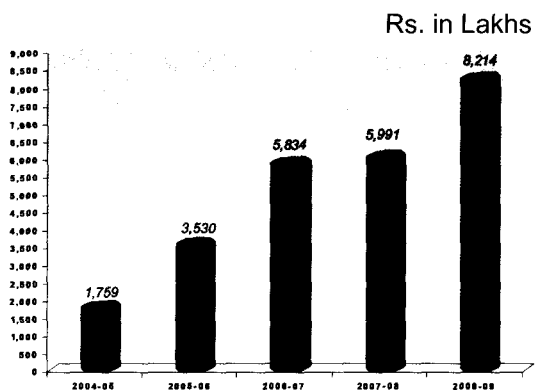


ANNUAL REPORT
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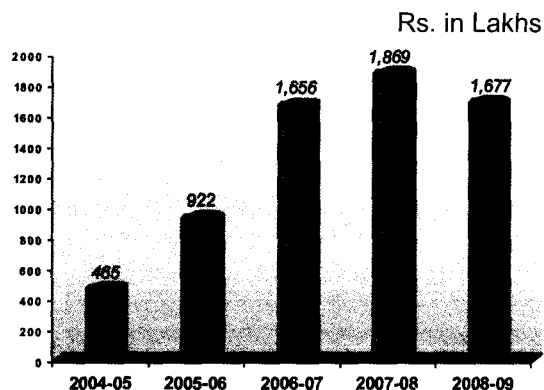
TERA SOFTWARE LIMITED

TERA SOFTWARE LIMITED

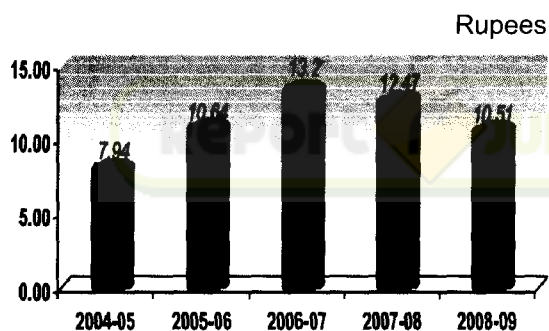
GROSS TURNOVER



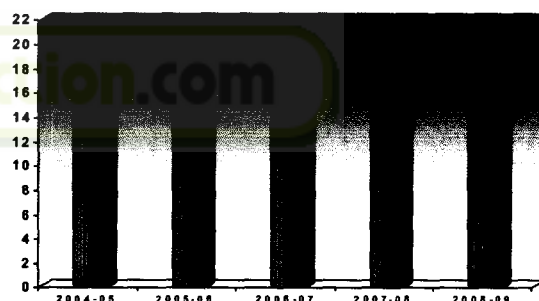
PROFIT BEFORE TAX (PBT)



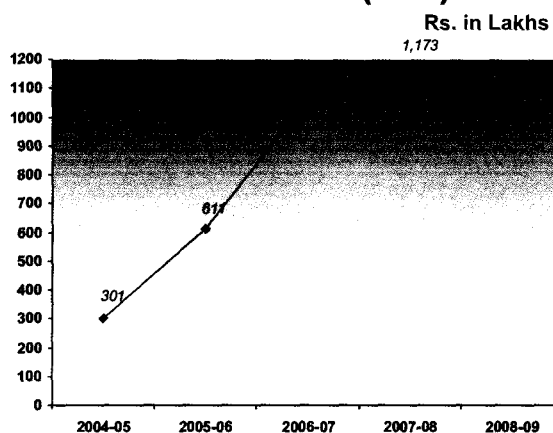
CASH EARNING PER SHARE



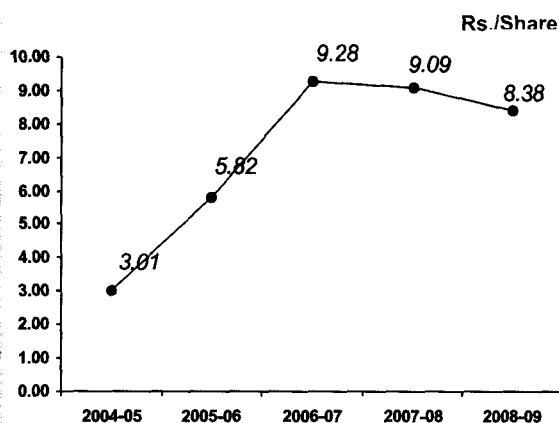
DIVIDEND PER SHARE (%)



NET PROFIT (PAT)



EPS



BOARD OF DIRECTORS:

- | | | |
|----|--------------------------|-------------------------------------|
| 1. | Sri D. SEETHARAMAIAH | CHAIRMAN |
| 2. | Sri K. RAMA RAO | DIRECTOR |
| 3. | Sri T. BAPAAIAH CHOUDARY | DIRECTOR |
| 4. | Sri R. S. BAKKANNAVAR | DIRECTOR |
| 5. | Dr. T. HANUMAN CHOWDARY | DIRECTOR |
| 6. | Dr. T. V. LAKSHMI | DIRECTOR |
| 7. | Smt. T. PAVANA DEVI | DIRECTOR |
| 8. | Sri N.V. V. PRASAD | EXECUTIVE DIRECTOR |
| 9. | Sri T. GOPI CHAND | VICE CHAIRMAN and MANAGING DIRECTOR |

REGISTERED OFFICE:

8-3-1113/2B, Kesava Nagar,
Srinagar Colony,
Hyderabad -500073
Tel.Nos.91-40-23730553
Fax: 91-40-23743526
E-Mail: info@terasoftware.com
Url: www.terasoftware.com

AUDITORS:

M/s. NARVEN ASSOCIATES
Chartered Accountants
302 & 303, Lingapur House,
Himayat Nagar,
Hyderabad - 500 029.

BANKERS:

BANK OF MAHARASHTRA,
Basheer Bagh,
Hyderabad - 500 029.

REGISTRAR AND SHARE TRANSFER AGENTS:

Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar, Panjagutta, Hyderabad - 500 034
Ph. No: 040 - 23356507 & 23350586 Fax: 4004 0554

Tera Software Limited**NOTICE**

Notice is hereby given that the Fifteenth 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 Saturday, the 19th day of September, 2009 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 2009, 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 Sri R.S.Bakkannavar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. T.Hanuman Chowdary, 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 to authorize Board of Directors to fix their remuneration.

AS SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"Resolved that the Company is authorized to add a new article 3.g.as stated below in the Articles of Association after article 3.f.

3.g). The Company shall have power to buy back its shares, but in doing so, the Company shall comply with the provisions of the Companies Act,1956 and also the Regulations stipulated by Securities Exchange Board of India.

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"Resolved that pursuant to the provisions of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the remuneration of the Sri T.Gopichand, Vice Chairman & Managing Director and Sri N.V.V.Prasad, Executive Director be and is hereby revised as detailed below without altering other terms and conditions of their appointment:

Name of the Director	Designation	Present Remuneration per month Rs.	Proposed Remuneration per month Rs.	Annual Increment Rs.	Commission on net profits Rs.
Sri T. Gopichand	V.C.&M.D.	185000	250000	45000	3.25%
Sri N.V.V.Prasad	E.D.	140000	150000	25000	1.75%

By Order of the Board of Directors

Sd/-

(T. Gopichand)

Vice Chairman and Managing Director

Place : Hyderabad
Date : 17.08.2009

Notes:

1. The explanatory statement in respect of item numbers 6 & 7 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 Saturday, 12th September 2009 to Saturday, 19th September 2009 (both days inclusive).
7. Shareholders are requested to bring their copy of Annual Report to the meeting.

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956:

Item 6:

The approval of the Members, by passing a Special Resolution, is required as per the provisions of Section 77A of the Companies Act, 1956, when the Company intends to buy back its equity shares

Your directors commend the resolution. None of the directors are interested/ deemed to be interested in the resolution.

Item 7:

The members at their meeting held on 29.09.2006 fixed the remuneration of Vice chairman and Managing Director and Executive Director and the Remuneration Committee on 14.04.2009 revised and the Board of Directors approved the same on 27.04.2009. To commensurate with the services rendered by them, your directors commend the resolution.

None of the directors are interested/ deemed to be interested in the resolution except Sri T.Gopichand, the Vice Chairman and Managing Director, Sri N.V.V.Prasad, the Executive Director individually and Smt. T. Pavana Devi, and Sri T. Bapaiah Choudary being relatives of Sri T. Gopichand as per the provisions of the Companies Act, 1956.

Tera Software Limited**Particulars of Directors eligible for re-election, pursuant to Clause 49 of the Listing Agreement:**

Serial Number	1	2
Name	Sri. R.S.Bakkannavar	Dr. T.Hanuman Chowdary
Designation	Director	Director
Age & Date of Birth	68 Years (17.6.1941)	77 Years (18.10.1931)
Qualification	Post Graduate	B.Tech
Date of Appointment	29.09.2006	28.09.2007
Nature of Expertise in specific functional areas	Over three decades of rich experience in banking sector. Providing guidance on project financing.	Founder Chairman of VSNL, former IT advisor to Government of Andhra Pradesh and renowned name in the IT field.
Remuneration	Rs.78,000/- (Sitting Fees)	Rs.39,000/- (Sitting Fees)
No. of outside Directorships held	1	3
Chairman of the Committee of Board Directors of the Company	Audit Committee	NIL
Member of the Committee of Board of Directors of the Company	Management Committee	NIL
Chairman/member of the Committees of other Companies	NIL	1

By Order of the Board of Directors

Place : Hyderabad
Date : 17.08.2009

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Fifteenth Annual Report and the audited accounts of the company for the year ended 31st March 2009 together with Auditors' report thereon.

a) Financial Results:

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2009		Year Ended 31.03.2008	
Gross Income		8214.43		5990.94
Expenditure		6054.81		3493.86
Profit before interest, depreciation & tax		2159.62		2497.08
Less: Interest (Financial Cost)		216.21		240.96
Profit before depreciation & tax		1943.41		2256.12
Less: Depreciation		266.44		387.37
Profit before tax		1676.97		1868.75
Less : Provision for tax				
Current year	612.87		766.62	
Deferred tax	6.89		(78.71)	
Fringe Benefit tax	8.41	628.17	8.00	695.91
Profit after tax		1048.80		1172.84
Add: Balance brought forward from Previous Year	868.78		524.70	
Add/ (Less): Excess Tax Provision of Earlier years	00.02	868.80	(36.00)	488.70
Profit available for distribution		1917.60		1661.54
Less: Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		250.24	
Tax on distributable profits	42.53	792.77	42.53	792.77
Balance Carried to Balance Sheet		1124.83		868.77

b) Dividend:

Your Directors are pleased to recommend a dividend of 20% absorbing a sum of Rs.292.77 Lakhs including the tax on distributable profits.

c) Performance of the Company:

The Company achieved a turnover of Rs.8214.43 Lakhs during the year and earned a net profit after tax of Rs.1048.80 Lakhs.

Tera Software Limited**d) Listing of Shares in Stock Exchanges:**

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

e) Fixed Deposits:

The Company has accepted Rs. 54.00 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.

f) Directors:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri R.S.Bakkannavar, Director, and Dr. T.Hanuman Chowdary, Director, will be retiring at this annual general meeting and being eligible offer themselves for reappointment. Smt. T. Pavana Devi resigned as a Wholtime Director and continuing as a Director with effect from 01.03.2009.

g) 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.

h) 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	Previous Employment
T.Gopichand	V.C. & M.D.	M.Tech	50	01.09.1995	27	4,009,831	Electronic Corporation of India Limited
N.V.V. Prasad	E.D.	B.Tech	49	01.12.1999	26	2,941,504	Taraka Prabhu Publishers Pvt. Ltd.

i) Conservation of energy, technology absorption and foreign exchange earnings/outgoings:

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 provide 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:**1. Earnings in Foreign Currency (FOB):**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development/Services	903,000	5,582,300
Total	903,000	5,582,300

2. Expenditure in Foreign Currency (CIF): Nil (Previous Year Nil).**j) 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, 2009 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 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, 2009 on a going concern basis.

k) 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: 17.08.2009

Sd/-
(T. Gopichand)
Vice Chairman and 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 on Code of Governance envisages the attainment of highest levels of transparency, accountability, professionalism, risk management and equity in all facets of its operations in serving its stakeholders.

2. Board of Directors:

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

Composition and category of Directors is as follows:

There are nine directors on the Board comprising an independent non-executive chairman, two promoter whole time directors, two promoter non-executive directors, and four independent non-executive directors.

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

During the year the Board met six times on 30.04.2008, 29.07.2008, 27.08.2008, 29.09.2008, 30.10.2008 and 24.01.2009.

Name of the Director	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	6	6	Yes	Nil	Nil	1	Nil
Sri N.V.V. Prasad	6	6	Yes	Nil	Nil	1	Nil
Smt. T.Pavana Devi	6	6	Yes	Nil	Nil	1	Nil
Sri T.Bapaiah Choudary	6	6	Yes	1	1	Nil	Nil
Sri K. Rama Rao	6	6	Yes	3	Nil	1	Nil
Sri D.Seetharamaiah	6	6	Yes	1	1	6	5
Sri R.S.Bakkannavar	6	6	Yes	Nil	1	1	Nil
Dr.T.Hanuman Chowdary	6	6	Yes	Nil	Nil	3	1
Dr. T.V. Lakshmi	6	6	Yes	2	Nil	1	Nil

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 is a Director.

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.