



THE YASH BIRLA GROUP

**2013-2014**

# **27<sup>th</sup> Annual Report**

Melstar Information Technologies Limited



**MELSTAR**

A Software Services Company

## **Business Philosophy**

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



## **Vision**

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

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

**SEI: CMM Level - III Assessed**

**ISO-9001 : 2008 Certified**

**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](mailto:info@melstar.com), Visit us at : [www.melstar.com](http://www.melstar.com)

Corporate Identity Number (CIN): L99999MH1986PLC040604

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**BOARD OF DIRECTORS**

- Mr. Rajesh Shah Independent & Non-Executive Director
- Mr. M. S. Adige Independent & Non-Executive Director
- Mr. R M Mishra Independent & Non-Executive Director (w.e.f.12.02.2014)
- Mr. P V R Murthy Director (upto.24.10.2013)
- Mr. Richard D'Souza Managing Director (upto.09.12.2013)
- Mr. Vijay Mishra Managing Director(w.e.f.13.11.2013)

**Auditors**

**M/s. Kanu Doshi Associates**

Chartered Accountants

Mumbai

**Bankers**

Bank of India

**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 / 25946970 Fax: 2594 6969

E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

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**COMPANY SECRETARY**

Mr. Vijay Modi

**CHIEF OPERATING OFFICER**

Mr. Ashok Waykul

**CHIEF FINANCIAL OFFICER**

Mr. Anil S. Korpe

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**BRANCH OFFICE LOCATIONS****Bangalore**

335, Connection Point A-Block,  
Mazzanine Floor, HAL-Airport Exit Road,  
Bangalore - 560 017. India  
Phone No. - 080 - 49390400

**Chennai**

2nd Floor, New No. 8,  
Maharaja Surya Rao Road,  
Alwarpet,  
Chennai - 600 018. India  
Phone No. 044-43487070

**Hyderabad**

JISHNU HOMES, 1st Floor,  
Plot No. 8-2-269/19/S/A/102,  
Beside L.V. Prasad Eye Hospital,  
Road No. 2, Banjara Hills,  
Hyderabad - 500 034. India  
Phone No. - 6615 1111

**Pune**

403, Picasso Plaza, 4th Floor,  
NIBM, Chowk, Kondhwa Road,  
Pune - 411 048. India  
Phone No. 020-41307910

**Kolkata**

Ms. Madhurima Banerjee  
F 21/5, Karunamay Housing Estate,  
Salt Lake Sector - 2,  
Kolkata - 91  
Mob: 8420937587

**Gurgaon**

SCO - 18-19, Sector 14,  
Gurgaon,  
Haryana - 122 001 India  
Phone : 0124-4080842/43/44

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**OVERSEAS SUBSIDIARY****Melstar Inc.**

33, Wood Avenue South,  
Suite 600,  
Iselin, New Jersey 08830  
Tel. : 732-744-3399  
Fax : 732-744-3400

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## NOTICE

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the members of Melstar Information Technologies Limited, will be held on **Saturday the 27<sup>th</sup> September, 2014 at 9.00 a.m. at Gopi Birla Memorial School, 68, Walkeshwar Road, Malabar Hill, Mumbai-400006 to transact the following business:-**

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2014 and Statement of Profit and Loss for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration, and for that purpose, to pass the following Resolution, as an Ordinary Resolution:  
**RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, Messrs. Kanu Doshi Associates, Chartered Accountants (Firm Registration No. 104746W), the retiring Auditors, be and is hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is hereby authorized to fix their remuneration for the said period and reimbursement of actual out of pocket expenses, as may be incurred in the performance of their duties."
3. To authorize the Board of Directors to appoint Branch Auditor, in consultation with the Statutory Auditors of the Company, for the existing overseas branch office in the US to act until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS:

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

4. As Ordinary Resolution: Appointment of Shri Rajesh Shah.  
**RESOLVED THAT** pursuant to Section 149,152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, **Shri Rajesh Virendra Shah (DIN 00079576)**, non executive director of the Company, has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment be and is hereby appointed as an Independent director of the Company and shall hold office for a term of 5 years **w.e.f 27.09.2014**.
5. As Ordinary Resolution: Appointment of Shri Mohandas Shenoy Adige  
**RESOLVED THAT** pursuant to Section 149,152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, **Shri Mohandas Shenoy Adige (DIN 00280925)**, non executive director of the Company, has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment be and is hereby appointed as an Independent director of the Company and shall hold office for a term of 5 years **w.e.f 27.09.2014**.
6. As an Ordinary Resolution: Shri Vijay Phoolchand Mishra  
**"RESOLVED THAT** pursuant to Section 149,152 and any other applicable provisions of the Companies Act,2013 and the rules made there under (including any statutory modification (s) or re-enactment thereof for the time being in force) **Shri Vijay Phoolchand Mishra (DIN 02227881)** who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and who holds office up to the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 160 of the Act from a member proposing his candidature for the Office of director, be and is hereby appointed as an director of the Company.
7. As an Ordinary Resolution Shri Ramprakash Murlidhar Mishra  
**"RESOLVED THAT** pursuant to Section 149,152 and any other applicable provisions of the Companies Act,2013 and the rules made there under (including any statutory modification (s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act,2013, (the Act) **Shri Ramprakash Murlidhar Mishra (DIN 00228438)** who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and who holds office up to the date of this Annual General Meeting and has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and in respect of whom the company has received a notice in writing under section 160 of the Act from a member proposing his candidature for the Office of director, be and is hereby appointed as an Independent director of the Company and shall hold office for a term of **5 years w.e.f 27.09.2014**."
8. As a Special Resolution:  
**"RESOLVED THAT** as per the recommendation of the Remuneration Committee and pursuant to the provisions of Sections 196 197 and 203, read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) approval of the Company be and is hereby accorded for the appointment of **MR. VIJAY MISHRA (Din: 02227881)** as Managing Director of the Company for a period of **3 years with effect from 13.11. 2013 to 12.11.2016** on the remuneration and perquisites and terms and conditions as set out in the statement annexed to the Notice convening this meeting with a liberty to the Board of directors (hereinafter referred to as Board which term shall deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration as it may deem fit and as may be acceptable to Shri Vijay Mishra subject to the same not exceeding the limits specified under schedule V to the Companies Act 2013 or any statutory modification(s) or re-enactment thereof  
**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to take such steps and actions and to do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution."

By Order of the Board of Directors

### Registered Office:

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

Mumbai, 08.08.2014

For **MELSTAR INFORMATION TECHNOLOGIES LIMITED**

**VIJAY MODI**  
Company Secretary

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### NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE MEETING) IS ENTITLED TO APPOINT A PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY/PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty(50) and holding in aggregate not more than 10% of the total share capital of the Company. IN CASE A PROXY IS PROPOSED TO BE APPOINTED BY A MEMBER HOLDING MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS, THEN SUCH PROXY SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

The instrument appointing a proxy duly completed and signed should, however, be deposited at the registered office of the company not less than forty-eight hours before the commencement of the meeting. PROXIES SUBMITTED ON BEHALF OF THE COMPANIES, SOCIETIES ETC., MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE. A proxy form is sent herewith.

- 2) The Statement setting out material facts pursuant to section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the Meeting, it annexed hereto.
- 3) The ISIN of the Equity Shares of 10/- each is INE 817A01019
- 4) AS PER COMPANIES (MANAGEMENT AND ADMINISTRATION) RULES, 2014 READ WITH CHAPTER VII OF THE COMPANIES ACT, 2013, THE SHAREHOLDERS OF THE COMPANY ARE REQUESTED TO FURNISH THEIR INFORMATION AS PER ANNEXURE ENCLOSED HERewith AND ARE REQUESTED TO SUBMIT THE SAME WITH LINK INTIME INDIA PRIVATE LIMITED RTA OF MELSTAR INFORMATION TECHNOLOGIES LIMITED ON OR BEFORE 30TH SEPTEMBER, 2014.
- 5) Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- 6) Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
- 7) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
- 8) The Register of Members and Share Transfer Books of the Company will remain closed **FROM SATURDAY THE 20.09.2014 TO SATURDAY THE 27.09.2014 (BOTH DAYS INCLUSIVE)** for annual closing.
- 9) Members desirous of making nomination as permitted under Section 72 of the Companies Act, 2013 in respect of the physical shares held by them in the Company, can make nominations in Form SH-13, which can be procured from the Registrar and Share Transfer Agent M/s Link Intime India Private Limited (RTA). The Members holding shares in demat form may contact their respective depository participants for such nominations.
- 10) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Link Intime India Private Limited (RTA), for consolidation into a single folio.
- 11) As per the General Exemption granted by the Central Government vide the General Circular No. 2/2011 dated 8.2.2011, copy of Balance Sheet, Statement of Profit and Loss, and Report of the Board of Directors and the Report of the Auditors of the Subsidiary Company is not attached with the Annual Report of the Company. However, the Annual Reports of the Subsidiary Company is available for inspection at the Registered Office of the Company to any Member of the Company. Further the Company will make available these documents to any Member upon request.  
The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
- 12) In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide the Members the facility to exercise their right to vote at the 27th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by CDSL.

Details and Instructions for E-voting are enclosed along with the Notice.

Company's website [www.melstar.com](http://www.melstar.com) will be uploaded with the above documents well before the mandatory period and the copies of the aforesaid documents will be available for inspection at the Registered Office of the Company also.

### Registered Office:

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

Mumbai, 08.08.2014

By Order of the Board of Directors  
For **MELSTAR INFORMATION TECHNOLOGIES LIMITED**

**VIJAY MODI**  
Company Secretary





## E-VOTING INSTRUCTIONS

The instructions for members for voting electronically are as under:-

### In case of members receiving e-mail:

- (i) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (ii) Click on "Shareholders" tab.
- (iii) Now, select "**Melstar Information Technologies Limited**" from the drop down menu and click on "Submit".
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field.</li> <li>In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> <li>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter <b>the number of shares held by you as on the cut off date</b> in the <b>Dividend Bank details field</b>.</li> </ul>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN/140822034 for the relevant **Melstar Information Technologies Limited** on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.

They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.

The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.

They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

### In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) The voting period begins on **Tuesday 16th September, 2014 at 9 a.m.** and ends on **Thursday 18th September, 2014 at 5.45 p.m.**. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of **14th August, 2014**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

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The Board of Directors has appointed Shri Praful Sanghani, of M/s. P. Sanghani & Co., Practicing Chartered Accountant, Mumbai as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three (3) days from the conclusion of the e-voting period unblock the votes in the presence of atleast 2 witnesses not in the employment of the company and will make a scrutinizer's report of the votes cast in favor or against, if any, forthwith to the Chairman of the Meeting.

The result on the resolutions shall be declared at or after the Annual General Meeting of the Company and the resolutions will be deemed to be passed on the Annual General Meeting date subject to receipt of the requisite number of votes in favor of the resolutions.

The results declared along with the scrutinizer's report(s) will be available on the website of the Company ([www.melstar.com](http://www.melstar.com)) within 2 days of passing of the resolutions and communication of the same to Bombay Stock Exchange Limited and National Stock Exchange of India Limited

### **STATEMENT SETTING OUT MATERIAL FACTS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ("THE ACT") FORMING PART OF THE NOTICE.**

#### **Item No. 4 and 5**

The Company had, pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Stock Exchanges, appointed Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige as Independent Directors at various times, in compliance with the requirements of the Clause.

Pursuant to the provisions of Section 149 of the Act, which came in to effect from April 1, 2014, every listed company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

The matter regarding appointment of Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige as Independent Directors was placed before the Nomination & Remuneration Committee, which commends their appointment as Independent Directors for a term of 5 years w.e.f 27.09.2014

Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige Non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act.

In the opinion of the Board, Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige fulfill the conditions specified in the Act and the Rules framed there under for appointment as Independent Director and they are independent of the management.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige as Independent Directors is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

A brief profile of the Directors to be appointed is given below:

Mr. Rajesh Shah is a Non-executive, Independent Director. He is a senior practicing Chartered Accountant with over 35 years of experience. His areas of specialization include corporate taxation and structuring of domestic and international clients, including expatriates. Presently he is a senior partner in M/s. A.J. Shah & Co./a practicing firm of Chartered Accountants. He has been associated with several institutions such as International Fiscal Association; Western India Regional council of The Institute of Chartered Accountants of India, Shri Vile Parle Kelevani Mandal (SVKM). He is empanelled as an Arbitrator by the Indian Council of Arbitration.

Shri Mohandas Shenoy Adige is a Non-Executive Independent Director of the Company. He 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. Specialist in revival and turn around of ailing units through re-engineering and re-organisation.

Shri Rajesh Virendra Shah and Shri Mohandas Shenoy Adige are concerned and interested in the resolutions of the accompanying Notice relating to their appointment. The Board of Directors recommends the said resolutions for your approval.

**Item No. 6 and 8 :** Mr. Vijay Mishra, aged 35 years and a post graduate in Business Management with specialisation in Finance. He is also an Associate Member of the Institute of Company Secretary of India (ICSI), the All India Management Association (AIMA) Mr. Mishra has handled a huge gamut of Financial & Legal assignments which involved financial planning, fund management, budgetary control, taxation, legal affairs & company secretarial matters. He has also played a key role in instrumentation of merger of companies, designing and implementing credit control procedure for credit risk Management System in his work stint.

The Board of Directors of the Company in their meeting held on **13.11 2013** appointed Mr. Vijay Mishra as an additional Director pursuant to the provisions of Section 161 of the Companies Act, 2013 and Article 139 of Articles of Association of the Company.

Being an Additional Director of the Company, he holds office up to the date of this Annual General Meeting. The Company has received a notice along with a deposit in terms of Section 160 of the Companies Act, 1956, from a member, proposing the candidature of Mr. Vijay Mishra for the office of Director of the Company.





Further, in the Board Meeting held on 12.02.2014 and as per the resolution passed by the remuneration Committee in their meeting held on 12.02.2014, Mr. Vijay Mishra was appointed as Managing Director of the Company, with effect from 13.11.2013 for a period of 3 years, subject to the approval of shareholders.

In terms of Article 158(2) of the Articles of Association, Mr. Vijay Mishra shall not be liable to retirement by rotation till he continues to hold such office. The terms and conditions of the appointment are as under:

Mr. Vijay Mishra : Managing Director

Period 3 (three) years i.e. 13.11.2013 to 12.11.2016

As Managing Director, Mr. Vijay Mishra shall be responsible for the company's business affair as entrusted to him subject to the direction, supervision and control of the Board of Directors.

**I. Remuneration:** Mr. Vijay Mishra shall be entitled to a salary, perquisites, allowances & benefits not exceeding Rs. 42 Lacs per annum.

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

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

**Minimum Remuneration:** Notwithstanding anything herein contained, where in any financial year, during the currency of the tenure of Mr. Vijay Mishra as Managing Director of the Company, if the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified above in accordance with Schedule V of the Companies Act, 2013 or any other law or enactment for the time being or from time to time in force.

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

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

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

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

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

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

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

**Disentitlements:** The Managing Director shall not be entitled for sitting fees for attending meetings of the Board of Directors or Committees thereof.

Shri Vijay Mishra as long as continues to be Managing Director of the Company shall not be liable to retire by rotation

**Interest:** Mr. Vijay Mishra is concerned and interested in the above matter. No other director of the Company is concerned or interested in the above matter.

As per the general circular of Ministry of Corporate Affairs no.46/2011 dated 14.07.2011, no approval of Central Government is required for appointment of Mr. Vijay Mishra as Managing Director of the Company for payment of remuneration to professional managerial person by Company having no profits or inadequate profits since he is Associate Company Secretary from Institute of Company Secretaries of India.

The Board recommends the resolution as set out in Item No. 6 and 8 of the Notice for Members' approval.

#### **Additional General Information**

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

- a) Nature of industry – Software consultancy, development and related services
- b) Date of commencement commercial production – The Company was incorporated on 12<sup>th</sup> August 1986 as a private company and is in operation since then. However, the present activities were commenced in the year 1997.

## 27th Annual Report 2013-2014

- c) Financial performance of last 5 years based on given indicators - As per the audited financial results for the year ended 31-03-2014:

(Rs.)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Revenues	19,33,05,859	220,349,391	545,120,003	26,18,92,039	20,39,28,749
Net (Loss)/ Profit after Tax	(2,40,63,647)	(14,484,393)	14,617,030	14,626,249	(2,98,11,806)
Paid up Share capital	142,831,390	142,831,390	142,831,390	142,831,390	14,28,31,390
Net Worth	9,72,33,917	122,121,900	136,634,757	122,236,092	10,77,08,221

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

Year	Inflow Rs.	Outflow Rs.
2009-10	1,34,43,383	1,58,08,226
2010-11	93,94,142	76,34,351
2011-12	1,13,06,940	98,93,848
2012-13	21,967,169	20,871,420
2013-14	1,13,20,405	1,03,50,044

- e) Baground Details:

Mr Vijay Mishra is a post graduate in Business Management with specialisation in Finance. He is also an Associate Member of the Institute of Company Secretary of India (ICSI), the All India Management Association (AIMA). In his professional career, Mr. Vijay Mishra has handled a huge gamut of Financial & Legal assignments which involved financial planning, fund management, budgetary control, taxation, legal affairs & company secretarial matters. He has also played a key role in instrumentation of merger of companies, designing and implementing credit control procedure for credit risk Management System in his work stint.

- f) Past remuneration drawn by Mr. Vijay Mishra as Managing Director (13.11.2013 to 31.03.2014):

Particulars	Rupees
Basic Salary	8,05,000
Company's contribution to PF/FPF	96,600
Other perks	8,02,904
Total	17,04,504

- g) Job profile and suitability:

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

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

- h) Remuneration Proposed – Salary, perquisites, allowances & benefits not exceeding Rs. 42 Lacs per annum.

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

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

The minimum remuneration proposed as above has been approved by the Remuneration Committee and Board of Directors in their meeting held on 12.02.2014.

- j) Disclosure on pecuniary relationships:

Mr. Vijay Mishra does not have any other pecuniary relationship with the Company and its managerial personnel, directly or indirectly. In the event of loss or inadequate profits, Mr. Vijay Mishra shall be entitled to receive remuneration as indicated in the Explanatory Statement pursuant to Section 102 of the Companies Act, 2013. The approval for his appointment as Managing Director is sought by way of a Special Resolution as required under Schedule V to the Act. The terms of appointment of Mr. Vijay Mishra as set forth in this notice, may be treated as the abstract under Section 190 of the Companies Act, 2013.



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

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

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

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

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

m) **Disclosure:** Mr. Vijay Mishra does not hold any interest in the capital of the Company. Further Mr. Vijay Mishra does not have any other direct or indirect interest nor is he related to any other directors or promoters of the Company at any time during the last two years before or on the date of appointment. The Board of Directors recommends the said resolution for your approval.

**Item no.7:**

The Company has pursuant to Section 161(1) of the Companies Act, 2013 appointed Shri Ramprakash Murlidhar Mishra as an Additional Director of the Company with effect from 12.02 2014 who holds office up to the ensuing Annual General Meeting and being eligible offers himself for appointment.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of appointment of Shri Ramprakash Murlidhar Mishra for the office of Director of the Company.

Shri Ramprakash Murlidhar Mishra has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act.

The matter regarding appointment of Shri Ramprakash Murlidhar Mishra as Independent Director was placed before the Nomination & Remuneration Committee, which commends his appointment as Independent Directors for a term of 5 years w.e.f 27.09.2014

In the opinion of the Board, Shri Ramprakash Murlidhar Mishra fulfills the conditions specified in the Act and the Rules framed there under for appointment as Independent Director and he is independent of the management.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Shri Ramprakash Murlidhar Mishra as Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Shri Ramprakash Murlidhar Mishra shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

A brief profile of Shri Ramprakash Murlidhar Mishra, to be appointed is given below: Shri Ram Prakash Mishra is a Company Secretary with B.SC., LL.M.

He has broad expanse of experience and qualifications in Law has enabled him to efficiently handle his divergent duties while ensuring all compliances.

A seasoned professional, Shri Mishra utilizes expert judgment and creativity in the analysis of complex issues involving people and data from multiple sources. Reflecting professionalism, experience, integrity, commitment and perseverance, Shri Mishra is always looking for innovative ways to continue growing and expanding with an organization. Shri R.M.Mishra has over 30 years experience in banking/finance industries.

Shri Ramprakash Murlidhar Mishra is concerned or interested in the Resolution of the accompanying Notice relating to his own appointment. The Board of Directors recommends the said resolution for your approval

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

Place: Mumbai, 08.08.2014

**VIJAY MODI**  
COMPANY SECRETARY

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 27th Annual Report together with the Audited Statement of Accounts of your Company for the year ended **31<sup>st</sup> March, 2014**.

### 1. FINANCIAL RESULTS

(Rs. in Lakhs)

	2013-14	2012-13
Net Sales / Income From Operations	1,823	2,036
Other Operating Income	37	33
Operating (Loss) before interest and Depreciation (PBIDTA)	(132)	(123)
Finance costs	92	81
Depreciation	82	84
Operating (Loss) before tax	(307)	(288)
Other Income, net	73	135
Net (Loss) before tax and Exceptional Item	(233)	(153)
Exceptional Item	-	-
Net (Loss) before tax and after Exceptional Item	(233)	(153)
Provision for taxation	(7)	8
Net (Loss) after Tax	(241)	(145)
Deficit Brought Forward From Previous Year	(226)	(81)
Balance carried to Balance Sheet	(467)	(226)
Face value of Equity Shares (in Rupees)	10	10
EPS-Basic and Diluted (Before Exceptional Item) (in Rupees)	(1.68)	(1.01)
EPS-Basic and Diluted (After Exceptional Item) (in Rupees)	(1.68)	(1.01)
Book value per Share (in Rupees)	6.81	8.55

### 2. OPERATIONS

The total sales of the Company for the financial year ended on 31<sup>st</sup> March, 2014 were Rs. 1823 Lakhs as against Rs. 2036 Lakhs during the last financial year ended on 31<sup>st</sup> March, 2013. Similarly the net Loss before tax and Exceptional Item during the same periods were Rs. 233 Lakhs and Rs 153 Lakhs respectively. This reduction in sales and increase in Loss before tax and Exceptional Item is on account of general slowdown in the economy, in-sourcing by existing clients, higher attrition rate and higher cost of hiring.

The Consolidated Group sales stood at Rs. 1860 Lakhs against Rs.2105 Lakhs during the preceding year. The Consolidated Group net Loss before tax and Exceptional Item during the year was Rs.236 Lakhs as against Rs.139Lakhs in the previous year.

### 3. DIVIDEND

In view of the current year loss and 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 COMPANY

As on 31<sup>st</sup> March, 2014 the Company has only one wholly-owned foreign subsidiary, viz. Melstar Inc., in U.S.A.

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

Particulars	2013-14		2012-13	
	Foreign currency	Indian Rs.	Foreign currency	Indian Rs.
Revenue	US\$ 64,680	Rs. 39 Lakhs	US\$ 131,320	Rs. 69 Lakhs
Profit After Tax	US\$ 288	Rs.0.17 Lakhs	US\$ 29,816	Rs. 16 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.

### 5. FINANCIAL STATEMENTS OF SUBSIDIARY

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 08<sup>th</sup> February, 2011, it was decided to grant general exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies to the Balance Sheet of the Company provided certain condition are fulfilled. However, as required under the aforesaid approval, a summarized statement of financial position of the subsidiary 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 the Subsidiary Company.



## 6. FUTURE PROSPECTS / OUTLOOK

The Company has identified the "Niche" areas of product and services for continuous repetitive business which will give more business stability and growth to the Company. The Company continues to embark on improving margins of all product and service offerings by reducing the variable costs 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.

## 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, 2014 and of the loss 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.

## 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.

### MEASURES FOR PREVENTION OF SEXUAL HARASSMENT AT WORK PLACE:

The Company pursuant to the section 4 of the sexual Harassment of Women at work place (Prevention, prohibition and Redressal) Act 2013 and Rules made there under had constituted the Internal Complaints Committee to lodge complaints if any. During the year no complaint was lodged.

## 10. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the Annexure appended to this report.

## 11. CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges, and also a Management Discussion and Analysis Report are appended hereto and forms integral part of the Annual Report.

## 12. DIRECTORS

The Board of Directors of the Company in their meeting held on 13.11. 2013 appointed Mr. Vijay Mishra as additional Director. He holds office up to the date of the ensuing Annual General Meeting. The Company has received notice in writing from member proposing the candidature of Mr. Vijay Mishra as a Director of the Company. Further in the Board Meeting held on 12.02.2014, Board appointed Mr. Vijay Mishra as Managing Director of the Company for a period of 3 years with effect from 13.11.2013 subject to approval of Members.

The Board of Directors of the Company in their meeting held on 12.02.2014 appointed Mr. R M Mishra as additional Director. He holds office up to the date of the ensuing Annual General Meeting. The Company has received notice in writing from member proposing the candidature of Mr. R M Mishra as a Director of the Company.

As per the provisions of Companies Act, 2013, the independent directors of the Company will have to be appointed by the members for a term upto five years, and no independent director shall be liable to retire by rotation. Further Mr Rajesh Shah ,Mr R.M.Mishra and Mr M.S.Adige have given declaration to the Company under Section 149(6) of the Companies Act,2013,that they qualify the criteria of independence mentioned under that sub-section. Accordingly it is proposed to appoint them as Independent Directors not liable to retire by rotation for a term of five years from the ensuing Annual General Meeting.

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 Report on Corporate Governance forming part of the Annual Report.

Mr. P V R Murthy Director resigned from the Board with effect from 24.10.2013,

The Board place on records their sincere appreciation for the valuable contribution made by Mr. P V R Murthy during his tenure as Director of the Company.

Mr. Richard D'Souza Managing Director resigned from the Board with effect 09.12.2013. The Board place on records their sincere appreciation for the valuable contribution made by Mr. Richard D'Souza during his tenure as Manager - Chief Executive Officer (upto 22.05.2013) and Managing Director (from 23.05.2013 to 09.12.2013) of the Company.

## 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

**VIJAY MISHRA**  
Managing Director

**RAJESH SHAH**  
Director

Mumbai, 08.08.2014

## ANNEXURE TO DIRECTORS' REPORT

### I. Particulars required under the Companies (Disclosure of particulars in Report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March, 2014

#### 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 6% (11% for the previous year) of total revenues of the Company.

Rs. in lakhs

	2013-14	2012-13
Total Foreign Exchange earnings*	106.36	219.67
Total Foreign Exchange outgo**	103.50	208.71

\* Includes software services export sales by foreign branch Rs.93.88 lakhs (previous year Rs. 200.15 lakhs).

\*\* Includes expenses of foreign branches Rs. 103.27 lakhs (previous year Rs. 207.92 lakhs).





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Structure and Business Overview:

As per the Industry experts, "Although India's IT services growth rate has slowed in the past two years, the rate of growth remains relatively high." Even though India's GDP growth has slowed in the past year because of global economic challenges, India's GDP growth fundamentals are on relatively solid footing, driven primarily by growing domestic consumption. For this reason, GDP growth is expected to remain steady in the longer term.

India's domestic IT services market is fast transitioning, with profound changes in buying needs and behavior. The number, size and scale of IT services deals are increasing. Buyers are becoming more sophisticated in their sourcing practice and vendor management. Deals are transitioning from first- to second-generation outsourcing. As companies grow in size and scale, the market is likely to see larger IT services deals with more-sophisticated deal engagement practices. This market has a critical mass that is worth tapping into and has the potential to expand further with "Software as a service ( SaaS )" -type service offerings.

### Opportunities:

Indian IT companies delivered a modest year in terms of financial performance, driven by an overall improvement in the quality of their service offerings combined with a flat pricing environment. They are now attempting to move up the value chain by providing more end-to-end solutions and engaging more closely with clients.

India's IT industry can be divided into five main components, viz. Software Products, IT services, Engineering and R&D services, ITES/BPO (IT-enabled services/Business Process Outsourcing) and Hardware. Export revenues primarily on project based IT Services continue to drive growth with IT Services accounting for 59% of total revenues followed by BPO and Engineering services at 20% and Software Products at 19%. Multi-year annuity based outsourcing agreements are expected to increase going forward. In terms of total export and domestic revenues, Application Development and Maintenance (ADM) still continue to be the bread and butter for Indian <> IT companies, contributing to roughly 60% of their total revenues.

Labor arbitrage has been the competitive edge of the Indian software sector over the last few years. However, this seems to be threatened now by MNCs who are replicating the Indian outsourcing model and setting up captive bases in the country. A new trend of 're-shoring' has been observed, where US corporations are increasingly shifting operations, which were outsourced earlier, back to the US.

Increasing competition, pressure on billing rates and increasing commoditization of lower-end ADM services are among the key reasons forcing the Indian software industry to make a fast move up the software value chain by providing higher value-added services like consulting, product development, R&D, social media, mobility, analytics, cloud computing and end-to-end turnkey solutions.

With the Indian government emphasizing on better technology enabled delivery mechanisms for a multitude of government projects like e-passport, Unique Identification Scheme, along with a big investment of US\$ 1 trillion towards infrastructure development, the domestic market connected with software services looks equally promising for India Top Information Technologies players.

Technology research firm Gartner, expects global IT services spending to grow by 4.2% in CY2013 to US\$ 3700 bn. Currently India accounts for less than 5% of the global technology spending and this provides huge opportunities for the growth of the Indian IT-BPO industry. However, Indian IT companies are expected to face competition from emerging outsourcing destinations like Philippines, Poland, Hungary, Romania, etc.

Emerging protectionist policies in the developed world are expected to affect the Indian IT companies. Due to US restrictions on visas as well as rising visa costs, most Indian IT companies are increasingly subcontracting onsite jobs to local employees in the US. Additionally, a new immigration bill is under consideration in the US which, if implemented, will significantly raise employee costs for onsite workers. This would adversely affect margins of Indian IT companies.

ADM services, which used to provide major chunk of revenues to the domestic IT players, are getting affected due to the falling billing rates. Hence, the companies are now venturing into new high value services such as IT Consulting, Product Development, and end-to-end turnkey solutions.

Billing rates are expected to remain under pressure in the short term. Therefore companies are expected to preserve their margins through effective cost containment measures like shifting more work offshore and improving employee utilization. Lessons learnt during the global financial crisis can benefit them in the long run.

### Threats/ Risks

On the professional services consulting side, the Company faces threats from a multitude of new entrants who are competing on the price factor mainly without much attention to the quality. While in the long run such companies would suffer, in the short run they have infused considerable turbulence in the market place.

In the software Projects business the Company faces competition from leading Software Companies like IBM, Infosys, Wipro, TCS etc. who have now started bidding aggressively into the domestic market. As a result while the basic quality culture for Indian bids has improved a lot, this is biggest threat for mid-size companies to get qualified in bids for such domestic projects though having necessary technical expertise. Only option for the mid size Companies is to bid such projects in consortium, which dilutes their visibility and profitability.

### 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 a the subsidiaries duly audited are appended elsewhere in the Annual Report.

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An Analysis of financial performance for the year ended 31<sup>st</sup> March 2014 is given hereinafter:

Sr. No.	Particulars	As at 31.03.2014 Rs. in Lakhs	As at 31.03.2013 Rs. in Lakhs
<b>1</b>	<b>Shareholders' funds</b>		
(a)	Share capital	1,428	1,428
(b)	Reserves and surplus	(456)	(207)
<b>2</b>	<b>Non-current liabilities</b>		
(a)	Long-term borrowings	-	-
(b)	Other long-term liabilities	-	-
(c)	Long-term provisions	33	38
<b>3</b>	<b>Current liabilities</b>		
(a)	Short-term borrowings	795	527
(b)	Trade payables	244	1,188
(c)	Other current liabilities	29	94
(d)	Short-term provisions	20	21
<b>4</b>	<b>Non-current assets</b>		
(a)	Fixed assets	914	999
(b)	Long-term loans and advances	273	294
<b>5</b>	<b>Current assets</b>		
(a)	Trade receivables	Rs.314 Lakhs representing 58 days revenue for the year	Rs.1223 Lakhs representing 219 days revenue for the year
(b)	Cash and cash equivalents	7	21
(c)	Short-term loans and advances	399	324
(d)	Other current assets	186	229
<b>6</b>	Impact of Foreign Exchange Fluctuations	Gain of Rs. 6.42 Lakhs	Gain of Rs. 0.83 Lakhs
<b>7</b>	Depreciation	82	84

### 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 **31.03.2014** was 331.

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.

### Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulation, tax laws and other factors such as litigation and industrial relations.

FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

**VIJAY MISHRA**  
Managing Director

Place: Mumbai  
8<sup>th</sup> August, 2014



## 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 Company has combination of Executive and Non – Executive Directors. As on 08.08.2014, the Board of Directors has 4 (four) Members, out of which 1 (one) is an Executive Director and 3 (Three) are Non Executive and Independent Directors.

Mr. P V R Murthy resigned as Promoter and Non Executive Director from the Board vide his letter dated 24.10.2013. Mr. Richard D'Souza resigned as Managing Director vide his letter dated 09.12.2013.

The Board of Directors in their meeting held on 13.11.2013 appointed Mr. Vijay Mishra as additional Director. The Board of Directors in their meeting held on 12.02.2014 appointed Mr. Vijay Mishra as Managing Director with effect from 13.11.2013.

The Board of Directors in their meeting held on 12.02.2014 appointed Mr. R M Mishra as additional Director

The Composition of the Directors is as under:

Name	Designation	Category of Directorship	No. of Directorships in other Companies as on 31.03.2014		Committee Member-ships (Excl. MITL)	Committee Chairman -ships (excluding member ships given in column 4)
			Other Listed Company	Unlisted Limited, Pvt.Ltd.Co., Foreign Co.		
1	2	3	4		5	6
Mr. Rajesh Shah	Director	Non-Executive, Independent Director	1	--	-	--
Mr. M. S. Adige	Director	Non-Executive, Independent Director	7	2	5	1
Mr. Vijay Mishra (w.e.f. 13.11.2013)	Managing Director	Executive Director	-	2	-	-
Mr R M Mishra (w.e.f. 12.02.2014)	Director	Non-Executive, Independent Director	1	-	1	-

Note: Mr. Vijay Mishra was appointed as Additional Director and Managing Director w.e.f. 13.11.2013

### 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 31-03- 2014 viz. on 23 -05-2013, 29-07-2013, 13-11-2013 and 12-02-2014. 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 20-09-2013
1	Mr. P V R Murthy (up to 24.10.2013)	4	2	No
2	Mr. Rajesh Shah	4	4	Yes
3	Mr. M. S. Adige	4	4	Yes
4	Mr. Richard D'Souza (up to 09.12.2013)	4	3	Yes
5	Mr. Vijay Mishra (w e f 13.11.2013)	4	1	N A
6	Mr R M Mishra (w e f 12.02.2014)	4	N A	N A

### Notes:

- None of the directors is related to any other director.
- None of the directors received any loans or advances from the Company during the year.
- None of the Directors holds Directorship in more than **10** 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.

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.

## 27th Annual Report 2013-2014

### Details of Director seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement):

Name of the director	Date of birth	Qualifications	Date of appointment	Expertise in specific functional area	List of other directorship Excluding foreign companies private companies section 25 of the Companies act 1956	Chairman / member of the Board of other companies in which director	Company's shares held
Rajesh V Shah	10.01.1953	B.Com F C A	23.06.2009	Mr. Rajesh Shah is a Non-executive, Independent Director. He is a senior practicing Chartered Accountant with over 35 years of experience. His areas of specialization include corporate taxation and structuring of domestic and international clients, including expatriates. Presently he is a senior partner in M/s. A.J. Shah & Co./a practicing firm of Chartered Accountants. He has been associated with several institutions such as International Fiscal Association; Western India Regional council of The Institute of Chartered Accountants of India, Shri Vile Parle Kelevani Mandal (SVKM).He is empanelled as an Arbitrator by the Indian Council of Arbitration.	N2N Technologies Limited	1	Nil
Mohandas S Adige	07.11.1944	B. Sc ME	23.06.2009	45 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	Nagpur Power & Industries Limited Artefact Projects Limited Birla Precision Technologies Limited Faiz Super Alloys Private Limited Birla Shloka Edutech Limited Birla Energy Infra Limited The Motwane Manufacturing Company Private Limited Facor Steels Limited Birla Edutech limited	9	Nil
Ramprakash Mishra	05.05.1955	F C S	12.02.2014	Shri Ram Prakash Mishra is a Company Secretary with B.SC., LL.M. He has broad expanse of experience and qualifications in Law has enabled him to efficiently handle his divergent duties while ensuring all compliances. A seasoned professional, Shri Mishra utilizes expert judgment and creativity in the analysis of complex issues involving people and data from multiple sources. Reflecting professionalism, experience, integrity, commitment and perseverance, Shri Mishra is always looking for innovative ways to continue growing and expanding with an organization. Shri R.M.Mishra has over 30 years experience in banking/finance industries.	Birla Shloka edutech Limited	1	NIL
Vijay Mishra	20.07.1979	Associate Member of the Institute of Company Secretary of India (ICSI), the All India Management Association (AIMA)	13.11.2013	Handled a huge gamut of Financial & Legal assignments which involved financial planning, fund management, budgetary control, taxation, legal affairs & company secretarial matters.	Ojus Healthcare Private Limited English Learning Group Private Limited	2	NIL

Note: Only two Committee namely, Audit Committee and Shareholders/ Investor Grievance Committee have been considered.

### COMMITTEES OF THE BOARD

#### (a) AUDIT COMMITTEE

**Terms of Reference:** The terms of reference, role and scope of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement read with Section 177 of the Companies Act, 2013 such as 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 of Statutory Auditors, recommending and approving the remuneration paid to Statutory Auditors, reviewing with the management, quarterly and annual financial statements, internal audit reports and controls of the company. 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 23-5-2013, 29-07-2013, 13-11-2013 and 12-02-2014.

The composition of the Audit Committee for the year ended 31<sup>st</sup> March, 2014 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. Rajesh Shah	Chairman	Independent and Non-Executive Director	4	4
2	Mr. P V R. Murthy Up to 24.10.2013	Member	Promoter and Non-Executive Director	4	2
3	Mr. M. S. Adige	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.

The Audit Committee was re- constituted on 12-02-2014 as under:

	Name	Title	Status
1	Mr. Rajesh Shah	Chairman	Independent and Non-Executive Director
2	Mr. M. S. Adige	Member	Independent and Non-Executive Director
3	Mr. R M Mishra	Member	Independent and Non-Executive Director

**(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.

During the year under report the Committee met 2 times, i.e. on 07.06.2013 and 12.02.2014. The Composition of the Committee for the year ended 31.03.2014 and the attendance at the meetings is as under:

	Name	Title	Status	No. of Meetings Attended
1	Mr. M S Adige	Chairman	Independent and Non-Executive Director	2
2	Mr. P V R Murthy Up to 24.10.2013	Member	Promoter and Non-Executive Director	1
3	Mr Rajesh Shah	Member	Independent and Non-Executive Director	2

The Investor Grievance and Share Transfer Committee was re- constituted on 12-02-2014 as under:

	Name	Title	Status
1	Mr. M. S. Adige	Chairman	Independent and Non-Executive Director
2	Mr. Rajesh Shah	Member	Independent and Non-Executive Director
3	Mr. R M Mishra	Member	Independent and Non-Executive Director

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

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

The Company has received 2 complaints from members. The same was resolved satisfactorily

**During the year, the Registrar had registered NIL transfers comprising NIL shares and processed 14 requests for dematerialization of 1425 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:** 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.

During the year under report the Committee met 2 times, i.e. on 23-05-2013 and 12.02.2014. The Composition of the Committee for the year ended 31.03.2014 and the attendance at the meetings is as under:

	Name	Title	Status	No. of Meetings Attended
1	Mr Rajesh Shah	Chairman	Independent and Non-Executive Director	2
2	Mr. P V R Murthy Up to 24.10.2013	Member	Promoter and Non-Executive Director	1
3	Mr. M S Adige	Member	Independent and Non-Executive Director	2

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The Remuneration Committee was re- constituted on 12-02-2014 as under:

	Name	Title	Status
1	Mr. Rajesh Shah	Chairman	Independent and Non-Executive Director
2	Mr. M S Adige	Member	Independent and Non-Executive Director
3	Mr. R M Mishra	Member	Independent and Non-Executive Director

Details of remuneration paid to the managerial personnel during the financial year ended 31<sup>st</sup> March 2014:

Name	Designation	Sitting Fee (Rs.)	Salary (Rs.)	Perquisites & other dues (Rs.)	Contribution to Provident Fund and others	Total (Rs.)
Mr. Richard D'Souza 01.04.2013 to 22.05.2013	Chief Executive Officer / Manager	Nil	4,70,161	1,18,926	56,419	6,45,506
Mr. Richard D'Souza 23.05.2013 to 09.12.2013	Managing Director	Nil	18,12,339	39,24,708	2,17,481	59,54,528
Mr Vijay Mishra 13.11.2013 to 31.03.2014	Managing Director	Nil	8,05,000	8,02,904	96,600	17,04,504

**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 Sitting Fees paid to all Non-Executive Directors for financial year 2013-14 is as follows:

	Name	Designation	Rupees
1	Mr. P V R Murthy	Promoter and Non-Executive Director	Rs. 40,000/-
2	Mr. Rajesh Shah	Non-Executive and Independent Director	Rs. 90,000/-
3	Mr. M. S. Adige	Non-Executive and Independent Director	Rs. 90,000/-

### 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: 2010-11	12.08.2011	3.30 p.m.	M. C. Ghia Hall, 2 <sup>nd</sup> Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	NIL
AGM: 2011-12	30.08.2012	3.00 p.m.	M. C. Ghia Hall, 2 <sup>nd</sup> Floor, 18/20 K. Dubash Marg, Kalaghoda, Mumbai – 400 001	NIL
AGM: 2012-13	20.09.2013	3.00 p.m.	Harmony Hall, Nehru Centre, Dr. A B Road, Worli, Mumbai 400018	Appointment of Mr. Richard D'Souza as the Managing Director of the Company

### DISCLOSURES ON RELATED PARTY TRANSACTIONS

No materially significant related party transactions were entered by the Company with its promoters or directors, which could be deemed to be potentially conflicting with the interests of the Company. There were some transactions with related parties in the ordinary course of business of the Company. The register of contracts contains details of transaction in which directors are interested and the same is placed before the meeting of the Board. The details of such transactions are disclosed in the Notes to Accounts. (Please Refer Note no. 27 of the financial statements).

### SUBSIDIARY COMPANY

The Company has one 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 Mahanayak) in compliance with requirements. These are also displayed on Company's website [www.melstar.com](http://www.melstar.com). No presentation was made to analyst during the financial year under report.

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

### OTHERS

A firm of Chartered Accountants/Company Secretaries periodically carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial





audit reports confirm that the total issued and paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

#### General Shareholder Information

##### Annual General Meeting

Day, date and time of Annual general meeting	Saturday	27.09.2014	9.00 A M	Gopi Birla Memorial School, 68, Walkeshwar Road, Malabar Hill, Mumbai-400006.
Dates of book closure	From Saturday 20.09.2014 to Saturday 27 .09.2014 (both days inclusive)			

**Special Resolutions:** Proposed one Special Resolution at the above-mentioned Annual General Meeting

**Resolutions Passed by Postal Ballot:** No resolution was passed by Postal Ballot during the year 2013-14

##### Financial Calendar:

- |   |  |
|---|--|
| 1) First Quarter Results:                   | On or before 14 <sup>th</sup> August   |
| 2) Second Quarter / Half yearly Results:    | On or before 14 <sup>th</sup> November |
| 3) Third Quarter results:                   | On or before 14 <sup>th</sup> February |
| 4) Fourth Quarter / Audited Annual Results: | On or before 30 <sup>th</sup> 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 **2014-15** have also been paid.

<b>Registrar and Share Transfer Agent:</b> 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	<b>Dematerialization of Shares and Liquidity:</b> All shares of the Company are under compulsory dematerialization for delivery on sale / purchase. As at 31.03.2014, the number of shares of the Company in demat form stood at <b>1,40,21,218</b> share representing <b>98.17%</b> 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: <b>INE817A01019</b> .
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##### 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 15 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 31.03.2014:

Bombay Stock Exchange Limited					
Month	High	Low	No. of shares traded	BSE Index	BSE IT Index
Apr -13	3.14	2.69	5642	19504.18	5709.64
May-13	3.34	2.30	10338	19760.30	6065.34
Jun-13	3.64	2.84	3412	19395.81	6255.10
Jul -13	3.22	1.84	10296	19345.70	7458.19
Aug-13	1.77	1.30	4963	18619.72	8027.55
Sep-13	1.78	1.36	1557578	19379.77	7839.26
Oct-13	2.41	1.65	24571	21164.52	8477.73
Nov-13	3.17	2.25	21914	20791.93	8414.25
Dec-13	2.89	1.76	41766	21170.68	9081.78
Jan-14	2.50	1.99	88950	20513.85	9476.62
Feb-14	2.19	1.48	85785	21120.12	9792.25
Mar-14	2.18	1.43	120300	22386.27	8789.38

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### DISTRIBUTION OF SHAREHOLDING AS AT 31<sup>st</sup> March, 2014

Shareholding of Nominal value of Rs.	No. of Share holders	% of Total	Shares	% of Total
1 - 500	869	8.4988	26563	0.1860
501 - 1,000	4424	43.2665	439303	3.0757
1,001 - 2,000	1276	12.4792	242862	1.7003
2,001 - 3,000	619	6.0538	176255	1.2340
3,001 - 4,000	311	3.0416	119991	0.8401
4,001 - 5,000	799	7.8142	396798	2.7781
5,001-10,000	1009	9.8680	861249	6.0298
10,001 and above	918	8.9780	12020118	84.1560
<b>Total</b>	<b>10225</b>	<b>100.0000</b>	<b>1,42,83,139</b>	<b>100.0000</b>

### Shareholding Pattern as at 31.03.2014

	Category	No. of shares	% of holding
<b>A</b>	<b>Promoters' holding</b>		
1.	Bodies Corporate pursuant to open offer purchase	66,11,774	46.29
<b>B</b>	<b>Non-Promoters holding</b>		
1.	Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non-Gov. Institutions	1,00,000	00.70
2.	Private Corporate Bodies	9,77,804	6.85
3.	Indian Public / HUFs/ Employees	62,64,853	43.86
4.	NRIs	2,85,285	2.00
5.	Foreign Individuals	43,423	00.30
	<b>TOTAL</b>	<b>1,42,83,139</b>	<b>100.00</b>

### 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 **31.03.2014** 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](http://www.melstar.com)).

Address of registered office, subsidiary office 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.

### 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 31.03.2014 have been obtained from the Directors and Senior Management Personnel of the Company.

### FOR MELSTAR INFORMATION TECHNOLOGIES LIMITED

**VIJAY MISHRA**  
Managing Director

Place : Mumbai  
Date : 8th August, 2014



**Certificate by the Managing Director (MD) and Chief Financial Officer (CFO)  
pursuant to Clause 49 of the Listing Agreement:**

We Vijay Mishra – Managing Director and Anil S. Korpe –as a CFO hereby certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31.03.2014 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**

Place: Mumbai  
Date: 23rd May, 2014

**Vijay Mishra**  
Managing Director

**Anil S. Korpe**  
Chief Financial Officer

**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, 2014, 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, 2014 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

Place: Mumbai  
Date: 29th July, 2014

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

## INDEPENDENT AUDITOR'S REPORT

To,

**The Members of Melstar Information Technologies Limited**

### **Report on the Financial Statements**

We have audited accompanying financial statements of **MELSTAR INFORMATION TECHNOLOGIES LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the period ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

### **Emphasis of Matters**

The company has given inter corporate deposits to two parties (the entities earlier were covered under related parties) amounting to Rs.3,57,89,799 (including interest) which is due for repayment for more than six months. The amount given is significant in relation to Net worth of the Company and the aforementioned entities have incurred continuous losses and their net worth has also declined. However, the management is of the view that the above Inter Corporate Deposits are good for recovery. Our report is not qualified in respect of same.

### **Other Matters**

Trade receivables & Trade payables are subject to confirmation and reconciliation, if any.

### **Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003, ("the order") 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) 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.
  - c) 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.
  - d) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited Branch returns.
  - e) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013.
  - f) On the basis of the written representations received from the directors, as on March 31, 2014 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For Kanu Doshi Associates**  
Chartered Accountants  
Firm Registration Number: 104746W

**Ankit Parekh**  
Partner

Membership No: 114622

Place: Mumbai

Date: May 23, 2014



## 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, 2014)

- (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 during the year and no material discrepancies were noticed on such verification.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) The company does not have any inventories during the year. Consequently, clause 4(ii) of the order is not applicable.
- (iii) As informed 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 section 301 of the Companies Act, 1956. Hence clauses (iii) (a) to (iii) (g) of paragraph 4 of the order 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) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions, particulars of contracts or arrangements required to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly clause (v) (b) of the order is not applicable.
- (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 company has an internal audit system 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.  
(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 incurred cash loss in current year as well as in 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 Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) 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, the Company has not taken any term hence clause 4 (xvi) of the Order is not applicable to the Company.
- (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) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- (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) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

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

Place: Mumbai  
Date: May 23, 2014

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

**BALANCE SHEET AS AT MARCH 31, 2014**

(In rupees)

Particulars		Note No.	As at 31.03.2014	As at 31.03.2013
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	2	142,831,390	142,831,390
	(b) Reserves and Surplus	3	(45,597,473)	(20,709,491)
			97,233,917	122,121,899
<b>2</b>	<b>Non-Current Liabilities</b>			
	(a) Long term provisions	4	3,339,592	3,813,638
			3,339,592	3,813,638
<b>3</b>	<b>Current Liabilities</b>			
	(a) Short-term borrowings	5	79,462,227	52,696,746
	(b) Trade payables (Refer Note No.32 & 33)		24,380,161	118,765,551
	(c) Other current liabilities	6	2,874,620	9,422,599
	(d) Short-term provisions	7	1,979,550	2,118,957
			108,696,558	183,003,853
	<b>TOTAL</b>		<b>209,270,067</b>	<b>308,939,390</b>
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets	8		
	(i) Tangible assets		91,251,752	99,594,643
	(ii) Intangible assets		105,617	281,258
	(b) Non-current investments	9	-	-
	(c) Long term loans and advances	10	27,318,032	29,370,208
			118,675,401	129,246,109
<b>2</b>	<b>Current assets</b>			
	(a) Trade receivables	11	31,396,918	122,290,554
	(b) Cash and cash equivalents	12	701,052	2,119,864
	(c) Short-term loans and advances	13	39,891,930	32,420,477
	(d) Other current assets	14	18,604,766	22,862,386
			90,594,666	179,693,282
	<b>TOTAL</b>		<b>209,270,067</b>	<b>308,939,390</b>
	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 23, 2014

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014





## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(In rupees)

Particulars		Note No.	For the year ended 31st March 2014	For the year ended 31st March 2013
I.	Revenue from operations	15	182,266,411	203,551,014
II.	Other Income	16	11,039,448	16,798,377
III.	<b>Total Revenue (I + II)</b>		<b>193,305,859</b>	<b>220,349,391</b>
IV.	<b>Expenses :</b>			
	Purchases of Stock in Trade		30,000	-
	Employee benefits expense	17	159,489,716	166,582,158
	Finance costs	18	9,206,607	8,065,020
	Depreciation and amortization expenses	8	8,187,816	8,409,740
	Other expenses	19	39,725,548	52,562,266
	<b>Total Expenses</b>		<b>216,639,687</b>	<b>235,619,184</b>
V.	<b>Loss before exceptional and extraordinary items and tax (III-IV)</b>		<b>(23,333,828)</b>	<b>(15,269,793)</b>
VI.	Exceptional Item		-	-
VII.	<b>Loss before extraordinary items and tax (V + VI)</b>		<b>(23,333,828)</b>	<b>(15,269,793)</b>
VIII.	Extraordinary Items		-	-
IX.	<b>Loss before tax (VII- VIII)</b>		<b>(23,333,828)</b>	<b>(15,269,793)</b>
X.	Tax expense:			
	(1) Current tax of earlier year		(729,819)	
	(2) Current tax of earlier year written back		-	785,400
XI.	<b>Loss for the period from continuing operations (IX+X)</b>		<b>(24,063,647)</b>	<b>(14,484,393)</b>
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	<b>Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)</b>		<b>-</b>	<b>-</b>
XV.	<b>Loss for the period (XI + XIV)</b>		<b>(24,063,647)</b>	<b>(14,484,393)</b>
XVI.	Earnings per equity share (Refer Note No. 26) (Rupees):			
	Basic & Diluted (Before Exceptional Item)		(1.68)	(1.01)
	Basic & Diluted (After Exceptional Item)		(1.68)	(1.01)
	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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

		Rupees	2013-14 Rupees	Rupees	2012-13 Rupees
<b>A</b>	<b>Cash flow from operating activities</b>				
	Loss before tax		(23,333,828)		(15,269,793)
	<b>Adjustments for :</b>				
	Depreciation and amortisation	8,187,816		8,409,740	
	Fixed Assets written off	101,423		244,533	
	(Profit)/ Loss on Sale of Fixed Assets sold/ discarded (Net)	290,895		(952)	
	Interest on Income Tax refund	(819,345)		(620,272)	
	Interest expense	9,004,107		5,515,982	
	Interest received on Inter Corporate Deposits and Other Deposits	(3,017,075)		(2,941,916)	
	Foreign Currency Translation Reserve credited to Profit and Loss Account (Refer Note no. 22)	(744,755)		-	
	Exchange Difference (Net)	27,492		(43,501)	
	<b>Operating loss before working capital changes</b>		<b>13,030,558</b>		<b>10,563,614</b>
	<b>Adjustments for :</b>		<b>(10,303,270)</b>		<b>(4,706,179)</b>
	Trade and other receivables	86,696,588		47,725,251	
	Trade payables	(101,572,347)	(14,875,759)	(41,757,741)	5,967,510
	<b>Cash (used in)/ generated from operations</b>		<b>(25,179,030)</b>		<b>1,261,331</b>
	Income Tax (Paid)/ Refund (Net)		<b>2,225,273</b>		<b>(3,779,467)</b>
	<b>Net cash (used in)/ generated from operating activities</b>		<b>(22,953,757)</b>		<b>(2,518,136)</b>
<b>B</b>	<b>Cash flow from investing activities</b>				
	Interest received on Inter Corporate Deposits and Other Deposits	3,017,075		2,941,916	
	Inter Corporate Deposit paid	-		(30,000,000)	
	Additions to fixed assets	(137,450)		(6,600)	
	Proceeds from sale of fixed assets	76,567		952	
	Interest on Income Tax refund	819,345		620,272	
	<b>Net cash generated from/ (used in) investing activities</b>		<b>3,775,537</b>		<b>(26,443,460)</b>
<b>C</b>	<b>Cash flow from financing activities</b>				
	Proceeds from borrowings	26,765,481		36,283,603	
	Repayment of borrowings	-		(1,919,356)	
	Interest paid	(8,978,581)		(5,454,243)	
	<b>Net cash generated from financing activities</b>		<b>17,786,900</b>		<b>28,910,004</b>
	<b>Net decrease in cash and cash equivalents</b>		<b>(1,391,320)</b>		<b>(51,592)</b>
	<b>Opening balance of cash and cash equivalents</b>		<b>2,067,568</b>		<b>2,119,160</b>
	<b>Closing balance of cash and cash equivalents</b>		<b>676,248</b>		<b>2,067,568</b>

**Notes :**

- 1 Cash and cash equivalents include cash and bank balances in current accounts and deposit accounts (Refer Note No.12)  
Cash and Cash equivalents include :

	31st March, 2014 Rs	31st March, 2013 Rs
Cash and Bank Balances	701,052	2,119,864
Unrealised (gain)/ loss on foreign currency cash and cash equivalents	(24,804)	(52,296)
<b>Total cash and cash equivalents</b>	<b>676,248</b>	<b>2,067,568</b>

- 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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Rajesh Shah**  
Director

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014



## Notes to financial statements for the period ended 31st March, 2014

### 1 Significant Accounting Policies:

#### a) System of Accounting:

The Financial Statements have been prepared under the historical cost convention, except where impairment is made and on accrual basis in accordance with accounting principles generally accepted in India and the provisions of the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of section 133 of the Companies Act, 2013. Accounting policies have been consistently applied by the Company and are consistent with those used in the Previous Year.

#### b) Use of estimates:

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

#### c) Fixed Assets and Intangible Assets :

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

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

#### d) Investments:

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

Overseas Investments are carried at their original rupee cost.

#### e) Depreciation and Amortisation:

Depreciation in respect of assets is provided for on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on revalued fixed assets is provided on Straight Line Method over the residual life of the asset and charged to the Profit and Loss account. Individual assets cost of which doesn't exceed Rs. 5,000/- each are depreciated in full in the year of purchase.

Leasehold land is written off over the lease period.

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

#### f) Inventories:

##### Software Finished Goods (Traded) :

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

#### g) Foreign Currency Transactions/Translation:

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

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

##### Foreign Branches:

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

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

#### h) Borrowing Costs:

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

#### i) Employee benefits :

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

##### i) Defined Contribution Scheme

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

## ii) Defined Benefit and Other Long Term Benefit Schemes

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

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

## b) Short-term employee benefits

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

## j) Revenue recognition:

Revenues from software consultancy services are recognised on specified terms of contract in case of contract on time basis and in case of fixed price contract, revenue is recognized using percentage of completion method of accounting. 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 unrecognised deferred tax assets, to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

## l) Fringe Benefit Tax:

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

## m) Operating Leases:

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

## n) Impairment of assets:

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

## o) Provisions, Contingent Liabilities and Contingent Assets:

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

## p) Cash Flow Statement:

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

## q) Earnings per share:

In determining earnings per share, the company considers the net profit after tax after reducing the preference dividend and tax thereon and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises



the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

**r) Cash and cash equivalents:**

Cash and cash equivalents for the purpose of Cash Flow Statement comprises of cash at banks, cash in hand (including cheques in hand) and bank deposits with maturity of less than three months.

## 2 SHARE CAPITAL

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
	Number	Rupees	Number	Rupees
<b>Authorised</b>				
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
		<b>550,000,000</b>		<b>550,000,000</b>
<b>Issued, Subscribed and Paid up</b>				
Equity Shares of Rs.10/- each, fully paid up	14,283,139	142,831,390	14,283,139	142,831,390
<b>TOTAL</b>		<b>142,831,390</b>		<b>142,831,390</b>

### 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 31.03.2014		As at 31.03.2013	
	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	1719047	12.04	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 31.03.2014		As at 31.03.2013	
<b>1. Capital Reserve</b>		173,542		173,542
<b>2. Capital Redemption Reserve</b>		20,000		20,000
<b>3. Foreign Currency Translation Reserve</b>				
Opening Balance	1,695,989		1,724,454	
Less: Credited to Profit and Loss Account on closure of Foreign Branch (Refer Note no. 22)	(744,755)		-	
Less : Debited during the year	(79,580)		(28,465)	
		871,654		1,695,989
<b>4. Surplus/ (Deficit) in the Statement of Profit and Loss</b>				
Opening Balance	(22,599,022)		(8,114,629)	
Add : Net (Loss)/ Profit for the current year	(24,063,647)		(14,484,393)	
		(46,662,669)		(22,599,022)
<b>TOTAL</b>		<b>(45,597,473)</b>		<b>(20,709,491)</b>

#### 4 LONG TERM PROVISIONS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Provision for employee benefits</b>		
Gratuity (unfunded)(Refer Note No. 31(ii))	2,590,639	2,949,723
Compensated absences (unfunded) (Refer Note No. 31(ii))	748,953	863,915
<b>TOTAL</b>	<b>3,339,592</b>	<b>3,813,638</b>

#### 5 SHORT TERM BORROWINGS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Secured</b>		
<b>Loan repayable on demand</b>		
From Bank		
-Clean Overdraft Facility	8,892,015	12,645,170
-Cash Credit Facility	70,570,212	40,051,576
<b>TOTAL</b>	<b>79,462,227</b>	<b>52,696,746</b>

Note :

- Clean Overdraft Facility and Cash Credit Facility is secured by equitable mortgage by deposit of title deeds of office premises of the Company situated at Andheri (Mumbai) and further secured by hypothecation of receivables and other current assets of the Company.
- Clean Overdraft Facility and Cash Credit Facility is repayable on demand subject to annual review. The rate of interest for Clean Overdraft Facility is Base Rate+3.75% and Base Rate+2.75% on Cash Credit Facility.

#### 6 OTHER CURRENT LIABILITIES

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
Interest accrued but not due	116,326	90,800
Security deposits ( Refer note no. 27(2))	400,000	4,900,000
Other Payables		
- Withholding taxes (includes Rs.Nil (Previous year Rs.1,005,647) in respect of Branch located at U.K.)	1,140,443	1,954,770
- Service Tax	9,817	1,192,811
- VAT	222,244	120,695
- Provident Fund	856,060	1,046,369
- Employees' State Insurance	30,371	27,679
- Profession Tax	99,275	89,475
- Labour Welfare Fund	84	-
<b>TOTAL</b>	<b>2,874,620</b>	<b>9,422,599</b>





## 7 SHORT TERM PROVISIONS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Provision for employee benefits</b>		
Gratuity (unfunded)(Refer Note No. 31(ii))	966,289	755,525
Compensated absences (unfunded)(Refer Note No. 31(ii))	1,013,261	1,363,432
<b>TOTAL</b>	<b>1,979,550</b>	<b>2,118,957</b>

## 8 FIXED ASSETS

(In rupees)

Particulars	Gross Block					Accumulated Depreciation/Amortisation					Net Block	
	Balance as at 1 April 2013	Additions	(Disposals)	Other Adjustment	Balance as at 31 March 2014	Balance as at 1 April 2013	Depreciation charge for the year	On disposals	Other Adjustment	Balance as at 31 March 2014	Balance as at 1 April 2013	Balance as at 31 March 2014
<b>a Tangible Assets</b>												
Leasehold Land	304,995	-	-	-	304,995	55,968*	3,974	-	-	59,942	249,027	245,053
	(304,995)	(-)	(-)	(-)	(304,995)	(51,994)	(3,974)	(-)	(-)	(55,968)	(253,001)	(249,027)
Buildings	152,139,251	-	-	-	152,139,251	61,054,726**	5,713,821	-	-	66,768,547	91,084,525	85,370,704
	(152,139,251)	(-)	(-)	(-)	(152,139,251)	(55,340,905)	(5,713,821)	(-)	(-)	(61,054,726)	(96,798,346)	(91,084,525)
Plant and Equipment	11,259,454	137,450	(1,034,677)	7,792	10,370,019	7,565,868	891,358	(991,920)	7,074	7,472,380	3,693,586	2,897,639
	(11,656,068)	(6,600)	(407,840)	(4,626)	(11,259,454)	(6,956,277)	(983,103)	(376,659)	(3,147)	(7,565,868)	(4,699,791)	(3,693,586)
Furniture and Fixtures	19,242,394	-	(62,714)	-	19,179,680	15,756,511	1,192,457	(12,334)	-	16,936,634	3,485,883	2,243,046
	(19,612,404)	(-)	(370,010)	(-)	(19,242,394)	(14,698,867)	(1,214,302)	(156,658)	(-)	(15,756,511)	(4,913,537)	(3,485,883)
Vehicles	2,633,082	-	(2,633,082)	-	-	2,277,934	136,984	(2,414,918)	-	-	355,148	-
	(2,633,082)	(-)	(-)	(-)	(2,633,082)	(2,116,124)	(161,810)	(-)	(-)	(2,277,934)	(516,958)	(355,148)
Office equipment	1,592,024	-	(572,773)	-	1,019,251	865,550	73,581	(415,189)	-	523,942	726,474	495,309
	(1,592,024)	(-)	(-)	(-)	(1,592,024)	(790,116)	(75,434)	(-)	(-)	(865,550)	(801,908)	(726,474)
<b>Total</b>	<b>187,171,200</b>	<b>137,450</b>	<b>(4,303,246)</b>	<b>7,792</b>	<b>183,013,196</b>	<b>87,576,557</b>	<b>8,012,175</b>	<b>(3,834,361)</b>	<b>7,074</b>	<b>91,761,445</b>	<b>99,594,643</b>	<b>91,251,751</b>
	(187,937,824)	(6,600)	(777,850)	(4,626)	(187,171,200)	(79,954,283)	(8,152,444)	(533,317)	(3,147)	(87,576,557)	(107,983,541)	(99,594,643)
<b>b Intangible Assets</b>												
Computer software	1,729,612	-	-	-	1,729,612	1,448,354	175,641	-	-	1,623,995	281,258	105,617
	(1,729,612)	(-)	(-)	(-)	(1,729,612)	(1,191,058)	(257,296)	(-)	(-)	(1,448,354)	(538,554)	(281,258)
<b>Total</b>	<b>1,729,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,729,612</b>	<b>1,448,354</b>	<b>175,641</b>	<b>-</b>	<b>-</b>	<b>1,623,995</b>	<b>281,258</b>	<b>105,617</b>
	(1,729,612)	(-)	(-)	(-)	(1,729,612)	(1,191,058)	(257,296)	(-)	(-)	(1,448,354)	(538,554)	(281,258)
<b>Total</b>	<b>188,900,812</b>	<b>137,450</b>	<b>(4,303,246)</b>	<b>7,792</b>	<b>184,742,808</b>	<b>89,024,911</b>	<b>8,187,816</b>	<b>(3,834,361)</b>	<b>7,074</b>	<b>93,385,440</b>	<b>99,875,901</b>	<b>91,357,368</b>
Previous Year	(189,667,436)	(6,600)	(777,850)	(4,626)	(188,900,812)	(81,145,341)	(8,409,740)	(533,317)	(3,147)	(89,024,911)	(108,522,095)	(99,875,901)

\* Leasehold land is amortised over a period of lease.

\*\* 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. 403,523/- accumulated depreciation and amortisation Rs. 302,100/-) (Previous year Cost Rs. 733,825/- and depreciation and amortisation Rs 489,291/-)
- Figures shown in brackets are in respect of Previous Period.

## 9 NON CURRENT INVESTMENTS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Unquoted - (At cost or carrying amount unless otherwise stated)</b>		
<b>Trade Investments</b>		
<b>Investments in Equity Instruments of Wholly Owned Subsidiary Companies</b>		
i) 45,940 (Previous year 45,940) shares (common stock) of US\$ 25/- each of Melstar Inc. (USA) Less: Provision for diminution (Refer Note No.21)	64,648,453 (64,648,453)	64,648,453 (64,648,453)
ii) 150,000 (Previous year 150,000) shares of Sterling Pound 1/- each of Melstar UK Limited (UK) Less: Provision for diminution (Refer Note No.21)	- 9,790,695 (9,790,695)	- 9,790,695 (9,790,695)
iii) 958,992 (Previous year 958,992) shares of Sterling Pound 1/- each of Melstar Limited (UK) Less: Provision for diminution (Refer Note No.21)	- 94,245,891 (94,245,891)	- 94,245,891 (94,245,891)
iv) 1,700,000 (Previous year 1,700,000 ) shares of SGD 1/- each of Melstar Singapore Pte Ltd Less: Provision for diminution (Refer Note No.21)	- 45,989,728 (45,989,728)	- 45,989,728 (45,989,728)
<b>Non Trade Investment</b>		
125,000 (Previous year 125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd Less: Provision for diminution	- 1,250,000 (1,250,000)	- 1,250,000 (1,250,000)
<b>TOTAL</b>	-	-
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)

## 10 LONG TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
<b>Security Deposits</b>				
Unsecured, considered good		1,254,234		344,653
<b>Others (Unsecured, considered good)</b>				
Advances recoverable in cash or kind or for value to be received	2,245,044		2,251,709	
Advance payment of Income Tax (Net of Provision for Taxation)	23,795,006		26,750,098	
Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)	23,748		23,748	
		26,063,798		29,025,555
<b>TOTAL</b>		<b>27,318,032</b>		<b>29,370,208</b>



## 11 TRADE RECEIVABLES

(In rupees)

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
-Unsecured, considered good	1,044,152		89,183,982	
-Unsecured, considered doubtful	44,373,995		43,279,757	
	45,418,147		132,463,739	
Less: Provision for bad and doubtful debts (Refer Note No.21)	*(44,373,995)		(43,279,757)	
		1,044,152		89,183,982
Trade receivables outstanding for a period less than six months from the date they are due for payment				
-Unsecured, considered good	30,352,766		33,106,572	
-Unsecured, considered doubtful	-		-	
	30,352,766		33,106,572	
Less: Provision for bad and doubtful debts	-		-	
		30,352,766		33,106,572
<b>TOTAL</b>		<b>31,396,918</b>		<b>122,290,554</b>

\* Includes debts due from subsidiary companies Rs. 17,167,788 ( Previous year Rs. 17,167,788)

## 12 CASH AND CASH EQUIVALENTS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
Balances with Banks	479,373	2,090,724
Cash on hand	221,679	29,140
<b>TOTAL</b>	<b>701,052</b>	<b>2,119,864</b>

## 13 SHORT TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
<b>Security Deposits</b>				
Unsecured, considered good		83,888		1,271,254
<b>Loans and Advances to related parties</b>				
<b>Loans and Advances to Subsidiaries</b>				
Unsecured, considered good	-		-	
Considered doubtful	114,306,058		114,306,058	
Less:- Provision (Refer Note No.21)	(114,306,058)	-	(114,306,058)	-
<b>Amounts receivable from Enterprises over which Key Management Personnel and/or their relatives have significant influence</b>				
Inter Corporate Deposits (Refer note No.27(2))		-		30,000,000
<b>Others</b>				
Inter Corporate Deposits	37,713,099			
Advances recoverable in cash or kind or for value to be received (Unsecured, considered good)	2,094,943			
		39,808,042		1,149,223
<b>TOTAL</b>		<b>39,891,930</b>		<b>32,420,477</b>

#### 14 OTHER CURRENT ASSETS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
Unbilled Revenue	14,266,424	13,650,816
Amounts receivable from Enterprises over which Key Management Personnel and/ or their relatives have significant influence ( Refer note no.27(2))	-	9,211,570
Rental Income Receivable	4,217,334	-
Interest Receivable	121,008	-
<b>TOTAL</b>	<b>18,604,766</b>	<b>22,862,386</b>

#### 15 REVENUE FROM OPERATIONS

(In rupees)

PARTICULARS	For the period ended 31st March, 2014	For the year ended 31st March, 2013
Sale of Software Products	250,000	-
Sale of Software Services	182,016,411	203,551,014
<b>TOTAL</b>	<b>182,266,411</b>	<b>203,551,014</b>

#### 16 OTHER INCOME

(In rupees)

PARTICULARS	For the period ended 31st March, 2014	For the year ended 31st March, 2013
Exchange Difference (Net)	643,153	82,933
Sundry Credit Balances Written Back	1,708,865	431,790
Profit on Assets sold / discarded (Net)	-	952
Provision for doubtful debts/ advances written back (Net)	-	349,619
Excess Provision of Earlier Years Written Back	1,347,296	2,470,370
Miscellaneous Income	38,714	525
Rent	3,465,000	9,900,000
Interest on Inter Corporate Deposits and Other Deposits	3,017,075	2,941,916
Interest on Income Tax Refunds	819,345	620,272
<b>TOTAL</b>	<b>11,039,448</b>	<b>16,798,377</b>

#### 17 EMPLOYEE BENEFITS EXPENSES

(In rupees)

PARTICULARS	For the period ended 31st March, 2014	For the year ended 31st March, 2013
Salaries and Wages	150,541,021	157,837,362
Contribution to Provident and other Funds	5,984,023	6,421,837
Gratuity	1,585,330	843,412
Compensated Absences	869,982	952,806
Staff Welfare Expenses	509,360	526,741
<b>TOTAL</b>	<b>159,489,716</b>	<b>166,582,158</b>



## 18 FINANCE COSTS

(In rupees)

PARTICULARS	For the period ended 31st March, 2014	For the year ended 31st March, 2013
<b>Interest expenses</b>		
On Fixed Period Loans	-	105,700
Others	9,004,107	5,410,282
<b>Other borrowing costs</b>	202,500	2,549,038
<b>TOTAL</b>	<b>9,206,607</b>	<b>8,065,020</b>

## 19 OTHER EXPENSES

(In rupees)

PARTICULARS	For the period ended 31st March, 2014	For the year ended 31st March, 2013
Purchases of Software Services	13,763,400	29,338,436
Electricity	2,114,674	2,690,450
Rent	2,934,930	3,448,379
Rates and Taxes	375,210	354,198
Insurance	544,484	610,526
Repairs to buildings	-	279,374
Repairs to machinery	409,410	372,766
Travelling and Conveyance	1,685,098	1,615,899
Communication Expenses	1,482,480	1,599,885
Advertising and Sales promotion expenses	574,901	206,454
Rebate and discount	18,518	-
Legal and Professional fees	3,435,809	6,507,817
Recruitment Expenses	1,221,011	1,570,030
Loss on Sale of Fixed Assets (Net)	290,895	-
Provision for Doubtful Debts and Advances (Net)	1,094,238	-
Irrecoverable Debts/ Advances written off	5,790,095	282,540
Exchange Difference (Net)	680	-
Fixed Assets written off	101,423	244,533
Directors Sitting Fees	220,000	300,000
Miscellaneous Expenses	3,668,292	3,140,979
<b>TOTAL</b>	<b>39,725,548</b>	<b>52,562,266</b>

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

## 20. Contingent Liability:

(In rupees)

	As at 31.03.2014	As at 31.03.2013
(i) 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.	457,392	387,620
(ii) 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. 13 Rs. 35,000 Previous year (Rs. 35,000)	135,627	135,627
(iii) Disputed Property Tax Liability: Property Tax demand disputed and pending before the Court in Mumbai. Amount paid there against and included under "Short Term Loans and Advances" Note No.13 Rs.806,524 Previous year (Rs. Nil)	1,613,047	-

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21. 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.17,167,788(Previous year Rs. 17,167,788).

The two subsidiaries and one step down subsidiary, located at U.K. stands 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 earlier 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.

22. One of the Overseas Branch located at U.K., has been closed w.e.f. 22.07.2013. Consequently, the related exchange difference of Rs.744,755 accumulated in the Foreign Currency Translation Reserve, has been credited to Profit and Loss Account under "Other Operating Income", in accordance with AS-11(Revised) "The Effect of Changes in Foreign Exchange Rates".

23. The break-up of deferred tax assets as at 31st March, 2014 is as under:

(In rupees)

	As at 31.03.2014	Credit/ (Charge)	As at 31.03.2013
<b>a) Deferred Tax Liability</b>			
WDV of Fixed Assets	(25,741,739)	2,257,171	(27,998,910)
<b>b) Deferred Tax Asset</b>			
Provision for Gratuity and Leave Encashment	1,643,615	(189,557)	1,833,172
Provision for Doubtful Debts and Advances	50,821,276	2,127,259	48,694,017
Others	8,016,676	2,946,012	5,070,663
	<b>60,481,566</b>	<b>4,883,714</b>	<b>55,597,852</b>
<b>Total Deferred Tax (Liability)/ Asset</b>	<b>34,739,827</b>	<b>7,140,885</b>	<b>27,598,942</b>

The deferred tax assets, not recognised as at the year end on the basis of prudence, 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.

24. **Payments to Auditors:**

(In rupees)

Sr No	Particulars	Current Year *	Previous Year *
a.	As Auditors	425,000	425,000
b.	For Taxation matters	45,000	-
c.	For other services	15,000	15,000
d.	For Reimbursement of expenses	11,520	10,698
e.	To Branch Auditors	35,000	35,000
	<b>Total</b>	<b>531,520</b>	<b>485,698</b>

\*Excludes Service Tax

25. 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	8,809,571	18,765,587
Legal and Professional Charges	595,860	1,058,287
Others	944,613	1,047,546
<b>Total</b>	<b>10,350,044</b>	<b>20,871,420</b>

Note: Expenses of Foreign branches Rs. 10,326,758 (Previous year Rs. 20,791,990) have been included in the appropriate heads above.

### B. EARNINGS IN FOREIGN CURRENCY

(In rupees)

Particulars	Current Year	Previous Year
FOB Value of Exports	10,636,585	21,967,169
Sundry balances written back	2,392,990	467,760





FOB Value of Exports includes:

Software Services Exports Rs. 1,248,809 (Previous year Rs. 1,951,922) and Income from Software Services by foreign Branch Rs. 9,387,776 (Previous year Rs. 20,015,247)

**26. Earnings per share is calculated as follows:**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
a. Net Loss after tax attributable to equity shareholders (Rupees)	(24,063,647)	(14,484,393)
b. Weighted average number of equity shares considered for calculation of Basic and Diluted Earnings Per Share (Nos.)	14,283,139	14,283,139
c. Nominal value of equity share (Rupees)	10	10
d. Basic and Diluted Earnings per share (Rupees)	(1.68)	(1.01)

**27. Related parties disclosures**

1) Names of related parties and description of relationship:

i. Subsidiaries and step down subsidiary	Melstar Inc. Melstar Limited (Dissolved on 19th May, 2010) Linkhand Support Limited (Dissolved on 12th August, 2008) Melstar UK Limited (Dissolved on 26th April, 2011) Melstar Singapore Pte. Limited (Struck Off as on 05th October, 2010)
ii. Key Management Personnel with whom the transactions have taken place during the year	Mr. Yashovardhan Birla (Chairman)(Up to 06th November, 2012) Mr. P. V. R. Murthy (Non-Executive Director)(Up to 24th October, 2013) Mr. Richard D'Souza (Chief Executive Officer and Manager) (Up to 22nd May, 2013) (Managing Director) (Up to 09th December, 2013) Mr. Vijay Mishra (Managing Director)(w.e.f.13th November, 2013)
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(Up to 06th November, 2012) Birla Edutech Limited(Up to 25th June, 2013) Birla Viking Travels Limited (Up to 06th November, 2012) Birla Cotsyn India Limited(Up to 06th November, 2012) Birla Power Solutions Limited (Up to 14th August, 2013) Birla Global Corporate 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	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
a) <b>Loans and advances</b>						
<b>Balance as at 1st April</b>	<b>114,306,058</b>	<b>114,306,058</b>	-	-	<b>32,925,132</b>	-
Melstar Inc	51,034,988	51,034,988	-	-	-	-
Melstar Limited	54,510,067	54,510,067	-	-	-	-
Melstar Singapore Ptd Limited	8,761,003	8,761,003	-	-	-	-
Birla Power Solutions Limited	-	-	-	-	16,638,988	-
Birla Cotsyn India Limited	-	-	-	-	16,286,144	-
<b>Given/Adjusted during the year</b>	-	-	-	-	<b>2,864,667</b>	<b>32,925,132</b>
Birla Power Solutions Limited	-	-	-	-	1,215,515	16,638,988
Birla Cotsyn India Limited	-	-	-	-	1,649,152	16,286,144
<b>Repaid/Adjusted during the year</b>	-	-	-	-	-	-
Birla Cotsyn India Limited	-	-	-	-	-	-
<b>Balance as at March 31 (Includes Rs.114,306,058) (Previous year Rs.114,306,058) provision made towards doubtful loans and advances to subsidiary companies)</b>	<b>114,306,058</b>	<b>114,306,058</b>	-	-	<b>35,789,799</b>	<b>32,925,132</b>
Melstar Inc	51,034,988	51,034,988	-	-	-	-
Melstar Limited	54,510,067	54,510,067	-	-	-	-
Melstar Singapore Ptd Limited	8,761,003	8,761,003	-	-	-	-
Birla Power Solutions Limited	-	-	-	-	17,854,503	16,638,988
Birla Cotsyn India Limited	-	-	-	-	17,935,296	16,286,144

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	Particulars	Subsidiary Companies		Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
		2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
b)	<b>Investments</b>						
	<b>Balance as at March 31 (includes Rs.214,674,767 (Previous year Rs.214,674,767) provided towards diminution)</b>	<b>214,674,767</b>	<b>214,674,767</b>	-	-	-	-
	Melstar Inc	64,648,453	64,648,453	-	-	-	-
	Melstar Limited	94,245,891	94,245,891	-	-	-	-
	Melstar Singapore Ptd Limited	45,989,728	45,989,728	-	-	-	-
	Melstar UK Limited	9,790,695	9,790,695	-	-	-	-
c)	<b>Trade Receivables</b>						
	<b>Balance as at March 31 (includes Rs.17,167,788(Previous year Rs.17,393,388) provided towards doubtful debts receivable from subsidiary companies &amp; Rs.661,800 provided towards doubtful debts receivable from Enterprises over which Key Management personnel and/ or their relatives have significant influence)</b>	<b>17,167,788</b>	<b>17,167,788</b>	-	-	<b>661,800</b>	<b>661,800</b>
	Linkhand Support Limited	16,303,514	16,303,514	-	-	-	-
	Melstar Inc	864,274	864,274	-	-	-	-
	Birla Global Corporate Limited	-	-	-	-	661,800	661,800
d)	<b>Deposits Received</b>						
	<b>Balance as at April 1</b>	-	-	-	-	<b>4,500,000</b>	<b>4,500,000</b>
	Birla Edutech Limited	-	-	-	-	2,700,000	2,700,000
	Birla Shloka Edutech Limited	-	-	-	-	1,800,000	1,800,000
	<b>Given/Adjusted during the year</b>	-	-	-	-	-	-
	<b>Repaid/Adjusted during the year</b>	-	-	-	-	<b>4,500,000</b>	-
	Birla Edutech Limited	-	-	-	-	2,700,000	-
	Birla Shloka Edutech Limited	-	-	-	-	1,800,000	-
	<b>Balance as at March 31</b>	-	-	-	-	-	<b>4,500,000</b>
	Birla Edutech Limited	-	-	-	-	-	2,700,000
	Birla Shloka Edutech Limited	-	-	-	-	-	1,800,000
e)	<b>Receivables</b>						
	<b>Balance as at March 31</b>	-	-	-	-	<b>6,205,330</b>	<b>6,286,438</b>
	Birla Edutech Limited	-	-	-	-	4,217,334	3,997,014
	Birla Shloka Edutech Limited	-	-	-	-	-	2,224,728
	Birla Global Corporate Limited	-	-	-	-	1,987,996	64,696
f)	<b>Trade Payables</b>						
	<b>Balance as at March 31</b>	-	-	<b>235,012</b>	<b>209,150</b>	<b>4,094,568</b>	-
	Mr.Richard D'Souza	-	-	-	209,150	-	-
	Mr.Vijay Mishra	-	-	235,012	-	-	-
	Birla Shloka Edutech Limited	-	-	-	-	4,094,568	-
g)	<b>Income</b>						
	<b>Rent</b>	-	-	-	-	<b>3,465,000</b>	<b>9,900,000</b>
	Birla Shloka Edutech Limited	-	-	-	-	-	3,960,000
	Birla Edutech Limited	-	-	-	-	3,465,000	5,940,000
	<b>Interest Income</b>	-	-	-	-	<b>1,215,515</b>	<b>2,925,132</b>
	Birla Power Solutions Limited	-	-	-	-	1,215,515	1,638,988
	Birla Cotsyn India Limited	-	-	-	-	-	1,286,144
h)	<b>Expenditure</b>						
	<b>Remuneration</b>	-	-	<b>8,304,538</b>	<b>4,639,584</b>	-	-
	Mr.Richard D'Souza	-	-	6,600,034	4,639,584	-	-
	Mr.Vijay Mishra	-	-	1,704,504	-	-	-
	<b>Sitting Fees</b>	-	-	<b>40,000</b>	<b>100,000</b>	-	-
	Mr.Yashovardhan Birla	-	-	-	20,000	-	-
	Mr.P.V.R.Murthy	-	-	40,000	80,000	-	-

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



28. 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, 2014	Amount outstanding as at March 31, 2013	Maximum amount outstanding during the year	Maximum amount outstanding during the previous year
<b>Wholly owned subsidiaries</b>				
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
<b>Total</b>	<b>114,306,058</b>	<b>114,306,058</b>		

\* 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, 2014 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.

29. 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.

30. 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)	
	11,334,671	235,814	USD
	(11,236,710)	(234,134)	
<b>TOTAL</b>	<b>42,885,628</b>		
	(42,787,667)		
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)	
<b>TOTAL</b>	<b>71,954,100</b>		
	(71,954,100)		

\* Of these, Rs. 42,787,667 (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.

31. **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 recognized Rs. 5,164,474 (Previous year Rs. 5,529,994) 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, 2014 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 31.03.2014	As on 31.03.2013
<b>I)</b>	<b>Reconciliation in present value of obligations (PVO) – defined benefit obligation :</b>		
	Current Service Cost	417,441	429,870
	Interest Cost	296,420	273,250
	Actuarial (gain)/losses	78,200	140,292
	Benefits paid	(940,381)	(352,866)
	Past service cost	-	-
	PVO at the beginning of the year	3,705,248	3,214,702
	PVO at end of the year	3,556,928	3,705,248
<b>II)</b>	<b>Change in fair value of plan assets :</b>		
	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	-	-
<b>III)</b>	<b>Reconciliation of PVO and fair value of plan assets:</b>		
	PVO at end of year	3,556,928	3,705,248
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,556,928)	(3,705,248)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,556,928)	(3,705,248)
<b>IV)</b>	<b>Net cost for the year ended March 31, 2014 :</b>		
	Current Service cost	417,441	429,870
	Interest cost	296,420	273,250
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	78,200	140,292
	Past service cost	-	-
	Net cost	792,061	843,412
<b>V)</b>	<b>Category of assets as at March 31, 2014 :</b>	-	-
<b>VI)</b>	<b>Actual return on the plan assets</b>	-	-
<b>VII)</b>	<b>Assumption used in accounting for the gratuity plan:</b>		
	Discount rate (%)	9.14	8.00
	Salary escalation rate (%)	8.00	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). Actuarial value liability is Rs.418,711 (Previous year Rs. 857,796 ) based upon the following assumptions:

	2012-13	2013-14
Discount Rate	8.00%	9.14%
Salary Escalation	6.00%	8.00%

The liability towards short-term compensated absences is Rs. 1,343,503 (Previous year Rs. 1,369,551) is provided on actual basis.

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 31st March, 2014 Rs.	For the year ended 31st March, 2013 Rs.
A Principal amount remaining unpaid as on 31st March 2014	-	-
B Interest due thereon as on 31st March 2014	-	-
C Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
D Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act,2006	-	-
E Interest accrued and remaining unpaid as at 31st March 2014	-	-
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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014

**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, 2014 %	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	Aggregate profits / (losses) dealt with in the Holding Company's accounts	Aggregate profits / (losses) dealt with in the Holding Company's accounts
Melstar Inc.	March 31, 2014	31.12.1992	US\$	1,148,500	100%	288	Nil	(1,706,607)	Nil	Nil	Nil
			INR	68,818,120		17,257	Nil	(102,259,891)	Nil	Nil	Nil

**Note:** Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate : 1 US\$ = Rs. 59.92

For & on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpé**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014





## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Melstar Information Technologies Limited

We have audited the accompanying consolidated financial statements of Melstar Information Technologies Limited ("the Company") and its subsidiary, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Qualified Opinion

The company has given inter corporate deposits to two parties (the entities earlier were covered under related parties) amounting to Rs.3,57,89,799 (including interest) due for repayment for more than six months, since these parties have incurred continuous losses during the year and net worth of those entities has been declined and also in absence of third party confirmations, reconciliations, if any and supportive audit evidence for repayment, we are unable to comment the recoverability of principal and Interest as on 31.03.2014, accordingly we are unable to comment its impact thereon.

### Opinion

Based on our audit and on consideration of reports of other auditor on separate financial statement of the components as explained in other matter paragraph 1 below and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- in the case of the consolidated Profit and Loss Account, of the loss for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

### Emphasis of Matters

The company has given inter corporate deposits to two parties (the entities earlier were covered under related parties) amounting to Rs.3,57,89,799 (including interest) which is due for repayment for more than six months. The amount given is significant in relation to Net worth of the Company and the aforementioned entities have incurred continuous losses and their net worth has also declined. However, the management is of the view that the above Inter Corporate Deposits are good for recovery. Our report is not qualified in respect of same.

### Other Matter

- We further report that in respect of the following subsidiary, we did not carry out the audit. This 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 Cash flow
Melstar Inc.	Rs 3,13,873/-	Rs.36,96,947/-	(Rs. 77,183/-)

- Trade receivables & Trade payables are subject to confirmation and reconciliation, if any.

**For Kanu Doshi Associates**  
Chartered Accountants  
Firm Registration Number: 104746W

Place: Mumbai  
Date: May 23, 2014

**Ankit Parekh**  
Partner  
Membership No. 114622

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014**

In rupees

	Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	2	142,831,390	142,831,390
	(b) Reserves and Surplus	3	(45,540,447)	(20,432,877)
			<b>97,290,943</b>	122,398,513
<b>2</b>	<b>Non-Current Liabilities</b>			
	(a) Long term provisions	4	3,339,592	3,813,638
			<b>3,339,592</b>	3,813,638
<b>3</b>	<b>Current Liabilities</b>			
	(a) Short-term borrowings	5	79,462,227	52,696,746
	(b) Trade payables (Refer Note No.30 & 31)		24,637,008	121,090,943
	(c) Other current liabilities	6	2,874,620	9,422,599
	(d) Short-term provisions	7	1,979,550	2,118,957
			<b>108,953,405</b>	185,329,245
	<b>TOTAL</b>		<b>209,583,940</b>	311,541,396
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets	8		
	(i) Tangible assets		91,251,752	99,594,643
	(ii) Intangible assets		105,617	281,258
	(b) Non-current investments	9	-	-
	(c) Long term loans and advances	10	27,318,032	29,370,208
			<b>118,675,401</b>	129,246,109
<b>2</b>	<b>Current assets</b>			
	(a) Trade receivables	11	31,547,581	124,652,167
	(b) Cash and cash equivalents	12	864,262	2,360,257
	(c) Short-term loans and advances	13	39,891,930	32,420,477
	(d) Other current assets	14	18,604,766	22,862,386
			<b>90,908,539</b>	182,295,287
	<b>TOTAL</b>		<b>209,583,940</b>	311,541,396
	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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

In rupees

	Particulars	Note No.	For the year ended 31st March 2014	For the year ended 31st March 2013
I.	Revenue from operations	15	185,963,358	210,478,801
II.	Other Income	16	11,039,448	18,066,145
III.	<b>Total Revenue (I + II)</b>		<b>197,002,806</b>	<b>228,544,946</b>
IV.	<b>Expenses :</b>			
	Purchases of Stock in Trade		30,000	-
	Employee benefits expense	17	159,489,716	166,582,158
	Finance costs	18	9,206,607	8,065,020
	Depreciation and amortization expenses	8	8,187,816	8,409,740
	Other expenses	19	43,658,759	59,376,084
	<b>Total Expenses</b>		<b>220,572,898</b>	<b>242,433,002</b>
V.	<b>Loss before exceptional and extraordinary items and tax (III-IV)</b>		<b>(23,570,093)</b>	<b>(13,888,056)</b>
VI.	Exceptional Item		-	-
VII.	<b>Loss before extraordinary items and tax (V + VI)</b>		<b>(23,570,093)</b>	<b>(13,888,056)</b>
VIII.	Extraordinary Items		-	-
IX.	<b>Loss before tax (VII- VIII)</b>		<b>(23,570,093)</b>	<b>(13,888,056)</b>
X.	Tax expense:			
	(1) Current tax of earlier year		(729,819)	-
	(2) Current tax of earlier year written back		-	785,400
XI.	<b>Loss for the period from continuing operations (IX+X)</b>		<b>(24,299,912)</b>	<b>(13,102,656)</b>
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	<b>Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)</b>		<b>-</b>	<b>-</b>
XV.	<b>Loss for the period (XI + XIV)</b>		<b>(24,299,912)</b>	<b>(13,102,656)</b>
XVI.	Earnings per equity share (Refer Note No. 25) (Rupees):			
	Basic & Diluted (Before Exceptional Item)		(1.70)	(0.92)
	Basic & Diluted (After Exceptional Item)		(1.70)	(0.92)
	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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

In rupees

		2013-14		2012-13	
<b>A</b>	<b>Cash flow from operating activities</b>				
	Loss before tax		(23,570,093)		(13,888,056)
	<b>Adjustments for :</b>				
	Depreciation and amortisation	8,187,816		8,409,740	
	(Profit)/ Loss on Sale of Fixed Assets sold/ discarded (Net)	290,895		(952)	
	Fixed Assets written off	101,423		244,532	
	Foreign Currency Translation Reserve credited to Profit and Loss Account (Refer Note no. 22)	(744,755)		-	
	Exchange Difference (Net)	61,315		7,313	
	Interest on Income Tax refund	(819,345)		(620,272)	
	Interest received on Inter Corporate Deposits and Other Deposits	(3,017,075)		(2,941,916)	
	Interest Expense	9,004,107	13,064,381	5,515,982	10,614,427
	<b>Operating loss before working capital changes</b>		<b>(10,505,712)</b>		<b>(3,273,629)</b>
	<b>Adjustments for :</b>				
	Trade and other Receivables	88,924,214		46,952,608	
	Trade and other Payables	(103,640,893)	(14,716,679)	(42,513,639)	4,438,969
	<b>Cash (used in)/ generated from operations</b>		<b>(25,222,391)</b>		<b>1,165,340</b>
	Income Tax (Paid)/ Refund (Net)		2,225,273		(3,779,467)
	<b>Net cash (used in)/ generated from operating activities</b>		<b>(22,997,118)</b>		<b>(2,614,127)</b>
<b>B</b>	<b>Cash flow from investing activities</b>				
	Interest received on Inter Corporate Deposits and Other Deposits	3,017,075		2,941,916	
	Inter Corporate Deposit paid	-		(30,000,000)	
	Additions to fixed assets	(137,450)		(6,600)	
	Proceeds from sale of fixed assets	76,567		952	
	Interest on Income Tax refund	819,345		620,272	
	<b>Net cash generated/ (used in) from investing activities</b>		<b>3,775,537</b>		<b>(26,443,460)</b>
<b>C</b>	<b>Cash flow from financing activities</b>				
	Proceeds from borrowings	26,765,481		36,283,603	
	Repayment of borrowings	-		(1,919,356)	
	Interest paid	(8,978,581)		(5,454,243)	
	<b>Net cash generated from financing activities</b>		<b>17,786,900</b>		<b>28,910,004</b>
	<b>Net decrease in cash and cash equivalents</b>		<b>(1,434,681)</b>		<b>(147,583)</b>
	<b>Opening balance of cash and cash equivalents</b>		<b>2,334,142</b>		<b>2,481,725</b>
	<b>Closing balance of cash and cash equivalents</b>		<b>899,461</b>		<b>2,334,142</b>

**Notes :**

- 1 Cash and cash equivalents include cash and bank balances in current account and deposit accounts (Refer Note No. 12)  
Cash and Cash equivalents include :

	31st March, 2014	31st March, 2013
	Rs	Rs
Cash and Bank Balances	864,262	2,360,257
Unrealised (gain)/ loss on foreign currency cash and cash equivalents	35,199	(26,115)
<b>Total cash and cash equivalents</b>	<b>899,461</b>	<b>2,334,142</b>

- 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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Rajesh Shah**  
Director

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2014

### 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, 2014.
- ii) The Consolidated Financial Statements have been prepared under the historical cost convention, except where impairment is made and on accrual basis in accordance with accounting principles generally accepted in India and the provisions of the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of section 133 of the Companies Act, 2013. Accounting policies have been consistently applied by the Parent Company and are consistent with those used in the Previous Year.
- iii) The preparation of financial statements in accordance with the generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate is recognized in the period in which the estimates are revised and in any future period affected.

#### b) Principles of consolidation:

- i) The consolidated financial statements relate to Melstar Information Technologies Limited (MITL, the Parent Company) and its subsidiary companies have been prepared in accordance with the Accounting Standard (AS) 21 'Consolidated Financial Statements', and have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra- group balances, intra – group transactions and the unrealized gains and/ or losses.
- ii) The consolidated financial statements have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- iii) The excess of cost to the Parent Company of its investments in the subsidiaries, over the Parent Company's share of equity in subsidiaries, is recognized in the financial statements as goodwill on consolidation and carried forward in the accounts.
- iv) Minority interest is presented separately from the liabilities or assets and the equity of the Parent shareholders in the consolidated Balance Sheet. Minority interest in the income or loss of the Company is separately presented.
- v) The difference between the proceeds from sale/disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as on the date of sale /disposal is recognised in the consolidated statement of profit and loss account as the profit or loss on disposal of investment in subsidiary.

#### c) Fixed Assets and Intangible Assets :

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

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 31.03.2014		As at 31.03.2013	
	Number	Rupees	Number	Rupees
<b>Authorised</b>				
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
		<b>550,000,000</b>		<b>550,000,000</b>
<b>Issued, Subscribed and Paid up</b>				
Equity Shares of Rs.10/- each, fully paid up	14,283,139	142,831,390	14,283,139	142,831,390
<b>TOTAL</b>		<b>142,831,390</b>		<b>142,831,390</b>

**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 31.03.2014		As at 31.03.2013	
	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	1719047	12.04	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 31.03.2014		As at 31.03.2013	
<b>1. Capital Reserve</b>		173,542		173,542
<b>2. Capital Redemption Reserve</b>		20,000		20,000
<b>3. Securities Premium Reserve</b>		67,470,974		67,470,974
<b>4. General Reserve</b>				
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)	-
<b>5. Foreign Currency Translation Reserve</b>				
Opening Balance	11,529,804		11,584,541	
Less: (Debited)/Credited during the year	(62,903)		(54,737)	
Less: Credited to Profit and Loss Account on closure of Foreign Branch (Refer Note no. 22)	(744,755)		-	
		10,722,146		11,529,804
<b>6. Surplus/ (Deficit) in the Statement of Profit and Loss</b>				
Opening Balance	(258,810,303)		(245,707,647)	
Add : Profit/ (Loss) during the year	(24,299,912)		(13,102,656)	
	(283,110,215)		(258,810,303)	
Less : Deducted as per contra from General Reserve to the extent of balance there in	159,183,106		159,183,106	
		(123,927,109)		(99,627,197)
<b>TOTAL</b>		<b>(45,540,447)</b>		<b>(20,432,877)</b>



#### 4 LONG TERM PROVISIONS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Provision for employee benefits</b>		
Gratuity (unfunded) (Refer Note No. 29(ii))	2,590,639	2,949,723
Compensated absences (unfunded) (Refer Note No. 29(ii))	748,953	863,915
<b>TOTAL</b>	<b>3,339,592</b>	<b>3,813,638</b>

#### 5 SHORT TERM BORROWINGS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Secured</b>		
<b>Loan repayable on demand</b>		
From Bank		
- Clean Overdraft Facility	8,892,015	12,645,170
- Cash Credit Facility	70,570,212	40,051,576
<b>TOTAL</b>	<b>79,462,227</b>	<b>52,696,746</b>

##### Note :

- Clean Overdraft Facility and Cash Credit Facility is secured by equitable mortgage by deposit of title deeds of office premises of the Company situated at Andheri(Mumbai) and further secured by hypothecation of receivables and other current assets of the Company.
- Clean Overdraft Facility and Cash Credit Facility is repayable on demand subject to annual review. The rate of interest for Clean Overdraft Facility is Base Rate+3.75% (Previous year Base Rate+ 2.50%) and Base Rate+2.75% on Cash Credit Facility.

#### 6 OTHER CURRENT LIABILITIES

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
Security deposits (Refer note no.26(c))	400,000	4,900,000
Interest accrued but not due	116,326	90,800
Other Payables		
- Withholding taxes (includes Rs.Nil (Previous year Rs.1,005,647) in respect of Branch located at U.K.)	1,140,443	1,954,770
- Service Tax	9,817	1,192,811
- VAT	222,244	120,695
- Provident Fund	856,060	1,046,369
- Employees' State Insurance	30,371	27,679
- Profession Tax	99,275	89,475
- Labour Welfare Fund	84	-
<b>TOTAL</b>	<b>2,874,620</b>	<b>9,422,599</b>

\* The Term Loan has been pre-paid during the year consequent to take-over of bank limits by another bank.

#### 7 SHORT TERM PROVISIONS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Provision for employee benefits</b>		
Gratuity (unfunded) (Refer Note No. 29(ii))	966,289	755,525
Compensated absences (unfunded) (Refer Note No. 29(ii))	1,013,261	1,363,432
<b>TOTAL</b>	<b>1,979,550</b>	<b>2,118,957</b>

## Note 8 : FIXED ASSETS

(Rupees)

	Particulars	Gross Block				Accumulated Depreciation/Amortisation				Net Block		
		Balance as at 1 April 2013	Additions	(Disposals)	Other Adjustment	Balance as at 31 March 2014	Balance as at 1 April 2013	Depreciation charge for the year	On disposals	Other Adjustment	Balance as at 31 March 2014	Balance as at 1 April 2013
a	Tangible Assets											
	Leasehold Land	304,995	-	-	-	304,995	55,968*	3,974	-	-	59,942	249,027
		(304,995)	(-)	(-)	(-)	(304,995)	(51,994)	(3,974)	(-)	(-)	(55,968)	(253,001)
	Buildings	152,139,251	-	-	-	152,139,251	61,054,726**	5,713,821	-	-	66,768,547	91,084,525
		(152,139,251)	(-)	(-)	(-)	(152,139,251)	(55,340,905)	(5,713,821)	(-)	(-)	(61,054,726)	(96,798,346)
	Plant and Equipment	11,259,454	137,450	(1,034,677)	7,792	10,370,019	7,565,868	891,358	(991,920)	7,074	7,472,380	3,693,586
		(11,656,068)	(6,600)	(407,840)	(4,626)	(11,259,454)	(6,956,277)	(983,103)	(376,659)	(3,147)	(7,565,868)	(4,699,791)
Furniture and Fixtures	19,242,394	-	(62,714)	-	19,179,680	15,756,511	1,192,457	(12,334)	-	16,936,634	3,485,883	
	(19,612,404)	(-)	(370,010)	(-)	(19,242,394)	(14,698,867)	(1,214,302)	(156,658)	(-)	(15,756,511)	(4,913,537)	
Vehicles	2,633,082	-	(2,633,082)	-	-	2,277,934	136,984	(2,414,918)	-	-	355,148	-
	(2,633,082)	(-)	(-)	(-)	(2,633,082)	(2,116,124)	(161,810)	(-)	(-)	(2,277,934)	(516,958)	
Office equipment	1,592,024	-	(572,773)	-	1,019,251	865,550	73,581	(415,189)	-	523,942	726,474	495,309
	(1,592,024)	(-)	(-)	(-)	(1,592,024)	(790,116)	(75,434)	(-)	(-)	(865,550)	(801,908)	(726,474)
	Total	187,171,200	137,450	(4,303,246)	7,792	183,013,196	87,576,557	8,012,175	(3,834,361)	7,074	91,761,445	99,594,643
		(187,937,824)	(6,600)	(777,850)	(4,626)	(187,171,200)	(79,954,283)	(8,152,444)	(533,317)	(3,147)	(87,576,557)	(107,983,541)
b	Intangible Assets											
	Computer software	1,729,612	-	-	-	1,729,612	1,448,354	175,641	-	-	1,623,995	281,258
		(1,729,612)	(-)	(-)	(-)	(1,729,612)	(1,191,058)	(257,296)	(-)	(-)	(1,448,354)	(538,554)
	Total	1,729,612	-	-	-	1,729,612	1,448,354	175,641	-	-	1,623,995	281,258
		(1,729,612)	(-)	(-)	(-)	(1,729,612)	(1,191,058)	(257,296)	(-)	(-)	(1,448,354)	(538,554)
	Total	188,900,812	137,450	(4,303,246)	7,792	184,742,808	89,024,911	8,187,816	(3,834,361)	7,074	93,385,440	99,875,901
	Previous Year	(189,667,436)	(6,600)	(777,850)	(4,626)	(188,900,812)	(81,145,341)	(8,409,740)	(533,317)	(3,147)	(89,024,911)	(108,522,095)

\* Leasehold land is amortised over a period of lease.

\*\* 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 :

1 Adjustments/ deductions include obsolete fixed assets discarded during the year. (Cost Rs.403,523/- accumulated depreciation and amortisation Rs. 302,100/-) (Previous Year Cost Rs.733,825/- and depreciation and amortisation Rs.489,291/-)

2 Figures shown in brackets are in respect of Previous Period.



## 9 NON CURRENT INVESTMENTS

(In rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Unquoted - (At cost or carrying amount unless otherwise stated)</b>		
<b>Trade Investments</b>		
<b>Investments in Equity Instruments of Wholly Owned Subsidiary Companies</b>		
i) 150,000 (Previous year 150,000) shares of Sterling Pound 1/- each of Melstar UK Limited (UK) Less: Provision for diminution	9,790,695 (9,790,695)	9,790,695 (9,790,695)
ii) 958,992 (Previous year 958,992) shares of Sterling Pound 1/- each of Melstar Limited (UK) Less: Provision for diminution	94,245,891 (94,245,891)	94,245,891 (94,245,891)
iii) 1,700,000 (Previous year 1,700,000 ) shares of SGD 1/- each of Melstar Singapore Pte Ltd Less: Provision for diminution	45,989,728 (45,989,728)	45,989,728 (45,989,728)
<b>Non Trade Investments - Unquoted - (At cost or carrying amount unless otherwise stated)</b>		
125,000 (Previous year 125,000) Equity Shares of Rs.10/- each of Janakalyan Sahakari Bank Ltd Less: Provision for diminution	1,250,000 (1,250,000)	1,250,000 (1,250,000)
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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)

## 10 LONG TERM LOANS AND ADVANCES

(In rupees)

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
<b>Security Deposits</b>				
Unsecured, considered good		1,254,234		344,653
<b>Others (Unsecured, considered good)</b>				
Advances recoverable in cash or kind or for value to be received	2,245,044		2,251,709	
Advance payment of Income Tax (Net of Provision for Taxation)	23,795,006		26,750,098	
Advance Payment of Fringe Benefit Tax (Net of Provision for Taxation)	23,748		23,748	
		26,063,798		29,025,555
<b>TOTAL</b>		<b>27,318,032</b>		<b>29,370,208</b>

## 11 TRADE RECEIVABLES

(In rupees)

PARTICULARS	As at 31.03.2014		As at 31.03.2013	
Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
- Unsecured, considered good	1,044,152		89,183,982	
- Unsecured, considered doubtful	27,206,207		26,111,969	
	28,250,359		115,295,951	
Less: Provision for bad and doubtful debts	(27,206,207)		(26,111,969)	
		1,044,152		89,183,982
Trade receivables outstanding for a period less than six months from the date they are due for payment				
- Unsecured, considered good	30,503,429		35,468,185	
- Unsecured, considered doubtful	-		-	
	30,503,429		35,468,185	
Less: Provision for bad and doubtful debts	-		-	
		30,503,429		35,468,185
<b>TOTAL</b>		<b>31,547,581</b>		<b>124,652,167</b>

**12 CASH AND CASH EQUIVALENTS**

(In rupees)

<b>PARTICULARS</b>	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
Balances with Banks	584,616	2,331,117
Cash on hand	279,646	29,140
<b>TOTAL</b>	<b>864,262</b>	<b>2,360,257</b>

**13 SHORT TERM LOANS AND ADVANCES**

(In rupees)

<b>PARTICULARS</b>	<b>As at 31.03.2014</b>		<b>As at 31.03.2013</b>	
<b>Security Deposits</b>				
Unsecured, considered good		83,888		1,271,254
<b>Amounts receivable from Enterprises over which Key Management Personnel and/ or their relatives have significant influence</b>				
Inter Corporate Deposits (Refer Note no.26(b))		-		30,000,000
<b>Others</b>				
Inter Corporate Deposits	37,713,099			
Advances recoverable in cash or kind or for value to be received (Unsecured, considered good)	2,094,943			
		39,808,042		1,149,223
<b>TOTAL</b>		<b>39,891,930</b>		<b>32,420,477</b>

**14 OTHER CURRENT ASSETS**

(In rupees)

<b>PARTICULARS</b>	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
Unbilled Revenue	14,266,424	13,650,816
Amounts receivable from Enterprises over which Key Management Personnel and/ or their relatives have significant influence (Refer note no.26(b))	-	9,211,570
Rental Income Receivable	4,217,334	-
Interest Receivable	121,008	-
<b>TOTAL</b>	<b>18,604,766</b>	<b>22,862,386</b>

**15 REVENUE FROM OPERATIONS**

(In rupees)

<b>PARTICULARS</b>	<b>For the year ended 31st March, 2014</b>	<b>For the year ended 31st March, 2013</b>
Sale of Software Products	250,000	-
Sale of Software Services	185,713,358	210,478,801
<b>TOTAL</b>	<b>185,963,358</b>	<b>210,478,801</b>

**16 OTHER INCOME**

(In rupees)

<b>PARTICULARS</b>	<b>For the year ended 31st March, 2014</b>	<b>For the year ended 31st March, 2013</b>
Exchange Difference (Net)	643,153	82,933
Sundry Credit Balances Written Back	-	1,963,333
Profit on Assets sold / discarded (Net)	-	952
Provision for doubtful debts/ advances written back (Net)	1,708,865	85,844
Excess Provision of Earlier Years Written Back	1,347,296	2,470,370
Miscellaneous Income	38,714	525
Rent	3,465,000	9,900,000
Interest on Inter Corporate Deposits and Other Deposits	3,017,075	2,941,916
Interest on Income Tax Refunds	819,345	620,272
<b>TOTAL</b>	<b>11,039,448</b>	<b>18,066,145</b>





## 17 EMPLOYEE BENEFITS EXPENSES

(In rupees)

PARTICULARS	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Salaries and Wages	150,541,021	157,837,362
Contribution to Provident and other Funds	5,984,023	6,421,837
Gratuity	1,585,330	843,412
Compensated Absences	869,982	952,806
Staff Welfare Expenses	509,360	526,741
<b>TOTAL</b>	<b>159,489,716</b>	<b>166,582,158</b>

## 18 FINANCE COSTS

(In rupees)

PARTICULARS	For the year ended 31st March, 2014	For the year ended 31st March, 2013
<b>Interest expenses</b>		
On Fixed Period Loans	-	105,700
Others	9,004,107	5,410,282
<b>Other borrowing costs</b>	202,500	2,549,038
<b>TOTAL</b>	<b>9,206,607</b>	<b>8,065,020</b>

## 19 OTHER EXPENSES

(In rupees)

PARTICULARS	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Purchases of Software Services	17,289,332	35,800,924
Electricity	2,114,674	2,690,450
Rent	2,934,930	3,448,379
Rates and Taxes	379,896	358,418
Insurance	648,739	766,628
Repairs to buildings	-	279,374
Repairs to machinery	409,410	372,766
Travelling and Conveyance	1,801,276	1,615,899
Communication Expenses	1,482,480	1,599,885
Advertising and Sales promotion expenses	574,901	206,454
Commission on sales	-	-
Rebate and discount	18,518	-
Legal and Professional fees	3,506,970	6,547,443
Recruitment Expenses	1,221,011	1,598,729
Loss on Sale of Fixed Assets (Net)	290,895	-
Provision for Doubtful Debts and Advances (Net)	1,094,238	-
Irrecoverable Debts/ Advances written off	5,790,095	282,540
Exchange Difference (Net)	680	-
Fixed Assets written off	101,423	244,533
Directors Sitting Fees	220,000	300,000
Miscellaneous Expenses	3,779,291	3,263,662
<b>TOTAL</b>	<b>43,658,759</b>	<b>59,376,084</b>

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

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20. The subsidiary (which along with MITL, the Parent Company, constitutes The Group) considered in the presentation of these consolidated financial statements is:

Name of subsidiary	Country of incorporation	Proportion of Ownership Interest	
		Current Year	Previous Year
Melstar Inc. (MI)	U.S.A.	100%	100%

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

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.

### 21. Contingent Liability:

(In rupees)

	As at 31.03.2014	As at 31.03.2013
(i) Claims against Parent Company not acknowledged as debt and pending before the Courts in Mumbai. The Parent Company expects that the matter will be resolved in Parent Company's favour and no liability is expected.	457,392	387,620
(ii) 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.13 Rs.35,000 Previous year (Rs. 35,000)	135,627	135,627
(iii) Disputed Property Tax Liability: Property Tax demand disputed and pending before the Court in Mumbai. Amount paid there against and included under " Short Term Loans and Advances" Note No.13 Rs.806,524 Previous year (Rs. Nil)	1,613,047	-

22. One of the Overseas Branch of Parent Company located at U.K., has been closed w.e.f. 22.07.2013. Consequently, the related exchange difference of Rs.744,755 accumulated in the Foreign Currency Translation Reserve, has been credited to Profit and Loss Account under "Other Operating Income", in accordance with AS-11(Revised) "The Effect of Changes in Foreign Exchange Rates".

### 23. The break up of deferred tax assets as at 31st March, 2014 is as under:

Parent Company (India)

(In rupees)

	As at 31.03.2014	Credit/ (Charge)	As at 31.03.2013
<b>a) Deferred Tax Liability</b>			
WDV of Fixed Assets	(25,741,739)	2,257,171	(27,998,910)
<b>b) Deferred Tax Asset</b>			
Provision for Gratuity and Leave Encashment	1,643,615	(189,557)	1,833,172
Provision for Doubtful Debts and Advances	50,821,276	2,127,259	48,694,017
Others	8,016,676	2,946,012	5,070,663
	<b>60,481,566</b>	<b>4,883,714</b>	<b>55,597,852</b>
<b>Total Deferred Tax (Liability)/ Asset</b>	<b>34,739,827</b>	<b>7,140,885</b>	<b>27,598,942</b>

The deferred tax assets, not recognised as at the year end on the basis of prudence, 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.

### 24. Segment Reporting:

1. (In rupees)

Particulars	Asia-Pacific	USA	Others	Total
<b>Segment Revenues</b>				
External Revenue	171,647,891	15,019,422	3,034,073	189,701,386
Inter-Segment Revenue				-
Total Revenue	171,647,891	15,019,422	3,034,073	189,701,386
	(184,352,690)	(30,730,068)	(-)	(215,082,758)



Particulars	Asia-Pacific	USA	Others	Total
<b>Segment Result Before exceptional Items</b>	(14,266,724)	790,233	2,318,890	(11,157,601)
	(-12276367)	(2,741,399)	(-)	(-9,534,968)
Exceptional Items allocated to segment	-	-	-	-
	(-)	(-)	(-)	(-)
<b>Segment Result after exceptional Items</b>	(14,266,724)	790,233	2,318,890	(11,157,601)
	(-12276367)	(2,741,399)	(-)	(-9,534,968)
Un-allocable Income	-	-	-	7,301,420
	(-)	(-)	(-)	(13,462,188)
Un-allocable Expenses	-	-	-	10,709,805
	(-)	(-)	(-)	(12,299,294)
Interest Expenses	-	-	-	9,004,107
	(-)	(-)	(-)	(5,515,982)
Exceptional Items Unallocable to Segment	-	-	-	-
	(-)	(-)	(-)	(-)
Provision for tax - Current tax	-	-	-	-
	(-)	(-)	(-)	(785,400)
- Current tax of earlier year written back	-	-	-	(729,819)
	(-)	(-)	(-)	(-)
<b>Net Profit after tax</b>	-	-	-	(24,299,912)
	(-)	(-)	(-)	(-13,102,656)
<b>Other Information</b>				
<b>Segment Assets</b>	99,172,211	933,974	59,682	100,165,867
	(187,346,761)	(11,586,108)	(-)	(198,932,869)
Unallocated assets	-	-	-	109,418,073
	(-)	(-)	(-)	(112,608,527)
Total Assets	99,172,211	933,974	59,682	209,583,940
	(187,346,761)	(11,586,108)	(-)	(311,541,396)
<b>Segment Liabilities</b>	31,518,551	795,888	-	32,314,439
	(118,650,628)	(11,729,411)	(1,166,093)	(131,546,132)
Unallocated liabilities	-	-	-	79,978,558
	(-)	(-)	(-)	(57,596,751)
Total Liabilities	31,518,551	795,888	-	112,292,997
	(118,650,628)	(11,729,411)	(1,166,093)	(189,142,883)
<b>Capital Expenditure</b>				
Segment capital expenditure	137,450	-	-	137,450
	(6,600)	(-)	(-)	(6,600)
Unallocated capital expenditure	-	-	-	-
	(-)	(-)	(-)	(-)
Total capital expenditure	137,450	-	-	137,450
	(6,600)	(-)	(-)	(6,600)
<b>Depreciation and Amortisation</b>				
Segment depreciation and amortisation	4,971,857	11,334	-	4,983,191
	(5,193,780)	(11,334)	(-)	(5,205,114)
Unallocated depreciation and amortisation	-	-	-	3,204,625
	(-)	(-)	(-)	(3,204,626)
Total depreciation and amortisation	4,971,857	11,334	-	8,187,816
	(5,193,780)	(11,334)	(-)	(8,409,740)
<b>Significant Non-Cash Expenditure</b>				
Segment significant non cash expenditure	6,837,246	-	439,405	7,276,651
	(527,017)	(56)	(-)	(527,073)
Unallocated non cash expenditure	-	-	-	-
	(-)	(-)	(-)	(-)
Total significant non cash expenditure	6,837,246	-	439,405	7,276,651
	(527,017)	(56)	(-)	(527,073)

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### 2. External Revenue comprises of:

	(In rupees)
Income from Sale of Software Products	250,000
	(---)
Income from Services	185,713,358
	(210,478,801)
Other Income	3,738,028
	(4,603,957)
<b>Total</b>	<b>189,701,386</b>
	<b>(215,082,758)</b>

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.

### 25. Earnings per share is computed as under:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
a. Net (Loss)/ Profit after tax attributable to equity shareholders (Rupees)	(24,299,912)	(13,102,656)
b. Weighted average number of equity shares considered for calculation of Basic and Diluted Earnings Per Share (Nos.)	14,283,139	14,283,139
c. Nominal value of equity share (Rupees)	10	10
d. Basic and Diluted Earnings per share(Rupees)	(1.70)	(0.92)

### 26. 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)(Up to 06th November, 2012) Mr. P. V. R. Murthy (Non-Executive Director) (Up to 24th October, 2013) Mr. Richard D'Souza (Chief Executive Officer and Manager) ( Up to 22nd May, 2013) (Managing Director) (Up to 09th December, 2013) Mr. Vijay Mishra (Managing Director)(w.e.f.13th November, 2013)
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 ShlokaEdutech Limited (Up to 06th November, 2012) Birla Edutech Limited (Up to 25th June, 2013) Birla Viking Travels Limited (Up to 06th November, 2012) Birla Cotsyn India Limited (Up to 06th November, 2012) Birla Power Solutions Limited (Up to 14th August, 2013) Birla Global Corporate 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	
	2013-2014	2012-2013	2013-2014	2012-2013
a) <b>Loans and advances</b>				
<b>Balance as at 1st April</b>	-	-	<b>32,925,132</b>	-
Birla Power Solutions Limited	-	-	16,638,988	-
Birla Cotsyn India Limited	-	-	16,286,144	-
<b>Given/Adjusted during the year</b>	-	-	<b>2,864,667</b>	<b>32,925,132</b>
Birla Power Solutions Limited	-	-	1,215,515	16,638,988
Birla Cotsyn India Limited	-	-	1,649,152	16,286,144
<b>Repaid/Adjusted during the year</b>	-	-	-	-
Birla Cotsyn India Limited	-	-	-	-
<b>Balance as at March 31</b>	-	-	<b>35,789,799</b>	<b>32,925,132</b>
Birla Power Solutions Limited	-	-	17,854,503	16,638,988
Birla Cotsyn India Limited	-	-	17,935,296	16,286,144



Particulars	Key Management Personnel		Enterprises Over which Key Management Personnel and / or their relatives have significant influence	
	2013-2014	2012-2013	2013-2014	2012-2013
<b>b) Trade Receivables</b>				
Balance as at March 31 (includes Rs. 661,800 provided towards doubtful debts receivable from Enterprises over which Key Management personnel and/ or their relatives have significant influence)	-	-	661,800	661,800
Birla Global Corporate Limited	-	-	661,800	661,800
<b>c) Deposits Received</b>				
Balance as at April 1	-	-	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
Given/Adjusted during the year	-	-	-	-
Repaid/Adjusted during the year	-	-	45,00,000	-
Birla Edutech Limited	-	-	2,700,000	-
Birla Shloka Edutech Limited	-	-	1,800,000	-
Balance as at March 31	-	-	-	45,00,000
Birla Edutech Limited	-	-	-	2,700,000
Birla Shloka Edutech Limited	-	-	-	1,800,000
<b>d) Receivables</b>				
Balance as at March 31	-	-	6,205,330	6,286,438
Birla Edutech Limited	-	-	4,217,334	3,997,014
Birla Shloka Edutech Limited	-	-	-	2,224,728
Birla Global Corporate Limited	-	-	1,987,996	64,696
<b>e) Trade Payables</b>				
Balance as at March 31	235,012	209,150	4,094,568	-
Mr.Richard D'Souza	-	209,150	-	-
Mr.Vijay Mishra	235,012	-	-	-
Birla Shloka Edutech Limited	-	-	4,094,568	-
<b>f) Income</b>				
Rent	-	-	3,465,000	9,900,000
Birla Shloka Edutech Limited	-	-	-	3,960,000
Birla Edutech Limited	-	-	3,465,000	5,940,000
Interest Income	-	-	1,215,515	2,925,132
Birla Power Solutions Limited	-	-	1,215,515	1,638,988
Birla Cotsyn India Limited	-	-	-	1,286,144
<b>g) Expenditure</b>				
Remuneration	8,304,538	4,639,584	-	-
Mr.Richard D'Souza	6,600,034	4,639,584	-	-
Mr.Vijay Mishra	1,704,504	-	-	-
Sitting Fees	40,000	100,000	-	-
Mr.Yashovardhan Birla	-	20,000	-	-
Mr.P.V.R.Murthy	40,000	80,000	-	-

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

27. 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.

**28. 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)	
	11,334,671	235,815	USD
	(11,236,710)	(234,134)	
<b>TOTAL</b>	<b>26,582,114</b>		
	<b>(26,821,229)</b>		

\* Of these, Rs.26,484,153 (Previous Year Rs. 26,044,748) has been provided for towards doubtful recoveries.

Note: Previous year figures are given in brackets.

**29. Post Employment Benefit Plans****(i) Defined contribution plans**

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

The Parent Company recognised Rs.5,164,474 (Previous year Rs. 5,529,994) 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, 2014 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, 2014.

(In rupees)

Sr. No.	Particulars	Gratuity (Non-funded)	
		As on 31.03.2014	As on 31.03.2013
I)	<b>Reconciliation in present value of obligations (PVO) – defined benefit obligation :</b>		
	Current Service Cost	417,441	429,870
	Interest Cost	296,420	273,250
	Actuarial (gain)/losses	78,200	140,292
	Benefits paid	(940,381)	(352,866)
	Past service cost	-	-
	PVO at the beginning of the year	3,705,248	3,214,702
	PVO at end of the year	3,556,928	3,705,248
II)	<b>Change in fair value of plan assets :</b>		
	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)	<b>Reconciliation of PVO and fair value of plan assets:</b>		
	PVO at end of year	3,556,928	3,705,248
	Fair Value of planned assets at end of year	-	-
	Funded status	(3,556,928)	(3,705,248)
	Unrecognised actuarial gain/(loss)	-	-
	Net asset/(liability) recognised in the balance sheet	(3,556,928)	(3,705,248)



Sr. No.	Particulars	Gratuity (Non-funded)	
		As on 31.03.2014	As on 31.03.2013
IV)	<b>Net cost for the year ended March 31, 2013 :</b>		
	Current Service cost	417,441	429,870
	Interest cost	296,420	273,250
	Expected return on plan assets	-	-
	Actuarial (gain)/losses	78,200	140,292
	Past service cost	-	-
	Net cost	792,061	843,412
V)	<b>Category of assets as at March 31, 2013 :</b>	-	-
VI)	<b>Actual return on the plan assets</b>	-	-
VII)	<b>Assumption used in accounting for the gratuity plan:</b>		
	Discount rate (%)	9.14	8.00
	Salary escalation rate (%)	8.00	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). Actuarial value liability is Rs. 418,711 (Previous year Rs.857,796) based upon the following assumptions:

	2013-14	2012-13
Discount Rate	9.14%	8.00%
Salary Escalation	8.00%	6.00%

The liability towards short-term compensated absences is Rs. 1,343,503 (Previous year Rs. 1,369,551) is provided on actual basis.

30. 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 31st March, 2014 Rs.	For the year ended 31st March, 2013 Rs.
A	Principal amount remaining unpaid as on 31st March 2014	-	-
B	Interest due thereon as on 31st March 2014	-	-
C	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
D	Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006	-	-
E	Interest accrued and remaining unpaid as at 31st March 2014	-	-
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.	-	-

31. Trade receivables, trade payables, short term loans and advances, other current assets and other current liabilities are subject to confirmation and reconciliation if any.
32. 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

For and on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpe**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014

Mumbai, Dated : May 23, 2014



# SUMMARIZED FINANCIAL INFORMATION IN RESPECT OF SUBSIDIARY 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 31.3.2014. Information as required in terms of the aforesaid General Circular is furnished below:

Name of subsidiary company	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
Melstar Inc.	United States	31.3.2014	US\$	1,148,500	(1,826,788)	514,437	1,192,725	-	64,680	(4,134)	(4,422)	288
			INR	68,818,120	(109,461,137)	30,825,065	71,468,082	-	3,875,626	(247,709)	(264,966)	17,257

## Notes:

- 1 The above Subsidiary has not proposed any dividend.
- 2 The Company shall provide to any member on request the Annual Accounts of the subsidiary and other related information at any point of time. Copies of the Annual Accounts of the Subsidiary shall also be available for inspection by any member at the Registered Office of the Company and its subsidiary on any working day.
- 3 Indian Rupee equivalent figures have been arrived at by applying the year end inter-bank Exchange Rate : 1 US\$ = Rs. 59.92

For & on behalf of the Board of Directors

**Vijay Mishra**  
Managing Director

**Rajesh Shah**  
Director

**M. S. Adige**  
Director

**Vijay Modi**  
Company Secretary

**Anil S. Korpé**  
Chief Financial Officer

Mumbai, Dated : May 23, 2014



# MELSTAR INFORMATION TECHNOLOGIES LIMITED

Melstar House, MIDC Cross Road Andheri (east) Mumbai 400093.

## MGT-11 - PROXY FORM

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules 2014)

Name of the Company : MELSTAR INFORMATION TECHNOLOGIES LIMITED CIN : L99999MH1986PLC040604  
Registered Office : Melstar House, MIDC Cross Road Andheri (east) Mumbai 400093. Tel no: 02240566464, Fax no: 02228310520

Name of the Member(s)			
Registered address			
E-mail Id			
Folio No./Client Id		DP ID:	

I / We, being the Member(s) of \_\_\_\_\_ shares of Melstar Information Technologies Limited, hereby appoint:

1. \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him
2. \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him
3. \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 27<sup>th</sup> Annual General Meeting of the Company, to be held on saturday, 27<sup>th</sup> September, 2014 at 9.00 a m at Gopi Birla Memorial School, 68, Walkeshwar Road, Malabar Hill, Mumbai-400006 and at any adjournment thereof in respect of such resolutions as are indicated below:

\*I wish my above Proxy to vote in the manner as indicated in the box below:

Sr. No.	Resolution for approving (give details)	Votes Cast	
		Please tick your choice (✓) in the respective column – “for” or “against”	
		For	Against
1	Adoption of Accounts for the year ended 31.03.2014.		
2	Appointment of M/s. Kanu Doshi Associates, Chartered Accountant as Statutory Auditors of the Company.		
3	Authorizing the Board to appoint Branch Auditors for the overseas branch offices in US.		
4	To consider the appointment of Mr. Rajesh Shah as an independent director of a Company.		
5	To consider the appointment of Mr. M.S. Adige as an independent director of the Company.		
6	To consider the appointment of Mr. Vijay Mishra as a director of the Company.		
7	To consider the appointment of Mr. R.M. Mishra as an independent director of the Company		
8	To consider the appointment of Mr. Vijay Mishra as a Managing director and payment of remuneration.		

Signed this..... day of.....2014

Signature of Shareholder..... Signature of Proxy holder(s).....

Affix  
Re.  
1/-Revenue  
Stamp

Signature(s) across the stamp

**Notes:** 1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. 2. Please complete all details before submission.

## ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint Shareholders may obtain additional Slip at the venue of the meeting

DP Id*	
Client Id*	
Folio No.	
No. of Shares	
Name and Address of Shareholder:	

I hereby record my presence at the 27<sup>th</sup> Annual General Meeting of the Company held on Saturday, 27<sup>th</sup> September, 2014 at 9:00 a m at Gopi Birla Memorial School, 68, Walkeshwar Road, Malabar Hill, Mumbai-400006.

Signature of Shareholder/Proxy



## **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

## 2013-2014

### 27<sup>th</sup> Annual Report

Book-Post



*If undelivered, please return to:*



A Software Services Company

Registered & Corporate Office:

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



Melstar Information Technologies Limited

CIN : L30900MH1386PLC040604



THE YASH BIRLA GROUP

- 5 NOV 2014

To,  
Bombay Stock Exchange Ltd.  
P. J. Towers,  
Dalal Street,  
Mumbai - 400 001  
**SCRIP CODE 532307**

**FORM A**

**Format of covering letter of the annual audit report to be filed with the Stock Exchange pursuant to Clause 31(a) of the Listing Agreement**

1.	Name of the company	<b>Melstar Information Technologies Limited</b>
2.	Annual financial statements for the year ended	31 <sup>st</sup> March 2014.
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation.	-
5.	To be signed by-	
	Managing Director	 Vijay Mishra Managing Director
	CFO	 Anil Korpe Chief Financial Officer
	Auditor of the company	 M/s Kanu Doshi Associates Auditors
	Audit Committee Chairman	 Rajesh Shah Chairman - Audit Committee

IPO FPO	FURT. LIST	MF LIS
COPMI	BSE LTD. MUMBAI	LISTING FEE
BUY BACK	07 NOV 2014	REVOCATION
OTHERS	DEPT. OF CORPORATE SERVICES	CRD
	DEBT	

MD & CEO	MAK PLACE	SECRET	SP&P	HR	INV & A/C
RCD					DOT/DIT
LEGAL					DOT 3RD FLR
MS&D					DOSS
BD&M					DCS
IPF					U.S.E.
INTER'L RELA					CORP. COMM
BTI	INTER. CONT'L	INF. PROD	SME	ESTATE	
TE/BOOK	DIS	CSD & JCC	ADMIN	SECUR	

**BSE LTD.**  
05 NOV 2014  
NO. 170706

Registered / Corporate Office.  
Melstar House, G-4, M.I.D.C.  
Cross Road "A", Andheri (East),  
Mumbai 400 093. INDIA.  
Phone : +91(22) 4056 6464  
Fax : +91(22) 2831 0520  
URL : www.melstar.com