

2010-2011 | 24th ANNUAL REPORT
Melstar Information Technologies Limited



THE YASH BIRLA GROUP



MELSTAR

Business Philosophy

“To follow ethical and transparent business practices with all its customers, vendors and employees. Build long-term relationships based on mutual trust and benefits. Development of people and society in all countries where Melstar has its operations.”



Vision

“Create a World class I.T. Organization in terms of technology and people; providing outsourcing services in developing and supporting e-commerce solutions, software applications and business consulting.”

“Develop and deploy cutting-edge Products and Solutions catering to Financial Services and Technology Business.”

SEI: CMM Level - III Assessed

ISO-9001 : 2008 Certified



Registered and Corporate Office

Melstar House, G-4, M.I.D.C. Cross Road 'A', Andheri (East), Mumbai - 400 093
Tel . +91(22) 4056 6464 Fax : +91(22) 2831 0520
Email : info@melstar.com, Visit us at : www.melstar.com
Corporate Identity Number (CIN): L99999MH1986PLC040604

BOARD OF DIRECTORS

- Mr. Yashovardhan Birla Chairman
- Mr. P V R Murthy Director
- Mr. Anoj Menon Independent Director
- Mr. Rajesh Shah Independent Director
- Mr. M. S. Adige Independent Director
- Mr. S. M. Arora Managing Director upto 30.06.2010

Auditors

M/s. Kanu Doshi Associates
Chartered Accountants
Mumbai

Bankers

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

CHIEF EXECUTIVE OFFICER AND MANAGER

- 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, 3rd Floor
Plot No. 8-2-269/19/S/2
Beside L.V. Prasad Eye Hospital Lane,
Road No. 2, Banjara Hills,
Hyderabad - 500 034
Tel.: +91 (40) 2355 1392
Telefax : +91 (40) 2355 1391

Pune

403, Picasso Plaza, 4th Floor,
NIBM Chowk, Kondhwa Main Road,
Pune - 411 048.
Tel. : +91 (20) 2683 6094
Fax : +91 (20) 2683 6392

Kolkata

8/8, Chinar Park,
New Town Rajarhat Road,
Kolkata - 700157.
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

CONTENTS	Page Nos.
Notice	3
Directors' Report.....	5
Management Discussion and Analysis Report.....	9
Report on Corporate Governance	11
Company Secretary's Certificate on Corporate Governance	18
Auditors' Report.....	19
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Schedules forming part of Balance Sheet and Profit and Loss Account	26
Balance Sheet Abstract	44
Statement pursuant to Section 212 of the Companies Act, 1956.....	45
Auditors' Report on Consolidated Financial Statements	46
Consolidated Balance Sheet	47
Consolidated Profit & Loss Account	48
Consolidated Cash Flow Statement	49
Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account.....	51
Summarized Financials of Subsidiaries under Section 212(8) of the Companies Act, 1956	68
E-Communication Registration Form	69
Proxy Form / Attendance Slip	



NOTICE

Notice is hereby given that the Twenty-fourth Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on **Friday the 12th August 2011 at 3.30 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, 2011 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. Rajesh Shah, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint M/s Kanu Doshi Associates, Chartered Accountant as Statutory Auditors of the Company to hold the office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.
4. To authorise the Board of Directors to appoint Branch Auditors, in consultation with the Statutory Auditors of the Company, for the existing overseas branch offices in the US and UK to act until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office:

Melstar House, G-4, MIDC Cross Road 'A',
Andheri (East),
Mumbai - 400 093.
Mumbai 19th May 2011

By Order of the Board of Directors

(VIJAY MODI)
COMPANY SECRETARY

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will be closed from FRIDAY THE 05.08.2011 to FRIDAY THE 12.08.2011 (both days inclusive)
3. **Members are requested to:**
 - a) intimate any change in their addresses to the Company's Registrar and Share Transfer Agents, Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
 - b) quote client ID and DP ID numbers in respect of shares held in dematerialised form and ledger folio number in respect of shares held in physical form in all the correspondence.
4. Members / Proxies are requested to bring Annual Report and attendance slip duly filled in.
5. Corporate members are requested to send a duly certified copy of the board resolution authorising their representative to attend and vote at the annual general meeting.
6. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
7. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the amendment to the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Link Intime India Private Limited.
8. Members desirous of getting any information about the accounts and operations of the company are requested to address their queries to the Secretary of the Company at least ten days in advance of the meeting so that the information required can be made readily available at the meeting to the extent possible.
9. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to shareholders of the holding Company seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by any shareholders at the registered office of the holding Company. The holding Company will furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

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

Item No.	2
Name of the director	Mr. Rajesh Shah
Date of Birth	10.01.1953
Date of appointment	23.06.2009
Qualification	C.A
Expertise in specific Functional areas	Senior Partner with M/s. A. J. Shah & Co. (Taxation) & (Audit), Chartered Accountants, since 1979.
List of other directorship	Birla Power Solutions Limited Birla Machining & Toolings Limited (Formerly Dagger Forst Tools Limited) Birla Pacific Medspa Limited Mehta & Padamsey Surveyours (Bombay) Pvt. Ltd.
Chairmanship/Membership of the committees of other Companies	Birla Pacific Medspa Limited (Chairman of Audit Committee) Birla Machining & Toolings Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Power Solutions Limited (Audit Committee Member)
Note	Mr. Rajesh Shah being eligible, offers himself for appointment.
No. of shares held	Nil

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED**(VIJAY MODI)
COMPANY SECRETARY**

Place: Mumbai, 19th May, 2011



DIRECTORS' REPORT

The Directors present hereunder the 24th 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, 2011. The financial results for the year are summarized as under:

1. FINANCIAL RESULTS

Rupees in Lakhs

	2010-11	2009-10
Net Sales / Income From Operations	2,485	1,949
Other Operating Income	37	18
Operating Profit / (Loss) before interest and Depreciation (PBIDTA)	170	(261)
Interest	49	50
Depreciation	86	93
Operating Profit / (Loss) before tax	34	(403)
Other Income, net	97	72
Net Profit / (Loss) before tax and Exceptional Item	131	(331)
Exceptional Item	15	-
Net Profit / (Loss) before tax and after Exceptional Item	146	(331)
Income tax Earlier Years (Net)	-	33
Net Profit / (Loss) after Tax	146	(298)
Deficit Brought Forward From Previous Year	(374)	(75)
Balance carried to Balance Sheet	(227)	(374)
Face value of Equity Shares (in Rupees)	10	10
EPS-Basic and Diluted (Before Exceptional Item) (in Rupees)	0.92	(2.09)
EPS-Basic and Diluted (After Exceptional Item) (in Rupees)	1.02	(2.09)
Book value per Share (in Rupees)	8.56	7.54

2. OPERATIONS

The total sales of the Company for the financial year ended on 31st March, 2011 were Rs. 2,485 Lakhs as against Rs. 1,949 Lakhs during the last financial year ended on 31st March, 2010 showing an increase of 28%. Similarly the net Profit/Loss after tax during the same periods were Profit Rs. 146 Lakhs and Loss Rs. 298 Lakhs, showing a growth of 149%. This increase in sales and net profit after tax is due to aggressive marketing and cost cutting measures taken wherever felt necessary and the Company has taken further steps to improve profitability for the current year.

The Consolidated Group sales stood at Rs. 2,550 Lakhs against Rs. 2,039 Lakhs during the preceding year, showing an increase of 25%. The Consolidated Group net Profit after tax during the year was Rs. 286 Lakhs as against Rs. 294 Lakhs in the previous year and includes Exceptional Items of Income of Rs. 145 Lakhs (Previous Year Rs. 530 Lakhs).

3. DIVIDEND

In view of the carried forward losses the Directors regret their inability to recommend any dividend to the Equity Shareholders of the Company for the year under review.

4. SUBSIDIARY COMPANIES

The Company has four wholly-owned foreign subsidiaries, viz. Melstar Inc., Melstar UK Limited (dissolved on 26th April, 2011), Melstar Limited (dissolved on 19th May, 2010), Melstar Singapore Pte. Limited (Struck Off as on 05th October, 2010)

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

(a) US Subsidiary – Melstar Inc.

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

Particulars	2010-11		2009-10	
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	US\$ 144,704	Rs. 65 Lakhs	US\$ 2,65,052	Rs. 127 Lakhs
Profit	US\$ 27,362	Rs. 12 Lakhs	US\$ 2,35,827	Rs. 106 Lakhs

The profit during the previous year was mainly on account of recognition of net Deferred Tax Assets of US\$ 176,082 (equivalent to Rs. 70 Lakhs).

In view of the slowdown in the IT Industry of USA, no new projects were procured. However, the Company has delivered the existing projects successfully. The Company is looking for new projects with better margins during the current financial year.

(b) 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

Melstar UK Limited stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk.

(c) Singapore Subsidiary – Melstar Singapore Pte Limited

Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of the Company has been Struck Off on 5th October, 2010 by the said Regulatory Authority.

5. FINANCIAL STATEMENTS OF SUBSIDIARIES

In terms of General Circular issued by the Central Government under Section 212(8) of the Companies Act, 1956 vide Circular No. 5/12/2007-CL-III dated 08th February, 2011. It was decided to grant general exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies to the Balance Sheet of the Company provided certain condition are fulfilled. However, as required under the aforesaid circular, a summarized statement of financial position of the subsidiaries has been appended to the Annual Report elsewhere. In terms of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements includes the financial information of all the Subsidiaries.

6. FUTURE PROSPECTS / OUTLOOK

Your Company is continuously working on strengthening the business. Your Company has been successfully executing major orders from prestigious customers and it has been enjoying the confidence of all customers across the country with repeat orders. Your Company has embarked on improving margins in all products by reducing the variable cost and rationalizing the fixed costs. The results of these initiatives are expected to yield in improving the overall profitability of the Company further during the current year. The Company expects to implement certain new business practice lines in the current financial year.

7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at March 31, 2011 and of the profit for the year ended on that date;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and



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 19th May, 2011.

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

Pursuant to article 154 of the Articles of Association of your Company and Section 256 of the Companies Act, 1956, Mr. Rajesh Shah retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

13. AUDITORS

M/s. Kanu Doshi Associates, Chartered Accountants the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness for reappointment. The Directors commend their reappointment by the Members at the forthcoming AGM.

14. ACKNOWLEDGEMENTS

The Board wishes to express their deep appreciation for the assistance and co-operation received from various Regulatory and Government authorities, Stock Exchanges, Banks, Customers, Vendors, Business Associates and Shareholders of the Company during the year under review. The Board also places on record its deep appreciation for the committed and unstinted efforts with which all the employees have performed their duties and responsibilities during the year under review.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(YASHOVARDHAN BIRLA)
CHAIRMAN

Mumbai, 19th May, 2011

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, 2011.

Sr No	Name	Designation	Age	Qualification	Exp (yrs)	Gross Remuneration (Rs.)	Date of Joining	Last employment
1	Richard D'Souza	Chief Executive Officer	64	B.Sc. (HONOURS) MBA (XLRI), A.M.I.I.E, A.I.C.W.A, A.C.S.	39	38,34,890	01.04.09	Aviators (India) Pvt. Ltd.
2	S. M. Arora	Managing Director	75	B.A., M.B.A.	52	823,594	24.01.91	Melstar Industries Ltd.

1 – Throughout the year.

2 – For part of the year.

Notes:

- 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.
- In addition to the above remuneration, employees are entitled to gratuity, medical benefits, etc. in accordance with the Company's rules.
- The nature of employment in all cases is contractual.
- 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, 2011

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 4% (7% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2010-11	2009-10
Total Foreign Exchange earnings*	94	134
Total Foreign Exchange outgo**	76	158

* Includes software export sales by foreign branch.

** Includes expenses of foreign branches.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Enterprise Software and IT Services

Market Direction: Enterprise Applications (comprising Enterprise Resource Management, CRM, SCM, and other applications) are poised for a healthy growth in 2011 and beyond, given the fact that Indian enterprises have started spending on revamping their IT infrastructure to expand and compete on a global level. This is true not only for large organizations, but also for mid-sized enterprises. BFSI and Telecom have the major spenders on applications.

Telecom is a major spender on ERM and CRM applications. Now that the ARPU (average revenue per user) has reached a limit, the differentiating factor for telcos would be better customer service. For this, they are spending on ERM to streamline their back-end processes, and also on customer relationship management and contact centers to retain their existing customers as well as to target the potential customers.

The manufacturing vertical, which has been the mainstay for ERM deployment, has begun investing in SCM and CRM applications. Government has also deployed applications for better services to citizens through projects like Citizen Service Centers, Complaint Forums, etc. Other emerging verticals are retail and wholesale, travel and transportation, and healthcare.

Large Customers: For the large customers, a proper business case and RoI for the implementation is primary, whereas deployment cost is a secondary matter. They pay due attention to the type of technology deployed, proper implementation and integration, a skilled implementation partner, and necessary training for their employees.

SMB Customers: Value for money is the mantra for this segment. They want to achieve more with less. Hence price is a very important consideration for them.

Enterprise Storage

The external disk storage market for Q3 2010 registered a modest y-o-y growth and a q-o-q decline. In Q3 2010 storage revenues were pegged at \$65.8 mn with a 7.8% y-o-y growth and a 5.9% q-o-q decline. Capacity shipments showed considerable growth of 64.3% y-o-y and 16.2% q-o-q.

Telecom, manufacturing, IT/ITeS along with banking were the major drivers for IT spending and accounted for more than 3/4th of the storage revenues. IT and banking dominated the spending on high-end storage while manufacturing, telecom and IT spent more on mid range and entry level. Government again emerged as the focus vertical for the major vendors with upcoming green-field opportunities.

Customers were cautious about IT spending and churning out value from every dollar spent. Investment protection, lower TCO, SLA improvements were high on the buyers checklist. Storage virtualization and management showed increased adoption across various industry verticals especially where customers are upgrading their data centers.

Cloud service providers had some significant wins to showcase their storage infrastructure provision capabilities through Platform, Infrastructure as well as Software-as-a-Service. Storage on cloud is being looked upon with interest as well as apprehension. Some users see it as a significant cost reduction and investment protection tool while others feel potential loss of control and governance of their information. However, there have been some early adopters.

Virtualization continued to drive storage spending along with demand for unstructured data management arising out of file sharing and surveillance solutions deployment

Storage vendors reshaped their strategy as an information management solution provider, trying to deliver more value to customers with less expenditure.

High-end storage systems doubled in growth especially due to major data center and IT refresh investments, while the other two classes showed nominal decline.

Server

The Indian server market has witnessed a constant upswing in demand over the last five year except 2009, which was impacted due to global slowdown in the economy. 2010 grew by around 17% over the previous quarter in terms of unit shipment, which was a clear indication of recovery from recession.

IT/ITeS continued to be the demand center for the server market, followed by Communication & Media, Manufacturing, Banking and Government.

Pricing remains the key factor for demand generation in government and the SMB segment, while application environment, data criticality, scalability, technical features play key roles in buying decisions of large corporate.

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 are appended elsewhere in the Annual Report.

An Analysis of financial performance for the year ended 31st March 2011 is given hereinafter:

Sr. No.	Particulars	As on 31.03.2011 Rs. in Lakhs	As on 31.03.2010 Rs. in Lakhs
1	Share Capital	1428	1428
2	Reserves & Surplus	21	22
3	Secured Loans	265	329
4	Unsecured Loans	--	15
5	Fixed Assets	1167	1235
6	Investments	--	--
7	Debtors	Rs.454 Lakhs representing 67 days revenue for the year	Rs. 372 Lakhs representing 70 days revenue for the year
8	Cash and Bank Balances	26	59
9	Other Current Assets	--	0.37
10	Loans & Advances	325	228
11	Current Liabilities	430	416
12	Provisions	54	56
13	Profit and Loss Account (Dr. Bal)	227	374
14	Impact of Foreign Exchange Fluctuations	Loss of Rs.0.29 Lakhs	Loss of Rs.1.69 Lakhs
15	Depreciation	86	93

Material Developments in 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 31.03.2011 was 534.

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 AND MANAGER

Place: Mumbai, 19th May, 2011



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 Board comprises of two Promoter and Non-Executive Directors and three Non-Executive and Independent Directors.

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	Chairman	Promoter and Non-Executive Chairman	6	15	--	1
Mr. P V R Murthy	Director	Promoter and Non-Executive Director	4	14	5	2
Mr. Anoj Arvind Menon	Director	Non-Executive and Independent Director	2	1	--	--
Mr. Rajesh Shah	Director	Non-Executive and Independent Director	3	1	3	1
Mr. M. S. Adige	Director	Non-Executive and Independent Director	5	3	--	--
Mr. Surinder Mohan Arora Upto 30.06.10	Managing Director	Executive Director	--	--	--	--

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 5 times during the year ended 31st March, 2011 viz. on 05th May 2010, 09th August 2010, 18th October 2010, 29th October 2010, and 08th February 2011. 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 24.09.2010
1	Mr. Yashovardhan Birla	5	5	No
2	Mr. P V R Murthy	5	5	No
3	Mr. Anoj Menon	5	5	No
4	Mr. Rajesh Shah	5	4	Yes
5	Mr. M. S. Adige	5	5	Yes

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, four meetings of the Committee were held, viz. on 05th May 2010, 09th August 2010, 29th October 2010, and 08th February 2011.

The composition of the Audit Committee for the year ended 31st March, 2011 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. P V R Murthy	Member	Promoter and Non-Executive Director	4	4
2	Mr. Rajesh Shah	Chairman	Independent and Non-Executive Director	4	3
3	Mr. M. S. Adige	Member	Independent and Non-Executive Director	4	4
4	Mr. Anoj Menon	Member	Independent and Non-Executive Director	4	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 31.03.2011 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 3 times, i.e. on 18th October 2010, 19th November 2010 and 25th March 2011.

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 received Zero complaint from the member during the financial year under report.

During the year, the Registrar had registered 7 transfers comprising 3600 shares and processed 31 requests for dematerialization of 3400 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 remuneration paid to the Chief Executive Officer / Manager and the Managing Director of the Company for the year ended 31st March, 2011 is as under:

a) Executive Director

Name	Designation	Sitting Fee (Rs.)	Salary (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund and others	Total (Rs.)
Mr. Richard D'Souza	Chief Executive Officer / Manager	Nil	30,00,000	4,74,890	3,60,000	38,34,890
Mr. S M Arora	Managing Director (upto 30.06.2010)	Nil	6,15,000	1,34,794	73,800	8,23,594

Note: The Resolutions passed by the shareholders of the Company approving their terms are deemed as binding.

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. 50,000
2	Mr. P V R Murthy	Promoter and Non-Executive Director	Rs. 90,000
3	Mr. Anoj Menon	Non-Executive and Independent Director	Rs. 90,000
4	Mr. Rajesh Shah	Non-Executive and Independent Director	Rs. 70,000
5	Mr. M. S. Adige	Non-Executive and Independent Director	Rs. 90,000

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: 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, 2 nd Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	<ol style="list-style-type: none"> Increase in Authorized Share Capital of the Company from Rs. 20.00 crores to Rs. 55.00 crores. Alteration of Memorandum of Association by substituting Clause V. Alteration of Articles of Association by substitution of Article 4. Further issuance of securities.
AGM: 2009-10	24.09.2010	3.00 p.m.	M. C. Ghia Hall, 2 nd Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	<ol style="list-style-type: none"> Alteration of Articles of Association relating to appoint Mr. Yashovardhan Birla as a permanent Director Appointment of Mr. Richard D'Souza as the MANAGER of the Company

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 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 website 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/Company Secretaries 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	12.08.2011	3.30 pm	M. C. Ghia Hall, 2nd Floor, 18/20, K. Dubhash Marg, Kalaghoda, Mumbai - 400 001
Dates of book closure	From FRIDAY 05.08.2011 to FRIDAY 12.08.2011 (both days inclusive)			

Special Resolutions: Proposed Nil Special Resolutions



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 2011-12 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 31.03.2011:

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 -10	11.95	9.80	50,582	11.69	10.21	104630	17558.71	5,357.83
May-10	12.00	9.25	1,03,567	11.98	9.71	112665	16944.63	5,174.70
Jun-10	13.50	9.50	1,55,449	13.25	9.70	288020	17700.90	5,319.21
Jul -10	13.75	10.05	3,59,723	13.90	10.00	289791	17868.29	5,474.84
Aug-10	14.50	10.10	2,07,996	14.80	10.05	253546	17971.12	5,375.62
Sep-10	12.50	10.20	1,41,058	12.00	10.05	137583	20069.12	5,947.07
Oct-10	11.00	9.50	78,079	10.95	9.75	133867	20032.34	5,992.77
Nov-10	12.00	8.75	75,867	11.75	9.75	146586	19521.25	6,094.00
Dec-10	11.25	7.70	51,897	10.94	7.69	146940	20509.09	6,824.82
Jan-11	12.25	8.15	24,2592	11.99	9.05	191603	18327.76	6,371.10
Feb-11	9.85	7.20	24,912	9.68	8.20	40669	17823.40	6,106.81
Mar-11	9.20	7.55	54,491	8.99	7.65	57609	19445.22	6,548.10

DISTRIBUTION OF SHAREHOLDING AS AT 31st March, 2011

Shareholding of Nominal value of Rs.	No. of Share holders	% of Total	Shares	% of Total
1 – 500	8828	81.7862	1517602	10.6251
501 – 1,000	1055	9.7739	901214	6.3096
1,001 – 2,000	469	4.3450	738881	5.1731
2,001 – 3,000	163	1.5101	420584	2.9446
3,001 – 4,000	62	0.5744	222370	1.5569
4,001 – 5,000	50	0.4632	238778	1.6717
5,001-10,000	93	0.8616	672618	4.7092
10,001 and above	74	0.6856	9571092	67.0097
Total	10794	100.0000	1,42,83,139	100.0000

Shareholding Pattern as at 31.03.2011

	Category	No. of shares	% of holding
A	Promoters' holding		
1.	Bodies Corporate pursuant to open offer purchase	71,41,471	50.00
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	10,06,181	7.04
3.	Indian Public / HUFs/ Employees	57,15,286	40.01
4.	NRIs	2,76,778	1.95
5.	Foreign Individuals	43,423	0.30
	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 31.03.2011, the number of shares of the Company in demat form stood at **1,40,13,093** share representing **98.11%** 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 **31.03.2011** 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

Place: Mumbai, 19th May, 2011



19th May, 2011

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 31.03.2011 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

COMPANY SECRETARY'S CERTIFICATE

**TO THE MEMBERS OF
MELSTAR INFORMATION TECHNOLOGIES LIMITED
MUMBAI**

We have reviewed and examined the records concerning the compliance of the conditions of Corporate Governance by **MELSTAR INFORMATION TECHNOLOGIES LIMITED**, for the year ended on **31st March, 2011**, 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.

Based on such a review, 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 of the stock exchanges.

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 D P PARIKH & CO.
COMPANY SECRETARIES**

**D P PARIKH
PROPRIETOR
ACS NO.11452
C P NO.9028**

Place: Mumbai, 19th May, 2011



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 March 31, 2011, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date 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. The financial statements for the year ended March 31, 2010 have been audited by another firm of Chartered Accountants. We have relied on the same for the purpose of this report.
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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, according to the information and explanations given to us during the course of the audit and on the basis of such checks as we considered appropriate, we enclose 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 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 purpose 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, Profit and Loss Account and 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 sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - (vi) On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956;
 - (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and the notes thereon, 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 March 31, 2011;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For Kanu Doshi Associates
Chartered Accountants
Firm Registration No.: 104746W

Place : Mumbai
Date : May 19, 2011

Arati Parmar
Partner
Membership No.: 102888

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our Report of even date on the accounts of **MELSTAR INFORMATION TECHNOLOGIES LIMITED** for the year ended March 31, 2011)

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed and explained to us, all Fixed Assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off a substantial part of its fixed assets.
- (ii) The Company's nature of operations does not require it to hold inventories. Consequently, clause 4(ii) of the order is not applicable.
- (iii) According to information and explanations given to us, 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 301 of the Companies Act, 1956. Accordingly, the sub-clauses (b),(c),(d),(f) and (g) of clause (iii) are not applicable to the Company.
- (iv) 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 continuing failure to correct major weaknesses in internal control system.
- (v) 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 (iv) above
 - (a) The particulars of contracts or arrangements referred in Section 301 that needed to be entered into 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 prevailing market price at the relevant time.
- (vi) During the year, the Company has not accepted any deposits from the public. As such, the compliance with directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and nature of its business.
- (viii) 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.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities during the year except for tax deducted as source (Pay as You Earn – in respect of United Kingdom 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. 8,78,291/-).

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (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.
- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. The Company has not incurred cash losses during the current year. However, it has incurred cash losses in the immediately preceding financial year.



- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investment and timely entries have generally been made therein. All shares, securities, debentures and other investment have been held by the Company in its own name.
- (xv) According to the information and explanations given to us and the record examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) On the basis of an overall examination of the Balance Sheet of the Company and according to the information and explanations given to us, in our opinion there are no funds raised on short-term basis, which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued debentures during the financial year and hence, the question of creating securities in respect thereof does not arise.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) On the basis of our examination and according to the information and explanation given to us, no fraud, on or by the Company, has been noticed or reported during the course of our audit.

For Kanu Doshi Associates
Chartered Accountants
Firm Registration No: 104746W

Place : Mumbai
Date : May 19, 2011

Arati Parmar
Partner
Membership No.: 102888

Balance Sheet as at March 31, 2011

	Schedule No.	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	142,831,390		142,831,390
Reserves and Surplus	2	2,136,361		2,234,739
			144,967,751	145,066,129
Loan Funds				
Secured Loans	3	26,474,966		32,873,909
Unsecured Loans	4	—		1,491,174
			26,474,966	34,365,083
TOTAL			171,442,717	179,431,212
APPLICATION OF FUNDS				
Fixed Assets	5			
Gross Block		194,083,826		192,286,625
Less : Accumulated Depreciation and Amortisation		77,402,807		68,827,301
Net Block			116,681,019	123,459,324
Investments	6		—	—
Current Assets, Loans and Advances				
Sundry Debtors	7	45,351,828		37,155,495
Cash and Bank	8	2,567,246		5,895,549
Other Current Assets	9	—		37,357
Loans and Advances	10	32,534,292		22,816,545
		80,453,366		65,904,946
Less : Current Liabilities and Provisions				
Current Liabilities	11	42,974,070		41,634,650
Provisions	12	5,449,257		5,656,316
		48,423,327		47,290,966
Net Current Assets			32,030,039	18,613,980
Profit and Loss Account			22,731,659	37,357,908
TOTAL			171,442,717	179,431,212
Significant Accounting Policies and Notes to Accounts	17			
The schedules referred to above and the notes thereon form an integral part of the Financial Statements				

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No. 102888

Mumbai, Dated : May 19, 2011

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary
Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager



Profit and Loss Account for the year ended 31st March, 2011

	Schedule No.	Rupees	Previous Year Rupees
INCOME			
Income from Services		248,521,547	194,909,517
Other Income	13	13,370,492	9,019,232
		261,892,039	203,928,749
EXPENDITURE			
Software Development expenses		9,573,300	18,853,817
Employees Cost	14	200,519,068	162,220,022
Operating and Other expenses	15	25,111,623	41,702,089
Interest Expenses	16	4,939,495	4,958,204
Depreciation and Amortisation		8,639,992	9,286,909
		248,783,478	237,021,041
Profit/ (Loss) Before Exceptional Items and Tax		13,108,561	(33,092,292)
Exceptional Item (Refer note no. 2(b) of schedule 17)		1,517,688	–
Profit/ (Loss) Before Tax		14,626,249	(33,092,292)
Provision for Taxation			
Income Tax			
- Current Tax of Earlier Years written back		–	3,280,486
Net Profit/(Loss) After Tax		14,626,249	(29,811,806)
Deficit Brought Forward From Previous Year		(37,357,908)	(7,546,102)
Balance carried to Balance Sheet		(22,731,659)	(37,357,908)
Earnings Per Share (Refer note no.7 of schedule 17)			
- Basic and Diluted (Before Exceptional Item)		0.92	(2.09)
- Basic and Diluted (After Exceptional Item)		1.02	(2.09)
Face value of Equity Shares (in Rs.)		10.00	10.00
Significant Accounting policies and notes to accounts	17		
The schedules referred to above and the notes thereon form an integral part of the Financial Statements			

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No. 102888

Mumbai, Dated : May 19, 2011

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary
Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	Rupees	2010-11 Rupees	Rupees	2009-10 Rupees
A Cash flow from operating activities				
Profit/(Loss) before tax		14,626,249		(33,092,292)
Adjustments for :				
Depreciation and amortisation	8,639,992		9,286,909	
Provision for diminution in the value of long term investments	–		1,250,000	
Fixed Assets/ Intangible Assets written off	52,807		2,334,632	
Exceptional Item (Refer note no. 2(b) of schedule 17)	(1,517,688)		–	
(Profit)/Loss on Sale of Fixed Assets sold/ discarded (Net)	(2,000)		591,202	
Interest on Income Tax refund	–		(2,746,333)	
Interest expense	4,939,495		4,958,204	
Interest on Bank Fixed Deposits	(45,656)		(52,055)	
Exchange Difference (Net)	(26,945)		604,948	
		12,040,005		16,227,507
Operating profit/ (loss) before working capital changes		26,666,254		(16,864,785)
Adjustments for :				
Trade and other receivables	(8,398,719)		(12,149,574)	
Trade payables	1,162,571	(7,236,148)	8,450,710	(3,698,864)
Cash generated from/ (used in) operations		19,430,106		(20,563,649)
Income Tax (Paid) /Received (Net)		(9,587,730)		7,056,174
Net cash generated from/ (used in) operating activities		9,842,376		(13,507,475)
B Cash flow from investing activities				
Interest received on Bank Fixed Deposits	83,013		17,028	
Additions to fixed assets	(1,913,989)		(2,712,877)	
Proceeds from sale of fixed assets	2,000		435,869	
Interest on Income Tax refund	–		2,746,333	
Repayment of loans/advances by subsidiaries (net)	–		166,760	
Net cash (used in)/ generated from investing activities		(1,828,976)		653,113
C Cash flow from financing activities				
Proceeds from borrowings	1,551,747		29,662,972	
Repayment of borrowings	(7,994,817)		(8,000,000)	
Inter Corporate Deposit received	–		10,000,000	
Repayment of Inter Corporate Deposit	–		(14,000,000)	
Interest paid	(4,925,578)		(5,129,865)	
Net cash (used in) / generated from financing activities		(11,368,648)		12,533,107
Net decrease in cash and cash equivalents		(3,355,248)		(321,255)
Opening balance of cash and cash equivalents		5,923,666		6,244,921
Closing balance of cash and cash equivalents		2,568,418		5,923,666



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 2011 Rs	31st March 2010 Rs
Cash and Bank Balances	2,567,246	5,895,549
Unrealised loss on foreign currency cash and cash equivalents	1,172	28,117
Total cash and cash equivalents	2,568,418	5,923,666

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

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No. 102888

Mumbai, Dated : May 19, 2011

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary
Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager

Schedules forming part of Balance Sheet as at March 31, 2011

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 1: SHARE CAPITAL			
Authorised:			
549,50,000 (Previous year 549,50,000) Equity Shares of Rs.10/- each		549,500,000	549,500,000
50,000 (Previous year 50,000) Preference Shares of Rs.10/- each		500,000	500,000
TOTAL		<u>550,000,000</u>	<u>550,000,000</u>
Issued, subscribed and paid up :			
Equity:			
14,283,139 (Previous year 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 (Previous year 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 (Previous year 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 (Previous year 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 (Previous year 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		<u>142,831,390</u>	<u>142,831,390</u>
SCHEDULE 2 : RESERVES AND SURPLUS			
1. Capital Reserve As per last Balance Sheet		173,542	173,542
2. Capital Redemption Reserve As per last Balance Sheet		20,000	20,000
3. Foreign Currency Translation Reserve Balance at the commencement of the year	2,041,197		2,120,749
Less: Debited during the year	<u>(98,378)</u>		<u>(79,552)</u>
TOTAL		<u>1,942,819</u>	<u>2,041,197</u>
		<u>2,136,361</u>	<u>2,234,739</u>



	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 3 : SECURED LOANS			
From Banks :			
a. Term Loans		3,342,656	2,451,782
b. Overdraft Facility		23,132,310	30,422,127
TOTAL		<u>26,474,966</u>	<u>32,873,909</u>
Notes :			
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 & future, current & fixed assets of the Company.			
SCHEDULE 4 : UNSECURED LOANS			
Other Loans and Advances			
- From Subsidiary Company		-	1,491,174
TOTAL		<u>-</u>	<u>1,491,174</u>

**SCHEDULE 5:
FIXED ASSETS**

(RUPEES)

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1/4/2010	Additions	Adjustments/ Deductions	As at 31/03/2011	Upto 1/4/2010	For the year	Adjustments/ Deductions	As at 31/03/2011	As at 31/03/2011	As at 31/03/2010
LEASEHOLD LAND	304,995	-	-	304,995	44,046 *	3,974	-	48,020	256,975	260,949
BUILDINGS (INCLUDING IMPROVEMENTS TO LEASEHOLD PREMISES) **	152,139,251	-	-	152,139,251	43,913,263	5,713,821	-	49,627,084	102,512,167	108,225,988
PLANT AND MACHINERY	16,637,978	1,250,188	(116,788)	17,771,378	10,297,817	1,168,225	(64,486)	11,401,556	6,369,822	6,340,161
FURNITURE AND FIXTURE	19,137,209	481,439	-	19,618,648	12,295,909	1,192,910	-	13,488,819	6,129,829	6,841,300
VEHICLES	2,633,082	-	-	2,633,082	1,697,855	250,143	-	1,947,998	685,084	935,227
INTANGIBLE ASSETS: -SOFTWARE UTILITIES	1,434,110	182,362	-	1,616,472	578,411	310,919	-	889,330	727,142	855,699
TOTAL	192,286,625	1,913,989	(116,788)	194,083,826	68,827,301	8,639,992	(64,486)	77,402,807	116,681,019	123,459,324
PREVIOUS YEAR	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	-

* 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, based on report issued by approved independent valuer.

Note:

Adjustments/ deductions include obsolete fixed assets discarded during the year. (Cost Rs.66,180 accumulated depreciation and amortisation Rs.13,373)

(Previous year Cost Rs.27,889,869 and depreciation and amortisation Rs 25,555,236)

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 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 (Previous year 45,940) shares (common stock) of US\$ 25/- each of Melstar Inc. (USA) Less: Provision for diminution		64,648,453 (64,648,453) —	64,648,453 (64,648,453) —
ii) 150,000 (Previous year 150,000) shares of Sterling Pound 1/- each of Melstar UK Limited (UK) Less: Provision for diminution		9,790,695 (9,790,695) —	9,790,695 (9,790,695) —
iii) 958,992 (Previous year 958,992) shares of Sterling Pound 1/- each of Melstar Limited (UK) Less: Provision for diminution		94,245,891 (94,245,891) —	94,245,891 (94,245,891) —
iv) 1,700,000 (Previous year 1,700,000) shares of SGD 1/- each of Melstar Singapore Pte Ltd Less: Provision for diminution		45,989,728 (45,989,728) —	45,989,728 (45,989,728) —
Others 125,000 (Previous year 125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd Less: Provision for diminution		1,250,000 (1,250,000) —	1,250,000 (1,250,000) —
TOTAL		— — —	— — —
Note: Aggregate of Unquoted Investments Cost/ carrying amount		—	—
SCHEDULE 7 : SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated) (Refer note no. 15 of schedule 17) Debts outstanding for a period exceeding six months			
Considered Good	340,501		445,434
Considered Doubtful	44,038,611		<u>43,677,091</u>
		44,379,112	44,122,525
Other Debts		45,011,327	<u>36,710,061</u>
		89,390,439	80,832,586
Less : – Provision		44,038,611	<u>43,677,091</u>
TOTAL		45,351,828	<u>37,155,495</u>
* Includes debts due from a subsidiary companies Rs.17,393,388 (previous year Rs.17,393,388)			



	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 8 : CASH AND BANK			
1. Cash on Hand		35,489	7,250
2. Bank Balances			
a) with Scheduled Banks			
i) in Current Accounts	2,326,332		4,863,034
ii) in Deposit Accounts (Margin deposit under lien)	–		350,000
		2,326,332	5,213,034
b) with others in Current Account			
i) PNC Bank (New Jersey) (Maximum balance during the year Rs.549,871 (Previous year Rs.6,373,482))	45,860		22,560
ii) PNC Bank (New Jersey) (Maximum balance during the year Rs.1,297,209 (Previous year Rs.6,507,056))	159,565		76,841
iii) Barclays Bank (London) (Maximum balance during the year Rs.576,291 (Previous year Rs.648,852))	–		575,864
		205,425	675,265
TOTAL		2,567,246	5,895,549
SCHEDULE 9 : OTHER CURRENT ASSETS			
Interest Accrued on Bank Fixed Deposit		–	37,357
TOTAL		–	37,357
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)			
1. Loans and Advances to Subsidiaries Considered Good Considered Doubtful (Refer note no.2 (a) of schedule 17)	– 114,306,058		– 114,306,058
2. Advances recoverable in cash or kind or for value to be received Considered Good Considered Doubtful	3,905,654 200,114	114,306,058	4,863,888 1,083,609
		4,105,768	5,947,497
3. Unbilled Services (Subsequently Billed)		6,164,729	5,076,478
4. Advance Payment of Income Tax		22,440,161	12,852,431
5. Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)		23,748	23,748
		147,040,464	138,206,212
Less : – Provision		114,506,172	115,389,667
TOTAL		32,534,292	22,816,545
SCHEDULE 11 : CURRENT LIABILITIES			
Sundry Creditors – (Refer note no.15 of schedule 17)			
i) Total outstanding dues of Micro Enterprises and Small Enterprises (Refer note no.14 of schedule 17)		19,309	–
ii) Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises		27,299,066	31,410,498
Other Liabilities		15,655,695	10,193,942
Interest Accrued but not due on Loans		–	30,210
TOTAL		42,974,070	41,634,650
SCHEDULE 12 : PROVISIONS			
For Gratuity (Refer note no. 12 [ii] of schedule 17)		3,019,976	3,457,314
For Compensated absences (Refer note no. 12[ii] of schedule 17)		2,429,281	2,199,002
TOTAL		5,449,257	5,656,316

Schedules forming part of Profit and Loss Account for the year ended March 31, 2011.

	Rupees	Previous Year Rupees
Schedule 13: OTHER INCOME		
Sundry Credit Balances Written Back	168,399	—
Profit on Assets sold / discarded (Net)	2,000	—
Provision for doubtful debts/ advances written back (Net)	516,994	—
Excess Provision of Earlier Years Written Back	2,529,008	547,132
Miscellaneous Income	448,435	1,263,712
Rent (Tax deducted at Source Rs.990,720 (Previous year Rs. 514,618)	9,660,000	4,410,000
Interest on Bank Fixed Deposits (Tax deducted at Source Rs. 5,725 (Previous year Rs.Nil))	45,656	52,055
Interest on Income Tax Refunds (Net)	—	2,746,333
TOTAL	13,370,492	9,019,232
Schedule 14: EMPLOYEES COST		
a) Salaries, Wages and Bonus	190,248,248	152,452,577
b) Contribution to Provident and Other funds	7,241,232	6,028,068
c) Gratuity	664,341	1,447,117
d) Compensated Absences	1,689,872	1,727,586
e) Staff Welfare	675,375	564,674
TOTAL	200,519,068	162,220,022
Schedule 15: OPERATING AND OTHER EXPENSES		
Electricity	2,597,375	2,968,545
Rent	3,838,865	3,327,217
Rates and Taxes	732,089	3,318,902
Insurance	622,747	559,239
Repairs and Maintenance		
- Plant and Machinery	437,634	533,503
- Building	—	642,018
Travelling and Conveyance	1,712,881	2,932,579
Communication Expenses	2,009,994	2,168,908
Advertising and Sales promotion expenses	1,780,140	1,016,273
Commission on sales	—	249,705
Legal and Professional fees	3,623,916	8,988,028
Recruitment Expenses	1,657,434	2,344,920
Loss on Sale of Fixed Assets (Net)	—	591,202
Provision for Doubtful Debts and Advances (Net)	—	1,326,641
Provision for Diminution in the value of long term investment	—	1,250,000
Irrecoverable Debts/ Advances written off	923,864	1,130,089
Exchange Difference (Net)	28,961	169,307
Fixed Assets/ Intangible Assets written off	52,807	2,334,632
Directors Sitting Fees	390,000	430,000
Miscellaneous Expenses	4,702,917	5,420,381
TOTAL	25,111,623	41,702,089
Note : (Miscellaneous Expenses includes Auditor's Remuneration, Bank Charges, Security Expenses, Vehicle Expenses etc.)		
Schedule 16 : INTEREST EXPENSES		
On Fixed Loans	432,763	698,147
Others	4,506,732	4,260,057
TOTAL	4,939,495	4,958,204



Schedule 17: Significant Accounting policies and Notes to Accounts

A. Significant Accounting Policies:

a) System of Accounting:

The accounts have been prepared on the basis of Going Concern concept and under the historical cost convention except for certain Fixed Assets which are revalued. The Company adopts accrual basis in preparation of its accounts to comply in all material aspects with applicable accounting principles generally accepted in India, the Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and the relevant provisions of the Companies Act, 1956, to the extent applicable.

b) Use of estimates :

The preparation of financial statements in accordance with the generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate is recognized in the period in which the estimates are revised and in any future period affected.

c) Fixed Assets and Intangible Assets :

Fixed Assets are valued at cost, except for certain Fixed Assets which have been stated at revalued amounts as determined by approved independent valuer, after reducing accumulated depreciation until the date of the balance sheet. Direct Costs are capitalised until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

The advances given for acquiring fixed assets are shown under Capital Work in Progress.

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.

d) 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.

Overseas Investments are carried at their original rupee cost.

e) Depreciation and Amortisation:

Depreciation in respect of assets 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.

Individual assets cost of which doesn't exceed Rs. 5,000/- each are depreciated in full in the year of purchase.

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.

f) Inventories:

Software Finished Goods (Traded) :

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

g) 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.

h) 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.

i) 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/ compensated absences.

j) 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 recognised on time proportion basis.

Lease rentals are recognised on straight line basis over the lease term.

k) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefit in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period.

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.

l) 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).

m) 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.

n) 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.

o) 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.

p) Cash Flow Statement:

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

q) Earnings per share:

In determining earnings per share, the company considers the net profit after tax after reducing the preference dividend and tax thereon and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

r) Cash and cash equivalents:

Cash and cash equivalents for the purpose of Cash Flow Statement comprises of cash at banks, cash in hand (including cheques in hand) and bank deposits.

B. Notes to Accounts

1. (i) Rupees

	As at 31.03.2011	As at 31.03.2010
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.	882,963	695,982

(ii) **Contingent Liability :** Rupees

Particulars	As at 31.03.2011	As at 31.03.2010
Disputed ESIC Liability: 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

2. (a) The Company, considering the erosion/substantial erosion in the net worth of its wholly-owned subsidiaries (including a wholly-owned subsidiary located at Singapore which was Struck Off during the year and the two wholly-owned subsidiaries located at UK, one of which was dissolved during the year and another 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 (includes Rs.16,303,514 (Previous year Rs.16,303,514) being debts due from one of the step down subsidiary located at UK which was dissolved in the earlier year) aggregating to Rs. 131,699,446 (Previous year Rs. 131,699,446). The Company is in the process of 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.

- (b) A wholly-owned subsidiary located at UK, was dissolved subsequent to the year-end. Accordingly, Exceptional Item for the year of Rs.1,517,688 on account loan written back as no longer payable to said subsidiary, credited to Profit and Loss Account.

3. The break up of deferred tax assets as at 31st March, 2011 is as under :

Rupees

	As at 31.03.2011	Credit/ (Charge)	As at 31.03.2010
Provision for Gratuity & Leave Encashment	1,768,284	310,951	1,457,333
Provision for Doubtful Debts & Advances	51,447,782	(26,958)	51,474,740
Others	10,096,068	(4,722,696)	14,818,764
Total Deferred tax assets	63,312,134	(4,438,703)	67,750,837

The deferred tax assets, not recognised as at the year end, would be accounted for in the subsequent year/years considering the requirements of the Accounting Standard (AS) 22 on "Accounting for Taxes on Income", regarding reasonable/virtual certainty and the accounting policy followed by the Company in this respect.

4. Managerial Remuneration under Section 198 of the Companies Act, 1956 paid/ payable to Managerial personnel:

Rupees

Particulars	Current Year	Previous Year
Salary and allowances	3,332,742	2,624,000
Contribution to Provident Fund	399,929	314,880
Perquisites in cash or in kind	565,004	574,770
Paid to Non-Executive Directors		
- Sitting fees	390,000	430,000
Total	4,687,675	3,943,650

Notes:

- 1) Remuneration for the current year is the minimum managerial remuneration paid to one of the Directors for the period from 1st April, 2010 to 30th June, 2010, in accordance with Schedule XIII of the Companies Act, 1956 and is in accordance with the shareholders resolution.
- 2) The Company has received the approval of the Central Government under section 269, 198/309, 310 and 637AA of the Companies Act, 1956 vide its letter no. SRN No.A96579347/4/2011 – CL-VII dated 21st April, 2011 with respect to appointment and remuneration of a Manager of the Company for a period of three years from 5th May, 2010 to 4th April, 2013.
- 3) The above amount does not include remuneration paid by a foreign subsidiary company to one of the non executive director of the Company Rs. Nil (previous year Rs. 1,450,087).
- 4) In addition to the aforesaid remuneration, the Company has paid notice pay to an Executive Director Rs. Nil (Previous year Rs.750,000), in terms of service agreement with the said Director.
- 5) Since the employee wise break up of liabilities on account of retirement schemes based on actuarial valuation is not ascertainable, the amount relatable to Directors could not be included in above.



5. Payments to Auditors:

Rupees

Sr No	Particulars	Current Year *	Previous Year *
a.	As Auditors	300,000	1,000,000
b.	As Advisors or any other capacity in respect of :		
i.	Taxation matters	-	-
ii.	In any other manner, certification work, etc.	8,000	100,000
c.	Reimbursement of expenses	-	7,520
d.	To Branch Auditors	70,000	25,000
	Total	378,000	1,132,520

*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

Product	Opening Stock		Sales		Closing Stock	
	Qty. (Nos)	Value (Rs.)	Qty. (Nos)	Value (Rs.)	Qty. (Nos)	Value (Rs.)
Software Services	--	--	--	248,521,547	--	--
	(--)	(--)	(--)	(194,909,517)	(--)	(--)
Total	--	--	--	248,521,547	--	--
	(--)	(--)	(--)	(194,909,517)	(--)	(--)

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	5,194,722	9,120,259
Foreign Travel	-	731,575
Legal and Professional Charges	881,340	2,838,523
Others	1,558,289	3,117,869
Total	7,634,351	15,808,226

Note: Expenses of Foreign branches Rs.7,599,936 (Previous year Rs.15,061,523) have been included in the appropriate heads above.

C. EARNINGS IN FOREIGN CURRENCY

Rupees

Particulars	Current Year	Previous Year
FOB Value of Exports	9,394,142	13,443,383

The above includes:

Software Exports Rs.3,799,578 (Previous year Rs.4,292,254) and Income from Services by foreign Branch Rs.5,594,564 (Previous year Rs. 9,151,129)

7. Earnings per share is calculated as follows:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a. Net Profit/(Loss) after tax, before Exceptional Item, attributable to equity shareholders (Rupees)	13,108,561	(29,811,806)
Exceptional Item	1,517,688	-
Net Profit/(Loss) attributable to equity shareholders, after Exceptional Item (Rupees)	14,626,249	(29,811,806)
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 before Exceptional Item (Rupees)	0.92	(2.09)
e. Basic and Diluted Earnings per share after Exceptional Item (Rupees)	1.02	(2.09)

8. Related parties disclosures

1) Names of related parties and description of relationship:

i. Subsidiaries and step down subsidiary	Melstar Inc. Melstar Limited (Dissolved on 19 th May, 2010) Linkhand Support Limited (Dissolved on 12 th August, 2008) Melstar UK Limited (Dissolved on 26 th April, 2011) Melstar Singapore Pte. Limited (Struck Off as on 05 th October, 2010)
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. Richard D'Souza (Chief Executive Officer and Manager) (Manager w.e.f. 5 th May, 2010) Mr. Surinder Mohan Arora (Managing Director)(Up to 30 th June, 2010) Mr. Sattar Shaikh (Executive Director)(Up to 24 th April,2009) Mr. Bharat Ramani (Non-Executive Director) (Up to 22 nd 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 24 th 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	
		2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
a)	Loans and advances								
	Balance as at 1st April	114,306,058	114,320,349	-	-	50,940	-	-	-
	Melstar Inc	51,034,988	51,049,279	-	-				
	Melstar Limited	54,510,067	54,510,067	-	-				
	Melstar Singapore Pte Limited	8,761,003	8,761,003	-	-				
	Birla Shloka Edutech Limited	-	-	-	-	12,234			
	Birla Edutech Limited	-	-	-	-	12,234			
	Birla Global Corporate Limited	-	-	-	-	26,472			
	Given/Adjusted during the year	-	135,360	-	-	-	50,940	-	-
	Melstar Inc	-	135,360	-	-				
	Melstar Limited	-		-	-				
	Melstar Singapore Pte Limited	-		-	-				
	Birla Shloka Edutech Limited	-		-	-		12,234		
	Birla Edutech Limited	-		-	-		12,234		
	Birla Global Corporate Limited	-		-	-		26,472		
	Repaid/Adjusted during the year	-	149,651	-	-	50,940	-	-	-
	Melstar Inc		149,651						
	Melstar Limited								
	Melstar Singapore Pte Limited								
	Birla Shloka Edutech Limited					12,234			
	Birla Edutech Limited					12,234			
	Birla Global Corporate Limited					26,472			
	Balance as at March 31 (Includes Rs. 114,306,058) (Previous year Rs.114,306,058) provision made towards doubtful loans and advances to subsidiary companies)	114,306,058	114,306,058	-	-	-	50,940	-	-
	Melstar Inc	51,034,988	51,034,988	-	-	-	-	-	-
	Melstar Limited	54,510,067	54,510,067	-	-	-	-	-	-
	Melstar Singapore Pte Limited	8,761,003	8,761,003	-	-	-	-	-	-
	Birla Shloka Edutech Limited	-	-	-	-	-	12,234	-	-
	Birla Edutech Limited	-	-	-	-	-	12,234	-	-
	Birla Global Corporate Limited	-	-	-	-	-	26,472	-	-
b)	Investments								
	Balance as at March 31 (includes Rs.214,674,767 (Previous year Rs.24,674,767) provided towards diminution)	214,674,767	214,674,767	-	-	-	-	-	-
	Melstar Inc	64,648,453	64,648,453						
	Melstar Limited	94,245,891	94,245,891						
	Melstar Singapore Pte Limited	45,989,728	45,989,728						
	Melstar UK Limited	9,790,695	9,790,695						
c)	Sundry Debtors								
	Balance as at March 31 (includes Rs.17,393,388 (Previous year Rs.17,393,388) provided towards doubtful debts)	17,393,388	17,393,388	-	-	-	36,000	-	-
	Linkhand Support Limited	16,303,514	16,303,514						
	Melstar Inc	1,089,874	1,089,874						
	Birla Shloka Edutech Limited						36,000		

24th Annual Report 2010-2011

	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence		Relatives of Key Management Personnel	
		2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
d)	Unsecured Loans								
	Balance as at 1st April	1,491,174	1,603,395	-	-	-	4,000,000	-	-
	Melstar UK Limited	1,491,174	1,603,395						
	Shearson Investment & Trading Company Private Ltd						4,000,000		
	Received/Adjusted during the year	26,514	-	-	-	-	10,000,000	-	-
	Melstar UK Limited	26,514							
	Shearson Investment & Trading Company Private Ltd						10,000,000		
	Repaid/Adjusted/Written back during the year	1,517,688	112,221	-	-	-	14,000,000	-	-
	Melstar UK Limited	1,517,688	112,221						
	Shearson Investment & Trading Company Private Ltd						14,000,000		
	Balance as at March 31	-	1,491,174	-	-	-	-	-	-
	Melstar UK Limited	-	1,491,174	-	-	-	-	-	-
	Shearson Investment & Trading Company Private Ltd	-	-	-	-	-	-	-	-
e)	Deposits Received								
	Balance as at March 31	-	-	-	-	4,500,000	4,500,000	-	-
	Birla Edutech Limited					2,700,000	2,700,000		
	Birla Shloka Edutech Limited					1,800,000	1,800,000		
f)	Sundry Creditors								
	Balance as at March 31	-	-	263,000	460,610	1,335,121	116,980	-	-
	Mr.Surinder Mohan Arora				186,600				
	Mr.Richard D'Souza			263,000	274,010				
	Birla Viking Travels Private Limited					18,141			
	Birla Global Corporate Limited					1,316,980	116,980		
g)	Income								
	Sales of Services	-	3,765,625	-	-	-	1,274,125	-	-
	Melstar Inc		3,765,625						
	Zenith Birla India Ltd.						1,213,625		
	Birla Shloka Edutech Limited						60,500		
	Rent	-	-	-	-	9,000,000	3,750,000	-	-
	Birla Shloka Edutech Limited					3,600,000	1,500,000		
	Birla Edutech Limited					5,400,000	2,250,000		
	Other Income	-	-	-	-	11,440	-	-	-
	Birla Edutech Limited					11,440			
h)	Expenditure								
	Remuneration	-	-	4,658,484	9,600,959	-	-	-	57,763
	Mr.Surinder Mohan Arora			823,594	4,569,012				
	Mr.Richard D'Souza			3,834,890	3,411,600				
	Mr.Sattar Shaikh				*1,620,347				
	Mr.Farooq Shaikh								57,763
	Sitting Fees	-	-	140,000	160,000	-	-	-	-
	Mr.Yashovardhan Birla			50,000	60,000				
	Mr.P.V.R.Murthy			90,000	100,000				
	Interest	-	-	-	-	-	469,387	-	-
	Shearson Investment & Trading Company Private Ltd						469,387		



	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence		Relatives of Key Management Personnel	
		2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
	Other expenses	-	-	-	-	1,368,021	2,208,579	-	-
	Birla Viking Travels Private Limited					163,521	18,599		
	Birla Kerala Vaidhshala Private Limited						128,000		
	Birla Transasia Carpets Limited					4,500			
	Birla Global Corporate Limited					1,200,000	2,061,980		
i)	Sales of Vehicle	-	-	-	300,000	-	-	-	-
	Mr.Sattar Shaikh				300,000				

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. Nil (Previous year 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 2011	For the year ended 31-03-2010
a)	Loans and advances given		
	Subsidiaries :		
	Melstar Inc	-	135,360*
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Shloka Edutech Limited	-	12,234
	Birla Edutech Limited	-	12,234
	Birla Global Corporate Limited	-	26,472
b)	Loans and advances repaid		
	Subsidiaries :		
	Melstar Inc	-	149,651*
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Shloka Edutech Limited	12,234	-
	Birla Edutech Limited	12,234	-
	Birla Global Corporate Limited	26,472	-
c)	Unsecured Loan		
	Subsidiaries :		
	Melstar UK Ltd.		
	Loans received / adjusted during the year	26,514	-
	Loans repaid/adjusted during the year	1,517,688	-
	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
	Loans repaid/adjusted during the year	-	14,000,000
d)	Income		
	Subsidiaries :		
	Sale of Services		
	Melstar Inc	-	3,765,625

	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Sale of Services Zenith Birla India Limited	-	1,213,625
	Rent Birla Shloka Edutech Limited	3,600,000	1,500,000
	Birla Edutech Limited	5,400,000	2,250,000
e)	Key Management Personnel (Remuneration)		
	Mr.S.M.Arora	823,594	4,569,012
	Mr.Sattar Shaikh	-	**1,620,347
	Mr.Richard D'Souza	3,834,890	3,411,600
		4,658,484	9,600,959
f)	Key Management Personnel (Sitting Fees)		
	Mr.Yashovardhan Birla	50,000	60,000
	Mr.P V R Murthy	90,000	100,000
		140,000	160,000
g)	Relatives of Key Management Personnel (Remuneration)		
	Mr.Farooq Shaikh	-	57,763
h)	Interest		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Shearson Investment & Trading Company Private Limited	-	469,387
i)	Other Expenses		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Global Corporate Limited	1,200,000	2,061,980
	Birla Viking Travels Private Limited	163,521	-
j)	Sales of Vehicle		
	Key Management Personnel		
	Mr.Sattar Shaikh	-	300,000

* 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, 2011	Amount outstanding as at March 31, 2010	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*#	152,469*#	152,469	302,119
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	114,306,058		

* 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, 2011 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*	31,550,957	407,173	GBP
	(31,550,957)	(407,173)	
	11,764,389	246,016	USD
	(11,934,288)	(249,845)	
TOTAL	43,315,346		
	(43,485,245)		
Loans and Advances**	28,520,136	350,974	GBP
	(28,520,136)	(350,974)	
	34,672,961	798,689	USD
	(34,672,961)	(798,689)	
	8,761,003	334,262	SGD
	(8,761,003)	(334,262)	
TOTAL	71,954,100		
	(71,954,100)		

Amount payable in foreign currency on account of the following

Particulars	Amount in Rupees	Amount in Foreign Currency CHF
Import of services	157,716	3,220
	(139,040)	(3,220)
TOTAL	157,716	3,220
	(139,040)	(3,220)

* Of these, Rs.42,348,262 (previous year Rs. 42,348,262) has been provided towards doubtful recoveries.

** Fully provided towards doubtful recoveries (previous year Rs.71,954,100).

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. 6,335,783 (Previous year Rs. 5,355,331) 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, 2011 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 31.03.2011	As on 31.03.2010
I)	Reconciliation in present value of obligations (PVO) – defined benefit obligation :		
	Current Service Cost	2,866,438	1,022,738
	Interest Cost	259,299	250,034
	Actuarial (gain)/losses	(2,461,396)	(475,655)
	Benefits paid	(1,101,679)	(1,216,042)
	Past service cost	-	650,000
	PVO at the beginning of the year	3,457,314	3,226,239
	PVO at end of the year	3,019,976	3,457,314
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	3,019,976	3,457,314
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,019,976)	(3,457,314)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,019,976)	(3,457,314)
IV)	Net cost for the year ended March 31, 2011 :		
	Current Service cost	2,866,438	1,022,738
	Interest cost	259,299	250,034
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(2,461,396)	(475,655)
	Past service cost	-	650,000
	Net cost	664,341	1,447,117
V)	Category of assets as at March 31, 2011 :	-	-
VI)	Actual return on the plan assets	-	-
VII)	Assumption used in accounting for the gratuity plan:		
	Discount rate (%)	8.00	7.50
	Salary escalation rate (%)	6.00	6.00
	Expected rate of return on plan assets	N.A.	N.A.



Note:

Provision towards compensated absences made on the basis of actuarial valuation as per Accounting Standard 15 (Revised) and short-term compensated absences. Actuarial value liability is Rs. 827,155 (Previous year Rs.1,074,541) based upon the following assumptions:

	2010-11	2009-10
Discount Rate	8.00%	7.50%
Salary Escalation	6.00%	6.00%

The liability towards short-term compensated absences is Rs.1,602,126 (Previous year Rs.1,124,461).

13. The Company achieved higher turnover during the current year, compared to the previous year. The Company has earned profit for the year and the net worth though eroded, 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 31 st March, 2011 Rs.	For the year ended 31 st March, 2010 Rs.
A Principal amount remaining unpaid as on 31 st March 2011	19,309	-
B Interest due thereon as on 31 st March 2011	-	-
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 31 st March 2011	-	-
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. The Company has received confirmations from few debtors/ creditors. Remaining Debtors/ Creditors are subject to confirmation and reconciliation if any.
16. 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.

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

For and on behalf of the Board of Directors

Arati Parmar
Partner
Membership No. 102888

Yashovardhan Birla
Chairman

Mumbai, Dated : May 19, 2011

P.V. R. Murthy
Director

Richard D'Souza
Chief Executive Officer and Manager

Vijay Modi
Company Secretary

Mumbai, Dated : May 19, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1	1	-	4	0	6	0	4
---	---	---	---	---	---	---	---

 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

Date Month Year

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

Public Issue	Rights Issue																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										
Bonus Issue	Private Placement																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										

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

Total Liabilities	Total Assets																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>7</td><td>1</td><td>4</td><td>4</td><td>3</td></tr></table>			1	7	1	4	4	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>7</td><td>1</td><td>4</td><td>4</td><td>3</td></tr></table>			1	7	1	4	4	3		
		1	7	1	4	4	3												
		1	7	1	4	4	3												
Sources of Funds	Reserves & Surplus																		
Paid-up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>2</td><td>1</td><td>3</td><td>7</td></tr></table>						2	1	3	7									
					2	1	3	7											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										Unsecured Loans									
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L	Investments									
						N	I	L											
Application of Funds	Misc. Expenditure																		
Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L									
						N	I	L											
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>6</td><td>6</td><td>8</td><td>1</td></tr></table>			1	6	6	8	1	Net Current Assets											
		1	6	6	8	1													
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L
						N	I	L											
Accumulated Losses	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	Total Expenditure																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									
Earnings Per Share in Rs. (Refer note no.7 above)	Final Dividend rate %																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									

BASIC	+	-	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									
DILUTED	+	-	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									

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

Item Code No.

8	5	2	4	.	2	3	0	1
---	---	---	---	---	---	---	---	---

(ITC Code)

Product Description

C	O	M	P	U	T	E	R			S	O	F	T	W	A	R	E
---	---	---	---	---	---	---	---	--	--	---	---	---	---	---	---	---	---

Item Code No.

N	I	L
---	---	---

(ITC Code)

Product Description

N	I	L
---	---	---

Item Code No.

N	I	L
---	---	---

(ITC Code)

Product Description

N	I	L
---	---	---

For and on behalf of the Board of Directors

Yashovardhan Birla

Chairman

P.V. R. Murthy

Director

Vijay Modi

Company Secretary

Mumbai, Dated : May 19, 2011

Richard D'Souza

Chief Executive Officer and Manager



**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, 2011 %	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, 2011	31.12.1992	US\$	1,148,500	100%	27,361	Nil	(1,772,382)	Nil
				51,236,021		1,220,608	Nil	(79,068,176)	Nil
Melstar UK Limited (Refer Note No. 3 below)	March 31, 2011	08.10.1999	GBP	150,000	100%	126,228	Nil	(276,228)	Nil
				10,779,000		9,070,744	Nil	(19,849,744)	Nil
Melstar Limited (Refer Note No. 2 below)	May 19, 2010	02.01.2001	GBP	958,992	100%	-	Nil	(958,992)	Nil
				68,913,165		-	Nil	(68,913,165)	Nil
Melstar Singapore Pte Limited (Refer Note No.4 below)	October 05, 2010	16.03.2001	SG\$	1,700,000	100%	334,248	Nil	(2,034,248)	Nil
				60,201,250		11,836,557	Nil	(72,037,807)	Nil

Notes:

- Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate :
(a) 1 US\$ = Rs. 44.61125
(b) 1 GBP = Rs. 71.86 and (c) 1 SG\$ = Rs. 35.4125
- Melstar Limited stands dissolved on 19th May 2010 as advised by GCD Harrison, Liquidator vide their letter dated 5th July, 2010
- Melstar UK Limited stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk
- Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of the Company has been Struck Off on 5th October, 2010 by the said Regulatory 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 : May 19, 2011

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF MELSTAR INFORMATION TECHNOLOGIES LIMITED AND ITS SUBSIDIARIES

To the Board of Directors of
MELSTAR INFORMATION TECHNOLOGIES LIMITED

- 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 March 31, 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the group for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of 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. The Consolidated financial statements for the year ended March 31, 2010 have been audited by another firm of Chartered Accountants. We have relied on the same for the purpose of this report.
- 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.
- We further report that in respect of the following subsidiaries, we did not carry out the audit. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors. The details of assets, revenue (including exceptional items of Rs. 14,485,743) and net cashflow in respect of the said subsidiaries are given below:

Name of the Subsidiary	Total Assets	Total Revenue	Net Cashflow
Melstar Inc.	(Rs.50,339,475/-)	Rs.7,450,116/-	(Rs.441,815/-)
Melstar Singapore Pte. Limited	-	Rs.2,731,093/-	(Rs.494/-)
Melstar UK Limited	-	Rs.11,754,650/-	(Rs.16,428/-)

- Attention is invited to Note No. 8 and 9 of Schedule 18 regarding performance of the Parent Company and a wholly owned subsidiary located at USA 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.
- We report that the Consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21- "CONSOLIDATED FINANCIAL STATEMENTS" as notified under the Companies (Accounting Standards) Rules, 2006.
- 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 and read with Significant Accounting Policies and read together with the notes thereon, we are of the opinion that the attached Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Consolidated Balance Sheet, of the state of the affairs of the group as at March 31, 2011;
 - in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date and
 - in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For **Kanu Doshi Associates**
Chartered Accountants
Firm Registration No.: 104746W

Arati Parmar
Partner
Membership No.: 102888

Place: Mumbai
Date: May 19, 2011



CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

	Schedule No.	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	142,831,390		142,831,390
Reserves and Surplus	2	79,624,161		84,080,950
			222,455,551	226,912,340
Loan funds				
Secured Loans	3	26,474,966		32,873,909
Unsecured Loans	4	–		676,800
			26,474,966	33,550,709
TOTAL			248,930,517	260,463,049
APPLICATION OF FUNDS				
Fixed Assets	5			
Gross Block			194,083,826	192,286,625
Less : Accumulated Depreciation and Amortisation			77,402,807	68,827,301
Net Block			116,681,019	123,459,324
Investments	6		–	–
Current Assets, Loans and Advances				
Sundry Debtors	7	46,977,819		38,759,782
Cash and Bank	8	2,726,642		6,519,624
Other Current Assets	9	–		37,357
Loans and Advances	10	32,534,292		22,816,545
		82,238,753		68,133,308
Less : Current Liabilities and Provisions				
Current Liabilities	11	45,968,056		55,541,823
Provisions	12	5,449,257		5,656,316
		51,417,313		61,198,139
Net Current Assets			30,821,440	6,935,169
Profit and Loss Account	13		101,428,058	130,068,556
TOTAL			248,930,517	260,463,049
Significant Accounting Policies and Notes to accounts	18			
The schedules referred to above and the notes thereon form an integral part of the Financial Statements				

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No. 102888

Mumbai, Dated : May 19, 2011

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary

Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2011

	Schedule No.	Rupees	Previous Year Rupees
INCOME			
Income from Services		255,013,782	203,878,653
Other income	14	14,328,373	15,750,831
		269,342,155	219,629,484
EXPENDITURE			
Software Development Expenses		15,540,428	26,369,564
Employees Cost	15	200,519,068	163,576,686
Operating and Other Expenses	16	25,548,417	42,253,430
Interest Expenses	17	4,939,495	5,014,483
Depreciation and Amortisation		8,639,992	9,286,909
		255,187,400	246,501,072
Profit/(Loss) Before Exceptional Items and Tax		14,154,755	(26,871,588)
Exceptional Items (Refer note no.7 (a) of schedule 18)		14,485,743	52,965,496
Profit Before Tax		28,640,498	26,093,908
Provision for Taxation			
Income Tax			
- Current tax of earlier years written back		-	3,280,486
Net Profit After Tax		28,640,498	29,374,394
Deficit brought forward from previous year		(289,251,662)	(318,626,056)
Balance carried to Balance Sheet		(260,611,164)	(289,251,662)
Earnings Per Share (Refer note no.5 of schedule 18)			
- Basic and Diluted		2.01	2.06
Face value of Equity Shares (in Rs.)		10.00	10.00
Significant Accounting Policies and Notes to Accounts	18		
The schedules referred to above and the notes thereon form an integral part of the Financial Statements			

As per our report of even date
For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No. 102888

Mumbai, Dated : May 19, 2011

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary

Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	Rupees	2010-11 Rupees	Rupees	2009-10 Rupees
A Cash flow from operating activities				
Profit before tax		28,640,498		26,093,908
Adjustments for :				
Depreciation and amortisation	8,639,992		9,286,909	
Provision for diminution in the value of long term investment	–		1,250,000	
(Profit)/Loss on Fixed Assets sold discarded (Net)	(2,000)		591,202	
Fixed Assets/ Intangible Assets written off	52,807		2,334,632	
Liabilities written back (Including exceptional items) (Refer note no.7 (a) and 7 (b) of schedule 18)	(14,485,743)		(56,434,112)	
Sundry credit balances written back	(672,984)		–	
Exchange Difference (Net)	(66,065)		1,119,091	
Interest on Income Tax refund	–		(2,746,333)	
Interest on Bank Fixed deposits	(45,656)		(52,055)	
Interest Expense	4,939,495	(1,640,154)	5,014,483	(39,636,183)
Operating Profit/ (Loss) before working capital changes		27,000,344		(13,542,275)
Adjustments for :				
Trade and other Receivables	(8,404,506)		(10,084,329)	
Trade and other Payables	330,469	(8,074,037)	(317,629)	(10,401,958)
Cash generated from/ (used in) operations		18,926,307		(23,944,233)
Income Tax (paid)/Refund (Net)		(9,587,730)		7,056,174
Net cash generated from/ (used in) operating activities		9,338,577		(16,888,059)
B Cash flow from investing activities				
Interest received on Bank Fixed Deposits	83,013		17,028	
Additions to fixed assets	(1,913,989)		(2,712,877)	
Proceeds from sale of fixed assets	2,000		435,869	
Interest on Income Tax refund	–		2,746,333	
Net cash (used in) /generated from investing activities		(1,828,976)		486,353
C Cash flow from financing activities				
Proceeds from borrowings	1,551,747		29,662,972	
Repayment of borrowings	(7,994,817)		(8,000,000)	
Inter Corporate Deposit received	–		10,000,000	
Repayment of Inter Corporate Deposit	–		(14,000,000)	
Interest paid	(4,925,578)		(5,186,144)	
Net cash (used in)/ generated from financing activities		(11,368,648)		12,476,828
Net decrease in cash and cash equivalents		(3,859,047)		(3,924,878)
Opening balance of cash and cash equivalents		6,587,770		10,512,648
Closing balance of cash and cash equivalents		2,728,723		6,587,770

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 2011 Rs	31st March 2010 Rs
Cash and Bank Balances	2,726,642	6,519,624
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	2,081	68,146
Total cash and cash equivalents	2,728,723	6,587,770

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

As per our report of even date
For Kanu Doshi Associates
 Chartered Accountants
 Firm Registration No. 104746W

For and on behalf of the Board of Directors

Arati Parmar
 Partner
 Membership No. 102888

Yashovardhan Birla
 Chairman

Mumbai, Dated : May 19, 2011

P.V. R. Murthy
 Director

Richard D'Souza
 Chief Executive Officer and Manager

Vijay Modi
 Company Secretary
 Mumbai, Dated : May 19, 2011



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2011

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 1: SHARE CAPITAL			
Authorised:			
549,50,000 (Previous year 549,50,000) Equity Shares of Rs.10/- each		549,500,000	549,500,000
50,000 (Previous year 50,000) Preference Shares of Rs.10/- each		500,000	500,000
TOTAL		550,000,000	550,000,000
Issued, subscribed and paid up :			
Equity:			
14,283,139 (Previous year 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 (Previous year 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 (Previous year 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 (Previous year 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 (Previous year 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 as per last Balance Sheet		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	16,416,433		18,962,523
Less: (Debited)/Credited during the year	(52,130)		1,178,686
Less: Credited to Profit and Loss Account	(4,404,658)		(3,724,775)
(Refer note no.7 (a)(ii) & 7(b)(ii) of schedule 18)		11,959,645	16,416,434
TOTAL		79,624,161	84,080,950

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2011

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 3 : SECURED LOANS			
From Banks :			
a. Term Loans		3,342,656	2,451,782
b. Overdraft facility		23,132,310	30,422,127
TOTAL		26,474,966	32,873,909
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 Others		–	676,800
TOTAL		–	676,800

SCHEDULE 5:**GROUP CONSOLIDATED FIXED ASSETS AS AT 31 ST MARCH, 2011**

Description	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1/4/2010	Additions	Adjustments/ Deductions	As at 31/03/2011	Upto 1/4/2010	For the year	Adjustments/ Deductions	As at 31/03/2011	As at 31/03/2011	As at 31/03/2010
LEASEHOLD LAND	304,995	-	-	304,995	44,046	3,974	-	48,020*	256,975	260,949
BUILDINGS (INCLUDING IMPROVEMENTS TO LEASEHOLD PREMISES) **	152,139,251	-	-	152,139,251	43,913,263	5,713,821	-	49,627,084	102,512,167	108,225,988
PLANT AND MACHINERY AND EQUIPMENT	16,637,978	1,250,188	(116,788)	17,771,378	10,297,817	1,168,225	(64,486)	11,401,556	6,369,822	6,340,161
FURNITURE AND FIXTURE	19,137,209	481,439	-	19,618,648	12,295,909	1,192,910	-	13,488,819	6,129,829	6,841,300
VEHICLES	2,633,082	-	-	2,633,082	1,697,855	250,143	-	1,947,998	685,084	935,227
INTANGIBLE ASSETS: -SOFTWARE UTILITIES	1,434,110	182,362	-	1,616,472	578,411	310,919	-	889,330	727,142	855,699
TOTAL	192,286,625	1,913,989	(116,788)	194,083,826	68,827,301	8,639,992	(64,486)	77,402,807	116,681,019	123,459,324
PREVIOUS YEAR	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	

* 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, based on report issued by approved independent valuer.

Notes:

Adjustments/ deductions include obsolete fixed assets discarded during the year. (Cost Rs.66,180 accumulated depreciation and amortisation Rs.13,373)
(Previous year Cost Rs.27,889,869 and depreciation and amortisation Rs 25,555,236)



SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2011

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 6: INVESTMENTS			
Long term (At cost/ Carrying amount unless otherwise stated)			
Trade Investment- Unquoted			
125,000 (Previous year 125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd		1,250,000	1,250,000
Less: Provision for diminution		<u>(1,250,000)</u>	<u>(1,250,000)</u>
TOTAL		<u>-</u>	<u>-</u>
Note:			
Aggregate of Unquoted Investments			
Cost/ carrying amount		-	-
SCHEDULE 7 : SUNDRY DEBTORS			
(Unsecured, considered good unless otherwise stated)			
(Refer note no.13 of schedule 18)			
Debts outstanding for a period exceeding six months			
Considered Good	340,501		445,434
Considered Doubtful	<u>26,645,223</u>		<u>26,283,703</u>
		26,985,724	26,729,137
Other debts		<u>46,637,318</u>	<u>38,314,348</u>
		73,623,042	65,043,485
Less :- Provision		<u>26,645,223</u>	<u>26,283,703</u>
TOTAL		<u>46,977,819</u>	<u>38,759,782</u>
SCHEDULE 8 : CASH AND BANK			
1. Cash on hand		35,489	7,250
2. Bank balances			
a) with Scheduled Banks			
i) in current accounts	2,326,332		4,863,034
ii) in deposit accounts (Margin deposit under lien)	<u>-</u>		<u>350,000</u>
		2,326,332	5,213,034
b) With others in current account			
i) PNC Bank - US		364,821	707,469
(MITL - US - Maximum balance during the year Rs.549,871 (Previous year Rs.6,373,482))			
(MITL -US - Maximum balance during the year Rs.1,297,209 (Previous year Rs.6,507,056))			
(Melstar Inc - Maximum balance during the year Rs.7,475 (Previous year Rs.4,431,974))			
(Melstar Inc - Maximum balance during the year Rs.891,982 (Previous year Rs.4,504,476))			
ii) Barclays Bank (London)		-	591,421
(MITL - UK - Maximum balance during the year Rs.576,291 (Previous year Rs.648,852))			
(Melstar UK Ltd - Maximum balance during the year Rs.15,568 (Previous year Rs.86,802))			
(Melstar Ltd - Maximum balance during the year Rs.Nil (Previous year Rs.195,249))			
iii) Development Bank of Singapore		-	450
(Maximum balance during the year Rs.448 (Previous year Rs.2,465))			
TOTAL		<u>2,726,642</u>	<u>6,519,624</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31,2011

	Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
SCHEDULE 9 : OTHER CURRENT ASSETS			
Interest accrued on Bank Fixed Deposit		-	37,357
TOTAL		<u>-</u>	<u>37,357</u>
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	3,905,654		4,863,888
Considered doubtful	<u>200,114</u>		<u>1,083,609</u>
		4,105,768	5,947,497
2. Unbilled services (subsequently billed)		6,164,729	5,076,478
3. Advance payment of Income tax		22,440,161	12,852,431
4. Advance payment of Fringe Benefit Tax (Net of provision for taxation)		<u>23,748</u>	<u>23,748</u>
		32,734,406	23,900,154
Less : Provision		200,114	1,083,609
TOTAL		<u>32,534,292</u>	<u>22,816,545</u>
SCHEDULE 11 : CURRENT LIABILITIES			
Sundry Creditors – (Refer note no.13 of schedule 18)			
i) Total outstanding dues of Micro Enterprises and Small Enterprises (Refer note no.12 of schedule 18)		19,309	-
ii) Total outstanding dues to Creditors other than Micro Enterprises and Small Enterprises		30,293,052	37,843,975
Other Liabilities		15,655,695	17,667,638
Interest accrued but not due on loans		-	30,210
TOTAL		<u>45,968,056</u>	<u>55,541,823</u>
SCHEDULE 12 : PROVISIONS			
For Gratuity (Refer note no.11 (ii) of schedule 18)		3,019,976	3,457,314
For Compensated absences (Refer note no.11(ii) of schedule 18)		2,429,281	2,199,002
TOTAL		<u>5,449,257</u>	<u>5,656,316</u>
SCHEDULE 13 : PROFIT AND LOSS ACCOUNT			
Balance as per Profit and Loss Account		260,611,164	289,251,662
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		<u>101,428,058</u>	<u>130,068,556</u>



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Rupees	Previous Year Rupees
Schedule 14: OTHER INCOME		
Profit on Assets sold/discarded (Net)	2,000	–
Sundry credit balances written back	1,126,280	4,642,300
Provision for doubtful debts/ advances written back (Net)	516,994	–
Excess provision of earlier years written back	2,529,008	2,588,385
Miscellaneous income	448,435	1,311,758
Rent (Tax deducted at Source Rs.990,720 (Previous year Rs. 514,618))	9,660,000	4,410,000
Interest on Bank Fixed Deposits, etc. (Tax deducted at source Rs. 5725 (Previous year Rs.Nil))	45,656	52,055
Interest on Income Tax Refunds (Net)	–	2,746,333
TOTAL	14,328,373	15,750,831
Schedule 15: EMPLOYEE COST		
a) Salaries, Wages and Bonus	190,248,248	153,749,826
b) Contribution to Provident and Other funds	7,241,232	6,028,068
c) Gratuity	664,341	1,447,117
d) Compensated Absences	1,689,872	1,727,586
e) Staff Welfare	675,375	624,089
TOTAL	200,519,068	163,576,686
Schedule 16: OPERATING AND OTHER EXPENSES		
Electricity	2,597,375	2,968,545
Rent	3,838,865	3,406,055
Rates and taxes	786,690	3,560,172
Insurance	622,747	1,112,307
Repairs and maintenance		
– Plant and machinery	437,634	533,503
– Building	–	642,018
Travelling and Conveyance	1,712,881	2,946,440
Communication expenses	2,009,994	2,228,771
Advertising and Sales promotion expenses	1,780,140	1,016,273
Commission on sales	–	249,705
Legal and professional Fees	3,756,886	9,624,641
Recruitment Expenses	1,666,183	2,352,800
Provision for doubtful debts and advances (Net)	–	13,616
Provision for Diminution in the value of long term investment	–	1,250,000
Loss on Sale of Fixed Assets (Net)	–	591,202
Irrecoverable Debts/Advances written off	923,864	1,130,089
Exchange Difference (Net)	28,961	169,307
Fixed Assets / Intangible Assets written off	52,807	2,334,632
Directors Sitting Fees	390,000	430,000
Miscellaneous expenses	4,943,390	5,693,354
TOTAL	25,548,417	42,253,430
Note :		
(Miscellaneous expenses includes Auditor's Remuneration, Bank Charges, Security Expenses, Vehicle Expenses, etc.)		
Schedule 17 : INTEREST EXPENSES		
On fixed loans	432,763	698,147
Others	4,506,732	4,316,336
TOTAL	4,939,495	5,014,483

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, 2011.
- ii) The consolidated accounts have been prepared on the basis of Going Concern concept, except for the financial statements of certain subsidiaries not prepared on going concern basis (Refer note no. B – 7 below), and under the historical cost convention except for certain Fixed Assets of the Parent Company which are revalued. The Parent Company and subsidiaries adopt accrual basis in preparation of its accounts to comply in all material aspects with applicable accounting principles generally accepted in India, the Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and the relevant provisions of the Companies Act, 1956, to the extent applicable.
- iii) The preparation of financial statements in accordance with the generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate is recognized in the period in which the estimates are revised and in any future period affected.

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 and Intangible Assets :

Fixed Assets are valued at cost, except for certain Fixed Assets which have been stated at revalued amounts as determined by approved independent valuer, after reducing accumulated depreciation until the date of the balance sheet. Direct Costs are capitalised until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

The advances given for acquiring fixed assets are shown under Capital Work in Progress.

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.

d) 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.

e) Depreciation and Amortisation :

Depreciation in respect of assets 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. Individual assets cost of which doesn't exceed Rs. 5,000/- each are depreciated in full in the year of purchase.



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.

f) **Inventories:**

Software Finished Goods (Traded) :

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

g) **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.

h) **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 items 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.

i) **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/ compensated absences.

j) **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 recognised on time proportion basis.

Lease rentals are recognised on straight line basis over the lease term.

k) **Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefit in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period.

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.

l) **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).

m) **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.

n) **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.

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) **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.

q) **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.

r) **Cash Flow Statement:**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.



s) **Earnings per share:**

In determining earnings per share, the company considers the net profit after tax after reducing the preference dividend and tax thereon and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

t) **Cash and cash equivalents:**

Cash and cash equivalents for the purpose of Cash Flow Statement comprise of cash at banks, cash in hand (including cheques in hand) and bank deposits.

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	
		Current Year	Previous Year
Melstar Inc (MI)	U.S.A.	100%	100%
Melstar Ltd.(ML)	U.K.	-	100%
Melstar U.K. Ltd.(MUK)	U.K.	100%	100%
Melstar Singapore Pte Ltd (MSPL)	Singapore	100%	100%

The consolidated financial statements have been prepared on the basis of audited financial statement of the Parent Company and all the three (Previous year 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.

Melstar Limited a wholly – owned subsidiary located at UK, in respect of which an application was made for voluntary liquidation with the Companies House UK, was dissolved during the year. The accounting effect of the said dissolution had already been recognized in the consolidated financial statement of the previous year.

2. (i)

Rupees

	As at 31.03.2011	As at 31.03.2010
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.	882,963	695,982

(ii) **Contingent Liability :**

Rupee

Particulars	As at 31.03.2011	As at 31.03.2010
Disputed ESIC Liability: 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

3. The break up of deferred tax assets as at 31st March, 2011 is as under :

Parent Company (India)

Rupees

	As at 31.03.2011	Credit/ (Charge)	As at 31.03.2010
Provision for Gratuity & Leave Encashment	1,768,284	310,951	1,457,333
Provision for Doubtful Debts & Advances	51,447,782	(26,958)	51,474,740
Others	10,096,068	(4,722,696)	14,818,764
Total Deferred tax assets	63,312,134	(4,438,703)	67,750,837

The deferred tax assets, not recognised as at the year end, would be accounted for in the subsequent year/years considering the requirements of the Accounting Standard (AS) 22 on "Accounting for Taxes on Income", regarding reasonable/virtual certainty and the accounting policy followed by the Company in this respect.

4. Segment Reporting:

1.

Rupees

Particulars	Asia-Pacific	USA	Others	Total
Segment Revenues				
External Revenue	241,538,258	17,958,331	139,910	259,636,499
Inter- Segment Revenue				-
Total Revenue	241,538,258	17,958,331	139,910	259,636,499
	(184,264,783)	(23,850,288)	(1,035,431)	(209,150,502)
Segment Result Before exceptional Items	17,422,686	1,681,500	129,261	19,233,447
	(-13,167,448)	(-3,383,845)	(357,171)	(-16,194,122)
Exceptional Items allocated to segment	2,731,093	-	11,754,650	14,485,743
	(-)	(-)	(45,231,665)	(45,231,665)
Segment Result after exceptional Items	20,153,779	1,681,500	11,883,911	33,719,190
	(-13,167,448)	(-3,383,845)	(45,588,836)	(29,037,543)
Un-allocable Income	-	-	-	9,705,656
	(-)	(-)	(-)	(10,478,983)
Un-allocable Expenses	-	-	-	9,844,853
	(-)	(-)	(-)	(16,141,965)
Interest Expenses	-	-	-	4,939,495
	(-)	(-)	(-)	(5,014,483)
Exceptional Items Unallocable to Segment	-	-	-	-
	(-)	(-)	(-)	(7,733,830)
Provision for tax	-	-	-	-
	(-)	(-)	(-)	(-)
Income Tax Earlier years (net)	-	-	-	-
	(-)	(-)	(-)	(3,280,486)
Net Profit after tax	-	-	-	28,640,498
	(-)	(-)	(-)	(29,374,394)
Other Information				
Segment Assets	121,052,057	4,177,069	6,603	125,235,729
	(119,330,090)	(4,216,050)	(597,673)	(124,143,813)
Unallocated assets	-	-	-	73,684,043
	(-)	(-)	(-)	(67,448,819)
Total Assets	121,052,057	4,177,069	6,603	198,919,772
	(119,330,090)	(4,216,050)	(597,673)	(191,592,632)
Segment Liabilities	38,347,487	5,330,796	1,543,052	45,221,335
	(36,552,116)	(6,160,347)	(12,259,488)	(54,971,951)
Unallocated liabilities	-	-	-	32,670,944
	(-)	(-)	(-)	(39,776,897)
Total Liabilities	38,347,487	5,330,796	1,543,052	77,892,279
	(36,552,166)	(6,160,347)	(12,259,488)	(94,748,848)
Capital Expenditure				
Segment capital expenditure	1,913,989	-	-	1,913,989
	(2,642,959)	(69,918)	(-)	(2,712,877)
Unallocated capital expenditure	-	-	-	-
	(-)	(-)	(-)	(-)
Total capital expenditure	1,913,989	-	-	1,913,989
	(2,642,959)	(69,918)	(-)	(2,712,877)
Depreciation and Amortisation				
Segment depreciation and amortisation	5,424,032	11,334	-	5,435,366
	(6,047,347)	(8,260)	(-)	(6,055,607)
Unallocated depreciation and amortisation	-	-	-	3,204,626
	(-)	(-)	(-)	(3,231,302)
Total depreciation and amortisation	5,424,032	11,334	-	8,639,992
	(6,047,347)	(8,260)	(-)	(9,286,909)



Significant Non-Cash Expenditure				
Segment significant non cash expenditure	98,157 (3,128,745)	878,514 (940,794)		976,671 (4,069,539)
Unallocated non cash expenditure	- (-)	- (-)	- (-)	- (1,250,000)
Total significant non cash expenditure	98,157 (3,128,745)	878,514 (940,794)	- (-)	976,671 (5,319,539)

2. External Revenue comprises of:

	Rupees
Sales	255,013,782 (203,878,653)
Other Income	4,622,717 (5,271,849)
Total	259,636,499 (209,150,502)

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

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a. Net Profit/ (Loss) after tax and after Exceptional Items attributable to equity shareholders (Rupees)	28,640,498	29,374,394
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 after Exceptional Item (Rupees)	2.01	2.06

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 and Manager) (Manager w.e.f. 5 th May, 2010) Mr. Sattar Shaikh (Executive Director) (Up to 24 th April, 2009) Mr. Bharat Ramani (Non-Executive Director) (Up to 22 nd April, 2009) Mr. A.C.Gale (Director of a subsidiary company up to 22 nd 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 24 th 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	
		2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
a)	Loans and advances						
	Balance as at 1st April	-	-	50,940	-	-	-
	Birla Shloka Edutech Limited	-	-	12,234	-	-	-
	Birla Edutech Limited	-	-	12,234	-	-	-
	Birla Global Corporate Limited	-	-	26,472	-	-	-
	Given/Adjusted during the year	-	-	-	50,940	-	-
	Birla Shloka Edutech Limited	-	-	-	12,234	-	-
	Birla Edutech Limited	-	-	-	12,234	-	-
	Birla Global Corporate Limited	-	-	-	26,472	-	-
	Repaid/Adjusted during the year	-	-	50,940	-	-	-
	Birla Shloka Edutech Limited	-	-	12,234	-	-	-
	Birla Edutech Limited	-	-	12,234	-	-	-
	Birla Global Corporate Limited	-	-	26,472	-	-	-
	Balance as at March 31	-	-	-	50,940	-	-
	Birla Shloka Edutech Limited	-	-	-	12,234	-	-
	Birla Edutech Limited	-	-	-	12,234	-	-
	Birla Global Corporate Limited	-	-	-	26,472	-	-
b)	Sundry Debtors						
	Balance as at March 31	-	-	-	36,000	-	-
	Birla Shloka Edutech Limited	-	-	-	36,000	-	-
c)	Unsecured Loans						
	Balance as at 1st April	-	-	-	4,000,000	-	-
	Shearson Investment & Trading Company Private Ltd	-	-	-	4,000,000	-	-
	Received/Adjusted during the year	-	-	-	10,000,000	-	-
	Shearson Investment & Trading Company Private Ltd	-	-	-	10,000,000	-	-
	Repaid/Adjusted/Written back during the year	-	-	-	14,000,000	-	-
	Shearson Investment & Trading Company Private Ltd	-	-	-	14,000,000	-	-
	Balance as at March 31	-	-	-	-	-	-
	Shearson Investment & Trading Company Private Ltd	-	-	-	-	-	-
d)	Deposits Received						
	Balance as at March 31	-	-	4,500,000	4,500,000	-	-
	Birla Edutech Limited	-	-	2,700,000	2,700,000	-	-
	Birla Shloka Edutech Limited	-	-	1,800,000	1,800,000	-	-
e)	Sundry Creditors						
	Balance as at March 31	263,000	460,610	1,335,121	116,980	-	-
	Mr.Surinder Mohan Arora	-	186,600	-	-	-	-
	Mr.Richard D'Souza	263,000	274,010	-	-	-	-
	Birla Viking Travels Private Limited	-	-	18,141	-	-	-
	Birla Global Corporate Limited	-	-	1,316,980	116,980	-	-



	Particulars	Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence		Relatives of Key Management Personnel	
		2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
f)	Income						
	Sales of Services	-	-	-	1,274,125	-	-
	Zenith Birla India Ltd.				1,213,625		
	Birla Shloka Edutech Limited				60,500		
	Rent	-	-	9,000,000	3,750,000	-	-
	Birla Shloka Edutech Limited			3,600,000	1,500,000		
	Birla Edutech Limited			5,400,000	2,250,000		
	Other Income	-	-	11,440	-	-	-
	Birla Edutech Limited			11,440			
g)	Expenditure						
	Remuneration	4,658,484	11,051,046	-	-	-	57,763
	Mr.Surinder Mohan Arora	823,594	4,569,012				
	Mr.Richard D'Souza	3,834,890	3,411,600				
	Mr.Sattar Shaikh		*1,620,347				
	Mr.Bharat Ramani		1,450,087				
	Mr.Farooq Shaikh						57,763
	Sitting Fees	140,000	160,000	-	-	-	-
	Mr.Yashovardhan Birla	50,000	60,000				
	Mr.P.V.R.Murthy	90,000	100,000				
	Interest	-	-	-	469,387	-	-
	Shearson Investment & Trading Company Private Ltd				469,387		
	Other expenses	-	-	1,368,021	2,208,579	-	-
	Birla Viking Travels Private Limited			163,521	18,599		
	Birla Kerala Vaidhshala Private Limited				128,000		
	Birla Transasia Carpets Limited			4,500			
	Birla Global Corporate Limited			1,200,000	2,061,980		
h)	Sales of Vehicle	-	300,000	-	-	-	-
	Mr.Sattar Shaikh		300,000				

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. Nil (Previous year 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 31-03-2011	For the year ended 31-03-2010
a)	Loans and advances given		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Shloka Edutech Limited	-	12,234
	Birla Edutech Limited	-	12,234
	Birla Global Corporate Limited	-	26,472

b)	Loans and advances repaid		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Shloka Edutech Limited	12,234	-
	Birla Edutech Limited	12,234	-
	Birla Global Corporate Limited	26,472	-
c)	Unsecured Loan		
	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
	Loans repaid/adjusted during the year	-	14,000,000
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
	Rent		
	Birla Shloka Edutech Limited	3,600,000	1,500,000
	Birla Edutech Limited	5,400,000	2,250,000
e)	Key Management Personnel (Remuneration)		
	Mr.Bharat Ramani	-	1,450,084
	Mr.S.M.Arora	823,594	4,569,012
	Mr.Sattar Shaikh	-	*1,620,347
	Mr.Richard D'Souza	3,834,890	3,411,600
		4,658,484	11,051,046
f)	Key Management Personnel (Sitting Fees)		
	Mr.Yashovardhan Birla	50,000	60,000
	Mr.P V R Murhty	90,000	100,000
		140,000	160,000
g)	Relatives of Key Management Personnel (Remuneration)		
	Mr.Farooq Shaikh	-	57,763
h)	Interest		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Shearson Investment & Trading Company Private Limited	-	469,387
i)	Other Expenses		
	Enterprises Over which Key Management Personnel and / or their relatives have significant influence :		
	Birla Global Corporate Limited	1,200,000	2,061,980
	Birla Viking Travels Private Limited	163,521	-
j)	Sales of Vehicle		
	Key Management Personnel		
	Mr.Sattar Shaikh	-	300,000

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

7. a) A wholly-owned subsidiary located at Singapore was struck off during the year and another wholly – owned subsidiary located at UK, was dissolved subsequent to the year-end. Consequently, the accounts of the said subsidiaries are included in the Consolidated Financial Statements, have not been prepared on a going concern basis. Accordingly, Exceptional Items for the year aggregating Rs.14,485,743 on account of the aforesaid, comprise of the following:
- Rs.10,081,085 net liabilities written back as no longer payable.
 - Related exchange differences of Rs. 4,404,658 being balance lying in the foreign currency translation reserve pertaining to the said subsidiary, credited to the Consolidated Profit and Loss Account.



- b) Exceptional item for the previous year aggregating Rs.52,965,496 accounted as a result of dissolution of a wholly-owned subsidiary located at UK and comprise of :
- Rs.49,240,721 net liabilities written back as no longer payable.
 - Related exchange difference 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 during the previous year.
8. 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.
9. The Parent Company achieved higher turnover during the current year, compared to the previous year. The Parent Company has earned profit for the year and the net worth though eroded, 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.
10. 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)	
	11,764,389	246,016	USD
	(11,934,288)	(249,845)	
TOTAL	27,011,832		
	(27,181,731)		

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

Particulars	Amount in Rupees	Amount in Foreign Currency CHF
Import of services	157,716	3,220
	(139,040)	(3,220)
TOTAL	157,716	3,220
	(139,040)	(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.

11. 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. 6,335,783 (Previous year Rs. 5,355,331) 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, 2011 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, 2011.

Rupees

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2011	As on 31.03.2010
I)	Reconciliation in present value of obligations (PVO) – defined benefit obligation :		
	Current Service Cost	2,866,438	1,022,738
	Interest Cost	259,299	250,034
	Actuarial (gain)/losses	(2,461,396)	(475,655)
	Benefits paid	(1,101,679)	(1,216,042)
	Past service cost	-	650,000
	PVO at the beginning of the year	3,457,314	3,226,239
	PVO at end of the year	3,019,976	3,457,314
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	3,019,976	3,457,314
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,019,976)	(3,457,314)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,019,976)	(3,457,314)
IV)	Net cost for the year ended March 31, 2011 :		
	Current Service cost	2,866,438	1,022,738
	Interest cost	259,299	250,034
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(2,461,396)	(475,655)
	Past service cost	-	650,000
	Net cost	664,341	1,447,117
V)	Category of assets as at March 31, 2011 :	-	-
VI)	Actual return on the plan assets	-	-
VII)	Assumption used in accounting for the gratuity plan:		
	Discount rate (%)	8.00	7.50
	Salary escalation rate (%)	6.00	6.00
	Expected rate of return on plan assets	N.A.	N.A.

Note:

Provision towards compensated absences made on the basis of actuarial valuation as per Accounting Standard 15 (Revised) and short-term compensated absences. Actuarial value liability is Rs. 827,155 (Previous year Rs.1,074,541) based upon the following assumptions

	2010-11	2009-10
Discount Rate	8.00%	7.50%
Salary Escalation	6.00%	6.00%

The liability towards short-term compensated absences is Rs.1,602,126 (Previous year Rs.1,124,461).

12. 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 31 st March, 2011 Rs.	For the year ended 31 st March, 2010 Rs.
A	Principal amount remaining unpaid as on 31 st March 2011	19,309	-
B	Interest due thereon as on 31 st March 2011	-	-
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 31 st March 2011	-	-
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.	-	-

13. The Company has received confirmations from few debtors/ creditors. Remaining Debtors/ Creditors are subject to confirmation and reconciliation if any.
14. 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.

As per our report of even date

For Kanu Doshi Associates
Chartered Accountants
Firm Registration No. 104746W

Arati Parmar
Partner
Membership No.102888

Mumbai, Dated: May 19, 2011

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: May 19, 2011

SUMMARIZED FINANCIAL INFORMATION IN RESPECT OF SUBSIDIARIES OF THE COMPANY IN COMPLIANCE WITH THE TERMS OF GENERAL CIRCULAR ISSUED BY THE CENTRAL GOVERNMENT UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 VIDE CIRCULAR NO. 5/12/2007-CL-III DATED 8TH FEBRUARY 2011

In Terms of General Circular issued by the Central Government under Section 212(8) of the Companies Act, 1956 vide Circular No. 5/12/2007-CL-III dated 08th February, 2011, exempted 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 31.3.2011. Information as required in terms of the aforesaid General Circular 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	31.3.2011	US\$	1,148,500	(1,865,490)	543,563	1,260,553	-	144,704	23,328	(4,033)	27,361
			INR	51,236,021	(83,221,841)	24,249,025	56,234,845	-	6,455,426	1,040,691	(179,917)	1,220,608
2 Melstar UK Limited (Refer Note No. 5 below)	United Kingdom	31.3.2011	GBP	150,000	(150,000)	-	-	-	-	126,228	-	126,228
			INR	10,779,000	(10,779,000)	-	-	-	-	9,070,744	-	9,070,744
3 Melstar Limited (Refer Note No. 4 below)	United Kingdom	19.05.2010	GBP	958,992	(958,992)	-	-	-	-	-	-	-
			INR	68,913,165	(68,913,165)	-	-	-	-	-	-	-
4 Melstar Singapore Pte Limited (Refer Note No.6 below)	Singapore	05.10.2010	SG\$	1,700,000	(1,700,000)	-	-	-	-	334,248	-	334,248
			INR	60,201,250	(60,201,250)	-	-	-	-	11,836,557	-	11,836,557

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.44.61125, (b) 1GBP = Rs.71.86, (c) 1SG\$ = Rs.35.4125
- 4 Melstar Limited stands dissolved on 19th May 2010 as advised by GCD Harrison, Liquidator vide their letter dated 5th July, 2010
- 5 Melstar UK Limited stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk
- 6 Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of the Company has been Struck Off on 5th October, 2010 by the said Regulatory Authority.

For and on behalf of the Board of Directors

Yashovardhan Birla
Chairman

P.V. R. Murthy
Director

Vijay Modi
Company Secretary

Mumbai, Dated : May 19, 2011

Richard D'Souza
Chief Executive Officer and Manager



Melstar Information Technologies Limited

Melstar House, G-4, MIDC Cross Road 'A', Andheri (East), Mumbai – 400 093.

E-COMMUNICATION REGISTRATION FORM

To

LINK INTIME INDIA PRIVATE LIMITED
C-13 PANNALAL SILK MILLS COMPOUND
L B S MARG, BHANDUP (WEST)
MUMBAI 400078

Dear Sir/Madam,

Re : Green Initiative in Corporate Governance

UNIT: MELSTAR INFORMATION TECHNOLOGIES LIMITED

I agree to receive all communication from the company in electronic mode. Please register my email id in your records for sending communication through e-mail.

Folio no. :

DP ID :

Client ID :

PAN :

Name of 1st Registered Holder :

Name of Joint Holder(S) :

Registered Address :

Email ID :

Date:

Signature of the first holder

Important Notes:

- 1) On registration, all the communication will be sent to the email ID registered in the Folio/DP IP & Client ID.
- 2) The form is also available on the website of the company www.melstar.com
- 3) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email id given above is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned e-mail ID.

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 ofin 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 ofas my/our proxy, to attend and vote for me/us and on my/our
behalf at the 24th 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 12th August 2011 at 3.30 p.m. and at any adjournment thereof.

Affix
Re. 1/-
Revenue
Stamp

Dated this day of August, 2011

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 24th ANNUAL GENERAL MEETING of the Company being held on Friday the 12th August 2011 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.

Mission

“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.”

Melstar Information Technologies Limited

24th Annual Report 2010-2011

Book - Post

If Undelivered, please return to:



MELSTAR

A Software Services Company

Regd. & Corporate Office:

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