



MANAGEMENT DISCUSSIONS AND ANALYSIS

A. Cautionary Statement:

Statements in the Management Discussion and Analysis Report describing our Company's objectives, expectations or predictions is a forward looking statement within the meaning of applicable regulations and other legislations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic financial market conditions affecting the interest rates, availability of resources for the financial sector, market for lending, changes in regulatory directions issued by the Government, tax laws, economic situation and other relevant factors.

B. Opportunities and Threats:

With the introduction of the concept of e-governance, both the Central and State Governments are keen on implementing different projects to keep the activities of the Governments transparent, timely and cost effective. There is an absolute increase in the fund allotment by the Governments for implementing the projects. This creates an opportunity for the experienced and expert organizations to broaden their horizon and support the Government in faster implementation of the projects.

The increased volume of business attracts more number of players in the field and the competition becomes severe. Only the effective and efficient organizations could stand a competitive situation. The management is confident that with its exposure and experience in this field of e-governance, it stands a better chance than others.

C. Internal control systems and their adequacy:

The Company through its extensive experience has a system that ensures control over various functions in its business. On the financial side, periodic audits by internal auditors and statutory auditors provide a means whereby any weakness is exposed and rectified.

D. Financial Performance with respect to Operational Performance:

The management has established a tight and prudent financial control system in the Company. The financial highlights are shown in the Directors' report and the audited balance sheet, profit and loss account.

REPORT ON THE CORPORATE GOVERNANCE**1. Company's philosophy on Code of Corporate 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:

There are ten directors on the Board comprising an independent non-executive chairman, two promoter whole time directors, one non promoter whole time director, two promoter non-executive directors, and four 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 five times on 30.04.2010, 09.08.2010, 21.09.2010, 12.11.2010 and 12.02.2011.

Name of the Director	Category	Attendance Particulars			Committee member-ships/ Chairmanships in our Company		Number of other Director-ships & Committee member-ships	
		Board Meetings		Last AGM	Member-ships	Chairman-ships	Director-ships	Member-ships
		Held	Present					
Sri T. Gopichand	PWTD (2)	5	5	Yes	Nil	Nil	1	Nil
Sri N.V.V. Prasad	PWTD (2)	5	5	Yes	Nil	Nil	1	Nil
Smt. T.Pavana Devi	PNED (4)	5	5	Yes	Nil	Nil	1	Nil
Sri T.Bapaiah Choudary	PNED (4)	5	5	Yes	1	1	Nil	Nil
Sri K. Rama Rao	NPWTD (3)	5	5	Yes	3	Nil	1	Nil
Sri D.Seetharamaiah	INEC (1)	5	5	Yes	1	1	8	4
Sri R.S.Bakkannavar	INED (5)	5	5	Yes	Nil	1	1	Nil
Dr.T.Hanuman Chowdary	INED (5)	5	4	Yes	Nil	Nil	3	1
Dr. T.V. Lakshmi	INED (5)	5	5	Yes	2	Nil	1	Nil
Sri MVSR Prasad (Joined on 14.07.2011)	INED (5)	Nil	Nil	Nil	Nil	Nil	11	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 31-03-2011 is given below.

Name of Director	Number of Shares
Tummala Gopichand	2,367,025
Tummala Pavana Devi	1,274,595
Tummala Bapaiah Chowdary	150,000
N V V Prasad	721,437



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 2011.

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. There was no change in the constitution of the Audit Committee. The members of the Committee are:

Sri R.S.Bakkannavar	Chairman
Sri D. Seetharamaiah	Member
Sri K. Rama Rao	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 4 times on 30.04.2010, 05.08.2010, 12.11.2010 and 12.02.2011 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 K. Rama Rao	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 30.6.2010, 30.9.2010, 31.12.2010 and 31.3.2011 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 50. Outstanding complaints/requests as on 31st March 2011 were nil.

5. Remuneration Committee:

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

Sri D. Seetharamaiah	Chairman
Sri K. Rama Rao	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 once on 20.4.2010 and 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:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Vice Chairman & Managing Director (Sri T. Gopichand)	6,675,102	8,257,294
Executive Director (Sri N.V.V. Prasad)	3,793,221	4,635,941
Total	10,468,323	12,893,235

The Company has paid the following sitting fee to the Directors of the Company during the year ended on 31st March 2011 vis a vis the previous financial year ended on 31st March 2010.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Sri D. Seetharamaiah	102,000	88,000
Sri R.S. Bakkannavar	97,000	88,000
Sri T. Bapaiah Choudary	60,000	68,000
Dr. T. Hanuman Chowdary	47,000	48,000
Dr. T.V. Lakshmi	65,000	68,000
Sri K. Rama Rao	117,000	108,000
Smt. T. Pavana Devi	40,000	48,000
Total	528,000	516,000



6. Investment Committee:

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

Sri T.Gopi Chand	Member
Sri N.V.V.Prasad	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.Gopi Chand	Member
Sri N.V.V.Prasad	Member
Mr. O.Babu Reddy	Member

During the year 8 meetings were held and all the members were present at all the meetings.

Compliance Officer Name and Address:

O.Babu Reddy, 8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad - 500 073.

8. Management Committee:

The Management Committee was reconstituted during the year adding 2 more independent Directors namely Sri K.Rama Rao and Dr. T.Hanuman Chowdary and total 6 directors of the Company as stated below constitute the committee:

Sri D.Seetharamaiah	Chairman
Sri R.S.Bakkannavar	Member
Sri T.Gopi Chand	Member
Sri N.V.V.Prasad	Member
Sri K. Rama Rao	Member
Sri Dr. T.Hanuman Chowdary	Member

During the year, the Committee has met 5 times on 16.7.2010, 21.8.2010, 9.11.2010, 15.12.2010 and 20.1.2011 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
2007-2008	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	29th September 2008	10.00 A.M
2008-2009	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	19th September 2009	10.00 A.M
2009-2010	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	21st September 2010	10.00 A.M

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

Date	Type of Meeting	Section	Brief particulars
21.09.2010	AGM	31	Increase of authorized capital of the Company
21.09.2010	AGM	81 (1A)	Issue of further Equity Shares

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 and also to the Bombay Stock Exchange Limited where the equity shares of the Company are permitted to be traded.

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 30th August, 2011 at 10.00 A.M. at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad – 500 013.

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

c. Date of Book Closure:

From Saturday, 27th August 2011 to Tuesday, 30th August 2011 (both days inclusive) for the purpose of the Annual General Meeting.

d. The shares of the Company are listed/traded on

i. Bangalore Stock Exchange Limited.

ii. Bombay Stock Exchange Limited (Trading permission with effect from 19.4.2004).

The listing fee for the year 2011-2012 has been paid to Bangalore Stock Exchange Limited.

The Shares were permitted to trade on the Bombay Stock Exchange Limited with effect from 19.4.2004.

e. Stock Code:

Bangalore Stock Exchange Limited: **TASL**

Bombay Stock Exchange Limited: **590020**

ISIN: **INE482B01010**



f. Stock Market Data:

Month	Bombay Stock Exchange Limited	
	SHARE PRICE (Rs.)	
	High	Low
April 2010	42.75	38.60
May 2010	40.50	36.00
June 2010	39.00	31.30
July 2010	45.75	35.95
August 2010	47.75	39.80
September 2010	52.10	40.30
October 2010	66.60	49.80
November 2010	63.70	43.30
December 2010	53.00	40.15
January 2011	49.50	37.80
February 2011	41.50	34.90
March 2011	46.70	36.60

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 1,23,38,187 shares of the Company are in electronic form as on 31.03.2011.

i. (a) Shareholding Pattern as on 31st March 2011:

Sl. No.	Category	No. of Shareholders	Total Shares	% to Total
A.	Shareholding of Promoter & Promoter Group:			
1	Indian			
A.	Individuals/HUF	14	5,333,902	42.63
2	Foreign	Nil	Nil	Nil
B.	Public Shareholding:			
1	Institutions			
A.	Foreign Institutional Investors	Nil	Nil	Nil
2	Non-Institutions:			
A.	Bodies Corporate	205	1,003,730	8.02
B.	Individuals			
1	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	6,550	3,240,851	25.90
2	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	93	2,618,145	20.93
C.	Any Other (Specify) NRI/OCB	64	167,840	1.34
C1	Any Others – Trust	2	120,194	0.96
C2	Any Others – Clearing Members	12	27,213	0.22
C.	Shares held by Custodians etc.	Nil	Nil	Nil
	Total	6,940	12,511,875	100

(b) Distribution of Shareholding as on 31st March 2011:

Equity Shares holding of nominal value of Rs.	Equity Shares Holders		Equity Shares Amount	
	Numbers	% to	In Rs.	% Of
0001 - 5000	5,450	78.53	8,578,100	6.86
5001 - 10000	647	9.32	5,184,390	4.14
10001 - 20000	341	4.91	5,214,440	4.17
20001 - 30000	106	1.53	2,675,310	2.14
30001 - 40000	89	1.28	3,104,540	2.48
40001 - 50000	58	0.84	2,772,810	2.22
50001 - 100000	112	1.61	8,155,850	6.52
100001 - Above	137	1.97	89,433,310	71.48
Total	6,940	100.00	125,118,750	100.00

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 31.03.2011 are as follows:

Financial Year	2003 - 04	2004 - 05	2005-06	2006-07	2007-08	2008- 09	2009-10
Unclaimed Dividend Amount in Rs.	159,239	225,947	398,004	552,888	281,388	352,370	222,993.50

k. Locations of our software development center:

1st Floor, 8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad - 500 073

l. Address for Correspondence:

Registered Office:
8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad - 500 073
Phone : +91-04-23730553.

For and on behalf of the Board of Directors

Sd/-

(T. Gopichand)

Vice Chairman and Managing Director

Sd/-

(N.V.V. Prasad)

Executive Director

Place: Hyderabad

Date: 14.07.2011



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 2011, 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: 0059055

Place: Hyderabad.
Date : 14.07.2011

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

DECLARATION BY VICE CHAIRMAN AND MANAGING DIRECTOR (V.C. & M.D.)

Compliance of Code of Conduct for Directors and Senior Management personal pursuant to provisions of clause 49 of the listing agreement.

The Board laid down a code of conduct for all Board of Directors and Senior Management personal of the Company at its meeting held on 21.01.2006.

I hereby affirm and declare to the best of my knowledge and belief and on behalf of Board of Directors and Senior personnel that its code of conduct has been complied with for the year ended 31 March 2011.

Place:Hyderabad
Date:14.07.2011

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

DECLARATION BY VICE CHAIRMAN AND MANAGING DIRECTOR (V.C. & M.D.) AND CHIEF FINANCIAL OFFICER

We, T.Gopichand, Vice Chairman and Managing Director and B.Dattathreyulu Naidu, General Manager (Finance) of Tera Software Limited, certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2011 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.

Place: Hyderabad
Date: 14.07.2011

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

Sd/-
(B. Dattathreyulu Naidu)
General Manager (Finance)