

TERA SOFTWARE LIMITED



**19th ANNUAL REPORT
2012-2013**

TERA SOFTWARE LIMITED

Board of Directors



Sri.D.Seetharamaiah
Chairman



Dr.T.Hanuman Chowdary
Director



Sri.R.S. Bakkannavar
Director



Dr.T.V. Lakshmi
Director



Sri. T. Gopichand
**Vice Chairman &
Managing Director**



Sri. K. Rama Rao
Wholetime Director



Sri. T. Bapaiah Chowdary
Director



Smt. T. Pavana Devi
Director

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BOARD OF DIRECTORS

Sri D. SEETHARAMAIAH	CHAIRMAN
Sri T. BAPAI AH CHOWDARY	DIRECTOR
Sri R. S. BAKKANNAVAR	DIRECTOR
Dr. T. HANUMAN CHOWDARY	DIRECTOR
Dr. T. V. LAKSHMI	DIRECTOR
Smt. T. PAVANA DEVI	DIRECTOR
Sri K. RAMA RAO	WHOLE TIME DIRECTOR
Sri T. GOPICHAND	VICE CHAIRMAN and MANAGING DIRECTOR

REGISTERED OFFICE

8-2-293/82/A/1107,
Plot No: 1107, Road No: 55,
Jubilee Hills, Hyderabad-500033
Tel : 040-2354 0446, 040 - 2354 7447/8
Fax : 040 - 2354 7449
E-Mail : info@terasoftware.com
Url : www.terasoftware.com

AUDITORS

M/s. NARVEN ASSOCIATES
Chartered Accountants
302 & 303, Lingapur House,
Himayat Nagar, Hyderabad - 500029.

BANKERS

BANK OF MAHARASHTRA,
Basheerbagh,
Hyderabad - 500029.

CANARA BANK
Prime Corporate Branch
T S R Complex, S P Road,
Secunderabad -500003.

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Karvy Computershare Private Limited
Plot No.17-24, Vittalrao Nagar, Madhapur,
Hyderabad - 500 081, India.
Ph : 040 44655000, Fax : 040 23354042.
E-mail : einward.ris@karvy.com

NOTICE

Notice is hereby given that the nineteenth Annual General Meeting of the members of Tera Software Limited will be held on Monday, 30th September, 2013 at 3.00 p.m. at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad – 500033, to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Dr. T.V.Lakshmi, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Sri T. Bapaiah Chowdary, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Narven Associates, Chartered Accountants (Registration No. 005905S) as statutory auditors of the Company and fix their remuneration.

By Order of the Board of Directors

Place: Hyderabad
Date: 02.08.2013

Sd/-
(T. Gopichand)
Vice Chairman and Managing Director

Notes:

1. A member entitled to attend and vote at the annual general meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and the proxy need not be a member of the Company. The instrument appointing the proxy to be valid shall be lodged at the registered office of the Company not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of Companies, Societies, Partnership Firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organisation.
2. Members / proxies are requested to bring their attendance slip along with their copy of annual report to the Meeting.
3. The details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting, is annexed hereto.
4. The Register of Members and Share Transfer Books will remain closed from 23rd September, 2013 to 28th September, 2013 (both days inclusive).
5. Members whose shareholding is in the electronic mode are requested to inform change of address and updates of savings bank account details to their respective depository participants. Members are encouraged to utilize the Electronic Clearing System (ECS) for receiving dividends.
6. Members are requested to address all correspondence, including dividend matters, to the Registrar and Share Transfer Agents, Karvy Computershare Private Limited, Plot No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, India.
7. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID and Demat numbers for easy identification of attendance at the meeting.

ANNEXURE TO THE NOTICE

Details of Directors seeking re-appointment at the forthcoming AGM

(In Pursuance of Clause 49 (IV) (G) (i) of the Listing Agreement)

Particulars		
Name	Dr.T.V.Lakshmi	Sri T. Bapaiah Chowdary
Date of Birth	01.01.1959	04.08.1956
Date of Appointment	28.09.2007	28.09.2007
Qualification	PhD	Post Graduate
Nature of Expertise in specific functional areas	Experienced Scientist with strong R & D back ground especially in GIS/ GPS and quality.	Noted business Man in Agri. Industry.
No. of Shares held in the Company as on 31.03.2013	2250	150000
Member of the Committee of Board of Directors of the Company	Shareholder's Grievance Committee and Remuneration Committee	Shareholder's Grievance Committee and Remuneration Committee
Directorships held in other companies (excluding private limited and foreign companies)	1	Nil
Chairman/member in mandatory committees of other companies	Nil	Nil

By Order of the Board of Directors

Place: Hyderabad
Date: 02.08.2013

Sd/-
(T. Gopichand)
Vice Chairman and Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 19th Annual Report and the Audited Accounts of the Company for the financial year ended 31st March, 2013 together with the Auditors' Report thereon.

Financial Results:

(Rs. in Lakh)

Particulars	Year Ended 31.03.2013	Year Ended 31.03.2012
Gross Income	14,543.58	20,163.47
Expenditure	11,623.06	15,646.46
Profit before interest, depreciation & tax	2,920.52	4,517.01
Less: Interest (Financial Cost)	1,184.39	938.36
Profit before depreciation & tax	1,736.13	3,578.65
Less: Depreciation	1,099.31	834.36
Profit before extraordinary items & tax	636.82	2,744.29
Less: Extraordinary items	20.00	--
Profit before Tax	616.82	2,744.29
Less: Provision for tax Current year	123.41	435.97
MAT credit - F.Y.2012-13	(78.48)	(6.91)
Current Tax Expense relating to earlier years	169.39	--
Deferred tax	46.06	458.78
Profit for the year	356.44	1,856.45

Dividend:

Your Directors recommended a dividend of Re.1/- per equity share i.e. 10% on each equity share having face value of Rs.10/- each, subject to the approval by the shareholders at the ensuing Annual General Meeting. The total dividend payout will be Rs.145.42 Lakh including the tax on distributable profits.

Performance of the Company:

You will note that your Company posted a turnover of Rs.14,543.58 Lakh for the year ended 31st March, 2013 as against Rs.20,163.47 Lakh in 2011-12. Your Company has registered a net profit of Rs.356.44 Lakh, as compared to previous year's net profit of Rs.1,856.45 Lakh. Your company built IT infrastructure to a tune of Rs.5,271.44 Lakh in the Financial year 2011-12 to deliver the services of

enrolment under the national prestigious projects AADHAAR & NPR (National Population Register). These projects have an outlay of Rs.12,000 Crore from Government of India. Due to the huge capital employed for future business, there were increases in financial costs, depreciation and coverage of service tax to the projects resulted in lesser net profit to a tune of 4.24% (previous year 13.61%) against PBIT 12.38%(previous year 18.26%). Further due to change in the processes adopted for enrollment and verification of citizen by the Government, has resulted into low production levels and revenue.

Management Discussion and Analysis Report:

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of this Annual Report.

Corporate Governance:

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under the said Clause 49 also forms part of this Annual Report.

Secretarial Audit Report

As a measure of good corporate governance practice, the Company has appointed M/s C.V. Reddy K & Associates, Practising Company Secretaries to conduct Secretarial Audit of the records and documents of the Company. The Secretarial Audit Report for the Financial Year ended 31st March, 2013 forms part of this Annual Report.

Listing of Shares on Stock Exchanges:

The Equity Shares of your Company are listed on the Bombay Stock Exchange Limited and Bangalore Stock Exchange Limited. The Annual listing fee has been paid up to date.

Fixed Deposits:

In terms of the provisions of Section 58A of the Companies Act, 1956 and the rules made there under, the Company has accepted public fixed deposits during the year 2011-12 and continued to hold the same during the year 2012-13. There are no outstanding deposits as at the end of the financial year 2012-2013.

Directors:

As per the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Dr. T.V.Lakshmi and Sri T. Bapaiah Chowdary, Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offered themselves for reappointment. The brief particulars of respective persons are given in the Annexure to the Notice of this Annual General Meeting. The Board recommends their re-appointment as Directors of the Company.

Auditors:

The Statutory Auditors of the Company M/s. Narven Associates, Chartered Accountants, retire at the conclusion of the 19th Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Statutory Auditors, if reappointed. Your Board of Directors have recommended their reappointment, based on the recommendation of the Audit Committee to the members for their approval at the forthcoming Annual General Meeting of the Company, to hold office from the conclusion of the 19th Annual General Meeting up to the conclusion of the 20th Annual General Meeting.

Conservation of energy, technology absorption and foreign exchange earnings and outgo:

The Particulars with respect to Conservation of energy, Technology observation and Foreign Exchange earnings and outgo as per Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) Rules, 1988 are given below:

Conservation of energy: The operations of the Company are not energy intensive and every effort has been made to ensure the optimal use of energy, avoid waste and conserve energy by using energy efficient computers and equipment with latest technologies.

Technology absorption: Your Company is constantly upgrading its technological excellence with emerging technologies.

Foreign Exchange Earnings and outgo:

Foreign Exchange Earnings during the year: Nil

Foreign Exchange outgo:

● Expenditure in Foreign Currency (CIF): (Rs. in lakh)

Particulars	Current Year	Previous Year
Trading goods	Nil	22.48
Capital Contracts	Nil	343.88
Traveling	0.63	0.74
Total	0.63	367.10

Value of Imports on CIF Basis in Respect of (Rs. in lakh)

Particulars	Current Year	Previous Year
Traded goods	Nil	22.48
Capital goods	Nil	343.88
TOTAL	Nil	366.36

Particulars of Employees:

Statement of particulars of employees pursuant to the provisions of section 217 (2A) (a) of the Companies Act, 1956.

(Rs. in lakhs)

Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration Including Commission	Previous Employment
T.Gopichand	V.C. & M.D.	M. Tech	54	01.09.1995	31	87.96	Electronic Corporation of India Limited
C.S.Ravindran	C.E.O.	BE	56	01.07.2010	32	60.09	Bartronics India Limited

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under:

- ❖ in the preparation of the accounts for the financial year ended 31st March, 2013 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ❖ we have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for the year ended on that date;
- ❖ we have 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 accounts for the year ended 31st March, 2013 have been prepared on a going concern basis.

Acknowledgment:

Your Directors place on record their sincere appreciation and thanks for the valuable cooperation and support received from the employees of the Company at all levels, Company's Bankers, Financial Institutions, Central and State Government Authorities, Electronic Corporation of India Limited and other Government Agencies, clients, consultants, suppliers, and Members of the Company and look forward for the same in greater measure in the coming years.

For and on behalf of the Board of Directors

Place: Hyderabad
Date: 02.08.2013

Sd/-
(T. Gopichand)
Vice Chairman and Managing Director

Sd/-
(K Rama Rao)
Wholetime Director

MANAGEMENT DISCUSSIONS AND ANALYSIS

The Company operates in the areas of IT, ITES and various e-governance projects of Public Sector Undertakings, State Governments and Central Government of India. Your company implements the projects as System Integrator/PPP model (BOOT, BOO, BOMT). Currently the Company has its operational presence in 14 states of India.

A. Opportunities

With the introduction of the concept of e-governance, both the Central and State Governments are keen in implementing different projects to keep the activities of the Governments transparent, timely and cost effective.

- ❖ These initiatives together with the five year plan of national e-governance rollout are approx INR 80,000 Crore opportunity.
- ❖ Tera software plans to target the above opportunities in a phased manner between 2013 and 2018.
- ❖ Tera software is strong in this domain, where successfully implemented and executed the projects.
- ❖ Tera software can add substantial revenues from this domain of e-governance of business over this five year period.

AADHAAR: The Union government launched an Aadhaar enabled service delivery system with a promise of eliminating fraud, black-marketing bribery and pilferage in schemes through a reliable mechanism of direct cash transfer to beneficiaries in a transparent manner. Aadhaar card with a 12-digit number can offer proof of identity and address anywhere in the country.

Aadhaar project would benefit millions of people battling poverty, unemployment and diseases and facilitates the transfer of cash benefits directly to the accounts of beneficiaries. It will ensure the extension of benefits to the deserving people and do away with the role of middlemen.

- **PDS:** To ensure that the objectives of National Food Security Bill are to be effectively realised, a public distribution system (PDS) network is being created using the AADHAR platform. A national information utility for the computerization of PDS is being created.
- **MNREGS:** The Mahatma Gandhi National Rural Employment Guarantee Scheme Act envisages wages, pensions and scholarships to be paid through the card after the integration, even as the UID is already an online identity platform used for authenticating beneficiaries.
- **Future Subsidy Delivery Model:** The recommendations of the task force headed by Sri Nandan Nilekani on IT Strategy for direct transfer of subsidy have been accepted. Based on these recommendations, a mobile based Fertiliser Management System has been designed to provide end to end information on the movement of fertilisers and subsidies, from the manufacturer to the retail level. This will be rolled out nationwide during 2013.
- Three Aadhaar enabled services were also launched, including e-KYC, OTP (one-time pin) authentication and Iris authentication. UIDAI Chairman Sri Nandan Nilekani termed all these as a part of 'Portable Digital Assets', and said these would act as a single gateway to many services. This will also help to roll out various schemes in a cost-effective manner.
- **GST Implementation:** The structure of GST Network (GSTN) has been approved by the empowered committee of state finance ministers. GSTN will be set up as a national information utility and will become operational soon. The GSTN will implement common PAN based registration, return filing and payment processing for all states on a shared platform.

B. Threats, Risks and Concerns

IT is one sector that is spreading its wings fast throughout the world and India is becoming a preferred destination for global IT players because of the E-Governance initiatives to the second largest citizen base of world. As a result the competitive pressure is intensifying among the local players and global players. As more than 50% of the business opportunities are on the PPP model the companies with large capital base and cash reserves are greater threats in executing the projects with minimized financial costs. The Company has to operate in this competitive scenario and acquire a grip in the market to hold its foot firmly and upkeep the brand name.

Talent Supply Constraint

Talent is sought by both the IT as well as the servicing sector. The Government has also established a certain skill sets, which shall be mandate to deliver the e-Governance services. This increases the cost of talent by way of training and retention and spare capacity building. The Company has to ensure that it acquires good talent and retains it in order to constitute its major competitive edge. The Company maintains excellent work environment and competitive package for this purpose.

Technology Obsolescence

These are the days when technology takes no time to become obsolete. Thus to be at par with its competitors the Company has to ensure that it constantly updates and upgrades its technology which in turn effects a higher depreciation and results in reduced net profits.

Downturn Industries being served

Downturn in the industry is an effect of changes in the policies of government / political instability, could result in reduction of revenues but do not have effect on the capital deployed. Reduction in revenues could change the financial costs and could have an impact on the Company's margins.

C. Company's Outlook

E-governance in India is steadily evolving from basic digitization of government data and processes to actually facilitating delivery of various citizen services on-line. A common vision and strategy is being deliberated and firmed up across all levels of government central, state and local bodies. This approach has huge potential in garnering cost savings, increasing transparency, and presenting a seamless view of government to citizens.

A well connected citizen to government eco system has huge potential for both the partners. Citizens will continue to enjoy speedy, transparent and convenient services, whilst the government gets increasingly integrated into the community welfare and more importantly is in a position to focus real time on reallocation of resources where they are needed the most. A social transformation happens when citizens are empowered to help themselves in dealing with various government segments, saving time and money for all concerned and elevating overall levels of satisfaction for common man.

Government of India announced a scheme for launching a new Unique Identity Numbering for 1,200 million residents of India.

- ◆ Tera Software has been one of the pioneers in enrollment of Citizens across the country and have crossed over 1.75 Crore, out of 25.00 Crore enrollments done so far across the country.
- ◆ Tera Software is the only Company in India to execute UIDAI Project in 4 Metro Cities (Delhi, Mumbai, Kolkata, and Chennai).

The other salient features for Tera Software in UIDAI and NPR Projects are:

- Tera Software is the first Company to start Permanent Aadhaar Centres in the Country.
- Tera Software is positioned 4th in the country in terms of Enrollment Agency.
- Tera Software has enrolled leading personalities like Hon'ble President of India, Hon'ble Prime Minister of India, Central Ministers, M.Ps and Renowned Persons.
- Tera Software is the first Company to integrate NPR with UIDAI and thereby had developed and generated new software called Linker Software to enable the citizens to rollout the National Identity Card in future.
- Tera Software has been selected for Enrollment of Defence Personnel Pilot Project across India.
- Tera Software is now conducting Pilot Projects in Public Distribution System (PDS), LPG Subsidy, NREGA and Pension Schemes. Currently, working on these schemes in one of the 52 Districts selected by the Government of India.
- Tera Software has been involved in Direct Beneficiary Transfer enrollments across the country.
- Tera Software is in the process of developing E-Governance Software exclusively on the Payment Gateway through Rupay and thereby expanding the same for Direct Beneficiary Transfer at a lower cost than Master/Visa.

- Now an Unique Cell within Tera Software is involved in developing the integration of the following verticals:
 - ❖ Integration to Sales Tax, Service Tax, Commercial Tax, Excise and other Statutory requirements of State Governments with Aadhaar Portal.
 - ❖ Integration to PDS for various States with the State Data Centres and thereafter with the Aadhaar Portal through the Registrars.

Tera Software is positioned to entrench into the following schemes announced by the Government:

- ❖ Aadhaar based Direct Cash (e-Cash) Transfers
- ❖ Aadhaar enabled LPG Distribution
- ❖ Aadhaar based Pension schemes.
- ❖ Aadhaar based Social Security Benefit Schemes towards Scholarships for Students and Teachers.
- ❖ Aadhaar based Public Distribution Systems (PDS)
- ❖ Automation of VAT and subsequently GST
- ❖ Automation of check posts & automation of Toll collection system
- ❖ Power sector Field Management services including Pre-Paid Meters
- ❖ Online House Tax Collection
- ❖ Tie ups with banks for payment settlement gateway
- ❖ Healthcare and Education

The Company has a positive outlook for the coming years and endeavors to achieve a steady business performance in the coming years. Your company anticipates higher percentage of gross profits from the new projects that will be undertaken during the coming years.

D. Internal Control Systems and their Adequacies

The Company maintains an adequate and proper system of internal controls. All the Company's assets are secured and protected against loss from illicit use or dispossession. All the transactions pass through authorization procedures. It is ensured that the company's internal audit is being strengthened from time to time and that all the financial statements and accounting records of the company are reviewed and reliable.

E. Financial Performance

You will note that your Company posted a turnover of Rs.14,543.58 Lakh for the year ended 31st March, 2013 as against Rs.20,163.47 Lakh in 2011-12. Your Company has registered a net profit of Rs.356.44 Lakh, as compared to previous year's net profit of Rs.1,856.45 Lakh.

F. Material Developments in Human Resources

'Human Resources' is recognized as a key pillar of any successful organization and so is for Tera Software. The company puts constant efforts in recruiting and training the employees and ensures to bring out the best of them. The company adopts a HR policy and ensures that all the employees are aware of personnel policies. The needs of the employees are addressed with high importance and efforts are made to provide a highly challenging and healthy environment. Besides all these, the company places high amount of emphasis on professional etiquette to be exhibited by every employee.

G. Cautionary Statement

The report contains certain statements that include forward looking statements based on current expectations, beliefs or assumptions about future events that are subject to uncertainties. They may differ materially from those described. However readers are advised not to rely upon these forward looking statements which do not guarantee future performance and are subject to a number of risks and uncertainties. This report should be read in conjunction with the financial statements included herein and the notes thereto.

CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Company hereby submits the report on the matters as mentioned in the said Clause and practices followed by the Company.

1. Philosophy of the Company on the Code of Governance:

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, and fairness in all its transactions in the widest sense and meet its stakeholders' aspirations and societal expectations. Your Company believes in attainment of highest levels of transparency in all facets of its operations. The Company is committed to maximize the shareholder value by adopting the principles of good corporate governance in line with the provisions stipulated in the listing agreement.

2. Board of Directors:

The Company has an optimum combination of executive and non-executive directors with more than fifty per cent of the Board comprising of non-executive directors. All independent non-executive directors comply with the requirement of independent directors definition of Clause 49 of the Listing Agreement entered into with the stock exchanges.

The Board of Directors met eight (8) times during the financial year on 02.04.2012, 14.05.2012, 13.08.2012, 22.08.2012, 28.09.2012, 12.11.2012, 12.01.2013 and 12.02.2013 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49 of Listing Agreement.

The names and categories of the directors on the Board, their attendance at Board meetings held during the year and the number of directorships and committee memberships held by them in other companies is given below.

Name	Category	Designation	Attendance Particulars			No. of other Director -ships#	Committee member -ships ##	Chairman-ship in Commi-tees##
			Board Meetings		Last AGM			
Sri. T. Gopichand	Promoter/ Executive	Vice Chairman & Managing Director	8	8	yes	-	-	-
Smt. T.Pavana Devi	Promoter/ Non-Executive	Director	8	8	yes	1	-	-
Sri. T.Bapaiah Chowdary	Promoter/ Non-Executive	Director	8	8	yes	-	1	1
Sri. K. Rama Rao	Executive	Wholetime Director	8	8	yes	-	-	-
Sri. D.Seetharamaiah	Non-Executive and Independent	Chairman	8	8	yes	6	7	3
Sri. R.S.Bakkannavar	Non-Executive and Independent	Director	8	8	yes	1	1	1
Dr.T.Hanuman Chowdary	Non-Executive and Independent	Director	8	8	yes	2	3	2
Dr. T.V. Lakshmi	Non-Executive and Independent	Director	8	8	yes	1	1	-

#The directorships held by directors as mentioned above, do not include directorships in Private Limited Companies.

Membership/ Chairmanship in Audit and Shareholders' Grievance Committees of public limited companies (including Tera Software Ltd.) has been considered.

Code of Conduct

The Board of Directors of the Company laid a Code of Conduct for Directors and senior management personnel. The Code of Conduct is posted on the Company's web-site www.terasoftware.com. All Directors and designated personnel in the senior management affirmed compliance with the Code for the year under review. The declaration to this effect furnished by Sri T.Gopichand, Vice Chairman & Managing Director is annexed to this report.

3. BOARD COMMITTEES:

The Company has six Board level Committees, namely Audit Committee, Shareholders' Grievance Committee, Remuneration Committee, Investment Committee, Share Transfer Committee and Management Committee.

Audit Committee:

The Audit Committee comprises of three Independent Directors viz.,

Sri R.S.Bakkannavar	Chairman
Sri D. Seetharamaiah	Member
Dr.T.Hanuman Chowdary	Member

All the members of the Audit Committee possess financial / accounting expertise / exposure. The composition of the Audit Committee meets with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Terms of Reference : The terms of reference / powers of the Audit Committee are as under:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees.
3. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Internal Auditors and fixation of internal audit fees.
4. Reviewing with management of the annual financial statements before submission to the Board, focusing primarily on:
 - ☛ Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956
 - ☛ any changes in accounting policies and practices,
 - ☛ major accounting entries based on exercise of judgment by management,
 - ☛ Significant adjustments made in the financial statements arising out of audit findings,
 - ☛ Compliance with stock exchange and legal requirements concerning financial statements
 - ☛ Disclosure of any related party transactions.
 - ☛ Qualifications in draft audit report.

5. Reviewing with the management, external and internal auditors, of adequacy of internal control systems.
6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. Reviewing the adequacy of internal audit functions.
8. Discussion with internal auditors on any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
11. Approval of appointment of CFO (i.e. the Wholtime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
12. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors.
13. Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors and/or other Committees of Directors of the Company.

During the year under review, the Committee met 5 times on 14.05.2012, 13.08.2012, 22.08.2012, 12.11.2012 and 12.02.2013 respectively and all the members were present at all the meetings.

Shareholders' Grievance Committee:

The constitution of the Shareholders' Grievance Committee of the Board comprises three Directors viz.,

Sri T. Bapaiah Chowdary	Chairman
Dr. T.V. Lakshmi	Member
Sri D. Seetharamaiah	Member

The Committee primarily focuses on shareholder grievances, inter-alia, redressal of investor complaints attending investor requests, approves the issue of duplicate share certificates and oversees and reviews all matters connected with servicing of investors. The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall quality improvement of investor services.

The Committee met four times during the year i.e. on 30.06.2012, 01.10.2012, 31.12.2012, and 30.03.2013 and all the members were present at all the meetings.

During the year under review, 11 complaints of general nature were received from the shareholders which were attended promptly and replied/resolved to the satisfaction of the concerned shareholders. There were no pending complaints at the close of the financial year. The Company designated a separate email id for investor grievances viz: investors@terasoftware.com.

Compliance Officer Name and Address:

Sri.O. Babu Reddy, AGM - F & A and Legal,
Tera Software Limited,
8-2-293/82/A/1107,
P. No. 1107, R. No. 55,
Jubilee Hills, Hyderabad – 500033.

Remuneration Committee:

The constitution of the Remuneration Committee of the Board comprises four Directors viz.,:

Sri D.Seetharamaiah	Chairman
Dr. T.Hanuman Chowdary	Member
Sri T.Bapaiah Chowdary	Member
Dr. T.V.Lakshmi	Member

Terms of Reference:

- ❖ To review and approve/recommend the remuneration for the corporate officers, wholetime Director and managing director of the Company.
- ❖ To review and recommend to the Board the remuneration policy for the Company.
- ❖ To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

There were no meetings of Remuneration Committee held during the year under report.

Details of remuneration paid to the Directors for the year:

(Rs. in lakh)		
Particulars	Current Year	Previous Year
Vice Chairman & Managing Director (Sri T. Gopichand)	87.96	143.08
Executive Director (Sri N.V.V.Prasad) (Resigned on 29.08.2011)	—	9.97
Whole Time Director (Sri K. Rama Rao)	14.55	9.90
Total	102.51	162.95

Details of sitting fee paid to the Directors for the year:

(Rs. in lakh)

Particulars	Current Year	Previous Year
Sri D.Seetharamaiah	1.71	1.47
Sri R.S.Bakkannavar	1.38	1.22
Sri T.Bapaiah Chowdary	1.04	1.02
Dr. T.Hanuman Chowdary	1.43	1.03
Dr. T.V.Lakshmi	1.04	0.94
Sri K.Rama Rao	—	0.63
Smt. T. Pavana Devi	0.76	0.72
Sri M.V.S.R. Prasad	—	0.08
Total	7.36	7.11

Investment Committee:

The constitution of the Investment Committee of the Board comprises three Directors viz.,

Sri T.Gopichand	Member
Sri K. Rama Rao	Member
Sri D.Seetharamaiah	Member

There were no meetings of Investment Committee held during the year under report.

Share Transfer Committee:

The Share Transfer Committee was constituted comprising of 2 directors and the Compliance Officer of the Company as indicated below:

Sri T.Gopichand	Member
Sri K. Rama Rao	Member
Mr. O.Babu Reddy	Member (Compliance Officer)

During the year, the Committee has met 5 times on 30.06.2012, 01.10.2012, 20.11.2012, 31.12.2012 and 30.03.2013 and all the members were present at all the meetings.

Management Committee:

The constitution of the Management Committee of the Board comprises Five Directors viz.,

Sri D.Seetharamaiah	Chairman
Sri R.S.Bakkannavar	Member
Dr. T.Hanuman Chowdary	Member
Sri T.Gopichand	Member
Sri K. Rama Rao	Member

During the year, the Committee has met 2 times on 31.07.2012, and 07.03.2013 and all the members were present at all the meetings.

4. General Body Meetings:

The date, time and venue of the Annual General Body Meetings held during the preceding three years and the special Resolution (s) passed thereat are as follows:

Year	AGM	Location	Date	TIME	SPECIAL RESOLUTION PASSED
2009-10	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	September 21 st 2010	10.00 A.M	Nil
2010-11	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	August 30 th 2011	10.00 A.M	<ul style="list-style-type: none"> ● Reappointment of Sri.T. Gopichand as Vice Chairman and Managing Director ● Appointment of Sri. K.Rama Rao as Whole Time Director of the Company ● Inserted new Article 3 (h) in the Articles of Association of the Company (Employees Stock Option Scheme and Employees Stock Purchase Scheme).
2011-12	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	September 28 th , 2012	10.00 A.M	Nil

All the special resolutions were passed on show of hands with requisite majority.

No special resolution was passed through Postal Ballot during the Financial Year 2012-13.

5. Disclosures:

i. Significant related party transactions:

During the F.Y. 2012-13 certain transactions were entered into with related parties. The details thereof are given under note number 33 forming a part of the Financial Statements.

ii. There were no occasions of non compliance by the Company and no penalties or strictures were imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to Capital markets, during the last three years.

iii. The company has complied with all the applicable mandatory requirements of the Clause 49 of the Listing Agreement and also has complied with the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with the stock exchanges:

- The company has constituted a Remuneration Committee. Please see the Para on Remuneration Committee for details.
- During the year under review, there is no audit qualification in the company's financial statements.
- The Company has no written whistle blower policy.
- The Board of Directors will explore the possibility of introducing all non-mandatory items on a need-based manner.

6. Means of Communication:

The quarterly and annual financial results of the Company are published in English newspaper Financial Express and vernacular newspaper Andhra Prabha shortly after its submission to the Stock Exchanges. The results are also displayed on the Company's website www.terasoftware.com.

The Company's website www.terasoftware.com contains a separate dedicated section 'Investor Relations' where shareholders information is available. Full text of Annual Report is also available on the website in a user friendly and downloadable format as per the requirement of Clause 47 of the Listing Agreement.

7. General Shareholder Information:

i. Annual General Meeting (Day, Date, Time and Venue):	Monday, 30 th September, 2013 at 3.00 p.m at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad - 500 033
ii. Financial Year:	April 1, 2013 to March 31, 2014. The results of every quarter beginning from April are declared within the time specified under the provisions of Listing Agreement.
iii. Date of Book Closure:	23 rd September, 2013 to 28 th September, 2013 (both days inclusive).
iv. Listing on stock exchanges:	<p>i. Bombay Stock Exchange Limited (BSE)</p> <p>ii. Bangalore Stock Exchange Limited (BgSE)</p> <p>Annual listing fee for the year 2013-14 has been paid by the Company to BSE and BgSE.</p>
v. Stock codes:	<p>BSE : 533982</p> <p>BgSE : TASL</p>
vi. Company's ISIN:	INE482B01010

vii. Market price data

The monthly high and low stock quotations during the last financial year in Bombay Stock Exchange Limited are given below:

Month	Bombay Stock Exchange Limited	
	Month's High Price	Month's Low Price
April 2012	82.00	74.25
May 2012	80.90	68.50
June 2012	75.00	61.10
July 2012	66.50	59.95
August 2012	63.55	46.25
September 2012	57.80	51.10
October 2012	54.55	48.60
November 2012	54.75	45.00
December 2012	54.50	42.70
January 2013	48.45	36.00
February 2013	43.00	33.40
March 2013	36.90	27.00

The equity shares of the Company were not traded on the Bangalore Stock Exchange Limited as reported by the Stock Exchange.

viii. Registrars and Transfer Agents

Karvy Computershare Private Limited
 Plot No.17-24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081.
 Tel:+91 40-44655000
 Fax +91 40-23354042
 e-mail: einward.ris@karvy.com
 Website: www.karvy.com

ix. Share transfer system

The share transfers which are received in physical form are processed and the share certificates are returned within a period of 10 to 15 days from the date of receipt, subject to the documents being found valid and complete in all respects.

The Company appointed M/s. Karvy Computershare Private Limited as the Registrar and Transfer Agents for dealing with all the activities connected with both physical and demat segments pertaining to the share transactions of the Company.

x. Distribution of shareholding as on March 31, 2013

Category (Shares)	Holders	Shares	% of TotalShares
1-5000	5,354	8,47,807	81.640747
5001- 10000	532	4,10,023	8.112229
10001- 20000	274	4,11,232	4.178103
20001- 30000	94	2,36,426	1.433364
30001- 40000	74	2,58,837	1.128393
40001- 50000	32	1,51,576	0.487954
50001- 100000	75	5,52,792	1.143641
100001 & Above	123	96,43,182	1.875572
Total:	6,558	1,25,11,875	100%

Shareholding pattern as on March 31, 2013:

Sl. No.			Total Shares	% to Total
A.	Shareholding of Promoter & Promoter Group:			
	Indian			
	Individuals/HUF	11	56,62,300	45.26
	Foreign	Nil	Nil	Nil
B.	Public Shareholding:			
	Institutions			
	Foreign Institutional Investors	1	11,900	0.10
	Non-Institutions:			
	Bodies Corporate	140	10,13,279	8.10
	Individuals			
	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	6,195	26,42,622	21.12
	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	89	28,30,852	22.63
	Any Other (Specify) NRI/OCB	110	2,49,880	2.00
	Any Others – Clearing Members	10	21,079	0.17
	Any Others – Trust	2	79,963	0.64
C.	Shares held by Custodians etc.	Nil	Nil	Nil
	Total	6,558	12,511,875	100.00

xi. Dematerialization of Shares:

The Company's Equity Shares are held in dematerialized form by National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) under ISIN: **INE482B01010**. As on March 31st, 2013, 98.88 % of the totals shares of the Company have been dematerialized.

Trading in equity shares of the Company is permitted only in dematerialized form as per the notification issued by the Securities and Exchange Board of India (SEBI). The Company's shares are liquid and actively traded.

xii. Outstanding of unclaimed dividend amounts:

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the unclaimed dividend account to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to the Investor Education and Protection Fund. In compliance with Sections 205A (6) & 205A(7) of the Companies Act, 1956, the Company transferred on 19-11-2012 the unclaimed dividend amounting to Rs.2,17,680 pertaining to the year 2004-2005 to the Investor Education and Protection Fund.

Details of outstanding amount of unclaimed dividend lying in Unpaid Dividend Account year wise as on 31.03.2013:

F.Y	2005-06	2006-07	2007-08	2008- 09	2009-10	2010-11	2011-12
Unclaimed Dividend Amount in Rs.	3,61,914	4,42,134	2,55,340	2,54,634	2,07,162.50	5,21,074	3,34,294

xiii. Location of our software development center:

8-2-293/82/A/1107, Plot No: 1107,
Road No: 55, Jubilee Hills, Hyderabad-500033
Tel.Nos.040-23540446, 040 – 23547447/8, Fax : 040 - 23547449
E-Mail: info@terasoftware.com
Url: www.terasoftware.com

xiv. Address for Correspondence:

Company	Registrars and Transfer Agent
M/s.Tera Software Limited #8-2-293/82/A/1107 Plot No: 1107, Road No: 55, Jubilee Hills, Hyderabad-500033 Tel.Nos.040-23540446, 040 – 23547447/8 Fax : 040 - 23547449 E-Mail: info@terasoftware.com investors@terasoftware.in Url: www.terasoftware.com	Karvy Computershare Private Limited Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081. Tel:+91 40-44655000 Fax +91 40-23354042 e-mail: einward.ris@karvy.com Website: www.karvy.com

SECRETARIAL AUDIT REPORT

The Board of Directors,
Tera Software Limited
Plot No.1107, Jubilee Hills,
Hyderabad-500033

I have examined the registers, records and documents of Tera Software Limited ("the Company") for the financial year ended on 31st March, 2013 according to the provisions of:

- ◆ The Companies Act, 1956 and the Rules made under that Act;
- ◆ The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;

The following Regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act").

- ◆ The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- ◆ The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
- ◆ The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- ◆ The Equity Listing Agreements with Bombay Stock Exchange Limited and Bangalore Stock Exchange Limited.

1. Based on my examination and verification of the registers, records and documents produced to me and according to information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and the Memorandum and Articles of Association of the Company. With regard to:

- ❖ Maintenance of various Statutory Registers and Documents and making necessary entries therein;
- ❖ Closure of the Register of Members.
- ❖ Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;
- ❖ Service of documents by the Company on its Members, Auditors and Registrar of Companies;
- ❖ Notice of Board Meetings and Committee Meetings of Directors;
- ❖ The Meetings of Directors and Committees of Directors;
- ❖ The 18th Annual General Meeting held on 28th September, 2012;
- ❖ Minutes of proceedings of General Meetings and of Board and its Committee Meetings;
- ❖ Approvals of the members, the Board of Directors, the Committees of the Directors and government authorities, wherever required;
- ❖ Constitution of the Board of Directors\Committee(s) of Directors and appointment, retirement and re-appointment of Directors including the Managing Director and Wholetime Directors;
- ❖ Payment of Remuneration to the Managing Director and Wholetime Directors;
- ❖ Appointment and Remuneration of Auditors;
- ❖ Transfers and Transmissions of the Company's Shares and delivery of duplicate share certificates;

- ❖ Declaration and payment of Dividends;
- ❖ Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- ❖ Borrowings and registration, modification and satisfaction of charges;
- ❖ From the Balance Sheet as prescribed under part-I of Schedule-VI to the Act and requirements as to profit and Loss Accounts as per Part-II of the said Schedule;
- ❖ Board's Report;
- ❖ Contracts, common seal, registered office and publication of name of the Company; and
- ❖ Generally, all other applicable provisions of the Act and the Rules made under that Act.

2. I further report that:

- (a) The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- (b) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being Independent and compliance with the Company's Code of Conduct and Code of Conduct for Prevention of Insider Trading.
- (c) The Company has obtained all necessary approvals under the various provisions of the Act; and
- (d) There was no prosecutions initiated and no fines and penalties were imposed during the year under review under the Companies Act, SEBI Act, SCRA Act, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against/on the Company, its Directors and Officers.

3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed there under by the Depositories with regard to dematerialization/rematerialization of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.

4. I further report that:

- (a) The Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and Bangalore Stock Exchange Limited;
- (b) The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
- (c) The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations;

PLACE: HYDERABAD

DATE: 01-08-2013

For C.V. REDDY K & ASSOCIATES
COMPANY SECRETARIES

Sd/-
K.CH. VENKAT REDDY
CP NO 8998

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

To
The Members of Tera Software Limited.

As required under Clause 49(I) (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st March, 2013.

Place: Hyderabad
Date: 02.08.2013

Sd/-
(T.Gopichand)
Vice Chairman and Managing Director

NARVEN ASSOCIATES
Chartered Accountants
302 & 303, Lingapur House,
Himayat Nagar, Hyderabad

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Tera Software Limited,

We have examined the compliance of conditions of Corporate Governance by Tera Software Limited (the Company), for the year ended on 31st March 2013, as stipulated in Clause 49 of the Listing Agreements of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause. 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 based on 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 Clause 49 of the above-mentioned Listing Agreements.

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

For NARVEN ASSOCIATES
Chartered Accountants
Firm Reg. No: 005905S

Place: Hyderabad
Date: 02.08.2013

Sd/-
(CA. D.C.Naidu)
Partner
Membership No:24643

CERTIFICATE BY VICE CHAIRMAN AND MANAGING DIRECTOR (VC & MD) AND CHIEF FINANCIAL OFFICER

We, T.Gopichand, Vice Chairman and Managing Director and B.Dattathreyulu Naidu, Chief Financial Officer of Tera Software Limited, certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2013 and that to the best of our knowledge and belief;
 - i. these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - ii. these statements present a true view of the Company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That 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;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of:
 - i. Significant changes in internal controls 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 we 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 over financial reporting.

Place: Hyderabad
Date: 28.05.2013

Sd/-
(T.Gopichand)
Vice Chairman and Managing Director

Sd/-
(CA. B.Dattathreyulu Naidu)
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To
The Members of
TERA SOFTWARE LIMITED,

Report on the Financial Statements

1. We have audited the accompanying financial statements of **TERA SOFTWARE LIMITED**, ("The Company") Which comprise the Balance sheet as at March 31st, 2013, the statement of Profit and Loss and The Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The company's 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"). 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.

Auditors' Responsibility

3. 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.
4. 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. 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 financial statements.

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

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, 2013;

- b) In the case of the statement of profit and loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other Legal and Regulatory Requirements

- 6. As required by The Companies (Auditor's Report) Order, 2003, ("the Order") issued by the Central Government of India in terms of Sub Section (4A) of Section 227 of the Companies Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 7. 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
 - c) The Balance Sheet, the statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For NARVEN ASSOCIATES
Chartered Accountants
Firm Reg. No: 005905S

Place: Hyderabad
Date: 28/05/2013

Sd/-
(CA. D.C. Naidu)
Partner
Membership No: 24643

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 6 under the heading of "Report on other Legal Regulatory Requirements" of our report of even date.

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets;
 - b) As explained to us, all the fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed have been properly dealt with in the books of account;
 - c) In our opinion, the company has not disposed of substantial part of fixed assets during the year and the going concern status of the company is not affected.
2. In respect of its inventories:
 - a) As explained to us, the inventories of the company have been physically verified by the management at reasonable intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
 - c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material.
3. In respect of loans, secured, unsecured, granted or taken by the company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a) The Company had not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(b) to (iii)(d) of the aforesaid order are not applicable to the company.
 - b) During the year, the company had not taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the said loan, the maximum amount outstanding at any time during the year was Rs.5 lakhs and the year-end balance is Rs. Nil.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and Services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- (Rupees five lakh) or more in respect of any party.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public.

7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business;
8. According to the information and explanations given to us the company is not required to maintain cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the services carried out by the company.
9. In respect of statutory dues:
 - a) According to the records of the company and the information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable except. As explained to us, the Excise Duty and Customs Duty are not applicable to the company;
 - b) According to the information and explanations given to us, there are no dues in respect of Income Tax, Excise Duty, Customs Duty, Wealth Tax, Service tax, Sales Tax and Cess that have not been paid to the concerned authorities on account of any dispute other than the following;

SL.No.	Name of the Statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	339,455	2007-08	High Court of AP
2	AP VAT Act, 2005	Value Added Tax	1,430,252	2006-07	High Court of AP
3	AP VAT Act, 2005	Value Added Tax	1,430,252	2005-06	High Court of AP
4	APGST Act, 1957	Sales Tax	2,860,507	2004-05	High Court of AP
5	APGST Act, 1957	Sales Tax	3,580,063	2003-04	High Court of AP
6	APGST Act, 1957	Sales Tax	1,430,253	2002-03	High Court of AP
7	The Kerala VAT Rules, 2005	Value Added Tax	84,16,222	2005-06	Deputy Commissioner (Appeals), Kerala
8	The Kerala VAT Rules, 2005	Value Added Tax	61,50,240	2006-07	Deputy Commissioner (Appeals), Kerala
9	The Kerala VAT Rules, 2005	Value Added Tax	7,42,446	2007-08	Deputy Commissioner (Appeals), Kerala
10	The Kerala VAT Rules, 2005	Value Added Tax	8,52,280	2008-09	Deputy Commissioner (Appeals), Kerala
11	The Kerala VAT Rules, 2005	Value Added Tax	4,66,474	2009-10	Deputy Commissioner (Appeals), Kerala

10. The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year or in the immediately preceding financial year;
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
12. Based on our examination and 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. Accordingly, clause 4(xii) of the Order is not applicable.

13. The Company is not a chit/nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. The Company is not dealing or trading in shares, securities, debentures and other investments; accordingly, clause 4(xiv) of the Order is not applicable.
15. On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions;
16. According to the information and explanations given to us and on the basis of our examination of the books of account, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. On the basis of our examination of the books of accounts and the information and explanation given to us, in our opinion, the funds raised on short-term basis have not been used for long-term investment and vice versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register Maintained under Section 301 of the Companies Act'1956.
19. The Company has not issued any Debentures during the year;
20. The Company has not raised any money by public issue during the year;
21. Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For NARVEN ASSOCIATES
Chartered Accountants
Firm Reg. No: 005905S

Sd/-
(CA. D.C. Naidu)
Partner
Membership No: 24643

Place: Hyderabad
Date: 28/05/2013

BALANCE SHEET AS AT 31st March 2013

(Rs in Lakh)

Particulars	Note No	As at 31 March 2013		As at 31 March 2012	
Equity and Liabilities					
(1) Shareholders' funds			8,227.13		8,016.11
(a) Share capital	1	1,251.19		1,251.19	
(b) Reserves and surplus	2	6,975.94		6,764.92	
(2) Non-current liabilities			2,446.27		3,921.70
(a) Long-term borrowings	3	866.97		2,207.03	
(b) Deferred tax liabilities (Net)	4	535.19		489.12	
(c) Other Long term liabilities	5	1,012.46		1,202.29	
(d) Long-term provisions	6	31.65		23.26	
(3) Current liabilities			12,597.92		12,206.10
(a) Short-term borrowings	7	4,400.80		4,288.39	
(b) Trade payables	8	5,477.64		4,234.16	
(c) Other current liabilities	9	2,197.64		3,022.71	
(d) Short-term provisions	10	521.84		660.84	
Total			23,271.32		24,143.91
Assets					
(1) Non-current assets			6,069.99		7,111.29
(a) Fixed assets					
(i) Tangible assets	11	4,723.38		5,543.87	
(ii) Capital work-in-progress		699.48		883.07	
		5,422.86		6,426.94	
(b) Long-term loans and advances	12	630.14	662.15		
(c) Other non-current assets	13	16.99	22.20		
(2) Current assets			17,201.33		17,032.62
(a) Inventories	14	170.03		152.85	
(b) Trade receivables	15	15,219.61		13,946.69	
(c) Cash and cash equivalents	16	1,191.39		1,615.26	
(d) Short-term loans and advances	17	497.40		1,130.51	
(e) Other current assets	18	122.90	187.31		
Total			23,271.32		24,143.91

As per our report of even date attached

For **NARVEN ASSOCIATES**

Chartered Accountants

Firm Reg. No. 005905S

Sd/-

(CA. D.C.Naidu)

Partner

Membership No: 24643

Place: Hyderabad

Date: 28.05.2013

For and on behalf of the Board of Directors

Sd/-

(T. Gopichand)

Vice chairman & Managing Director

Sd/-

(CA. B.D. Naidu)

Chief Financial Officer

Sd/-

(K. Rama Rao)

Wholtime Director

Sd/-

(CS. M. Sri Lakshmi)

Company Secretary

STATEMENT OF PROFIT and LOSS FOR THE YEAR ENDED 31st March 2013

(Rs in Lakh)

Particulars	Note No	for the year ended 31 March 2013	for the year ended 31 March 2012
Continuing Operations			
Revenue from operations (gross)	19	14,341.88	20,038.06
Other income	20	201.70	125.41
Total Revenue		14,543.58	20,163.47
Expenses			
(1) Purchases of Stock-in-Trade		4,024.12	3,235.19
(2) Changes in inventories of Stock-in-Trade	21	(17.18)	297.73
(3) Employee benefits expense	22	1,589.67	994.56
(4) Finance costs	23	1,184.39	938.36
(5) Depreciation & amortization expense	11	1,099.31	834.36
(6) Other expenses	24	6,026.45	11,118.98
Total expenses		13,906.76	17,419.18
Profit before extraordinary items and tax		636.82	2,744.29
Extraordinary Items		20.00	-
Profit before tax		616.82	2,744.29
Less: Tax expense			
(1) Current tax (MAT)		123.41	435.97
Less: MAT Credit		(78.48)	-
(2) Tax Expenses relating to Earlier Years		169.39	(6.91)
(3) Deferred tax		46.06	458.78
Profit for the year		356.44	1,856.45
Earnings per equity share			
(1) Basic		2.85	14.84
(2) Diluted		2.85	14.84
Significant Accounting Policies notes on Financial Statements	1 to 38		

As per our report of even date attached

For **NARVEN ASSOCIATES**
Chartered Accountants
Firm Reg. No. 005905S

Sd/-
(CA. D.C.Naidu)
Partner
Membership No: 24643

Place: Hyderabad
Date: 28.05.2013

For and on behalf of the Board of Directors

Sd/-
(T. Gopichand)
Vice chairman & Managing Director

Sd/-
(CA. B.D. Naidu)
Chief Financial Officer

Sd/-
(K. Rama Rao)
Wholtime Director

Sd/-
(CS. M. Sri Lakshmi)
Company Secretary

CASH FLOW STATEMENT for the year 2012-13

(Rs in Lakh)

Particulars	2012-13		2011-12	
A. Cash flow from operating activities				
Net Profit before tax as per Profit & Loss Statement		616.82		2,744.29
<i>Adjustments for:</i>				
Depreciation and amortisation	1,099.31		834.36	
Impairment Loss on CWIP	-		110.01	
Depreciation of earlier years adjusted	(12.67)		-	
Liabilities No Longer Required Written Back	(61.94)		(46.34)	
(Profit) / loss on sale / write off of assets(net)	(52.03)		1.53	
Provision For Doubtful, & Bad Debts Written Off	5.00		397.80	
Finance costs	1,184.39		938.36	
Interest income	(75.06)		(78.93)	
		2,087.00		2,156.79
Operating profit before working capital changes		2,703.82		4,901.08
<i>Adjusted for:</i>				
Trade receivables	(1,277.92)		(5,363.48)	
Movement in Other Current Assets	49.73		(43.00)	
Movement in Advances & Deposits	618.07		(484.42)	
Inventories	(17.18)		297.74	
Trade & Other Payables	834.35		1,052.38	
		207.05		(4,540.78)
Cash generated from operations		2,910.87		360.30
Net income tax (paid) / refunds		(309.26)		(841.66)
Net cash flow from operating activities (A)		2,601.61		(481.36)
B. Cash flow from investing activities				
Purchase of Fixed Assets		(442.99)		(4,140.56)
Sale of Fixed Assets		345.32		2.20
Interest Income Received		79.40		48.10
Net cash flow from Investing activities (B)		(18.27)		(4,090.26)

C. Cash flow from financing activities			
Proceeds from Long Term Barrowings	38.32		4,139.18
Repayment of Long Term Barrowings	(1,776.36)		(559.91)
Short Term Barrowings(Net)	81.41		2,859.50
Dividends & Dividend Tax Paid	(289.78)		(290.04)
Interest Paid	(1,185.86)		(920.39)
Net cash flow from Financing activities (C)	(3,132.27)		5,228.34
Net increase in Cash and cash equivalents (A+B+C)	(548.93)		656.72
Opening balance of Cash and cash equivalents	1,052.87		396.15
Closing balance of Cash and cash equivalents	503.94		1,052.87
Components of Cash and Cash Equivalents			
Cash and cheques on Hand	140.80		141.17
Balances with Banks			
-On Current Accounts	326.69		160.07
-On Deposit Accounts	723.90		1,314.02
Cash and cash Equivalent as per Note 16	1,191.39		1,615.26
Less: Fixed Deposits not considered as cash equivalents	41.14		25.00
Less: Margin Money Deposits	646.31		537.39
	503.94		1,052.87

As per our report of even date attached

For **NARVEN ASSOCIATES**
Chartered Accountants
Firm Reg. No. 005905S

Sd/-
(CA. D.C.Naidu)
Partner
Membership No: 24643

Place: Hyderabad
Date: 28.05.2013

For and on behalf of the Board of Directors

Sd/-
(T. Gopichand)
Vice chairman & Managing Director

Sd/-
(CA. B.D. Naidu)
Chief Financial Officer

Sd/-
(K. Rama Rao)
Wholetime Director

Sd/-
(CS. M. Sri Lakshmi)
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES:

I. Following are the significant accounting policies adopted by the Company.

1. Preparation and presentation of financial statements.

1. BASIS OF PREPARATION:

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP), the mandatory accounting standards issued by the Institute of Chartered Accountant of India and the provisions of the Companies Act, 1956, as adopted consistently by the company.

2. USE OF ESTIMATES:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of revenues and expenses during the reporting period. Difference between the actual and estimates are recognized in the period in which the results are known / materialized.

2. Fixed Assets & Depreciation:

- i. Fixed assets are stated at the cost, less accumulated depreciation and impairment losses. Cost comprises purchase price, duties, levies and any other costs relating to the acquisition and installation of the assets. Interest and financing charges on borrowed funds, if any, used to finance the acquisition of fixed assets, which take substantial time until the assets are ready for use, are capitalized and included in the cost of the asset.
- ii. Capital work-in-progress towards the acquisition of fixed assets, and the cost of assets not put to use before the year-end, are disclosed under capital work-in-progress.
- iii. Fixed Assets acquired under finance lease are capitalized at the lower of the fair value and the present value of the minimum lease payments.
- iv. Depreciation on the Fixed Assets of the Company is provided on Straight-line method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis.
- v. The Fixed Assets of National Population Register (NPR) project are depreciated over a period of 36 months which is the expected useful life of the Asset.
- vi. Capital Expenditure incurred on Projects Division is written-off over the tenure of the project period for the projects where the company is required to transfer the assets to the customer at the end of the project period and for other capital assets the depreciation is provided as per the clause (iv) above.
- vii. Assets acquired under finance lease, where there is reasonable certainty that the company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated as per the clause (iv) above.

3. Revenue Recognition:

The company generally follows mercantile system of accounting and recognizes significant items of income on accrual basis.

- a) Revenue from sale of goods is recognized on transfer of significant risks and reward of ownership in the goods to the customers.

- b) Revenue from sale of software products is recognized when the sale is completed with the passing of title to the customers and revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of contracts.
- c) Revenue from Technical Services is recognized on a pro-rata basis over the period in which such services are rendered.
- d) Revenue from Maintenance Contracts is recognized on a pro-rata basis over the period in which such services are rendered.
- e) Revenue from Agency Commission is recognized as and when it is receivable.
- f) Interest Income on term deposits is recognized using the time-proportion method, based on interest rates implicit in the transaction.
- g) Revenue from Projects Division is recognized on pro-rate basis as per the terms of the contract over the life of the project.
- h) Other items of income are accounted as and when right to receive arises.
- i) Unbilled revenues represent cost and earnings in excess of billings as at the balance sheet date.
- j) Income on investments and dividends on units is recognized as and when right to receive the same is established.

4. Expenditure:

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities. The cost of software purchased for use in software development and services is charged to revenue in the same year. Provisions for deductions towards under performance of service level deliverables on services are estimated by the management, determined on the basis of past experience.

5. Inventories:

Items of inventories are measured at lower of cost or net realizable value. Cost of inventories comprise of all cost of purchase, cost of conversion and other cost incurred in bringing the inventory to their present location and condition. Raw materials and the finished goods are valued on the basis of First in First out (FIFO) method.

6. Investments:

- i. Long-Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.
- ii. Current investments are carried at the lower of cost and quoted/fair value, computed category wise.

7. Impairment of Assets

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

8. Benefits to employees:

- i. Short-Term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered.

- ii. Post employment benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable to the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.
- iii. Other long-term/short-term employee benefits are recognized as an expense in the profit and loss account for the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the current value, using the yield on government bonds, as on the date of balance sheet, as the discounting rate.
- iv. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.

v. Provident Fund:

The company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.

9. Foreign Currency transaction:

- i. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
- ii. Monetary items denominated in foreign currencies at the year-end and not covered by forward exchange contracts are translated at the rates of exchange at the balance sheet date and resulting gain or loss is recognized in the profit and loss account.

10. Borrowing Costs

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

11. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized 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 recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statement.

12. Product Warranty Expenses:

Liabilities for warranties are recognized at the time, the claim is passed. The necessary provisions are made with respect to warranties claimed and passed pertaining to the year, as are received up to the end of one month from the close of the year.

13. Claims Receivable:

Claims receivable are accounted for depending on the certainty of receipt and claims payable are accounted at the time of acceptance.

14. Income Tax:

Provision for income tax is made for both current and deferred taxes. Provision for current Income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates was recognized using the tax rates and tax laws that have been enacted or substantively enacted by balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

15. Earnings per share

1. Basic Earnings per Share: In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year.
2. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity 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. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

The number of shares and potential dilutive equity shares are adjusted for any bonus issues.

16. Leases:

a) FINANCE LEASE:

1. Assets given under finance lease are recognized as a sale transaction in the Profit and Loss Account and are treated like other outright sales.

The Finance Lease amount is shown as the receivables at an amount equal to the net investment in the lease.

Finance lease income is recognized over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

2. Assets acquired under leases where the company has substantially transferred all the risk and rewards of ownership are classified as finance lease. Such assets are capitalized at the inception of the lease at the lower of fair value or present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

b) OPERATING LEASE:

1. Rentals are expensed with reference to the Lease terms and other considerations.

17. Sales:

Sales are stated at net of returns and exclusive of sales tax.

Notes forming Part of the Financial Statements

1. SHARE CAPITAL

(Rs in Lakh)

Particulars	Number of shares as at 31.03.2013	As at 31.03.2013	Number of shares as at 31.03.2012	As at 31.03.2012
Authorised:				
2,50,00,000 Equity Shares of Rs 10/- each.	250.00	2,500.00	250.00	2,500.00
Issued, subscribed and paid up:				
1,25,11,875 Equity Shares of Rs 10/- each fully paid up	125.12	1,251.19	125.12	1,251.19
TOTAL	125.12	1,251.19	125.12	1,251.19

- 1.1 25,02,375 Shares out of the Issued, Subscribed & Paid-up Share Capital were allotted as Bonus Shares in the last five years by capitalisation of General Reserve.

1.2 Details of shareholders holding more than 5% of total number of shares

(Shares in Lakh)

Name of the Shareholder	As at 31.03.2013		As at 31.03.2012	
	Number of Shares held	% out of total number of shares of the company	Number of Shares held	% out of total number of shares of the company
Tummala Gopichand	29.92	23.91%	28.30	22.62%
Tummala Pavana Devi	19.06	15.23%	18.78	15.01%
TOTAL	48.98	39.15%	47.08	37.63%

1.3 Reconciliation of Number of Shares:

Particulars	Equity Shares		Equity Shares	
	No.of Shares	Amount	No.of Shares	Amount
Shares outstanding at the beginning of the year	125.12	1,251.19	125.12	1,251.19
Add: Shares Issued during the year	-	-	-	-
	125.12	1,251.19	125.12	1,251.19
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	125.12	1,251.19	125.12	1,251.19

2. RESERVES AND SURPLUS

(Rs in Lakh)

Particulars	As at 31 March 2013	As at 31 March 2012
<u>Securities Premium Reserve</u>		
Figures as at the end of the previous reporting period	851.00	851.00
Additions / Deductions	-	-
Figures as at the end of current reporting period	851.00	851.00
<u>General Reserve</u>		
Figures as at the end of the previous reporting period	3,774.76	2,774.76
Additions	50.00	1,000.00
Deductions	-	-
Figures as at the end of current reporting period	3,824.76	3,774.76
<u>Surplus in Profit and Loss Account</u>		
Figures as at the end of the previous reporting period	2,139.16	1,573.54
Add: Profit for the year	356.44	1,856.45
Less: Proposed dividend	(125.12)	(250.24)
Tax on Proposed dividend	(20.30)	(40.59)
Transfer to General Reserves	(50.00)	(1,000.00)
Figures as at the end of current reporting period	2,300.18	2,139.16
Total of Reserves and Surplus	6,975.94	6,764.92

3. LONG TERM BORROWINGS

Particulars	As at 31 March 2013	As at 31 March 2012
<u>A. Secured</u>		
i. Term loans		
- from banks	445.50	1,396.49
ii. Long term maturities of finance lease obligations	421.47	774.54
Total (a)	866.97	2,171.03
<u>B. Unsecured</u>		
i. Deposits	-	36.00
Total (b)	-	36.00
Total (a+b)	866.97	2,207.03

Of the above

- 3.1 The Term Loan from bank is a Rupee Term Loan taken from Canara Bank which carries interest rate of base rate + 3.5% i.e 13.5% p.a. (floating). It is repayable in 30 monthly instalments. Equipment procured out of Term Loan are secured by way of Hypothecation of Equipment on Exclusive charge basis and personal guarantee given by the Vice Chairman & Managing Director, Wholetime Director and Director of the Company.

Collateral Security of Industrial Land and Shed there in Survey Nos. 179,180, 180A & 181,182, 184 & 184A situated at Annaram Village, Jinnaram Mandal, Medak District, and Sy No. 219E of Gagilapur Village, Quthubullapur Mandal, Ranga Reddy District, admeasuring 15 acres 19 guntas of land and 165483 Sft Plinth area of shed.

- 3.2 5,48,700 shares are pledged in favour of Canara Bank as per terms and Conditions of their Sanction Letter
- 3.3 Deposits from Shareholders & Others are taken during the financial year 2010-11 carry interest of 11% p.a. and are repayable in 1 years (Previous year - repayable in 2 years)
- 3.4 In respect of Fixed Assets acquired on Finance Lease on or after 1st April, 2001, the minimum lease rentals outstanding as on 31st March 2013 are as follows:

Period	Total Minimum Lease Payments Outstanding**		Future Interest Outstanding	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Payable within 1 year	367.72	338.48	73.89	120.48
Payable between 1-5 years	421.47	774.54	64.61	134.22
TOTAL	789.19	1,113.02	138.50	254.70

**Lease term ranges between 3-5 years

**Finance lease obligations are secured against the leased assets.

4. DEFERRED TAX LIABILITY

Particulars	As at 31 March 2013		As at 31 March 2012	
i. Relating to Fixed Assets		812.83		760.01
ii. Disallowance under the Income Tax Act, 1961	(161.71)		(144.57)	
iii. Provision for Doubtful debts	(115.93)	(277.64)	(126.32)	(270.89)
Total		535.19		489.12

5. OTHER LONG TERM LIABILITIES

(Rs in lakh)

Particulars	As at 31 March 2013	As at 31 March 2012
i. Advance from Customers	263.83	263.83
ii. Security Deposits from Vendors	748.63	938.46
Total	1,012.46	1,202.29

6. LONG-TERM PROVISIONS

Particulars	As at 31 March 2013	As at 31 March 2012
Provision for employee retirement benefits		
Gratuity	31.65	23.26
Total	31.65	23.26

7. SHORT-TERM BORROWINGS

Particulars	As at 31 March 2013	As at 31 March 2012
A. Secured		
i. Loans repayable on demand : from banks	4,358.80	4,277.39
Total (a)	4,358.80	4,277.39
B. Unsecured		
i. Deposits	42.00	11.00
Total (b)	42.00	11.00
Total (a+b)	4,400.80	4,288.39

- 7.1 Working Capital Loans given by Bank of Maharashtra are secured by way of hypothecation of Land and Buildings situated at Jubilee hills Hyderabad and Srinagar colony, Computers and Peripherals, Stock in trade, Software in process, book debts and personal guarantee given by the Vice Chairman & Managing Director, Wholtime Director and Director of the Company.
- 7.2 Working Capital Loan taken from Canara Bank is secured by way of hypothecation on paripassu first charge basis along with Bank of Maharashtra and collateral Security of Industrial Land and Buildings situated at Annaram Village, Hyderabad by way of Equitable Mortgage on exclusive charge basis.
- 7.3 Deposits from Shareholders & Others are taken during the financial year 2011-12 and carry a interest of 11% p.a. and are repayable in 1 year (previous year repayable in 2 years).

8. TRADE PAYABLES

(Rs in lakh)

Particulars	As at 31 March 2013	As at 31 March 2012
Dues to: Micro, Small and Medium Micro Enterprises*	-	-
Others		
i. Creditors for Services	3,431.31	3,762.43
ii. Creditors for Goods	2,046.33	471.73
Total	5,477.64	4,234.16

*Based on the information available with the company, on which auditors relied upon.

9. OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2013	As at 31 March 2012
i. Current maturities of long-term debt	1,061.58	1,519.80
ii. Current maturities of finance lease obligations	367.72	338.48
iii. Interest accrued but not due on borrowings	17.29	18.76
iv. Income received in advance	12.42	7.03
v. Unpaid dividends	23.77	22.72
vi. Sundry Creditors for Capital Goods	26.41	126.02
vii. Expenses Payable	539.28	491.60
viii. Statutory Expenses Payable	149.17	498.30
Total	2,197.64	3,022.71

10. SHORT-TERM PROVISIONS

Particulars	As at 31 March 2013	As at 31 March 2012
i. Gratuity	37.47	30.69
ii. Provision for Leave Travel Allowance	0.17	0.17
iii. Proposed Final Dividend Payable	125.12	250.24
iv. Tax Payable on Distributed Profit	20.30	40.59
vi. Provision for under performance of service level deliverable	338.78	339.15
Total	521.84	660.84

11. FIXED ASSETS

(Rs in lakh)

Particulars	Gross Block						Depreciation				Net Block	
	As at 01-04-2012	Additions during the year	Deductions during the year	Adjustment during the year***	As at 31-03-13	As at 01-04-12	For the Year	On deductions	on Adjustment ***	As at 31-03-13	As at 31-03-12	
i. TANGIBLE												
Land	116.84	1.44	5.46	-	112.82	-	-	-	-	112.82	116.84	
Buildings	260.75	288.17	-	-	548.92	25.67	6.36	-	-	32.03	235.08	
Plant and Equipment	5,239.83	63.85	223.75	137.41	4,942.52	1,313.33	777.50	113.85	12.67	1,964.31	3,926.50	
Furniture and Fixtures	174.69	117.59	58.38	-	233.90	54.09	15.16	15.07	-	54.18	120.60	
Vehicles	53.61	-	-	-	53.61	23.53	4.54	-	-	28.07	30.08	
Office equipment	28.19	5.95	12.26	-	21.88	9.62	0.81	2.38	-	8.05	18.57	
Electrical & Fixtures:	160.50	95.11	-	-	255.61	36.42	9.55	-	-	45.97	124.08	
Capital expenditure on Projects Div*	639.02	-	-	-	639.02	447.74	139.30	-	-	587.04	191.28	
Sub-total	6,673.43	572.11	299.85	137.41	6,808.28	1,910.40	953.22	131.30	12.67	2,719.65	4,763.03	
Previous Year	3,319.88	3,365.38	11.82	-	6,673.44	1,196.18	722.32	8.09	-	1,910.41	2,123.70	
LEASED ASSETS:												
Plant and Equipment	901.25	-	-	-	901.25	120.41	146.09	-	-	266.50	780.84	
Sub-total	901.25	-	-	-	901.25	120.41	146.09	-	-	266.50	780.84	
Previous Year	127.92	773.33			901.25	8.37	112.04	-	-	120.41	119.55	
Total	7,574.68	572.11	299.85	137.41	7,709.53	2,030.81	1,099.31	131.30	12.67	2,986.15	5,543.87	
Previous Year	3,447.80	4,138.71	11.82	-	7,574.69	1,204.55	834.36	8.09	-	2,030.82	2,243.25	
ii. CAPITAL WORK IN PROGRESS **												
										699.48	883.07	

*Total Assets acquired under Project Division are transferrable to the respective Customers at the end of the tenure of the project.

** After deducting impairment loss of Rs 110.01 lakh.

***Pertaining to CENVAT Credit of Rs 137.41 lakh on capital goods availed during the current Financial Year 2012-13.

12. LONG-TERM LOANS AND ADVANCES

(Rs in lakh)

Particulars	As at 31 March 2013	As at 31 March 2012
(a) Secured, Considered Good		
i. Capital Advances	1.78	34.26
ii. Security Deposits	628.36	627.89
	630.14	662.15
Less: Allowance for bad and doubtful loans and advances		
Total	630.14	662.15

13. OTHER NON CURRENT ASSETS

Particulars	As at 31 March 2013	As at 31 March 2012
Bank deposits maturity of more than 12 months	-	0.75
Margin Money Deposits maturity of more than 12 months	16.99	21.45
Total	16.99	22.20

14. INVENTORY

Particulars	As at 31 March 2013	As at 31 March 2012
Stock-in-trade	170.03	152.85
Total	170.03	152.85

15. TRADE RECEIVABLES

Particulars	As at 31 March 2013	As at 31 March 2012
Unsecured, Considered Good		
Outstanding for a period exceeding six months	8,251.67	5,732.34
Others	7,169.69	8,416.10
	15,421.36	14,148.44
Less: Provision for bad and doubtful debts	201.75	201.75
Total	15,219.61	13,946.69

16. CASH AND CASH EQUIVALENTS

(Rs in lakh)

Particulars	As at 31 March 2013	As at 31 March 2012
a. Cash on hand	3.11	4.34
b. Cheques, drafts on hand	137.69	136.83
c. Balances with banks		
i. Current Accounts	302.92	137.35
ii. Deposit Accounts	-	380.00
iii. Unpaid Dividend Accounts	23.77	22.72
iv. Margin Money Deposit Accounts	36.45	371.63
	503.94	1,052.87
d. Other Bank Balances		
i. Deposit Accounts	41.14	25.00
ii. Margin Money Deposits	646.31	537.39
	687.45	562.39
Total	1,191.39	1,615.26

17. SHORT-TERM LOANS AND ADVANCES

Particulars	As a 31 March 2013	As at 31 March 2012
Unsecured, Considered Good		
Advance for Expenses	26.31	18.47
Others	471.09	1,112.04
Total	497.40	1,130.51

18. OTHER CURRENT ASSETS

Particulars	As at 31 March 2013	As at 31 March 2012
Accrued Interest	32.52	36.86
Prepaid Expenses	64.26	76.80
SAD Receivables	23.92	73.65
Unbilled Revenue	157.77	155.57
Less: Provision for Unbilled	(155.57)	(155.57)
Total	122.90	187.31

19. REVENUE FROM OPERATIONS

(Rs in lakh)

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Sale of products	4,070.80	3,646.86
Sale of services	9,704.21	16,269.89
Other operating revenues	566.87	121.31
Total	14,341.88	20,038.06

20. OTHER INCOME

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Interest Income	75.06	78.93
Other non-operating income	74.61	46.48
Profit on Sale of Assets	52.03	-
Total	201.70	125.41

21. CHANGES IN INVENTORY OF STOCK IN TRADE

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Opening Stock	152.85	450.58
Less: Closing Stock	(170.03)	(152.85)
Total	(17.18)	297.73

22. EMPLOYEE BENEFITS EXPENSE

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Salaries and Wages	1,453.27	930.86
Contribution to provident and other funds	129.63	57.97
Staff welfare expenses	6.77	5.73
Total	1,589.67	994.56

23. FINANCE COSTS

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Interest expense	1,096.49	783.38
Other borrowing costs	87.90	154.98
Total	1,184.39	938.36

24. OTHER EXPENSES

(Rs in lakh)

Particulars	for the year ended 31 March 2013	for the year ended 31 March 2012
Power and fuel	77.27	59.91
Rent	74.02	42.87
Repairs to : Equipment	255.12	266.24
Others	1.41	1.97
Insurance	28.03	28.23
Rates and taxes, excluding, taxes on income	19.39	24.93
Payments to Auditor as : auditor	10.00	7.00
for other services	2.50	2.50
Consultancy, Professional Charges	73.94	179.13
Subcontracting Charges	4,111.28	8,505.20
Infrastructure & Facility Charges	-	717.04
Advertisement & Sales Promotion	2.58	4.88
Consumables	253.31	173.54
Lease Rentals Nalgonda Schools	163.47	163.47
Communication Charges	109.63	115.51
Courier & Postage	5.22	17.65
Printing & Stationery	9.63	7.04
Bad Debts written off	5.00	157.50
Provision for Doubtful Debts ⁽¹⁾	-	240.30
Recovery for Service Level Non Deliverables	669.72	14.25
Provision for under performance of Service Level Deliverables ⁽²⁾	(0.35)	34.29
Sitting fees	7.36	7.11
TDS paid under protest W/off	-	8.18
Travelling & Conveyance	102.30	110.67
Impairment Loss	-	110.01
Loss on Sales of Assets	-	1.53
Other Expenditure ⁽³⁾	45.62	118.03
Total	6,026.45	11,118.98

1. Total provision made during the year is Rs NIL lakh (Previous year Rs 272.32 lakh), Provision written back of Rs NIL lakh (Previous year Rs 32.02 lakh).
2. Total provision made during the year is Rs 0.43 lakh (Previous year Rs 45.68 lakh), Provision written back of Rs 0.78 lakh (Previous year Rs 11.39 lakh).
3. Include Foreign Exchange Loss of Rs NIL lakh (Previous year Rs 48.95 lakh).

25. Operating lease

The company had taken Equipments under Operating Lease. The Lease term runs around 5 years. Future minimum lease rentals payable are as follows:

(Rs in Lakh)

	31 st March 2013	31 st March 2012
Payable within 1 Year	88.79	148.79
Payable between 1-5 Years	24.78	113.57
Total	113.57	262.36

26. Commitments and Contingencies:

- The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is 83.40 lakh as at March 31, 2013 (Previous year Rs.NIL lakh).
- The company has outstanding guarantees of Rs. 3,185.93 Lakh and Letter of credit 39.06 Lakh as at 31st March, 2013 (previous year Bank Guarantees Rs. 6,849.20 Lakh and Letter of credit Rs nil).
- Few cases relating to vendors are pending in the Courts against which the Company is liable to pay to the Vendor. Contingent liability is Rs 3,14,695/- (Previous Year Rs.3,14,695/-) .
- The company had received an advance ruling in respect of applicability of AP VAT on Digitization of Registered documents. The Company has challenged the same in the Sales Tax Appellate Tribunal. Based on the above advance ruling the Liability works out to be Rs.13,35,723 (Previous Year Rs.57,37,753/-).
- Sales tax matters under dispute as per table below:

Sl.No.	Name of the Statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	3,39,455	2007-08	High Court of AP
2	AP VAT Act, 2005	Value Added Tax	14,30,252	2006-07	High Court of AP
3	AP VAT Act, 2005	Value Added Tax	14,30,252	2005-06	High Court of AP
4	APGST Act, 1957	Sales Tax	28,60,507	2004-05	High Court of AP
5	APGST Act, 1957	Sales Tax	35,80,063	2003-04	High Court of AP
6	APGST Act, 1957	Sales Tax	14,30,253	2002-03	High Court of AP
7	The Kerala VAT Rules, 2005	Value Added Tax	84,16,222	2005-06	Deputy Commissioner (Appeals), Kerala
8	The Kerala VAT Rules, 2005	Value Added Tax	61,50,240	2006-07	Deputy Commissioner (Appeals), Kerala
9	The Kerala VAT Rules, 2005	Value Added Tax	7,42,446	2007-08	Deputy Commissioner (Appeals), Kerala
10	The Kerala VAT Rules, 2005	Value Added Tax	8,52,280	2008-09	Deputy Commissioner (Appeals), Kerala
11	The Kerala VAT Rules, 2005	Value Added Tax	4,66,474	2009-10	Deputy Commissioner (Appeals), Kerala

27. Employee Benefits:

The company has adopted Accounting Standard (AS) 15 (revised 2005) on Employee Benefits.

- a. The company has recognized, in the profit and loss account for the year ended 31st March 2013, below mentioned defined contribution plans.

(Rs in lakh)	
Description	2012-13
Provident Fund	96.23
Employee State Insurance	33.40
Total	129.63

- b. Following are the details of unfunded post retirement gratuity under defined benefit obligations are as follows:

Description	2012-13 (Rs in lakh)	2011-12 (Rs in lakh)
1. Reconciliation of opening and closing balances of obligation		
a. Obligation as at the beginning of the year	53.95	54.43
b. Current Service Cost	9.95	6.77
c. Interest Cost	4.32	4.35
d. Actuarial (Gain)/Loss	0.89	(2.43)
e. Past services cost	-	-
f. Benefits Paid	-	(9.17)
g. Obligation as at the end of the year	69.11	53.95
2. Expense recognized in the period		
a. Current Service Cost	9.95	6.77
b. Interest Cost	4.32	4.35
c. Actuarial(Gain)/Loss	0.89	(2.43)
d. Past service cost	-	-
e. Expense recognized during the year	15.16	8.70
3. Assumptions	%	%
a. Discount Rate (per annum) as at the end of the year	8	8
b. Salary Rise	4	4
c. Attrition Rate	7.5	5

28. In the opinion of the board of directors, the Current assets, Loans & Advances are expected to realize approximately the values stated in the accounts in the ordinary course of business, and provisions for all known liabilities have been adequately made in the accounts.

29. a) **Value Of Imports On CIF Basis In Respect Of**

Particulars	Current Year (Rs in lakh)	Previous Year (Rs in lakh)
Traded goods	Nil	22.48
Capital goods	Nil	343.88
TOTAL	Nil	366.36

b) **Expenditure in Foreign Currency:**

Particulars	Current Year (Rs in lakh)	Previous Year (Rs in lakh)
Trading Goods	Nil	22.48
Capital Contracts	Nil	343.88
Traveling	0.63	0.74
TOTAL	0.63	367.10

30. **Remuneration to Statutory Auditors:**

Particulars	Current Year (Rs in lakh)	Previous Year (Rs in lakh)
Statutory Audit fee	7.50	5.00
Tax Audit fee	2.50	2.00
Certification Fee & Others	2.50	2.50
Total	12.50	9.50

31. **Deferred Tax**

Tax charged to Profit and Loss account is after considering deferred tax impact for the timing difference between accounting income and taxable income.

The deferred tax liability as at 31st March, 2013 comprise of the following:

(Rs. in lakh)				
		As At 31 st March 2013	As At 31 st March 2012	
A	Deferred Tax Liability			
1	Related to fixed assets	812.83		760.01
B	Deferred Tax Assets			
1	Disallowance under the Income Tax Act'1961	(115.93)	(144.56)	
2	Provision for doubtful debts	(161.71)	(126.32)	(270.88)
C	Provision for deferred tax (net)	535.19		489.13

32. Segmental Reporting:

The Company's operations predominantly relate to providing Integrated Solutions, Technical Division, Projects Division and Software Development Services to customers globally operating. Accordingly, the primary basis of segmental information setout in these financial statements, and secondary segmental reporting is performed on the basis of the geographical location.

Income & Direct expenses in relation to segments are categorized based on items that are individually identifiable to that segment, while the remainders of the costs are allocated on the bases of available information. Certain expenses, which form a significant component of total expenses, are not specifically allocable to specific segments. The Company believes that it is not practicable to provide segmental disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocable" and directly charged against total income.

a. Business Segments :

Year ended March 31, 2013 and 2012

(Rs in lakh)

	Integrated Solutions	Technical Division	Projects Division	Others	Unallocable	Total
<i>Revenues</i>	4,070.80	1,186.91	9,084.16	-	-	14,341.87
	3,646.86	2,167.75	14,223.45	-	-	20,038.06
<i>Identified operating expenses</i>	4,013.86	1,039.25	5,434.70	-	-	10,487.81
	3,528.93	1,664.13	9,150.00	-	-	14,343.06
<i>Allocated Expenses</i>	0.38	18.27	1,441.05	0.13	-	1,459.83
	0.58	45.05	1,096.27	0.13	-	1,142.03
<i>Segmental operating income</i>	56.56	129.39	2,208.41	(0.13)	-	2,394.23
	117.35	458.57	3,977.18	(0.13)	-	4,552.97
<i>Unallocable expenses</i>					794.72	794.72
					995.73	995.73
<i>Operating income</i>						1,599.51
						3,557.24
<i>Other income/(expenses), net</i>					126.64	126.64
					46.47	46.47
<i>Net profit before Interest</i>						1,726.15
						3,603.71
<i>(Less): Interest Expenses</i>					(1,184.39)	(1,184.39)
					(938.36)	(938.36)
<i>Add: Interest Income</i>					75.06	75.06
					78.93	78.93
<i>Net profit before taxes</i>						616.82
						2,744.28
<i>Income Taxes</i>						260.38
						887.83
<i>Net Profit after taxes</i>						356.44
						1,856.45
<i>Other Information</i>						
<i>Segment Assets</i>	2,454.25	2,265.53	14,588.12	0.53	2,723.19	22,031.62
	1,161.95	2,941.25	17,285.21	0.65	2,976.78	24,365.85
<i>Segment Liabilities</i>	975.29	495.26	4,326.41	-	628.85	6,426.81
	738.72	1,072.46	4,764.36	-	640.53	7,216.07
<i>Capital Expenditure</i>	-	-	82.23	-	489.89	572.11
	-	4.82	4,132.94	-	0.94	4,138.71
<i>Depreciation</i>	-	22.78	1,050.40	0.13	26.01	1,099.31
	-	43.50	707.63	0.13	83.09	834.36

Note: Figures in italics represent previous year's figures.

a) Geographical Segment.

The company has no transactions with parties outside India, so this segment isn't applicable for the company.

33. Related Party Transactions:

a) Name of Related Parties & relationship:

Party Name	Relation
Mr. T. Gopichand & Mr.T.Gopichand (HUF)	Key Management Personnel (Vice Chairman & Managing Director), Spouse of Mrs.T.Pavana Devi & Brother of T.Bapaiah Chowdary.
Mrs. T. Pavana Devi	Director & Spouse of Mr.T. Gopi Chand.
Mr.K.Rama Rao	Key Management Personnel (Whole time Director)
Mr.T.Bapaiah Chowdary	Brother to the Vice-Chairman & Managing Director
Mr.T.Hanuman Chowdary	Director
Mr.T.Madhu Mitra	Son of Vice Chairman & Managing Director
Mr.T.Girish	Son of T.Bapaiah Chowdary

b) Transactions with related parties:

Name of the related party	Mr. T. Gopi Chand & Mr.T.Gopi Chand (HUF)	Mrs.T. Pavana Devi	Mr.K Rama Rao	Mr.T.Bapaiah Chowdary-Director	Mr.T.Hanuman Chowdary-Director	Mr.T.Madhu Mitra & Mr. T.Girish
Description of the nature of transactions	a)Receiving of Services b)Commission on Profits.	Sitting Fee	a)Remuneration	a) Sitting Fee	a) Sitting fee b)Interest on Deposits u/s58A	Receiving of Services
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs 65.25 lakh. b)Commission of Rs 22.71 lakh	a) Sitting Fee Paid Rs. 0.76 lakh	a)Managerial Remuneration of Rs. 14.55 lakh	a) Sitting Fee Paid Rs. 1.04 lakh	a) Sitting Fee paidRs. 1.43 lakh b) Interest on deposit of Rs. 0.39 lakh	Salary of Rs 7.71 lakh & Rs 3.79 lakh
Any other elements of the related party transactions	Managerial Remuneration & Commission was approved by Share Holders	NIL	NIL	NIL	NIL	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	a) Managerial Remuneration Payable Rs 8.95 lakh b) Commission payable Rs 73.64 lakh	NIL	a) Managerial Remuneration Payable Rs 0.62 lakh	NIL	Interest on deposit of Rs.Nil	Salary Payable of Rs 2.55 lakh & Rs 0.29 lakh
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL	NIL	NIL

34. Sundry debtors, Sundry creditors, Other liabilities, Loans and advances, advances from customers etc. are subject to confirmation and reconciliation. Necessary adjustments, if any will be made when the accounts are reconciled and settled. However the management is fairly confident that the company will not face any undue risk due to this factor.

35. Micro and Small Scale business entities:

There are no micro and small scale enterprises to which the company owes dues, as at 31st March 2013. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

36. **Impairment of Assets:** During the year the company has not impaired any asset (Previous year Rs.110.01 lakh).

37. Earnings per Share.

(in lakh)

	Current Year	Previous Year
a) Net Profit as per Profit and Loss Account(Rs)	525.83	1849.54
b) Add\ (Less): Excess Provision for Tax of earlier year (Rs)	(169.39)	6.91
c) Profit available for equity share holders(Rs)	356.44	1856.45
d) Weighted average number of Equity Shares outstanding during the year	125.12	125.12
f) Weighted Average number of equity shares in computing diluted earnings per share	125.12	125.12
g) Face Value of each Equity Shares(Rs)	10	10
h) Earnings per share		
-Basic & Diluted (Rs)	2.85	14.84

38. Figures for the corresponding year ended March 31, 2012, wherever necessary, have been regrouped, recast, rearranged as per the new Revised Schedule VI.

As per our report of even date attached

For **NARVEN ASSOCIATES**
Chartered Accountants
Firm Reg. No. 005905S

Sd/-
(CA. D.C.Naidu)
Partner
Membership No: 24643

Place : Hyderabad
Date : 28.05.2013

For and on behalf of the Board of Directors

Sd/-
(T. Gopichand)
Vice chairman & Managing Director

Sd/-
(CA. B.D. Naidu)
Chief Financial Officer

Sd/-
(K. Rama Rao)
Wholetime Director

Sd/-
(CS. M. Sri Lakshmi)
Company Secretary



Tera Software Limited

Regd. Office : # 8-2-293/82/A/1107, Plot No: 1107,
Road No: 55, Jubilee Hills, Hyderabad - 500 033

Mr./Ms.

.....

.....

.....

MEMBER ☐

PROXY ☐

(Please tick as applicable)

No. of Shares

- Note :
1. Only Members of the Company or their proxies will be allowed to attend the Meeting **ON PRODUCTION OF ATTENDANCE SLIP** duly completed and signed.
 2. Please fill this admission slip and hand it over at the entrance of the hall duly signed.
 3. Members are request to bring their copies of Annual Report with them.
 4. Members who hold shares in dematerialised form are requested to bring their **Client ID** and **DP ID** numbers for easy Identification of attendance at the Meeting.

ATTENDANCE SLIP

Day : Monday

Date : September 30th, 2013

Time : 3.00 P.M.

Venue : Jubilee Hills International Center,
Road No. 14,
Jubilee Hills,
Hyderabad - 500 033

Reg. Folio. No.

Demat Particulars
DP ID No.

Client ID No.

I hereby record my presence at the
19th ANNUAL GENERAL MEETING
of the Company

.....
Signature of the Member or Proxy



Tera Software Limited

Regd. Office : # 8-2-293/82/A/1107, Plot No: 1107,
Road No: 55, Jubilee Hills, Hyderabad - 500 033

No. of Shares

FORM OF PROXY

Reg. Folio. No.

Demat Particulars
DP ID No.

Client ID No.

I/We
(Name of the Member)

of.....
(Address)

being Member(s) of **Tera Software Limited** hereby appoint.....
(Name of proxy)

.....
(Address of proxy)

of.....or failing him/her
(Name of alternate proxy)

.....Of
(Address of alternate proxy)

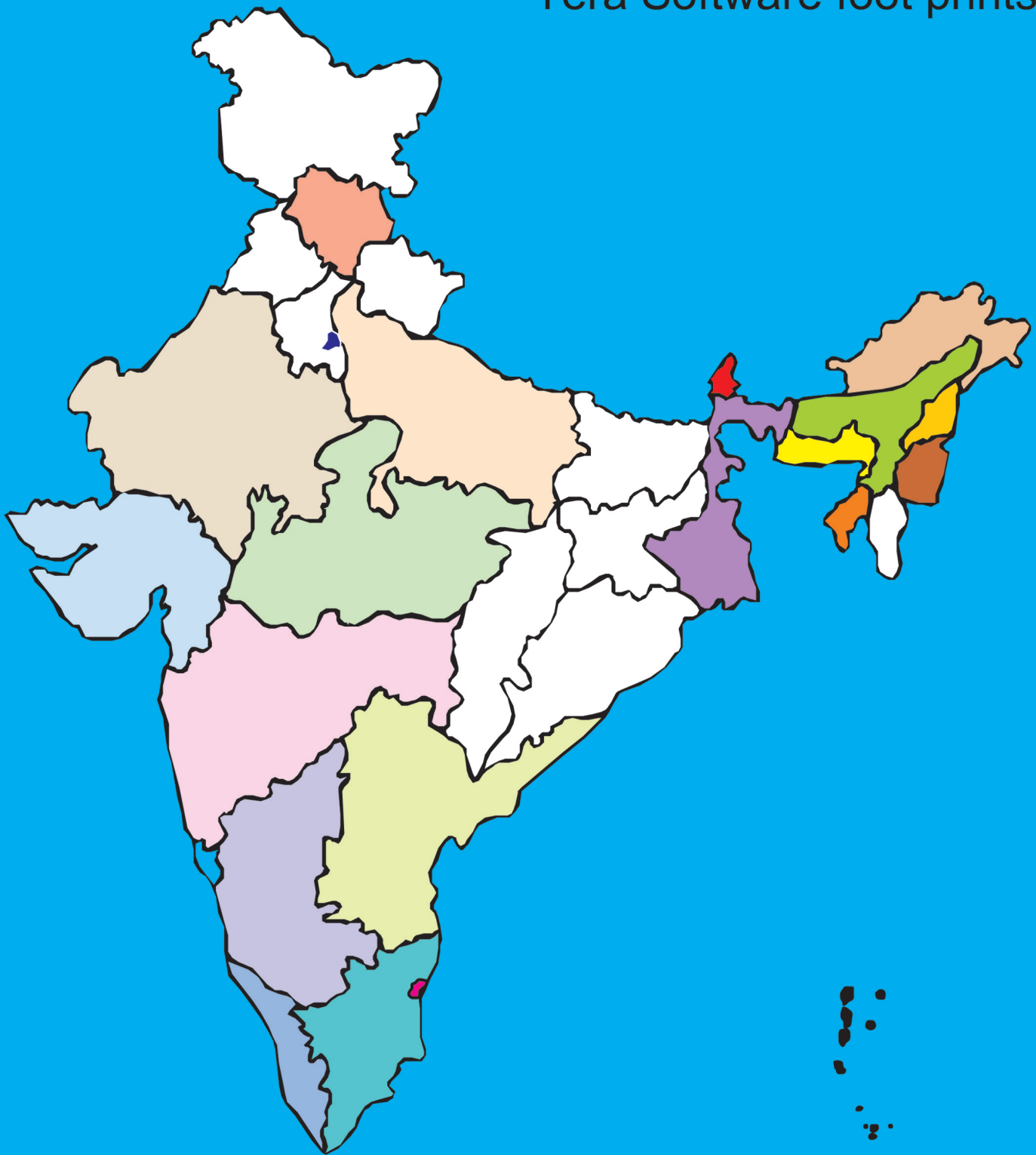
as my/our proxy to vote for me/us on my/our behalf at the **19th Annual General Meeting of the Company to be held at 3.00 p.m. on Monday, September 30th, 2013** and at any adjournment thereof.

Date Signature.....

Affix a
₹ 1/-
Revenue
Stamp

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. The Proxy need not be a member of the Company.

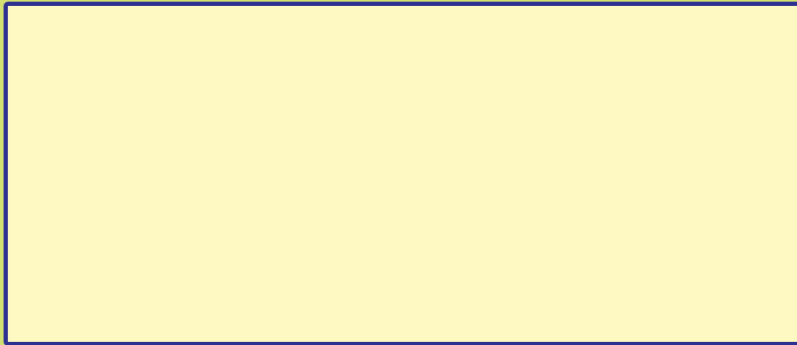
Tera Software foot prints



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FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:		Tera Software Limited
2.	Annual financial statements for the year ended		31 st March, 2013
3.	Type of Audit observation		Unqualified
4.	Frequency of observation		Not Applicable
5.	<i>Name</i>	<i>Designation</i>	<i>Signature</i>
	Sri T. Gopichand	Vice Chairman & Managing Director	
	Sri.B.D.Naidu	Chief Financial Officer	
	Sri.D.C.Naidu	Partner M/s. Narven Associates Statutory Auditors	 
	Sri R. S. Bakkannavar	Chairman Audit Committee	