



TERA SOFTWARE LIMITED

**18th
ANNUAL
REPORT
2011-2012**



Independent Directors



Dr. P. Srinivasiah
Director

Dr. T. Hanuman Chowdary
Director

Sri R.S. Bakkannavar
Director

Dr. T.V. Lakshmi
Director

Executive & Promoter Directors



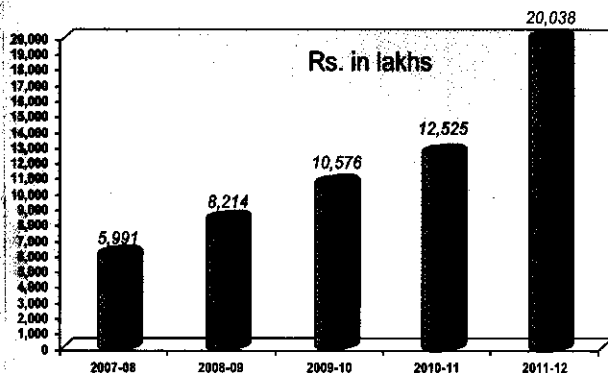
Sri. T. Gopichand
Vice Chairman &
Managing Director

Sri K. Rama Rao
Director - Projects

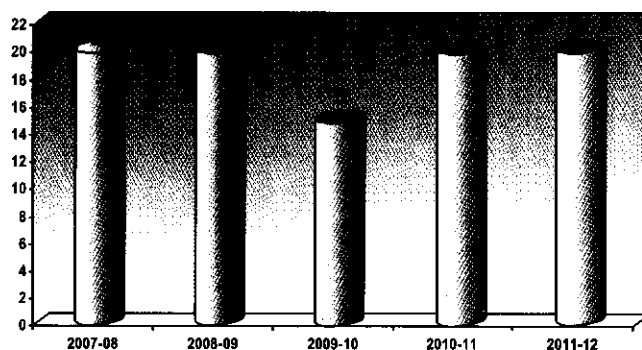
Sri T. Bapaiah Chowdary
Director

Smt. Pavana Devi
Director

GROSS TURNOVER



DIVIDEND PER SHARE (%)





BOARD OF DIRECTORS :

1.	Sri D. SEETHARAMAIAH	CHAIRMAN
2.	Sri T. BAPAIAH CHOUDARY	DIRECTOR
3.	Sri R. S. BAKKANAVAR	DIRECTOR
4.	Dr. T. HANUMAN CHOWDARY	DIRECTOR
5.	Dr. T. V. LAKSHMI	DIRECTOR
6.	Smt. T. PAVANA DEVI	DIRECTOR
7.	Sri K. RAMA RAO	WHOLE TIME DIRECTOR
8.	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 : eninward.ris@karvy.com



NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of the Tera Software Limited will be held at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad – 500033, on Friday, the 28th day of September, 2012 at 10.00 A.M. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012, Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Dr.T. Hanuman Chowdary, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri R.S. Bakkannavar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. NARVEN ASSOCIATES, Chartered Accountants, the retiring auditors as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the Board of Directors

Sd/-

(T. Gopichand)

Vice Chairman and Managing Director

Place: Hyderabad
Date: 22.08.2012

Notes:

1. The explanatory statement in respect of item numbers 3 & 4 of the Notice, pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote at the meeting on his behalf and such proxy need not be a member of the company.
3. The instrument appointing proxy to be valid should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
4. Members/Proxies should fill the attendance slip for attending the meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. The Company has already notified closure of Register of Members and the Share Transfer Books from Tuesday, 25th September 2012 to Friday, 28th September 2012 (both days inclusive).
7. Shareholders are requested to bring their copy of Annual Report to the meeting.

20
19
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1



Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 for Item no-3 & 4.

Particulars of Directors proposed to be elected as directors pursuant to Clause 49 of the Listing Agreement:

Serial Number	1	2
Name	Dr. T. Hanuman Chowdary	Sri. R.S. Bakkannavar
Designation	Director	Director
Age & Date of Birth	81 Years (18.10.1931)	71 Years (17.06.1941)
Qualification	B.Tech.	Post Graduate
Date of Appointment	19.09.2009	19.09.2009
Nature of Expertise in specific functional areas	Founder Chairman of VSNL, former IT advisor to Government of Andhra Pradesh and renowned name in the IT field.	Over three decades of rich experience in banking sector. Providing guidance on project financing.
Remuneration	₹1,03,000/- (Sitting Fees)	₹1,22,000/- (Sitting Fees)
No. of outside Directorships held	2	1
Chairman of the Committee of Board of Directors of the Company	NIL	Audit Committee
Member of the Committee of Board of Directors of the Company	(1) Audit Committee (2) Remuneration Committee (3) Management Committee	Management Committee
Chairman/member of the Committees of other Companies	1	NIL

By Order of the Board of Directors

Sd/-

(T. Gopichand)

Vice Chairman and Managing Director

Place: Hyderabad

Date: 22.08.2012



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eighteenth Annual Report and the audited accounts of the company for the year ended 31st March 2012 together with Auditors' report thereon.

a) Financial Results:

(₹ In Lakh)

PARTICULARS	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Gross Income		20,163.47	
Expenditure		15,646.46		10,650.37
Profit before interest, depreciation & tax		4,517.01		1,987.27
Less: Interest (Financial Cost)		938.36		241.93
Profit before depreciation & tax		3,578.65		1,745.34
Less: Depreciation		834.36		275.44
Profit before tax		2,744.29		1,469.90
Less: Provision for tax Current year	435.97		529.58	
Current Tax Expense relating to Earlier Years	(6.91)		24.50	
Deferred tax	458.78	887.84	(68.17)	485.91
Profit after tax		1,856.45		983.99
Add: Balance brought forward from Previous Year		1,573.54		1,380.38
Profit available for distribution		3,429.99		2,364.37
Less: Transferred to General Reserve	1000.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		250.24	
Tax on distributable profits	40.59	1,290.83	40.59	790.83
Balance Carried to Balance Sheet		2,139.16		1,573.54

b) Dividend:

Your Directors are pleased to recommend a dividend of 20% absorbing a sum of ₹ 290.83 Lakhs including the tax on distributable profits.



c) Performance of the Company:

The Company achieved a turnover of ₹ 20,163.47 lakhs during the year and earned a net profit after tax of ₹ 1,856.47 Lakhs.

During the current year your company has added following three new business segments AADHAAR, NPR (National Population Register) and SWAN (State Wide Area Network). Collectively they account for a healthy order book on hand to be executed over next three years. During the year your company as an T3 F4 empanelled vendor for Unique Identification Authority of India, have enrolled 13.5 Million citizens with Bio-metric and Demographic information. Your company stood in top 3 companies with AADHAAR market share of 6.71%. Your company had established the required infrastructure and skillset to enroll 0.12 million citizens per day with which can enroll to a capacity of 36 million per year in coming years. Your Company is entitled to enroll about 5 crore citizens per year. Central government has planned to cover the entire Indian population of 120 Crores in about 4 years with coverage of 10 lakhs population per day

Your company under National Population Register project under the Registrar General of India has completed the (phase1) digitization of citizen database and is geared up to take up the phase two i.e biometric enrollment in the year FY 2012-13. Your Company is entitled to enroll about 5 crore citizens per year. Central government has planned to cover the entire Indian population of 120 crores in about 4 years with coverage of 10 lakhs population per day.

Your company firmly believes that bringing in of new customers and adding value to the existing relationships with our current customers will only help in getting additional business opportunities for your company. During the year client base of your company increased from 21 to 30.

Your company has acquired the following certifications which bring in the required pre qualifications and delivery of quality services in managing and implementing UIDAI (AADHAAR), NPR and other e-governance projects.

- Information Security Management System – ISO 27001:2005 for Software development, IT Enabled Services and IT Infrastructure Management.
- Information Technology Service Management System: ISO 20000:2005 for Software development, IT enabled Services and IT Infrastructure Management.
- Enhanced the ISO 9001: 2008 quality management system with enrollment, data capturing, De-Duplication and supply & maintenance of Biometric devices.
- Provisional STQC certificate for the supply and delivery of L1 Identity Solutions Inc, USA Biometric devices for UIDAI projects.

Future Opportunities:

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.



Your company has pioneered many a prestigious projects in this domain of e-governance for various government agencies at the state and central level. The company today is standing on the threshold of contributing meaningfully to the National e-Governance mission. It has ambitions and plans in further designing creative solutions across a wide spectrum of industries for the dual benefit of citizens and the government, once the basic citizen identification biometric infrastructure is in place. The national e-Governance plan has a five year outlay of ₹ 80,000 crore. Your company is focusing to have a market share of 6%. This turns out to be a potential business of approximately ₹ 5000 Crore in the coming years. Your company continues to invest in the core e-governance solution capabilities to address this potential market in the next 5 years.

Your company is also planning to diversify into B2C services in the segments of Toll collection, Utility bill collection, Financial Inclusion by adopting mobile technologies to integrate into the current Citizen Services bandwidth.

As your Company enters a key strategic period in its evolution, the year ahead will be marked by growth in revenue and profits, whilst further strengthening our focus on customers and delivery.

d) Management Discussion and Analysis Report:

As per the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Management's discussion and Analysis Report is enclosed as Annexure – I to the Directors' Report.

e) Corporate Governance:

As per the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance along with the certificate issued by the Company's Statutory Auditors M/s. Narven Associates, Chartered Accountants thereupon is given as Annexure – II to the Directors Report.

f) Listing of Shares on Stock Exchanges:

At present the Equity Shares of your Company are listed on the Bombay Stock Exchange Limited and Bangalore Stock Exchange Limited. The listing fee was paid up to date.

g) Fixed Deposits:

The Company has accepted ₹ 36.00 Lakhs as fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956 apply. There are no deposits outstanding as at the end of the financial year 2011-2012.

h) Directors:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Dr. T. Hanuman Chowdary, Director and Sri .R.S.Bakkannavar, Director will be retiring at this annual general meeting and being eligible offer themselves for reappointment. During the financial year, Sri N.V.V Prasad, Executive Director and Sri M.V.S.R. Prasad, Additional Director of the Company resigned on 29.08.2011 and accepted by the Board at their meeting on 30.08.2011 and the same was informed to members of the Company at their Annual General Meeting held on 30.08.2011.

i) Auditors:

M/s. NARVEN ASSOCIATES, Chartered Accountants retire at the ensuing Annual General Meeting, and are eligible for reappointment. They have furnished the requisite certificate to the effect that their reappointment, if made, would be in accordance with section 224 (1B) of the Companies Act, 1956.



j) **Particulars of Employees:**

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

Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration Including Commission (₹ in Lakh)	Previous Employment
Sri. T.Gopichand	V.C. & M.D.	M.Tech	53	01.09.1995	30	143.08	Electronic Corporation of India Limited
Sri. C.S.Ravindran	C.E.O.	BE	55	01.07.2010	31	70.09	Bartronics India Limited

k) **Conservation of energy, technology absorption and foreign exchange earnings/out goings:**

The particulars as required U/S 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 are:

1. **Conservation of energy:** The Company does trading of various kinds of computer items and provides IT enabled services and does not use any energy. The electricity power consumption under LT is minimal hence the Company is not an energy intensive unit. However, the Company installed power efficient transformers and UPS systems to save the power cost.

2. **Technology absorption, adaptation & innovation:** The Company has not imported any technology.

3. **Foreign Exchange Earnings and outgo :**

i. Earnings in Foreign Currency (FOB) : NIL

ii. Expenditure in Foreign Currency (CIF) : (₹ in Lakh)

Particulars	Current Year	Previous Year
Capital Contracts	343.88	198.06
Trading goods	22.48	31.33
Traveling	0.74	5.11
Total	367.10	234.50

iii. Value Of Imports On CIF Basis In Respect Of (₹ in Lakh)

Particulars	Current Year	Previous Year
Traded goods	22.48	1,150.15
Capital goods	343.88	398.55
TOTAL	366.36	1,548.70



l) Internal Control Systems :

Your Company has a well defined and documented Internal Control Systems which is adequately monitored.

m) Directors' Responsibility Statement:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a. That in the preparation of the accounts for the financial year ended 31st March, 2012 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. That the directors have selected such accounting policies and applied them consistently and made adjustments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- c. That the directors 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;
- d. That the directors have prepared the accounts for the financial year ended 31st March, 2012 on a going concern basis.

n) Acknowledgment:

Your directors thank the clients, vendors, investors and bankers for their continued support. Your directors place on record their appreciation of the contribution made by the employees at all levels. Your directors thank the Government of India, State Governments, Electronic Corporation of India Limited and Other Government Agencies for their support during the year and look forward to their patronized support.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 22.08.2012

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

Sd/-
(K. Rama Rao)
Wholetime Director



MANAGEMENT DISCUSSIONS AND ANALYSIS

A. Cautionary Statement:

Statements in the Management Discussion and Analysis Report describing our Company's objectives, expectations or predictions may be forward looking 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.

The enrolment of AADHAAR cards was postponed by UIDAI Authority for Technical Reasons.

This may adversely affect the execution of pending orders from NPR and AADHAAR in 16 states.

However the company will be able to maintain the revenues once the AADHAAR enrolment process commences.

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

(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
Total	162.92	104.68



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. MVSR Prasad	0.08	-
Total	7.11	5.28

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.



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 th September 2009	10.00 A.M
2009-2010	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	21 st September 2010	10.00 A.M
2010-2011	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	30 th 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 ut most 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
A.	Shareholding of Promoter & Promoter Group:			
1	Indian			
	i. Individuals/HUF	10	5,351,456	42.77
2	Foreign	Nil	Nil	Nil
B.	Public Shareholding:			
1	Institutions			
	i. Foreign Institutional Investors	1	8,100	0.06
2	Non-Institutions:			
	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
C.	Shares held by Custodians etc.	Nil	Nil	Nil
	Total	7,064	12,511,875	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 31.03.2012 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

Url : www.terasoftware.com



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

Url : www.terasoftware.com

For and on behalf of the Board of Directors

Sd/-

(T. Gopichand)

Vice Chairman and Managing Director

Sd/-

(K. Rama Rao)

Wholetime Director

Place: Hyderabad

Date: 22.08.2011



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 2012, 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 there of 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 : 22.08.2012

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



Declaration By Vice Chairman and Managing Director

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 personnel of the Company at its meeting held on 02.02.2012.

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 2012.

Place : Hyderabad

Date : 22.08.2012

Sd/-

(T.Gopichand)

Vice Chairman and Managing Director

Certificate by Vice Chairman and Managing Director 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 2012 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: 22.08.2012

Sd/-

(T.Gopichand)

Vice Chairman and Managing Director

Sd/-

(CA. B.Dattathreyulu Naidu)

General Manager (Finance)



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

AUDITORS' REPORT

To
The Members of
TERA SOFTWARE LIMITED,

1. We have audited the attached Balance Sheet of **TERA SOFTWARE LIMITED**, as at March 31, 2012 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;



- (v) On the basis of written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 31st March, 2012;
 - (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For NARVEN ASSOCIATES

Chartered Accountants

Firm Reg. no: 0059055

Place : Hyderabad

Date : 22.08.2012

Sd/-

(CA D.C. Naidu)

Partner

Membership No: 24643



Annexure to Auditor's Report Referred to in Paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets;
- (b) A major portion of 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.
- (ii) (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.
- (iii) (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 taken unsecured loans from two 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 ₹155 lakhs and the year-end balance is ₹ 5.12 lakhs.
- (c) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- (d) The principal amount and the interest on the same are repayable as per the repayment schedule. In respect of the said loans, there are no over due amounts and the company is regular in repayments.
- (iv) 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.
- (v) (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 ₹ 5.00 lakh or more in respect of any party.



- (vi) 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business;
- (viii) 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.
- (ix) (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 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, 2012 for a period of more than six months from the date they became payable. 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;

(₹ in Lakh)

S.no.	Name of the Statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	3.39	2007-08	High Court of AP
2	AP VAT Act, 2005	Value Added Tax	14.30	2006-07	High Court of AP
3	AP VAT Act, 2005	Value Added Tax	14.30	2005-06	High Court of AP
4	APGST Act, 1957	Sales Tax	28.60	2004-05	High Court of AP
5	APGST Act, 1957	Sales Tax	35.80	2003-04	High Court of AP
6	APGST Act, 1957	Sales Tax	14.30	2002-03	High Court of AP
7	The Kerala VAT Rules, 2005	Value Added Tax	84.16	2005-06	Deputy Commissioner (Appeals), Kerala
8	The Kerala VAT Rules, 2005	Value Added Tax	61.50	2006-07	Deputy Commissioner (Appeals), Kerala
9	The Kerala VAT Rules, 2005	Value Added Tax	7.42	2007-08	Deputy Commissioner (Appeals), Kerala
10	The Kerala VAT Rules, 2005	Value Added Tax	8.52	2008-09	Deputy Commissioner (Appeals), Kerala
11	The Kerala VAT Rules, 2005	Value Added Tax	4.66	2009-10	Deputy Commissioner (Appeals), Kerala



- (x) 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;
- (xi) 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.
- (xii) 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.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments; Accordingly, clause 4(xiv) of the Order is not applicable.
- (xv) 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;
- (xvi) 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.
- (xvii) 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.
- (xviii) 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.
- (xix) The Company has not issued any Debentures during the year;
- (xx) The Company has not raised any money by public issue during the year;
- (xxi) 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: 0059055

Place : Hyderabad
Date : 22.08.2012

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

Tera Software Limited



Balance Sheet as at 31st March, 2012

(₹ in Lakh)

Particulars	Note No.	As at 31.03.2012		As at 31.03.2011	
EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	1	1,251.19		1,251.19	
(b) Reserves and surplus	2	6,764.92		5,199.31	
			8,016.11		6,450.50
(2) Non-current liabilities					
(a) Long-term borrowings	3	2,207.03		258.83	
(b) Deferred tax liabilities (Net)	4	489.12		30.35	
(c) Other Long term liabilities	5	1,202.29		504.25	
(d) Long-term provisions	6	23.26		36.14	
			3,921.70		829.57
(3) Current liabilities					
(a) Short-term borrowings	7	4,288.39		1,507.89	
(b) Trade payables	8	4,234.10		4,285.38	
(c) Other current liabilities	9	3,022.77		1,050.29	
(d) Short-term provisions	10	660.84		846.23	
			12,206.10		7,689.79
TOTAL			24,143.91		14,969.86
ASSETS					
(1) Non-current assets					
(a) Fixed assets	11				
(i) Tangible assets		5,543.87		2,243.25	
(ii) Capital work-in-progress		883.07		1,087.92	
		6,426.94		3,331.17	
(b) Long-term loans and advances	12	662.15		519.34	
(c) Other Non Current Assets	13	22.20		356.79	
			7,111.29		4,207.30
(2) Current assets					
(b) Inventories	14	152.85		450.58	
(c) Trade receivables	15	13,791.12		8,981.02	
(d) Cash and cash equivalents	16	1,615.26		594.11	
(e) Short-term loans and advances	17	1,130.51		180.88	
(f) Other current assets	18	342.88		555.97	
			17,032.62		10,762.56
TOTAL			24,143.91		14,969.86

As per our report of even date

For and on behalf of Board of Directors

for NARVEN ASSOCIATES

F R No. : 0059055

Chartered Accountants

Sd/-
(CA. D.C.NAIDU)
Partner
M. No. : 024643

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

Sd/-
(K. Rama Rao)
Whole time Director

Place : Hyderabad
Date : 22.08.2012

Sd/-
(CA. B.D. Naidu)
General Manager (Finance)

Sd/-
(CS. B.S. Viswanath)
Company Secretary



Statement of Profit and Loss for the year Ended 31st March, 2012

(₹ in Lakh)

Particulars	Note No.	2011-12	2010-11
INCOME			
Revenue from operations	19	20,038.06	12,525.46
Other income	20	125.41	112.18
Total Revenue		20,163.47	12,637.64
EXPENSES			
(1) Cost of materials consumed			
(2) Purchases of Stock-in-Trade		3,235.19	7,175.58
(3) Changes in inventories of Stock-in-Trade	21	297.73	(438.74)
(4) Employee benefits expense	22	994.56	826.53
(5) Finance costs	23	938.36	241.93
(6) Depreciation & amortization expense	11	834.36	275.44
(7) Other expenses	24	11,118.98	3,087.00
Total expenses		17,419.18	11,167.74
Profit before tax		2,744.29	1,469.90
Tax expense:			
(1) Current tax		435.97	529.58
(2) Current Tax Expense relating to Earlier years		(6.91)	24.50
(3) Deferred tax		458.78	(68.17)
Profit for the year		1,856.45	983.99
Earnings per equity share			
Basic & Diluted		14.84	7.86
Significant Accounting Policies Notes on Financial Statements	1 to 38		

As per our report of even date

For and on behalf of Board of Directors

for NARVEN ASSOCIATES

F R No. : 005905S

Chartered Accountants

Sd/-
(CA. D.C.NAIDU)
Partner
M. No. : 024643

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

Sd/-
(K. Rama Rao)
Wholetime Director

Place : Hyderabad
Date : 22.08.2012

Sd/-
(CA. B.D. Naidu)
General Manager (Finance)

Sd/-
(CS. B.S. Viswanath)
Company Secretary



Cash Flow Statement for the year 2011-12

(₹ in Lakh)

Particulars	2011-12		2010-11	
	INR	INR	INR	INR
A. Cash flow from operating activities				
Net Profit before tax as per Profit & Loss Statement		2,744.29		1,469.90
<i>Adjustments for:</i>				
Depreciation and amortisation	834.36		275.44	
Impairment Loss on CWIP	110.01			
Liabilities No Longer Required Written Back	(46.34)			
Loss on sale Fixed Assets	1.53			
Provision For Doubtful, Bad Debts Written Off	397.80			
Finance costs	938.36		22.23	
Interest income	(78.93)		(24.52)	
		2,156.79		273.15
Operating profit before working capital changes		4,901.08		1743.05
<i>Adjusted for:</i>				
Trade receivables	(5,207.90)		(1,899.08)	
Movement in Other Current Assets	(43.00)		(30.66)	
Movement in Advances & Deposits	(639.98)		(1,034.89)	
Inventories	297.74		(438.74)	
Trade & Other Payables	1,052.38		2,079.19	
		(4,540.76)		(1,324.18)
Cash generated from operations		360.32		418.87
Net income tax (paid) / refunds		(841.66)		(321.82)
Net cash flow from operating activities (A)		(481.34)		97.05
B. Cash flow from investing activities				
Purchase Of Fixed Assets		(4,140.56)		(1,073.92)
Sale Of Fixed Assets		2.20		-
Interest Income Received		48.10		36.14
Net cash flow from Investing activities (B)		(4,090.26)		(1,037.78)



C. Cash flow from financing activities		
Proceeds from Long Term Borrowings	4,139.17	101.00
Repayment of Long Term Borrowings	(559.92)	119.36
Short Term Borrowings(Net)	2,859.50	(97.50)
Dividends & Dividend Tax Paid	(290.04)	(218.27)
Interest Paid	(920.39)	(22.29)
Net cash flow from Financing activities (C)	5,228.32	(117.70)
Net increase in Cash and cash equivalents (A+B+C)	656.72	(1,058.43)
Opening balance of Cash and cash equivalents	396.15	1,454.58
Closing balance of Cash and cash equivalents	1,052.87	396.15
Components of Cash and Cash Equivalents		
Cash and cheques on Hand	141.17	268.29
Balances with Banks	-	-
-On Current Accounts	160.07	76.70
-On Deposit Accounts	1,314.02	249.12
Cash and cash Equivalent as per Note 16	1,615.26	594.11
Less: Fixed Deposits not considered as cash equivalents	25.00	13.00
Less: Margin Money Deposits	537.39	184.97
	1,052.87	396.15

As per our report of even date

for **NARVEN ASSOCIATES**
Firm's Registration Number : 0059055
Chartered Accountants

For and on behalf of Board of Directors

Sd/-
(CA. D.C.NAIDU)
Partner
Membership Number : 024643

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

Sd/-
(K. Rama Rao)
Wholetime Director

Place : Hyderabad
Date : 22.08.2012

Sd/-
(CA. B.D. Naidu)
General Manager (Finance)



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 includes advances paid 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 Balance Sheet

1 SHARE CAPITAL

(₹ in Lakh)

Particulars	Number of shares as at 31.03.2012	As at 31.03.2012 ₹	Number of shares as at 31.03.2011	As at 31.03.2011 ₹
Authorised:				
2,50,00,000 Equity Shares of ₹ 10/- each	250.00	2,500.00	250.00	2,500.00
Issued, subscribed and paid up:				
1,25,11,875 Equity Shares of ₹ 10/- each fully paid up	125.12	1,251.19	125.12	1,251.19
	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 31.03.2012		As at 31.03.2011	
	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	28.30	22.62%	23.67	18.92%
Tummala Pavanna Devi	18.78	15.01%	12.75	10.19%
NVV Prasad	-	-	7.21	5.77%
TOTAL	47.08	37.63%	43.63	34.88%

1.3 Reconciliation of Number of Shares:

(₹ in Lakh)

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

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Securities Premium Reserve		
At the end of the Previous reporting period	851.00	851.00
Additions / Deductions	-	-
At the end of current reporting period	851.00	851.00
General Reserve		
At the end of the Previous reporting period	2,774.76	2,274.76
Additions	1,000.00	500.00
Deductions	-	-
At the end of current reporting period	3,774.76	2,774.76
Surplus in Profit and Loss Account		
At the end of the Previous reporting period	1,573.54	1,380.38
Add: Profit for the year	1,856.45	983.99
Less: Proposed dividend	250.24	250.24
: Tax on Proposed dividend	40.59	40.59
: Transfer to Reserves	1,000.00	500.00
At the end of current reporting period	2,139.16	1,573.54
TOTAL	6,764.92	5,199.30

3 LONG TERM BORROWINGS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
A. Secured		
i. Term Loan		
- from banks	1,396.49	31.34
ii. Long term maturities of Finance lease obligations	774.54	216.49
	2,171.03	247.83
B. Unsecured		
Deposits	36.00	11.00
	36.00	11.00
TOTAL	2,207.03	258.83



Of the above

- 3.1 The Term Loan from bank is a Rupee Term Loan taken from Canara Bank during the financial year 2011-12 which carries interest rate of base rate + 3.5% i.e 13.5% p.a. (floating). It is repayable in 30 equal 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, Executive Director and Director of the Company.

Collateral Security of Land and Building by way of Equitable Mortgage on exclusive charge basis.

- 3.2 5,33,500 shares are pledged in favour of Canara Bank as per terms and Conditions of their Sanction Letter
- 3.3 Term Loan from Bank of Maharashtra are Secured by way of 1) Hypothecation of Land situated at Jubilee hills, Hyderabad, Computers and Peripherals, Furniture & Fixtures, Stock in trade, receivables, Outstanding monies and 2) Personal guarantee given by the Vice Chairman & Managing Director, Executive Director and Director of the Company
- 3.4 Deposits from Shareholders taken during the financial year 2010-11 carry interest of 11% p.a. and are repayable in 2 years.
- 3.5 In respect of Fixed Assets acquired on Finance Lease on or after 1st April, 2001, the Minimum lease rentals outstanding as on 31st March 2012 are as follows:

(₹ in lakh)

Period	Total Minimum Lease Payments Outstanding**		Future Interest Outstanding	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Payable within 1 year	338.48	99.80	120.48	26.99
Payable between 1-5 years	774.54	216.49	134.22	47.31
TOTAL	1,113.02	316.29	254.70	74.30

** Lease term ranges between 3-5 years

** Finance lease obligations are secured against the leased assets

4 Deferred Tax Liability

(₹ in lakh)

Description	As at 31.03.2012		As at 31.03.2011	
i Realting to Fixed Assets		760.01		204.49
ii Disallowance under the Income tax Act, 1961	(144.57)		(135.27)	
iii Provision for doubtful debts	(126.32)	(270.89)	(38.87)	(174.14)
TOTAL		489.12		30.35

5 OTHER LONG TERM LIABILITIES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Advance from Customers	263.83	263.83
Security Deposits from Vendors	938.46	240.43
TOTAL	1,202.29	504.26



6 LONG TERM PROVISIONS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Provision for employee retirement benefits		
Gratuity	23.26	36.14
TOTAL	23.26	36.14

7 SHORT TERM BORROWINGS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
A. Secured		
Loans repayable on demand : from banks	4,277.39	1,417.89
	4,277.39	1,417.89
B. Unsecured		
Deposits	11.00	90.00
	11.00	90.00
TOTAL	4,288.39	1,507.89

7.1 Working Capital Loans given by Bank of Maharashtra are secured by way of hypothecation of Land situated at Jubilee hills Hyderabad, Computers and Peripherals, Stock in trade, Software in process, book debts and personal guarantee given by the Vice Chairman & Managing Director, Executive Director and Director of the Company.

7.2 Working Capital Loan taken from Canara Bank is secured by way of hypothecation on pari passu first charge basis along with Bank of Maharashtra

7.3 Collateral Security of Land and Building by way of Equitable Mortgage on exclusive charge basis.

8 TRADE PAYABLES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Dues to Micro, Small & Medium Enterprises	-	-
Others :		
Creditors for Services	3,762.37	1,015.74
Creditors for Goods	471.73	3,269.64
TOTAL	4,234.10	4,285.38



9 OTHER CURRENT LIABILITIES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Current maturities of long-term debt	1,519.80	48.40
Current maturities of Finance lease obligations	338.48	99.80
Interest accrued but not due on borrowings	18.76	0.79
Income received in advance	7.03	-
Unpaid dividends	22.72	21.93
Sundry Creditors for Capital Goods	126.02	207.68
Expenses Payable	491.60	330.55
Statutory Expenses Payable	498.36	341.14
TOTAL	3,022.77	1,050.29

10 SHORT TERM PROVISIONS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Gratuity	30.69	18.29
Provision for Leave Travel Allowance	0.17	-
Proposed Final Dividend Payable	250.24	250.24
Tax Payable on Distributed Profit	40.59	40.59
Provision for Income Tax (Net)	-	232.26
Provision for under performance of service level deliverables	339.15	304.85
TOTAL	660.84	846.23



11 FIXED ASSETS

(₹ in Lakh)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01-04-2011	Additions during the year	Deductions during the year	As at 31-03-12	As at 01-04-11	For the year	On deductions	As at 31-03-12	As at 31-03-11	
I) Tangible										
Land	116.84	-	-	116.84	-	-	-	116.84	116.84	
Buildings	260.75	-	-	260.75	21.42	4.25	-	235.08	239.33	
Plant and Equipment	1,935.49	3,304.34	-	5,239.83	667.82	645.51	-	3,976.50	1,267.66	
Furniture and Fixtures	162.65	12.04	-	174.69	43.32	10.78	-	120.60	119.33	
Vehicles	65.43	-	11.82	53.61	26.02	5.60	8.09	30.08	39.41	
Office equipment	27.52	0.67	-	28.19	8.30	1.32	-	18.57	19.22	
Electrical & Fixtures:	112.17	48.33	-	160.50	29.81	6.61	-	124.08	82.37	
Capital expenditure on Projects Div*	639.02	-	-	639.02	399.49	48.25	-	191.28	239.53	
Sub total	3,319.87	3,365.38	11.82	6,673.43	1,196.18	722.32	8.09	4,763.03	2,123.69	
Previous year	2,129.86	1,190.02	-	3,319.88	926.49	269.69	-	2,123.69	1,203.37	
LEASED ASSET :										
Plant and Equipment	127.92	773.33	-	901.25	8.37	112.04	-	780.84	119.56	
Sub total	127.92	773.33	-	901.25	8.37	112.04	-	780.84	119.56	
Previous year	28.19	99.73	-	127.92	2.63	5.75	-	119.56	25.56	
TOTAL	3,447.79	4,138.71	11.82	7,574.68	1,204.58	834.36	8.09	5,543.87	2,243.24	
Previous year	2,158.05	1,289.75	-	3,447.80	929.12	275.44	-	2,243.25	1,228.93	
Previous Year	-	-	-	-	-	-	-	-	-	
Capital Work in Progress**								883.07	1,087.92	

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

** After deducting Impairment Loss of Rs.110.01 Lac



12 LONG TERM LOANS AND ADVANCES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
(a) Secured, Considered Good		
Capital Advances	34.26	19.23
Security Deposits	627.89	500.11
TOTAL	662.15	519.34

13 OTHER NON CURRENT ASSETS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Bank Deposits maturity of more than 12 Months	0.75	0.75
Margin Money Deposits maturity of more than 12 Months	21.45	356.04
TOTAL	22.20	356.79

14 INVENTORY

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Stock-in-trade	152.85	450.58
TOTAL	152.85	450.58

15 TRADE RECEIVABLE

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Unsecured, Considered Good		
Outstanding for a period exceeding six months	5,732.34	4,274.45
Others	8,416.10	4,823.59
	14,148.44	9,098.04
Less: Provision for bad and doubtful debts	357.32	117.02
TOTAL	13,791.12	8,981.02



16 CASH AND BANK BALANCES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
1. Cash & Cash Equivalents		
Cash on hand	4.34	4.46
Cash Equivalents		
i. Cheques, drafts on hand	136.83	263.83
ii. Balances with banks		
Current Accounts	137.35	54.78
Deposit Accounts	380.00	-
Unpaid Dividend Accounts	22.72	21.93
Margin Money Deposit Accounts	371.63	51.15
	1,052.87	396.15
2. Other Bank Balances		
Deposit Accounts	25.00	13.00
Margin Money Deposits	537.39	184.96
	562.39	197.96
TOTAL	1,615.26	594.11

17 SHORT TERM LOANS AND ADVANCES

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Unsecured, Considered Good		
Advance for Expenses	18.47	8.34
Others	1,112.04	172.54
TOTAL	1,130.51	180.88

18 OTHER CURRENT ASSETS

(₹ in Lakh)

Particulars	As at 31.03.2012	As at 31.03.2011
Accrued Interest	36.86	6.02
Prepaid Expenses	76.80	111.19
Unbilled Revenue	155.57	408.10
SAD Receivables	73.65	30.66
TOTAL	342.88	555.97



19 REVENUE FROM OPERATIONS

(₹ in Lakh)

Particulars	2011-12	2010-11
Sale of products	3,646.86	7,028.78
Sale of services	15,970.14	5,407.48
Other operating revenues	421.06	89.20
TOTAL	20,038.06	12,525.46

20 OTHER INCOME

(₹ in Lakh)

Particulars	2011-12	2010-11
Interest Income	78.93	25.06
Other non-operating income	46.48	87.12
TOTAL	125.41	112.18

21 CHANGES IN INVENTORY OF STOCK IN TRADE

(₹ in Lakh)

Particulars	2011-12	2010-11
Opening Stock	450.58	11.84
Less : Closing Stock	(152.85)	(450.58)
TOTAL	297.73	(438.74)

22 EMPLOYEE BENEFIT EXPENSES

(₹ in Lakh)

Particulars	2011-12	2010-11
Salaries and Wages	930.86	770.11
Contribution to provident and other funds	57.97	51.77
Staff welfare expenses	5.73	4.65
TOTAL	994.56	826.53

23 FINANCE COST

(₹ in Lakh)

Particulars	2011-12	2010-11
Interest expense	783.38	207.26
Other borrowing costs	154.98	34.67
TOTAL	938.36	241.93



24 OTHER EXPENSES

(₹ in Lakh)

Particulars	2011-12	2010-11
Consumption of stores and spare parts	-	-
Power and fuel	59.91	86.65
Rent	42.87	24.70
Repairs to: Equipment	266.24	109.89
:Others	1.97	3.06
Insurance	28.23	6.00
Rates and taxes, excluding, taxes on income	24.93	21.92
Payments to Auditor as: Auditor	7.00	7.00
:For other services	2.50	
Consultancy, Professional Charges	179.13	248.84
Subcontracting Charges	8,505.20	1,607.98
Infrastructure & Facility Charges	717.04	-
Advertisement & Sales Promotion	4.88	2.41
Consumables	173.54	232.21
Lease Rentals Nalgonda Schools	163.47	155.60
Communication	115.51	130.61
Courier & Postage	17.65	5.52
Printing & Stationery	7.04	4.01
Advances Written Off	-	7.12
Bad Debts written off	157.50	6.54
Provision for Doubtful Debts Written Back	-	-
Provision for Doubtful Debts ¹	240.30	66.04
Penalty for Service Level Non Deliverables	14.25	8.14
Provision for under Performance of Service Level Deliverables ²	34.29	198.49
Sitting fees	7.11	5.28
TDS paid under protest w/off	8.18	
Travelling & Conveyance	110.67	98.93
Other Expenditure ³	119.56	50.06
Impairment Loss	110.01	-
TOTAL	11,118.98	3,087.00

1. Total Provision made during the year is of ₹ 272.32 lakh (Previous year ₹ 72.02 lakh), Provision Written back of ₹ 32.02 lakh (Previous year ₹ 5.98 lakh).
2. Total provision made during the year is of ₹ 45.68 lakh (Previous year ₹ 202.59 lakh), Provision written back of ₹ 11.39 lakh (Previous year ₹ 4.10 lakh).
3. Include Foreign Exchange Loss of ₹ 48.95 lakh.



II Notes forming part of Profit & Loss account:

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:

	(₹ in lakh)	
	31 st March, 2012	31 st March, 2011
Payable within 1 Year	148.79	148.79
Payable between 1-5 Years	113.57	262.37
Total	262.36	411.16

26. Commitments and Contingencies:

- The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Nil as at March 31, 2012 (Previous year ₹ 8.10 lakh).
- The company has outstanding guarantees of ₹ 6,849.20 lakh as at 31st March 2012 (previous year ₹4,000.14 Lakh).
- Few cases relating to vendors are pending in the Courts against which the Company is liable to pay to the vendor, contingent liability is ₹ 3.15 lakh (previous year ₹ 3.15 lakh).
- 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 ₹ 57.38 lakh (Previous Year ₹ 51.51 lakh).
- Sales tax matters under dispute as per table below:

(₹ in Lakh)

S.No.	Name of the Statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	3.39	2007-08	High Court of AP
2	AP VAT Act, 2005	Value Added Tax	14.30	2006-07	High Court of AP
3	AP VAT Act, 2005	Value Added Tax	14.30	2005-06	High Court of AP
4	APGST Act, 1957	Sales Tax	28.60	2004-05	High Court of AP
5	APGST Act, 1957	Sales Tax	35.80	2003-04	High Court of AP
6	APGST Act, 1957	Sales Tax	14.30	2002-03	High Court of AP
7	The Kerala VAT Rules, 2005	Value Added Tax	84.16	2005-06	Deputy Commissioner (Appeals), Kerala
8	The Kerala VAT Rules, 2005	Value Added Tax	61.50	2006-07	Deputy Commissioner (Appeals), Kerala
9	The Kerala VAT Rules, 2005	Value Added Tax	7.42	2007-08	Deputy Commissioner (Appeals), Kerala
10	The Kerala VAT Rules, 2005	Value Added Tax	8.52	2008-09	Deputy Commissioner (Appeals), Kerala
11	The Kerala VAT Rules, 2005	Value Added Tax	4.66	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 2012, below mentioned defined contribution plans. (₹ in Lakh)

Description	2011-12 (Amount in ₹)
Provident Fund	42.60
Employee State Insurance	15.37
Total	57.97

- b. Following are the details of unfunded post retirement gratuity under defined benefit obligations, are as follows: (₹ in Lakh)

Description	2011-12	2010-11
1. Reconciliation of opening and closing balances of obligation		
a. Obligation as at the beginning of the year	54.43	49.65
b. Current Service Cost	6.77	5.59
c. Interest Cost	4.35	3.97
d. Actuarial (Gain)/Loss	(2.43)	(12.48)
e. Past services cost	-	7.70
f. Benefits Paid	(9.17)	-
g. Obligation as at the end of the year	53.95	54.43
2. Expense recognized in the period		
a. Current Service Cost	6.77	5.59
b. Interest Cost	4.35	3.97
c. Actuarial(Gain)/Loss	(2.43)	(12.48)
d. Past service cost	-	7.70
e. Expense recognized during the year	8.70	4.78
3. Assumptions	%	%
a. Discount Rate (per annum) as at the end of the year	8	8
b. Salary Rise	4	4
c. Attrition Rate	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

(₹ in Lakh)

Particulars	2011-2012	2010-2011
Traded goods	22.48	1,150.15
Capital goods	343.88	398.55
TOTAL	366.36	1,548.70

b) Expenditure in Foreign Currency:

(₹ in Lakh)

Particulars	2011-2012	2010-2011
Capital Contracts	343.88	198.06
Trading goods	22.48	31.33
Traveling	0.74	5.11
TOTAL	367.10	234.50

30. Remuneration to Statutory Auditors:

(₹ in Lakh)

Particulars	2011-2012	2010-2011
Statutory Audit fee	5.00	5.00
Tax Audit fee	2.00	2.00
Certification Fee & Others	2.50	-
Total	9.50	7.00

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, 2012 comprise of the following:

(₹ in Lakh)

	As At 31st March, 2012		As At 31st March, 2011	
A Deferred Tax Liability				
1 Related to fixed assets		760.01		204.49
B Deferred Tax Assets				
1 Disallowance under the Income Tax Act, 1961	(144.57)		(135.27)	
2 Provision for doubtful debts	(126.32)	(270.89)	(38.87)	(174.14)
C Provision for deferred tax (net)		489.12		30.35

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 set out 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 remainder 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, 2012 and 2011

(₹ in lakh)

	Integrated Solutions	Technical Division	Projects Division	Others	Unallocable	Total
Revenues	3,646.86	2,167.75	14,223.45	-	-	20,038.06
	<i>7,028.78</i>	<i>1,947.12</i>	<i>3,549.56</i>	-	-	<i>12,525.46</i>
Identified operating expenses	3,523.69	1,668.90	9,150.00	-	-	14,342.59
	<i>6,756.61</i>	<i>1,285.01</i>	<i>1,833.47</i>	-	-	<i>9,875.09</i>
Allocated Expenses	0.58	47.23	1,135.86	0.13	-	1,183.80
	<i>2.31</i>	<i>69.60</i>	<i>383.30</i>	<i>0.13</i>	-	<i>455.34</i>
Segmental operating income	122.60	451.63	3,937.60	(0.13)	-	4,511.70
	<i>269.86</i>	<i>592.50</i>	<i>1,332.80</i>	<i>(0.13)</i>	-	<i>2,195.29</i>
Unallocable expenses					1,117.79	1,117.79
					<i>637.25</i>	<i>637.25</i>
Operating income						3,393.90
						<i>1,557.77</i>
Other income/(expenses), net					46.47	46.47
					<i>87.12</i>	<i>87.12</i>
Net profit before Interest						3,440.38
						<i>1,644.90</i>
(Less): Interest Expenses					(775.02)	(775.02)
					<i>(200.05)</i>	<i>(200.05)</i>
Add: Interest Income					78.93	78.93
					<i>25.06</i>	<i>25.06</i>
Net profit before taxes						2,744.29
						<i>1,469.90</i>
Income Taxes						(887.83)
						<i>(485.91)</i>
Net Profit after taxes						1,856.46
						<i>983.99</i>
Other Information						
	-	-	-	-	-	-
Segment Assets	1,161.95	2,045.05	18,276.28	0.65	2,973.53	24,457.46
	<i>3,071.20</i>	<i>1,629.06</i>	<i>8,148.55</i>	<i>0.78</i>	<i>2,120.28</i>	<i>14,969.87</i>
Segment Liabilities	738.72	650.87	5,277.31	-	640.77	7,307.67
	<i>3,674.51</i>	<i>719.30</i>	<i>1,155.34</i>	-	<i>1,024.95</i>	<i>6,574.10</i>
Capital Expenditure	-	4.82	4,132.94	-	0.94	4,138.70
	-	-	<i>1,271.90</i>	-	<i>17.85</i>	<i>1,289.75</i>
Depreciation	-	43.50	707.62	0.13	83.09	834.36
	-	<i>40.64</i>	<i>116.81</i>	<i>0.13</i>	<i>117.86</i>	<i>275.44</i>

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. Gopi Chand & 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. N.V.V.Prasad*	Key Management Personnel (Executive Director)*
Mr.K.Rama Rao*	Key Management Personnel (Whole time Director)
Mr.T.Bapaiah Chowdary	Brother to the Vice-Chairman
Mr.T.Hanuman Chowdary	Director
Mr.T.Madhu Mitra	Son of Vice Chairman & Managing Director
Mr.T.Girish	Son of T.Bapaiah Chowdary

* The Executive Director, Mr.N.V.V Prasad has resigned on 29/08/2011 and Mr. K.Rama Rao has appointed as Whole time Director with effect from 01/07/2011.

b) Transactions with related parties:

Name of the related party	Mr. T. Gopi Chand & Mr.T.Gopi Chand (HUF)	Mr. N.V.V. Prasad**	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. c)Interest on Deposits u/s 58A	a) Receiving of Services.	Sitting Fee	a)Remuneration b) Sitting Fee	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 ₹ 52.00 lakh b)Commission of ₹ 91.08 lakh. c)Interest on deposits of ₹ 2.04 lakh.	a) Managerial Remuneration of ₹ 9.93 lakh.	a) Sitting Fee Paid ₹ 0.72 lakh.	a)Managerial Remuneration of ₹ 9.90 lakh. b)Sitting Fee Paid ₹ 0.63 lakh	a) Sitting Fee Paid ₹ 1.02 lakh	a) Sitting Fee paid ₹ 1.03 lakh b) Interest on deposit of ₹ 0.57 lakh	Salary of ₹ 0.68 lakh & ₹ 0.33 lakh
Any other elements of the related party transactions	Managerial Remuneration, & Commission was approved by Share Holders	Managerial Remuneration 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 ₹ 13.95 lakh. b) Commission payable ₹ 81.06 lakh.	NIL	NIL	a) Managerial Remuneration Payable ₹ 0.86 lakh.	NIL	Interest on deposit of ₹ 0.12 lakh	Salary Payable of ₹ 0.68 lakh & ₹ 0.33 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	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 2012. 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 impaired an amount of ₹ 110.01 lakh from the assets purchased for the Bhamasha Financial Empowerment Scheme (BFES) project.

37. Earnings per Share.

(₹ in Lakh)

	Current Year	Previous Year
a) Net Profit as per Profit and Loss Account (₹)	1849.54	1008.49
b) Add\Less: Excess Provision for Tax of earlier year (₹)	6.91	(24.50)
c) Profit available for equity share holders (₹)	1856.45	983.99
d) Weighted average number of Equity Shares outstanding during the year	125.12	125.12
e) Weighted Average number of equity shares in computing diluted earnings per share	125.12	125.12
f) Face Value of each Equity Shares (₹)	10	10
g) Earnings per share		
- Basic & Diluted (₹)	14.84	7.86

38. Figures for the corresponding year ended March 31, 2011, wherever necessary, have been regrouped, recast, rearranged as per the new Revised Schedule VI.

As per our report of even date

for NARVEN ASSOCIATES

Firm's Registration Number : 0059055

Chartered Accountants

For and on behalf of Board of Directors

Sd/-

(CA. D.C. NAIDU)

Partner

Membership Number : 024643

Sd/-

(T. Gopichand)

Vice Chairman & Managing Director

Sd/-

(K. Rama Rao)

Wholetime Director

Place : Hyderabad

Date : 22.08.2012

Sd/-

(CA. B.D. Naidu)

General Manager (Finance)



ATTENDANCE SLIP

TERA SOFTWARE LIMITED

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

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

Joint shareholders may obtain additional Attendance Slip at the Venue of the meeting.

Client ID*:	Folio No.:
D.P ID*:	No. of Share(s) held:

NAME AND ADDRESS OF THE SHAREHOLDER:

.....

I hereby record my presence at the 18th Annual General Meeting of the Company held on Friday, the 28th September, 2012 at 10.00 A.M at Jubilee Hills International Center, Road No 14, Jubilee Hills , Hyderabad - 500 033.

Signature of the shareholder or proxy

*Applicable for investors holding shares in electronics form.

Signature

PROXY FORM

TERA SOFTWARE LIMITED

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

Client ID*:	Folio No.:
D.P ID*:	No. of Share(s) held:

I/We.....

ofbeing a member/members of Tera Software Limited hereby

appoint.....of.....or failing him of

.....as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting to be held on Friday the 28th September, 2012 at 10.00 A.M. or at any adjournment thereof.

Signed this.....day of.....2012

*Applicable for investors holding shares in electronic form.

Signature

Note:

1. 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.
2. Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.
3. No Gifts will be given on the date of AGM.



- | | | |
|---------------------|---------------------|--------------|
| ○ Andhra Pradesh | ■ delhi | ■ Puducherry |
| ■ Maharashtra | ■ tamil nadu | ■ Manipur |
| ▨ Karnataka | ▨ Madhya Pradesh | ■ Meghalaya |
| ■ Kerala | ■ Uttar Pradesh | ■ Sikkim |
| ■ West Bengal | ■ Andaman & nicobar | ■ Gujarat |
| ■ Goa | ■ nagaland | ■ Rajasthan |
| ■ Arunachal Pradesh | ■ Himachal Pradesh | ■ tripura |
| | | ■ Assam |

if undelivered please return to :



TERA SOFTWARE LIMITED

8-2-293/82/A/1107, Plot No: 1107, Road No: 55, Jubilee Hills, Hyderabad-500033
E-Mail : info@terasoftware.com Url : www.terasoftware.com