



## REPORT ON THE CORPORATE GOVERNANCE

(Annexure - II)

### 1. Company's philosophy on Code of Governance:

The philosophy of the Company on Code of Governance envisages the attainment of highest levels of transparency, accountability, professionalism, risk management and equity in all facets of its operations in serving its stakeholders.

### 2. Board of Directors:

In furtherance of its corporate governance policy the Company ensures that all statutory, significant material information are placed before the Board / Committee of directors for their approval to enable them to discharge their responsibilities as trustees.

#### Composition and category of Directors is as follows:

As on 31.3.2012 there are eight directors on the Board comprising an independent non-executive chairman, one promoter whole time director, two promoter non-executive directors, one non promoter whole time director and three independent non-executive directors.

#### Attendance of each Director at the Meetings of the Board of Directors and the last Annual General Meeting:

During the year the Board met Nine times on 10.05.2011, 18.06.2011, 27.06.2011, 14.07.2011, 11.08.2011, 30.08.2011, 14.11.2011, 02.02.2012, and 29.02.2012.

Name of the Director	Category	Attendance Particulars			Committee memberships/ Chairmanships in our Company		Number of other Directorships & Committee memberships	
		Board Meetings		Last AGM	Member-ships	Chairman-ships	Director-ships	Member-ships
		Held	Present					
Sri T. Gopichand	PWTD (2)	9	9	Yes	Nil	Nil	Nil	Nil
Sri N.V.V. Prasad (Resigned on 29.8.2011)	PWTD (2)	9	4	No	Nil	Nil	1	Nil
Smt. T.Pavana Devi	PNED (4)	9	9	Yes	Nil	Nil	Nil	Nil
Sri T.Bapaiah Choudary	PNED (4)	9	9	Yes	1	1	Nil	Nil
Sri K. Rama Rao	NPWTD (3)	9	9	Yes	Nil	Nil	1	Nil
Sri D.Seetharamaiah	INEC (1)	9	9	Yes	2	1	7	4
Sri R.S.Bakkannavar	INED (5)	9	9	Yes	Nil	1	1	Nil
Dr.T.Hanuman Chowdary	INED (5)	9	9	Yes	2	Nil	2	1
Dr. T.V. Lakshmi	INED (5)	9	8	Yes	2	Nil	1	Nil
Sri M.V.S.R Prasad (Resigned on 29.8.2011)	INED (5)	9	1	No	Nil	Nil	Nil	Nil



- (1) INEC:Independent non-executive chairman, (2) PWTD : Promoter whole time directors, (3) NPWTD : Non promoter whole time director, (4) PNED:Promoter non-executive directors, and (5) INED: Independent non-executive directors.

None of the Director is a member in more than 10 Committees and acts as a Chairman in more than 5 Committees across all companies in which he/she is a Director.

The detail of share held by directors as on 31-03-2012 is given below.

Name of Director	Number of Shares
Sri Tummala Gopichand	28,30,304
Smt. Tummala Pavana Devi	18,78,482
Sri Tummala Bapaiah Chowdary	1,50,000
Dr. T. V. Lakshmi	1,800

## CODE OF CONDUCT

The Board has approved a code of conduct for Board members and senior management personnel of the company. All directors and senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March 2012.

The Board of Directors of the Company functioned through the following committees:

1. Audit Committee.
2. Shareholders' Grievance Committee.
3. Remuneration Committee.
4. Investment Committee.
5. Share Transfer Committee.
6. Management Committee.

### 3. Audit Committee:

a. The members of the Committee are:

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

b. Brief description of the terms of reference to the Audit Committee:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of statutory auditors, their audit fee and also for any other services and the appointment of internal auditors and their remuneration,
3. Reviewing and recommending the appointment and removal of managerial personnel, fixation of remuneration and also approval for payment for any other services as recommended by the Remuneration Committee.





4. Reviewing with management of the annual financial statements before submission to the board, focusing primarily on:
  - ❖ any changes in accounting policies and practices,
  - ❖ major accounting entries based on exercise of judgment by management,
  - ❖ qualifications in draft audit report,
  - ❖ significant findings arising out of audit, discussion with internal and statutory auditors,
  - ❖ the going concern assumption,
  - ❖ compliance with accounting standards,
  - ❖ any related party transactions i.e. transactions of the Company, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
  - ❖ Mandatory review of Management discussion and analysis of financial condition, results of operation, internal control etc.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit functions.
7. Discussion with internal auditors on any significant findings and follow up thereon.
8. 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.
9. Discussion with external auditors before the audit commences of nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
10. Reviewing the Company's financial and risk management policies.
11. To look into the reasons for substantial defaults in the payment to the creditors.
12. To consider and review any other matter as may be directed by the Board.

During the year, the Committee met 5 times on 10.05.2011, 17.06.2011, 11.08.2011, 14.11.2011 and 02.02.2012 respectively and all the members were present at all the meetings.

#### 4. Shareholders' Grievance Committee:

The Board constituted the shareholders' grievance committee comprising the following Directors

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

The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. The Committee, inter alia, recommends issue of duplicate certificates and reviews all matters connected with the securities transfers, redressing of shareholders' complaints.



During the year, the Committee has met 4 times on 30.6.2011, 30.9.2011, 31.12.2011 and 31.3.2012 respectively and all the members were present at all the meetings.

The total number of complaints/requests received and replied to the satisfaction of shareholders during the year under review was 29. Outstanding complaints/requests as on 31st March 2012 were nil.

## 5. Remuneration Committee:

The Board constituted the Remuneration Committee comprising the following Directors of the Board:

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

The Remuneration Committee has been constituted to recommend/review the remuneration package of Managerial and Senior Personnel based on performance and defined criteria.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry Practice.

During the year, the Committee has met 2 times on 14.07.2011 and 02.02.2012 all the members were present.

### Details of remuneration paid to all the Directors for the year:

The aggregate value of Salary, Perquisites and Other Allowances paid to Vice Chairman & Managing Director and Executive Director is as detailed below:

(₹ in Lakh)

Particulars	Current Year	Previous Year
Vice Chairman & Managing Director (Sri T. Gopichand)	143.08	66.75
Executive Director (Sri N.V.V.Prasad) (Resigned on 29.08.2011)	9.94	37.93
Whole time Director (Sri K. Rama Rao) (Appointed with effect from 01.07.2011 as WTD)	9.90	Nil
<b>Total</b>	<b>162.92</b>	<b>104.68</b>



The Company has paid the following sitting fee to the Directors of the Company during the year ended on 31st March 2012 vis a vis the previous financial year ended on 31st March 2011. (₹ in Lakh)

Particulars	Current Year	Previous Year
Sri D. Seetharamaiah	1.47	1.02
Sri R.S.Bakkannavar	1.22	0.97
Sri T. Bapaiah Choudary	1.02	0.60
Dr. T. Hanuman Chowdary	1.03	0.47
Dr. T.V. Lakshmi	0.94	0.65
Sri K. Rama Rao	0.63	1.17
Smt. T. Pavana Devi	0.72	0.40
Smt. MVS R Prasad	0.08	-
<b>Total</b>	<b>7.11</b>	<b>5.28</b>

#### 6. Investment Committee:

The Investment Committee was constituted with 3 directors of the Company as stated below:

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

During the year, the Committee had not met, as there were no investment proposals.

#### 7. 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
Sri O. Babu Reddy	Member

During the year 9 meetings were held and all the members were present at all the meetings.

#### Compliance Officer Name and Address:

Sri O. Babu Reddy,  
Tera Software Limited  
# 8-2-293/82/A/1107,  
Plot No. 1107, Road No. 55,  
Jubilee Hills, Hyderabad – 500033.

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## 8. Management Committee:

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

During the year, the Committee has met 2 times on 01.4.2011, and 26.9.2011 respectively and all the members were present at all the meetings.

## 9. General Body Meetings:

Location and time for last 3 Annual General Meetings were:

YEAR	AGM	LOCATION	DATE	TIME
2008-2009	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	19 <sup>th</sup> September 2009	10.00 A.M
2009-2010	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	21 <sup>st</sup> September 2010	10.00 A.M
2010-2011	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	30 <sup>th</sup> August 2011	10.00 A.M

The following special resolutions were passed during the year by the members

Date	Type of Meeting	Section	Brief particulars
30.08.2011	AGM	198, 269, 309, 310, 314 & Schedule XIII	Reappointment of Sri. T. Gopichand as Vice Chairman and Managing Director and Appointment of K. Rama Rao as Whole Time Director of the Company
30.08.2011	AGM	Inserted Article 3(h)	Employees Stock Option Scheme and Employees Stock Purchase Scheme

Whether Special resolutions were put through postal ballot last year, if so, details of voting pattern:

No special resolutions were put through postal ballot last year.

Person who conducted the postal ballot exercise: Not Applicable



## 10. Disclosures:

### a. Significant related party transactions:

The related party transactions are reported in the notes to the accounts as per the requirements of the concerned Accounting Standards.

b. There are no non-compliances, penalties, strictures imposed on the Company by Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the year.

c. **Mandatory Requirements:** All the requirements were complied with.

d. **Audit Qualifications:** There are no audit qualifications in the report.

## 11. Means of Communication:

The quarterly financial results were published in two widely circulated newspapers (Business Standard/Financial Express (All India) and Andhra Bhoomi/Andhra Prabha (Hyderabad)) in English and vernacular newspapers. The financial results are intimated to the Stock Exchanges on which the Company's shares are listed as per the requirements of the listing agreement.

## 12. Material Developments in Human Resources / Industrial Relations Front, including number of people employed:

The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, company served its human resources with integrity, through a variety of services by using appropriate training, motivation techniques and employee welfare activities. Industrial relations are cordial and satisfactory.

## 13. General Information for Shareholders:

a. As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held on 28th September, 2012 at 10.00 A.M. at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad – 500 033

b. The Financial Year of the Company is April 1st of every year to March 31st of subsequent year.

c. **Date of Book Closure:**

From Tuesday, 25th September 2012 to Friday, 28th September 2012 (both days inclusive) for the purpose of the Annual General Meeting.

d. The shares of the Company are listed on

i. Bombay Stock Exchange Limited

ii. Bangalore Stock Exchange Limited.

The listing fee for the year 2012-2013 has been paid to Bangalore Stock Exchange Limited and Bombay Stock Exchange Limited.



**e. Stock Code:**

Bombay Stock Exchange Limited : 533982

Bangalore Stock Exchange Limited : TASL

ISIN : INE482B01010

**f. Stock Market Data :**

Month	Bombay Stock Exchange Limited	
	Month's High Price	Month's Low Price
April 2011	59.00	45.00
May 2011	56.45	46.65
June 2011	55.00	47.10
July 2011	64.25	47.60
August 2011	64.90	50.00
September 2011	64.45	49.45
October 2011	84.85	57.75
November 2011	96.30	64.90
December 2011	79.05	42.05
January 2012	74.00	52.00
February 2012	82.10	69.05
March 2012	83.50	72.00

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

- g.** Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, if the documents are clear in all respects.

**h. Dematerialization of Shares:**

The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to hold the shares in the electronic form.

During the year some of the shareholders converted their holding to electronic form from physical form. As such 1,23,47,949 shares of the Company are in electronic form as on 31.03.2012.



i. As of March 31, 2012 the distribution of our shareholding was as follows:

Sl. No.	Category	No. of Shareholders	Total Shares	% to Total
<b>A.</b>	<b>Shareholding of Promoter &amp; Promoter Group:</b>			
<b>1</b>	<b>Indian</b>			
	i. Individuals/HUF	10	5,351,456	42.77
<b>2</b>	<b>Foreign</b>	Nil	Nil	Nil
<b>B.</b>	<b>Public Shareholding:</b>			
<b>1</b>	<b>Institutions</b>			
	i. Foreign Institutional Investors	1	8,100	0.06
<b>2</b>	<b>Non-Institutions:</b>			
	i. Bodies Corporate	154	1,050,764	8.40
	ii. Individuals			
	a. Individual Shareholders holding nominal share capital up to ₹ 1 Lakh.	6,667	2,797,704	22.36
	b. Individual Shareholders holding nominal share capital in excess of ₹ 1 Lakh.	94	3,038,280	24.28
	iii. Any Other (Specify) NRI/OCB	122	175,025	1.40
	iv. Any Others – Trust	2	79,963	0.64
	v. Any Others – Clearing Members	14	10,583	0.08
<b>C.</b>	<b>Shares held by Custodians etc.</b>	Nil	Nil	Nil
	<b>Total</b>	<b>7,064</b>	<b>12,511,875</b>	<b>100.00</b>

j. Outstanding of unclaimed dividend amounts:

The Company has been paying dividend regularly from the financial year 2002-2003. The outstanding amount of unclaimed dividend lying in Unpaid Dividend account year wise as on 31.03.2012 are as follows:

Financial Year	2004 - 05	2005-06	2006-07	2007-08	2008 - 09	2009-10	2010-11
Unclaimed Dividend Amount in ₹	218,430	361,914	443,608	255,640	255,044	207,725	5,29,424

k. Location of our software development center:

# 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](mailto:info@terasoftware.com)

Url : [www.terasoftware.com](http://www.terasoftware.com)

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I. Address for Correspondence:

# 8-2-293/82/A/1107  
Plot No. 1107, Road No. 55,  
Jubilee Hills, Hyderabad - 500 033  
Tel : 040 - 2354 0446, 040 - 2354 7447/8  
Fax : 040 - 2354 7449  
E-Mail : [info@terasoftware.com](mailto:info@terasoftware.com)  
Url : [www.terasoftware.com](http://www.terasoftware.com)

For and on behalf of the Board of Directors

Place: Hyderabad  
Date: 22.08.2011

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

Sd/-  
**(K. Rama Rao)**  
Wholetime Director