
Total Liabilities	36,552,116 (34,117,960)	6,160,347 (17,158,634)	12,259,488 (63,120,173)	94,748,848 (130,372,291)
Capital Expenditure				
Segment capital expenditure	2,642,959 (1,053,190)	69,918 (-)	- (-)	2,712,877 (1,053,190)
Unallocated capital expenditure	- (-)	- (-)	- (-)	- (-)
Total capital expenditure	2,642,959 (1,053,190)	69,918 (-)	- (-)	2,712,877 (1,053,190)
Depreciation, Amortization and Impairment				
Segment Depreciation and Amortization	6,047,347 (6,352,289)	8,260 (-)	- (-)	6,055,607 (6,352,289)
Impairment Loss	- (-)	- (-)	- (-)	- (-)
Unallocated depreciation and amortization	- (-)	- (-)	- (-)	3,231,302 (3,012,048)
Total depreciation, amortization and impairment	6,047,347 (6,352,289)	8,260 (-)	- (-)	9,286,909 (9,364,337)
Significant Non-Cash Expenditure				
Segment significant non cash expenditure	3,128,745 (2,544,870)	940,794 (106,535)	- (113,571)	4,069,539 (2,764,976)
Unallocated non cash expenditure	- (-)	- (-)	- (-)	1,250,000 (-)
Total significant non cash expenditure	3,128,745 (2,544,870)	940,794 (106,535)	- (113,571)	5,319,539 (2,764,976)

2. Revenue comprises of

	Rupees
Sales	203,878,653 (286,822,951)
Other Income	5,271,849 (3,247,253)
Total	**209,150,502** **(290,070,204)**

3. The Group is providing mainly software solutions and in the opinion of the management has only one reportable business segment, the results of which are disclosed in the financial statements.

4. Previous year figures are given in brackets.

5. Earnings per share is computed as under:

		Current Year	Previous Year
a.	Net Profit /(Loss) after tax attributable to equity shareholders (Rupees)	29,374,394	(19,264,566)
b.	Weighted average number of equity shares considered for calculation of Basic and Diluted EPS (Nos.)	14,283,139	14,283,139
c.	Face value of equity shares (Rupees)	10	10
d.	Basic and Diluted Earnings per share (Rupees)	2.06	(1.35)

6. Related party disclosures for the group are as under:

a) Names of related parties and description of relationship:

i.	Key Management Personnel with whom transactions have taken place during the year	Mr. Yashovardhan Birla (Chairman) Mr. P. V. R. Murthy (Non-Executive Director) Mr. Surinder Mohan Arora (Managing Director) Mr. Richard D'Souza (Chief Executive Officer) Mr. Sattar Shaikh (Executive Director)(Up to 24th April,2009) Mr. Bharat Ramani (Non-Executive Director) (Up to 22nd April, 2009) Mr. A.C.Gale (Director of a subsidiary company up to 22nd April, 2009)
ii.	Enterprises Over which Key Management Personnel and / or their relatives have significant influence with whom the transactions have taken place during the year	Birla Shloka Edutech Limited Birla Edutech Limited Shearson Investment & Trading Company Private Limited Asian Distributors Private Limited Birla Viking Travels Private Limited Zenith Birla India Limited Birla Kerala Vaidhshala Private Limited Birla Global Corporate Limited
iii.	Relatives of Key Management Personnel with whom the transactions have taken place during the year	Mr. Farooq Shaikh (Up to 24th April,2009)

b) Nature of transactions with Related Parties

Rupees

	Particulars	Key Management Personnel	Enterprises Over which Key Management Personnel and / or their relatives have significant influence	Relatives of Key Management Personnel	Total
a)	**Loans and advances**				
	Balance as at 1st April	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
	Given/ Adjusted during the year	Nil (Nil)	50,940 (Nil)	Nil (Nil)	50,940 (Nil)
	Repaid / Adjusted during the year	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
	Balance as at 31st March	Nil (Nil)	50,940 (Nil)	Nil (Nil)	50,940 (Nil)
b)	**Sundry Debtors**				
	Balance as at 31st March	Nil (Nil)	36,000 (207,500)	Nil (Nil)	36,000 (207,500)
c)	**Unsecured Loans**				
	Balance as at 1st April	3,658,563 (3,970,063)	4,000,000 (Nil)	Nil (Nil)	7,658,563 (3,970,063)
	Received during the year	Nil (Nil)	10,000,000 (Nil)	Nil (Nil)	10,000,000 (Nil)
	Repaid / Adjusted during the year	3,658,563 (311,500)	14,000,000 (Nil)	Nil (Nil)	17,658,563 (311,500)
	Balance as at 31st March	Nil (3,658,563)	Nil (4,000,000)	Nil (Nil)	Nil (7,658,563)
d)	**Sundry Creditors**				
	Balance as at 31st March	460,610 (1,784,218)	4,616,980 (49,732)	Nil (83,856)	5,077,590 (1,917,806)
e)	**Income**				
	Sale of services	Nil (Nil)	1,274,125 (Nil)	Nil (Nil)	1,274,125 (Nil)
	Rent	Nil (Nil)	3,750,000 (Nil)	Nil (Nil)	3,750,000 (Nil)
f)	**Expenditure**				
	Remuneration	*11,211,046 (15,101,724)	Nil (Nil)	57,763 (965,082)	*11,268,809 (16,066,806)
	Interest	Nil (Nil)	469,387 (201,871)	Nil (Nil)	469,387 (201,871)
	Other Expenses	Nil (Nil)	2,208,579 (Nil)	Nil (Nil)	2,208,579 (Nil)
g)	**Sale of vehicle**	300,000 (Nil)	Nil (Nil)	Nil (Nil)	300,000 (Nil)

Notes: 1. Related party relationship is as identified by the Company and relied upon by the auditors.

2. Previous year figures are given in brackets.

* Includes notice pay paid to an Executive Director Rs. 750,000, in terms of service agreement with the said Director.

c) Out of the above items, transactions in excess of 10% of the total related party transactions are as under:

Rupees

	Transactions	For the year ended 31-03-2010	For the year ended 31-03-2009
a)	**Loans and advances given**		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Birla Shloka Edutech Limited	12,234	Nil
	Birla Edutech Limited	12,234	Nil
	Birla Global Corporate Limited	26,472	Nil
b)	**Unsecured Loans**		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Shearson Investment & Trading Company Private Limited		
	Loans received during the year	10,000,000	4,000,000
	Loans repaid/ adjusted during the year	14,000,000	Nil
c)	**Unsecured Loans repaid/adjusted**		
	Key Management Personnel		
	- Mr. Anthony Gale	3,658,563	311,500
d)	**Income**		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Sale of Services		
	Zenith Birla India Limited	1,213,625	Nil
	Rent		
	Birla Shloka Edutech Limited	1,500,000	Nil
	Birla Edutech Limited	2,250,000	Nil
e)	**Expenditure**		
	Key Management Personnel (Remuneration)		
	- Mr. Bharat Ramani	1,450,087	8,511,911
	- Mr. S.M.Arora	4,569,012	3,294,912
	- Mr. Sattar Shaikh	*1,620,347	3,294,901
	- Mr. Richard D'Souza	3,411,600	Nil
		11,051,046	**15,101,724**
	Relatives of Key Management Personnel (Remuneration)		
	- Mr. Farooq Shaikh	57,763	965,802
	Interest		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Shearson Investment & Trading Company Private Limited	469,387	201,871
	Other Expenses		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence:		
	Birla Global Corporate Limited	2,061,980	Nil
f)	**Sale of vehicle**		
	Key Management Personnel		
	- Mr. Sattar Shaikh	300,000	Nil

* Includes notice pay paid Rs. 750,000, in terms of service agreement with the said Director.

7. The management is of the opinion that the amount provided in respect of statutory dues i.e. VAT, PAYE, National Insurance etc., in the books of Melstar UK Ltd. as at the year end aggregating Rs. 7,473,696 (Previous year Rs.40,233,808 in respect of Melstar Limited and Melstar UK Ltd.) is adequate and no further provision towards such dues or any penalties in respect thereof is considered necessary, at this stage.

8. a) Melstar Limited a wholly- owned subsidiary located at UK in respect of which, Company Voluntary Arrangement (CVA) had been completed in the previous year and in respect of which an application was made for voluntary liquidation with the Companies House UK, was dissolved subsequent to the year-end. Consequently, the accounts of the said subsidiary included in the Consolidated Financial Statements, have not been prepared on a going concern basis. Accordingly, Exceptional Items for the year aggregating Rs.52,965,496 on account of the aforesaid, comprise of the following:

   i. Rs.49,240,721 net liabilities written back as no longer payable.

   ii. Related exchange differences of Rs 3,724,775 being balance lying in the foreign currency translation reserve pertaining to the said subsidiary, credited to the Consolidated Profit and Loss Account.

   b) Linkhand Support Limited, a step down subsidiary located at UK was dissolved during the previous year. Accordingly, exceptional item for the previous year represents related exchange difference of Rs.5,021,853 being balance lying in the foreign currency translation reserve pertaining to the said subsidiary, credited to the Consolidated Profit and Loss Account during the previous year.

9. One of the wholly-owned subsidiaries located at UK and other at Singapore, had no turnover. The net worth of these subsidiaries at the year-end, is negative. The Board of Directors of the Parent Company has decided to close the operations and activities of these subsidiaries. In respect of subsidiary located at Singapore, an application has been made during the year to the Accounting and Corporate Regulatory Authority to strike its name from the Register pursuant to Section 344 of the Singapore Companies Act and the confirmation of the same is awaited.

   The accounts of these subsidiaries included in the consolidated financial statements, have not been prepared on a going concern basis. The fixed assets, current assets and loans/advances of the said subsidiaries, were carried at nil/ realisable values, in the consolidated financial statements and hence no adjustments relating to the recoverability and classification of the recorded asset amounts at the consolidated level were necessary. Further, all the liabilities of the said subsidiaries were appropriately classified in the consolidated financial statements and hence no adjustments to their classification was necessary.

10. The Consolidated Financial Statements include the results of a wholly owned subsidiary Melstar Inc., located at U.S.A., in respect of which there is reduction in turnover during the current year and its net worth continues to be negative. The Group is making efforts for and expects better financial performance over a period of time.

11. The Parent Company achieved higher turnover during the current year, compared to the previous year. Though the Parent Company has incurred loss for the year, the net worth continues to be positive. The Parent Company continues its efforts for rationalization of resources to achieve maximum operational efficiencies and is further considering various business strategies/ avenues of growth in revenues. On that basis, the Parent Company expects increase in its business operations, turnover and operational efficiencies in the subsequent period resulting in better margins and profitability.

12. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as follows:

   a. Amount receivable in foreign currency on account of the following

Particulars	**Amount in Rupees**	**Amount in Foreign Currency**	**Foreign Currency**
Export of goods/services*	15,247,443	203,257	GBP
	(15,247,443)	(203,257)	
	11,934,288	249,845	USD
	(11,480,631)	(238,940)	
TOTAL	**27,181,731**		
	(26,728,074)		

   b. Amount payable in foreign currency on account of the following

Particulars	Amount in Rupees	Amount in Foreign Currency CHF
Import of services	139,040	3,220
	(144,473)	(3,220)
TOTAL	**139,040**	**3,220**
	(144,473)	**(3,220)**

* Of these, Rs. 26,044,748 (Previous Year Rs. 26,044,748) has been provided for towards doubtful recoveries.

Note: Previous year figures are given in brackets.

13. Post Employment Benefit Plans

(i) Defined contribution plans

The Parent Company makes contributions towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The Provident Fund plan is operated by Regional Provident Fund Commissioner. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

The Parent Company recognised Rs. 5,355,331 (Previous year Rs. 4,761,437) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Parent Company are at rates specified in the rules of the schemes.

(ii) Defined benefit plan

The Parent Company has defined benefit plan for qualifying employees in respect of Gratuity benefits. The scheme provides for payment to vested employees as under:

On Normal retirement/ early retirement/ withdrawal/resignation:
As per the provisions of Payment of Gratuity Act, 1972 with vesting period of 5 years of service.

On death in service:
As per the provisions of Payment of Gratuity Act, 1972 without any vesting period.

The most recent actuarial valuation of the present value of defined benefit obligation for gratuity was carried out at March 31, 2010 by an actuary. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The following table sets out the status of the gratuity plan the amounts recognised in the Parent Company's financial statements as at March 31, 2010.

Rupees

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2010	As on 31.03.2009
I)	**Reconciliation in present value of obligations (PVO) – defined benefit obligation :**		
	Current Service Cost	1,022,738	1,125,576
	Interest Cost	250,034	291,501
	Actuarial (gain)/losses	(475,655)	(698,502)
	Benefits paid	(1,216,042)	(21,036)
	Past service cost	650,000	-
	PVO at the beginning of the year	3,226,239	2,528,700
	PVO at end of the year	3,457,314	3,226,239
II)	**Change in fair value of plan assets :**		
	Expected return on plan assets	-	-
	Actuarial gain/(losses)	-	-
	Contributions by the employer	-	-
	Benefits paid	-	-
	Fair value of plan assets at beginning of the year	-	-
	Fair value of plan assets at end of the year	-	-
III)	**Reconciliation of PVO and fair value of plan assets:**		
	PVO at end of year	3,457,314	3,226,239
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,457,314)	(3,226,239)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,457,314)	(3,226,239)
IV)	**Net cost for the year ended March 31, 2010 :**		
	Current Service cost	1,022,738	1,125,576

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2010	As on 31.03.2009
	Interest cost	250,034	291,501
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(475,655)	(698,502)
	Past service cost	650,000	-
	Net cost	1,447,117	718,575
V)	**Category of assets as at March 31, 2010 :**	-	-
VI)	**Actual return on the plan assets**	-	-
VII)	**Assumption used in accounting for the gratuity plan:**		
	Discount rate (%)	7.50	7.75
	Salary escalation rate (%)	6.00	5.00
	Expected rate of return on plan assets	N.A.	N.A.

14. Disclosures relating to amounts payable as at the year end together with interest paid / payable to Micro, Small and Medium Enterprises have been made in the accounts, as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent of information available with the Company determined on the basis of intimation received from suppliers regarding their status and the required disclosure are given below:

Particulars		For the year ended 31st March, 2010 Rs.	For the year ended 31st March, 2009 Rs.
A	Principal amount remaining unpaid as on 31st March 2010	-	-
B	Interest due thereon as on 31st March 2010	-	-
C	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
D	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act,2006	-	-
E	Interest accrued and remaining unpaid as at 31st March 2010	-	-
F	Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

15. Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year. Figures have been rounded off to the nearest rupee. Amounts and other disclosures for the preceding year are included as integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year. Figures have been rounded off to the nearest rupee.

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

SUMMARIZED FINANCIAL INFORMATION IN RESPECT OF SUBSIDIARIES OF THE COMPANY IN COMPLIANCE WITH THE TERMS OF APPROVAL OF THE MINISTRY OF COMPANY AFFAIRS UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

The Company has received the approval of Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956 vide its letter No.47/125/2010-CL-III dated 25.3.2010 exempting the Company from attaching the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary Companies to its Annual Accounts for the year ended 31.3.2010. Information as required in terms of the aforesaid letter of approval is furnished below:

	Name of subsidiary companies	Country of Incorporation	Financial Year ended on	Currency	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment	Turnover	Profit/(Loss) before Taxation	Provision for Taxation	Profit/(Loss) after Taxation
1.	Melstar Inc	United States	31.3.2010	US$	1,148,500	(1,892,851)	548,541	1,292,892	-	265,052	59,746	(176,081)	235,827
				INR	51,820,320	(85,405,437)	24,750,170	58,335,287	-	11,959,146	2,695,740	(7,944,775)	10,640,515
2.	Melstar UK Limited	United Kingdom	31.3.2010	GBP	150,000	(276,228)	22,141	148,369	-	-	14,634	-	14,634
				INR	10,207,500	(18,797,316)	1,506,694	10,096,510	-	-	995,843	-	995,843
3.	Melstar Limited (Dissolved with effect from 19th May 2010)	United Kingdom	31.3.2010	GBP	958,992	(958,992)	-	-	-	-	1,340,606	-	1,340,606
				INR	65,259,406	(65,259,406)	-	-	-	-	91,228,238	-	91,228,238
4.	Melstar Singapore Pte Limited (Refer Note No.4 below)	Singapore	31.3.2010	SG$	1,700,000	(2,034,248)	14	334,262	-	-	30,462	-	30,462
				INR	54,935,500	(65,736,725)	452	10,801,677	-	-	984,379	-	984,379

Notes:

1 None of the above Subsidiaries has proposed any dividend.

2 The Company shall provide to any member on request the Annual Accounts of the subsidiaries and other related information at any point of time. Copies of the Annual Accounts of the Subsidiaries shall also be available for inspection by any member at the Registered Office of the Company and its subsidiaries on any working day.

3 Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate: (a) 1US$ = Rs.45.12, (b) 1GBP = Rs.68.05, (c) 1SG$ = Rs.32.315

4 In respect of a subsidiary located at Singapore, the company has made an application to the Accounting and Corporate Regulatory Authority to strike its name from the Register pursuant to Section 344 of the Singapore Companies Act and relevant documents have been filed with the Registrar and awaiting final certificate to that effect from the said Authority

By Order of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : August 09, 2010

Notes:

Proxy No.

MELSTAR INFORMATION TECHNOLOGIES LIMITED

Regd. Office : Melstar House, G-4, M.I.D.C. Cross Road 'A', Andheri (East), Mumbai - 400 093.

FORM OF PROXY

Regd. Folio / Client ID												
DP ID												
No of Shares												

I / We .... of ....in the district of ....

being a member / members of the above named Company, hereby appoint ....

of .... in the district of ....

or failing him / her .... of ....

in the district of ....as my/our proxy, to attend and vote for me/us and on my/our behalf at the 23rd ANNUAL GENERAL MEETING of the Company to be held at M. C. Ghia Hall, 2nd Floor, 18/20, K. Dubash Marg, Kalaghoda, Mumbai - 400 001 on Friday, the 24th September, 2010 at 3.00 p.m. and at any adjournment thereof.

Affix
Re. 1/-
Revenue
Stamp

Dated this .... day of September, 2010 Signature(s) across the stamp

Notes :

1) The Proxy, in order to be effective, must be duly completed, signed and deposited at the Registered Office of the Company, not less than **48 hours** before the time for holding the meeting.
2) A proxy need not be a member.
3) All alterations made in the Proxy Form should be initialled.

MELSTAR INFORMATION TECHNOLOGIES LIMITED

Regd. Office : Melstar House, G-4, M.I.D.C. Cross Road 'A', Andheri (East), Mumbai - 400 093.

ATTENDANCE SLIP

Regd. Folio / Client ID											No. of Shares held						
DP ID																	

I certify that I am a member / proxy for a member of the Company.

I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the Company being held on Friday 24th September, 2010 at M. C. Ghia Hall, 2nd Floor, 18/20, K. Dubash Marg, Kalaghoda, Mumbai - 400 001.

....

Name of the member / proxy Signature of the attending member / proxy

NOTE : Please fill up this slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of Annual Report for reference at the meeting.

Melstar Information Technologies Limited
23rd Annual Report 2009-2010

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A Software Services Company

Regd. & Corporate Office:
Melstar House, G-4, MIDC Cross Road "A", Andheri (East), Mumbai - 400 093

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"To offer highest value proposition to Global Customers in the area of Application Management Services by providing them with a unique sustainable Cost Reduction Model on long term basis."

Service Offerings

Onsite / Offsite / Offshore

- Business / System Analysis
- System Design
- Application Development
- Software Projects - Development, Information & Maintenance
- Production Support & Maintenance
- Application Technology Support
- Application Consulting

Quality Policy

"We shall provide quality software products, solutions and services to consistently meet the customer's changing requirements."

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