

## 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 five (5) times during the financial year on 28.05.2013, 02.08.2013, 30.09.2013, 12.11.2013 and 11.02.2014 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 Committees##
			Board Meetings		Last AGM			
Sri T. Gopichand	Promoter/ Executive	Vice Chairman & Managing Director	5	5	yes	-	-	-
Smt. T.Pavana Devi	Promoter/ Non-Executive	Director	5	5	yes	1	-	-
Sri T.Bapaiah Chowdary	Promoter/ Non-Executive	Director	5	5	yes	-	1	1
Sri K. Rama Rao	Executive	Wholetime Director	5	5	yes	-	-	-
Sri D.Seetharamaiah	Non-Executive and Independent	Chairman	5	5	yes	5	5	1
Sri R.S.Bakkannavar	Non-Executive and Independent	Director	5	5	yes	1	1	1
Dr.T.Hanuman Chowdary	Non-Executive and Independent	Director	5	5	yes	2	3	2
Dr. T.V. Lakshmi	Non-Executive and Independent	Director	5	4	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](http://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, Stakeholders Relationship Committee, Nomination and 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 wholetime 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 4 times on 27.05.2013, 02.08.2013, 12.11.2013 and 11.02.2014 respectively and all the members were present at all the meetings.

## **Stakeholders Relationship Committee (formerly termed as Shareholders'/ Investors' Grievance Committee):**

Keeping in mind the current requirements under Section 178(5) of the Companies Act, 2013 and the proposed amendments to Clause 49 of the Listing Agreement which comes into effect from October 1, 2014, the name of the Committee has been changed to "Stakeholders Relationship Committee".

The constitution of the 'Stakeholders Relationship ' Grievance Committee of the Board comprises of 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 29.06.2013, 30.09.2013, 31.12.2013, and 31.03.2014 and all the members were present at all the meetings.

During the year under review, 38 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.in.

### 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.

## **Nomination and Remuneration Committee (formerly termed as Remuneration Committee):**

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

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

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

In accordance with Section 178 of the Companies Act, 2013 and as per the requirements of SEBI Circular dated April 17, 2014 for amendment to Equity Listing Agreement (which is effective from October 1, 2014), the Board of Directors of the Company at their meeting held on May 30, 2014, have approved the change in nomenclature of the Remuneration Committee to Nomination and Remuneration Committee and have revised their role as under:

The revised role of the Nomination and Remuneration Committee, inter-alia, includes the following:

- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Devising a policy on Board diversity;

Details of remuneration paid to the Directors for the year:

(Rs. in lakh)

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Vice Chairman & Managing Director(Sri T. Gopichand)	21.00	87.96
Whole Time Director (Sri K. Rama Rao)	16.35	14.55
<b>Total</b>	<b>37.35</b>	<b>102.51</b>

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

(Rs. in lakh)

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Sri D. Seetharamaiah	1.25	1.71
Sri R.S.Bakkannavar	0.97	1.38
Sri T. Bapaiah Chowdary	0.78	1.04
Dr. T. Hanuman Chowdary	0.97	1.43
Dr. T.V. Lakshmi	0.68	1.04
Smt. T. Pavana Devi	0.50	0.76
<b>Total</b>	<b>5.15</b>	<b>7.36</b>

#### Investment Committee:

The constitution of the Investment Committee of the Board comprises of 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 4 times on 29.06.2013, 30.09.2013, 31.12.2013, and 31.03.2014 and all the members were present at all the meetings.

#### Management Committee:

The constitution of the Management Committee of the Board comprises of 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 1 times on 06.09.2013 and all the members were present at the meeting.

#### 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
2010-11	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	August 30 <sup>th</sup> 2011	10.00 A.M	<ul style="list-style-type: none"> <li>• Reappointment of Sri. T. Gopichand as Vice Chairman and Managing Director</li> <li>• Appointment of Sri. K.Rama Rao as Whole Time Director of the Company</li> <li>• Inserted new Article 3 (h) in the Articles of Association of the Company (Employees Stock Option Scheme and Employees Stock Purchase Scheme)</li> </ul>
2011-12	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	September 28 <sup>th</sup> , 2012	10.00 A.M	Nil
2012-13	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	September 30 <sup>th</sup> , 2013	3.00 P.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 2013-14.

#### 5. Disclosures:

##### i. Significant related party transactions:

During the F.Y.2013-14 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 Nomination & Remuneration Committee.
- During the year under review, there is no audit qualification in the company's financial statements.
- The Company has adopted a written whistle blower policy at its Board Meeting held on 30.05.2014.
- 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](http://www.terasoftware.com).

The Company's website [www.terasoftware.com](http://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:

<b>i.</b> Annual General Meeting (Day, Date, Time and Venue):	Tuesday, 30 <sup>th</sup> September, 2014 at 3.00 p.m at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad – 500 033
<b>ii.</b> Financial Year:	The financial year of the Company covers the financial period from April 1 to March 31. The results of every quarter beginning from April are declared within the time specified under the provisions of Listing Agreement.
<b>iii.</b> Date of Book Closure:	22 <sup>nd</sup> September, 2014 to 27 <sup>th</sup> September, 2014 (both days inclusive).
<b>iv.</b> Listing on stock exchanges:	i. Bombay Stock Exchange Limited (BSE) ii. Bangalore Stock Exchange Limited (BgSE)  Annual listing fee for the year 2014-15 has been paid by the Company to BSE and BgSE.
<b>v.</b> Stock codes:	BSE : <b>533982</b> BgSE : <b>TASL</b>
<b>vi.</b> Company's ISIN:	<b>INE482B01010</b>

### 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 2013	32.95	26.00
May 2013	29.80	22.25
June 2013	25.65	19.20
July 2013	27.00	21.05
August 2013	25.00	17.80
September 2013	23.95	19.10
October 2013	23.90	20.20
November 2013	24.40	18.10
December 2013	19.00	16.00
January 2014	24.00	17.75
February 2014	22.00	15.50
March 2014	17.90	14.35

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, 2014

Category (Shares)	Holders	Shares	% of TotalShares
1-5000	4923	7,70,017	6.15
5001- 10000	525	4,04,768	3.24
10001- 20000	263	3,92,027	3.13
20001- 30000	100	2,51,619	2.01
30001- 40000	69	2,40,296	1.92
40001- 50000	32	1,49,228	1.19
50001- 100000	74	5,45,980	4.36
100001 & Above	119	97,57,940	77.99
<b>Total:</b>	<b>6105</b>	<b>1,25,11,875</b>	<b>100%</b>

Shareholding pattern as on March 31, 2014:

Sl. No.			Total Shares	% to Total
<b>A.</b>	<b>Shareholding of Promoter &amp; Promoter Group:</b>			
	<b>Indian</b>			
	Individuals/HUF	11	58,24,184	46.55
	Foreign	Nil	Nil	Nil
<b>B.</b>	<b>Public Shareholding:</b>			
	<b>Institutions</b>			
	Foreign Institutional Investors	Nil	Nil	Nil
	<b>Non-Institutions:</b>			
	Bodies Corporate	128	6,36,641	5.09
	Individuals			
	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	5788	25,53,013	20.40
	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	89	31,56,512	25.23
	Any Other (Specify) NRI/OCB	78	2,59,645	2.08
	Any Others – Clearing Members	9	1,917	0.02
	Any Others – Trust	2	79,963	0.64
<b>C.</b>	<b>Shares held by Custodians etc.</b>	Nil	Nil	Nil
	<b>Total</b>	<b>6105</b>	<b>1,25,11,875</b>	<b>100.00</b>

## 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 31<sup>st</sup>, 2014, 98.91 % of the total 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 19-11-2013 the unclaimed dividend amounting to Rs.3,56,714 pertaining to the year 2005-2006 to the Investor Education and Protection Fund.

Details of outstanding amount of unclaimed dividend lying in Unpaid Dividend Account year wise as on 31.03.2014:

F.Y	2006-07	2007-08	2008- 09	2009-10	2010-11	2011-12	2012-13
Unclaimed Dividend Amount in Rs.	4,35,634	2,48,490	2,48,134	2,07,162.50	5,14,574	3,25,244	1,32,613

## 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](http://www.terasoftware.com)

## xiv. Address for Correspondence:

### Company

**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  
 CIN: L72200TG1994PLC018391  
 E-Mail: info@terasoftware.in /  
 investors@terasoftware.in  
 Url: [www.terasoftware.com](http://www.terasoftware.com)

### Registrars and Transfer Agent

**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](http://www.karvy.com)