

**8th
Annual Report
2001-2002**



TERA SOFTWARE LIMITED

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TERA SOFTWARE LIMITED**BOARD OF DIRECTORS:**

1.	Sri. T.GOPI CHAND	MANAGING DIRECTOR
2.	Sri. V. V. PRASAD NIMMAGADDA	EXECUTIVE DIRECTOR
3.	Smt. T. PAVANA DEVI	WHOLE TIME DIRECTOR
4.	Sri. D.SEETHARAMAIAH	DIRECTOR
5.	Sri. K. RAMA RAO	DIRECTOR
6.	Sri. T. B. CHOUDARY	DIRECTOR
7.	Sri. R. S. BAKKANNAVAR	DIRECTOR
8.	Dr. T. H. CHOUDARY	DIRECTOR
9.	Smt. T. V. LAKSHMI	DIRECTOR

REGISTERED OFFICE :

8-3-1113/2B, Kesava Nagar,
Srinagar Colony,
Hyderabad -500 073.
Tel.Nos.91-40-3736833/3730553.
Fax:91-40-3743526.
E-Mail : tspl@hd1.vsnl.net.in
Internet: www.terasoftware.com

AUDITORS:

M/S. NARVEN ASSOCIATES
Chartered Accountants
313, Lingapur House,
Himayat Nagar,
Hyderabad - 500 029

BANKERS:

BANK OF MAHARASTRA,
Basheerbagh,
Hyderabad -500029.

THE A.P. MAHESH CO-OPERATIVE URBAN BANK LIMITED,
Ameerpet,
Hyderabad-500016.

CITI BANK N.A
Begumpet,
Hyderabad-500016.

TERA SOFTWARE LIMITED

NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the members of the company will be held at the Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad-500 033 on Monday, the 30th day of September, 2002 at 3.30 p.m to transact the following business:

AS ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002, Profit & Loss Account for the year ended on that date together with the Reports of the Directors' & Auditors' thereon.
- 2) To appoint a Director in place of Sri. K. Rama Rao, Director who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Sri. D.Seetharamaiah, Director who retires by rotation and is eligible for re-appointment.
- 4) To appoint M/s. NARVEN ASSOCIATES, Chartered Accountants, as Statutory Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the company and to fix their remuneration.

By Order of the Board of Directors

Date : 21.08.2002
Place : Hyderabad.

Sd/-
(T. GOPI CHAND)
Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote at the meeting on his/her behalf and such proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Members/Proxies should fill the attendance slip for attending the meeting.
3. 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.
4. The Company has already notified closure of Register of Members and the Share Transfer Books from Monday, 23rd September 2002 to Saturday, 28th September 2002 (both the days inclusive).
5. Shareholders are requested to bring their copy of Annual Report to the meeting.

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INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be appointed/reappointed at this Annual General Meeting are given below:

Name of the Director	Sri. D.Seetharamaiah	Sri. K.Rama Rao
Age	76Years	55Years
Date of Appointment	30.09.2000	30.09.2000
No of outside Directorships held	10	Nil
Chairman of the Committee of the Board of Directors of the Company	Remuneration Committee	Nil
Member of the Committee of the Board of Directors of the Company	Audit Committee	Remuneration & Shareholders Grievance Committee
Chairman/member of the Committee of Directors of other Companies	4	Nil



TERA SOFTWARE LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighth Annual Report on the working of the company and Audited Statements of Accounts of the company for the year ended 31st March 2002.

a) Financial Results:**(Rs. in Lakhs)**

PARTICULARS	Year Ended 31.03.2002	Year Ended 31.03.2001
Gross Income	1,015.10	1,004.66
Expenditure	958.85	891.98
Profit before interest, depreciation & tax	56.25	112.68
Less: Financial Cost	15.22	12.04
Profit before depreciation & tax	41.03	100.64
Less: Depreciation	12.57	8.82
Profit before tax	28.46	91.82
Less : Provision for taxation		
: Current Year	1.99	8.00
: Earlier Years	3.02	0.16
: Deferred Tax	11.75	0.00
	16.76	8.16
Profit after tax	11.70	83.66
Surplus brought forward from the previous year	99.85	16.19
Balance Carried to Balance Sheet	111.55	99.85

b) Results of operations for the financial year 2001-2002:

Your company achieved a turnover of Rs. 1015.10 Lakhs during the year and earned a profit of Rs. 28.46 Lakhs before tax. The general recession in the world and domestic economy coupled with the tragic incident of destruction of twin towers in United States of America and impact thereof on the security aspects etc., on the domestic areas resulted in the lower margins on the turnover of the company. The company is trying to withstand the pressure and waiting to participate in the recovery of the economy.

c) Dividend:

In view of the requirement of funds for investment to be made in a Build Own Operate and Transfer (BOOT) project of Andhra Pradesh State Government, the Directors of the Company have not proposed declaration of any dividend for the financial year 2001-2002.

d) Listing of Shares in Stock Exchanges:

At present the Equity Shares of your company are listed on The Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited.

TERA SOFTWARE LIMITED**e) Overseas Office:**

During the year under review, the company closed its branch office in Australia as the company could not get any business opportunities in that country and the operations of the overseas branch in USA resulted in a loss of Rs. 8.05 lakhs as a result of slow down in the US economy. However, the branch in USA is being continued to take the opportunity in participating in the recovery of the economy.

f) Future Focus of the Company:

Your company, as a member of consortium, bagged a prestigious order from the State Government of Andhra Pradesh to impart computer education in the Government schools. The value of the total contract is Rs. 38.70 crores and the share of your company is Rs. 17.80 crores over a period of next five years. The Company focussed on the emerging industry of BPO and entered into the business of call centre.

g) Fixed Deposits:

The Company has not accepted any fixed deposits to which the provisions of Section 58A of the Companies Act, 1956 are applicable.

h) Directors:

During the year Sri. Vijay P. Gadde and Sri. Bhavani P. Vemuri, who were non-resident directors, retired at the last Annual General meeting and have not opted for reelection. As a result, the alternate directors Sri. T.H.L. Prasad and Sri. Parthasarathi Naidu, cease to be the directors. Sri. R.S. Bakkannavar, Dr. T.H. Choudary and Smt. T.V. Lakshmi joined the Board during the year. At the ensuing annual general meeting Sri. K. Rama Rao, Sri. D. Seetharamaiah retire by rotation and are eligible for reappointment.

i) Auditors:

M/s. NARVEN ASSOCIATES, Chartered Accountants, the Statutory Auditors of the company retire at the conclusion of the Annual General Meeting, and are eligible for reappointment.

j) PARTICULARS OF EMPLOYEES:

There are no employees in the Company whose particulars are to be given pursuant to Section 217(2A) of the Companies Act, 1956.

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 Board of Directors) Rules, 1988 are:

A. Conservation of energy

The impact of the cost of energy on the total cost is minimal. However the company installed energy efficient transformers and UPS systems to save the power cost.

B. Technology absorption, adaptation and Innovation

The company has not imported any technology.



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C. Foreign Exchange Earnings and outgo:

1. Earnings in Foreign Currency (FOB):

Particulars	Current Year Rs.	Previous Year Rs.
Software Development / Services	2,693,004	7,716,900
Total	2,693,004	7,716,900

2. Expenditure in Foreign Currency :

Particulars	Current Year Rs.	Previous Year Rs.
Import of Raw Material (CIF)	4,073,618	222,937
Travelling	155,109	880,839
Expenditure incurred at Overseas branches	395,176	4,495,208
Total	4,623,903	5,598,984

I) 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:

- that in the preparation of the accounts for the financial year ended 31st march, 2002 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 or loss of the company for the year under review;
- 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;
- that the directors have prepared the accounts for the financial year ended 31st march, 2002 on a going concern basis.

m) 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, through their competence, hard work, solidarity, cooperation and support.

Your directors thank the Government of India, Government of Andhra Pradesh, Department of Electronics, Department of Space, Department of Information Technology, Software Technology Park and other Government Agencies for their support during the year and look forward to their continued support.

For and on behalf of the Board of Directors

Date : 21 -08-2002
Place : Hyderabad

Sd/-
(T. GOPI CHAND)
Managing Director

Sd/-
(N.V.V. PRASAD)
Executive Director

TERA SOFTWARE LIMITED

REPORT ON THE CORPORATE GOVERNANCE

1. Company's philosophy on Code of Governance

The philosophy of the company ensures that all its operations are transparent and meet the general standards and practices of the industry serving the aspirations of its stakeholders.

2. Board of Directors

The Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Executive Directors	Sri. T. Gopi Chand Sri. N.V.V. Prasad. Smt. T. Pavana Devi
Promoter Non-Executive Director	Sri. T.B.Choudary,
Non-Promoter Executive Director	Nil
Non-Executive and Independent Directors	Sri. D.Seetharamiah, Sri. R.S.Bakkannavar, Dr. T.H.Choudary, Smt.T.V.Lakshmi,and Sri. K.Rama Rao.

Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairman/Membership of Committee of each Director:

Name of the Director	Attendance Particulars			Committee memberships/ Chairmanships in our company		No. of other directorships & committee memberships	
	Board Meetings		Last AGM	Member-ships	Chairman-ships	Director-ships	Member-ships
	Held	Present					
Sri. T. Gopi Chand	6	6	Yes	Nil	Nil	Nil	Nil
Sri. N.V.V.Prasad	6	6	Yes	Nil	Nil	Nil	Nil
Smt. T. Pavana Devi	6	4	Yes	Nil	Nil	Nil	Nil
Sri. T.B.Choudary	6	4	No	2	1	Nil	Nil
Sri. K. Rama Rao	6	2	Yes	2	Nil	Nil	Nil
Sri. D.Seetharamiah	6	4	Yes	1	1	10	4
Sri. R.S.Bakkannavar	4	4	No	Nil	1	Nil	Nil
Dr. T.H.Choudary	3	1	No	Nil	Nil	3	Nil
Smt. T.V.Lakshmi	3	2	No	1	Nil	Nil	Nil
Sri. T.H.L.Prasad (Alternate director for Sri. Bhavani P Vemuri*)	2	Nil	Yes	1	1	Nil	Nil
Sri. N. Parthasarathi Naidu (Alternate director for Sri. Vijay P Gadde *)	2	Nil	No	Nil	1	Nil	Nil

* Not opted for Re-election at the last AGM held on 29th September, 2001.

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Number of Board Meetings held and the dates on which held

During the year Six Board meetings were held as against the minimum requirement of 4 meetings. The dates on which the meetings were held are : 30.06.2001, 31.07.2001, 29.11.2001, 17.12.2001, 30.01.2002 & 20.03.2002.

The Company has constituted Audit Committee, Shareholders' Grievance Committee and Remuneration Committee to comply with the requirements of the listing agreement with the Stock Exchanges.

3. Audit Committee

The audit committee comprising three independent directors met twice on 15.6.2001 and 28.9.2001 under the chairmanship of Sri THL PRASAD. The committee was reconstituted on 29.11.2001 nominating Sri RS Bakkannavar, ex-regional director of Reserve Bank of India as the Chairman of the committee. The committee met on 19.3.2002. All the members attended the respective meetings except Sri T.B.Choudary on 19.3.2002. Thus the audit committee met thrice during the year as per the terms of the listing agreement with the Stock exchanges.

The constitution of the audit committee of the Board of directors of the company is as indicated below:

	Upto 29.11.2001	From 29.11.2001
a. Chairman	Sri. T.H.L.PRASAD	Sri.. R.S.BAKKANNAVAR
b. Member	Sri. T.B.CHOUDARY	Sri. T.B.CHOUDARY
c. Member	Sri. D. SEETHARAMAIIH	Sri. D. SEETHARAMAIIH

Role of the Audit Committee is as follows.

1. Overseeing the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the Board.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit functions.
6. Discussion with internal auditors on any significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into 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.
8. Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to the creditors.

4. Shareholders' Grievance Committee:

The Board of Directors constituted a Shareholder's Grievance Committee with the following members:

	Upto 17.12.2001	From 17.12.2001
a. Chairman	Sri. N. PARTHA SARADHI NAIDU	Sri. T.B.CHOUDARY
b. Member	Smt T. PAVANA DEVI	Smt. T.V.LAKSHMI
c. Member	Sri. K.RAMA RAO	Sri.. K.RAMA RAO

The Committee, inter alia, approves issue of duplicate certificates and overseas and reviews all matters connected with the shareholder's grievances. The Committee also looks into redressing of shareholders' complaints like transfer of shares, non-receipts of balance sheet. The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services.

During the year, the Committee met 3 times on 15.06.2001, 25.09.2001 and 30.03.2002 respectively. Sri N.PARATHA SARADHI NAIDU was present for 2 meetings, Smt T.PAVANA DEVI was present for 2 meeting, and Sri K.RAMA RAO was present for 3 meetings, Sri T.B. Choudary was present for 1 Meeting and Smt. T.V. Lakshmi was present for 1 Meeting.

All the eight outstanding complaints as on 31st March, 2001 were attended/replied by 25th April 2001. The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 40 and all the complaints were promptly attended to.

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5. Remuneration Committee:

The Board of Directors constituted a Remuneration Committee, comprising of 3 directors of the company. During the year, the Committee met on 15.06.2001 and all the members were present.

	Upto 17.12.2001	From 17.12.2001
a. Chairman	Sri. T.B.Choudary	Sri. D.Seetharamaiah
b. Member	Sri. K. Rama Rao	Sri. T.B.Choudary
c. Member	Sri. T.H.L.Prasad	Sri. K.Ramarao

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing Directors/Whole Time Director/Executive Director, 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 practice in the industry.

Details of remuneration paid to the Directors during the Year :

a) Remuneration:

Particulars	Current Year Rs.	Previous Year Rs.
Managing Director (Sri. T.Gopi Chand)	360,000	360,000
Whole Time Director (Smt. T.Pavana Devi)	240,000	240,000
Executive Director (Sri. N.V.V.Prasad)	300,000	300,000
Total	900,000	900,000

b) Sitting Fees:

Sitting fees paid to Directors for attending Board Meetings and Audit Committee Meetings.

Particulars	Current Year Rs.	Previous Year Rs.
Sri. D.Seetharamaiah	6,500	Nil
Sri. R.S.Bakkannavar	6,500	Nil
Sri. T.B. Choudary	3,000	Nil
Dr. T.H.Choudary	1,500	Nil
Smt.T.V.Lakshmi	3,000	Nil
Sri. K.Rama Rao	1,500	Nil
Total	22,000	Nil

6. General Body Meetings

Location and time for last 3 Annual General Meetings were.

YEAR	LOCATION	DATE	TIME
1998-99	# 8-3-1113/2B, Kesava Nagar, Sri Nagar Colony, Hyderabad.	24 th September, 1999	11.00 a.m
1999-00	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	30 th September, 2000	11.30 a.m
2000-01	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	29 th September, 2001	3.30 p.m

No postal ballots were used/invited for voting at these meetings.

7. Disclosures

a. Disclosures on materially significant related party transactions i.e transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.