



THE YASH BIRLA GROUP

2011-2012

25th Annual Report

Melstar Information Technologies Limited



A Software Services Company

Business Philosophy

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



Vision

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

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

SEI: CMM Level - III Assessed

ISO-9001 : 2008 Certified

**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

Auditors

M/s. Kanu Doshi Associates
Chartered Accountants
Mumbai

Bankers

Punjab & Sind Bank
HDFC Bank Limited

CHIEF EXECUTIVE OFFICER AND MANAGER

- Mr. Richard D'Souza

COMPANY SECRETARY

- Mrs. Dhara Mirani

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,
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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

301, Aahrini Action Area - 1,
New Town,
Kolkata - 700 156.
Tel. : 09903399853
Fax : (033) 40671033

Gurgaon

SCO 18-19, Sector 14,
Gurgaon - 122 001
Haryana
Tel.: +91 (0124) 4080 842 / 43 / 44
Telefax : +91 (0124) 4080 845

OVERSEAS SUBSIDIARY**Melstar Inc.**

33, Wood Avenue South,
Suite 600,
Iselin, New Jersey 08830
Tel. : 732-744-3399
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NOTICE

Notice is hereby given that the Twenty-fifth Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on **Thursday the 30th August 2012 at 3.00 p.m. at M.C. Ghia Hall, 4th Floor, 18/20, K. Dubash 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, 2012 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. M. S. Adige, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. P. V. R. Murthy who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
4. 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.
5. To authorise the Board of Directors to appoint Branch Auditors, in consultation with the Statutory Auditors of the Company, for the existing overseas branch offices in the US and UK to act until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office:

Melstar House,
G-4, MIDC Cross Road 'A',
Andheri (East), Mumbai - 400 093.
Mumbai 25th May 2012

**By Order of the Board of Directors
For Melstar Information Technologies Limited**

**(DHARA MIRANI)
COMPANY SECRETARY**

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND 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 THURSDAY THE 23.08.2012 to THURSDAY THE 30.08.2012(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 Company 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 company 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 subsidiary to any shareholder on demand.
10. Ministry of Corporate Affairs, New Delhi ("MCA") has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by companies vide its Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated

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April 29, 2011 that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s) to its shareholders. With a view to support the green initiative of the MCA, Annual Reports for Financial Year 2012 of your Company has been sent via Electronic Mode (E-mail) to the Members whose E-mail ID was made available to us by the Company's Registrar and Share Transfer Agents. We are sure that the Members would also like to support the green initiative of the MCA. We request members to register / update their e-mail address with their Depository Participant or the Company's Registrar and Share Transfer Agents, in case they have not already registered / updated the same.

Details of Directors seeking re-appointment are given below:

Item No.	2	3
Name of the director	Mr. M. S. Adige	Mr. P. V. R. Murthy
Date of Birth	07.11.1944	21.04.1951
Date of appointment	23.06.2009	22.04.2009
Qualification	B.Sc (ME)	C.A., MBA
Expertise in specific Functional areas	Has 43 years of cross functional experience in metal industry with exposure to various functional areas including techno-commercial areas of project management. He is a member of regional council of Confederation of Indian Industry (CII), All India Management Association, Bombay Management Association (BMA). Specialist in revival and turnaround of ailing units through re-engineering and reorganization.	Almost 32 years of experience in the finance sector. He has worked as part of the Top Management with various companies over a span of 16 years in the capacity of managing Director, Director, CEO, Advisor, prior to joining the Yash Birla Group (YBG). At YBG, he is looking after Financial Resource Management of all the group companies, Business restructuring, Disinvestments, Merger & Acquisitions, MIS, Management, Internal And Statutory audit, Integrated ERP systems across group companies, Corporate Governance, Investments, in new projects, expansion/diversification of the existing Group Companies etc."
List of other directorship	Birla Precision Technologies Limited Birla Cotsyn (India) Limited Nagpur Power & Industries Limited Artefact Projects Limited Birla Shloka Edutech Limited Birla Pacific Medspa Limited Facor Steels Limited Faiz Super Alloys Private Limited Ahg Metal Endustri Urunleri Ticarete Ve Sanayi, Istanbul, Turkey Birla Energy Infra Limited The Motwane Manufacturing Company Private Limited	Birla Power Solutions Limited. Birla Cotsyn (India) Limited. Birla Precision Technologies Limited. Zenith Birla (India) Limited. Birla Integrated Textile Park Limited. Birla Surya Limited. Birla Edutech Limited. Birla Research and Lifesciences Limited. Birla Pacific Medspa Limited. Birla Infrastructure Limited. Birla Urja Limited. Birla Energy Infra Limited. Birla Kerla Vaidyashala Pvt. Ltd. Birla Wellness & Healthcare Pvt. Limited. Ashok Birla Apollo Hospital Pvt. Limited. Birla Aircon Infrastructure Pvt. Limited. Abhiram Steels Pvt. Limited. Abhiram Hotels & Resorts Pvt. Limited. Vijay PuraanJay Minerals Pvt. Ltd. Birla Terrajoule Private Limited
Chairmanship/Membership of the committees of other Companies (includes only Audit Committee & Shareholders Grievance Committee)	Birla Precision Technologies Limited (Audit Committee Member) Birla Cotsyn (I) Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Pacific Medspa Limited (Audit Committee Member, Shareholder Grievance Committee Member)	Birla Power Solutions Ltd. (Audit Committee Member, Shareholders Grievance Committee Member) Birla Cotsyn (I) Limited (Audit Committee Member & Shareholder Grievance Committee Member) Birla Precision Technologies Limited (Audit Committee Member, Shareholders Grievance Committee Member) Birla Pacifica Medspa Limited (Audit Committee Member)
Note	Mr. M. S. Adige being eligible, offers himself for appointment.	Mr. P. V. R. Murthy being eligible, offers himself for appointment.
No. of shares held	Nil	Nil

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(DHARA MIRANI)
COMPANY SECRETARY

Place: Mumbai, 25th May, 2012



DIRECTORS' REPORT

The Directors present hereunder the 25th 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, 2012. The financial results for the year are summarized as under:

1. FINANCIAL RESULTS

(Rs. in Lakhs)

	2011-12	2010-11
Net Sales / Income From Operations	5,287	2,485
Other Operating Income	57	37
Operating Profit / (Loss) before interest and Depreciation (PBITDA)	208	172
Finance costs	46	52
Depreciation	86	86
Operating Profit before tax	76	34
Other Income, net	107	97
Net Profit before tax and Exceptional Item	183	131
Exceptional Item	-	15
Net Profit before tax and after Exceptional Item	183	146
Provision for taxation	(37)	-
Net Profit after Tax	146	146
Deficit Brought Forward From Previous Year	(227)	(374)
Balance carried to Balance Sheet	(81)	(227)
Face value of Equity Shares (in Rupees)	10	10
EPS-Basic and Diluted (Before Exceptional Item) (in Rupees)	1.02	0.92
EPS-Basic and Diluted (After Exceptional Item) (in Rupees)	1.02	1.02
Book value per Share (in Rupees)	9.57	8.56

2. OPERATIONS

The total sales of the Company for the financial year ended on 31st March, 2012 was Rs. 5,287 Lakhs as against Rs. 2,485 Lakhs during the last financial year ended on 31st March, 2011 showing an increase of 113%. Similarly the net Profit before tax and Exceptional Item during the same periods were Rs. 183 Lakhs and Rs.131 Lakhs, showing a growth of 40%. This increase in sales and net Profit before tax and Exceptional Item 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. 5,353 Lakhs against Rs. 2,550 Lakhs during the preceding year, showing an increase of 110%. The Consolidated Group net Profit before tax and Exceptional Item during the year was Rs. 186 Lakhs as against Rs. 142 Lakhs in the previous year.

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

As on 31st March, 2012, the Company has only one wholly-owned foreign subsidiary, viz. Melstar Inc., in U.S.A.

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

Particulars	2011-12		2010-11	
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	US\$ 137,136	Rs. 66 Lakhs	US\$ 144,704	Rs. 65 Lakhs
Profit	US\$ 8,598	Rs. 3 Lakhs	US\$ 27,362	Rs. 12 Lakhs

The profit during the previous year was mainly on account of sundry balances written back of US\$ 21350 (equivalent to Rs. 10 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.

Melstar UK Limited, a wholly-owned subsidiary, located at U.K., stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk.

Melstar Limited, a wholly owned subsidiary located at U.K. stands dissolved on 19th May, 2010 as advised by G C D Harrison, Liquidator vide their letter dated 5th July, 2010.

Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of Melstar Singapore Pte Limited, a wholly owned subsidiary located at Singapore, 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 conditions are fulfilled. However, as required under the aforesaid approval, a summarized statement of financial position of the subsidiaries has been appended to the Annual Report elsewhere. In terms of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements includes the financial information of all the Subsidiaries.

6. FUTURE PROSPECTS / OUTLOOK

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, 2012 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
- 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 25th May, 2012.

8. PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public or the Shareholders during the year under review.



9. PARTICULARS OF EMPLOYEES

During the year under review, there was no employee covered under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

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. M. S. Adige and Mr. P. V. R. Murthy, Directors of the Company retire by rotation at the ensuing Annual General Meeting and are 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

Mr. P. V. R. Murthy
Director

Mr. M.S. Adige
Director

Mumbai, 25th May, 2012

ANNEXURE TO DIRECTORS' REPORT

I. 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, 2012

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 2% (4% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2011-12	2010-11
Total Foreign Exchange earnings*	113	94
Total Foreign Exchange outgo**	99	76

* Includes software services export sales by foreign branch.

** Includes expenses of foreign branches.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and business overview

India's domestic market was one of the global pockets of growth during the slowdown that continued in FY11 too. This made India into a 'must-be present' business location for most companies, perhaps this is why FY11 saw CEOs of most IT companies make a beeline to visit India.

Moreover, the IT usage moved on from the traditional maintenance and product support services for internal business improvements to adoption of customer facing projects like core banking and developing B2B platform. Customers actually tried upcoming technologies like cloud, mobility, social networking, etc.

With the economic recovery almost complete, the market looked in ship shape in FY11. Customers preferred short-term projects with more visibility, domain knowledge, accountability of business, outsourcing linked to number of customers. The service providers meanwhile invested in acquiring skill and getting deeper into the vertical.

From a vertical perspective, government/enterprises/SMB resumed IT spending. While a large part of business came from the BFSI as RRBs (Regional Rural Banks) signed deals for core banking deployment under mandate from RBI for overall financial inclusion, it was the government that contributed the lion's share with its APDRP (Accelerated Power Development and Reform Program) projects, state data center deals, UID project, CWG (Commonwealth Games) projects, or other stand-alone deals from various state authorities. These deals were typically for 5-10 years and ranged from ' 20 crore to more than '1,000 crore.

Verticals like manufacturing, infrastructure, retail, healthcare utilities, and education were the next level markets, with a lot of discussion around cloud. Predictably vendors too were toying with their plans of deploying private clouds to be on the cloud.

Opportunities

With economy showing an uptake in FY11, competition got tougher resulting in enterprises showing increasing inclination toward streamlining processes to shorten the business cycle, save costs, utilize time, and take timely decisions thereby giving an impetus to the enterprise apps market, which had a growth trajectory of 22% overall. This resulted in not only good sales figures for vendors like SAP, Oracle, and Microsoft, etc, but also helped them expand their product portfolios.

The double-digit growth can be attributed to increased spending by the public sector, BFSI, infrastructure, energy, and automobile. Apps like enterprise resource planning (ERP), supply chain management (SCM), customer relationship management (CRM), and business intelligence (BI) were in demand, but the growth in CRM and BI looked exhilarating.

The vertical apps market growth in FY11 was driven primarily by the core banking and PLM (Product Lifecycle Management) markets as both these markets grew by more than 20%. While the core banking market's growth was obviously due to the government's agenda of financial inclusion, the arrival of private banks too seems to be contributing its bit. Moreover, the competitive spirit of the market forced banks irrespective of size to adopt CBS for growth.

Product lifecycle management or PLM is an all-encompassing approach for innovation, new product development and introduction (NPDI) and product information management from ideation to end of life. PLM Systems as an enabling technology for PLM integrate people, data, processes, and business systems and provide a product information backbone for companies and their extended enterprise. PLM market meanwhile is on an upswing as Indian enterprises go global forcing them to innovate. Also with changing perceptions of enterprises, PLM is being seen as a business hygiene tool.

Threats/ risks

While the current year started with a lot of optimism and hope—both globally and in the Indian market—there have been fears of a second recession since the credit rating of US was downgraded. Global stock markets—a barometer of sentiments—have not done that well. The Company is exposed to the risk of competition from tier-2 IT service providers and also shortage of talent required for specific domain and technologies.

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.

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An Analysis of financial performance for the year ended 31st March 2012 is given hereinafter:

Sr. No.	Particulars	As at 31.03.2012	As at 31.03.2011
		Rs. in Lakhs	Rs. in Lakhs
1	Shareholders' funds		
	a) Share capital	1,428	1,428
	b) Reserves and surplus	(62)	(206)
2	Non-current liabilities		
	(a) Long-term borrowings	6	20
	(b) Other long-term liabilities	-	45
	(c) Long-term provisions	31	36
3	Current liabilities		
	a) Short-term borrowings	164	231
	b) Trade payables	1,602	287
	c) Other current liabilities	109	111
	(d) Short-term provisions	30	18
4	Non-current assets		
	a) Fixed assets	1,085	1,167
	b) Long-term loans and advances	245	244
5	Current assets		
	(a) Trade receivables	Rs.1855 Lakhs representing 128 days revenue for the year	Rs.454 Lakhs representing 67 days revenue for the year
	b) Cash and cash equivalents	21	26
	c) Short-term loans and advances	26	19
	d) Other current assets	76	62
6	Impact of Foreign Exchange Fluctuations	Loss of Rs. 0.02 Lakhs	Loss of Rs. 0.29 Lakhs
7	Depreciation	86	86

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 31.03.2012 was 471.

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

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

Place: Mumbai

25th May, 2012

(RICHARD D'SOUZA)

CHIEF EXECUTIVE OFFICER & MANAGER



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 stakeholders, 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 member ships given in column 5)
1	2	3	4		5	6
			Other Listed Company	Unlisted Limited, Pvt. Ltd. Co.		
Mr. Yashovardhan Birla	Chairman	Promoter and Non-Executive Chairman	7	13	--	1
Mr. P V R Murthy	Director	Promoter and Non-Executive Director	5	15	7	--
Mr. Anoj Arvind Menon	Director	Non-Executive and Independent Director	3	--	1	--
Mr. Rajesh Shah	Director	Non-Executive and Independent Director	4	1	3	1
Mr. M. S. Adige	Director	Non-Executive and Independent Director	7	4	5	--

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. The Agenda for the Board meetings, containing relevant matters as requisite, are distributed in advance to all the Board members.

The Board met Four times during the year ended 31st March, 2012 viz. on 19th May 2011, 12th August 2011, 9th November, 2011 and 10th February, 2012. 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 12.08.2011
1	Mr. Yashovardhan Birla	4	3	No
2	Mr. P V R Murthy	4	4	Yes
3	Mr. Anoj Menon	4	4	No
4	Mr. Rajesh Shah	4	4	Yes
5	Mr. M. S. Adige	4	4	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 19th May 2011, 12th August 2011, 9th November, 2011 and 10th February, 2012.

The composition of the Audit Committee for the year ended 31st March, 2012 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	4
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 31.03.2012 is as under:

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

During the year under report the Committee met Five times, i.e. on 3rd June 2011, 10th June 2011, 15th July, 2011, 26th September, 2011 and 14th October, 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, dmirani@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 07 transfers comprising 700 shares and processed 61 requests for dematerialization of 6001 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:

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

The Composition of the Committee for the year ended 31.03.2012 is as under:

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

Details of remuneration paid to the managerial personnel during the financial year ended 31st March 2012:

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	33,00,000	8,02,725	3,96,000	44,98,725

Note: The Resolution passed by the shareholders of the Company approving the terms is deemed as binding.

Remuneration to Directors

All the Directors are 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. 30,000/-
2	Mr. P V R Murthy	Promoter and Non-Executive Director	Rs. 80,000/-
3	Mr. Anoj Menon	Non-Executive and Independent Director	Rs. 80,000/-
4	Mr. Rajesh Shah	Non-Executive and Independent Director	Rs. 80,000/-
5	Mr. M. S. Adige	Non-Executive and Independent Director	Rs. 80,000/-

GENERAL BODY MEETINGS

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

Financial Year	Date	Time	Location	Special Resolutions transacted
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.

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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	1. Alteration of Articles of Association relating to appoint Mr. Yashovardhan Birla as a permanent Director 2. Appointment of Mr. Richard D'Souza as the MANAGER of the Company
AGM: 2010-11	12.08.2011	3.30 p.m.	M. C. Ghia Hall, 2 nd Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	NIL

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. 28 of the financial statements).

SUBSIDIARY COMPANY

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

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

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

RISK MANAGEMENT

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

MEANS OF COMMUNICATION

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

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

OTHERS

A firm of 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	Thursday	30.08.2012	3.00 p.m.	M. C. Ghia Hall, 4 th Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001
Dates of book closure	From THURSDAY 23.08.2012 to THURSDAY 30.08.2012 (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 30th 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
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The Company has been regular in paying the Listing Fees to the Stock Exchanges. Listing Fees for the year **2012-13** 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 31.03.2012:

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 -11	11.05	8.10	98,141	10.99	8.11	84,155	19,135.96	6,144.39
May-11	10.45	7.35	45,827	9.60	8.22	44,820	18,503.28	5,994.41
Jun-11	9.35	7.10	30,513	8.86	7.50	56,876	18,845.87	6,100.30
Jul -11	9.15	7.20	26,422	8.50	7.60	50,463	18,197.20	5,835.44
Aug-11	9.30	6.60	20,955	8.35	6.61	43,251	16,676.75	5,061.83
Sep-11	8.55	7.00	16,718	8.75	7.01	24,664	16,453.76	5,275.23
Oct-11	7.80	6.75	11,174	7.93	6.83	17,467	17,705.01	5,828.26
Nov-11	7.80	6.85	4,380	7.79	6.60	59,535	16,123.46	5,499.09
Dec-11	7.30	5.35	9,587	7.35	5.51	34,371	15,454.92	5,751.93
Jan-12	7.10	5.50	11,548	7.09	5.61	21,211	17,193.55	5,777.71
Feb-12	7.10	6.00	10,675	7.16	6.41	23,365	17,752.68	6,161.06
Mar-12	7.05	5.30	22,913	7.00	5.85	50,440	17,404.20	6,081.87

DISTRIBUTION OF SHAREHOLDING AS AT 31st March, 2012

Shareholding of Nominal value of Rs.	No. of Share holders	% of Total	Shares	% of Total
1 - 500	8616	81.6450	1470003	10.2919
501 - 1,000	1036	9.8171	885688	6.2009
1,001 - 2,000	468	4.4348	737371	5.1625
2,001 - 3,000	155	1.4688	399622	2.7979
3,001 - 4,000	69	0.6538	248916	1.7427
4,001 - 5,000	46	0.4359	220063	1.5407
5,001-10,000	93	0.8813	662202	4.6362
10,001 and above	70	0.6633	9659274	67.6271
Total	10553	100.0000	1,42,83,139	100.0000

Shareholding Pattern as at 31.03.2012

	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	9,75,442	6.83
3.	Indian Public / HUFs/ Employees	57,44,517	40.22
4.	NRIs	2,78,286	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 31.03.2012, the number of shares of the Company in demat form stood at **1,40,19,094** share representing **98.15%** 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 **31.03.2012** have been obtained from the Directors and Senior Management Personnel of the Company.

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

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

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

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

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

1. Tenure of Independent Directors

No specific tenure has been specified for the Independent Directors.

2. Training of Board Members

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

3. Mechanism for evaluating Non-Executive Board Members

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

4. Whistle Blower Policy

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

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

(RICHARD D'SOUZA)

CHIEF EXECUTIVE OFFICER & MANAGER

Mumbai, 25th May, 2012



Date: 25th May, 2012

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 31.03.2012 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

COMPLIANCE CERTIFICATE

Certificate by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) pursuant to Clause 49 of the Listing Agreement: We, Richard D'Souza - CEO & Manager and Anil S. Korpé - Head - Finance and Accounts in the capacity as a CFO hereby certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31.03.2012 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and Audit Committee:
 - I. significant changes in internal control over financial reporting during the year;
 - II. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial Statements; and
 - III. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

For MELSTAR INFORMATION TECHNOLOGIES LIMITED

Richard D'Souza
CEO & Manager

Anil S. Korpé
Head - Finance and Accounts

Date: 25th May, 2012
Place: MUMBAI

CERTIFICATE

**To the Members of
Melstar Information Technologies Limited**

We have examined the compliance of conditions of Corporate Governance by Melstar Information Technologies Limited (the Company) for the year-ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreements entered in to with the stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

We state that no investor grievances as at March 31, 2012 are pending for a period exceeding one month against the Company as per the records maintained by the share registrar and reviewed by the shareholder/Investors Grievance Committee.

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 Kanu Doshi Associates
Chartered Accountants**

**Ankit Parekh
Partner
Mem.No.: 114622**

Place: Mumbai
Date: May 25, 2012.



Auditors' Report To The Members of MELSTAR INFORMATION TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of MELSTAR INFORMATION TECHNOLOGIES LIMITED as at March 31, 2012, the Profit and Loss Account and also the Cash Flow Statement 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.
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 misstatement. 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 to 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 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 Branch Auditors' report of the UK and USA branches have been forwarded to us and the same has been appropriately dealt with in the preparation of 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, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Companies (Accounting Standards) Rules, 2006 and/ or 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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 other notes thereon in general, 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, 2012;
 - (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 25, 2012

Ankit Parekh
Partner
Membership No.: 114622

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, 2012)

- (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) (a) As explained to us, the inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (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, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.
- (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,
(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. 9,95,258/-).
(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 loss in current year and previous 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

Ankit Parekh
Partner
Membership No.: 114622

Place: Mumbai
Date: May 25, 2012

Balance Sheet as at March 31, 2012

In rupees

Particulars		Note No.	As at 31.03.2012	As at 31.03.2011
I EQUITY AND LIABILITIES				
1 Shareholders' Funds				
(a) Share Capital	2		142,831,390	142,831,390
(b) Reserves and Surplus	3		(6,196,633)	(20,595,298)
			136,634,757	122,236,092
2 Non-Current Liabilities				
(a) Long-term borrowings	4		568,417	1,962,656
(b) Other Long term Liabilities	5		-	4,500,000
(c) Long term provisions	6		3,069,243	3,602,056
			3,637,660	10,064,712
3 Current Liabilities				
(a) Short-term borrowings	7		16,413,143	23,132,310
(b) Trade payables (Refer Note No.33)			160,231,693	28,712,078
(c) Other current liabilities	8		10,900,102	11,141,992
(d) Short-term provisions	9		2,966,648	1,847,201
			190,511,586	64,833,581
TOTAL			330,784,003	197,134,385
II ASSETS				
1 Non-current assets				
(a) Fixed assets	10			
(i) Tangible assets			107,983,541	115,953,877
(ii) Intangible assets			538,554	727,142
(b) Non-current investments	11		-	-
(c) Long term loans and advances	12		24,493,833	24,440,645
			133,015,928	141,121,664
2 Current assets				
(a) Trade receivables	13		185,476,162	45,351,828
(b) Cash and cash equivalents	14		2,127,955	2,567,246
(c) Short-term loans and advances	15		2,599,214	1,928,918
(d) Other current assets	16		7,564,744	6,164,729
			197,768,075	56,012,721
TOTAL			330,784,003	197,134,385
Significant Accounting policies	1			
Notes 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

Ankit Parekh

Partner

Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy

Director

M. S. Adige

Director

Richard D'SouzaChief Executive Officer and
Manager**Dhara Mirani**

Company Secretary

Mumbai, Dated : May 25, 2012



Profit and Loss Statement for the year ended 31st March, 2012

In rupees

Particulars		Note No.	For the year ended 31st March 2012	For the year ended 31st March 2011
I.	Revenue from operations	17	528,736,969	248,521,547
II.	Other Income	18	16,383,034	13,370,492
III.	Total Revenue (I + II)		545,120,003	261,892,039
IV.	Expenses :			
	Purchases of Stock in Trade		266,642,549	-
	Employee benefits expense	19	211,677,943	200,519,068
	Finance costs	20	4,614,091	5,191,378
	Depreciation and amortization expenses	10	8,596,520	8,639,992
	Other expenses	21	35,296,870	34,433,040
	Total Expenses		526,827,973	248,783,478
V.	Profit before exceptional and extraordinary items and tax (III-IV)		18,292,030	13,108,561
VI.	Exceptional Item (Refer Note No.23(b))		-	1,517,688
VII.	Profit before extraordinary items and tax (V + VI)		18,292,030	14,626,249
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		18,292,030	14,626,249
X.	Tax expense:			
	Current tax (MAT)		(3,675,000)	-
XI.	Profit for the period from continuing operations (IX+X)		14,617,030	14,626,249
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit for the period (XI + XIV)		14,617,030	14,626,249
XVI.	Earnings per equity share (Refer Note No. 27) (Rupees):			
	Basic & Diluted (Before Exceptional Item)		1.02	0.92
	Basic & Diluted (After Exceptional Item)		1.02	1.02
	Face value of Equity shares (in Rs.)		10.00	10.00
	Significant Accounting policies	1		
	Notes 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

Ankit Parekh
Partner
Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy
Director

M. S. Adige
Director

Dhara Mirani
Company Secretary
Mumbai, Dated : May 25, 2012

Richard D'Souza
Chief Executive Officer and
Manager

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	Rupees	2011-12 Rupees	Rupees	2010-11 Rupees
A Cash flow from operating activities				
Profit before tax		18,292,030		14,626,249
Adjustments for :				
Depreciation and amortisation	8,596,520		8,639,992	
Fixed Assets written off	-		52,807	
Exceptional Item (Refer Note No. 23(b))	-		(1,517,688)	
Loss/ (Profit) on Sale of Fixed Assets sold/ discarded (Net)	103,036		(2,000)	
Interest on Income Tax refund	(1,092,650)		-	
Interest expense	4,413,783		4,939,495	
Interest on Bank Fixed Deposits and Other Deposits	(19,055)		(45,656)	
Exchange Difference (Net)	(9,967)		(26,945)	
Operating profit before working capital changes		11,991,667		12,040,005
Adjustments for :		30,283,697		26,666,254
Trade and other receivables	(142,727,377)		(8,398,719)	
Trade payables	127,364,359	(15,363,018)	1,162,571	(7,236,148)
Cash generated from operations		14,920,679		19,430,106
Income Tax (Paid)/ Refund (Net)		(3,420,070)		(9,587,730)
Net cash generated from operating activities		11,500,609		9,842,376
B Cash flow from investing activities				
Interest received on Bank Fixed Deposits and Other Deposits	19,055		83,013	
Additions to fixed assets	(583,095)		(1,913,989)	
Proceeds from sale of fixed assets	48,712		2,000	
Interest on Income Tax refund	1,092,650		-	
Net cash generated/ (used in) from investing activities		577,322		(1,828,976)
C Cash flow from financing activities				
Proceeds from borrowings	827		1,551,747	
Repayment of borrowings	(8,099,167)		(7,994,817)	
Interest paid	(4,428,849)		(4,925,578)	
Net cash used in financing activities		(12,527,189)		(11,368,648)
Net decrease in cash and cash equivalents		(449,258)		(3,355,248)
Opening balance of cash and cash equivalents		2,568,418		5,923,666
Closing balance of cash and cash equivalents		2,119,160		2,568,418



Notes :

1 Cash and cash equivalents include cash and bank balances in current accounts and deposit accounts (Refer Note No.14)

Cash and Cash equivalents include :

	31st March 2012 Rs	31st March 2011 Rs
Cash and Bank Balances	2,127,955	2,567,246
Unrealised (gain)/ loss on foreign currency cash and cash equivalents	(8,795)	1,172
Total cash and cash equivalents	2,119,160	2,568,418

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

Ankit Parekh
Partner
Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy
Director

M. S. Adige
Director

Dhara Mirani
Company Secretary
Mumbai, Dated : May 25, 2012

Richard D'Souza
Chief Executive Officer and
Manager

Notes to financial statements for the period ended 31st March, 2012

1 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) Presentation and disclosure of financial statement:

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

d) 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.

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

e) Investments:

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

Overseas Investments are carried at their original rupee cost.

f) 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.

g) Inventories:

Software Finished Goods (Traded) :

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

h) Foreign Currency Transactions/Translation:

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

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

Foreign Branches:

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



- i. All the items of income and expenses during the year are translated at an average rate.
- ii. All the monetary and non-monetary assets and liabilities are translated at closing rate.
- iii. The resulting exchange difference is accumulated in 'foreign currency translation reserve' until the disposal of the net investment in the said non-integral foreign operations.

i) Borrowing Costs:

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

j) Employee benefits :

- a) Post Employment Benefits and Other Long Term Benefits.

- i) Defined Contribution Scheme

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

- ii) Defined Benefit and Other Long Term Benefit Schemes

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

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

- b) Short-term employee benefits

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

k) Revenue recognition:

Revenues from software consultancy services are recognised on specified terms of contract in case of contract on time basis and in case of fixed price contract, revenue is recognized using percentage of completion method of accounting. Revenues from software products trading are recognized upon acceptance of delivery of such software products. Unbilled services included in other current assets 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.

l) 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.

m) Fringe Benefit Tax:

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

n) Operating Leases:

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

o) Impairment of assets:

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

p) Provisions, Contingent Liabilities and Contingent Assets:

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

q) 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.

r) 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.

s) 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 with maturity of less than three months.

2 SHARE CAPITAL

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
	Number	Rupees	Number	Rupees
Authorised				
Equity Shares of Rs.10/- each	54,950,000	549,500,000	54,950,000	549,500,000
Preference Shares of Rs.10/- each	50,000	500,000	50,000	500,000
		550,000,000		550,000,000
Issued, Subscribed and Paid up				
Equity Shares of Rs.10/- each, fully paid up	14,283,139	142,831,390	14,283,139	142,831,390
TOTAL		142,831,390		142,831,390
Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period				
Particulars			Equity Shares	
			Number	Rupees
Shares outstanding at the beginning of the year			14,283,139	142,831,390
Shares Issued during the year			-	-
Shares bought back during the year			-	-
Shares outstanding at the end of the year			14,283,139	142,831,390
Details of shareholders holding more than 5% of Share Capital in the Company				
Name of Shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Shearson Investment Trading Co. Pvt. Ltd.	2501908	17.52	2501908	17.52
Godavari Corporation Pvt. Ltd.	2390819	16.74	2390819	16.74
Nirved Traders Private Limited	2248744	15.74	2248744	15.74



Terms /Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 RESERVES & SURPLUS

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
1. Capital Reserve		173,542		173,542
2. Capital Redemption Reserve		20,000		20,000
3. Foreign Currency Translation Reserve				
Opening Balance	1,942,819		2,041,197	
Add : Debited during the year	(218,365)		(98,378)	
		1,724,454		1,942,819
4. Surplus/ (Deficit) in the Statement of Profit and Loss				
Opening Balance	(22,731,659)		(37,357,908)	
Add : Net Profit for the current year	14,617,030		14,626,249	
		(8,114,629)		(22,731,659)
TOTAL		(6,196,633)		(20,595,298)

4 LONG TERM BORROWINGS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Secured		
Term Loan		
From Bank	568,417	1,962,656
TOTAL	568,417	1,962,656

Note :

- Term loan is secured by registered mortgage of office premises situated at Andheri(Mumbai) and is further secured by all existing & future, current & fixed assets of the Company.
- Term Loan outstanding as on 31st March, 2012 Rs.1,948,417 includes current maturities of above loan and is repayable in seventeen Instalments of Rs.115,000/- each. The rate of interest on the said Term Loan is Base Rate+2.50%+ Term Premium.

5 OTHER LONG TERM LIABILITIES

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Others		
Security deposits	-	4,500,000
TOTAL	-	4,500,000

6 LONG TERM PROVISIONS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits		
Gratuity (unfunded)(Refer Note No. 32(ii))	2,025,125	2,663,587
Compensated absences (unfunded)(Refer Note No. 32(ii))	1,044,118	938,469
TOTAL	3,069,243	3,602,056

7 SHORT TERM BORROWINGS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Secured		
Loan repayable on demand		
From Bank		
-Overdraft Facility	16,413,143	23,132,310
TOTAL	16,413,143	23,132,310
Note :		
a) Overdraft Facility is secured by registered mortgage of office premises situated at Andheri(Mumbai) and is further secured by all existing & future, current & fixed assets of the Company.		
b) Overdraft Facility is repayable on demand. The rate of interest on the said Overdraft Facility is Base Rate+2.50%.		

8 OTHER CURRENT LIABILITIES**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Current maturities of Long term debt - Term Loan	1,380,000	1,380,000
Income received in advance	389,824	-
Security deposits	4,900,000	400,000
Other Payables		
- Withholding taxes (includes Rs.995,258 (Previous year Rs.878,291) in respect of Branch located at U.K.)	2,443,929	2,074,048
- Service Tax	21,205	4,694,562
- VAT	313,729	-
- Provident Fund	1,251,330	1,190,258
- Employees' State Insurance	35,550	16,791
- Profession Tax	164,535	90,355
- Income Tax Demand	-	1,295,978
TOTAL	10,900,102	11,141,992

9 SHORT TERM PROVISIONS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits		
Gratuity (unfunded)(Refer Note No. 32(ii))	1,189,577	356,389
Compensated absences (unfunded)(Refer Note No. 32(ii))	1,777,071	1,490,812
TOTAL	2,966,648	1,847,201



10 FIXED ASSETS

(In rupees)

Particulars	Gross Block					Accumulated Depreciation/ Amortisation					Net Block	
	Balance as at 1 April 2011	Additions	(Disposals)	other Adjustment	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On disposals	other Adjustment	Balance as at 31 March 2012	Balance as at 31 March 2011	Balance as at 31 March 2012
a Tangible Assets												
Leasehold Land	304,995	-	-	-	304,995	48,020*	3,974	-	-	51,994	256,975	253,001
	(304,995)	(-)	(-)	(-)	(304,995)	(44,046)	(3,974)	(-)	(-)	(48,020)	(260,949)	(256,975)
Buildings	152,139,251	-	-	-	152,139,251	49,627,084	5,713,821	-	-	55,340,905	102,512,167	96,798,346
	(152,139,251)	(-)	(-)	(-)	(152,139,251)	(43,913,263)	(5,713,821)	(-)	(-)	(49,627,084)	(108,225,988)	(102,512,167)
Plant and Equipment	16,090,225	378,906	(4,822,235)	9,172	11,656,068	10,590,083	1,113,417	(4,750,145)	2,922	6,956,277	5,500,142	4,699,791
	(15,143,500)	(1,050,763)	(103,321)	(717)	(16,090,225)	(9,559,178)	(1,092,375)	(60,250)	(1,220)	(10,590,083)	(5,584,322)	(5,500,142)
Furniture and Fixtures	19,618,648	-	(6,244)	-	19,612,404	13,488,819	1,216,292	(6,244)	-	14,698,867	6,129,829	4,913,537
	(19,137,209)	(481,439)	(-)	(-)	(19,618,648)	(12,295,909)	(1,192,910)	(-)	(-)	(13,488,819)	(6,841,300)	(6,129,829)
Vehicles	2,633,082	-	-	-	2,633,082	1,947,998	168,126	-	-	2,116,124	685,084	516,958
	(2,633,082)	(-)	(-)	(-)	(2,633,082)	(1,697,855)	(250,143)	(-)	(-)	(1,947,998)	(935,227)	(685,084)
Office equipment	1,681,153	91,049	(180,178)	-	1,592,024	811,473	79,162	(100,519)	-	790,116	869,680	801,908
	(1,494,478)	(199,425)	(12,750)	(-)	(1,681,153)	(738,639)	(75,850)	(3,016)	(-)	(811,473)	(755,839)	(869,680)
Total	192,467,354	469,955	(5,008,657)	9,172	187,937,824	76,513,477	8,294,792	(4,856,908)	2,922	79,954,283	115,953,877	107,983,541
	(190,852,515)	(1,731,627)	(116,071)	(717)	(192,467,354)	(68,248,890)	(8,329,073)	(63,266)	(1,220)	(76,513,477)	(122,603,625)	(115,953,877)
b Intangible Assets												
Computer software	1,616,472	113,140	-	-	1,729,612	889,330	301,728	-	-	1,191,058	727,142	538,554
	(1,434,110)	(182,362)	(-)	(-)	(1,616,472)	(578,411)	(310,919)	(-)	(-)	(889,330)	(855,699)	(727,142)
Total	1,616,472	113,140	-	-	1,729,612	889,330	301,728	-	-	1,191,058	727,142	538,554
	(1,434,110)	(182,362)	(-)	(-)	(1,616,472)	(578,411)	(310,919)	(-)	(-)	(889,330)	(855,699)	(727,142)
Total	194,083,826	583,095	(5,008,657)	9,172	189,667,436	77,402,807	8,596,520	(4,856,908)	2,922	81,145,341	116,681,019	108,522,095
Previous Year	(192,286,625)	(1,913,989)	(116,071)	(717)	(194,083,826)	(68,827,301)	(8,639,992)	(63,266)	(1,220)	(77,402,807)	(123,459,324)	(116,681,019)

* 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.Nil accumulated depreciation and amortisation Rs.Nil) (Previous year Cost Rs.66,180 and depreciation and amortisation Rs 13,373)
- Figures shown in brackets are in respect of Previous Period.

11 NON CURRENT INVESTMENTS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Unquoted - (At cost or carrying amount unless otherwise stated)		
Trade Investments		
Investments in Equity Instruments of Wholly Owned Subsidiary Companies		
i) 45,940 (Previous year 45,940) shares (common stock) of US\$ 25/- each of Melstar Inc. (USA)	64,648,453	64,648,453
Less: Provision for diminution (Refer Note No.23(a))	(64,648,453)	(64,648,453)
	-	-
ii) 150,000 (Previous year 150,000) shares of Sterling Pound 1/- each of Melstar UK Limited (UK)	9,790,695	9,790,695
Less: Provision for diminution (Refer Note No.23(a))	(9,790,695)	(9,790,695)
	-	-
iii) 958,992 (Previous year 958,992) shares of Sterling Pound 1/- each of Melstar Limited (UK)	94,245,891	94,245,891
Less: Provision for diminution (Refer Note No.23(a))	(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	45,989,728	45,989,728
Less: Provision for diminution (Refer Note No.23(a))	(45,989,728)	(45,989,728)
	-	-
Non Trade Investment		
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	(1,250,000)	(1,250,000)
	-	-
TOTAL	-	-
Note:		
Aggregate of Unquoted Investments Cost/ carrying amount	215,924,767	215,924,767
Aggregate provision for diminution in value of investments	(215,924,767)	(215,924,767)

12 LONG TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Security Deposits				
Unsecured, considered good	1,689,030	1,689,030	1,558,060	1,558,060
Considered doubtful	153,065		200,114	
Less:- Provision	(153,065)		(200,114)	
Others (Unsecured, considered good)				
Advances recoverable in cash or kind or for value to be received	595,824		418,676	
Advance payment of Income Tax (Net of Provision for Taxation)	22,185,231		22,440,161	
Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)	23,748		23,748	
		22,804,803		22,882,585
TOTAL		24,493,833		24,440,645



13 TRADE RECEIVABLES

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
-Unsecured, considered good	128,226		39,462	
-Unsecured, considered doubtful	43,438,136		43,917,733	
	43,566,362		43,957,195	
Less: Provision for bad and doubtful debts * (Refer Note No.23(a))	(43,438,136)		(43,917,733)	
		128,226		39,462
Trade receivables outstanding for a period less than six months from the date they are due for payment				
-Unsecured, considered good	185,347,936		45,312,366	
-Unsecured, considered doubtful	-		120,878	
	185,347,936		45,433,244	
Less: Provision for bad and doubtful debts	-		(120,878)	
		185,347,936		45,312,366
TOTAL		185,476,162		45,351,828

* Includes debts due from subsidiary companies Rs.17,393,388 (Previous year Rs.17,393,388)

14 CASH AND CASH EQUIVALENTS

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Balances with Banks		2,099,413		2,531,757
Cash on hand		28,542		35,489
TOTAL		2,127,955		2,567,246

15 SHORT TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Loans and Advances to related parties				
Loans and Advances to Subsidiaries				
Unsecured, considered good	-		-	
Considered doubtful	114,306,058		114,306,058	
Less:- Provision (Refer Note No.23(a))	(114,306,058)		(114,306,058)	
Others (Unsecured, considered good)		-		-
Advances recoverable in cash or kind or for value to be received		2,599,214		1,928,918
TOTAL		2,599,214		1,928,918

16 OTHER CURRENT ASSETS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Unbilled Revenue	6,108,781	6,164,729
Amounts receivable from Enterprises over which Key Management Personnel and/ or their relatives have significant influence	1,455,963	-
TOTAL	7,564,744	6,164,729

17 REVENUE FROM OPERATIONS

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Sale of Software Products Trading	272,152,132	-
Sale of Software Services	256,584,837	248,521,547
TOTAL	528,736,969	248,521,547

18 OTHER INCOME

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Sundry Credit Balances Written Back	1,978,561	168,399
Profit on Assets sold / discarded (Net)	-	2,000
Provision for doubtful debts/ advances written back (Net)	647,524	516,994
Excess Provision of Earlier Years Written Back	3,005,595	2,529,008
Miscellaneous Income	44,649	448,435
Rent	9,595,000	9,660,000
Interest on Bank Fixed Deposits and Other Deposits	19,055	45,656
Interest on Income Tax Refunds (Net)	1,092,650	-
TOTAL	16,383,034	13,370,492

19 EMPLOYEE BENEFITS EXPENSES

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Salaries and Wages	201,006,822	190,248,248
Contribution to Provident and other Funds	7,770,624	7,241,232
Gratuity	501,205	664,341
Compensated Absences	1,707,591	1,689,872
Staff Welfare Expenses	691,701	675,375
TOTAL	211,677,943	200,519,068

20 FINANCE COSTS

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Interest expenses		
On Fixed Period Loans	432,063	432,763
Others	3,981,720	4,506,732
Other borrowing costs		
Loan facilitation charges	200,308	251,883
TOTAL	4,614,091	5,191,378



21 OTHER EXPENSES

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Purchases of Software Services	11,542,273	9,573,300
Electricity	2,618,075	2,597,375
Rent	3,753,426	3,838,865
Rates and Taxes	284,709	732,089
Insurance	970,012	622,747
Repairs to machinery	413,213	437,634
Travelling and Conveyance	1,455,211	1,712,881
Communication Expenses	1,841,673	2,009,994
Advertising and Sales promotion expenses	1,128,546	1,780,140
Legal and Professional fees	4,772,080	4,045,751
Recruitment Expenses	1,764,964	1,657,434
Loss on Sale of Fixed Assets (Net)	103,036	-
Irrecoverable Debts/ Advances written off	859,852	923,864
Exchange Difference (Net)	2,215	28,961
Fixed Assets written off	-	52,807
Directors Sitting Fees	350,000	390,000
Miscellaneous Expenses	3,437,584	4,029,199
TOTAL	35,296,870	34,433,040

Note: (Miscellaneous Expenses includes Bank Charges, Security Expenses, Vehicle Expenses etc.)

22. (i)

In rupees

	As at 31.03.2012	As at 31.03.2011
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.	887,150	882,963

(ii) Contingent Liability :

In rupees

Particulars	As at 31.03.2012	As at 31.03.2011
Disputed ESIC Liability: ESIC demand disputed and pending decisions before higher authorities. Amount paid there against and included under "Short Term Loans and Advances" Note No.15 Rs.35,000 Previous year (Rs.35,000)	135,627	135,627

23. (a) The Company, considering the erosion/substantial erosion in the net worth of its wholly-owned subsidiaries located at U.S.A., U.K. and Singapore, had 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 given to said subsidiaries aggregating to Rs.114,306,058 (Previous year Rs.114,306,058) and also for doubtful debts being debts due from one of the step down subsidiary located at UK and a wholly-owned subsidiary located at U.S.A. of Rs.17,393,388(Previous year Rs.17,393,388). Out of the two subsidiaries located at U.K. one subsidiary stands dissolved in the previous year and another stands dissolved in the current year. The step down subsidiary was also dissolved in the earlier year. Pursuant to application made to the Regulatory Authority, the name of the subsidiary located at Singapore had been Struck Off in the previous year. Consequent to such dissolutions/ struck off, 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 are received. Such adjustments would have no impact on the Profit and Loss Account.
- (b) A wholly-owned subsidiary located at UK, was dissolved during the year. Accordingly, in the previous year, Exceptional Item of Rs.1,517,688 on account of loan written back as no longer payable to said subsidiary, was credited to Profit and Loss Account.

24. The break up of deferred tax assets as at 31st March, 2012 is as under :

In rupees

	As at 31.03.2012	Credit/ (Charge)	As at 31.03.2011
Provision for Gratuity & Leave Encashment	1,958,647	190,363	1,768,284
Provision for Doubtful Debts & Advances	51,237,661	(210,122)	51,447,782
Others	6,385,556	(3,710,512)	10,096,068
Total Deferred tax assets	59,581,863	(3,730,271)	63,312,134

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.

25. Payments to Auditors:

In rupees

Sr No	Particulars	Current Year *	Previous Year *
a.	As Auditors	350,000	300,000
b.	For Taxation matters	50,000	-
c.	For other services		8,000
d.	For Reimbursement of expenses	7,562	-
e.	To Branch Auditors	45,000	70,000
	Total	452,562	378,000

*Excludes Service Tax

26. Additional information pursuant to the provisions of paragraph 5(ii)(d) part II of the revised schedule VI to the Companies Act, 1956. (To the extent applicable)
A. EXPENDITURE IN FOREIGN CURRENCY

In rupees

Particulars	Current Year	Previous Year
Purchases of Software Services	7,551,270	5,194,722
Legal and Professional Charges	1,474,184	881,340
Others	868,394	1,558,289
Total	9,893,848	7,634,351

Note: Expenses of Foreign branches Rs.9,878,121 (Previous year Rs. 7,599,936) have been included in the appropriate heads above.

B. EARNINGS IN FOREIGN CURRENCY

In rupees

Particulars	Current Year	Previous Year
FOB Value of Exports	11,306,940	9,394,142
Sundry balances written back	1,238,975	149,417

FOB Value of Exports includes:

Software Services Exports Rs. 3,203,139 (Previous year Rs. 3,799,578) and Income from Software Services by foreign Branch Rs. 8,103,801 (Previous year Rs. 5,594,564)



27. Earnings per share is calculated as follows:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
a. Net Profit after tax, before Exceptional Item, attributable to equity shareholders (Rupees)	14,617,030	13,108,561
Exceptional Item	-	1,517,688
Net Profit attributable to equity shareholders, after Exceptional Item (Rupees)	14,617,030	14,626,249
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)	1.02	0.92
e. Basic and Diluted Earnings per share after Exceptional Item (Rupees)	1.02	1.02

28. 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) Mr. Surinder Mohan Arora (Managing Director)(Up to 30 th June, 2010)
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 Birla Viking Travels Limited Birla Global Corporate Private Limited

2) Transactions with related parties:

In rupees

	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
a)	Loans and advances						
	Balance as at 1st April	114,306,058	114,306,058	-	-	-	26,472
	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 Global Corporate Private Limited	-	-	-	-	-	26,472
	Given/Adjusted during the year	-	-	-	-	-	-
	Repaid/Adjusted during the year	-	-	-	-	-	26,472
	Birla Global Corporate Private Limited	-	-	-	-	-	26,472
	Balance as at March 31(provision made towards doubtful loans and advances to subsidiary companies Rs.114,306,058 (Previous year Rs.114,306,058))	114,306,058	114,306,058	-	-	-	-
	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	-	-	-	-

	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
b)	Investments						
	Balance as at March 31 (provided towards diminution value of investment Rs.214,674,767(Previous year Rs.24,674,767))	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)	Trade receivables						
	Balance as at March 31 (provided towards doubtful debts Rs.17,393,388 (Previous year Rs.17,393,388))	17,393,388	17,393,388	-	-	661,800	-
	Linkhand Support Limited	16,303,514	16,303,514				
	Melstar Inc	1,089,874	1,089,874				
	Birla Global Corporate Private Limited					661,800	
d)	Unsecured Loans						
	Balance as at 1st April	-	1,491,174	-	-	-	-
	Melstar UK Limited	-	1,491,174				
	Received/Adjusted during the year	-	26,514	-	-	-	-
	Melstar UK Limited	-	26,514				
	Repaid/Adjusted/Written back during the year	-	1,517,688	-	-	-	-
	Melstar UK Limited	-	1,517,688				
	Balance as at March 31	-	-	-	-	-	-
	Melstar UK Limited	-	-	-	-	-	-
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)	Receivables						
	Balance as at March 31	-	-	-	-	1,455,963	-
	Birla Edutech Limited					1,091,972	-
	Birla Shloka Edutech Limited					363,991	-
g)	Sundry Creditors						
	Balance as at March 31	-	-	202,720	263,000	278,615	1,335,121
	Mr.Richard D'Souza			202,720	263,000		
	Birla Viking Travels Limited					13,825	18,141
	Birla Global Corporate Private Limited					264,790	1,316,980
h)	Income						
	Sales of Services	-	-	-	-	600,000	-
	Birla Global Corporate Private Limited					600,000	
	Rent	-	-	-	-	9,375,000	9,000,000
	Birla Shloka Edutech Limited					3,750,000	3,600,000
	Birla Edutech Limited					5,625,000	5,400,000
	Other Income	-	-	-	-	-	11,440
	Birla Edutech Limited					-	11,440



	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
i)	Expenditure						
	Remuneration	-	-	4,498,725	4,658,484	-	-
	Mr.Surinder Mohan Arora			-	823,594		
	Mr.Richard D'Souza			4,498,725	3,834,890	-	-
	Sitting Fees	-	-	110,000	140,000	-	-
	Mr.Yashovardhan Birla			30,000	50,000		
	Mr.P.V.R.Murthy			80,000	90,000		
	Other expenses	-	-	-	-	1,471,055	1,368,021
	Birla Viking Travels Limited					271,055	163,521
	Birla Transasia Carpets Limited					-	4,500
	Birla Global Corporate Private Limited					1,200,000	1,200,000

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

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

In rupees

Name of the company	Amount outstanding as at March 31, 2012	Amount outstanding as at March 31, 2011	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	152,469
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, 2012 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.

30. 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.

31. 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)	
	11,573,786	240,854	USD
	(11,764,389)	(246,016)	
TOTAL	43,124,743		
	(43,315,346)		
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)
TOTAL	-	-
	(157,716)	(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.

32. 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. 6,775,404 (Previous year Rs. 6,335,783) 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, 2012 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.



In rupees

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2012	As on 31.03.2011
I)	Reconciliation in present value of obligations (PVO) – defined benefit obligation:		
	Current Service Cost	697,648	2,866,438
	Interest Cost	241,598	259,299
	Actuarial (gain)/losses	(438,041)	(2,461,396)
	Benefits paid	(306,479)	(1,101,679)
	Past service cost	-	-
	PVO at the beginning of the year	3,019,976	3,457,314
	PVO at end of the year	3,214,702	3,019,976
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	3,214,702	3,019,976
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,214,702)	(3,019,976)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,214,702)	(3,019,976)
IV)	Net cost for the year ended March 31, 2012 :		
	Current Service cost	697,648	2,866,438
	Interest cost	241,598	259,299
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(438,401)	(2,461,396)
	Past service cost	-	-
	Net cost	501,205	664,341
V)	Category of assets as at March 31, 2012 :	-	-
VI)	Actual return on the plan assets	-	-
VII)	Assumption used in accounting for the gratuity plan:		
	Discount rate (%)	8.50	8.00
	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. 860,534 (Previous year Rs. 827,155) based upon the following assumptions:

	2011-12	2010-11
Discount Rate	8.50%	8.00%
Salary Escalation	6.00%	6.00%

The liability towards short-term compensated absences is Rs.1,960,655 (Previous year Rs. 1,602,126).

33. Disclosures relating to amounts payable as at the yearend 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, 2012 Rs.	For the year ended 31 st March, 2011 Rs.
A	Principal amount remaining unpaid as on 31 st March 2012	-	19,309
B	Interest due thereon as on 31 st March 2012	-	-
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 2012	-	-
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.	-	-

34. Trade receivables, trade payables, short term loans and advances, other current assets and other current liabilities are subject to confirmation and reconciliation if any.
35. 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

Ankit Parekh
Partner
Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy
Director

M. S. Adige
Director
Dhara Mirani
Company Secretary

Mumbai, Dated : May 25, 2012

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, 2012 %	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, 2012	31.12.1992	US\$	1,148,500	100%	8,598	Nil	(1,745,021)	Nil
			INR	58,705,578		439,487	Nil	(89,196,748)	Nil
Melstar UK Limited (Refer Note No. 2 below)	-	08.10.1999	GBP	-	-	Nil	Nil	(150,000)	Nil
			INR	-		Nil	Nil	(12,214,500)	Nil

Notes:

- Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate : (a) 1 US\$ = Rs. 51.115 (b) 1 GBP = Rs.81.43
- Melstar UK Limited, a wholly owned subsidiary located at united Kingdom, stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk

For and on behalf of the Board of Directors

P V R Murthy
Director

M. S. Adige
Director

Richard D'Souza
Chief Executive Officer & Manager

Dhara Mirani
Company Secretary

Mumbai, Dated : May 25, 2012

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

To the Board of Directors of
MELSTAR INFORMATION TECHNOLOGIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of MELSTAR INFORMATION TECHNOLOGIES LIMITED and its Subsidiaries (the Company and its Subsidiaries constitute "the group") as at March 31, 2012 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement 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 financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. We further report that in respect of the following subsidiary, we did not carry out the audit. These financial statement 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 report of the other auditor. The details of assets, revenue and net cash flow in respect of the said subsidiary are given below:

Name of the Subsidiary	Total Assets	Total Revenue	Net Cashflow
Melstar Inc.	Rs 20,02,432/-	Rs.67,25,247/-	Rs. 2,27,802 /-

4. Attention is invited to Note No. 29 regarding performance of the Parent company and a wholly owned subsidiary located at U.S.A. which has negative net worth as at the year-end, and the management expectations for the future growth in their business operations as explained in the said note, which is dependent upon increase in turnover and availability of continued finance.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21- "CONSOLIDATED FINANCIAL STATEMENTS" as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the information and explanations given to us and read with Significant Accounting Policies and with other 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:
 - i) in the case of the Consolidated Balance Sheet, of the state of the affairs of the group as at March 31, 2012;
 - ii) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date and
 - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

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

Place: Mumbai
Date: May 25, 2012

Ankit Parekh
Partner
Membership No.: 114622



CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

In rupees

	Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I	EQUITY AND LIABILITIES			
1	Shareholders' Funds			
	(a) Share Capital	2	142,831,390	142,831,390
	(b) Reserves and Surplus	3	(7,275,483)	(21,803,897)
			135,555,907	121,027,493
2	Non-Current Liabilities			
	(a) Long-term borrowings	4	568,417	1,962,656
	(b) Other Long term Liabilities	5	-	4,500,000
	(c) Long term provisions	6	3,069,243	3,602,056
			3,637,660	10,064,712
3	Current Liabilities			
	(a) Short-term borrowings	7	16,413,143	23,132,310
	(b) Trade payables (Refer Note No.32)		163,312,976	31,706,064
	(c) Other current liabilities	8	10,900,102	11,141,992
	(d) Short-term provisions	9	2,966,648	1,847,201
			193,592,869	67,827,567
	TOTAL		332,786,436	198,919,772
II	ASSETS			
1	Non-current assets			
	(a) Fixed assets	10	107,983,542	115,953,877
	(i) Tangible assets		538,554	727,142
	(ii) Intangible assets		-	-
	(b) Non-current investments	11	-	-
	(c) Long term loans and advances	12	24,493,833	24,440,645
			133,015,929	141,121,664
2	Current assets			
	(a) Trade receivables	13	187,091,396	46,977,819
	(b) Cash and cash equivalents	14	2,515,153	2,726,642
	(c) Short-term loans and advances	15	2,599,214	1,928,918
	(d) Other current assets	16	7,564,744	6,164,729
			199,770,507	57,798,108
	TOTAL		332,786,436	198,919,772
	Significant Accounting policies	1		
	Notes 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

Ankit Parekh

Partner

Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy

Director

M. S. Adige

Director

Richard D'Souza

Chief Executive Officer and
Manager

Dhara Mirani

Company Secretary

Mumbai, Dated : May 25, 2012

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

In rupees

	Particulars	Note No.	For the year ended 31st March 2012	For the year ended 31st March 2011
I.	Revenue from operations	17	535,300,727	255,013,782
II.	Other Income	18	16,544,523	14,328,373
III.	Total Revenue (I + II)		551,845,250	269,342,155
IV.	Expenses :			
	Purchases of Stock in Trade		266,642,549	-
	Employee benefits expense	19	211,677,943	200,519,068
	Finance costs	20	4,614,091	5,191,378
	Depreciation and amortization expenses	10	8,596,520	8,639,992
	Other expenses	21	41,735,630	40,836,962
	Total Expenses		533,266,733	255,187,400
V.	Profit before exceptional and extraordinary items and tax (III-IV)		18,578,517	14,154,755
VI.	Exceptional Item (Refer Note No.28)		-	14,485,743
VII.	Profit before extraordinary items and tax (V + VI)		18,578,517	28,640,498
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		18,578,517	28,640,498
X.	Tax expense:			
	Current tax (MAT)		(3,675,000)	-
XI.	Profit for the period from continuing operations (IX+X)		14,903,517	28,640,498
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit for the period (XI + XIV)		14,903,517	28,640,498
XVI.	Earnings per equity share (Refer Note No. 26) (Rupees):			
	Basic & Diluted (Before Exceptional Item)		1.04	0.99
	Basic & Diluted (After Exceptional Item)		1.04	2.01
	Face value of Equity shares (in Rs.)		10.00	10.00
	Significant Accounting policies	1		
	Notes 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

Ankit Parekh

Partner

Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy

Director

M. S. Adige

Director

Richard D'SouzaChief Executive Officer and
Manager**Dhara Mirani**

Company Secretary

Mumbai, Dated : May 25, 2012



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

In rupees

	2011-12		2010-11	
A Cash flow from operating activities				
Profit before tax		18,578,517		28,640,498
Adjustments for :				
Depreciation and amortisation	8,596,520		8,639,992	
Loss/ (Profit) on Fixed Assets sold/ discarded(Net)	103,036		(2,000)	
Fixed Assets written off	-		52,807	
Liabilities written back (Including exceptional items) (Refer Note No.28)	-		(14,485,743)	
Sundry credit balances written back	-		(672,984)	
Exchange Difference (Net)	(35,509)		(66,065)	
Interest on Income Tax refund	(1,092,650)		-	
Interest on Bank Fixed deposits and other deposits	(19,055)		(45,656)	
Interest Expense	4,413,783	11,966,125	4,939,495	(1,640,154)
Operating Profit before working capital changes		30,544,642		27,000,344
Adjustments for :				
Trade and other Receivables	(142,873,358)		(8,404,506)	
Trade and other Payables	127,451,654	(15,421,705)	330,469	(8,074,037)
Cash generated from operations		15,122,937		18,926,307
Income Tax (Paid)/ Refund (Net)		(3,420,070)		(9,587,730)
Net cash generated from operating activities		11,702,867		9,338,577
B Cash flow from investing activities				
Interest received on Bank Fixed Deposits	19,055		83,013	
Additions to fixed assets	(583,095)		(1,913,989)	
Proceeds from sale of fixed assets	48,713		2,000	
Interest on Income Tax refund	1,092,650		-	
Net cash generated from/ (used in) investing activities		577,323		(1,828,976)
C Cash flow from financing activities				
Proceeds from borrowings	827		1,551,747	
Repayment of borrowings	(8,099,167)		(7,994,817)	
Interest paid	(4,428,849)		(4,925,578)	
Net cash used in financing activities		(12,527,189)		(11,368,648)
Net decrease in cash and cash equivalents		(246,999)		(3,859,047)
Opening balance of cash and cash equivalents		2,728,723		6,587,770
Closing balance of cash and cash equivalents		2,481,725		2,728,723

Notes :

- 1 Cash and cash equivalents include cash and bank balances in current account and deposit accounts (Refer Note No. 14)

Cash and Cash equivalents include :

	31st March 2012 Rs	31st March 2011 Rs
Cash and Bank Balances	2,515,153	2,726,642
Unrealised (gain)/ loss on foreign currency cash and cash equivalents	(33,428)	2,081
Total cash and cash equivalents	2,481,725	2,728,723

- 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

Ankit Parekh
 Partner
 Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy
 Director

M. S. Adige
 Director

Dhara Mirani
 Company Secretary
 Mumbai, Dated : May 25, 2012

Richard D'Souza
 Chief Executive Officer and
 Manager



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2012

1 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, 2012.
- ii) The consolidated accounts have been prepared on the basis of Going Concern concept, 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.
- iv) During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

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.

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. Revenues from software products trading are recognized upon acceptance of delivery of such software products. Unbilled services included in other current assets 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 with maturity of less than three months.

2 SHARE CAPITAL

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
	Number	Rupees	Number	Rupees
Authorised				
Equity Shares of Rs.10/- each	54,950,000	549,500,000	54,950,000	549,500,000
Preference Shares of Rs.10/- each	50,000	500,000	50,000	500,000
		550,000,000		550,000,000
Issued, Subscribed and Paid up				
Equity Shares of Rs.10/- each, fully paid up	14,283,139	142,831,390	14,283,139	142,831,390
TOTAL		142,831,390		142,831,390

Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Equity Shares	
	Number	Rupees
Shares outstanding at the beginning of the year	14,283,139	142,831,390
Shares Issued during the year	-	-
Shares bought back during the year	-	-
Shares outstanding at the end of the year	14,283,139	142,831,390

Details of shareholders holding more than 5% of Share Capital in the Company

Name of Shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Shearson Investment Trading Co. Pvt. Ltd.	2501908	17.52	2501908	17.52
Godavari Corporation Pvt. Ltd.	2390819	16.74	2390819	16.74
Nirved Traders Private Limited	2248744	15.74	2248744	15.74

Terms /Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.



3. RESERVES & SURPLUS

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
1. Capital Reserve		173,542		173,542
2. Capital Redemption Reserve		20,000		20,000
3. Securities Premium Reserve		67,470,974		67,470,974
4. General Reserve				
Opening Balance	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				
Opening Balance	11,959,645		16,416,433	
Less: (Debited)/Credited during the year	(375,103)		(52,130)	
Less: Credited to Profit and Loss Account (Refer note 28)	-		(4,404,658)	
		11,584,542		11,959,645
6. Surplus/ (Deficit) in the Statement of Profit and Loss				
Opening Balance	(260,611,164)		(289,251,662)	
Add : Profit/ (Loss) during the year	14,903,517		28,640,498	
	(245,707,647)		(260,611,164)	
Less : Deducted as per contra from General Reserve to the extent of balance there in	159,183,106		159,183,106	
		(86,524,541)		(101,428,058)
TOTAL		(7,275,483)		(21,803,897)

4. LONG TERM BORROWINGS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Secured Term Loan		
From Bank	568,417	1,962,656
TOTAL	568,417	1,962,656

Note :

- Term loan is secured by registered mortgage of office premises situated at Andheri(Mumbai) and is further secured by all existing & future, current & fixed assets of the Company.
- Term Loan outstanding as on 31st March, 2012 Rs.1,948,417 includes current maturities of above loan and is repayable in seventeen Instalments of Rs.115,000/- each. The rate of interest on the said Term Loan is Base Rate+2.50%+ Term Premium.

5. OTHER LONG TERM LIABILITIES

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Others		
Security deposits	-	4,500,000
TOTAL	-	4,500,000

6. LONG TERM PROVISIONS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits		
Gratuity (unfunded)(Refer Note No. 31(ii))	2,025,125	2,663,587
Compensated absences (unfunded)(Refer Note No. 31(ii))	1,044,118	938,469
TOTAL	3,069,243	3,602,056

7. SHORT TERM BORROWINGS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Secured		
Loan repayable on demand		
From Bank		
- Overdraft Facility	16,413,143	23,132,310
TOTAL	16,413,143	23,132,310

Note :

- a) Overdraft Facility is secured by registered mortgage of office premises situated at Andheri(Mumbai) and is further secured by all existing & future, current & fixed assets of the Company.
- b) Overdraft Facility is repayable on demand. The rate of interest on the said Overdraft Facility is Base Rate+2.50%.

8. OTHER CURRENT LIABILITIES**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Current maturities of Long term debt - Term Loan	1,380,000	1,380,000
Income received in advance	389,824	-
Security deposits	4,900,000	400,000
Other Payables		
- Withholding taxes (includes Rs.995,258 (Previous year Rs.878,291) in respect of Branch located at U.K.)	2,443,929	2,074,048
- Service Tax	21,205	4,694,562
- VAT	313,729	-
- Provident Fund	1,251,330	1,190,258
- Employees' State Insurance	35,550	16,791
- Profession Tax	164,535	90,355
- Income Tax Demand	-	1,295,978
TOTAL	10,900,102	11,141,992

9. SHORT TERM PROVISIONS**(In rupees)**

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits		
Gratuity (unfunded)(Refer Note No. 31(ii))	1,189,577	356,389
Compensated absences (unfunded)(Refer Note No. 31(ii))	1,777,071	1,490,812
TOTAL	2,966,648	1,847,201



Note 10 : FIXED ASSETS

(In rupees)

Particulars	Gross Block					Accumulated Depreciation/ Amortisation					Net Block	
	Balance as at 1 April 2011	Additions	(Disposals)	other Adjustment	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On disposals	other Adjustment	Balance as at 31 March 2012	Balance as at 31 March 2011	Balance as at 31 March 2012
a Tangible Assets												
Leasehold Land	304,995	-	-	-	304,995	48,020 *	3,974	-	-	51,994	256,975	253,001
	(304,995)	(-)	(-)	(-)	(304,995)	(44,046)	(3,974)	(-)	(-)	(48,020)	(260,949)	(256,975)
Buildings	152,139,251	-	-	-	152,139,251	49,627,084	5,713,821	-	-	55,340,905	102,512,167	96,798,346
	(152,139,251)	(-)	(-)	(-)	(152,139,251)	(43,913,263)	(5,713,821)	(-)	(-)	(49,627,084)	(108,225,988)	(102,512,167)
Plant and Equipment	16,090,225	378,906	(4,822,235)	9,172	11,656,068	10,590,083	1,113,417	(4,750,145)	2,922	6,956,277	5,500,142	4,699,791
	(15,143,500)	(1,050,763)	(103,321)	(717)	(16,090,225)	(9,559,178)	(1,092,375)	(60,250)	(1,220)	(10,590,083)	(5,584,322)	(5,500,142)
Furniture and Fixtures	19,618,648	-	(6,244)	-	19,612,404	13,488,819	1,216,292	(6,244)	-	14,698,867	6,129,829	4,913,537
	(19,137,209)	(481,439)	(-)	(-)	(19,618,648)	(12,295,909)	(1,192,910)	(-)	(-)	(13,488,819)	(6,841,300)	(6,129,829)
Vehicles	2,633,082	-	-	-	2,633,082	1,947,998	168,126	-	-	2,116,124	685,084	516,958
	(2,633,082)	(-)	(-)	(-)	(2,633,082)	(1,697,855)	(250,143)	(-)	(-)	(1,947,998)	(935,227)	(685,084)
Office equipment	1,681,153	91,049	(180,178)	-	1,592,024	811,473	79,162	(100,519)	-	790,116	869,680	801,908
	(1,494,478)	(199,425)	(12,750)	(-)	(1,681,153)	(738,639)	(75,850)	(3,016)	(-)	(811,473)	(755,839)	(869,680)
Total	192,467,354	469,955	(5,008,657)	9,172	187,937,824	76,513,477	8,294,792	(4,856,908)	2,922	79,954,283	115,953,877	107,983,541
	(190,852,515)	(1,731,627)	(116,071)	(717)	(192,467,354)	(68,248,890)	(8,329,073)	(63,266)	(1,220)	(76,513,477)	(122,603,625)	(115,953,877)
b Intangible Assets												
Computer software	1,616,472	113,140	-	-	1,729,612	889,330	301,728	-	-	1,191,058	727,142	538,554
	(1,434,110)	(182,362)	(-)	(-)	(1,616,472)	(578,411)	(310,919)	(-)	(-)	(889,330)	(855,699)	(727,142)
Total	1,616,472	113,140	-	-	1,729,612	889,330	301,728	-	-	1,191,058	727,142	538,554
	(1,434,110)	(182,362)	(-)	(-)	(1,616,472)	(578,411)	(310,919)	(-)	(-)	(889,330)	(855,699)	(727,142)
Total	194,083,826	583,095	(5,008,657)	9,172	189,667,436	77,402,807	8,596,520	(4,856,908)	2,922	81,145,341	116,681,019	108,522,095
Previous Year	(192,286,625)	(1,913,989)	(116,071)	(717)	(194,083,826)	(68,827,301)	(8,639,992)	(63,266)	(1,220)	(77,402,807)	(123,459,324)	(116,681,019)

* 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.Nil accumulated depreciation and amortisation Rs.Nil)
(Previous year Cost Rs.66,180 and depreciation and amortisation Rs 13,373)
- Figures shown in brackets are in respect of Previous Period.

11. NON CURRENT INVESTMENTS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Non Trade Investments - Unquoted - (At cost or carrying amount unless otherwise stated)		
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	(1,250,000)	(1,250,000)
TOTAL	-	-
Note:		
Aggregate of Unquoted Investments Cost/ carrying amount	1,250,000	1,250,000
Aggregate provision for diminution in value of investments	(1,250,000)	(1,250,000)

12. LONG TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Security Deposits				
Unsecured, considered good	1,689,030		1,558,060	
Considered doubtful	153,065		200,114	
Less:- Provision	(153,065)		(200,114)	
		1,689,030		1,558,060
Others (Unsecured, considered good)				
Advances recoverable in cash or kind or for value to be received	595,824		418,676	
Advance payment of Income Tax (Net of Provision for Taxation)	22,185,231		22,440,161	
Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)	23,748		23,748	
		22,804,803		22,882,585
TOTAL		24,493,833		24,440,645

13. TRADE RECEIVABLES

(In rupees)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
- Unsecured, considered good	128,226		39,462	
- Unsecured, considered doubtful	26,044,748		26,524,345	
	26,172,974		26,563,807	
Less: Provision for bad and doubtful debts	(26,044,748)		(26,524,345)	
		128,226		39,462
Trade receivables outstanding for a period less than six months from the date they are due for payment				
- Unsecured, considered good	186,963,170		46,938,357	
- Unsecured, considered doubtful	-		120,878	
	186,963,170		47,059,235	
Less: Provision for bad and doubtful debts	-		(120,878)	
		186,963,170		46,938,357
TOTAL		187,091,396		46,977,819



14. CASH AND CASH EQUIVALENTS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Balances with Banks	2,486,611	2,691,153
Cash on hand	28,542	35,489
TOTAL	2,515,153	2,726,642

15. SHORT TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Others (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	2,599,214	1,928,918
TOTAL	2,599,214	1,928,918

16. OTHER CURRENT ASSETS

(In rupees)

PARTICULARS	As at 31.03.2012	As at 31.03.2011
Unbilled Revenue	6,108,781	6,164,729
Amounts receivable from Enterprises over which Key Management Personnel and/or their relatives have significant influence	1,455,963	-
TOTAL	7,564,744	6,164,729

17. REVENUE FROM OPERATIONS

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Sale of Software Products Trading	272,152,132	-
Sale of Software Services	263,148,595	255,013,782
TOTAL	535,300,727	255,013,782

18. OTHER INCOME

(In rupees)

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Sundry Credit Balances Written Back	2,140,050	1,126,280
Profit on Assets sold / discarded (Net)	-	2,000
Provision for doubtful debts/ advances written back (Net)	647,524	516,994
Excess Provision of Earlier Years Written Back	3,005,595	2,529,008
Miscellaneous Income	44,649	448,435
Rent	9,595,000	9,660,000
Interest on Bank Fixed Deposits and Other Deposits	19,055	45,656
Interest on Income Tax Refunds (Net)	1,092,650	-
TOTAL	16,544,523	14,328,373

19. EMPLOYEE BENEFITS EXPENSES**(In rupees)**

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Salaries and Wages	201,006,822	190,248,248
Contribution to Provident and other Funds	7,770,624	7,241,232
Gratuity	501,205	664,341
Compensated Absences	1,707,591	1,689,872
Staff Welfare Expenses	691,701	675,375
TOTAL	211,677,943	200,519,068

20. FINANCE COSTS**(In rupees)**

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Interest expenses		
On Fixed Period Loans	432,063	432,763
Others	3,981,720	4,506,732
Other borrowing costs		
Loan facilitation charges	200,308	251,883
TOTAL	4,614,091	5,191,378

21. OTHER EXPENSES**(In rupees)**

PARTICULARS	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Purchases of Software Services	17,596,958	15,540,428
Electricity	2,618,075	2,597,375
Rent	3,753,426	3,838,865
Rates and Taxes	316,394	786,690
Insurance	1,103,598	622,747
Repairs to machinery	413,213	437,634
Travelling and Conveyance	1,455,211	1,712,881
Communication Expenses	1,841,673	2,009,994
Advertising and Sales promotion expenses	1,128,546	1,780,140
Legal and Professional fees	4,800,798	4,178,721
Recruitment Expenses	1,764,964	1,666,183
Loss on Sale of Fixed Assets (Net)	103,036	923,864
Irrecoverable Debts/ Advances written off	859,852	-
Exchange Difference (Net)	2,215	28,961
Fixed Assets written off	-	52,807
Directors Sitting Fees	350,000	390,000
Miscellaneous Expenses	3,627,671	4,269,672
TOTAL	41,735,630	40,836,962

Note: (Miscellaneous Expenses includes Bank Charges, Security Expenses, Vehicle Expenses etc.)



22. 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 UK Ltd.(MUK)	U.K.	-	100%
Melstar Singapore Pte Ltd (MSPL)	Singapore	-	100%

The consolidated financial statements have been prepared on the basis of audited financial statement of the Parent Company and one subsidiary (Previous year three 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 UK Ltd. (MUK), a wholly- owned subsidiary located at UK, stands dissolved on 26th April, 2011. The accounting effect of the said dissolution had already been recognized in the consolidated financial statement of the previous year.

Pursuant to the application made to the Accounting and Corporate Regulatory Authority (ACRA), the name of Melstar Singapore Pte Ltd. (MSPL), a wholly-owned subsidiary located at Singapore, had been Stuck Off on 5th October, 2010 by the said Regulatory Authority.

23. (i)

In rupees

	As at 31.03.2012	As at 31.03.2011
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.	887,150	882,963

(ii) Contingent Liability :

In rupees

Particulars	As at 31.03.2012	As at 31.03.2011
Disputed ESIC Liability: ESIC demand disputed and pending decisions before higher authorities. Amount paid there against and included under "Short Term Loans and Advances" Note No.15 Rs.35,000 Previous year (Rs.35,000)	135,627	135,627

24. The break up of deferred tax assets as at 31st March, 2012 is as under :

Parent Company (India)

In rupees

	As at 31.03.2012	Credit/ (Charge)	As at 31.03.2011
Provision for Gratuity & Leave Encashment	1,958,647	190,363	1,768,284
Provision for Doubtful Debts & Advances	51,237,661	(210,122)	51,447,782
Others	6,385,556	(3,710,512)	10,096,068
Total Deferred tax assets	59,581,863	(3,730,271)	63,312,134

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.

25. Segment Reporting:

(Rs.)

Particulars	Asia-Pacific	USA	Others	Total
Segment Revenues				
External Revenue	521,785,698	18,793,279	559,568	541,138,545
Inter-Segment Revenue				-
Total Revenue	521,785,698	18,793,279	559,568	541,138,545
	(241,538,258)	(17,958,331)	(139,910)	(259,636,499)
Segment Result Before exceptional Items	20,501,663	856,470	552,526	21,910,659
	(17,422,686)	(1,681,500)	(129,261)	(19,233,447)
Exceptional Items allocated to segment	-	-	-	-
	(2,731,093)	-	(11,754,650)	(14,485,743)
Segment Result after exceptional Items	20,501,663	856,470	552,526	21,910,659
	(20,153,779)	(1,681,500)	(11,883,911)	(33,719,190)
Un-allocable Income	-	-	-	10,706,705
	(-)	(-)	(-)	(9,705,656)
Un-allocable Expenses	-	-	-	9,625,064
	(-)	(-)	(-)	(9,844,853)
Interest Expenses	-	-	-	4,413,783
	(-)	(-)	(-)	(4,939,495)
Provision for tax - Current tax	-	-	-	3,675,000
	(-)	(-)	(-)	(-)
Net Profit after tax	-	-	-	14,903,517
	(-)	(-)	(-)	(28,640,498)
Other Information				
Segment Assets	256,118,420	5,901,062	-	262,019,482
	(121,052,057)	(4,177,069)	(6,603)	(125,235,729)
Unallocated assets	-	-	-	70,766,952
	(-)	(-)	(-)	(73,684,043)
Total Assets	256,118,420	5,901,062	-	332,786,434
	(121,052,057)	(4,177,069)	(6,603)	(198,919,772)
Segment Liabilities	165,997,984	6,816,935	1,154,046	173,968,965
	(38,347,487)	(5,330,796)	(1,543,052)	(45,221,335)
Unallocated liabilities	-	-	-	23,261,562
	(-)	(-)	(-)	(32,670,944)
Total Liabilities	165,997,984	6,816,935	1,154,046	197,230,527
	(38,347,487)	(5,330,796)	(1,543,052)	(77,892,279)
Capital Expenditure				
Segment capital expenditure	583,095	-	-	583,095
	(1,913,989)	(-)	(-)	(1,913,989)
Unallocated capital expenditure	-	-	-	-
	(-)	(-)	(-)	(-)
Total capital expenditure	583,095	-	-	583,095
	(1,913,989)	(-)	(-)	(1,913,989)
Depreciation and Amortisation				
Segment depreciation and amortisation	5,380,560	11,334	-	5,391,894
	(5,424,032)	(11,334)	(-)	(5,435,366)
Unallocated depreciation and amortisation	-	-	-	3,204,626
	(-)	(-)	(-)	(3,204,626)
Total depreciation and amortisation	5,380,560	11,334	-	8,596,520
	(5,424,032)	(11,334)	(-)	(8,639,992)
Significant Non-Cash Expenditure				
Segment significant non cash expenditure	955,846	-	7,042	962,888
	(98,157)	(878,514)	(-)	(976,671)
Unallocated non cash expenditure	-	-	-	-
	(-)	(-)	(-)	(-)
Total significant non cash expenditure	955,846	-	7,042	962,888
	(98,157)	(878,514)	(-)	(976,671)



2. External Revenue comprises of:

In rupees

Income from Sale of Software Products Trading	272,152,132 (-)
Income from Services	263,148,595 (255,013,782)
Other Income	5,837,818 (4,622,717)
Total	541,138,545 (259,636,499)

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.

26. Earnings per share is computed as under:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
a. Net Profit after tax and after Exceptional Items attributable to equity shareholders (Rupees)	14,903,517	28,640,498
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)	1.04	2.01

27. 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) (Up to 30 th June, 2010) Mr. Richard D'Souza (Chief Executive Officer and Manager) (Manager w.e.f. 5 th May, 2010)
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 Birla Viking Travels Limited Birla Global Corporate Private Limited

b) Nature of transactions with Related Parties

In rupees

	Particulars	Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2011-2012	2010-2011	2011-2012	2010-2011
a)	Loans and advances				
	Balance as at 1st April	-	-	-	26,472
	Birla Global Corporate Private Limited	-	-	-	26,472
	Given/Adjusted during the year	-	-	-	-
	Birla Global Corporate Private Limited	-	-	-	-
	Repaid/Adjusted during the year	-	-	-	26,472
	Birla Global Corporate Private Limited	-	-	-	26,472

	Particulars	Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2011-2012	2010-2011	2011-2012	2010-2011
	Balance as at March 31	-	-	-	-
	Birla Shloka Edutech Limited	-	-	-	-
	Birla Edutech Limited	-	-	-	-
	Birla Global Corporate Private Limited	-	-	-	-
b)	Trade receivables				
	Balance as at March 31	-	-	661,800	-
	Birla Global Corporate Private Limited			661,800	
c)	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
d)	Receivables				
	Balance as at March 31	-	-	1,455,963	-
	Birla Edutech Limited			1,091,972	-
	Birla Shloka Edutech Limited			363,991	-
e)	Sundry Creditors				
	Balance as at March 31	202,720	263,000	278,615	1,335,121
	Mr.Richard D'Souza	202,720	263,000		
	Birla Viking Travels Limited			13,825	18,141
	Birla Global Corporate Private Limited			264,790	1,316,980
f)	Income				
	Sales of Services	-	-	600,000	-
	Birla Global Corporate Private Limited			600,000	
	Rent	-	-	9,375,000	9,000,000
	Birla Shloka Edutech Limited			3,750,000	3,600,000
	Birla Edutech Limited			5,625,000	5,400,000
	Other Income	-	-	-	11,440
	Birla Edutech Limited			-	11,440
g)	Expenditure				
	Remuneration	4,498,725	4,658,484	-	-
	Mr.Surinder Mohan Arora	-	823,594		
	Mr.Richard D'Souza	4,498,725	3,834,890	-	
	Sitting Fees	110,000	140,000	-	-
	Mr.Yashovardhan Birla	30,000	50,000		
	Mr.P.V.R.Murthy	80,000	90,000		
	Other expenses	-	-	1,471,055	1,368,021
	Birla Viking Travels Limited			271,055	163,521
	Birla Transasia Carpets Limited			-	4,500
	Birla Global Corporate Private Limited			1,200,000	1,200,000

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

28. Exceptional items aggregating Rs.14,485,743 in the previous year were on account of struck off of a wholly-owned subsidiary company located at Singapore and in respect of dissolution of a wholly-owned subsidiary company located at UK, during the current year, (on the basis of which the accounts of the said subsidiaries had not been prepared on a going concern basis) and comprise of :

- Rs.10,081,085 net liabilities written back as no longer payable.
- Related exchange differences of Rs.4,404,658 being the balance lying in the foreign currency translation reserve pertaining to the said subsidiaries, were credited to the Consolidated Profit and Loss Account



29. 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.

30. 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)	
	11,573,786	240,854	USD
	(11,764,389)	(246,016)	
TOTAL	26,821,229		
	(27,011,832)		

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

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

31. 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. 6,775,404 (Previous year Rs. 6,335,783) 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, 2012 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, 2012.

In rupees

Sr. No	Particulars	Gratuity (Non-funded)	
		As on 31.03.2012	As on 31.03.2011
I)	Reconciliation in present value of obligations (PVO) – defined benefit obligation :		
	Current Service Cost	697,648	2,866,438
	Interest Cost	241,598	259,299
	Actuarial (gain)/losses	(438,041)	(2,461,396)
	Benefits paid	(306,479)	(1,101,679)
	Past service cost	-	-
	PVO at the beginning of the year	3,019,976	3,457,314
	PVO at end of the year	3,214,702	3,019,976
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	3,214,702	3,019,976
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,214,702)	(3,019,976)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,214,702)	(3,019,976)
IV)	Net cost for the year ended March 31, 2012 :		
	Current Service cost	697,648	2,866,438
	Interest cost	241,598	259,299
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	(438,401)	(2,461,396)
	Past service cost	-	-
	Net cost	501,205	664,341
V)	Category of assets as at March 31, 2012 :	-	-
VI)	Actual return on the plan assets	-	-
VII)	Assumption used in accounting for the gratuity plan:		
	Discount rate (%)	8.50	8.00
	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. 860,534 (Previous year Rs.827,155) based upon the following assumptions:

	2011-12	2010-11
Discount Rate	8.50%	8.00%
Salary Escalation	6.00%	6.00%

The liability towards short-term compensated absences is Rs.1,960,655 (Previous year Rs.1,602,126).



32. Disclosures relating to amounts payable as at the yearend 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, 2012 Rs.	For the year ended 31 st March, 2011 Rs.
A	Principal amount remaining unpaid as on 31 st March 2012	-	19,309
B	Interest due thereon as on 31 st March 2012	-	-
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 2012	-	-
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.	-	-

33. Trade receivables, trade payables, short term loans and advances, other current assets and other current liabilities are subject to confirmation and reconciliation if any.
34. 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

Ankit Parekh
Partner
Membership No. 114622

Mumbai, Dated : May 25, 2012

For and on behalf of the Board of Directors

P.V. R. Murthy
Director

M. S. Adige
Director

Dhara Mirani
Company Secretary

Mumbai, Dated : May 25, 2012

Richard D'Souza
Chief Executive Officer and
Manager

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 31.3.2012. 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	31.3.2012	US\$ INR	1,148,500 58,705,578	(1,856,892) (94,915,035)	545,329 27,874,492	1,253,721 64,083,949	- -	137,136 7,009,707	5,986 305,974	(2,612) (133,512)	8,598 439,487
2 Melstar UK Limited (Refer Note No. 4 below)	United Kingdom	-	GBP INR	-	-	-	-	-	-	-	-	-

Notes:

- 1 None of the above Subsidiaries have 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) 1 US\$ = Rs. 51.115 (b) 1 GBP = Rs.81.43
- 4 Melstar UK Limited stands dissolved on 26th April, 2011 as indicated in the Companies House, UK website www.companieshouse.gov.uk. The accounting effect of the said dissolution had already been recognised in the said subsidiary and in the consolidated financial statement, in the previous year.

By order of the Board of Directors

P. V. R. Murthy
Director

M. S. Adige
Director

Richard D'Souza
Chief Executive Officer and
Manager

Dhara Mirani
Company Secretary

Mumbai, Dated : May 25, 2012

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

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DP ID

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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 25th ANNUAL GENERAL MEETING of the Company to be held at M. C. Ghia Hall, 4th Floor, 18/20, K. Dubash
 Marg, Kalaghoda, Mumbai - 400 001 on Thursday the 30th August 2012 at 3.00 p.m. and at any adjournment thereof.

Affix
Re. 1/-
Revenue
Stamp

Dated this day of August, 2012

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

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No. of Shares held

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DP ID

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

I hereby record my presence at the 25th ANNUAL GENERAL MEETING of the Company being held on Thursday the 30th August 2012 at M. C. Ghia Hall, 4th 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

- **Application Design and Development**
- **Application/Project Consulting Business**
- **Off shore Development facility**
- **Application Support/Maintenance and Migrations**

Quality Policy

“We shall provide quality software products, solutions and services to consistently meet the customer’s changing requirements.”

Melstar Information Technologies Limited

2011-2012

25th Annual Report

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A Software Services Company

Registered & Corporate Office:

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